

# THE WALL STREET JOURNAL

## What's News

### Business & Finance

- ◆ **Tesla's sales momentum** slowed during the third quarter as the maker of electric vehicles took production offline for factory upgrades and prepared to release its long-awaited Cybertruck pickup. **B1**
- ◆ **The dollar has bounced** back with a vengeance, threatening global central bankers' tricky task of bringing down inflation while protecting fragile economic growth. **B1**
- ◆ **Google has used** unfair tactics to hobble Microsoft's Bing search engine, Microsoft chief Nadella said on the witness stand in the landmark antitrust case against Google, adding there might be limits to how much new artificial-intelligence applications can reshape the market. **B1**
- ◆ **U.S. stocks ended mixed**, with the S&P 500 and Nasdaq adding 0.01% and 0.7%, respectively, while the Dow industrials fell 0.2%. **B11**
- ◆ **TikTok parent ByteDance** turned an operating profit of nearly \$6 billion in the first quarter of 2023, nearly twice that from the previous year as the Chinese social-media giant pared expenses. **B3**
- ◆ **Ford and GM** have laid off an additional 500 workers combined, knock-on effects from the United Auto Workers' strike. **B4**
- ◆ **Boaz Weinstein** and his group of high-profile investors sweetened their previous offer for hedge-fund firm Sculptor, according to people close to the matter. **B10**
- ◆ **Insurer Allianz** appointed Claire-Marie Coste-Leputre as its next chief financial officer, succeeding Giulio Terzariol. **B10**



Former President Donald Trump, shown during a break in the trial, later in the day denounced it as 'election interference.'

## Trump Fumes as Fraud Trial Starts New Phase of Legal Peril

NEW YORK—An agitated Donald Trump stewed through the first day of trial in a Manhattan civil-fraud case that has the potential to cripple his business, as New York's attorney general sought to build upon an initial ruling last week that the former president broke the law.

Monday's proceedings for-

mally kicked off what is likely to be a long legal season for Trump, who is looking to cement his big lead in the 2024 GOP presidential race while simultaneously fighting a series of cases that threaten his livelihood—and his freedom.

Trump said nothing to New York state Attorney General Letitia James as he entered the courtroom to face her allegations that he and his business falsified asset values for a decade and reaped about \$250 million in ill-gotten gains. Be-

fore the trial's opening statements and as the day wore on, he complained in courtroom hallways that James and the presiding judge, State Supreme Court Justice Arthur Engoron, were out to get him.

"It's a scam, it's a sham," Trump said in the morning.

At lunch, he called for the judge to be disbarred and removed from office.

"Election interference," Trump said as he left the courtroom for the day before his campaign later sent out a

fundraising plea.

On the courthouse steps, James said that Trump, and members of his family and company, had repeatedly committed fraud and her office would hold them accountable.

"No matter how powerful you are, no matter how much money you think you may

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By **Corinne Ramey, James Fanelli and Jacob Gershman**

- ◆ **Thomas recuses himself in ex-clerk's appeal**..... A3
- ◆ **Democrats fret over Biden but don't have a Plan B**.. A4
- ◆ **Europe anxious over fate of U.S. funding**..... A6
- ◆ **Ukraine deploys decoys to fool Russian forces**..... A6

## Pentagon Weapons For Kyiv To Dry Up In Months

Defense officials say \$5.2 billion won't last long if Congress fails to fund Ukraine aid

The Pentagon has more than \$5 billion remaining in its coffers to provide weaponry and other security assistance to Ukraine even after Congress declined to include more funding for the war in a weekend bill to keep the government open, Pentagon officials said.

By **Gordon Lubold and Lindsay Wise in Washington and Isabel Coles in London**

The \$5.2 billion is roughly equivalent to the value of the weaponry the Biden administration has sent to Ukraine over the last six months for its fight against Russia, but administration officials said it is unclear how long that money could last. A number of factors contribute to the rate at which security aid flows to Kyiv, and officials believe the \$5.2 billion could last only for another few months.

The sum is roughly about 12% of the total \$43.9 billion in security assistance that the U.S. has sent since Russia's February 2022 invasion, leaving a sizable amount of security aid.

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### World-Wide

- ◆ **The Pentagon has** more than \$5 billion remaining in its coffers to provide weaponry and other security assistance to Ukraine even after Congress declined to include more funding for Kyiv's war against Russia in a bill to keep the government open, Defense Department officials said. **A1, A6**
- ◆ **An agitated Donald Trump** stewed through the first day of trial in a Manhattan civil-fraud case that has the potential to cripple his business, as New York's attorney general sought to build upon an initial ruling last week that the former president broke the law. **A1**
- ◆ **Katalin Karikó** and **Drew Weissman** won the Nobel Prize in medicine for an idea that pushed them to the fringes of the scientific establishment before it saved millions of lives during the pandemic. **A1**
- ◆ **Rep. Matt Gaetz** took to the floor of the House to formally move ahead with a vote to oust Kevin McCarthy as speaker, a test for both Republicans and Democrats over whether to save his speakership. **A3**
- ◆ **Justice Clarence Thomas** recused himself from a Jan. 6-related appeal filed by his former law clerk John Eastman, who faces legal actions from his efforts to help Trump nullify Biden's 2020 election victory. **A3**
- ◆ **The United Nations Security Council** approved the deployment of an armed multinational force led by Kenya to help Haiti's beleaguered police wrest back control from criminal gangs that dominate much of the country. **A7**

## American Consumers Just Keep on Spending

BY RACHEL WOLFE

Consumers should be spending less by now. Interest rates are up. Inflation remains high. Pandemic savings have shrunk. And the labor market is cooling.

Yet household spending, the primary driver of the nation's economic growth, remains robust. U.S. consumers spent 5.8% more in August than a year earlier, well outstripping less than 4% inflation. And the experience economy boomed this summer, with Delta Air Lines reporting record revenue in the second quarter and Ticketmaster selling over 295 million event tickets in the first six months of 2023, up nearly 18% year-over-year.

Economists and financial

advisers said consumers putting short-term needs and goals above long-term ones is normal. Still, this moment is different, they said.

A tough housing market has more consumers writing off something for which they would historically save, while the pandemic showed the instability of any long-term plans related to health, work or day-to-day life. So, they are spending on once-in-a-lifetime experiences because they worry they might not be able to do them later.

"It's not a regret-filled, spur-of-the-moment decision," said Michael Liersch, who oversees a team of advisers as

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◆ **Dollar's rise is headache for rest of world**..... B1

### INSIDE



**BUSINESS & FINANCE**  
Beyoncé is set to bring her popular summer tour to movie cinemas in deal with AMC. **B1**

**PERSONAL JOURNAL**  
Heirs find they can lose out when beneficiary forms aren't updated. **A10**

## Rivian Stumbles In Quest to Build Ultimate Truck

After a splashy debut, the EV maker has struggled to keep costs down

BY SEAN MCLAIN

Rivian Automotive set out to build the ultimate electric vehicle for American consumers—a pickup truck with sports-car handling and a dizzying array of features.

Engineers gave the truck a beefy underlying metal frame for higher crash-test ratings and one of the most complicated suspension systems on the market for a smoother ride on- and off-road. It can

go from zero to 60 miles an hour in 3 seconds. Rivian added pop-out flashlights stored away in the doors and a portable Bluetooth speaker.

All that comes at a cost. Rivian vehicles sell for over \$80,000 on average. Yet they're so expensive to build that in the second quarter the company lost \$33,000 on

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- ◆ **Tesla's plant upgrades slowed sales**..... B1

**Sorry, Y'all, Georgia's Accent Fades**

\* \* \*

The young lose distinctive drawl; a new 'dray-uss'

BY SCOTT CALVERT

Angie Holland is proud of her thick drawl but says it's jarring to hear her voice blare over the intercom at the store where she works in Albany, Ga. "I'm like, OK, I sound like a country hick," she said.

Her son, John Heldenberg, 32, sounds very different. His speech carries much fainter hints of his own southwest Georgia upbringing. "Everybody thinks I'm from the Midwest," he said.

The mother-son divergence tracks with a buzzy new research finding: The classic Georgia accent is slipping away, Please turn to page A8

## Pair Met With Doubts, Now Win Nobel Prize

Katalin Karikó and Drew Weissman won the Nobel Prize in medicine on Monday for an idea that pushed them to the fringes of the scientific establishment before it saved millions of lives during the pandemic.

By **Dominique Mosbergen, Peter Loftus and Gregory Zuckerman**

Karikó, a molecular biologist, and Weissman, an immunologist, realized during a chance encounter at a University of Pennsylvania photocopy machine in the 1990s that they could combine their work to explore how messenger RNA might produce effective drugs or vaccines.

Their collaboration was met with skepticism by their colleagues and indifference in the scientific community. Karikó struggled to secure funding for her work. Penn de-

moted her and sent her to work in an office on the outskirts of campus.

"People wondered, 'What the hell is wrong with her,' there must be some reason she's not on the faculty," Karikó has said.

Years later, as drugmakers raced to develop vaccines against Covid-19, it was mRNA technology that powered widely used shots from Pfizer-BioNTech and Moderna. The Nobel committee credited Karikó's and Weissman's work with saving millions of lives.

"The laureates contributed to the unprecedented rate of vaccine development during one of the greatest threats to human health in modern times," the committee said in awarding Karikó, 68 years old, and Weissman, 64, the annual prize in physiology or medicine. Karikó is the 13th woman among 227 people to

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U.S. NEWS

Defunct Vaccine Rules Stir Court Fight

Administration seeks to wipe out decisions now that mandates are no longer in effect

By JACOB GERSHMAN

President Biden months ago stopped requiring people who work or do business with the federal government to get Covid-19 shots. But the legal fight over his vaccine mandates has raged on, with potentially significant consequences for the public-health powers of future presidents.

Among the continuing battles, the Supreme Court could decide as soon as next month whether to grant a request from the Justice Department to erase an appeals court ruling upholding an injunction that blocked the president's order that millions of federal workers be vaccinated against Covid to keep their jobs.

Activists against the pandemic measures aren't relenting either, as they pursue more definitive pronouncements from the courts against government-mandated vaccination. They are also trying to preserve previous injunctions against the requirements as lasting legal precedent to guard against any return of the vaccine rules.

Biden issued an executive order in 2021 ramping up his administration's push to get Americans vaccinated. The requirements in the order ini-

tially covered some 100 million public and private workers and met resistance from employees who didn't trust the safety or effectiveness of the newly developed vaccines or objected to the shots for religious reasons.

Opponents brought a wave of lawsuits claiming that the president's order lacked legal authority and that workers had a right to be unvaccinated. The cases raised questions that had rarely been tested in court.

By the time the Covid national emergency formally ended this spring, the mandates had lost much of their force. The Supreme Court last year blocked the administration's Covid-19 vaccine-or-testing rules for large private employers. The justices declined to block another mandate covering federally funded health-care workers, but that requirement ended this year.

Appeals courts dealt setbacks to the president's mandates for federal employees and contractors, though those cases were never fully resolved. Questions about the rights of religious objectors, raised in lawsuits by U.S. armed service members subjected to vaccine rules, also remain unsettled.

"We never got a definitive statement that the president of the United States lacks the authority to issue vaccine mandates applicable to his own employees," said James Hodge, an Arizona State University public-health law professor.

The Biden administration is still encouraging Americans to get updated boosters to combat new Covid variants threatening to push up infections and hospitalizations. Government lawyers in recent court filings said the administration doesn't expect to revive the

vaccine requirements but maintain the president has the legal authority to do so.

In a petition to the Supreme Court, Solicitor General Elizabeth Prelogar said a lower-court ruling blocking the federal-worker mandate frustrated "an important exercise of the President's constitutional and statutory authority to superintend the civilian federal workforce."

Prelogar cited a doctrine that allows the Supreme Court to vacate a lower-court decision when the case is mooted while on appeal. She told the court that the administration's withdrawal of the mandate wasn't a legal tactic but "based on changed public health conditions."

A Justice Department spokesman declined to comment.

The lead plaintiff, Feds for Medical Freedom, a group

whose members are federal government and contractor employees from various agencies, argued that its victory in the lower court should be left alone as a "warning to the future" against overreach in times of emergency.

"It's too easy for the government to litigate all the way through and lose and then send the whole thing down the memory hole like it never happened," said Trent McCotter, a partner at Boyden Gray representing Feds for Medical Freedom.

The Biden administration is separately asking the Supreme Court to dispose of another federal appeals court ruling and injunction forbidding the Air Force from enforcing the military vaccine mandate—which was rescinded in January—against service members who sought religious exemptions.

U.S. WATCH

WASHINGTON, D.C.

Congressman's Car Stolen at Gunpoint

Rep. Henry Cuellar (D, Texas) was carjacked in Washington on Monday evening, according to his office, the second lawmaker this year to be the victim of a violent crime in the nation's capital.

Cuellar wasn't physically harmed, said Jacob Hochberg, his chief of staff.

The incident occurred Monday evening in the Navy Yard neighborhood when three armed assailants approached the congressman while he was parking and stole the car.

"Luckily, he was not harmed and is working with local law enforcement," said Hochberg.

The vehicle was later recovered by police, Hochberg said. The D.C. Metropolitan Police couldn't be reached for comment.

Earlier this year, Rep. Angie Craig (D, Minn.) was attacked in the elevator of her apartment building near H Street Northeast. The suspect punched her and grabbed her neck, and she fought back and threw hot coffee on him, according to a police report. Craig was bruised but otherwise unharmed, her office said.

—Suryatapa Bhattacharya

UTAH

Legislator, Family Die in Plane Crash

A state senator from North Dakota, his wife and their two young children died when the small plane they were traveling in crashed in Utah, a Senate leader said Monday.

Doug Larsen's death was confirmed Monday in an email that Republican Senate Majority Leader David Hogue sent to his fellow senators.

The plane crashed Sunday evening shortly after taking off from Canyonlands Airfield about 15 miles north of Moab, according to a Grand County Sheriff's Department statement posted on Facebook. The sheriff's office said all four people on board the plane were killed.

"Senator Doug Larsen, his wife Amy, and their two young children died in a plane crash last evening in Utah," Hogue wrote in his email. "They were visiting family in Scottsdale and returning home. They stopped to refuel in Utah."

The crash of the single-engine Piper plane was being investigated, the National Transportation Safety Board said in a social-media post.

—Associated Press



POSTAL HONORS: A stamp featuring the late Supreme Court Justice Ruth Bader Ginsburg is unveiled in Washington Monday.

Pioneers In mRNA Win Nobel

Continued from Page One win the prize.

"We focused on doing the science," Karikó said Monday. "That's why we persevere, we are resilient."

Karikó, a gregarious and outspoken scientist with a Ph.D. in biochemistry, had tried for nearly a decade to convince colleagues that mRNA could deliver desired proteins to the body. Then she met Weissman.

Weissman, a medical doctor with a Ph.D. in immunology and microbiology, hardly smiled around campus, even for photos. His wife once joked that he was so taciturn he set a self-imposed word limit each day. He was eager to help other researchers, though.

Like most scientists at the time, Weissman was originally wary of mRNA, a molecule deemed too short-lived and difficult to make in the lab to provide much value. Karikó convinced him to use mRNA in his experiments.

"If you make it, I'll try it," Weissman remembered telling her, halfheartedly.

Before mRNA technology, vaccines were made from inactive or harmless viral material. Such therapies can take more than 10 years to develop because of the laborious cell culturing required to grow the viruses. Karikó and Weissman wanted to find ways to inject mRNA into the body without setting off the body's defenses.

"We knew from the beginning that RNA had incredible potential, we just didn't know when," Weissman said on Monday, after he learned he had won the Nobel in a 4 a.m. phone call.

In the 1980s, researchers discovered a method of pro-



Karikó and Weissman's work on mRNA technology powered development of Covid-19 vaccines, such as those made by Pfizer-BioNTech.

ducing mRNA without cell culture called in vitro transcription. But mRNA made by that method triggered immune responses that caused inflammation and it didn't result in efficient protein production in the body. Discoveries by Karikó and Weissman helped overcome those roadblocks.

They proved they could modify mRNA, a kind of molecular worker bee that carries instructions encoded in DNA, so it could be used safely and effectively. Researchers are now testing mRNA vaccines to target other diseases including influenza and some cancers.

Weissman had been working with part of the immune system called dendritic cells, and Karikó had been experimenting with injecting mRNA into cancer cells. The two decided to inject mRNA into dendritic cells to see if the mRNA would cause the production of certain proteins. It did. The results were "off the wall," Weissman once said. But the mRNA triggered an inflammatory response because the cells treated it as a foreign intruder, negating any benefit.

The duo figured out that if they modified the base components, or nucleosides, of mRNA, they could avert the inflammatory response.

The modifications effectively rendered mRNA "immune silent," allowing it to get into cells to do its work. The scientists also discovered that modified mRNA significantly increased protein production.

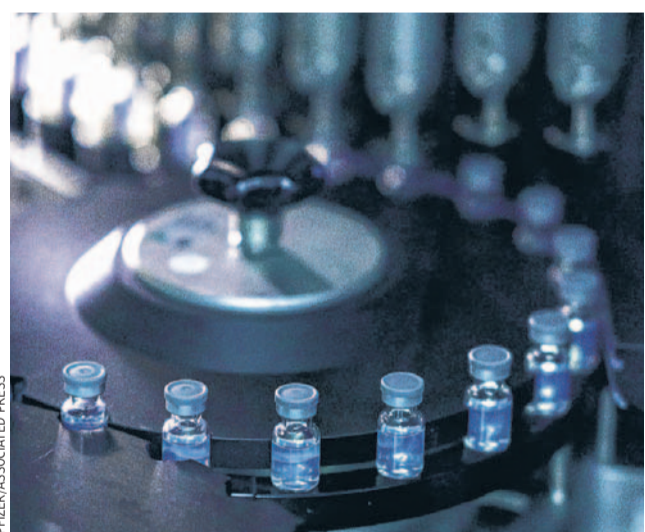
After publishing a breakthrough paper in 2005, Karikó and Weissman thought they would be inundated with interest from biotechnology companies and other scientists. That didn't happen. The pair's startup didn't get far. They kept at it anyway.

Bart Anderson, who worked

with Karikó and Weissman at Penn as a Ph.D. student in the 2000s, remembers Karikó saying her ambition was to see at least one person helped by mRNA therapies in her lifetime.

"They had the foresight and determination to see the value of therapeutic mRNA, regardless of what the wider scientific community thought," said Anderson, who is developing RNA-based medicines for pain at Grünenthal, the German pharmaceutical company.

A few years after Karikó and Weissman published their



CORRECTIONS & AMPLIFICATIONS

The 10-year Treasury yield is currently higher than the S&P 500 dividend yield. A historical chart showing the percentage-point difference between the two with a Business & Finance article Monday about interest rates incorrectly labeled positive values as times when the Treasury yield was higher; the label should have read "S&P 500 dividend yield higher" for the positive values.

Americans have won the Nobel Prize for literature

three times in the past 30 years. A Review essay on Saturday about the Nobel Prizes incorrectly said Americans won twice in that period. Also, Alfred Nobel died in 1896, not 1895 as stated in the article.

The map Mercedes-Benz's Drive Pilot uses for route-following is limited to Nevada and California. The Rumble Seat column in Saturday's Off Duty section incorrectly said it was limited to Nevada and Southern California.

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

## Thomas Recuses Himself in Ex-Clerk's Appeal

By JESS BRAVIN

WASHINGTON—Justice Clarence Thomas recused himself Monday from a Jan. 6-related appeal filed by his former law clerk, John Eastman, a onetime law professor facing several legal actions resulting from his efforts to help Donald Trump nullify President Biden's victory in the 2020 elections.

Eastman's appeal, which the court summarily denied without noted dissent, involved a technical matter stemming from his unsuccessful effort to withhold material from the House committee that investigated the Jan. 6, 2021, attack on the Capitol. Separately, Eastman is contesting disbarment proceedings in California and has pleaded not guilty to Georgia charges involving a scheme to submit a fraudulent slate of Trump electors for a state that Biden won.

The Supreme Court as an institution, and Thomas in particular, have faced scrutiny this year after revelations of questionable conduct by some justices. Thomas and other justices have said they complied with ethical rules as they understood them.

Justices recuse themselves from cases about 200 times a year, most frequently, as in the Eastman case, in decisions of whether to take an appeal at all. Typically, recusals have been noted without explanation. An April statement all nine justices signed after queries from the Senate Judiciary Committee said that while in some instances reasons for recusal are obvious, such as prior involvement in the case, in others justices are free to provide a brief public explanation. Justices Elena Kagan and Ketanji Brown Jackson have begun doing so.

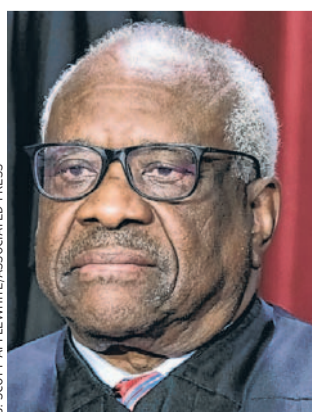
Thomas provided no explanation for his recusal in the Eastman case. Neither Eastman nor Thomas immediately responded to requests for comment.

"The probable reason is that John Eastman is his former clerk, but there is also the question of Virginia Thomas's communications with Eastman in the period before Jan. 6. It could have been one or the other, or both," said Northwestern University law professor Steven Lubet. He was referring to the justice's wife, who like Eastman supported efforts to negate the 2020 presidential election.

"Thomas's failure to explain means that there is no identifiable precedent for future cases. Perhaps that is how Thomas wants it, but it disservices the public," Lubet said.

Last month, Senate Judiciary Committee Chairman Richard Durbin (D., Ill.) called on Thomas to recuse himself from a major case to be argued this term, *Loper Bright Enterprises v. Raimondo*, where the plaintiffs seek to overrule a 1984 precedent that gives federal agencies discretion in applying their regulatory powers.

Durbin cited a ProPublica report that Thomas had attended private donor events sponsored by a political operation established by the billionaire brothers Charles and David Koch. The Koch network has funded an organization representing the Loper Bright plaintiffs, who are asking the court to overrule the 1984 decision, *Chevron U.S.A. v. Natural Resources Defense Council*, that directs courts not to second-guess an agency's reasonable interpretations of statutes that apply to it.



Justice Clarence Thomas



Rep. Matt Gaetz, center, is one of a group of hard-line Republicans who have regularly derailed legislation and worked to claw back power from House leadership.

## Gaetz Launches Bid to Oust Speaker

By KRISTINA PETERSON

WASHINGTON—Rep. Matt Gaetz and House Speaker Kevin McCarthy have been on a collision course since the start of the year. Now, the two Republican lawmakers will finally square off in a historic vote over the party's direction and leadership.

Gaetz, 41 years old and a fourth-term member of the House, took to the House floor late Monday to formally move ahead with a vote to oust McCarthy (R., Calif.) as speaker, known as a motion to vacate.

"Declaring the office of speaker of the House of Representatives to be vacant, resolved that the office of the speaker of the House of Representatives is hereby declared to be vacant," Gaetz (R., Fla.) said.

"Bring it on," McCarthy, 58, said on social media. "Just did," Gaetz responded.

The vote will both test Republican support for McCarthy in the GOP-controlled chamber, as well as what part Democrats and their leader Hakeem Jeffries (D., N.Y.) want to play in saving his speakership or pushing him out.

The mutinous plan has surprised few in the Capitol, where Gaetz has long made clear his vehement opposition to McCarthy, who engineered a short-term spending deal that will keep the government funded through mid-November over hard-line conservatives' objections.

McCarthy has said he is ready for any vote, and painted Gaetz as an obstructionist with a personal vendetta against him. "Don't judge the GOP by Matt Gaetz. Judge us by the enemies we keep," he said on Fox News on Monday. "Look, that's fine if Matt dislikes me. That's OK."

Gaetz has said his opposition to McCarthy isn't personal. "For some people, policy failures are recast as personal because their own failures are personally embarrassing to them," Gaetz told reporters. The effort to challenge McCarthy requires several steps. Filing a motion to vacate gives the member the power to call it up for a vote, which then obligates the speaker to schedule for a vote within two legislative days. McCarthy and allies could then move to hold a vote to table, or set aside, the motion, or take other steps to derail the move short of a new vote for speaker.

Gaetz is one of a group of hard-line Republicans who have regularly derailed legislation in pursuit of reining in federal spending and clawing back more power from House leadership. The number of Republicans expected to vote with Gaetz could roughly range from six additional dissidents to closer to the 20 holdouts who initially voted against McCarthy for speaker, according to a House GOP lawmaker. Gaetz said he would seek to force a vote on McCarthy repeatedly if his efforts don't initially succeed.

Many prominent House Republicans including Rep. Elise Stefanik (R., N.Y.), Tom Emmer (R., Minn.) and Rep. Patrick McHenry (R., N.C.) made statements backing McCarthy on Monday. "At least 200 Republicans will be voting to

support the speaker, including me," said Rep. Larry Bucshon (R., Ind.) on social media.

But other longtime critics signaled they were likely to back removing McCarthy. "He cannot remain Speaker," said Rep. Andy Biggs (R., Ariz.) on social media.

With a thin majority of 221-212 in the House, even with broad GOP support McCarthy could be forced to seek help from Democrats to quash the uprising.

Asked about the motion, Jeffries said: "We continue to focus on putting people over politics, not inside parlor games." When asked if he would speak with McCarthy this week he said, "In all likelihood, yes."

The question facing Democrats now is "are we better off bailing out McCarthy [or] are we better off as a country by being able to just table this and sidestep it?" said Rep. Earl Blumenauer (D., Ore.). Even if McCarthy survives this challenge, the moment has vaulted Gaetz further into the national spotlight. Some GOP lawmakers say that Gaetz's challenge to McCarthy is about raising his profile, rather than changing policy. Leading a rebellion against McCarthy could

burnish Gaetz's credentials in a 2026 Florida gubernatorial race, which many expect him to enter.

"He's all about self promotion," said Sen. Markwayne Mullin (R., Okla.).

Some lawmakers, including McCarthy, have suggested Gaetz's attacks stem from his belief that the speaker has played a role in an Ethics Committee investigation into Gaetz's conduct. McCarthy reiterated Sunday that he doesn't get involved in ethics complaints. That ethics probe began in 2021 under Democratic control in response to allegations of sexual misconduct and the sharing of inappropriate images or videos on the House floor, among others, according to the committee. Gaetz has called the allegations false smears.

In February, the Justice Department ended its investigation into Gaetz without bringing charges, drawing to a close a yearslong probe centered on whether the lawmaker had inappropriate contact with a minor. He had denied wrongdoing.

—Alex Leary  
Lindsay Wise  
and Katy Stech Ferek  
contributed to this article.

**The Florida lawmaker has long made clear his opposition to McCarthy.**

## Compromise or Combat? Voters Are Divided

By AARON ZITNER

The last-minute turnabout in Congress that staved off a government shutdown reflects one of the most significant conundrums in American politics: Voters can't decide if they want their leaders to compromise or to fight.

Most Americans say they are fatigued by political combat and see the inability of Democrats and Republicans to work together as one of the nation's most severe problems, a variety of polls show. Congress seemed to score a victory for those considerations Saturday with a bipartisan spending deal—and a deal between the House and Senate—even though it only fixes the problems for a matter of weeks.

But with animosity and distrust between the two parties at record highs, large shares within each party also want their lawmakers to fight for their core values, even if that makes it harder to address critical problems—a view driven in part by partisan news outlets and social media. While the proponents of that approach in Congress suffered a setback, it may be that they lost one battle but still can win the war for how Congress does or doesn't govern.

These cross-pressures help explain why bipartisanship emerged only as a last resort last weekend to extend funding for the government, after a set of conservative dissidents had essentially commandeered the House by blocking efforts

by their own party leaders to pass earlier funding bills.

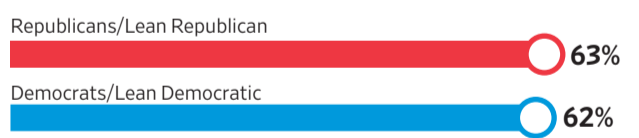
The Republican rebels were foiled by nearly every Democrat in the House joining more than 100 Republicans in support of GOP Speaker Kevin McCarthy's spending plan. For one weekend, at least, the forces of compromise and smooth governance prevailed.

The dissident conservatives, such as Rep. Matt Gaetz (R., Fla.), who are creating havoc for their own party leaders are talking to a different set of voters than are most of their colleagues. The GOP defectors are aiming at those who say fighting for core policies and values—in this case, tighter budget restraints and more border security—is more important than a deal that brings only partial victories. Shutting down a government they profess to disdain wasn't a deterrent.

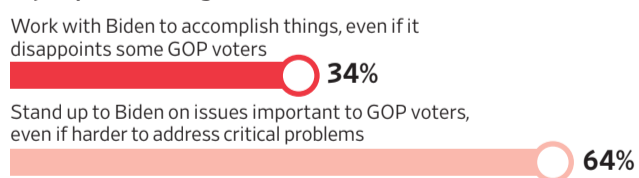
By casting themselves as the most combative fighters, these lawmakers draw media attention and campaign donations, said Doug Heye, who was a senior Republican congressional aide during a prior GOP-led shutdown in 2013. "They're playing different games," he said. "Matt Gaetz's audience and priorities are different from that of any rank-and-file member of the GOP."

Gaetz, who is widely expected to run for Florida governor rather than build a career in Congress, is "going for attention, TV interviews, fundraising," said Heye. By contrast, he said, "I've never had anybody call me because

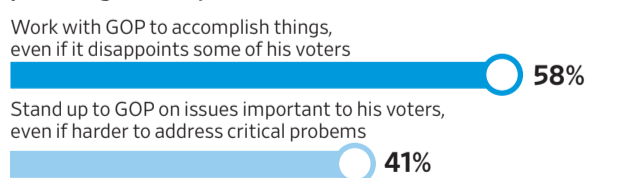
**Percentage who say that the ability of Democrats and Republicans to work together is a very big problem in the country today\***



**Among Republicans and Republican leaners, percentage who say Republican congressional leaders should†...\***



**Among Democrats and Democratic leaners, percentage who say Joe Biden should†...\***



\*Survey conducted June 5-11, 2023, among 5,115 members of the Pew Research Center's nationally representative American Trends Panel, margin of error +/- 1.7 pct. pts. †Survey conducted Jan. 18-24, 2023, of 5,152 members, margin of error +/- 1.7 pct. pts. No answer responses not shown. Source: The Pew Research Center

they're doing a story on Gus Bilirakis—members who just put their head down and work." Bilirakis is a GOP lawmaker from the same state with solid conservative credentials.

In a sense, the dissidents can win by losing—as long as voters see them putting up a fight. "They are not looking for rewards from leadership," said Sarah Binder, a senior fellow in governance studies at the Brookings Institution.

"You're not looking to get your bill on the floor or for the speaker to come campaign in your district. The rewards come from outside Washington"—from conservative media and social media, which in turn drive like-minded voters to send campaign donations.

The combative stance also aligns the GOP dissidents with their party's most influential figure, Donald Trump. The former president, who has a massive lead for the 2024

nomination, called for an "all or nothing" stance in the funding fight.

And few of Trump's opponents for the Republican nomination are touting their ability to reach across the aisle. Instead they are vowing to fight, and some candidates are promising to impose their policies unilaterally, even over congressional opposition.

A different set of incentives was more important to less-combative and centrist Republicans in the funding fight, as widespread public frustration with political leaders heightened the odds that McCarthy and his GOP colleagues would pay a penalty for a shutdown, said Peter Wehner, who served in the Reagan and both Bush administrations.

"There's no question that the public is really, really discouraged by politics, and unhappy and angry, too. And that plays into what we saw happen here, because it was clear that Republicans would be held responsible for the shutdown," he said.

"The public anger and weariness with the nature of our politics drove this," he said of the votes to extend government funding. "I think that was the piston in the engine that drove this deal."

The weeks ahead will offer many tests of the appetite in Congress for bipartisan deals. Gaetz has said he would file a motion to remove McCarthy as House speaker, and McCarthy may have to rely on Democratic votes to survive.

U.S. NEWS

Democrats Fret Over Biden But Don't Have a Plan B

By Catherine Lucey and Ken Thomas

Publicly, top Democrats say they support President Biden running for re-election and think he can win. Privately, their worries are increasing but they are resigned to the idea that he isn't going anywhere, and there is no viable Plan B.

Polis have consistently shown that most voters, including the majority of Democrats, don't think Biden should run in 2024, and many have concerns about the 80-year-old president's age, fitness for office and leadership.

In recent days, Biden has started taking the fight more directly to his likely opponent, former President Donald Trump. Biden and his allies say he is more than up for the job and is Democrats' best hope against the man he beat in 2020.

But with multiple surveys showing Biden and Trump essentially tied in hypothetical matchups, the fretting within the party has increased as the window for a primary challenge closes before the start of the new year.

Conversations with more than a dozen leading Democrats revealed the pervasive, but mostly private, sense of worry that hangs over the race. Some compare this moment to the 2016 cycle when many top Democrats brushed aside Hillary Clinton's vulnerabilities only to watch her ultimately lose to Trump.

"It is a little bit like your grandfather running the company and you know that he's at a point now where the heirs could suffer value if we don't change management at the top," said Philip Levine, a former Democratic mayor of Miami Beach, Fla., who has expressed support for No Labels, a centrist group that has suggested it may run a third-party candidate.

Other Democrats would only echo those sentiments in private. Said one member of the Democratic National Committee: "It would be irresponsible for us to not be concerned at this point. People can be hopeful about what the result is going to be. But we don't have any evidence as to why we should be hopeful.

The president's defenders argue that even if Biden were to step aside, that could trigger a messy primary process that may not produce a better candidate. Few expect Vice President Kamala Harris would

sway other Democrats from not running in an open primary field.

Biden directly addressed the concerns about his age at a recent fundraiser in New York City saying, "A lot of people seem a little focused on my age. I get it." But he added: "A couple of you are over 50 here. You know, with age comes wisdom. You have experience. And so, I knew what to do."

Former White House press secretary Jen Psaki said the Biden administration is well aware of the concerns during an interview on the "On With Kara Swisher" podcast. "They are fully tracking it," she said. "It's not that it's just popped up as an issue in the last six months."

Biden's advisers have dismissed the lingering doubts as a classic case of Democratic "bed-wetting," noting that then-President Barack Obama also suffered from bad polling at this point in his first term.

"In 2020, our campaign focused on real voters—not the cable news green room chatter. What matters is building a strong operation, investing in reaching our coalition, and focusing on November 2024. That strategy worked then, and it will again in 2024," said Biden campaign spokesman Kevin Munoz.

Democrats cite Biden's legislative scorecard, including securing funding for infrastructure and for climate, technology and healthcare investments. They also note he has beaten Trump before and the party has fared well in a number of special elections in 2023.

—Katy Stech Ferek contributed to this article.

A Quarter of Americans Can't Decide Who Should Be President. What Do We Know About Them?

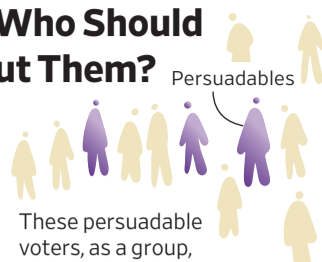
The 26% of voters that are 'persuadable' and what issues might swing their decision

By Aaron Zitner and Kara Dapena

Americans don't want the next election to be a rematch of the last one. Nearly three-quarters say President Biden is too old to run again, Wall Street Journal polling finds. More than half say that Donald Trump, his likeliest challenger, took illegal steps to try to reverse his 2020 election loss.

Biden and Trump. That leaves a meaningful share of voters, 26%, as 'up for grabs,' or persuadable.

These voters are conflicted: They don't think Biden is doing a good job but dislike some of Trump's personal qualities. They have a sour view of the economy but favor abortion rights. The findings from the Journal poll give clues to how each party will try to reach these voters in the coming months.



These persuadable voters, as a group, are not driven by the liberal or conservative ideology, with 39% identifying as ideologically moderate. They are also sour about the state of the nation, with only about 11% thinking the country is going in the right direction.

That makes them more moderate than the rest of the voter pool and less optimistic about the direction of the country.

Consider themselves moderate



Think the country is going in the right direction

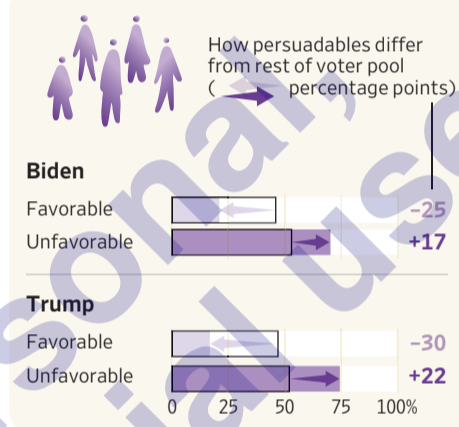


The persuadable voters have a negative view of both Biden and Trump, more so than the rest of the electorate. Some 70% have an unfavorable view of Biden, and 74% have an unfavorable view of Trump.

Biden faces a number of challenges in winning over these voters. Only 29% approve of his job performance. Two-thirds say the economy has gotten worse during his time in office, and few say he has handled economic issues well.

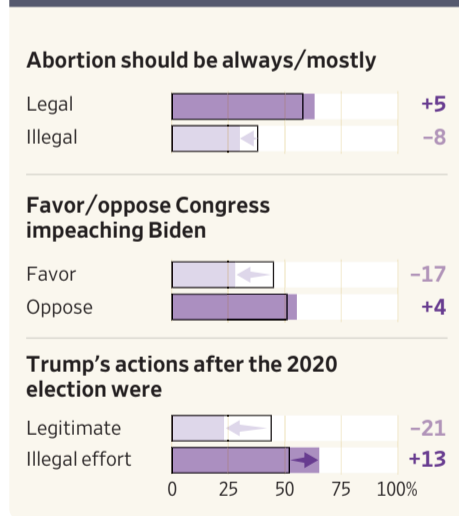
Share of: Persuadables Rest of voter pool

Do you have a favorable or unfavorable view of



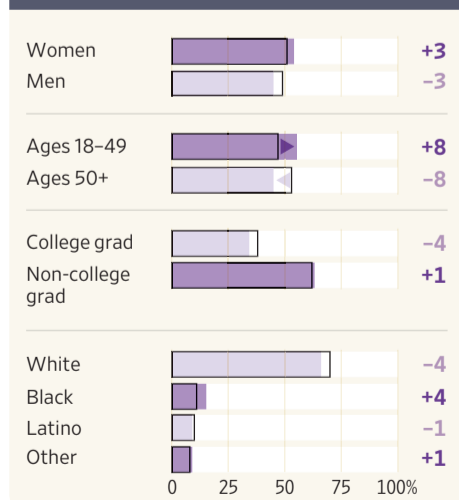
Trump also faces hurdles: The persuadable voters favor abortion rights, which many states rescinded or scaled back after Trump's Supreme Court nominees helped overturn Roe v. Wade. These voters disapprove of GOP efforts to move toward impeaching Biden, and they think Trump took illegal steps to hold on to power after losing the 2020 election.

Trump challenges

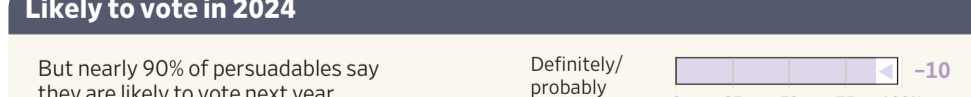


In many ways, the persuadable voters look like the electorate overall.

Demographics



Likely to vote in 2024



Source: Wall Street Journal telephone and text-to-Web survey of 1,500 registered voters conducted Aug. 24-30, 2023; margin of error was +/- 5 percentage points (persuadable voters) and +/- 3 percentage points (rest of voter pool).

Methodology: 'Persuadable' voters were drawn from two survey questions: They included those who were undecided or said their vote for Trump or Biden in 2024 was likely but not definite when offered the choice of only those two candidates, as well as voters who were undecided or picked a third-party candidate on a presidential ballot that included Trump, Biden, a Libertarian and a Green Party candidate.

Exact question wording: On abortion: 'Which comes closest to your position: Abortion should be: Legal in all cases; legal in most cases but with some restrictions; illegal except in limited cases, such as rape, incest and when a woman's life is endangered; or illegal in all circumstances?' On Trump's Actions After 2020: 'Which comes closest to your view of Trump's actions after the 2020 election: They were a legitimate effort to make sure votes were tallied correctly; or they were an illegal effort to stop Congress from certifying an election that he lost?'

Print layout by Erik Brynildsen/THE WALL STREET JOURNAL



Most voters, including a majority of Democrats, don't think Biden should run again, polls show.

Trump's Fraud Trial Kicks Off

Continued from Page One have, no one is above the law," she said.

In court, the former president, dressed in a dark navy suit and azure tie, sat sternly with his arms crossed at the defense table alongside his lawyers in the ceremonial courtroom as the proceedings got under way.

James, a Democrat, is seeking a range of sanctions that would prevent Trump from doing business in New York or with other institutions in the state. She already secured a sweeping pretrial ruling last week that ordered the cancellation of business certificates that Trump needs to operate in New York. In that decision, Engoron found that James already had proved a key fraud allegation. He is deciding the case without a jury.

James sued Trump a year ago, the first in a series of legal dominoes to fall against the former president as he has been building another run for the White House. He is now facing criminal charges in four separate cases, including one

in a nearby courthouse scheduled for trial in late March that centers on hush-money payments to a porn star.

There are six claims remaining in the civil trial, relating to insurance fraud, conspiracy and falsifying documents. Those claims require the attorney general to demonstrate that the false valuations mattered and that Trump acted with fraudulent intent, the judge has said.

During opening statements, Kevin Wallace, a lawyer in James's office, told the justice that the state could meet that standard.

"There is ample evidence of intent based on the defendant's knowing, intentional lies," Wallace said, adding that the falsities mattered because they allowed the Trump business to obtain better interest rates on loans and other benefits.

Trump isn't required to attend the civil proceedings, which could run through December and feature more than 100 witnesses. He is named on both parties' witness lists, although it is unclear whether either will call him to testify.

One of his sons, Eric Trump, who is a co-defendant, sat attentively in the front row.

Trump lawyer Chris Kise said the former president had made billions of dollars building one of the most successful real estate empires in the world.

"He has made a fortune, literally, being right about real-estate investment," Kise said, as Trump sat attentively with his hands clasped.

Kise told the justice that the financial statements had obvious disclaimers, that valuations were subjective and that the banks conducted their own analyses.

Another Trump lawyer, Alina Habba, said that the value of a property, particularly a unique one, was what

someone was willing to pay. "The Trump properties are Mona Lisa properties," said Habba. "That is not fraud, that is real estate."

James wants Trump and his company barred from entering into New York state commercial real-estate acquisitions and applying for loans with state-registered lenders for five years. She is also seeking \$250 million in penalties. It is possible that the cancellation of Trump's business certificates could force him to sell some properties.

The attorney general's first witness was accountant Donald Bender, who testified that he prepared Trump's financial statements for years.

Bender told the justice that he compiled the information the Trump Organization provided, but he didn't conduct an audit or do his own analysis of the material the company gave him. "I would look at it at a high level," Bender said. Mazars, his accounting firm, said that it couldn't be relied upon to disclose errors, fraud or illegal acts that might exist in the Trump financial statements, according to a letter the attorney general's office introduced as evidence.

Earlier in the morning, about a dozen anti-Trump demonstrators marched outside the courthouse, holding signs and chanting, "Trump lies all the time." Trump's appearance Monday led to a heavy security presence outside the courthouse. Metal barricades surrounded the perimeter, with New York Police Department officers and court officers stationed at checkpoints.

Watch a Video



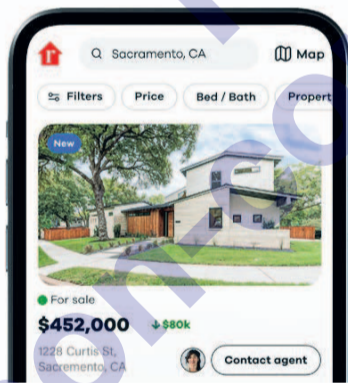
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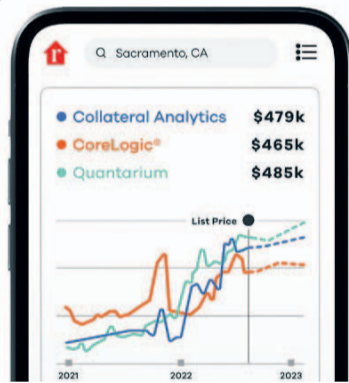
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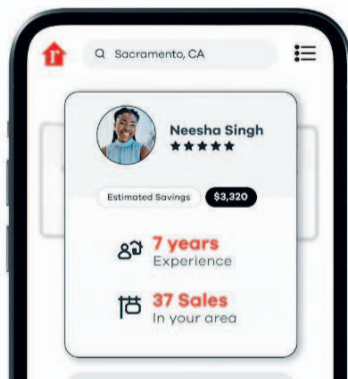
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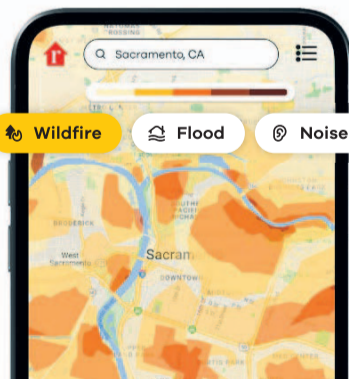
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# WORLD NEWS

## Europe Anxious Over Fate of U.S. Funding

### Officials hold meeting in Kyiv with Ukrainian President Zelensky in a show of solidarity

By LAURENCE NORMAN

KYIV, Ukraine—European leaders face a question they had hoped to avoid: If the U.S. steps back from leading Western support for Ukraine, could they fill the gap?

The question is hanging over Europe after the weekend decision in Washington to avert a partial government shutdown by passing a funding measure that excluded aid for Ukraine.

The U.S. decision sent shock waves across the Atlantic. Ukrainian President Volodymyr Zelensky vowed Sunday that his country would fight on to victory, saying there is no "expiration date" for its willingness to resist Russia.

On Monday, in a show of solidarity with Kyiv, European foreign ministers held a meeting in Ukraine with Zelensky and his foreign minister in attendance, a rare gathering outside the bloc for the European officials.

Ukrainian Foreign Minister Dmytro Kuleba said Kyiv is working with both parties in Congress to ensure the "incident" over the weekend isn't repeated. "We don't feel that the U.S. support has been shattered," he said on Monday.

European Union foreign-policy chief Josep Borrell, visiting Kyiv, called the decision

"deeply and thoroughly" regrettable and said the bloc would "continue supporting and increasing our support."

"Europe is facing an existential threat" from Russia's invasion of Ukraine, Borrell said on Sunday.

While Europe has shouldered a growing portion of the Western assistance to Ukraine and remains solidly behind Kyiv, the continent's ability to scale up military and economic support to make up for a reduction in U.S. assistance is severely limited.

"European unity on Ukraine has been quite solid so far," said Vessela Tcherneva, head of the Bulgaria office of the European Council on Foreign Relations, a think tank. "But if it becomes too lonely and too expensive, it may become problematic."

While Congress was passing its short-term funding bill, voters in Slovakia sent a signal on the political limits of Europe's support for Ukraine by backing former Prime Minister Robert Fico, who campaigned against sanctions on Russia and pledged not to send a single weapon to Kyiv.

Slovakia's election could be the EU's first since Russia's large-scale invasion to reorient government policy on Ukraine.

Relations between Ukraine and Poland have grown tense ahead of elections in Poland later this month, sparked by a row over a ban on Ukrainian grain imports. Poland did, however, walk back threats to stop weapons deliveries to



Ukrainian President Volodymyr Zelensky with European Union officials in Kyiv on Monday.

Ukraine over the argument. Hungarian Prime Minister Viktor Orban continues to deride Western military assistance for Ukraine.

Biden administration officials insist that Washington will continue to help Kyiv for as long as needed. But the growing Republican opposition to Ukraine aid, led by former President Donald Trump, is hampering the administration's ability to push economic and military aid packages through Congress.

In Europe, some officials acknowledge the region also faces a political test to maintain support for Ukraine amid economic stagnation, high inflation and budget constraints. "We are facing the same

challenges in Europe," Charles Michel, one of the EU's top two leaders, said last week. "It's very important for us in Europe to make sure that we are supported by our public opinion, by our citizens."

Europe's biggest constraint on its ability to stand in for the U.S. may be the weakness of its defense industry.

Weapons production fell significantly after the Cold War because of years of low spending by European governments.

John Dowdy, a former aerospace and defense team leader at McKinsey, said Europe has stocks of F-16 jet fighters and Leopard tanks that can help Ukraine, but its stockpile of munitions that are crucial for

Ukraine was "cut right back to the bone" in recent decades.

The EU has responded by pledging to provide one million shells for Ukraine by next spring. Halfway into the 12-month plan, it has provided only one-quarter of that, taking from its stocks.

Rheinmetall, Europe's biggest munitions maker, said it would be able to make 600,000 shells, up from 150,000 last year, thanks to an expansion of its own manufacturing and the acquisition of a Spanish company.

BAE Systems, Europe's largest defense company, said expansion at its plants and new production techniques mean it will be able to produce eight times as many

shells as before the war—but not for another two years.

Industry officials say that Europe's defense industry currently can collectively only produce 5% to 10% of the artillery ammunition Ukraine needs. Dowdy said that without governments offering companies long-term contracts, the region will struggle to produce anything near Ukraine's weaponry needs.

"Even in two to three years that's not going to be sufficient to supply munitions at the rate at which Ukraine is currently consuming" them, he said.

The EU is widely expected soon to approve roughly \$53 billion in help for Ukraine's government to cover budget obligations over the next four years. Germany has set aside roughly \$11 billion for the coming years.

Yet with EU economic growth set to be just 0.8% this year and regional powerhouse Germany expecting an economic contraction this year, European governments would struggle to provide enough assistance to cover any U.S. shortfalls.

In a sign of those challenges, Borrell said after the foreign ministers' meeting on Monday that he would seek agreement to lock in \$5.2 billion in military aid for Ukraine for next year. His original proposal was that the EU should approve a \$21 billion, four-year military package for Ukraine but that idea didn't garner enough support.

—Alistair MacDonald contributed to this article.



Ukraine's military approached Metinvest about making decoys after Russia invaded. Workers, above, craft a radar decoy.

## Ukraine's Military Deploys Replicas On Battlefield to Fool Russian Forces

By ISABEL COLES

Russian forces have destroyed about half the battlefield equipment that Ukrainian company Metinvest has produced for the country's military. Managers want Russian troops to target more of it.

At a workshop in central Ukraine, workers are busy making parts for howitzers, radar stations and mortars. They are all fakes. Metinvest churns out high-quality replicas that serve as decoys, seeking to lure Russian fire.

Made from rigid plastic foam, plumbing and scrap equipment, the gear is produced based on the logic that every Russian missile, shell or drone used to strike them is one fewer targeting real equipment and troops.

"When we place these decoys along certain areas of the front, they attract the attention of the enemy," said a worker.

One Ukrainian platoon commander said his unit had used decoys to pinpoint from where Russian artillery was firing so that other Ukrainian forces could target it.

An independent monitor last year posted video of a Russian Lancet drone striking a Ukrainian radar system that turned out to be a decoy made from a wrecked vehicle.

Deception has been an important tool of warfare throughout history, but the



Metinvest workers replicate bulky machinery from lightweight materials. Above, a full-size mock-up of the D-20 gun-howitzer.

war in Ukraine has presented new challenges. Advances in thermal imaging can reveal targets that are invisible to the naked eye, or expose fakes as inert dummies. Inexpensive drones offer armies pervasive real-time surveillance.

"More than any conflict before, it's about disinformation," said Vojtech Fresser, the chief executive of Inflatex, a Czech company that makes inflatable decoys.

It remains unclear how widely decoys are being used in Ukraine. The Ukrainian military declined to comment on their use, citing operational security.

Russia also deploys decoys. Their effectiveness is uncertain.

After Russia invaded, Ukraine's military approached Metinvest, Ukraine's largest steelmaker, about making de-

coys, said Chief Operating Officer Oleksandr Myronenko.

At the workshop, staff got to work by printing out images of weapons from the internet and analyzing how they would replicate the bulky machinery from lightweight materials. To standardize production, they created plywood stencils for carving components from foam blocks. Using featherweight components yields relatively mobile parts that troops can quickly assemble on a battlefield.

A completed howitzer decoy looks to the untrained eye exactly like ones deployed on the front against Russian forces in Ukraine. To the touch, it feels slightly spongy.

Metinvest workers need four days to replicate a Ukrainian D-20 gun-howitzer and two weeks for an American

M777 howitzer. The most labor-intensive decoy is the 35D6 radar unit, which takes a month to produce because of its size and multiple parts.

Inflatex's inflatables, made of synthetic silk, include Patriot air-defense systems, Himars mobile rocket launchers, Leopard 2 tanks and Soviet-designed SA-8 surface-to-air missile systems.

An Inflatex Leopard tank can fold into a backpack that is easily carried and takes just 10 minutes to inflate with a generator.

To deceive the enemy, troops must deploy a decoy as they would its real counterpart: Conceal it under camouflage netting and dig trenches around it. "They're not fools," said the Metinvest workshop boss of Russian troops.

Today, just tricking the eye and camera isn't enough. Decoys must mimic use. Firing explosive shells produces so much heat that cannon barrels can glow red-hot, generating an infrared signature that is easy for specialized sensors to detect. Metinvest workers discovered they could imitate the effect by setting off smoke bombs inside the decoy's barrel.

Of the 250 decoys Metinvest has supplied to the army, about half have been struck, according to the head of the workshop.

—Ievgeniia Sivorka and Daniel Michaels contributed to this article.

## Months Left In Pentagon Aid to Kyiv

Continued from Page One

Ukraine assistance still available. But another pot of money the U.S. had been using for a longer-term program to refurbish Ukraine's military and make it more compatible with North Atlantic Treaty Organization forces, the Ukraine Security Assistance Initiative, is empty, administration officials said.

What's more, an account used to replenish the Defense Department's own arsenal after the provision of U.S. arms to Ukraine is now down to about \$1.6 billion—insufficient to keep the Pentagon whole, officials said.

Aid packages have typically come every two weeks, and the next could come by the end of this week, officials said. But without knowing when Congress will approve more funds, the Pentagon might be reluctant to continue providing regular tranches of new equipment in order to save money to replenish the U.S. military's own stocks, or in case of a national security emergency, at least until Nov. 17, when the current funding bill runs out, a Senate aide said.

The short-term spending bill signed by President Biden on Saturday averted a partial government shutdown but omitted aid for Ukraine, raising questions about the future of U.S. support. The administration had sought another \$24 billion in Ukraine funding.

Despite dire warnings from the Biden administration about the impact on Kyiv's war effort, the threat to security assistance for Ukraine is more likely to emerge in the long term, and U.S. officials said the political uncertainty in Washington sends a terrible signal to the international community that Biden has rallied in support of Kyiv's fight against Russia. Ukraine's supporters fear President Vladimir Putin of Russia will come to believe he can wait out the U.S. The Kremlin is girding for a longer war, making big increases to military spending.

Defense Secretary Lloyd Austin spoke Sunday with his counterpart in Ukraine, Defense Minister Rustem Umerov, to "reiterate" U.S. support for Ukraine, the Pentagon said.

The U.S. has given Ukraine a vast range of war materiel, including tanks, helicopters, advanced guided missile launchers, and millions of rounds of ammunition. The assistance enabled Kyiv to stave off and beat back a Russian invasion that many initially thought would quickly succeed in toppling the Kyiv government, and even regain some ground Russia took in its initial push.

So far, the weekend snag in funding for Ukraine hasn't forced the administration to begin rethinking the future of U.S. support for the war in Ukraine, officials said, even as a group of hard-right Republican lawmakers has begun to undermine the otherwise bipartisan, bicameral support for Kyiv.

"Nobody is hitting the panic button over here," one U.S. official said.

On Monday, Biden said he expected House Speaker Kevin McCarthy and the Republican House majority to pass more Ukraine aid.

"We cannot under any circumstances allow American support for Ukraine to be interrupted," Biden said. "Too many lives are at stake, too many children and too many people."

McCarthy (R., Calif.) signaled on Monday he would link future Ukraine aid to strict Republican border security proposals. "I have been very clear from the very beginning, I have voted to arm Ukraine," he said. "America takes first priority here. And our border has got to be secure."

The \$5.2 billion the Pentagon has remaining comes after it discovered an accounting error in May, essentially giving it more money for Ukraine than it thought it had. In addition, the Pentagon has about \$1.6 billion in money it uses to draw from to replenish its own stocks of weaponry it has provided to Ukraine.


Ukrainian officials sought to temper doubts about U.S. support for its war effort against Russia. Foreign Minister Dmytro Kuleba of Ukraine said discussions with Republicans and Democrats were continuing and that the omission was an isolated event.

"We are now working with both sides of Congress so that it does not happen again under any circumstances," he said. "Therefore, we do not believe that U.S. support has faltered."

—Sabrina Siddiqui and Laurence Norman contributed to this article.

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# Oil Producers Want Bigger Say In Climate Talks

BY SUMMER SAID AND BENOIT FAUCON

ABU DHABI—Less two months before it hosts the United Nations' climate summit, the United Arab Emirates on Monday gathered the world's fossil-fuel producers together for one of the world's biggest annual oil-and-gas conferences, calling on the industry to be central to the world's efforts to reduce emissions.

"This is your opportunity to show the world that, in fact, you are central to the solution," the Emirati official leading COP28, Sultan al-Jaber, told the Abu Dhabi International Petroleum Exhibition and Conference, or Adipecon.

The U.A.E. hosts the energy conference every year, but it was notable Monday for how it had been recast ahead of COP28, which begins Nov. 30 in Dubai, as a meeting of the energy industry's top minds to brainstorm ways to reduce emissions to limit global warming to 1.5 degrees Celsius over preindustrial levels.

Many companies used their exhibits to champion their progress toward their "net zero goals" with little mention of their engineering prowess. There was no official acknowledgment that, with oil prices near \$100 a barrel, the energy producers were experiencing boom times.

The conference this year had a slogan unlike years past: "Decarbonize. Faster. Together."

Energy industry executives here said they had to change the narrative that the fossil-fuel industry wasn't doing enough and was in some cases even blocking progress on climate. Fossil-fuel producers have emerged as a formidable group resisting what they de-

scribe as an unrealistic push by wealthy nations to limit investment on boosting production capacity as a way of lowering greenhouse-gas emissions.

"We cannot be seen as enemies," said Claudio Descalzi, the chief executive of Eni, the Italian oil company.

The conversation underscored the challenge the U.A.E. faces in balancing its role as a major oil producer with that of hosting a climate conference.

Jaber himself epitomizes those seeming contradictions and how the U.A.E. is trying to put engagement with the energy industry at the top of the agenda for COP28. He is the chief executive of Abu Dhabi National Oil Co., one of the biggest crude producers in the world, and the founding chief executive of Abu Dhabi-based renewable-energy firm Masdar. The Adnoc chief also oversees the U.A.E.'s \$15 billion push to develop decarbonization projects.

His choice as COP28 president faced criticism from climate activists who say he has a conflict of interest as an oil executive, but Emirati officials and others here at the conference say it is time for the industry to have a bigger voice in the conversation about the energy transition.

A U.N. panel of scientists earlier this year said limiting global warming requires a massive and rapid shift in the world's energy supply. Jaber noted Monday that the panel has calculated that the world must reduce emissions by at least 43% over the next seven years to hit climate targets.

However, Jaber added that the world must do this "while also ensuring human prosperity by meeting the energy needs of the planet's growing population."



**WIG PARTY CONVENTION:** Judges in full regalia attend the annual Judges Service at Westminster Abbey in London on Monday. The event, which dates back to 1897, marks the start of the new legal year in England and Wales.

## HAITI U.N. Approves Kenya-Led Force

The United Nations Security Council approved the deployment of an armed multinational force led by Kenya to help Haiti's beleaguered police wrest back control from criminal gangs that dominate much of the country.

The U.N. resolution comes nearly a year after Prime Minister Ariel Henry asked for international assistance in taming the gangs that run roughshod, resulting in a wave of homicides and kidnappings in the hemisphere's poorest country. The violence has also triggered hundreds of desperate Haitians to try to reach the U.S. on rickety boats.

In the first nine months of this year, more than 3,000 Haitians have been killed in the country of 11.4 million, 1,500 have been kidnapped, and more than 200,000 have fled their homes, the U.N. said.

—José de Córdoba

## VATICAN Pope Softens Ban On Gay Blessings

Pope Francis softened the Vatican's ban on blessing same-sex couples, saying that priests may use their discretion in giving such blessings, so long as they don't imply a same-sex union is equivalent to a heterosexual marriage.

The pope's statement, in a letter released by the Vatican on Monday, marks a significant shift in the Catholic Church's stance on blessing gay relationships.

Catholic priests in Germany and some other northern European countries have for years held ceremonies to bless same-sex couples, in defiance of a Vatican ban.

Francis has taken a conciliatory approach toward gay people, without formally changing church teaching. He endorsed civil unions for same-sex couples in a 2020 documentary film.

—Francis X. Rocca

## HEALTH WHO Backs Second Malaria Vaccine

The World Health Organization authorized a second malaria vaccine on Monday, a decision that could offer countries a cheaper and a more readily available option than the world's first shot against the parasitic disease.

Oxford University developed the new three-dose vaccine with help from the Serum Institute of India. Research suggests it is more than 75% effective and that protection is maintained for at least another year with a booster. WHO Director-General Tedros Adhanom Ghebreyesus said the shot would cost about \$2 to \$4.

In 2021, WHO endorsed the first malaria vaccine. But that vaccine, known as Mosquirix and made by GSK, is only about 30% effective, requires four doses and protection fades within months.

—Associated Press

## AUSTRIA Hitler's Home to Be a Police Station

Work started Monday on turning the house in Austria where Adolf Hitler was born in 1889 into a police station, a project meant to make it unattractive as a site of pilgrimage for people who glorify the Nazi dictator.

The decision on the future of the building in Braunau am Inn, a town on Austria's border with Germany, was made in late 2019. Plans call for a police station, the district police headquarters and a security academy branch where police officers will get human-rights training.

The building had been rented by Austria's Interior Ministry since 1972 to prevent its misuse. A memorial stone with the inscription "for freedom, democracy and liberty. Never again fascism. Millions of dead remind us" will remain in place outside the house.

—Associated Press

# DESIGN

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FROM PAGE ONE

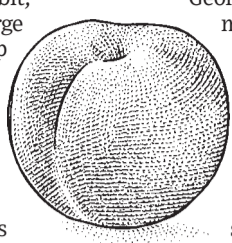
# Georgia's Accent Is Fading

*Continued from Page One*  
y'all. Is it just a matter of time before it's gone with the wind?  
"Fading fast," said Margaret Renwick, an associate professor of linguistics at the University of Georgia. "We don't think everybody's going to start talking the same, but change is going to keep happening."  
She led a recent study that for the first time documented a pronounced waning of the Peach State drawl, beginning with white Georgians born in the mid-1960s. (A similar study of the accents of Black Georgians is in the works.)  
The steady post-World War II influx of new arrivals, especially to metro Atlanta, transformed the linguistic scene in Georgia, Renwick said.  
An analysis of 135 voice sam-

ples recorded in recent decades from people born in the state between 1887 and 2003 found that the accent stayed robust among baby boomers. Then it fell off a cliff with Generation X, defined in the study as those born between 1965 and 1982.  
"I feel like people love to hate on boomers, but here in our study the real change is from boomer to Gen X," said Georgia Tech linguist Lelia Glass, a research team member. She noted other studies have cataloged a similar weakening of regional accents in places like Chicago.  
Georgia boomers, now mostly in their 60s and 70s, are liable to say dray-uss for dress and prahz for prize, the researchers said. Younger Georgians often sound like their peers around the U.S.  
The study, published in the journal Language Variation and Change, has sparked indignant pushback on social media, with many Georgians insisting the drawl is alive and well. "We are all still as country as cornbread," one woman huffed.  
But others say the findings

ring true, even if it stings to acknowledge the dimming of a mainstay of Southern culture, albeit one that is a source of endless mockery.  
"Maybe it's silly, but I felt my heart dip a little bit," said 21-year-old George Moore, who grew up in rural Georgia. A UGA senior and the student government president, he has a fairly strong accent, unlike his roommates who hail from the sprawl of Atlanta.  
Moore said during out-of-state trips, people sometimes ask him to repeat things just to hear him talk more. He doesn't mind. The sense he gets is: "Wow, he sounds very authentic."  
For politicians, the accent has proved to be an asset, or at least not a liability. Georgia peanut farmer Jimmy Carter took his to the White House. Georgia Gov. Brian Kemp, a twice-elected boomer, has a textbook drawl.  
To her dismay, teacher Mi-

chelle Jarrett never really developed a Southern accent as a lifelong metro Atlantan, in contrast to her twangy older relatives. "I do regret it because my whole family was raised in Georgia, and they were much more Southern in their speech and in their ways," said Jarrett, 53.  
Fellow Gen Xer Lisa DeVeaux, on the other hand, had more accent than she wanted. So she set out to fix it while fixing to leave a job in HR to pursue modeling and acting. In 2020 she turned to Jon Berton, who runs a business called Advanced Accent Training.  
"I did not want my accent to limit me," explained DeVeaux, who lived in Georgia as a girl and calls Charleston, S.C., home. And now? "I do not think I've gotten rid of my Southern accent, but I do think he has helped me to improve my communication."  
Berton, a speech pathologist, said he often works with clients



A peach, y'all

on their grammar and overall expression, in addition to their accent. It's never too late for a vocal makeover, he said, recalling a man in his 70s who reined in his Southern dialect.  
Patti Johnson, a 66-year-old retired teacher in North Georgia, isn't looking to tame her lush accent, acquired during a childhood near Atlanta. But it does give her headaches.  
"I have a hard time spelling, because I try to spell words the way I say them," she said. She is tired of being misunderstood—by devices. She once tossed her phone in frustration due to a failure to communicate with Siri, she said. And don't get her started on Alexa. "That girl does not understand. We do not speak the same language," she said.  
Her son Josh Johnson, 42, finds it hilarious how she says certain words. "Poem has three or four syllables, and has a 'y' in there," he said from Nashville, where he cares for his two sons.  
As for his accent, Johnson doesn't have much of one, despite growing up in what was then a rural Georgia area north

of Atlanta. But he said he can switch on a Southern accent in certain settings.  
Heldenberg, who works at an Albany brewery and is studying computer programming, thinks the times he spent with Illinois relatives might have helped smooth his accent. Like Johnson, he has the ability to speak Southern when he needs to blend in. "I can pull it off pretty well," he said.  
His maternal grandmother's accent, though, is as rich and natural as homemade pecan pie. Ann Holland, 81, said she sounds more Southern than her daughter Angie.  
Ann Holland lives near Albany—she pronounces it Awlbinny—which she points out is the hometown of drawing boomer and celebrity chef Paula Deen. Holland said she had never given the Georgia accent any thought and won't lose sleep over its uncertain future. But don't mess with it, hear?  
"A lot of the Northern people, they make fun of our accent," she said, "but I ain't so crazy about theirs sometimes, to be honest with you."

# Rivian Stumbles in EV Quest

*Continued from Page One*  
every one it sold. That's roughly the starting price of a base model Ford F-150.  
When Rivian launched onto the electric-vehicle scene, industry watchers expected it to beat rivals to market and become the "Tesla of trucks." Investors piled into its splashy market debut in 2021, when it raised nearly \$12 billion in cash and became the U.S.'s largest IPO in years. For a short while, Rivian was worth more than Ford Motor and General Motors.  
In two years, Rivian has blown through half of its \$18 billion cash pile, in part because it struggled to master the nuts and bolts of manufacturing. While production is now growing and losses have narrowed, Rivian still loses money on its vehicle sales. In an industry known for narrow margins and tough competition, Rivian pays too much for parts and produces too few vehicles to cover its costs.



Above, the assembly line at Rivian's factory in Normal, Ill., last year. Below left, Rivian Chief Executive RJ Scaringe.

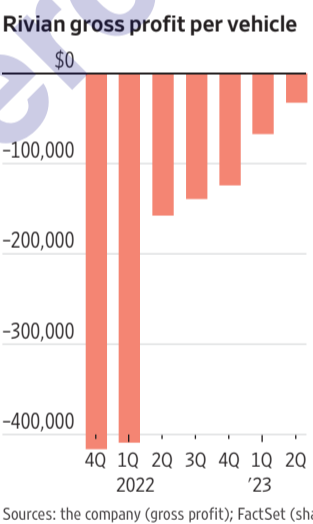


### Cash burn

The company currently sells three models: the R1T pickup truck, the R1S SUV and an electric delivery van for Amazon.com. Rivian's truck and its SUV, which share many parts, accounted for 83% of its August sales, according to Motor Intelligence data.  
As of the end of September, Rivian had only built a total of around 65,000 vehicles, a fraction of what other car companies manufacture at a single U.S. factory in a year. Even with output increasing, Rivian's factory in Normal, Ill., is operating at less than one-third of its build capacity. It aims to produce 52,000 vehicles this year.  
Rivian's share price is down around 70% from its IPO price of \$78.  
Founder and Chief Executive RJ Scaringe is rushing to slash expenses and slim down operations. He has said he is focused on reducing how much Rivian pays suppliers for parts, simplifying some aspects of the design and boosting production to move closer to profitability.  
Losses have narrowed as Rivian produces more vehicles, but its cash burn continued at over \$1 billion a quarter at the end of June.  
Scaringe said the billions of dollars spent so far were a necessary part of the company's growth. Company executives say Rivian aims to make a gross profit on its vehicles by the end of 2024.  
"We're competing to build something that's truly better than all the alternatives, and to try to do that on a limited budget would be detrimental to us achieving our mission," Scaringe said. Designing and manufacturing a vehicle with "super-car-level stiffness" has been expensive, he said, but is driving demand for Rivian's trucks and SUVs.  
Many new auto companies have stumbled in their attempts to turn an innovative idea into a vehicle that can be manufactured in large volumes. Billions of investor dollars plowed into such startups

have evaporated in recent years.  
Some, like fellow EV truck startup Lordstown Motors, have already gone bust. Lucid Group is struggling to stem heavy losses on sales of its first model, the luxury Air sedan. Fisker has only begun selling vehicles but has encountered launch delays and cut its production outlook.  
Starting up a new factory and launching a new vehicle are two of the most fraught efforts in the car industry.  
To limit losses, carmakers try to run their factories at full speed as quickly as possible. Companies take several years to design, engineer and practice manufacturing new vehicles so they can ramp up production in a matter of weeks or months.  
It's unusual for a car company to take as long as Rivian has to run its factory at full production, which in the auto industry usually means running a plant over at least two full shifts.  
"You should be able to start to make money after three to six months," said Mark Wakefield, managing director at advisory firm AlixPartners. "By the time you're ramped up and running at rate, you're making pretty good money."  
Even established automakers can struggle with new-vehicle rollouts, especially if they involve more advanced technology. GM has been slow to increase factory output of some new EVs, and Ford expects to lose \$4.5 billion on its EV business this year. Unlike Rivian, those companies have other profitable parts of the

business to absorb the financial impact.  
The past few years have been a whirlwind for the 40-year-old Scaringe, who established Rivian in 2009 after receiving his Ph.D. in mechanical engineering from the Massachusetts Institute of Technology.  
A Florida native who favors plaid shirts and black, square-framed glasses, Scaringe spent much of the 14 years since he founded Rivian overseeing a small team that operated in relative obscurity.  
Rivian's first vehicles had to be better in every way than the competition or no one would buy them, Scaringe said at a conference in 2019.  
"It will be the best-driving truck or SUV in the world. It must be, because if it's not, why would somebody pick us over a Ford or over a BMW?" he said.  
Rivian set high ambitions for the design. Its complicated suspension system can raise and lower a vehicle's height by 6 inches to optimize for handling, comfort and stability.  
Engineers beefed up the underlying metal structure of the so-called skateboard chassis—a part named for its shape that serves as the base of the vehicle that houses the batteries, electric motors and other electrical components.  
Engineering firms that have disassembled the truck say its design is overly complicated.



The front end of the vehicle contains far more metal than is needed to provide stability and protect occupants in a crash, the firms say. The added metal means that while the R1T pickup is smaller than the Ford F-150 Lightning, its direct competitor, it weighs 685 pounds more.  
The skateboard design is also complicated to assemble, requiring multiple layers of metal to slide into one another, say analysts and current and former employees. The tubes have to be welded together twice—once with a robot and then again by hand.  
Sometimes, assembly workers had to hammer the pieces to get them to fit, said some of the employees.  
"The more sophisticated the engineering is from day one, the harder it is to ramp up the manufacturing and get the vehicles out of the shop floor to fuel the cash flow," said Frank Bunte, CEO of France-based manufacturing consultants A2Mac1, which has examined the R1T.  
Scaringe said Rivian prioritized getting vehicles into production quickly over immediate profitability, which led to some cost issues. It aimed to refine the design afterward. Rivian plans to introduce a redesigned skateboard next year as part of its efforts to increase production volumes.  
"We accepted that we'd have a lot of issues in the vehi-



cle to start with," he said. Rivian's ability to redesign major aspects of its vehicles so soon after launching is a competitive advantage rather than a costly oversight, he said.  
Other criticisms, like the weight of the vehicle and strength of the body, are unwarranted, he said, because Rivian intentionally built it to stand out with superior crash-test ratings.

### Pricy parts

Another factor driving costs was the company's push to build components based on in-house designs, rather than buy less expensive parts off the shelf from established suppliers.  
Among them were electronic control units, tiny computers that power certain vehicle functions. While these units usually handle multiple functions, from battery power management to steering control, Rivian built multiple units with different functions with the intention to consolidate them later in the rush to hit production deadlines.  
In all, Rivian is paying \$25,000 per vehicle more than the typical market rate for parts, according to an estimate from Wells Fargo analyst Colin Langan.  
Rivian's difficulties were compounded by pandemic-related shutdowns and supply-chain issues, including a shortage of semiconductors and lithium—a key ingredient in batteries—that drove costs higher and slowed production.  
Rivian also decided to launch its three models in

quick succession, which the company said has made it harder to work out production kinks.  
Former employees say the process of fixing problems and cutting costs has been chaotic. They say Scaringe and other senior executives resisted suggestions to remove some of the less-essential perks in the vehicle, such as the in-door flashlight and Bluetooth speaker.  
Scaringe said some of these changes would have made only a minor difference in vehicle costs and the company has made progress on its cost-cutting targets.  
The company is making progress renegotiating supplier contracts that were signed in 2018 and 2019 for above-market rates, he said. Scaringe said that at one meeting with suppliers, "I stood on stage and said, 'you're overcharging us by 41%.' Either the prices would come down or Rivian would find alternatives, he said."

### Seeking profits

Ultimately, Rivian has tasked its engineers with cutting up to \$40,000 per vehicle in parts and production expenses, former employees say. Rivian declined to comment on the cost-cutting target, but Scaringe said the company doesn't have to hit all of its targets to achieve gross profit by the end of next year.  
Langan, of Wells Fargo, said he believed Rivian would have to both cut costs and raise prices to hit its targets, which will be difficult in this current environment. He estimates Rivian would have to sell its models at an average price of \$96,000 per vehicle and run its factory flat out to achieve it.  
Rivian last year raised prices up to 20% on some model configurations. Many competitors, including Tesla, have recently cut prices on their EVs.  
Rivian has had some successes. It rolled out the industry's first battery-powered truck and buyers and car reviewers have lauded its models' features and performance on- and off-road.  
Motor Trend described the R1T as "the most remarkable pickup truck we've ever driven," and as of early November last year, Rivian had about 114,000 reservations. It has since stopped reporting this figure, saying it's no longer an accurate measure of demand now that the company is producing more vehicles.  
Sales volume was up 60% in the second quarter over the previous quarter, while revenue was up 69%, to \$1.1 billion, helping to shrink per-vehicle losses.  
Rivian no longer has the first mover advantage, and there are signs that demand is slowing for its pickup truck. Despite low production volumes, the company has excess inventory of some configurations.  
The company is applying lessons learned from the first launches to a new generation of EV models, now being developed under its R2 line, company executives say. These smaller electric SUVs will be built at a new Georgia factory and sell at a lower price point.  
Rivian is banking on them to deliver the sales volume needed to fuel future profits and says it has enough cash to last through 2025.  
The models' arrival was pushed back last year and is now expected in 2026.

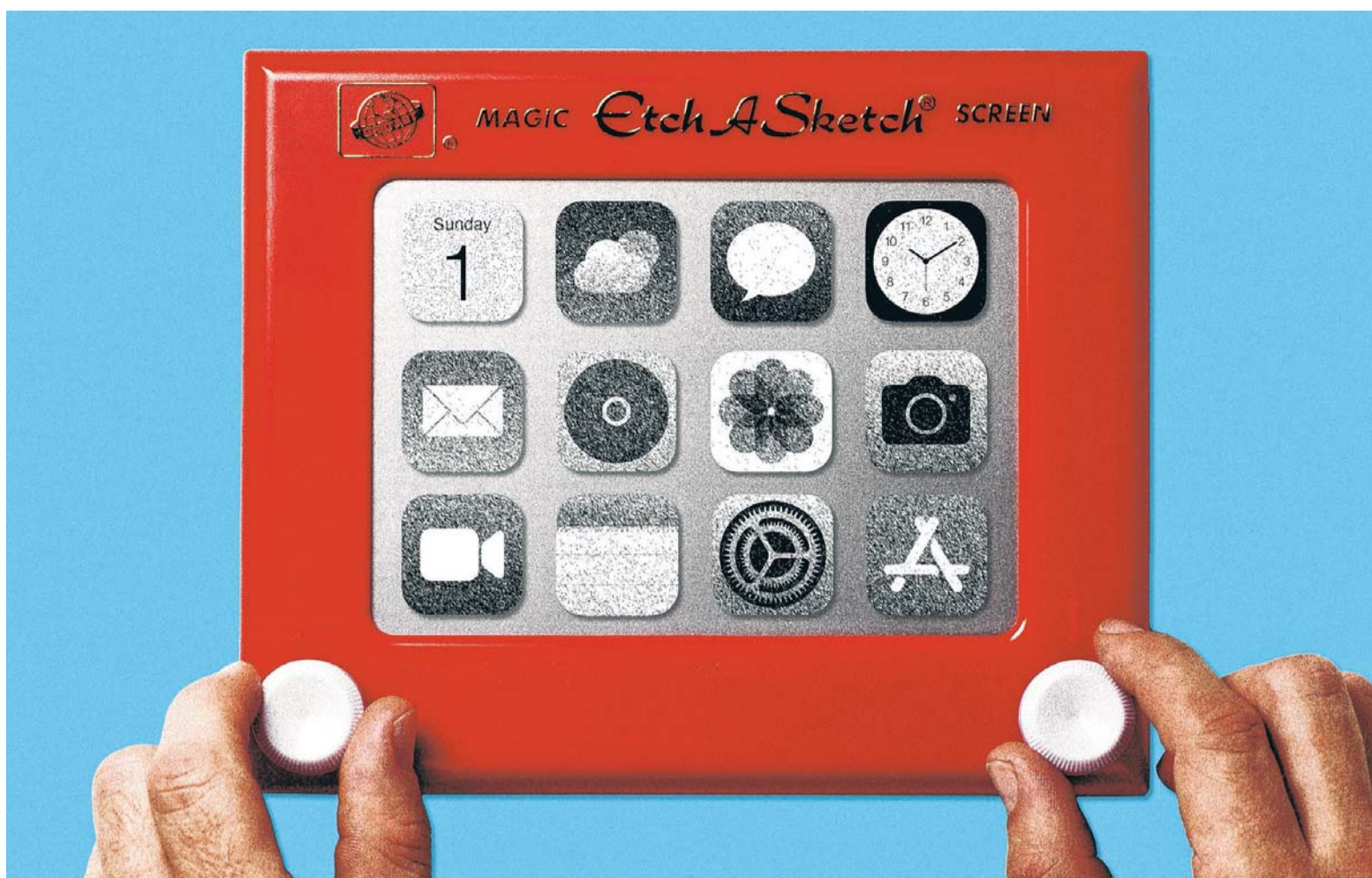
**The company has been losing \$33,000 on every vehicle sold.**

# PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

Tuesday, October 3, 2023 | A9



second only to battery life, is physical buttons. Garmin watches typically have five of them.

Touch-screen wearables are generally easy to navigate. But during a hectic race or just a workout, when you're wearing gloves or your fingers are wet, the Garmin's tactile buttons are better.

The Apple Watch has a dial and side button, but most tasks are performed on the screen. My biggest screen annoyance is when I'm getting map directions on my wrist while biking, and the watch suggests I record a cycling workout—hiding the directions. Tapping to dismiss the notification isn't easy while one hand is gripping onto a handlebar.

The Ultra model does have a programmable action button like the iPhone's. I'm a fan. Action button in all the things!

## Cars

Many modern vehicles now include giant displays. Teslas have a 15.4-inch screen to the right of the driver. Apple's next generation of CarPlay, coming in vehicles announced later this year, swallows up even more of the dashboard. The software will also be able to take over vehicle functions, such as temperature control, and display content on multiple screens, including the speedometer strip in front of the driver.

Research has pointed to car screens as a potentially dangerous distraction. A 2017 study by AAA Foundation for Traffic Safety, a nonprofit aimed at driver research, found that drivers take more than 40 seconds to complete a task on a screen. That's 40 seconds their eyes are off the road. Just two seconds of distraction doubles the risk of a car crash, the organization said.

Another, by Swedish car publication Vi Bilägare, compared 11 new car models and an older Volvo. It found that using buttons for regular tasks, such as turning on the defroster, were twice as fast than the touch-screen controls.

## Gadgets Need More Buttons

In some cases, touch screens can be cumbersome or even dangerous, leaving users unimpressed



**PERSONAL TECHNOLOGY**  
**NICOLE NGUYEN**

I recently rented a car with an infotainment touch screen the size of a paperback book. Things were going great until I needed to adjust the temperature.

In the past, I could feel around for the right knobs while driving. Not anymore. Screens are only getting bigger, and more ubiquitous. The screen on my rental car turned the seemingly simple task into a liability. I jabbed at the display trying to find a fan icon, all while navigating a winding road.

After Apple's iPhone made its debut in 2007, screens started replacing buttons seemingly everywhere. Refrigerators now come with big displays, many head-phones have touch panels and even some ovens have high-resolution screens on them. The big win for screens came when Apple ditched the iPhone's physical home button in 2017.

Then this year, Apple slightly reversed course. The recently released iPhone 15 Pro has a customizable "action button" on the side of the frame. Some people programmed the button to lock/unlock their cars. My colleague Joanna Stern set hers to quickly

pull up the train ticket for her daily commute.

I love a responsive, eye-popping screen more than anyone, but I'm glad a few buttons are coming back around. They're useful. And they're just so satisfying to press. Some gadgets, where multitasking or otherwise encumbered fingers are involved, could use another knob or two.

### The 'rage poke'

Screens are supposed to be the future: more natural, more intuitive than learning a set of buttons. (You might have seen the baby trying, unsuccessfully, to tap and scroll on a magazine.) The problem? "Although we call them *touch* screens, they require sightedness," explained Rachel Plotnick, associate professor of media studies at Indiana University Bloomington.

Plotnick's research examines the relationship between humans and machines. Because screens are typically smooth and flat, you need to look at them to know where to press, she says.

"Buttons give us texture, weight, are graspable and offer many modalities for feedback that touch screens don't," Plotnick said. They also can make navigating devices more accessible for people who have mobility issues.

Screens, on the other hand, need our full attention, which is why using them can be frustrating when we are doing something

else, like driving. Plotnick has a name for this frustration: the "rage poke." When people rage poke, they're exasperated by the screens' lack of interactivity, she said.

Voice-enabled commands were supposed to help, but using AI assistants, which don't always understand correctly or perform the right task, can be just as maddening.

### Phones

The engineers designing our devices face many trade-offs. Screens can display a lot of information and options at once. Buttons take up room that could be used for other electronic components, such as batteries or even bigger screens. But in certain cases, they're worth the space.

Most phones already have a power button and volume controls. More should have a programmable action button like the iPhone 15 Pro models. It replaced the mute switch and can trigger what you choose, like opening the camera. The button is set to enable ring or silent mode by default.

The customizable aspect is the most important. You should be able to map the button to settings or apps you access frequently. For me, that would be Do Not Disturb, which I toggle on and off at least once an hour.

For now, you can set the button to do one thing with a long press. There's a workaround that lets you



▲ iPhone 15 Pro users can program the new 'action button' to perform a variety of tasks.

cycle through different shortcuts, but it isn't as convenient as simply double-pressing the button. Apple should allow additional actions based on double or triple presses. Some people have figured out how to trigger different shortcuts depending on the phone's orientation.

Hopefully next year, Apple will bring the button to its less pricey, non-Pro models—and perhaps, add one to the iPad.

### Wearables

I often hear from people who wear Garmin smartwatches on why they'll never switch to an Apple Watch. The most common claim,

## A Star Between Rock And a Country Place

By NEIL SHAH

Country singer Lainey Wilson's breakthrough song "Things a Man Oughta Know" took off during the pandemic, partly because of its back-to-basics theme: It talks about knowing how to catch a fish, change a tire on the side of the road and decide when a relationship is over—or worth fighting for.

The mandolin-plucking track also landed on the popular neo-western television show "Yellowstone," exposing Wilson's rockified country music to legions of fans beyond Nashville. The one-two combination turbocharged the late-blooming artist's career and catapulted her on country radio and streaming.

"The song was real, I think that's why people connected to it, truly," the 31-year-old singer from Louisiana says. "During the pandemic, things became a lot more clear for people—for me, at least. It cut out the bulls—," she says. "You find out who your real friends are, who your acquaintances are. You're figuring out where your time is being spent."

Wilson is part of a new wave of country stars who are embracing

rock music to craft a bigger, broader and more arena-friendly sound. In the past few years, she has toured with Luke Combs, played Lollapalooza and joined the cast of "Yellowstone." For the past two years running, Wilson has also racked up more Country Music Association award nominations than any other artist. At the Academy of Country Music Awards, a different ceremony held in May, Wilson won four awards, including album of the year and female artist of the year, handed to her by Dolly Parton, with whom she recently collaborated on a song.

A devotee of beloved country artists like Parton and Lee Ann Womack, Wilson is something of a neo-traditionalist: Her music revolves around country's requisite storytelling, sounds and personality ("If my 'cause I like red, it's 'cause I am one," she sings on one song). What's *not* country is the guitar-powered sound she's honed with her producer, Jay Joyce, who's known for giving country records a rock edge. It's a musical formula suited for large venues and cross-over audiences.

"She's been ready for this for a long time," Joyce says. "The door just needed to crack open."



▲ Lainey Wilson is part of a new wave of country stars embracing rock music to craft a broader sound.

It's been a booming year for country music. This summer, for the first time ever, four country songs consecutively topped the Billboard Hot 100 pop chart. U.S. country-music consumption was up 20% in the first half of 2023, driven by streaming and younger listeners, according to data tracker Luminate.

It's artists like Wilson who are updating country's sound by blending it with pop (Megan Moroney), rock (Ashley McBryde), hard-rock and metal (Hardy), emo (Zach Bryan) and even rap (Jelly Roll).

On the penultimate track of her 2022 album "Bell Bottom Country," Wilson covers 4 Non Blondes' 1993 single "What's Up?," one of the most recognizable pop-rock hits of

attended, around age 3 or 4, was Tim McGraw, who grew up in a nearby town. On weekends, she made pocket money impersonating Hannah Montana at local birthday parties, opening for "Hannah" as herself to spread the word. In 2006, she put an EP, "Country Girls Rule," on Myspace. Then, at 19, she moved to Nashville to become a country star, toiling for years in the trenches of Music Row.

"Being from Baskin taught me a whole lot about the music industry," she says. "Planting seeds. Watching them grow. And doing it for years."

Around 2016, Wilson befriended Mandelyn Monchick, another newcomer to Nashville, who talked her up around town and became her manager. Publishing and record deals ensued.

In late 2018, a mutual friend introduced Wilson to Joyce, a rock musician originally from Cleveland who made his name producing country star Eric Church. Wilson knew she needed a sonic distinctiveness. Joyce's country-rock approach, including its 1990s pop-rock leanings, helped her find it.

Monchick, meanwhile, helped get Wilson's music on "Yellowstone." In 2022, at the request of show co-creator Taylor Sheridan, Wilson joined the cast, playing the musician, Abby. "Things a Man Oughta Know" has now amassed more than 100 million streams on Spotify alone.

"If you listen to a song of mine, really stripped back—just me and my guitar—it's going to sound like a straight-up country song," Wilson says. But then, you add Joyce's "secret sauce," as Wilson calls it, and you get a country-rock feel that's fresh, yet familiar, she says.

FROM TOP PHOTO: ILLUSTRATION BY RACHEL MENDELSON/THE WALL STREET JOURNAL; GARRY JONES FOR THE WALL STREET JOURNAL

CEE DAWSON

PERSONAL JOURNAL.

By ASHLEA EBELING

Even Where There's a Will, There's a Way Heirs Can Lose

Those beneficiary forms you filled out years ago sometimes can supersede your other estate plans

When Dr. James Rocconi's third wife left him, he rushed to update his will and other estate-planning documents to ensure she would get nothing when he died.

"He told me what he wanted. I wasn't going to let her win," said Dr. Tony Rocconi, a veterinarian like his dad, and executor of the estate.

Rocconi just got his share of the life-insurance money. He donated it to his dad's church in Camden, Ark., to upgrade the kitchen where his dad used to bring home-baked cheesecake pies to spaghetti supper fundraisers.

Many people assume their will is the final word on who gets what when they die. But some documents can override wills, and chances are you have already filled them out: the beneficiary forms for retirement accounts, life insurance, and some bank and brokerage accounts.

Get them wrong and your assets could end up with an ex-spouse or in a court battle. Estate planners say this is a growing issue as more Americans juggle multiple accounts, and have more of their net worth in retirement accounts.

"At the end of the day, you've got to ensure that the beneficiary forms match your intent and your estate plan," said Frank Del Barto, an employee-benefits lawyer with Masuda Funai in Schaumburg, Ill., who counsels employers on 401(k) and life-insurance benefits.

The hardest part of Del Barto's job is writing denial letters to would-be heirs, he said.

In one common scenario, an employee divorces and names an adult child as his or her new 401(k) beneficiary and then remarries. Under federal law, the new spouse gets the 401(k), no matter what the beneficiary form or will says.

To complicate matters, the rules vary for beneficiary forms for different types of accounts.

With 401(k)s, married spouses are essentially automatically entitled to the money unless they formally waive it. The waiver must be notarized. If there is no beneficiary listed and no spouse, the employer-plan documents determine who is next in line.

With individual retirement accounts, by contrast, in most states you can name someone other than your spouse as beneficiary without getting a waiver from your



Sometimes even the best intent doesn't cut it for account owners.

spouse. If you live in a community-property state such as California or Texas, you will need a waiver. If there is no beneficiary listed, the terms of the IRA agreement determine who inherits the IRA, said IRA consultant Denise Appleby in Grayson, Ga.

With insurance payouts, if the policy is a workplace plan obtained through your employer, the employer-plan documents control the payout. If the policy was purchased on your own, the insurance company's rules govern, and battles typically end up in state court.

That is what happened in the Rocconi case. James Rocconi faxed a handwritten change of beneficiary form, listing his children, to the insurer, but he didn't sign it, so the insurer didn't accept it, leaving his ex-wife as the named beneficiary. The children intervened. "He filled out the paperwork. They had voice recordings," Tony Rocconi said.

The Arkansas Supreme Court

ruled this year that James Rocconi "substantially complied" with the insurance company's policy requirements to change a beneficiary, overturning the appellate court. Among the evidence presented: On one of the recordings, James Rocconi said, "I've got to get her off."

Sometimes even the best intent doesn't cut it if the account owner didn't finish the process of changing the beneficiary, Del Barto said. Here's how to bulletproof your beneficiary forms.

Take beneficiary forms seriously

"Beneficiary designations are often an afterthought. People dash them off at home after work," said Kenneth P. Brier, an estate lawyer in Needham, Mass. Whether you're filling out new-hire paperwork, or moving an account from one institution to another, you will need to fill out a new form.

Be sure to include details about your beneficiaries such as date of birth and Social Security number. In one case involving a \$1.1 million IRA, Brier said the custodian gave up on finding an heir listed as liv-

ing in Moscow, with no other identifying information.

Keep documents up-to-date

Failing to update the forms when life circumstances change is a common mistake. If you get married, divorced or have children, make sure you make revisions. Some states have laws that automatically revoke a designation upon divorce, said Robert Barton, an estate litigator with McDermott Will & Emery in Los Angeles.

With bank and brokerage accounts, people will often add a payable-on-death designation by filling out a special beneficiary form for convenience and then forget about it. That can cause disputes between children who feel they were treated unequally. "An explanation goes a long way," said Barton.

Make your estate plan

All these accounts and policies should sync with your overall estate plan, or they might not work as intended. Del Barto just redid his estate plan to include a trust for his children, so he updated his 401(k) beneficiary form to make the trust

the 100% contingent beneficiary after his wife, who is the primary beneficiary. Without that update, his 401(k) would go directly to his children, not the trust.

Safeguard beneficiary forms

Keep copies of beneficiary forms with your other estate-planning documents. In a \$25 million estate, two siblings fought over a \$500,000 bank account, Barton said. One claimed it was a payable-on-death account, naming her as beneficiary, but the bank couldn't find paperwork. The case settled, Barton said, but much of the account value was depleted by attorney fees.

Get a stamped copy

Seymour Goldberg, a CPA and lawyer in Melville, N.Y., recommends sending duplicate beneficiary forms to the bank or brokerage house or insurance company and asking for one back with a stamp that says it was received. "You have to prove they got it," he said.

In some cases you can check online in your account profile to see if the company has made the change you requested.

Americans' Mantra: Full Spend Ahead

Continued from Page One head of advice at Wells Fargo. "It's the opposite of that, where I would regret not having done it."

Liersch cautions that it is too soon to say whether the spate of spending is a fleeting moment or a new normal. And consumers remain frustrated about inflation as the price of many goods remains significantly higher than a few years ago.

Ibby Hussain, who works in marketing for a financial-communications firm, said the Brooklyn, N.Y., apartment he and his fiancée rent for \$3,000 a month would cost a million dollars to buy. At current rates, that means around \$5,000 a month after a \$200,000 down payment, not including property taxes. "And it's not even that nice of an apartment."

So, instead of saving for a down payment like he expected to after turning 30 and getting engaged in the past year, he splurged.

First, he bought a \$1,600 Taylor Swift Eras Tour ticket and then he spent \$3,500 on a bachelor-party trip to Ibiza, Spain.

"I might as well just enjoy what I have now," he said.

Ally Bank, whose online platform started allowing customers to create savings buckets for different goals in 2020, said users create about 50% more experience-oriented buckets such as travel and "fun funds" versus those associated with longer-term planning.

Lindsey and Darrell Bradshaw

went into credit-card debt to finance a Maui vacation this past spring. The couple booked the trip a few weeks after Lindsey, 37, quit her job to be a full-time caregiver to their 8-year-old son, who has special needs. "We did not have the money and we were like, 'Let's just do this anyway,'" said Darrell Bradshaw, a 39-year-old general contractor in Seattle.

The trip cost about \$10,000, including three, \$1,000 last-minute plane tickets, 10 nights at a \$385-a-night 4-star resort and several elaborate meals.

Even though the family decided to cancel subscriptions and cut back on dining out to help offset the bill, they said they have no regrets—especially since they got to see Lahaina just a few months before it was decimated by wildfires.

Fears about a changing climate are driving some people to try to see places before they are gone. In a monthly Deloitte survey of 19,000 global consumers, climate change was the only topic among 19 concerns respondents reported feeling significantly more worried about over the past year.

Josh Richner said he greatly lowered his retirement contribution to afford a trip that included a \$7,000 Alaskan cruise so his family could see the ice caps, which have been melting. "I've never spent that much on a trip before," said the 35-year-old, adding that the pandemic and a health scare also motivated the splurge.

About six months ago, Richner and his wife decided to sell their Columbus, Ohio, home to travel the



The Richner family, left, visited Alaska's Tongass National Forest, Candice and Jasmine Kelly enjoyed a tasting menu and Ibby Hussain enjoyed at a bachelor party in Spain.

and student-loan repayments could both lead people to pull back. Rising gas prices could also deter travel.

For those who study spending, however, the robustness has been a surprise. In the New York Federal Reserve Bank's August SCE Household Spending Survey, households reported spending 5.5% more than last year. The share of households that said they made at least one large purchase in the previous four months increased to 64% from 57%, its highest reading since August 2015.

Rather than funnel all their spare change into a house or retirement account, Candice and Jasmine Kelly started a bucket-list fund after attending back-to-back funerals. The couple adds a few hundred dollars each month into the fund, which they have used to try fancy restaurant tasting menus and buy Jasmine her dream designer handbag.

Instead of waiting to have fun when they retire, Candice, a 26-year-old management analyst in Charlotte, N.C., said the couple is trying to do the opposite. They want to enjoy their money while young—even if it means working longer.

"All the rules that exist around money and lifestyle are just things people made up, so we're playing a different game, and honestly I think we're having more fun," Candice said.



country with their two young children. Working for National Legal Center, a law firm that helps consumers resolve debt, he knows the potential consequences of living in a way that gives priority to the present. But he isn't worried.

"I just hit a point where the thing that we had been talking about maybe hopefully doing some day, we're going to do it now," he said.



"I'm not going to worry about money anymore. I don't have it in me."

Consumers might not be able to keep splurging forever. Labor strikes

PHOTO ILLUSTRATION BY ELENA SCOTT/THE WALL STREET JOURNAL; ISTOCK

CLOCKWISE FROM TOP: JOHN RICHNER; CANDICE KELLY; IBBY HUSSAIN

# ARTS IN REVIEW

MUSIC REVIEW | MARK RICHARDSON

## A Close Musical 'Cousin'

With Cate Le Bon as a producer, Wilco's new LP adds subtle variety to its usual sound

When a band has been making records for almost 30 years, it takes work to keep its sound fresh. For Wilco, led by singer-songwriter Jeff Tweedy, the struggle to avoid repeating itself is unusually intense, owing in part to its success. Mr. Tweedy formed the group after the breakup of Uncle Tupelo, whose roots-rock aesthetic was foundational to the emerging genre of alternative country in the early '90s. At first, Wilco continued in the country-rock vein, but beginning late in that decade it began to tinker, moving from power-pop crunch to noise collage to extended jams informed by the machine-like rhythms of krautrock. By the early 2000s, a time when increasingly powerful computer technology was changing music, Wilco was often compared with the futurist rock of Radiohead, and Mr. Tweedy's outfit became a critical favorite with a fervent audience that flocked to its brilliant live shows.

By the late 2000s, Mr. Tweedy's band had done so well on its own terms that it didn't really need help from the broader music industry. Mr. Tweedy set up The Loft, the band's studio in Chicago, so it could record and self-produce its albums on its own time. And he formed dBpm, the band's own label, so the group could put out records without needing approval from an outside company. As demands from others fell away, its music settled into a predictable groove. Since 2009's "Wilco (The Album)," the band's work has ranged from decent to very good, but experimentation has happened only at the margins,

with small tweaks to its comfort-food approach. In August, the announcement of the 12th Wilco studio LP, "Cousin" (dBpm), came with a surprise: Welsh musician Cate Le Bon, who makes cool and formal electro-pop under her own name and has worked in the studio with Deerhunter and Kurt Vile, produced the album. Could her presence signal a shake-up in the band's sound?

Yes and no—in terms of form and structure, "Cousin" is quintessential Wilco, and those listening casually might have trouble detecting anything new about this record. But there are subtle elements throughout that reflect Ms. Le Bon's sonic approach, and their cumulative effect gives it a special mood. The opening "Infinite Surprise" is a midtempo rock tune driven by Mr. Tweedy's strummed acoustic guitar, which is something we've heard many times before. But it's filled with intriguing sound effects—glitchy percussion, a choked-out horn section, thin tendrils of drone—that give it an unsettling atmosphere.

On most of "Cousin," Ms. Le Bon seems to lend a welcome tint rather than change Wilco's palette. She favors dry recordings over those with heavy reverb, and that brittleness reinforces the alienation and disconnection in Mr. Tweedy's songwriting. The lyrics in "Infinite Surprise," like many songs here, are terse and clipped, as if he's got more to say but can't quite find the words. He suggests



with swirling guitars that suggest confusion and despair.

The most adventurous music is found in the middle of the record. The fifth track, "Sunlight Ends," has a pretty vocal melody from Mr. Tweedy that's framed by an intriguing guitar line that sounds like an electric-guitar solo has been extracted note by note and scattered to the winds, its harmonic logic remade by chance. "A Bowl and a Pudding" is dark and foreboding, with the singer's voice lower in the mix as a curious pattern of fingerpicked guitar lines drapes over the song like a web. And on "Pittsburgh," Mr. Tweedy begins with a gentle folk song that is unexpectedly interrupted by blasts of noise. The last of these has some of his most moving and specific lyrics on the set. It's about travel and missing those you love, and lines like "Time

▲ For nearly 30 years, Wilco has consistently released listener- and critic-pleasing records.

slows like a new Van Gogh / Setting fire to the frame" convey unease with poetic flair.

This is a headphone album. Heard in the distance, the songs on "Cousin" scan as sturdy compositions in Mr. Tweedy's familiar style, but there's more going on the closer you listen. If you give it focused attention, you'll find that this is the best album by the band since at least 2015's "Star Wars." The upside to Wilco's stubborn consistency is that the band's most recent record is never a bad time to jump back in.

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

### ARTS CALENDAR

## HAPPENINGS FOR THE WEEK OF OCTOBER 3

By WSJ Arts in Review Staff

**Film**  
"The Exorcist: Believer" (Oct. 6)

Scaredy-cats should say a prayer—the hit possession-based horror franchise is getting another installment. This one sees a family plagued by demons seeking advice from just about the only person who might know what's happening: Chris MacNeil, mother of the petrifyingly possessed girl in William Friedkin's 1973 classic. Ellen Burstyn is back again as Chris, now joined by Leslie Odom Jr., Ann Dowd, Norbert Leo Butz and Jennifer Nettles.

**TV**  
"Totally Killer" (Prime Video, Oct. 6)

Time-travel flick meets slasher film in Nahnatchka Khan's horror-comedy about a killer who begins to terrorize a community again decades after his first crime, and a teenager who goes back to the '80s to try to stop him. Kiernan Shipka, Olivia Holt, Julie Bowen and Randall Park star.

**Theater**  
"Jaja's African Hair Braiding" (Samuel J. Friedman Theatre, New York, Oct. 3-Nov. 5)

From Jocelyn Bioh (adapter of the Shakespeare in the Park production of "Merry Wives") comes a new play about a Harlem hair-braiding shop and the West African women who work there while discussing their place in society and the difficulties of their lives. Obie winner Whitney White directs a cast that includes Brittany Adebukola, Rachel Christopher, Lakisha Ray, Michael Oloyede and Dominique Thorne.

**Music**  
Dogstar, "Somewhere Between the Power Lines and Palm Trees" (Oct. 6)

Alt-rock group Dogstar releases its first record in over 20 years. The group, com-

prising Bret Domrose, Robert Mailhouse and Keanu Reeves (yes, that Keanu Reeves), is in the middle of a tour to promote the 12-track LP.

**Opera**  
"Undina" (Queen City Opera, Cincinnati, Oct. 7-8)

Queen City Opera's artistic director reconstructs and augments Tchaikovsky's sketches, composed in 1869 and left incomplete at his death, for an opera about a community whose arrogance and disrespect for the ocean have tragic consequences.

**Exhibitions**  
"Spike Lee: Creative Sources" (Brooklyn Museum, New York, Oct. 7-Feb. 4, 2024)

From early features like "Do the Right Thing" to more recent films like "BlackKlansman," Spike Lee's career is one of the most influential

in American cinema. It is also deeply connected to black culture, as well as his beloved borough of Brooklyn—not to mention music, sports, family and more. An exhibition of over 350 works and objects from his personal collection offers a look at his influences, creative process and personal life.

**"Fighting: Ukrainian War Photographers"** (Silver Street Studios, Houston, Oct. 5-Nov. 18)

Visitors are given a front-row seat to the horrors of war and the spirit of survival in this exhibition of some 250 pictures by 16 Ukrainian artists and photojournalists who document Russia's invasion of their homeland.

**Other**  
"Assassin's Creed Mirage" (PlayStation 4 & 5, Windows, Xbox One & Series X/S, iOS, Oct. 5)

The hit stealth series continues with its 13th installment—set before its previous Viking-themed release. This one takes place mainly during massive upheaval in ninth-century Baghdad and sees the main character grow from a common thief to a member of the elite Assassin Brotherhood.

For additional Arts Calendar listings visit [wsj.com](http://wsj.com). Write to [brian.kelly@wsj.com](mailto:brian.kelly@wsj.com).



▲ A still from the videogame 'Assassin's Creed Mirage'

### The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4	5	6	7	8	9	10	11	12	
13			14				15				16	
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	63						64				65	

- 24 Madonna's "La \_\_\_\_\_ Bonita"
- 28 Spot for a stud
- 29 Polished off
- 30 Siamese fighting fish
- 33 Skirtlike trouser
- 34 Turns bad
- 35 Held, pending a home sale
- 36 Young one
- 37 Summer, in Sèvres
- 38 Rum-soaked sponge cake
- 39 Gray rain cloud
- 42 Like car radio stations
- 43 Lays to rest
- 44 Dorm aides, briefly
- 45 Clementine cousin
- 46 Dating app that pioneered swiping left and right
- 47 Palestine's Arafat
- 52 Hawaii area known for its coffee
- 53 Therefore
- 54 "\_\_\_\_ Flux" (2005 Charlize Theron film)
- 55 Like gooseberries and lemons
- 59 Early automobile

### TRAILING BEHIND | By Matt Linzer

Across	Down
1 Seer's claim	1 All together
4 St. Louis landmark	2 Stump delivery
8 Deep-voiced opera singers	3 Czech Republic's capital
13 "All Songs Considered" airer	4 German exclamation
14 Indianapolis athlete	5 Eldest Stark son on "Game of Thrones"
15 Recite, as a spell	6 Crossword component
17 Stereotypical surfer	7 Webpage medium
19 Fashion's Versace	8 It tolls from the Westminster clock tower
20 Brand with interlocking plastic pieces	9 Negatively charged particles
21 1970s pants style	10 Ella's specialty
23 Circular windows	11 Red topper with a fluffy white ball
25 Rep.'s congressional counterpart	12 Like lambs and newborns
26 Flexible card in blackjack	16 Features of ovens
	18 Bachelor's place?
	22 Baton Rouge sch.
27 Cinnamon rolls' British cousins	27 Cinnamon rolls' British cousins
31 Possessive paired with "she"	31 Possessive paired with "she"
32 Fill with joy	32 Fill with joy
33 Some food drive donations	33 Some food drive donations
34 Camel waste?	34 Camel waste?
39 Fewer than few	39 Fewer than few
40 Damage beyond repair	40 Damage beyond repair
41 Apoplectic state	41 Apoplectic state
42 Chest full of doubloons, say	42 Chest full of doubloons, say
48 Butterworth's or Paul's, in a grocery store	48 Butterworth's or Paul's, in a grocery store
49 Genetic messenger	49 Genetic messenger
50 Skylit courts	50 Skylit courts
51 Sports car feature	51 Sports car feature
56 Some are sprayed on	56 Some are sprayed on
57 Rebelled	57 Rebelled
58 Causes a fender bender, and literally parts of 17-, 21-, 27-, 34-, 42- and 51-Across	58 Causes a fender bender, and literally parts of 17-, 21-, 27-, 34-, 42- and 51-Across
60 Pothead	60 Pothead
61 Vice president between Quayle and Cheney	61 Vice president between Quayle and Cheney
62 "My word!"	62 "My word!"
63 Tries for a fly	63 Tries for a fly
64 Not fooled by	64 Not fooled by
65 Make mistakes	65 Make mistakes

### Previous Puzzle's Solution

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

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

# SPORTS



Yes, I'm going to write about this a little bit more. Settle down. I have a job to keep and two children to put through college, and nobody was going to read my column about the magical rise of the Miami Marlins, anyway.

Taylor Swift went to another football game. Hop aboard. We're going to ride this clickbait wave for as long as it goes. I know I am going to get angry emails from Buffalo Bills fans saying "Hey moron, didn't you see us smoke the Miami Dolphins?" and that was really impressive, but with all due respect, they didn't do it in front of Taylor Swift. Sorry.

I am starting to wonder, though: Why does it have to be football? We've already discussed how the union of Swift and the NFL is a collision of massive entertainment behemoths—The Last Two Things Pretty Much Everyone Likes, partnering up to deliver a final, wheezing gasp of the mega-audience monoculture.

It's a potent combination. Millions of ordinary civilians with far better things to do tuned in to watch the New York Jets lose a marginally interesting game to the Kansas City Chiefs on Sunday night.

Who does that, usually? Chiefs fans, surely. Traumatized Jets fans, maybe. NFL degenerates. Weirdos. Me.

Who does it now? Taylor Swift fans. People who love Taylor Swift fans. Me.

America's biggest sport just gets bigger. What if Taylor Swift turned her millions of fans toward a sport that really needed a signal boost? What if the Eras Tour entrepreneur started showing up at, say, Belgian cyclocross racing? Fencing? Field hockey? Laser Tag? Bass fishing? Real tennis? Indoor lacrosse? Major League Baseball?

Would we watch in solidarity? Would we care?

The truth is that our fascinations choose us more than we choose them, and so there Swift was, for the second Sunday in a

JASON GAY

## Taylor Swift Survives a Jets Game

Can't stop, won't stop...yet. Another column on America's favorite Kansas City Chiefs superfan



Taylor Swift, center, was at MetLife Stadium for Sunday's NFL game between the Chiefs and Jets.

row, in a skybox above a Chiefs game. The putative reason is Swift's blossoming friendship with Kansas City tight end Travis Kelce—and if you want a reading on the exact status of that relationship, I can point you in the direction of 1001 sites with grainy photos and variable sourcing.

In the meantime, this new obsession rages on. It's been funny to watch the media wave develop, as even august publications leap from *Are we really writing about this?* to *What else can we write about this?* I have loved the internet meme of pranksters enraging football nuts by suggesting that Swift is "really putting Travis

Kelce on the map." I have cringed at the Football 101 explainers for Swifties, as if it's impossible to like *Evermore* and know what shell coverage is. (I don't really know what shell coverage is. I do know "Marjorie" is the best song on *Evermore*.)

NBC, stuck with what appeared to be a stinker between the defending Super Bowl champs and the Meadowlands Kings of Comedy, couldn't believe its luck. We got live coverage from the moment Swift's feet hit Jersey soil. We watched her segue gracefully past the metal detectors with a crowd that included actress friend Blake Lively, and Lively's husband,

the Welsh football baron Ryan Reynolds. Hugh Jackman was also there, because Wolverines are unavoidable.

One imagines a conversation in the NBC production truck Sunday that was very similar to the one happening at most media companies right now: *How much Taylor Swift material can we do without completely embarrassing ourselves and our profession?*

On one hand, it was a football game. On the other hand, it was a Jets game.

Kansas City romped out to an early 17-0 lead, giving camera operators ample time to catch the singer celebrating behind enemy

lines. Not surprisingly, she was prepared: An ad for the singer's upcoming concert film appeared during an early commercial break.

Then, shockingly, the Jets made a game of it. The Medici of Mediocrity managed to rally and tie the game at 20. Understudy Jets quarterback Zach Wilson, starting in place of Achilles-hobbled (and in mustachioed attendance) Aaron Rodgers, looked uncharacteristically reliable. Kansas City quarterback Patrick Mahomes, historically all-universe, turned mortal with a safety and two interceptions. A crowd that came braced for a rout suddenly grew emboldened.

Was Jets fever about to supplant Taylor Mania? Would we look upon this game as a transformative moment in Jets history, similar to Joe Namath's Super Bowl III prediction?

Let's not get ridiculous. They are the Jets. They played nicely, they made everyone think they had a shot to win...and then they didn't win. Once again, Meadowlands fans left angry about questionable referee calls and a merciless universe. Swift really got to witness the 360 degree Jets experience.

The Chiefs won't win any awards for their performance, either. You can be certain: Early this week, someone's going to puff out a chest and breathe a little clickbait fire, claiming that Kansas City's narrow 23-20 escape is proof that Swift-Kelce has reached "distraction" status. It's probably already happened, as I type this. There will be awkward questions for Kelce, and another week of middle-aged announcers making puns with Swift song titles.

It will get silly. It will be too much. That's daily life with NFL football, the biggest thing going. Besides, of course, Taylor Swift.

## The American Playbook That Won The Ryder Cup—for Team Europe

By Andrew Beaton and Joshua Robinson

There was no mistaking who turned in the biggest performances of this year's trans-Atlantic grudge match known as the Ryder Cup. They were residents of South Florida, suburban Arizona, and college-town Oklahoma.

They also happened to be the stars of Team Europe.

That trio of European transplants to America—Rory McIlroy, Jon Rahm, and Viktor Hovland, respectively—posted 10.5 of Europe's 16.5 points as the team romped to its seventh straight Ryder Cup victory on home soil, here in Italy. But more than simply dominating Team USA, these players embodied what has made their squad such a force. Team Europe's Ryder Cup secret was to become more American.

McIlroy hammered that home with an unintentional Joe Namath impression on Sunday night: He guaranteed a victory for the Europeans when the event heads to New York in 2025.

"One of the biggest accomplishments in golf right now is winning an away Ryder Cup," McIlroy said. "And that's what we're going to do at Bethpage."

This winning squad was the ultimate demonstration of how the traditional portrait of European golf has become completely obsolete. Not only do most of the top players live and train in the U.S., they also play their trade week after week against the best competition in the world on the PGA Tour—unlike the

days when they toiled in the relative obscurity of the European Tour. Almost all of the younger players also attended American colleges.

When U.S. stars Scottie Scheffler and Brooks Koepka were on the wrong end of a historic drubbing Saturday, for instance, they were going up against opponents from Norway and Sweden. Those same two guys, Hovland and Ludvig Aberg, attended Oklahoma State and Texas Tech.

Aberg, a 23-year-old phenom who went from playing in the NCAA tournament in the spring to this Ryder Cup before ever competing in a major, is a living encapsulation about how European players benefit from their dual experience. When he first arrived in the states, he struggled with his putting because the type of grass popular on the greens was foreign to him. He learned so quickly that he's now one of the brightest young talents in the sport.

These trends have given the Europeans the ability to master golf on both sides of the Atlantic—they now have won eight of the last 11 Ryder Cups, regardless of venue. They were raised on European courses and then steered on American ones.

"The majority of the Europeans, we are playing the majority of our golf in the United States and we are playing all the same tournaments and the same course setups," McIlroy said. But once the Europeans are back at home, he added, "you can maybe tap in to a little more of how we grew up playing the game

rather than how we play the game right now."

That versatility means European golfers have been able to blend their styles with parts of the American playbook and make it their own. McIlroy led the PGA Tour in driving distance a year ago. Aberg would have ranked third. Typical Ryder Cup thinking has been that the Europeans can gain a home edge by growing out the rough and punishing the big American hitters. But these days, many of the top Americans are getting outthit by their counterparts.

Their split backgrounds gives the Europeans familiarity with any type of set up. And they were certainly better versed in the nuances of Marco Simone Golf Club's rolling hills and undulating greens.

Crowds of boisterous Romans baying for blood weren't the only home advantage for Team Europe. When this course hosted the Italian Open last year, Scotland's Robert MacIntyre, who captain Luke Donald trusted to play the final singles match on Sunday, finished atop the leaderboard. Three other Team Europe players—Matt Fitzpatrick, McIlroy and Tyrrell Hatton—finished in the top eight.

When American Xander Schauffele assessed his familiarity with the course before the tournament, his reply made it sound like he had a better chance of translating Dante than deciphering the mysteries of Marco Simone.

"As good as you can possibly know it, arriving Monday afternoon," he said. "That's the first time we saw it."



The Rangers' Adolis Garcia, center, and the Orioles' Jorge Mateo, left.

## Baseball's Underdogs Have A Chance This Postseason

By Lindsey Adler

BASEBALL'S POSTSEASON in 2023 is shaping up as an exorcism of sorts for some of baseball's most tortured teams.

Three playoff teams—the Baltimore Orioles, Texas Rangers and Arizona Diamondbacks—lost 100 or more games as recently as 2021. The Miami Marlins, who have willed their way into a wild card as well, lost 93 and 95 games in the prior two seasons.

The Orioles, Rangers and Diamondbacks have all struggled through rebuilding periods while toiling in divisions featuring perennial powerhouses in the Tampa Bay Rays, Houston Astros, and Los Angeles Dodgers—teams they will now compete with for a title.

The Toronto Blue Jays, who will face the Minnesota Twins in the wild-card series, have also been stymied trying to ascend through the AL East in recent years.

Getting strong enough to hold their own in the division, it turns out, has been key to some of these teams' turnarounds.

"Where the organization turned the corner was being able to win games in the AL East," Orioles outfielder Austin Hays said.

The postseason gets under way on Tuesday, when the four wild-card series begin.

In the American League, Tampa Bay will face Texas and Toronto will play Minnesota. Baltimore and Houston, the division winners with the best records, have byes.

In the National League, the Philadelphia Phillies and Miami Marlins square off in one series and Arizona and the Milwaukee Brewers play in the other. The powerful Atlanta Braves and Los Angeles Dodgers have byes. Reaching the postseason might

mean the most to the few players who made it through their team's rebuilds while suffering through uncompetitive seasons.

"It feels so sweet," said Rangers first baseman Nathaniel Lowe, one of only four players held over since Texas' 102-loss 2021 season. "After getting beaten for two years straight wearing this uniform, to be able to come out and know that we have a real chance to win a World Series is all you can ask for."

Of course, the Braves look like the World Series favorite again, and the New York Mets' issues this season helped clear the NL East to allow both the Marlins and the Phillies to reach the wild-card round.

The Brewers ran away with the NL Central to take the final spot.

This year's World Series could still wind up being a showdown of recent league superpowers, such as the Braves, Rays, Dodgers, or Astros.

But the excitement this year comes from the real opportunity for a fresh franchise to reach the game's biggest stage. The current postseason format, which expanded under the current collective bargaining agreement to include a third wild-card team and created an entire three-game wild-card series, has further reinforced a long-brewing division between the regular season and a team's chance of postseason success.

In a three-game series, and in a month-long postseason tournament, there is no guarantee that one of the powers that dominated the regular season will be the team holding the trophy at the end of the World Series.

The playoffs, to the irritation of some and delight of others, are practically engineered to allow for upsets.



Team Europe, led by captain Luke Donald, center, celebrates after beating the U.S. in the Ryder Cup.

# OPINION

## Tim Scott and the ‘Great Society’



**MAIN STREET**  
By William McGurn

Wednesday’s Republican presidential debate turned out to be a dud. None of the candidates had a breakout moment that might have given Donald Trump a scare. But judging from the barrage unleashed on Sen. Tim Scott afterward, the South Carolinian hit a liberal nerve when he trained his own fire on Democratic Party orthodoxy by targeting the failure of the Great Society.

“Black families survived slavery,” Mr. Scott said. “We survived poll taxes and literacy tests. We survived discrimination being woven into the laws of our country. What was hard to survive was [President Lyndon] Johnson’s Great Society, where they decided to put money—where they decided to take the black father out of the household to get a check in the mail.

“And you can now measure that in unemployment, in crime, in devastation. If you want to restore hope, you’ve got to restore the family, restore capitalism and put Americans back at work together as one American family.”

It was the high point of the evening, though it hasn’t helped Mr. Scott in the polls. He went into the debate with 2.8% in the RealClearPolitics

average, and his support hasn’t budged.

Still, Mr. Scott did point to a more critical debate that is long overdue. Most everyone agrees that African-Americans have suffered from the collapse of the family. Even Barack Obama has said as much. But for a Republican, especially a black Republican, to point to liberal government programs as a major cause of that collapse just isn’t done in polite society.

Here the reaction was more telling than the remarks. Rather than rebut Mr. Scott’s assertion with evidence, critics responded with sneers. The Washington Post’s Jennifer Rubin wrote that Mr. Scott revealed “the MAGA movement’s desperation to rewrite history and reclaim victimhood for Whites.” Of all the “deplorable things” Republicans said, the New Republic chimed in, Mr. Scott’s remark may have been the worst.

But the cheapest shot came from Nikole Hannah-Jones, who writes for the New York Times Sunday magazine. She is better known as the creator of the “1619 Project,” though she has backed off her initial claim that America’s true founding wasn’t 1776 but 1619, when the first slaves came ashore.

“Imagine being Black and running in a political party where you believe you need to disgrace your ancestors to have a chance,” Ms. Hannah-Jones tweeted.

Mr. Scott responded: “When Black conservatives speak up and speak truth, folks like you say to shut up & sit down.”

Mr. Scott didn’t, as his critics imply, deny either the unmitigated evil of slavery or the cruel human suffering it inflicted. He was talking about what happened to the black family long after slavery was abolished. He pointed to an uncomfortable

**A black Republican speaks the truth, and he is quickly told to shut up and sit down.**

irony for progressive America: The black family recovered from slavery in a way it hasn’t recovered from the Great Society, notwithstanding its good intentions.

The evidence is on his side, too. Thomas Sowell points out that in 1960—almost 100 years after slavery—only 22% of African-American children grew up in homes with one parent. Thirty years later, after the expansion of the welfare state under the Great Society, that percentage had tripled.

Brad Wilcox, director of the National Marriage Project at the University of Virginia, notes that more than 65% of black children lived in homes with married parents in the 1870s. By 1918, a half-century after the 13th amendment

abolished slavery, that share had risen to almost 80%. Can anyone argue that the black family isn’t worse off today?

It isn’t even a point unique to African-Americans. How do we know? Because when we look at Appalachia, a slice of white America that the Great Society showered with the same good intentions, we find the same dysfunctions: government dependency, single-parent families, and an absence of good private-sector jobs and the upward mobility that only a growing economy can create.

That points to the other half of Mr. Scott’s proposition, which has been largely ignored. What he was suggesting is that a restoration of capitalism and the revival of the family would do much more to lift black America than any federal program ever could.

Mr. Scott, in other words, was pointing to something important. It was slightly marred by the way he brought it up, as part of an attempt to score points against Ron DeSantis by indulging in Democratic misrepresentations about Florida’s new curriculum on slavery.

But Mr. Scott’s main point stands. Many of the Great Society programs he indicts have been doing their damage for decades. Isn’t it time we judged them on their results and not their intentions? That would be a debate worth watching.

*Write to mcgurn@wsj.com.*

**BOOKSHELF** | By James Romm

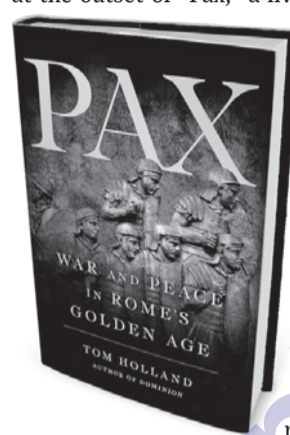
## A Real-Life Game of Thrones

**Pax: War and Peace in Rome’s Golden Age**

By Tom Holland  
(Basic, 480 pages, \$32.50)

“They make a desert and call it peace.” That harrowing critique of the high Roman Empire is often attributed to the historian Tacitus. In fact, the line is found in a speech that Tacitus quotes (or invents), delivered by a barbarian chieftain, Calgacus, on the eve of a battle against Roman forces. Tacitus surely didn’t endorse the sentiment, especially since his own father-in-law was facing Calgacus that day. To Tacitus, pax Romana, “Roman peace,” implied, first and foremost, stability and order across the Mediterranean world, not wanton destruction.

Whose viewpoint are we modern folk to adopt, that of Calgacus, the victim of Roman aggression, or that of his foes, who led the West on a path of unparalleled progress? The question is implicitly posed by historian Tom Holland at the outset of “Pax,” a lively survey of Roman warfare



and foreign affairs at the height of the empire. Mr. Holland gives the Calgacus quote as one of the book’s epigrams, right beside an opposing opinion by Pliny the Elder. Pliny proclaimed “the Romans and the boundless majesty of their peace” to be a gift from the gods, as bright as a “second sun.”

“If there was light, there was also darkness,” Mr. Holland writes, balancing “sanitation, medicine, education, wine, public order” and other fruits of the pax against the rivers of blood

that were spilled to secure them. He ranges Edward Gibbon’s famous pronouncement, that the high Roman Empire was the “most happy and prosperous” era in all history up to his day (the late 18th century), against the nightmarish portrait in Revelation of the Whore of Babylon, where Rome is reimagined as a gruesome, blood-drinking fiend.

“Pax” leaves it largely to readers to struggle with this opposition. As he exits his preface, Mr. Holland sets moral questions aside and turns his hand to what he does best: sure-footed, tight-wound historical narrative, enlivened with keen insights. He has a talent for making readers at home in the ancient world, even if they’re first-time visitors. In this book he describes an era few but specialists know in any depth: the seven decades between the deaths of Nero (A.D. 68) and Hadrian (138), a span that saw nine rulers come and go, including four in a single, turbulent year.

That year, A.D. 69, occupies about half the length of “Pax.” Mr. Holland takes us in painstaking detail through the civil war that brought Galba, Otho, and Vitellius to power in quick succession. Rome’s first dynastic line, that of the Julio-Claudians, had come to an end the previous year with the forced suicide of Nero. Absent any other path to the emperorship, the leaders of Rome’s far-flung armies used main force to establish legitimacy. Finally Vespasian, the first of the so-called Flavian line, managed to hold onto rule.

During his account of this year-long melee Mr. Holland casts frequent looks backward to Nero, a figure whose complex legacy had to be dealt with by all of the Flavians. Though lower-class Romans had idolized Nero, the political class deemed him an embarrassing failure, and his successors did their best to distance their reign from his. The Flavian amphitheater, aka the Colosseum, was built atop demolished portions of Nero’s pleasure palace, the Golden House, to signal to Rome the end of the Neronian adventure in megalomania.

**Gibbon called the high Roman Empire the world’s ‘most happy and prosperous era.’ It was also a period of brutal conquest and constant rivalry.**

The second half of “Pax” moves at a faster clip, covering nearly 70 years and numerous foreign wars and rebellions. The siege of Jerusalem led by Vespasian was brought to a conclusion by Titus, his son, but the Jews rose up and were conquered twice more. Roman arms ventured north into Scotland and eastward across the Danube and the Euphrates. The empire reached its greatest extent under Trajan, who died on campaign in the East in 117; his successor, Hadrian, retrenched, relinquishing some of Trajan’s conquests and building the wall across Britain that bears his name. To give up expansion was not a popular move, as Mr. Holland makes clear. Hadrian obscured the pullback by giving Trajan lavish funeral rites, then interring his ashes inside the carved column, still standing in Rome, that illustrates some of his triumphs.

More so than many who write about Rome, Mr. Holland has a droll wit. He likes to winkingly take the viewpoint of his subjects when they’re at their most bloody-minded or biased: “Outlandish, of course,” he writes when describing the monotheistic faith of the Jews, sniffing with the disdain of a high-minded pagan. After narrating a noted example of disciplinary rigor, in which a Roman commander sentenced his own son to death for a minor infraction, Mr. Holland snarks that the emperor Galba, being childless, “had never quite matched this edifying standard of severity.”

Mr. Holland would have done well to return now and then to the problem he raised by quoting Calgacus—of whether an empire attained by conquest can ever be justified. Without overarching questions to provide unity or a single dynastic family—like the Julio-Claudians who featured in Mr. Holland’s “Dynasty” (2015)—the narrative of “Pax” can feel episodic as its series of wars and campaigns grows ever longer. Fortunately the two entertaining Plinys, scientist uncle and provincial-governor nephew, keep popping up here and there to vary the pace. As does the enigmatic Josephus, the Jewish revolutionary turned Roman imperial lackey.

The span of the conflicts Mr. Holland deals with in “Pax,” from Britain to modern Iran, showcases the breadth of his learning. In the course of his authorial career he’s taken on a wide array of topics, starting with classical Greece, then moving on to Rome in various eras, early Islam, and Western Europe’s Christian heritage. Along the way he’s also translated all of Herodotus’s “Histories” out of ancient Greek. One looks forward to many future deep dives with this remarkably gifted historian.

*Mr. Romm’s most recent book is “Demetrius: Sacker of Cities.”*

## A ‘Trumpier’ Second-Term Foreign Policy



**GLOBAL VIEW**  
By Walter Russell Mead

Donald Trump has a historic lead in the Republican primary, and while November 2024 is a long 13 months away, national polls point to a close race that Mr. Trump could win. It is time to think about what a second Trump term would mean for American foreign policy. Thanks to his first-term record, his statements since leaving office, and the views of Trump associates and confidants such as Richard Grenell, Mr. Trump’s ambassador to Germany and acting director of national intelligence, it’s possible to discern what a MAGA 2.0 foreign policy might look like.

A second Trump term would almost certainly be “Trumpier” than the first. For much of his first term, Mr. Trump surrounded himself with well-known conservative foreign-policy figures and senior military leaders, often deferring to their advice. More experienced, more confident in his own judgment and less deferential to others’ expertise, Mr. Trump likely will fill senior positions with people who reflect rather than challenge his instincts and priorities.

There will be resistance from inside the government, but this time around it won’t come from senior officials, only from career civil servants in the Pentagon, State Department and the Treasury, aided

by allies in the intelligence world. Expect explosive leaks, bureaucratic slow-walking and a permanent state of trench warfare in the government machine.

Mr. Trump’s talent for disruption will likely have larger and more lasting consequences in a second term than in the first. He has never been a supporter of the rules-based international order, and he attaches little importance to its institutions, from the United Nations to the North Atlantic Treaty Organization. He prefers transactional agreements with other powerful world leaders and considers his reputation for unpredictability one of his greatest assets in international affairs.

This makes him a disconcerting figure for American allies. On the one hand, threatening an American withdrawal from NATO to force such countries as Germany to honor their spending commitments is something Mr. Trump might very well try. On the other, he could surprise the world—and key American allies in Asia—by a willingness to seek some kind of grand bargain with Xi Jinping.

Ukraine policy is harder to predict. If the aid pipeline to Ukraine is already drying up because of congressional Republican opposition, by next spring President Volodymyr Zelensky may choose to open negotiations with Moscow well before the American election. In any case, even if a second Trump administration ends aid to Ukraine, Mr. Trump’s determination to increase American oil and gas

production and boost military spending make a lasting reconciliation with Moscow unlikely.

Geographically, experienced Trump hands like Mr. Grenell suggest that the Western Hemisphere would be a major second-term focus. Re-establishing order on America’s southern border matters much, much more to Team Trump than the future of Crimea. Expect a mix of threats,

**This time he’d hire people who agree with him, not seasoned establishment figures.**

promises and a willingness to dance with the devil (perhaps even the Maduro government in Venezuela) in a single-minded focus on addressing the migration crisis.

Climate policy will shift dramatically. Mr. Trump shares President Biden’s belief that “foreign policy for the middle class” entails large-scale federal intervention to protect American industry. But whereas Mr. Biden orients his massive program of industrial planning toward his climate-change goals, Mr. Trump will more likely intervene on behalf of fossil fuels, traditional heavy industry and the defense sector.

A second Trump term would see continuities as well. After grumbling and resistance, the Biden administration has embraced the essence of Mr. Trump’s approach to

important leaders such as the crown prince of Saudi Arabia, the president of Turkey and the prime ministers of Israel and India. A brief but expensive era of name-calling and vainglorious human-rights posturing has been replaced by pragmatic bargaining. Trumpian indifference to human rights and democracy could also affect relations with governments like the military rulers of Myanmar.

For many decades, foreign governments have tried to curry favor in Washington through developing business relationships with friends, associates and at times relatives of American presidents.

The interest of many Trump associates in lucrative business arrangements is as well known overseas as Hunter Biden’s interest in “consulting.” The profoundly corrosive and damaging erosion of norms around presidential conflicts of interest will continue and perhaps accelerate in a second Trump term.

There is a final area of continuity that shouldn’t be ignored. Mr. Biden’s global strength has been constrained by international skepticism about the durability of his party’s hold on power. Similar doubts will dog Mr. Trump if he returns to the White House in 2025. The U.S. under Mr. Trump would remain deeply polarized, and foreigners would discount Mr. Trump’s promises and threats, as they have done Mr. Biden’s, to the degree that they believe that American policy will shift radically again in 2029.

## AOC Redefines the Term ‘Rich’

By Tim Hoefler

*Albany, N.Y.*  
New York socialists calling for higher taxes aim to spread the tax net far beyond Wall Street, scooping up folks on Main Street—especially in the suburbs.

Bemoaning “violent budget cuts” at New York City agencies, Rep. Alexandria Ocasio-Cortez and her ideological allies are calling on the city and state to “fund resources for all New Yorkers” by raising taxes on the top 5% of New Yorkers. Considering the left’s prior focus on “the 1%,” this is a major development.

The top 1% of New Yorkers begins just south of \$1 million in adjusted gross income. But the top 5% begins a little above \$250,000—translating into married couples making \$127,000 each.

More than 168,000 New York state and local government employees were paid

more than \$127,000 last year. Forty-five New York school districts paid most of their teachers and administrators at least that much, and about 70 police or fire departments had mean pay above that line.

The move from targeting the top 1% to the top 5% is a recognition that the socialist

**Forget about the 1%. She wants to raise taxes on households earning \$250,000.**

program, to borrow from Margaret Thatcher, risks running out of other people’s money.

New York’s finance-linked tax base is especially fragile. Because the state’s coffers depend on volatile investment-related income, receipts fluctuate with markets and capital gains.

A further vulnerability for the state’s tax system is that the explosion of remote work has employees less geographically tethered to New York. An hourlong drive to Connecticut can let a Manhattanite slice his state income-tax bill in half, while a willingness to decamp to Florida, New Hampshire or Tennessee can eliminate it. Tax-migration data indicate that more high earners left in 2021 than in 2019, to Ron DeSantis’s delight.

Years of making the tax code more progressive means the top 1% of filers account for 46% of state income tax liability. The top 5%’s share is 64%.

Accepting socialists’ premises about needing more money, targeting the 5% makes sense. Full-year resident New York households and individuals earning between \$250,000 and \$5 million together have considerably more taxable income (\$583 billion) than those mak-

ing \$5 million or more (\$435 billion).

But the socialists’ premises can’t be accepted. New York has the nation’s highest-spending K-12 public-school system, but student outcomes are middling. The state spends more on Medicaid than Texas and Florida combined. New York agencies also pay some of the world’s highest prices for infrastructure. More hasn’t been, nor will it ever be, enough.

Gov. Kathy Hochul has thus far resisted this and other calls for economically destructive tax hikes, even as she grapples with looming budget shortfalls. And while New Yorkers haven’t widely objected to past calls to “tax the rich,” that may change now that so many have been invited into the category.

*Mr. Hoefler is president and CEO of the Empire Center for Public Policy.*

OPINION

REVIEW & OUTLOOK

Trump on Trial in New York

New York's civil fraud trial against Donald Trump and his business empire started Monday in a Manhattan courtroom, and the great shame is that he and state Attorney General Letitia James can't both lose.

Is this a case about inflated asset values or partisan politics? Yes.

Judge Arthur Engoron granted partial summary judgment to the state last week, ruling that Mr. Trump presented grossly inflated financial figures to lenders.

"Defendants absurdly suggest that 'the calculation of square footage is a subjective process that could lead to differing results,'" the judge added.

The ruling goes on for pages like this: Despite four appraisals pegging his Seven Springs estate at \$30 million or less, Mr. Trump claimed it was worth \$261 million.

Judge Engoron acknowledged that this asset puffery doesn't seem to have created losses for the creditors: "Defendants correctly assert that 'the record is devoid of any evidence of default, breach, late payment, or any complaint of harm.'"

speaking this is "completely irrelevant." Whether he is correct under New York law is a possible subject of appeal.

Perhaps the state will argue that the lenders might have demanded better terms if they'd seen accurate information. New York is the nation's financial capital and has an interest in stopping deceit in the marketplace.

But the lenders weren't naifs and had to know Mr. Trump's penchant for lying. Mr. Trump appears to believe he could claim anything, as long as he tacked on a disclaimer.

Yet Mr. Trump is right that Ms. James is a partisan Democrat who campaigned on going after him. The night she won the AG's race in November 2018, she proclaimed: "I will be shining a bright light into every dark corner of his real estate dealings."

There is also cause to wonder about Judge Engoron's sweeping judgment when there are no clear victims. The judge's pretrial ruling last week would essentially strip Mr. Trump of control over assets in New York, including Trump Tower.

Mr. Trump showed up in court Monday for a reason, using every opportunity to portray himself as a political victim. His claim will resonate with many because of Ms. James's targeting and Judge Engoron's caustic opinion.

A Nobel for Advancing mRNA

American innovation isn't dead, especially in biomedicine, and an example is the Nobel Prize for medicine awarded Monday to Katalin Kariko and Drew Weissman for their contributions to the mRNA platform that became the basis for Covid vaccines.

Two scientists win for enabling the technology behind Covid vaccines.

Ms. Kariko and Dr. Weissman didn't develop mRNA technology, but their molecular discovery enabled it to move beyond the lab. Human cells naturally synthesize messenger RNA from DNA.

Many illnesses are caused by proteins or their absence. And scientists had long tinkered with synthesizing mRNA that could instruct cells to make proteins that could essentially self-heal.

Ms. Kariko bumped into immunologist Drew Weissman at a copy machine at the University of Pennsylvania in the late 1990s. He wanted to develop vaccines and saw mRNA's potential.

mRNA could accelerate vaccine development

and manufacturing. It could also potentially trigger a stronger immune response. But the problem Ms. Kariko kept running into in lab experiments was that the mRNA she designed triggered an inflammatory immune response that prevented cells from synthesizing protein.

Relentless experimentation led her and Dr. Weissman to the epiphany that swapping out uridine, one of mRNA's component "letters," for a chemically similar compound called pseudouridine neutralized the inflammatory response.

Other scientists, including the founders of Moderna and BioNTech, built on their discovery. While mRNA is best known for Covid vaccines, the technology's greatest promise may be in treating cancer and other diseases.

Early-stage trials have yielded promising results in melanoma and pancreatic cancer. Drug makers are also experimenting with mRNA to treat autoimmune and rare diseases.

Ms. Kariko and Dr. Weissman have demonstrated what determination and creativity can accomplish.

The ADA Lawsuit Mill at the High Court

Deborah Laufer began needing a wheelchair after a diagnosis of multiple sclerosis. Frustrated that many hotel websites didn't post accessibility details, as federal regulations require under the Americans with Disabilities Act (ADA), she began trolling the internet for local inns to sue, even if she had no intention of visiting them.

She filed 'accessibility' cases against hotels she never planned to visit.

The Supreme Court can deal with this problem concisely in *Acheson Hotels v. Laufer*, a case being argued Wednesday. Ms. Laufer considers herself an ADA "tester" and has filed 600 lawsuits. But as the hotelier says, she lacks standing to sue under the classic legal test.

Ms. Laufer lives in Florida. The Coast Village Inn, associated with Acheson, is in Maine. "If Laufer had actually wanted to know whether Coast Village was ADA-accessible, she could have placed a two-minute phone call or sent an email," the brief adds.

Now the plot thickens. This summer, after the Justices agreed to hear the case, Ms. Laufer filed a "suggestion of mootness," advising the court of "disciplinary action against Tristan Gillespie, an attorney who represented her in cases filed in Maryland."

A three-judge panel in Maryland federal court said Mr. Gillespie filed "boilerplate" ADA lawsuits with "the same typos and misspellings." They "uniformly were brought against small hotels." These lucky innkeepers were also sent an offer to settle for up to \$10,000 in attorneys fees, whatever Mr. Gillespie's actual billings.

Clients such as Ms. Laufer generally aren't eligible for money damages in ADA lawsuits, but here's another eyebrow-raiser. The law firm paid investigator Daniel Pezza \$650 a pop for producing "expert" ADA reports that included screenshots of the non-compliant hotel websites. Mr. Pezza, the judges wrote, is "the former boyfriend of Laufer's daughter and the father of one of Laufer's grandchildren."

In a declaration to the Justices, Ms. Laufer said Mr. Pezza "has never given me money or anything else of material value," and although she and her daughter live together and split bills, "it is my understanding that Mr. Pezza has never paid a meaningful amount of child support." But because such details could distract from the Lord's work on the ADA, her lawyers said that she "has decided to dismiss all of her pending cases with prejudice."

The Supreme Court denied their effort to turn the case into a pumpkin, which is a good sign, but the attempt will be renewed at oral argument. The question is whether the Justices will tolerate this manipulation of their docket. "Laufer is abandoning her case to pave the way for Laufer and similar plaintiffs to resume their campaign of extortionate ADA suits," the hotelier argues. "If the Court dismisses the case, Acheson faces the risk of being sued again."

Americans can sympathize with Ms. Laufer's past struggles to find lodging, and being clear about accessibility on hotel websites is a good idea regardless of what the ADA says. But when a phone call will answer the question, there's no reason to insist on making a federal case out of it, and much less for being the face of a lawsuit mill that harasses local businesses without even wanting to patronize them.

LETTERS TO THE EDITOR

The Smears Won't Bring Down Justice Thomas

A hearty second to Ira Stoll ("ProPublica Buries Its Clarence Thomas News," op-ed, Sept. 23). The closer you look at the left's latest attacks on Justice Clarence Thomas and his colleagues on the Supreme Court, the harder it is to take them seriously.

I recall no journalistic outrage when the nation's most influential legal reporter penned a book last year about her cozy rapport with Justice Ruth Bader Ginsburg called "Dinners with Ruth: A Memoir on the Power of Friendships." If billionaires corrupt all they touch, then the scribes at the

Washington Post and New York Times might want to research who owns those papers.

I have long admired Justice Thomas, especially through our mutual work with the Horatio Alger Association, which provides scholarships and uplift for young people who, like he and I, came up the hard way.

I also attended some of the events mentioned in ProPublica's smears, along with Charles G. Koch. They're intellectually lively, spirited events with—the left may be shocked to learn—genuine and good-faith disagreements about important policy questions. Mr. Koch and I don't agree on everything, but we're both passionate about America and we lend our voices to causes that go far beyond our tax rates.

KEN LANGONE
Co-founder, Home Depot
New York

Conservatism or Populism? It's a False Choice

John Danforth, the former senator from Missouri, rightly repudiates the populism that stokes ordinary people's grievances and deepens national divisions ("The GOP Can't Afford to Indulge Populism," op-ed, Sept. 26) but wrongly embraces Sen. Josh Hawley's and former Vice President Mike Pence's invidious distinction between conservatism and populism.

Edmund Burke, whom Mr. Danforth recognizes as "the father of conservatism," combined the defense of freedom with populist sympathies. Central to his enduring criticism of the French Revolution's perverted understanding of liberty—derived from "men of letters" who cultivated contempt for established institutions and promoted radical change—was the conviction that family, community and national life in Britain endowed ordinary people with habits of ordered liberty.

Seminal figures in the post-World War II American conservative movement have also seen an alliance with the people as essential to conserving freedom. To name two: In 1955, in National Review's mission statement, William F. Buckley defended "the organic moral order"—home to ordinary people—against the "ideologues" and "intellectual class" who

wish to instruct and supervise them. In 1985, Irving Kristol argued in these pages ("The New Populism: Not to Worry," July 25, 1985) that the people were understandably "outraged, over the past 20 years, by the persistent un-wisdom of their elected and appointed officials." The debacles of the 1960s and 1970s, in providing education, fighting crime and conducting diplomacy, fostered Kristol's sympathy for a populism seeking "to bring our governing elites to their senses" in the name of "good constitutional government."

Since then, the need for a well-wrought conservative-populist alliance has only grown more acute. PETER BERKOWITZ
Senior fellow, Hoover Institution
Washington
Mr. Berkowitz was director of the State Department's Policy Planning Staff, 2019-21.

Mr. Danforth says that we can't afford to lose the precious heritage of a "principled conservative party." But there's not much left to conserve. Maybe Mr. Danforth should have focused a little less on the "soul of the nation" (whatever that means) and a little more on the policy-making.

His op-ed ignores the policy issues that are driving the so-called populism: invasion-level immigration, disastrous foreign entanglements and an entirely unaccountable administrative state. THOMAS OPALAK
Fairfield, Conn.

Indians Remember Trudeau's Interference

Regarding Sadanand Dhume's "Why Indians Can't Stand Justin Trudeau" (East Is East, Sept. 28): What incenses Indians about the Canadian prime minister is that he brazenly indulges in India's domestic politics, even when it comes at the expense of Canada's interests.

In 2021 Mr. Trudeau aligned himself with agitators who were campaigning against Indian Prime Minister Narendra Modi's agriculture privatization. Meanwhile, Canadian trade policy has long had India in its crosshairs over the latter's heavy-handed subsidies and elaborate state

support for Indian grain farmers. This would be analogous to the government of India encouraging Saskatchewan farmers to protest the dissolution of the Canadian Wheat Board.

Adding to the irony, Mr. Trudeau went on to reproach the Indian government over its handling of the protesters—as if his own record exemplifies human rights, pluralism and constitutional rule of law. When Canadian truckers bemoaned their country's draconian vaccine mandates, Mr. Trudeau invoked "emergency powers" to forcibly break up the strike and freeze the lorrymen's bank accounts.

The deterioration of Canada-India relations stems ultimately from Mr. Trudeau's hypocrisy. He can't decry foreign interference in Canada while nakedly interjecting in the internal affairs of other nations. NATHAN PUNWANI
Scottsdale, Ariz.

How to Dress in the Senate? Follow the President's Lead

A tip of the hat to Joseph Epstein for "The Best and Worst Dressed Senators," op-ed, Sept. 28). In the 1950s, my high-school years, kids hosted open houses on weekends. When I asked my parents to host one, my beloved stepfather said firmly, "Sure, but only if the boys wear jackets and ties." I regarded him quizzically. "Because," he explained, "people act like they dress."

SALLYAN WINDT
Highland Park, Ill.

Mr. Epstein makes some good points about the value of dressing appropriately for the job, but criticizing President Biden for sometimes wearing a baseball cap seems out of place. The president is a pretty sharp dresser. HOWARD BRENNER
Woodmere, N.Y.

Can Ukraine Teach Us, Too?

I was very impressed by Jillian Kay Melchior's "Ukraine Takes On Corruption" (op-ed, Sept. 27). Can the U.S. have Ukraine teach our country how to use the ProZorro procurement system to "spot kick-backs or rigged tenders"?

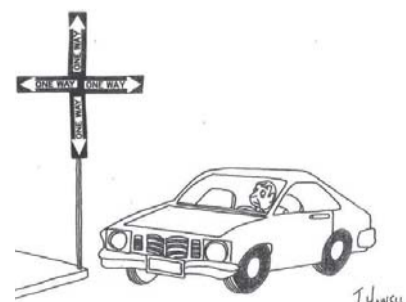
DEBBIE SCRIVNER
Kansas City, Mo.

If Biden Hadn't Beat Bernie

Talk about a layup. In "Imagining What Could Have Been if Not for Biden" (Letters, Sept. 29), John Stafford laments that Democrats abandoned Bernie Sanders's bid for the presidential nomination in 2020 in favor of Joe Biden's. He writes, "Imagine how different things would be today if Democratic Party leaders had embraced an agenda that actually served the interests of what once was their core constituency." Yes, things would be very different. Donald Trump would still be president. GREGORY MARSHALL
Marietta, Ga.

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

The GameStop Stock Craze Hits the Cinema

By Clifford S. Asness

I'm not going to see "Dumb Money," the new movie about the January 2021 GameStop stock craze and the subsequent fall of hedge fund Melvin Capital. I don't think I could stand it. Consider this a review of the reviews, with applications to broader social and political issues. The film is being hailed as a David-vs.-Goliath story, the little guy's triumph over the Wall Street elite. That's true only if you define triumph as a mob gleefully taking down one hedge-fund manager—Melvin Capital's Gabe Plotkin—for

The lesson of 'Dumb Money' is that a wise crowd can easily turn into a stupid, dangerous mob.

short-selling the videogame company's stock. Never mind that his demise came as thousands of people who gullibly bought during the "moonshot" phase of GameStop's dramatic rise almost certainly lost money in the aggregate.

What seems to be ignored in the discussion is that the crowd of "little guys" was misled by deceptive or incompetent social-media hucksters into buying something that was very obviously overvalued, i.e., a meme stock. Although GameStop was one of the less disastrous examples—see, also, the defunct Bed Bath & Beyond and the ever-teetering-on-bankruptcy AMC Entertainment Hold-

ings—several parts of this episode and the meme-stock phenomenon in general resonate with our political and social environment. Here are five of them:

First, the public has a growing disrespect for expertise. What do longtime professional investors who are risking their own capital really know? All you need are a few tidbits of intel from the internet that in the brick-and-mortar world would entail a bulletin board full of push pins and string. With that, a plucky band of Joes and Janes can outthink and outinvest people who have spent their entire careers committed to the practice. No doubt this approach can work for a short time, but it's a terrible bet in the long term. If you think internet-fueled conspiracy-theory nonsense has affected only investing, you haven't been paying much attention lately.

That isn't to say experts are infallible. Pick your favorite pandemic-era example. No science is ever truly settled. But acknowledging this simply means we shouldn't give blind faith to experts. It doesn't mean they're usually wrong. Assuming they're always mistaken while some blowhard on Reddit or YouTube is dead-on accurate is likely a very bad strategy. The collective wisdom of professionals makes it difficult for any single investor—and, ironically, even the experts themselves—to beat a competitive market.

Second, many assume that an instantaneously available-to-all avalanche of information evens the playing field. Yet it's usually information processing, not access, that has real value. It isn't obvious that the first leads to the second. Re-



Nick Offerman and Seth Rogen in 'Dumb Money.'

member when we thought social media would make us like each other more? Don't always assume more and faster information leads to better results. Oceans of knowledge can lead to an illusion of control and understanding that collectively makes us dumber. In investing-speak, it's possible that such information gathered without cost has made some market prices less "efficient." More irony.

Third, too often we discard or warp time-honored principles to bad ends. Here I'm thinking of "HODL"—or "hold on for dear life"—the online crowd's exhortation during the GameStop fiasco. I am a lifelong advocate of sticking with a good long-term strategy even through rare but excruciatingly tough times, so this one strikes me as nearly correct but wrong for a key reason. You see, I sneaked a word in there—"good."

Sticking with something through thick and thin works only if that thing is worth sticking to. You can't apply it to anything, including the most obviously overvalued junk in the world, and win simply because you'll never sell. That's a recipe for asymptotically approaching a zero-brokerage balance.

Fourth, if you're trading your 401(k) based on your hatred of and desire to harm a certain class of people, you're probably letting your bias hurt your bottom line. The same dynamic applies outside the investing world.

Fifth, we often correctly marvel at the "wisdom of crowds," but this phenomenon is based on the crowd's members being reasonably independent of one another. Think about how effective polling the audience is on "Who Wants to Be a Millionaire?" It works only because

members of the crowd don't talk among themselves. If they were to launch into fiery speeches weighing the multiple-choice answers, you'd likely get a much different and worse result.

Crowds of independent thinkers are often very wise, even if each individual isn't. Crowds that share information and come to a shared conclusion are often—though not always—dangerous mobs. In the meme-stock craze, as in our politics and elsewhere, the internet seems to be a perfectly designed vehicle for turning a crowd of independent thinkers into an angry mob.

GameStop's ugly episode showed that aggrieved and ill-informed—or even sadder, desperate—"investors" can take down a single smart one. Fascinating. But we knew this before. A long-term market maxim is that "the market can stay irrational longer than you can stay solvent." Perhaps a necessary rejoinder is that even so, the rational usually win and the irrational usually lose. Moreover, when the rational lose, the irrational often end up losing too.

We also saw that Hollywood will happily take a situation it doesn't understand and make a movie about it, replete with cartoon heroes and villains, which only lowers our discourse and intentionally makes us hate and distrust each other even more. Oh, and the same industry will do so for money while excoriating greed. But then again, we already knew that too.

Mr. Asness is managing and founding principal of AQR Capital Management.

Jamaal Bowman and Matt Gaetz Are Alarming Similar



FREE EXPRESSION

By Gerard Baker

If you think America's political class is characterized by a paralyzing polarization, an unbridgeable gulf between two tribes with nothing to unite them, take a closer look at what happened in Congress over the weekend.

I'm not talking about the vote to keep the federal government funded that eventually passed both houses late on Saturday. True, the bill was passed by the necessary supermajorities in the two houses of a divided legislature—335-91 in the House, 88-9 in the Senate—supported by a majority of Republicans and almost every Democrat and then sent to the White House for the president's signature.

I'm talking about the abundant evidence that both parties are in thrall to extremists with identical aspirations: to achieve absolutely nothing except the satisfaction of their own self-promotion.

The idiocracy, at least, is bipartisan. If you could pick a visual meta-

phor for the current quality of our national political leadership, it might be the image of Rep. Jamaal Bowman, a radical New York Democrat, pulling the fire alarm handle by a door in the Cannon House office building on Saturday.

There are two competing claims about Mr. Bowman's motivation for falsely shouting "fire" in a crowded political theater. The first, from the congressman himself, is that he was simply trying to exit the building in a rush to perform his democratic duties.

The other, suspected by almost everyone else, is that he deliberately set off the alarm because evacuating the Capitol would force a suspension of proceedings and help fellow Democrats who were clamoring for more time to consider the legislation. Neither reflects well on Mr. Bowman.

If you believe his explanation, it seems that a 47-year-old man, a former school principal no less, presumably by now familiar with the building where he's worked for nearly three years, thought that he could pull a clearly marked fire-alarm handle that wouldn't set off an alarm. The alternative is that he deliberately generated a false alarm, summoning hard-pressed emergency services to interrupt a law-

ful government proceeding.

Leaving observers to decide whether you are a knave or a fool is a well-worn bipartisan tradition these days. God knows there are enough of both on the Republican side of politics too.

But while Mr. Bowman, his friends in "The Squad" and other House Democrats generate publicity from their positions of powerless minority,

They're on opposite sides, but they both play the same game of extremism and self-promotion.

it takes some real skill to squander a hard-won and narrow majority for conservative principles to get your moment in the spotlight.

That's what Republican hard-liners did earlier in the proceedings in rejecting a measure that would have done a much better job of advancing the causes they purport to espouse.

Speaker Kevin McCarthy had put together a series of budget measures that would have made some serious

spending cuts while increasing border security and establishing a commission to improve long-term fiscal sustainability. The bill would surely have failed to pass the Senate but would have laid out a clear conservative position for the negotiations necessary to reduce the nation's enormous fiscal burden.

But Republican Jacobins led by Rep. Matt Gaetz of Florida blocked the measure. Their motivation, presumably, was to deliver another government shutdown, which like earlier shutdowns would have redounded to the GOP's disadvantage.

Mr. McCarthy bypassed them and showed some of the surprising mettle we are learning resides under that slightly unctuous exterior. He produced a last-minute stopgap plan with smaller cuts that would pass muster with Democrats. Only one House Democrat, Rep. Mike Quigley of Illinois, voted against it.

So we end up with a measure that keeps the government running for merely another 45 days, prolonging the sense of gathering fiscal crisis at a time when interest rates are rising rapidly to levels last seen almost 20 years ago—and in the meantime achieving just about nothing that se-

rious conservatives want.

To complete the cycle of idiocy, the same Republicans who refuse to coalesce around a pragmatic conservative platform will try to oust Mr. McCarthy, because he betrayed them by leading passage of a measure more popular with Democrats than Republicans.

The larger point is that this kind of emotionally satisfying posturing characterizes much of Republican politics today. It is mirrored in the process unfolding in the presidential primary. Republicans could unite behind a leader who is committed to doing things they believe in—and things that can actually be achieved in a nation that is as sharply divided as Congress is. Or they could pick someone who makes the right noises, makes them feel good about themselves, and sees allies as opponents and opponents as traitors. In the process, just as they delivered a heavily Democrat-favored bill last weekend, they risk delivering us another four years of Joe Biden, this time aided and abetted by Speaker Hakeem Jeffries.

Break glass in case of emergency, the signs read. No need. The alarms are ringing already.

A Ruling Against the CFPB Wouldn't Harm the Fed

By Adam J. White

The Supreme Court on Tuesday will hear a significant constitutional challenge to the Consumer Financial Protection Bureau in CFPB v. Community Financial Services Association. The CFPB's defenders are attempting to put the Federal Reserve on trial instead by arguing that a ruling against the CFPB threatens the Fed. It's worse than a red herring. The real threat to the Fed would be a judicial decision upholding the CFPB—and thereby letting Congress treat the central bank as the administrative state's slush fund.

The Dodd-Frank Act of 2010 created the CFPB to be independent of both the president (by limiting his power to fire the bureau's director) and Congress (by giving the bureau perpetual power to fund itself with money from the Fed that otherwise would go to the federal Treasury, rather than with appropriations). The Supreme Court declared the former provision unconstitutional in Seila Law v. CFPB (2020). The jus-

tices should declare the CFPB's spending power unconstitutional too.

"No Money shall be drawn from the Treasury," the Constitution states, "but in Consequence of Appropriations made by Law." With Dodd-Frank, the 112th Congress and President Obama empowered the CFPB to determine its own budget and fund itself with hundreds of millions of dollars from the Fed—up to 12% of the operating expenses of the Fed Board of Governors. Congress delegated this power to the CFPB permanently and completely.

The money that the CFPB takes from the Fed is in fact "drawn from the Treasury," because the Fed's profits would otherwise go there as required by law. And it isn't from "appropriations." The CFPB consistently and categorically described itself as "an independent, non-appropriated agency" and began asserting otherwise—that Dodd-Frank itself was an "appropriations" statute—only when federal courts saw the constitutional problem.

Some CFPB defenders are spinning the issue as a threat to the Fed.

"There are no material differences in the funding mechanism of the CFPB and the other federal bank regulators," pro-CFPB law professors argued in a brief. "The CFPB and its peers," they asserted, must "rise and fall together." Days before oral argument, Sen. Elizabeth Warren said a ruling against the CFPB would cause the Fed's independence to "evaporate."

But the Fed and the CFPB are profoundly different. The Federal Reserve Banks earn revenue from their own open market operations and from priced services, and in turn they pay assessments to the Fed's Board of Governors. Other agencies, such as the Federal Communications Commission, often earn revenue by charging user fees for services. The Supreme Court has long recognized the constitutionality of such fees.

The CFPB does none of those things. It is a law-enforcement agency, and it is simply reaching into the Fed's wallet and spending money that belongs in the Treasury, all without the trouble of congressional appropriations.

The real threat to the Fed isn't that the Supreme Court will somehow undermine its monetary independence but that future Congresses will increasingly mistreat the Fed as their favored agencies' source for perpetual, automatic, independent funding.

But a ruling for the bureau's funding scheme would endanger the central bank's independence.

The appeal of independent funding was immediately evident to other regulators when Congress gave the CFPB its unprecedented self-funding power. Members of the Commodity Futures Trading Commission (including then-Chairman Gary Gensler) urged Congress to let the agency fund itself without appropriations; then-Secretaries and Exchange Commission Chairman Mary Schapiro also called for her

agency's fiscal independence.

What regulators wouldn't want to avoid having to ask Congress for their budgets? And what president and Congress would hesitate to put their favorite regulators on autopilot if they could?

A Supreme Court decision approving Congress's CFPB gambit would change the argument significantly. Future Congresses would see the Fed as not only the government's instrument of monetary policy—the successor to George Washington's and Alexander Hamilton's Bank of the United States—but as the administrative state's blank check.

It would be a convenient way for agencies to avoid the trouble of congressional budget showdowns and spare elected representatives tough votes. But that is no way to run a country, least of all one governed by a constitution. James Madison wrote in the Federalist Papers that Congress's power of the purse is the best means for constraining "all the overgrown prerogatives of the other branches of the government."

None of this is meant to oversimplify the issue before the court. The justices will need to think hard about what constitutes an "appropriations" law and exactly how much discretion it leaves to legislators, in terms of multiyear appropriations.

But Dodd-Frank, in its sweeping effort, made this a much simpler case. Congress can't permanently delegate its appropriations power to the CFPB. Appropriations are Congress's constitutional responsibility. Inflationary spending and other policies have made the Fed's job hard enough.

Mr. White is a senior fellow at the American Enterprise Institute and a co-director of the Antonin Scalia Law School's C. Boyden Gray Center for the Study of the Administrative State.

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Notable & Quotable: Nobel

From "The Vast Promise of mRNA Technology" by Allysia Finley in the Journal, Dec. 4, 2021. On Monday Ms. Kariko and Dr. Weissman won the Nobel Prize in Medicine:

The University of Pennsylvania hired [Katalin Kariko] as an adjunct professor. At the time, she envisioned using mRNA to create therapeutic proteins that could substitute for medications. But because she failed to obtain grants, she was passed up for promotions. Government, non-profit institutions and investors were skeptical about mRNA since the ge-

netic material was considered fragile and produced too little protein to be effective. "For two years every month I submitted for a grant and got none," Ms. Kariko says in an interview. Research on mRNA "was a backwater." . . . One day she bumped into the immunologist Drew Weissman at a copy machine. "He was interested in doing a vaccine, and he says he was working with Anthony Fauci. I didn't know who Fauci was. He was not in the television at the time," she says. "Drew said he wanted to make a vaccine that can be therapeutic and prophylactic."

WORLD NEWS

# China Gains Long-Coveted Role in Arctic

### Russia seeks Beijing's help as it ships more oil east through polar routes

By Austin Ramzy

HONG KONG—China's goal of becoming a major player in the Arctic has long been frustrated by its neighbor Russia, which has closely protected its dominant role in the region.

Now, along with the ice that encases the earth's northern pole, Moscow's resistance is beginning to thaw.

Faced with economic isolation over its invasion of Ukraine, Russia is turning to China for help developing the Arctic as Western energy companies are trying to pull out of Russian projects. The newfound cooperation is most evident in surging shipments of crude through the Northern Sea Route, which traverses the Arctic from northwestern Russia to the Bering Strait.

The volume, while still small compared with what is carried via southern routes, has shot up in recent weeks. Russia asserts the right to regulate transit on the route. It says the demand has driven it to permit larger tankers without so-called ice classification—stronger hulls and other reinforcements to sail the ice-filled waters—raising fears of spills in the remote region. The first of two larger tankers arrived at a Chinese port in recent days, each carrying more than one million barrels of oil.

Russia has joined with China in naval exercises and maritime security arrangements in the far north, and looked to it for aid in technology such as satellite data to monitor ice conditions.

When it comes to the Arctic, China "doesn't have to care so much about official Russian policy anymore," said Marcus M. Keupp, an economics lecturer at the military

academy of the Swiss Federal Institute of Technology Zurich who studies the region.

For China, which declared itself a "near Arctic" nation in 2018 despite being more than 900 miles from the Arctic Circle, Russia's new welcome provides a long-sought opportunity. Beijing has wanted to expand its role in the Arctic to increase access to shipping routes, natural resources, climate and other scientific research opportunities, and expand its military and strategic clout.

It has proposed a "Polar Silk Road" as a component of Chinese leader Xi Jinping's broader Belt and Road infrastructure initiative that would make use of the shorter distance to ship goods via the Arctic, avoiding chokepoints at the Suez Canal and Malacca Strait.

### Security concerns

Except for Russia, Arctic nations are all Western democracies that have grown increasingly cautious toward Chinese investment. Security concerns led Denmark to thwart a Chinese plan to build three airports in Greenland, a self-governing Danish territory. Canada blocked a Chinese company from buying a gold mine in its Arctic region in 2020 after military officials raised security concerns.

Russia hasn't always welcomed China to the region. At one point, it opposed China's application to become an observer on the Arctic Council, the body of eight Arctic nations that is the leading forum for addressing regional issues, and previously blocked Chinese ships from conducting Arctic research.

Russian President Vladimir Putin's invasion of Ukraine has changed Moscow's approach. Western sanctions have forced Russia to lean more heavily on China to prop up its economy, support its war effort and maintain its longstanding



Russia has joined with China in naval exercises and maritime security arrangements.

Ukraine invasion have made Chinese firms cautious about expanding business in Russia, even as trade between the two countries has soared, analysts say. Still, that hasn't stopped them exploring potential partnerships in the Arctic.

Anatoly Tkachuk, a former KGB officer turned businessman, said he met in January with representatives of two Chinese state-controlled infrastructure giants, China Communications Construction and China Railway Construction, to discuss plans to mine titanium and other raw materials from a large deposit in the Komi Republic near the Arctic Circle.

The project would include a railroad to ship the materials to the coast and a deep-water port to load ships for transportation along the Northern Sea Route.

In the Nenets region, which sits mostly above the Arctic Circle along the Barents Sea, the regional government said in August that the China Energy Engineering Corp. agreed to open a branch in the region as it explores development of natural-gas deposits there.

If those projects go ahead, the Chinese companies would join state-owned oil giant China National Petroleum Corp. in the region. CNPC joined with Russian natural-gas producer PAO Novatek, TotalEnergies and China's Silk Road Fund to develop the Yamal LNG project, which began production in 2017, and is a partner in the development of the Arctic 2 LNG project along with TotalEnergies, state-run China National Offshore Oil and a Japanese consortium.

One area that is already seeing increased activity is energy shipments. Shortly before the U.S. and its allies imposed a \$60-a-barrel price cap on Russian crude last December, the 843-foot Vasily Dinkov, a Russian oil tanker, sailed east through the Arctic to a Chinese oil terminal on the Shandong peninsula.



Note: Ice extent shown is for late September 2022. Sources: MarineTraffic (oil shipment routes); National Snow and Ice Data Center (ice extent) Max Rust/THE WALL STREET JOURNAL

goals of developing the Arctic. "Russia certainly has the manpower, and it certainly has regional knowledge, but it no longer has capital or technology," said Keupp of the Swiss Federal Institute of Technology, who edited a 2015 book on the route. "It's to China's big ad-

vantage because it can now really exert influence and economic pressure on Russia and develop this route according to its own needs."

China's Ministry of Foreign Affairs said the country "always adheres to the basic principles of respect, cooperation,

mutual benefit and sustainability in its participation in Arctic affairs."

The Russian Foreign Ministry didn't respond to a request for comment.

### Opening the door

As Western companies are trying to pull out of their projects in Russia, Moscow has sought help from Chinese companies to develop ports, mines and other infrastructure in the Russian Arctic. Russia changed its Arctic policy document in February. Russia's policy, which previously focused on "strengthening good-neighbor relations with Arctic states," now emphasizes access to all foreign states—a move that further opens the door to China.

France's TotalEnergies said last year it was scaling back its operations in Russia, in part because of the Ukraine war. BP and Exxon Mobil have also pulled out of projects with Rosneft Oil, the state-controlled Russian energy giant with extensive projects in the Arctic.

Sanctions related to the



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# BUSINESS & FINANCE

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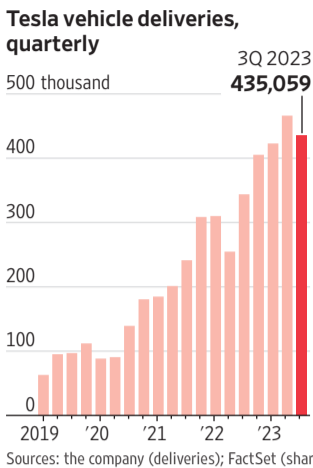
## Tesla's Plant Upgrades Slowed Sales

EV maker reports quarterly drop in deliveries ahead of Cybertruck debut

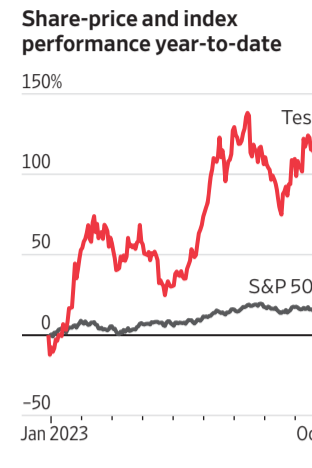
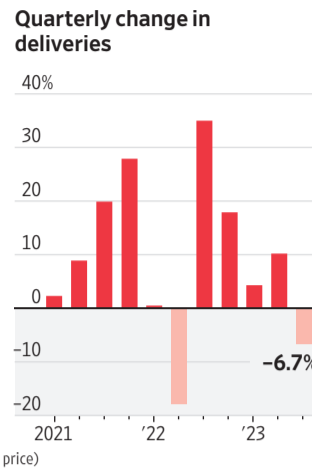
BY REBECCA ELLIOTT AND RYAN FELTON

Tesla's sales momentum slowed during the third quarter as the automaker took production offline for factory upgrades and prepared to release its long-awaited Cybertruck pickup.

For the first time in more than a year, global deliveries to customers fell quarter-over-quarter by 6.7% to 435,059 vehicles, the electric-car maker reported Monday. Tesla said the decline was due to planned factory downtime, and it kept a 2023 target of selling 1.8 million vehicles unchanged.



Sources: the company (deliveries); FactSet (share price)



erage, expected deliveries to rise 34% year over year.

Tesla's stock rose less than 1% Monday.

After a rocky start to the year, Tesla's share price has roughly doubled this year as investors have regained confidence in Tesla's long-term vision and capacity to innovate.

Musk reiterated in July that Tesla is targeting 1.8 million vehicle sales this year, up 37% from 2022, but he cautioned of a slowdown in the third quarter because of a slight decrease in production as the company worked to do factory upgrades. Tesla hasn't specified the exact purpose of the upgrades.

The company needs to deliver roughly 476,000 more vehicles in the final three months of the year to meet

Please turn to page B4

## Dollar's Rise Is Headache For Rest Of World

BY CHELSEY DULANEY

The dollar has bounced back with a vengeance, threatening global central bankers' tricky task of bringing down inflation while protecting fragile economic growth.

The greenback on Monday reached its highest level of the year, bringing its gain since mid-July to 6.6%. The WSJ Dollar Index last week closed out its best quarter since last fall, when it was in the midst of a once-in-a-generation run-up. Some emerging-market currencies have been hit especially hard, with the dollar rising 11% against the Chilean peso and almost 8% against the Hungarian forint.

The dollar's strength has been driven by surging Treasury yields. The 10-year Treasury yield reached a 16-year high Monday of 4.682%. Investors have grown more con-

Please turn to page B11

## Beyoncé Is Latest Star to Bring Tour to Cinemas

BY ANNE STEELE AND ALYSSA LUKPAT

Beyoncé is joining Taylor Swift in turning her ultrapopular summer tour into a big-screen event, a sign of new deals stars are striking with theaters that could deliver a fresh wave of moviegoers and revenue.

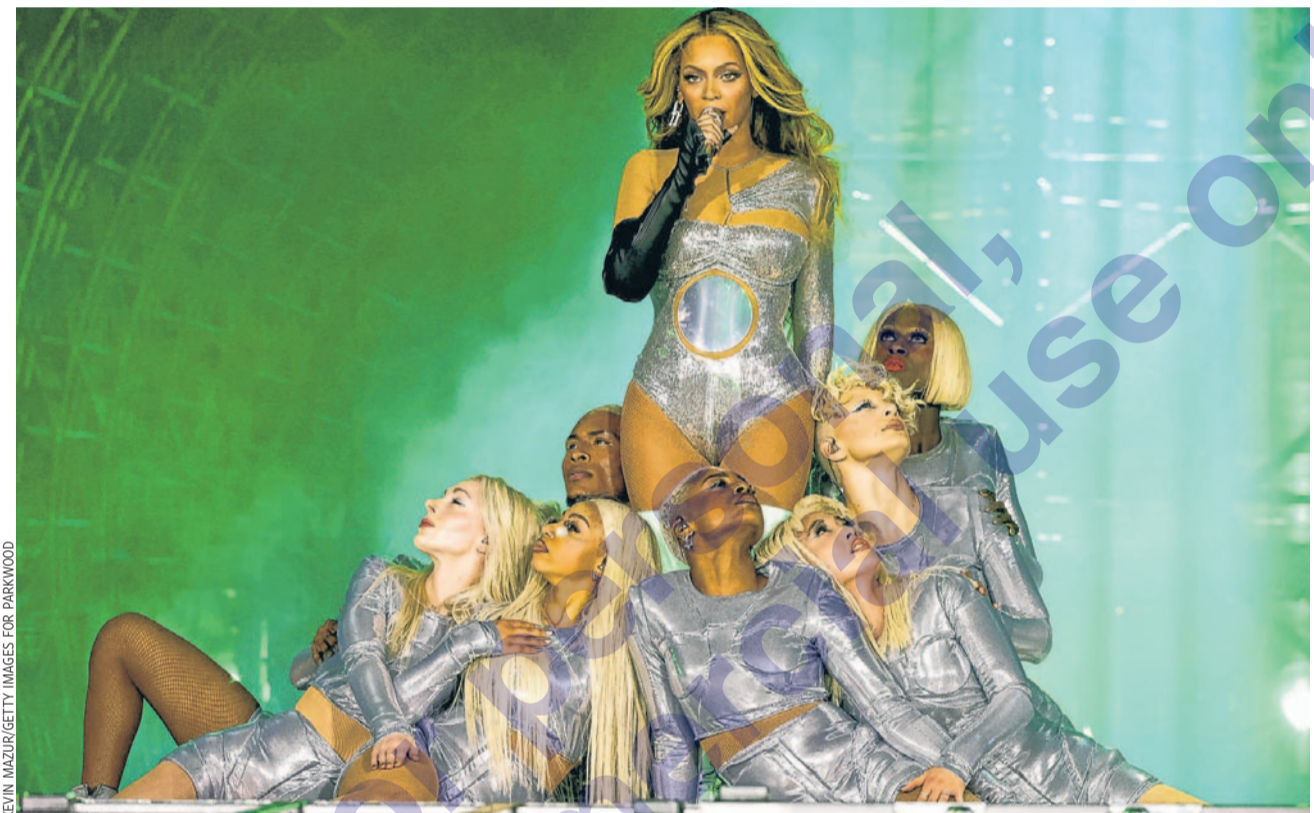
Beyoncé and Swift are capitalizing on the success of summer tours that set precedents for pricing and clout and spotlighted the economic force their fan bases wield. Bringing popular tours to the big screen also allows fans who are unable to spend hundreds of dollars on tickets to live events to still enjoy a cultural moment with fellow fans.

"It shows the power of the movie theater to raise the bar and exponentially increase the cultural impact of a star like Taylor Swift or Beyoncé," said Paul Dergarabedian, senior media analyst for Comscore.

Beyoncé's film is scheduled for release Dec. 1 in theaters across the U.S., Canada and Mexico, according to AMC Entertainment and Parkwood Entertainment, her production company. It is slated to debut less than two months after "Taylor Swift: The Eras Tour," which premieres next week.

Beyoncé, like Swift, is cutting out studio middlemen and releasing her concert film directly with AMC. Beyoncé released the trailer for the movie, called "Renaissance: A Film by Beyoncé," on Monday, the day after she played the final show of her tour in Kansas City, Mo.

In opting to take their con-



'Renaissance: A Film by Beyoncé,' to be released Dec. 1, will feature footage from her summer tour and show her creative process.

cert footage to theaters instead of streaming services, the pop stars are cashing in on the communal, in-person experience fans have been craving—and shelling out for—since the pandemic lockdowns ended.

The pair of concert films follow a blockbuster summer in which "Barbie" brought women to the theaters in droves. The film, directed by Greta Gerwig, grossed \$1.43 billion worldwide through Sunday, according to Comscore.

They also take advantage of

the fact that there is only one Beyoncé or Taylor Swift, but millions of fans.

"This is a really smart way to make fans happy, and pocket millions more," said Bill Werde, director of the Bandier music business program at Syracuse University.

Millions of people planned and hoped to buy concert tickets but didn't have the opportunity either because they were priced out or the number of seats available was limited, he said. The theatrical re-

Please turn to page B2

### Top grossing music concert films, in millions\*

'Justin Bieber: Never Say Never' (2011)	\$73.0
'Michael Jackson's This Is It' (2009)	72.1
'Hannah Montana/Miley Cyrus: Concert Tour' (2008)	65.3
'Woodstock' (1970)	35.0
'One Direction: This Is Us' (2013)	28.9
'Katy Perry: Part of Me' (2012)	25.3
'Jonas Brothers: 3D Concert Experience' (2009)	19.2
'Madonna: Truth or Dare' (1991)	15.0
'Glee: The 3D Concert Movie' (2011)	11.9
'U2 3D' (2008)	10.4

\*U.S. and Canada †Estimated Note: Not adjusted for inflation

Source: Comscore

## Microsoft CEO Says Google's Tactics Hurt Bing

BY JAN WOLFE AND MILES KRUPPA

WASHINGTON—Google has used unfair tactics to hobble Microsoft's Bing search engine, Microsoft Chief Executive Satya Nadella said on the witness stand Monday in the landmark U.S. antitrust case against Google, adding there might be limits to how much new artificial-intelligence applications can reshape the market.

Testifying in a packed courtroom in Washington, Nadella endorsed the Justice Department's theory that Google, a unit of parent company Alphabet, cemented its dominance of internet search through agreements with Apple that have made Google's search engine the default on Apple's Safari web browser.

Because of these default

Please turn to page B2

## Work Suicides Highlight Mental-Health Struggle

BY BEN EISEN

Greg Beckett texted his girlfriend one Thursday evening in January. He was working late, he told her—eat dinner without him.

"I was told to 'not leave if possible,'" he wrote. His girlfriend went about her routine.

A few hours later, the 46-year-old Wells Fargo employee jumped to his death from the 14th floor of the

bank's Wilmington, Del., building.

He left no note. His final messages betray no obvious signs of distress. His brother, Dave Beckett, said he was gossiping with high-school buddies by text message minutes before his death. Months later, his family and colleagues are still struggling to piece together how things went so wrong.

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## INSIDE



AGENCE FRANCE PRESSE/GETTY IMAGES

**SOCIAL MEDIA**  
TikTok's parent doubled its operating profit to \$6 billion in the first quarter. **B3**

## Startup Rides Green-Hydrogen Quest to a \$1 Billion Valuation

BY AMRITH RAMKUMAR

NATICK, Mass.—Hundreds of companies have promised to produce large amounts of green hydrogen, but none have succeeded. Electric Hydrogen believes the secret to success is finding a better way to split a molecule.

Investors believe it too. The company is the green hydrogen industry's first unicorn. It re-

cently raised \$380 million from backers including BP, United Airlines, Microsoft and iron-ore producer Fortescue Metals. That pushed it over the magical \$1 billion mark.

The molecule is water. Splitting it to create green hydrogen requires devices called electrolyzers. They are expensive and consume vast amounts of renewable electricity to make a small amount of

hydrogen, making most projects uneconomical. Electric Hydrogen says its electrolyzer can produce much more hydrogen.

The company aims to overcome the industry's past failures by combining the tech-savvy swagger of Tesla with the financial discipline of First Solar, the only U.S. solar-panel producer to survive an on-

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BUSINESS & FINANCE

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

Index to Businesses table with columns A, B, C, D, E-G, and sub-headers for various companies like Adobe, Amazon, Apple, etc.

Index to Businesses table with columns P, R, S, T, U, V, W and sub-headers for various companies like Pfizer, ProShares, Rithm Capital, etc.

INDEX TO PEOPLE

Index to People table with columns A, B, C, D, E, F, G, H, L, M, N, O, P, R, S, T, W, Y, Z and sub-headers for various individuals like Abella, Baete, Carney, etc.

Netflix Is Selling More Merchandise

By SARAH KROUSE. The streamer is offering branded items for its new show 'One Piece.' In the past, it waited for a show to become popular first. shows are greenlighted—whether there is an opportunity to sell goods or events based on a show or film.

Swift Helped Lift Chiefs-Jets TV Ratings

By ISABELLA SIMONETTI. Comcast's NBCUniversal. Sunday's Chiefs-Jets game—which Kansas City won 23-20—got significantly higher ratings than the year-earlier week 4 matchup that featured the Chiefs and Tampa Bay Buccaneers, a star-studded face-off between quarterbacks Patrick Mahomes and Tom Brady that was watched by 22.2 million people.

Beyoncé Takes Tour To Cinemas

Continued from page B1. Beyoncé's movie will include concert footage and cover her creative process. The trailer shows her rehearsing for the tour, boarding a helicopter, getting glammed up and spending time with her children.



Satya Nadella testified as a witness for the government.

Microsoft CEO Says Tactics Hurt

Continued from page B1. agreements, "you get up in the morning, you brush your teeth, and you search on Google," Nadella said. "With that level of habit forming, the only way to change is by changing defaults."

Synchrony Bank advertisement featuring the slogan 'Don't miss a smart move.' and a 5.40% APY\* offer on a 16-month CD.

CASEY GRAFFORD/NETFLIX

MICHAEL REYNOLDS/SHUTTERSTOCK

BUSINESS & FINANCE



The union filed for bankruptcy after a judgment holding it liable for slowdowns and work stoppages at Oregon's Port of Portland.

# Bankruptcy Tests Dockworkers Union

By PAUL BERGER

The West Coast dockworkers union's bankruptcy filing puts a dent in the armor of one of the country's most powerful labor groups, an organization that includes 22,000 members who handle virtually all U.S. seaborne trade from Seattle to San Diego.

The International Longshore and Warehouse Union filed for bankruptcy over the weekend to fend off a judgment holding it liable for what a federal jury found to be illegal slowdowns and work stoppages at Oregon's Port of Portland.

An ILWU spokesman said the union will operate as normal "throughout the restructuring process."

The union controls the hiring of dockworkers and their daily dispatch to work at cargo-handling terminals at 29 ports from Washington state to California. Its territory includes the nation's busiest container port complex, at Los Angeles and Long Beach, the main gateway

for imports of toys, clothes, electronics, furniture and consumer products from Asia.

"They have enormous leverage because the members of the union have typically acted in concert," said Paul Bingham, director of transportation consulting at S&P Global Market Intelligence. "If they [struck], the entire coast would be shut down."

The ILWU has demonstrated during highly contentious contract negotiations that it doesn't need to strike to show its muscle. Its work actions—slowing or stopping operations—have helped the union maintain jobs that include some of the most generous wages and benefits of any union in the country. Average annual earnings for a full-time registered longshore worker on the West Coast last year was \$211,000, according to the Pacific Maritime Association, which represents port employers.

The bankruptcy filing shows the union's tactics aren't always without risk. The union was

found liable at the Oregon port for hurting revenue at a subsidiary of Philippines-based maritime company **International Container Terminal Services**.

A federal jury in 2019 found that the ILWU coordinated work slowdowns and stoppages at the terminal because of a dispute over whether ILWU workers or members of another union would perform work handling refrigerated shipping containers. ICTSI was initially awarded \$93.6 million, a sum that was later reduced to \$19 million. ICTSI rejected the reduced amount. The ILWU filed for bankruptcy ahead of a retrial set for next year saying it couldn't afford legal fees to fight the case or any damages that may be awarded.

The union's only material asset is its \$9.5 million in cash on hand, ILWU President Willie Adams said in a bankruptcy-court filing in San Francisco. The ILWU plans to pay most of that cash to ICTSI to resolve their dispute, while retaining a working-capital reserve big

enough for the union "to maintain its operations and rebuild," Adams said.

Eric Snyder, chair of the bankruptcy department at law firm Wilk Auslander, said the bankruptcy filing could lead the union to think twice before embarking on future work slowdowns. "They must realize now that they are really going to run a risk if they do this again, and that they're going to get caught again in a potential lawsuit that might bankrupt them," Snyder said.

Still, the Portland case so far hasn't stopped the union from continuing its tactic of slowing and stopping operations in disputes with employers, according to port operators.

During drawn-out negotiations over a new multiyear contract for West Coast dockworkers that began in 2022 and ended this summer, terminal operators accused ILWU members of deliberately withholding labor or slowing operations.

— Andrew Scurria contributed to this article.

# New CEO Tapped For Spirit Aero

By WILL FEUER

**Spirit AeroSystems** said Chief Executive Tom Gentile has departed the company and resigned from the board of the aerospace supplier.

The company said Patrick Shanahan, a member of the company's board, has stepped in as interim CEO. Shanahan is a former deputy secretary of defense and longtime executive at Boeing, a major customer for Spirit.

The board is searching for a new CEO. Gentile will serve as

a consultant to the company for three months to help with the transition.

Spirit this year has grappled with various issues, ranging from a brief labor strike to production problems with its fuselages used in Boeing's 737 MAX jets. The stock has tumbled about 43% so far this year.

"I believe Spirit possesses the assets, know-how and talent to satisfy the extraordinary aviation demand and mitigate global supply chain challenges," Shanahan said.



The shoemaker plans to sell nearly 10.8 million shares.

# Birkenstock Sets Sights On \$9.2 Billion Value

By COLIN KELLAHER

**Birkenstock Holding** is seeking a valuation of up to \$9.2 billion in its initial public offering.

The shoemaker on Monday disclosed in a securities filing plans to sell nearly 10.8 million shares at between \$44 and \$49 apiece. At the \$46.50 midpoint of that price range, the company, which is owned by private-equity firm **L Catterton**, would receive net proceeds of about \$450.2 million. Birkenstock said L Catter-

ton plans to sell another 21.5 million shares in the offering, bringing the size of the IPO to about 32.3 million shares.

Birkenstock said it would have about 187.8 million shares outstanding after the offering, for a market capitalization of roughly \$9.2 billion at \$49 a share, the high end of the expected price range.

L Catterton would still own nearly 83% of Birkenstock, which has applied to list its shares on the New York Stock Exchange under the symbol BIRK, after the offering.

# TikTok Parent ByteDance Doubles Profit to \$6 Billion

By SALVADOR RODRIGUEZ AND GEORGIA WELLS

TikTok parent **ByteDance** turned an operating profit of nearly \$6 billion in the first quarter of 2023, nearly double from the previous year as the Chinese social-media company pared expenses.

The rare look inside the private company's closely guarded finances shows the extent to which ByteDance has turned around its business since 2021, when it had an operating loss of \$7 billion, *The Wall Street Journal* previously reported.

Still, while ByteDance's revenue continues to expand, surging by more than 38% to \$85.2 billion in 2022, the company's revenue growth has come down compared with a

year prior, when it rose nearly 80%, according to a financial report shared with employees. The company generated more than \$20 billion in operating profit last year, the report shows.

In conjunction with the financial document sent to current and former employees, ByteDance also offered to buy back shares from current employees at \$160 a share, according to people familiar with the matter.

The company also notes it has 1.4 billion shares outstanding, implying a valuation of \$223.5 billion. That is down nearly 26% from \$300 billion a year ago, according to a previous report by the *Journal*.

The Information earlier reported the new ByteDance share price and valuation.

"We can confidently say that the company is growing continuously," a ByteDance spokeswoman said.

As a private company based in Beijing, ByteDance has closely guarded its finances and doesn't publicly disclose results. The report provides one of the most detailed looks at how it is performing and is planning for the future.

ByteDance's slowing revenue comes as the company is still trying to convince U.S. authorities and regulators in other countries that its hot video-sharing app TikTok is safe for users. Regulators have expressed concern that the Chinese government could pressure TikTok for data about its users or use the app to spread propaganda, concerns TikTok has repeatedly denied.



The 'smart' cooler screens often didn't work properly and even caught fire, Walgreens says.

# Walgreens Test of Ad-Enabled Cooler Doors Ends Up in Court

By KATIE DEIGHTON

A test by **Walgreens** of technology that replaced some cooler doors with digital screens that play ads has ended in acrimony.

The digital screens' vendor, **Cooler Screens**, is suing the pharmacy chain, saying that Walgreens obstructed an agreed-upon nationwide rollout of the internet-connected doors and demanded their re-

moval from stores, according to court documents.

Walgreens says the technology from Cooler Screens didn't work. The retailer said it ended its pact with the vendor in February, according to the court documents.

"Customer experience is a top priority for Walgreens, and we terminated our contract with Cooler Screens earlier this year due to their failure to meet contractual

obligations," Walgreens senior communications director Emily Hartwig-Mekstan said.

The companies had hoped that ads on the screens could help connect marketers with consumers and generate ad revenue for both companies.

Walgreens in 2018 began testing the "smart" cooler screens in a bid to generate ad revenue from the mounds of shopping behavior data it collects from customers.

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BUSINESS NEWS

UAW Strike Hurts Steel Demand

Drop in purchases by Detroit plants adds pressure to tumbling prices

By Bob Tita

The strike against the Detroit automakers is dealing a blow to the U.S. steel market.

Steel purchases by automotive-related users began slowing during the summer as a strike by the United Auto Workers union appeared more likely, adding pressure to steel prices that had already been pressured by weakness in manufacturing and commercial construction sectors.

The spot-market price for benchmark coiled sheet steel has fallen 40% since April. "The air just got sucked out of the steel market," said Jeremy Flack, chief executive of Flack Global Metals, a Chicago-based steel distributor.

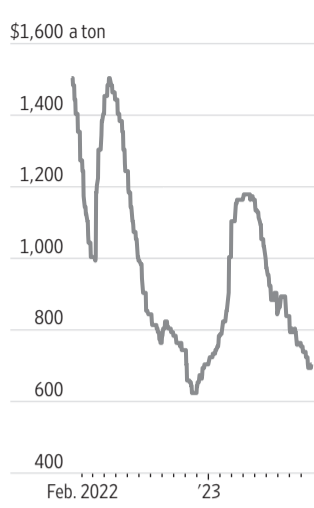
Demand for steel from the

auto industry had been a bright spot for the steel industry in the past year. Vehicle-production volumes rebounded from supply-chain bottlenecks during the Covid-19 pandemic. Steelmakers have been investing in new and existing mills in anticipation of rising demand for steel from federal infrastructure projects, electric-vehicle battery plants and increased auto production.

Steelmakers Nucor and Steel Dynamics in September forecast third-quarter profit would decline from the same period last year and from the second quarter because of lower steel prices. United States Steel in September said it would idle a blast furnace at its Granite City, Ill., mill and reallocate the steel produced there to other mills where steel production has dipped because of the auto workers' strike.

The spot market price for coiled sheet steel slipped about 3% since the strike started Sept. 15 to \$700 a ton,

Spot-market price for hot-rolled coiled sheet steel



Source: S&P Global Commodity Insights

according to S&P Global Commodity Insights.

Cleveland-Cliffs on Sept. 27 tried to jolt the market out of its doldrums by announcing it would charge a minimum of \$750 a ton for all varieties of its steel. The Cleveland-based steelmaker is typically the in-

dustry's most aggressive at raising prices. Other steel companies often follow with their own increases.

Industry analysts saw Cleveland-Cliffs's move as an attempt to halt further price erosion by betting that steel customers are ready to replenish depleted inventories—and will pay more.

Using price increases to cure a slumping market can be risky if customers simply refuse to pay more or refrain from buying steel. The spot-market steel price last November sank to a low of \$620 a ton before rallying into early 2023, according to S&P.

The slump has taken a toll on steel company stocks by driving down stocks. Cleveland-Cliffs made an unsolicited offer of more than \$7 billion for U.S. Steel in July. The Pittsburgh-based steelmaker's stock had fallen 27% in the months before Cleveland-Cliffs went public in August with a cash-and-stock offer that it said provided U.S. Steel investors with a significant pre-

mium for their shares.

U.S. Steel has said it is considering several offers of all or parts of the company.

A walkout by hourly workers at selected plants operated by General Motors, Ford Motor and Stellantis, which includes Chrysler and Jeep, began after negotiations failed to produce a new contract.

Several weeks' worth of vehicle inventory on dealers' lots or in transit when production stopped is expected to leave enough vehicles on hand to sell in the short term.

S&P estimates the strike so far has knocked out production of 6,030 vehicles a day that consumed about 5,982 tons of steel.

Chris Zuzick, vice president of Waukesha Metal Products, a Wisconsin supplier of brackets for vehicle suspensions, said his company has throttled back its longer-term purchases of steel since the strike. "Right now we're really watching our inventories and not making a lot of commitments for raw materials," he said.

Ford, GM Lay Off About 500 Workers

MIKE COLIAS

Ford Motor and General Motors have laid off an additional 500 workers combined, knock-out effects from the United Auto Workers' strike.

Ford said late Monday it had idled two factories that supply parts to a sport-utility-vehicle assembly plant in Chicago, where workers walked off the job Friday. Work stopped at a stamping plant near the SUV factory and an engine plant in Lima, Ohio, resulting in the layoffs of about 330 employees, the company said.

GM put 130 workers on lay-off at a plant near Cleveland and sent home an additional 34 at a facility in central Indiana, the automaker said earlier Monday. Both factories make metal parts used at GM assembly plants that are dark because of the walkouts.

Overall, about 25,000 UAW workers are on strike at facilities owned by GM, Ford and Chrysler-parent Stellantis. The union initiated the work stoppages after it failed to reach terms on new four-year contracts at the Sept. 14 deadline. It has gradually expanded the strike as a pressure tactic.

With the layoffs disclosed by GM and Ford Monday, more than 6,000 factory workers are off the job because of spillover effects from the strike. That figure includes several suppliers who have cited furloughs directly tied to the walkouts.

Negotiations have continued since the union broadened the strike Friday to include the Ford Chicago factory—where it makes the Explorer and Lincoln Aviator SUVs—as well as a GM SUV plant in Lansing, Mich., where it makes the Chevrolet Traverse and Buick Enclave.

Wages have been a primary issue in the talks. The companies recently had proposals on the table for 20% wage increases over four years, while the union has been pressing for an increase in the mid-30% range. The union also is demanding cost-of-living adjustments, better retirement benefits and other terms.

On Monday, J.P. Morgan estimated the strike erased about \$191 million from GM's bottom line in the third quarter and about \$145 million in profit from Ford.

Tesla Plant Retooling Hit Sales

Continued from page B1 Musk's goal.

Separately, rival electric-vehicle maker Rivian Automotive reported it had delivered 15,564 vehicles to consumers in the third quarter, a 16.5% rise over the prior three-month period.

The California-based startup said it believes it is on track to hit a target of making 52,000 vehicles for the year.

Since launching production in late 2021, Rivian has struggled to get its factory in Normal, Ill. fully ramped up, a challenge that has led it to burn through billions of dollars in cash. In the second quarter, it posted a gross loss of \$33,000 for every vehicle it sold.

Chief Executive RJ Scaringe has said the loss is expected to narrow as it increases output at its assembly plant.

Tesla, meanwhile, is striving to cut production costs in half for its next generation of vehicles, which is expected to include a less expensive car that is within reach for a wider group of customers. It



Investors are concerned the company will cut prices to stoke demand, eating into earnings. Cars at Tesla's factory near Berlin.

is also looking to make big gains in artificial intelligence, with aspirations of developing humanoid robots and cars that can drive themselves.

In the near term, however, it faces challenges. The EV market is growing more competitive by the day, especially in China, and it has been more than three years since Tesla last brought out a new passenger vehicle.

The company's next offering, the Cybertruck, is expected to be produced in relatively low volumes,

particularly to start.

Tesla had suggested in April it would hold a delivery event for the Cybertruck in the third quarter to mark the start of customer deliveries, but the end of September passed with little news on the model's sales launch.

Musk had previously suggested Tesla could reach two million vehicles this year but has appeared to back away from that figure as sales growth softened.

To juice demand for existing vehicles, Tesla has

slashed prices across its lineup this year, in some cases by more than a third.

Those price cuts weren't enough for Tesla to keep up with the industry's growth in global EV sales, which rose an estimated 31% year-over-year to almost 2.9 million in the third quarter, according to GlobalData.

Price cuts will likely have an effect on the company's bottom line during the third quarter, which would be disclosed on Oct. 18. Analysts forecast third-quarter profit

will fall roughly 30% over the prior-year period to \$2.3 billion despite higher revenue, according to FactSet.

"Looking at 2024...we see considerable downside risk to earnings expectations, due to much lower volume outlook than the market believes," Deutsche Bank analyst Emmanuel Rosner wrote in a recent note to investors about Tesla.

The bank lowered its delivery expectations for next year to 2.1 million vehicles from 2.4 million.

Workplace Suicides Alarm

Continued from page B1

A few hundred people end their lives at work each year, a small but noteworthy number that has mostly risen alongside U.S. suicide deaths. Many of these acts are violent and shocking. They leave family and colleagues without answers.

That has put companies on the front lines of what health officials consider to be a mental-health crisis. Nearly 50,000 Americans died by suicide last year, a 2.6% annual increase, according to the Centers for Disease Control and Prevention. Much of the public remains unaware of mental-health resources, such as the 988 Suicide & Crisis Lifeline.

The number of workplace suicides fell during the pandemic, when people were working from home. But as people returned to the office,

there were some high-profile examples.

They include a software engineer at Google's New York office in May and an airport worker on a tarmac in San Antonio in June. Thomas H. Lee, a private-equity investor, died by a self-inflicted gunshot wound in his office in February. Workplace suicides have also taken place over the past decade at banks including JPMorgan Chase and Bank of America.

Employers, especially in September, suicide prevention month, have increasingly urged workers to look out for signs that their peers are struggling. But the signs someone is considering suicide can be subtle, and the reasons elusive.

Some people might end their lives at work to spare their loved ones from having to discover the body. Others might do so to send a message about how they felt that they were mistreated at work, said Larry Barton, a behavioral scientist who works with companies in the wake of workplace suicides. He said calls to his practice from companies working through mental-health challenges or suicides are up by a third so far this year.

Companies face a wrenching task in responding. Executives must demonstrate compassion for workers and the victim's family without broadcasting too much detail on how the person died, Barton said.

Workers' personal matters are typically referred to the company's employee assistance programs.

"We're deeply saddened by the loss of our colleague," a spokeswoman for Wells Fargo said in a statement for this article. "Greg was a valued member of our team. As we all know, it's virtually impossible



Greg Beckett, seen here with girlfriend Giovanna Muraca, leapt to his death from the 14th floor of the bank's Wilmington, Del., tower, leaving behind bereaved loved ones.

to identify a reason when a tragedy like this occurs. There is nothing more important to all of us at Wells Fargo than our colleagues' well being."

Dave Beckett, 54, said he was surprised no senior executives represented Wells Fargo at his brother's memorial service. Some of Greg Beckett's colleagues attended. Wells Fargo sent flowers.

When a human-resources worker contacted Dave Beckett with information about his brother's life insurance and where to send his last paycheck, she hadn't been briefed on how he died. When Dave Beckett informed her, she gasped and quickly ended the call, he said.

"He had personal accountability to that place, and that place had no accountability to him," Dave Beckett said.

nior human-resources people were on site to meet with employees.

At a companywide meeting in May, which is mental health awareness month, Chief Executive Charlie Scharf spoke about managing work stress and mental health. He relayed personal stories and talked about the importance of open communication.

Greg Beckett worked on Wells Fargo's internal controls, which are meant to protect the bank from risk. It is in the middle of an intensive effort to revamp them.

In the fall of last year, hours got longer for him and his colleagues. Around mid-December, he became more noticeably stressed, his loved ones said.

Sometimes, he would break for dinner and then log back in. He took meetings as late as 11 p.m. One planning call would be interrupted by instant messages telling him to hop to another, and another, Greg Beckett told his brother a few weeks before his death.

After his death, a manager in another group working on controls wrote to his team, saying that Greg Beckett "had been working on a number of high importance, high stress projects at work for an extended period of time." He noted the importance of managing that stress, writing: "If we don't find healthy ways to address it, there will be negative consequences of one form or another."

Greg Beckett's life outside of work seemed to be going well, Dave Beckett said. He had recently moved in with Giovanna Muraca, his girlfriend of a year, and her daughters. They accompanied him to his family's Christmas Eve dinner for the first time.

His Philadelphia Eagles were having a strong football

season and went on to the Super Bowl. When they played at home, Greg Beckett and a group of friends tailgated outside the stadium, each time in the same grassy spot. Out of superstition, he wore the same sneakers, socks, jeans and jersey.

Greg Beckett doted on his dog, which he sometimes held like an infant with his hands under her bottom and her head resting on his shoulder. He once dressed up in a Barney costume in 100-degree heat for his niece's second-birthday party. He texted his friends' spouses about the Real Housewives' latest dramas. He stopped by his parents' house to mow their lawn and take out their trash each week.

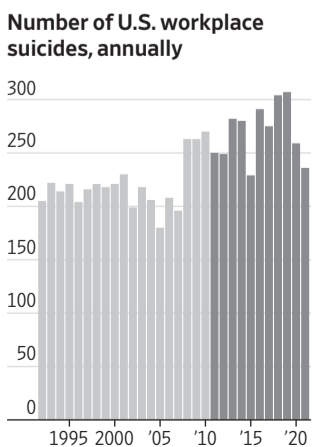
He and Muraca had been part of the same group of friends for years, but only became romantically involved later in life. They talked about getting married.

On the night of Jan. 19, Greg Beckett stopped responding to text messages and phone calls from Muraca and his family.

He was supposed to pick up his dog from his parents, and wasn't answering questions about when he would be there. They worried he might have been in a car accident. His brother and sister-in-law drove to his office at around 10 p.m. to try to find his car. They found police blocking off the parking lot.

Greg Beckett's Eagles jersey was still at the dry cleaner in preparation for that weekend's divisional playoff game. It would be displayed at his memorial service the following week.

Help is available: Reach the 988 Suicide & Crisis Lifeline (formerly known as the National Suicide Prevention Lifeline) by dialing or texting 988.



Number of U.S. workplace suicides, annually. Note: Methodology changed in 2011 to classify incidents differently. Source: Bureau of Labor Statistics

BUSINESS & FINANCE

# Insurers Launch Coverage for AI Risks

Companies see an opportunity to cover ways the technology could go wrong

By Belle Lin

The many ways a generative-artificial-intelligence project can go off the rails pose an opportunity for insurers, even as those grim scenarios keep business-technology executives up at night.

Taking a page from cybersecurity insurance, which saw an uptick in the wake of major breaches several years ago, insurance providers started taking steps into the AI space by offering financial protection against models that fail.

Corporate-technology leaders say such policies could help them address risk-management concerns from board members, chief executives and legal departments.

**CIO JOURNAL** “You will find more and more people starting to ask, ‘Who takes the risk? How do you fund it? And can you take care of some of the risk for us?’” said Niranjana Ramsunder, chief technology officer and head of data services at digital technology and information-technology services firm UST.

Although it’s early days, analysts say there is appetite for AI insurance, and major carriers could offer specialized coverage for financial losses stemming from AI and generative AI—a technology in its early stage of adoption across businesses. Existing liability or cybersecurity policies could soon be amended for generative AI, though there isn’t yet a clear-cut example of generative AI causing data leakage, for instance, resulting in damages to a business.

Business risks associated with generative AI include everything from cybersecurity issues to the potential for copyright infringement, inac-

curate or biased outputs and misinformation and the leaking of proprietary data.

“I would bet that over 50% of large enterprises would buy some of these insurance policies if they come out, and they make sense,” said Avivah Litan, a Gartner analyst who focuses on AI trust, risk and security.

**Munich Re**, which offers an insurance policy for companies selling AI services, launched its coverage in 2018, said Michael Berger, head of the German reinsurer’s Insure AI product. It insures enterprises developing their own AI models by covering financial losses if their homegrown models make a mistake that a human wouldn’t have, for instance.

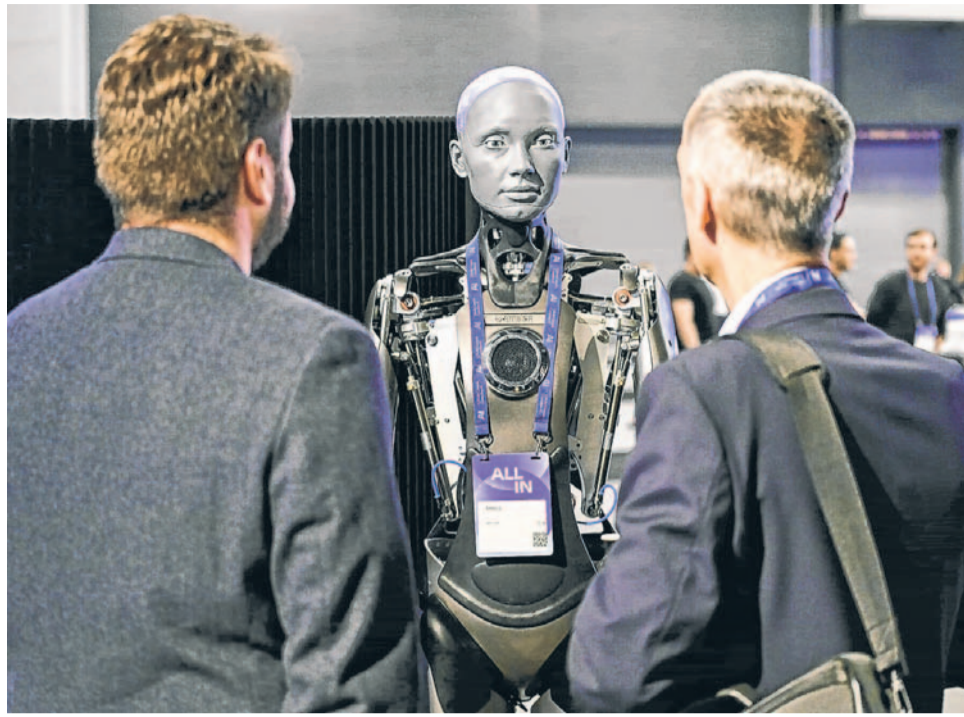
**Armilla Assurance**, a Toronto startup, offers what it calls a product warranty, backed by reinsurers including Swiss Re and Chaucer, that AI models will work the way their sellers promise.

Recognizing concerns that businesses may have with embedding generative AI into operations, vendors including **Microsoft**, **International Business Machines** and **Adobe** are offering other ways of managing its risks.

IBM last week said its standard contractual intellectual-property protections will apply to the generative-AI models it developed. Adobe in June said businesses can buy IP indemnification from the software company for generative-AI-created content on its Firefly platform.

In September, Microsoft announced a commitment to defend and pay for lawsuits stemming from a customer’s use of its generative-AI-based Copilot tools. The company said customers must be using its built-in guardrails, which aim to filter out copyrighted content.

The potential for copyright infringement from tapping large language models is a major hurdle for businesses, analysts say, putting vendors in the hot seat to offer customers



GRANAH HUGHES/SHOOTING NEWS

Generative-AI models change so quickly that risk-assessment methods will need to be dynamic.

legal financial backing if needed. Microsoft, OpenAI and other vendors have been sued for violating internet users’ privacy rights and copyrights.

Thomas Dohmke, CEO of Microsoft-owned GitHub, said the new commitment has unlocked deals. Technical and product teams want to use GitHub’s Copilot generative AI coding assistant, and Microsoft’s financial commitment to defend its customers provides a way to help get their legal departments onboard, he said.

The recent development of cyber insurance offers some lessons for AI. Cyber insurers stepped up scrutiny of policyholders’ security arrangements during the pandemic, resulting in more expensive policies and coverage denials. Then, amid a rise in costly hacks, insurers increased premiums and pared back what their policies cover. AI coverage policies could follow a similar path, analysts say, as underwriting evolves and insurers start to pay out costly claims.

There are plenty of other

challenges, too. Without historical data about an AI model’s use in business and how it performs, it is hard for insurers to assess risk. Generative-AI models are changing so quickly that risk-assessment methods will need to be dynamic as well.

So far, Armilla Assurance, Swiss Re and Munich Re are relying on their AI expertise and proprietary assessment frameworks to price out risk.

Armilla Assurance evaluates the risk of a given AI model by looking at a combination of eight factors including training data, who built it, how it performs in testing and how the customer uses the model. That determines the risk—and insurability—of the customer and its use of an AI model, said Karthik Ramakrishnan, the startup’s co-founder and CEO. So far, it is starting to test some generative AI models in addition to other forms of AI, he said.

If the model fails, Armilla Assurance reimburses the customer for up to the amount

that they paid for licensing fees to the AI vendor, it said. The startup collects a premium consisting of a percentage of those licensing fees, which varies depending on the risk and complexity of the model.

Jerry Gupta, Swiss Re’s senior vice president of property and casualty research and development, said its partnership with Armilla Assurance, which focuses on model accuracy, is the first of its AI-related insurance products that could be designed to address more complex issues like bias, copyright and data privacy. “As we learn, as we get more data, then we’ll figure out what the next steps are,” he said.

Munich Re prices the risks of AI models using an in-house team of research scientists, Berger said. “The pricing task is to find a reliable statistical estimator for the uncertainty of the respective AI model on new and unseen data,” he said.

Assessing generative-AI risk compared with other forms of AI requires a special set of considerations, includ-

ing accounting for text-based prompts, which induce “more variability in performance” and intellectual property infringement risks, Berger said. There will also be a need for additional insurance solutions that cover AI risks like discrimination, he said.

Analysts, technology leaders and insurers say insurance policies, or some kind of financial protection covering potential losses from the use of generative AI models, could become table stakes in the next few years as companies increasingly use AI in the course of daily business.

The opportunity for insurers could be huge over the next decade. Researchers from McKinsey estimate generative AI could add trillions of dollars a year to global economic output, and that will lead to questions over how to manage its risks. Most insurers are thinking about how to capture that opportunity, said Ellen Carney, a Forrester analyst who covers insurance.

“This is going to be a given in insurance companies’ product set, even for small businesses, even for other insurance companies,” Carney said.

To be sure, business technology leaders are hesitant to rely solely on insurance as a means of managing AI risk. Part of the appeal of an insurance policy is that it offers a way of passing on that risk to someone else, UST’s Ramsunder said, but it is one of many risk-management strategies to rely on.

Just as security experts caution against using cyber insurance as a substitute for good cybersecurity practices, companies should build in guardrails to protect against data leakage and use other security tools and technologies as a first line of defense.

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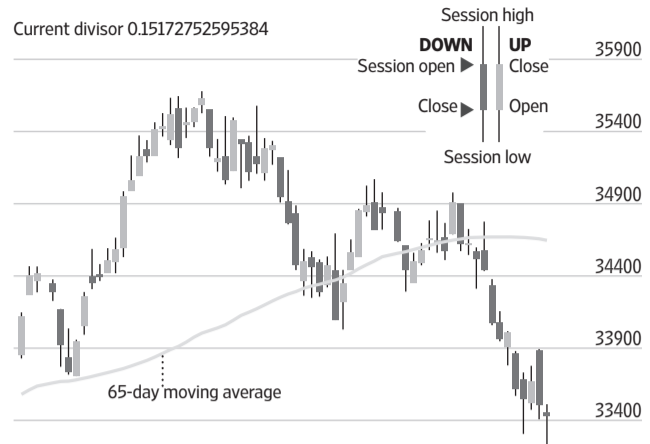


# MARKETS DIGEST

## EQUITIES

### Dow Jones Industrial Average

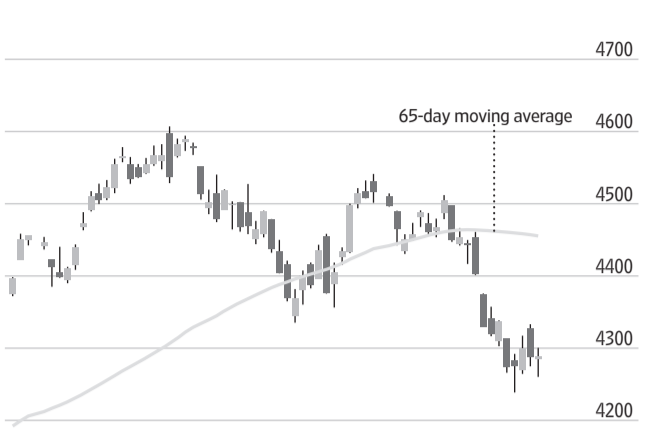
**33433.35** ▼74.15, or 0.22%  
 Last Year ago  
 Trailing P/E ratio 24.21 17.38  
 P/E estimate \* 18.32 15.62  
 Dividend yield 2.16 2.41  
 All-time high 36799.65, 01/04/22



Current divisor 0.15172752595384  
 Bars measure the point change from session's open  
 \*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; \*Based on Nasdaq-100 Index

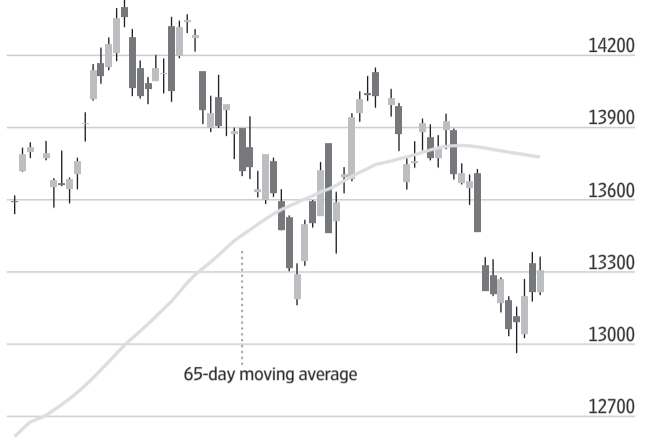
### S&P 500 Index

**4288.39** ▲0.34, or 0.01%  
 Last Year ago  
 Trailing P/E ratio \* 21.67 17.85  
 P/E estimate \* 19.43 16.35  
 Dividend yield \* 1.58 1.81  
 All-time high 4796.56, 01/03/22



### Nasdaq Composite Index

**13307.77** ▲88.45, or 0.67%  
 Last Year ago  
 Trailing P/E ratio \*\* 29.55 22.94  
 P/E estimate \*\* 26.15 20.82  
 Dividend yield \*\* 0.89 0.95  
 All-time high: 16057.44, 11/19/21



### Major U.S. Stock-Market Indexes

Index	High		Low		Latest Close	Net chg	% chg	52-Week		% chg
	High	Low	High	Low	Close	Net chg	% chg	High	Low	YTD
<b>Dow Jones</b>										
Industrial Average	33511.91	33219.56	<b>33433.35</b>	-74.15	-0.22			35630.68	29202.88	<b>13.4</b>
Transportation Avg	14952.74	14693.71	<b>14797.39</b>	-171.38	-1.14			16695.32	12429.60	<b>18.7</b>
Utility Average	813.29	776.25	<b>783.08</b>	-33.47	-4.10			1002.11	783.08	-14.4
Total Stock Market	42870.99	42451.12	<b>42716.38</b>	-72.31	-0.17			45969.67	36056.21	<b>15.3</b>
Barron's 400	963.10	948.14	<b>952.53</b>	-10.58	-1.10			1036.97	862.18	<b>10.0</b>
<b>Nasdaq Stock Market</b>										
Nasdaq Composite	13364.03	13204.08	<b>13307.77</b>	88.45	0.67			14358.02	10213.29	<b>23.0</b>
Nasdaq-100	14892.18	14701.52	<b>14837.57</b>	122.33	0.83			15841.35	10679.34	<b>32.1</b>
<b>S&amp;P</b>										
500 Index	4300.58	4260.21	<b>4288.39</b>	0.34	0.01			4588.96	3577.03	<b>16.6</b>
MidCap 400	2500.44	2458.20	<b>2468.32</b>	-33.80	-1.35			2728.44	2245.21	<b>8.8</b>
SmallCap 600	1149.97	1130.26	<b>1136.25</b>	-15.01	-1.30			1315.82	1089.14	<b>4.0</b>
<b>Other Indexes</b>										
Russell 2000	1782.02	1749.43	<b>1756.82</b>	-28.28	-1.58			2003.18	1682.40	<b>2.8</b>
NYSE Composite	15398.21	15154.01	<b>15230.01</b>	-168.20	-1.09			16427.29	13546.80	<b>9.9</b>
Value Line	538.95	529.79	<b>531.87</b>	-7.08	-1.31			606.49	495.91	<b>5.0</b>
NYSE Arca Biotech	5014.81	4923.30	<b>4973.32</b>	-41.49	-0.83			5644.50	4537.71	<b>8.0</b>
NYSE Arca Pharma	883.18	870.17	<b>882.20</b>	-0.25	-0.03			925.61	744.66	<b>17.5</b>
KBW Bank	78.17	76.11	<b>76.42</b>	-1.87	-2.38			115.10	71.96	-22.6
PHLX <sup>S</sup> Gold/Silver	105.86	102.99	<b>103.53</b>	-3.95	-3.68			144.37	96.42	-2.3
PHLX <sup>S</sup> Oil Service	94.42	91.34	<b>92.03</b>	-2.48	-2.62			98.76	63.87	<b>44.1</b>
PHLX <sup>S</sup> Semiconductor	3474.99	3408.25	<b>3448.85</b>	14.56	0.42			3861.63	2162.32	<b>44.1</b>
Cboe Volatility	18.55	16.93	<b>17.61</b>	0.09	0.51			33.63	12.82	-41.5

### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, 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
DXC Technology	DXC	19,201.7	21.00	-0.15	-0.71	21.26	20.74
Kohl's	KSS	12,643.7	20.75	0.14	0.68	20.77	20.60
WK Kellogg	KLG	5,522.6	13.30	-0.05	-0.37	13.35	13.10
Kenvue	KVUE	4,180.8	20.42	0.10	0.49	20.50	20.32
SPDR S&P 500 ETF Trust	SPY	3,336.1	427.32	0.01	0.002	427.76	411.24
Apple	AAPL	3,298.6	173.70	-0.05	-0.03	173.96	163.94
Petroleo Brasileiro ADR	PBR	3,271.2	14.68	...	unch.	14.70	14.67
Sirius XM Holdings	SIRI	2,841.9	4.32	0.01	0.23	4.35	4.28

### Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Boeing	BA	133.1	263.79	75.96	40.44	263.79	151.72
Delta Apparel	DLA	54.0	7.92	1.33	20.18	8.42	6.59
ALX Oncology	ALXO	66.6	5.74	0.93	19.33	5.96	4.67
Incyte	INCY	176.5	64.24	6.18	10.64	64.24	58.06
UDR	UDR	81.0	38.53	3.39	9.65	38.53	34.75

### ...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Upwork	UPWK	55.9	11.18	-0.42	-3.62	11.60	11.18
Traverse Therapeutics	TVTX	62.3	8.19	-0.23	-2.73	8.42	8.19
iShares S&P 500 Value ETF	IVE	55.1	148.97	-3.94	-2.58	152.91	148.97
Aflac	AFL	105.8	74.78	-1.69	-2.21	76.47	74.78
Humana	HUM	99.1	481.04	-10.70	-2.18	493.58	481.04

### Trading Diary

#### Volume, Advancers, Decliners

	NYSE	NYSE Amer.
<b>Total volume*</b>	975,064,806	11,250,212
<b>Adv. volume*</b>	168,162,804	1,818,501
<b>Decl. volume*</b>	798,643,189	8,733,134
<b>Issues traded</b>	2,976	329
<b>Advances</b>	545	97
<b>Declines</b>	2,358	220
<b>Unchanged</b>	73	12
<b>New highs</b>	17	3
<b>New lows</b>	277	40
<b>Closing Arms*</b>	1.17	1.47
<b>Block trades*</b>	4,146	122

\*Primary market NYSE, NYSE American NYSE Arca only.  
 \*(TRN) 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
<b>World</b>	<b>MSCI ACWI</b>	<b>653.75</b>	-3.07	-0.47	8.0
	<b>MSCI ACWI ex-USA</b>	<b>286.01</b>	-3.48	-1.20	1.7
	<b>MSCI World</b>	<b>2838.78</b>	-14.46	-0.51	9.1
	<b>MSCI Emerging Markets</b>	<b>951.49</b>	-1.29	-0.14	-0.5
<b>Americas</b>	<b>MSCI AC Americas</b>	<b>1623.92</b>	-2.72	-0.17	11.4
Canada	<b>S&amp;P/TSX Comp</b>	<b>19177.18</b>	-364.09	-1.86	-1.1
Latin Amer.	<b>MSCI EM Latin America</b>	<b>2256.72</b>	-44.72	-1.94	6.0
Brazil	<b>BOVESPA</b>	<b>115056.86</b>	-1508.31	-1.29	4.9
Chile	<b>S&amp;P IPSA</b>	<b>3245.43</b>	-43.82	-1.33	2.3
Mexico	<b>S&amp;P/BMV IPC</b>	<b>51260.37</b>	385.39	0.76	5.8
<b>EMEA</b>	<b>STOXX Europe 600</b>	<b>445.59</b>	-4.63	-1.03	4.9
Eurozone	<b>Euro STOXX</b>	<b>436.49</b>	-4.43	-1.01	6.5
Belgium	<b>Bel-20</b>	<b>3509.67</b>	-43.34	-1.22	-5.2
Denmark	<b>OMX Copenhagen 20</b>	<b>2090.78</b>	-33.72	-1.59	13.9
France	<b>CAC 40</b>	<b>7068.16</b>	-66.90	-0.94	9.2
Germany	<b>DAX</b>	<b>15247.21</b>	-139.37	-0.91	9.5
Israel	<b>Tel Aviv</b>	<b>1872.53</b>	0.62	0.03	4.2
Italy	<b>FTSE MIB</b>	<b>27849.65</b>	-393.61	-1.39	17.5
Netherlands	<b>AEX</b>	<b>724.18</b>	-4.61	-0.63	5.1
Norway	<b>Oslo Bors All-Share</b>	<b>1485.68</b>	-11.47	-0.77	9.0
South Africa	<b>FTSE/JSE All-Share</b>	<b>71238.06</b>	-1144.83	-1.58	-2.5
Spain	<b>IBEX 35</b>	<b>9319.00</b>	-109.00	-1.16	13.2
Sweden	<b>OMX Stockholm</b>	<b>791.71</b>	-3.66	-0.46	1.3
Switzerland	<b>Swiss Market</b>	<b>10863.65</b>	-99.85	-0.91	1.3
Turkey	<b>BIST 100</b>	<b>8486.96</b>	152.02	1.82	54.1
U.K.	<b>FTSE 100</b>	<b>7510.72</b>	-97.36	-1.28	0.8
U.K.	<b>FTSE 250</b>	<b>17977.29</b>	-302.13	-1.65	-4.6
<b>Asia-Pacific</b>	<b>MSCI AC Asia Pacific</b>	<b>156.85</b>	-0.48	-0.31	0.7
Australia	<b>S&amp;P/ASX 200</b>	<b>7033.20</b>	-15.44	-0.22	-0.1
China	<b>Shanghai Composite</b>	<b>3110.48</b>	...	Closed	0.7
Hong Kong	<b>Hang Seng</b>	<b>17809.66</b>	...	Closed	-10.0
India	<b>S&amp;P BSE Sensex</b>	<b>65828.41</b>	...	Closed	8.2
Japan	<b>NIKKEI 225</b>	<b>31759.88</b>	-97.74	-0.31	21.7
Singapore	<b>Straits Times</b>	<b>3208.86</b>	-8.55	-0.27	-1.3
South Korea	<b>KOSPI</b>	<b>2465.07</b>	...	Closed	10.2
Taiwan	<b>TAIEX</b>	<b>16557.31</b>	203.57	1.24	17.1
Thailand	<b>SET</b>	<b>1469.46</b>	-1.97	-0.13	-11.9

### Percentage Gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Bionomics ADR	BNOX	3.94	1.24	45.93	10.90	0.93	-43.7
Kineta	KA	4.49	1.09	32.06	15.54	1.78	-59.7
Femasys	FEMY	3.89	0.91	30.54	4.75	0.25	256.9
Immix Biopharma	IMMX	4.33	0.91	26.61	4.51	0.68	211.5
BTC Digital	BTCT	4.30	0.72	20.11	9.93	1.75	-40.3

### Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session % chg	52-Week High	52-Week Low
AERWINS Technologies	AWIN	134,646	2438.7	0.23	89.57	18.00
ProSh UltraPro Shrt QQQ	SQQQ	126,560	2.9	19.95	-2.40	69.55
Tesla	TSLA	123,454	5.8	251.60	0.55	299.29
RVL Pharmaceuticals	RVLV	119,789	1665.8	0.13	47.69	2.42
ProShares UltraPro QQQ	TQQQ	117,416	25.7	36.47	2.39	47.14

\* Volumes of 100,000 shares or more are rounded to the nearest thousand

### Percentage Losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Estrella Immunopharma	ESLA	3.47	-5.87	-62.85	33.00	3.11	-65.5
Nvni Group	NVNI	6.35	-5.38	-45.87	12.12	6.05	-36.6
NKGen Biotech	NKGN	5.71	-2.69	-32.02	12.88	5.01	-41.3
Envy Medical	COCH	4.80	-2.22	-31.58	11.72	3.90	-51.2
Blue Ridge Bankshares	BRBS	3.20	-1.32	-29.20	13.95	3.07	-75.2

### Volume Movers

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session % chg	52-Week High	52-Week Low
Vestis	VSTS	10,765	5770	17.01	-11.87	20.25
Compass Digital Acq'n	CDAQ	936	2515	10.53	-0.09	11.32
GS Access Inv Grd Cp Bd	GIGB	1,067	2509	42.74	0.75	46.72
Veralto	VLTO					

# COMMODITIES

## Futures Contracts

Metal & Petroleum Futures							
	Open	High	Low	Settle	Chg	Open interest	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.							
Oct	3.6925	3.6925	3.6315	3.6320	-0.0940	1,889	
Dec	3.7540	3.7615	3.6275	3.6415	-0.0960	140,710	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.							
Oct	1844.10	1845.90	▼ 1826.70	1830.00	-18.10	3,109	
Nov	1853.90	1855.10	▼ 1833.80	1838.20	-18.70	1,061	
Dec	1864.40	1864.70	▼ 1842.70	1847.20	-18.90	375,804	
Feb'24	1883.30	1883.70	▼ 1862.00	1866.40	-19.00	27,185	
April	1901.80	1902.10	▼ 1880.70	1885.10	-18.90	12,124	
June	1921.30	1921.30	▼ 1899.80	1904.20	-19.00	7,511	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
Oct				1205.10	-50.10	3	
Dec	1254.00	1258.50	1201.00	1205.90	-50.10	16,365	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
Oct	909.50	910.40	▼ 875.00	876.90	-29.90	365	
Jan'24	912.60	921.60	▼ 884.80	886.80	-29.10	71,828	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.							
Oct	22.165	22.175	▼ 21.290	21.218	-1.018	181	
Dec	22.410	22.410	21.215	21.421	-1.029	113,061	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.							
Nov	90.82	91.88	88.46	88.82	-1.97	329,101	
Dec	88.83	89.89	86.83	87.17	-1.63	260,721	
Jan'24	86.80	88.05	85.31	85.62	-1.31	151,657	
March	84.61	84.95	82.84	83.07	-0.81	92,081	
June	81.34	82.21	80.47	80.71	-0.41	162,930	
Dec	78.32	78.85	77.37	77.58	-0.28	141,924	
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.							
Nov	3.2897	3.3464	3.2027	3.2225	-0.0781	93,611	
Dec	3.1619	3.2024	3.0807	3.1037	-0.0541	58,329	
<b>Gasoline-NY RB00 (NYM)</b> -42,000 gal.; \$ per gal.							
Nov	2.3946	2.4370	2.3913	2.4122	-0.127	118,776	
Dec	2.3438	2.3846	2.3363	2.3522	-0.026	66,636	
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMBtu.							
Nov	2.958	2.958	2.835	2.840	-0.089	285,843	
Dec	3.326	3.333	▼ 3.224	3.233	-0.079	92,033	
Jan'24	3.565	3.566	▼ 3.486	3.492	-0.073	132,445	
March	3.216	3.223	3.153	3.161	-0.059	124,549	
April	2.977	2.995	2.941	2.951	-0.044	92,047	
May	3.011	3.013	2.962	2.975	-0.041	47,294	

## Agriculture Futures

**Corn (CBT)**-5,000 bu.; cents per bu.

	Open	High	Low	Settle	Chg	Open interest	
Dec	477.00	489.75	476.00	488.75	12.00	737,107	
March'24	492.25	504.50	491.25	503.75	12.00	255,047	
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.							
Dec	428.25	444.25	423.25	434.50	2.00	2,987	
March'24	453.00	462.50	447.00	451.75	1.25	815	
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.							
Nov	1272.50	1279.50	1265.75	1277.00	2.00	326,892	
Jan'24	1292.00	1298.75	1285.00	1296.75	2.25	137,099	
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.							
Oct	377.30	381.40	367.10	367.60	-8.30	1,628	
Dec	381.20	382.10	373.40	374.30	-6.90	207,770	
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.							
Oct	57.25	60.17	57.12	59.85	2.41	1,308	
Dec	55.85	57.54	55.56	57.43	1.60	170,661	
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.							
Nov	15.89	16.05	15.88	15.88	-0.03	6,662	
Jan'24	16.23	16.33	16.19	16.20	-0.03	1,349	
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.							
Dec	545.00	567.00	541.25	564.75	23.25	259,398	
March'24	580.00	597.75	573.25	596.00	22.50	85,787	
<b>Wheat (KC)</b> -5,000 bu.; cents per bu.							
Dec	664.25	682.75	663.75	676.75	13.00	124,320	
March'24	672.25	690.50	672.25	684.50	12.25	51,307	
<b>Cattle-Feeder (CME)</b> -50,000 lbs.; cents per lb.							
Oct	252.725	254.950	252.725	253.25	.850	7,221	
Nov	255.425	258.225	255.200	255.700	.800	19,674	
<b>Cattle-Live (CME)</b> -40,000 lbs.; cents per lb.							
Oct	184.675	186.200	184.350	184.425	.225	34,303	
Dec	188.500	190.250	188.150	188.350	.425	143,052	
<b>Hogs-Lean (CME)</b> -40,000 lbs.; cents per lb.							
Oct	80.200	80.475	79.600	79.850	-3.50	19,860	
Dec	71.275	71.375	69.325	69.500	-2.275	92,720	
<b>Lumber (CME)</b> -27,500 bd. ft.; \$ per 1,000 bd. ft.							
Nov	498.50	504.00	494.50	497.50	-4.00	5,754	
Jan'24	517.00	517.00	▼ 507.00	510.50	-7.50	1,712	
<b>Milk (CME)</b> -200,000 lbs.; cents per lb.							
Sept	18.40	18.41	18.39	18.39	.01	4,119	
Nov	17.23	17.36	17.03	17.28	.11	5,348	
<b>Cocoa (ICE-US)</b> -10 metric tons; \$ per ton.							
Dec	3,432	3,525	3,432	3,502	84	130,453	
March'24	3,444	3,534	3,443	3,513	85	79,551	
<b>Coffee (ICE-US)</b> -37,500 lbs.; cents per lb.							
Dec	146.00	151.40	145.80	149.10	2.95	104,985	
March'24	147.45	152.30	146.80	150.10	2.90	50,888	

	Open	High	Low	Settle	Chg	Open interest	
Dec	118.180	118.200	117.000	117.000	-1.220	1,557,974	
March'24	117.310	117.310	117.000	117.310	-1.220	28	
<b>Treasury Bonds (CBT)</b> -\$100,000; pts 32nds of 100%							
Dec	113-240	113-240	111-310	112-120	-1-13.0	1,408,870	
March'24	113-110	113-120	112-020	112-140	-1-13.0	409	
<b>Treasury Notes (CBT)</b> -\$100,000; pts 32nds of 100%							
Dec	107-280	107-295	107-070	107-105	-23.5	4,741,561	
March'24	108-050	108-100	107-200	107-230	-24.0	576	
<b>5 Yr. Treasury Notes (CBT)</b> -\$100,000; pts 32nds of 100%							
Dec	105-080	105-082	104-275	104-292	-14.2	5,578,231	
March'24			105-122	105-122	-14.2	30	
<b>2 Yr. Treasury Notes (CBT)</b> -\$200,000; pts 32nds of 100%							
Dec	101-106	101-106	101-060	101-071	-4.2	3,922,206	
March'24	101-200	101-216	101-192	101-197	-4.4	99	
<b>30 Day Federal Funds (CBT)</b> -\$5,000,000; 10-day avg.							
Oct				94.6725		395,124	
Nov	94.6150	94.6150	94.5850	94.6000	-0.0300	487,658	
<b>Three-Month SOFR (CME)</b> -\$1,000,000; 10-day avg.							
July				94.6825	-0.025	15,171	
Dec	94.5350	94.5400	94.5150	94.5150	-0.0350	1,400,063	

Interest Rate Futures							
<b>Ultra Treasury Bonds (CBT)</b> -100,000; pts 32nds of 100%							
Dec	118-180	118-200	116-180	117-000	-1-22.0	1,557,974	
March'24			117-310	117-310	-1-22.0	28	

	Open	High	Low	Settle	Chg	Open interest	
Dec	101-106	101-106	101-060	101-071	-4.2	3,922,206	
March'24	101-200	101-216	101-192	101-197	-4.4	99	
<b>30 Day Federal Funds (CBT)</b> -\$5,000,000; 10-day avg.							
Oct				94.6725		395,124	
Nov	94.6150	94.6150	94.5850	94.6000	-0.0300	487,658	
<b>Three-Month SOFR (CME)</b> -\$1,000,000; 10-day avg.							
July				94.6825	-0.025	15,171	
Dec	94.5350	94.5400	94.5150	94.5150	-0.0350	1,400,063	

Currency Futures							
<b>Japanese Yen (CME)</b> -¥12,500,000; \$ per 100¥							
Oct	67.00	67.06	▼ 66.82	66.93	-0.017	1,989	
Dec	67.73	67.76	▼ 67.48	67.61	-0.016	281,729	
<b>Canadian Dollar (CME)</b> -CAD 100,000; \$ per CAD							

	Open	High	Low	Settle	Chg	Open interest	
Oct	.7370	.7375	.7312	.7316	-0.0061	477	
Dec	.7376	.7382	.7318	.7322	-0.0061	176,779	
<b>British Pound (CME)</b> -£62,500; \$ per £							
Oct	1.2196	1.2220	▼ 1.2088	1.2107	-0.1010	1,170	
Dec	1.2199	1.2225	1.2091	1.2111	-0.0999	235,113	
<b>Swiss Franc (CME)</b> -CHF 125,000; \$ per CHF							
Dec	1.1017	1.1067	1.0966	1.0995	-0.0021	57,293	
March'24	1.1143	1.1184	1.1084	1.1111	-0.0022	589	
<b>Australian Dollar (CME)</b> -AUD 100,000; \$ per AUD							
Oct	.6439	.6448	.6366	.6369	-0.0073	360	
Dec	.6453	.6463	.6379	.6383	-0.0072	203,264	
<b>Mexican Peso (CME)</b> -MXN 500,000; \$ per MXN							
Oct	.05646	.05737	.05636	.05634	-0.00098	1,238	
Dec	.05655	.05681	.05572	.05575	-0.00097	211,594	
<b>Euro (CME)</b> -€125,000; \$ per €							
Oct	1.0569	1.0598	▼ 1.0484	1.0499	-0.0086	9,329	
Dec	1.0602	1.0627	▼ 1.0512	1.0527	-0.0086	677,220	

Index Futures							
<b>Mini DJ Industrial Average (CBT)</b> -\$5 x index							
Dec	33892	33939	33435	33638	-87	93,792	
March'24	34208	34270	33770	33968	-93	220	
<b>Mini S&amp;P 500 (CME)</b> -\$50 x index							
Dec	4349.00	4355.50	4295.50	4324.25	-1.25	2,100,358	
March'24	4393.25	4403.75	4344.25	4372.75	-1.00	11,082	
<b>Mini S&amp;P Midcap 400 (CME)</b> -\$100 x index							
Dec	2524.50	2537.20	2476.80	2486.70	-33.70	38,762	
March'24			2501.30	2501.30	-35.80	n.a.	
<b>Mini Nasdaq 100 (CME)</b> -\$20 x index							
Dec	14965.00	15046.00	14826.00	14984.75	118.25	242,719	
March'24	15164.75	15241.50	15019.25	15177.75	120.75	1,572	
<b>Mini Russell 2000 (CME)</b> -\$50 x index							
Dec	1811.90	1818.20	1762.90	1771.40	-27.20	471,251	
March'24	1837.70	1837.70					

THE WALL STREET JOURNAL. \* COMMODITIES

Cash Prices | wsj.com/market-data/commodities Monday, October 02, 2023

Table of commodity prices including Energy (Iron Ore, Coal, Natural Gas), Metals (Gold, Silver, Platinum), Grains and Feeds (Wheat, Corn, Soybean), and Fats and Oils (Soybean Oil, Tallow).

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=Sosland Publishing; R=SNL Energy; S=Platts-TSI; T=Contract Limited; U=USD/A; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 9/29

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

Money Rates October 2, 2023

Table of money rates including Inflation (U.S. consumer price index), Policy Rates (Euro zone, Switzerland, Britain, Australia), Overnight repurchase (U.S.), U.S. government rates (Discount, Federal funds), and Prime rates (U.S., Canada, Japan).

Key Interest Rates

Table of key interest rates including Federal funds (effective, commercial paper), Nonfinancial (1-month, 2-month, 3-month), Financial (1-month, 2-month, 3-month), Discount window primary credit, Treasury yields at constant maturities, and Treasury yields (secondary market).

Dividend Changes

Table of dividend changes for various companies including Concentrix, Johnson Outdoor, Apollo Gbl Mgmt Pfd, EBET, Minerva Surgical, and Diana Ship.

Mutual Funds

Table of mutual fund performance for Monday, October 2, 2023, listing funds like AB Funds, American Century, and various equity and bond funds.

BONDS

Tracking Bond Benchmarks

Table of bond benchmarks including Broad Market, U.S. Corporate Indexes, High Yield Bonds, U.S. Agency, and Mortgage-Backed Bloomberg Fixed Income Indices.

Global Government Bonds: Mapping Yields

Table of global government bond yields for various countries including U.S., Australia, France, Germany, Italy, Japan, Spain, and U.K.

Corporate Debt

Investment-grade spreads that tightened the most...

Table of corporate debt investment-grade spreads for issuers like Royal Bank of Canada, Wells Fargo, BHP Billiton Finance, Goldman Sachs, and others.

High-yield issues with the biggest price increases...

Table of high-yield bond issues with the biggest price increases, including Owens-Brockway Glass Container, Royal Caribbean, and CSC Holdings.

...And with the biggest price decreases

Table of high-yield bond issues with the biggest price decreases, including Transocean, Bausch Health, Dish DBS, and Tenet Healthcare.

## BANKING & FINANCE

# Rising Rates Likely Hit Banks in Quarter

Lenders need to pay higher interest to keep depositors, pressuring earnings

By JONATHAN WEIL

A surge in interest rates likely worsened unrealized losses on bonds and loans held by U.S. banks in the third quarter, further straining their balance sheets as they face pressure to pay more to keep depositors.

Unrealized losses were a key cause of Silicon Valley Bank's failure in March, which spurred other bank runs. That risk has ebbed. Total deposits at U.S. commercial banks were little-changed since the end of the second quarter, according to the Federal Reserve's latest data, although they are down 5% since their peak level in April 2022.

The higher rates are due to a robust economy, calm in the banking system and, more recently, signals by the Fed that it will likely keep rates higher for longer.

That has led to earnings pressure for many banks, now paying higher rates on deposits and other funding sources while the returns on their older, fixed-rate assets stay low. Banks are lending more

at the current high rates, potentially easing that strain. Importantly, however, the industry has stanch deposit outflows for now.

"I expect unrealized losses to increase," said Alexander Yokum, a banking analyst at investment-research firm CFRA. "For us, solvency issues are less of a concern, but the amount of profitability is a concern."

Yields rose dramatically in the third quarter, especially for long-dated bonds. Yields on 10-year Treasuries rose three-quarters of a percentage point to 4.57%.

Higher yields cause debt prices to fall, reducing the value of trillions of dollars in fixed-rate bonds and loans that banks hold, regardless of whether they intend to sell the assets. In some cases, the losses were equal to or greater than banks' equity, or the buffer they hold to absorb such hits. That led to a crisis that brought down three regional banks earlier this year.

The ensuing volatility gave banks some relief: Investors seeking safety bought Trea-

sury debt, lowering benchmark yields and helping raise prices across debt markets, including those for banks' fixed-rate assets.

Since then, rates have rebounded as the panic subsided. Growth in emergency borrowing has slowed under the Fed's Bank Term Funding Program, created after Silicon Valley Bank collapsed in March to help banks with short-term liquidity needs.

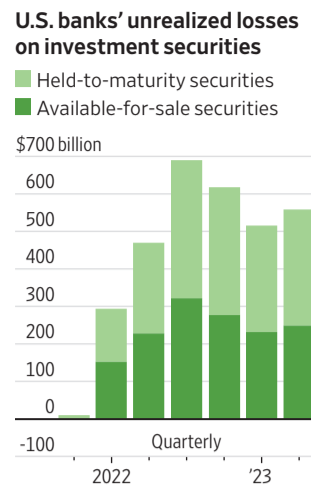
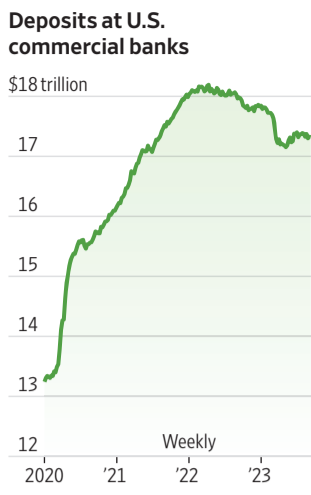
The program had \$103 billion of loans outstanding at midyear, but is up only slightly since then to about \$108 billion. Such loans, now at a fixed rate of 5.54%, must be repaid within a year and are considered a relatively expensive source of liquidity.

U.S. banks' unrealized losses on investment securities were \$558 billion as of June 30, according to the Federal Deposit Insurance Corp. The unrealized losses were up from \$516 billion three months earlier, but down from their peak of \$690 billion at the end of last year's third quarter. More than half of such losses each quarter

## \$558B

U.S. banks' unrealized losses on investment securities as of the end of June

\$558 billion as of June 30, according to the Federal Deposit Insurance Corp. The unrealized losses were up from \$516 billion three months earlier, but down from their peak of \$690 billion at the end of last year's third quarter. More than half of such losses each quarter



Sources: Federal Reserve (deposits); Federal Deposit Insurance Corp. (losses)

were on bonds classified as "held-to-maturity," and so not included on banks' balance sheets under the accounting rules. At the end of 2021, unrealized losses were negligible systemwide.

Part of the reason unrealized losses were down from last year is that banks have reduced their bondholdings, often letting them roll off as they mature without reinvesting the proceeds into new debt securities. Banks' bondholdings as of June 30 were down 12% from a year earlier, according to FDIC data.

In some instances, banks have elected to crystallize their losses by selling bonds below cost and taking the hit before matters got worse.

On Friday, **Royal Bank of Canada** said its Los Angeles-based unit, **City National Bank**, would recognize realized losses in the third quarter after selling certain debt securities to another part of RBC.

In addition, RBC said it

had injected fresh capital into **City National Bank**. RBC didn't say how large the losses or the capital injection were, but that the losses would be eliminated at the RBC consolidated level. It said City National reinvested most of the sale proceeds in new, higher-yielding securities.

The FDIC doesn't publish fair-value data for loans, and only banks that are publicly traded are required to report such data. For the current 24 members of the KBW Bank Index, unrealized losses on loans were \$143 billion as of June 30, up from \$120 billion a quarter earlier, but down from \$153 billion at year-end, according to a Wall Street Journal review of their filings.

Before this year's bank failures, the index had included Silicon Valley Bank, Signature Bank and First Republic, which have been replaced in the index by **Goldman Sachs**, **Morgan Stanley** and **First Horizon**.

# Weinstein, Investors Raise Bid For Hedge Fund Firm

By GREGORY ZUCKERMAN

Boaz Weinstein and his group of high-profile investors have sweetened their previous offer for **Sculptor Capital Management**, adding new drama to the long running saga involving the hedge-fund firm, according to people close to the matter.

The bid could put them in the lead in the bidding war. In late July, Sculptor agreed to a sale to real-estate investment firm **Rithm Capital** for the firm, which formerly was known as Och-Ziff Capital Management.

Over the weekend, Weinstein's group presented a bid of around \$13 a share, up from its previous \$12.76 offer, the people said. The stock closed at \$11.38 on Monday.

The new bid could put the Weinstein group in the lead to acquire the hedge-fund firm. Sculptor has yet to give a formal response to the new bid, the people said.



Boaz Weinstein and his group sweetened the offer.

# Insurer Allianz Appoints New Finance Chief

By ADRIÀ CATALAYUD

**Allianz** appointed Claire-Marie Coste-Lepoutre as its next chief financial officer, replacing Giulio Terzariol, and renewed the mandate of Chief Executive Oliver Baete

until 2028.

The German insurer said Monday that Coste-Lepoutre, who currently is chief actuary and head of planning and controlling, will join its management board as CFO at the beginning of 2024, subject to

customary regulatory approvals.

Terzariol will be granted a release from his mandate as a member of the management board to pursue an outside opportunity, Allianz said. Italian peer **Assicurazioni Gener-**

**ali** separately said it has appointed Terzariol as its insurance chief executive.

Allianz said the mandate of Baete has been renewed and extended through the annual shareholders meeting in 2028.

The mandate of Andreas Wimmer, management board member responsible for the group's life and asset-management operations, has been renewed for five years and will end in September 2029, Allianz said.

## WSJ's Take On the Week

# WSJ

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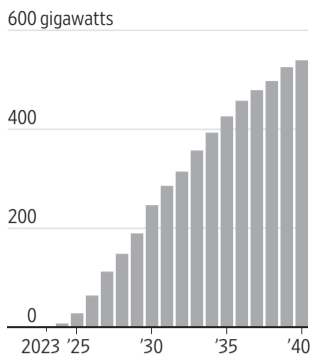
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MARKETS

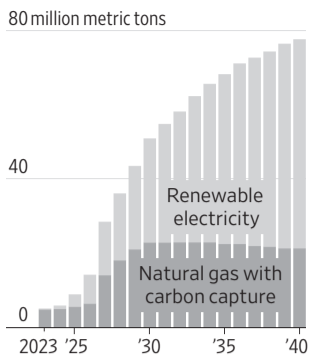
Utilities Pressure S&P 500

Projected global cumulative installed electrolyzer capacity for making green hydrogen\*



\*Estimates as of July †Hydrogen made from natural gas with carbon capture is 'blue' hydrogen; hydrogen made by splitting water using renewable electricity is 'green' hydrogen; estimates as of July Source: Rystad Energy

Annual projected global hydrogen production by production type†



\*Estimates as of July †Hydrogen made from natural gas with carbon capture is 'blue' hydrogen; hydrogen made by splitting water using renewable electricity is 'green' hydrogen; estimates as of July Source: Rystad Energy

Hydrogen Firm Worth \$1 Billion

Continued from page B1 slaught of cheap Chinese imports. It has drawn executives from both companies.

Nearly all hydrogen produced today is made by heating natural gas. The process is cheap but generates greenhouse-gas emissions. Electric Hydrogen says that its performance gains combined with the generous government subsidies on offer will let it make green hydrogen that is competitive in today's market.

Green hydrogen is the holy grail of clean-energy technologies. It is one of the few options to eliminate emissions from trucks, planes, steel mills and chemical plants where renewable power and batteries alone can't get the job done. Hydrogen is one of the few ways to move green power long distances. Potential demand is so great that the winner of the race for green hydrogen could dominate a market worth as much as \$1 trillion in the coming decades.

Electric Hydrogen's secret sauce is new materials and designs. At a lab 25 miles west of Boston, the company's engineers made all of the critical electrolyzer components in-house, following Tesla's model. By boosting performance, they drove down costs, following the same playbook First Solar used to beat back Chinese imports.

"We're trying to give the world the next big technology it needs," said Raffi Garabedian, Electric Hydrogen's chief executive and a former First Solar chief technology officer. The 57-year-old from Boston co-founded the company in 2020 alongside Dave Eaglesham, who was also a previous First Solar chief technology officer.

Electric Hydrogen plans to sell cheaper electrolyzers to hydrogen producers just like solar panel manufacturers sell panels to clean-energy developers.

Inside the company's electrolyzers, heated water moves horizontally through ridges and channels in specially designed stacked plates. Metal-coated membranes split the water into hydrogen and oxygen.

The reaction creates hydrogen bubbles, which are then cooled. The oxygen is vented into the air or reused. It is a delicate dance that can be thrown off by the smallest impurities in the water or difficulties getting power to the plates where reactions happen.

Electrolyzers have historically been small-scale devices used on submarines, in space and in the chemical industry. Electric Hydrogen believes it has cracked the device by starting from scratch and us-

ing new plate engineering focused on the performance of bigger electrolyzers. Testing hundreds of the larger devices that use less precious metal and can run on intermittent renewable power lowered costs and unlocked better results, the company says.

Eaglesham, a lanky 62-year-old Englishman who kite surfs in his free time, oversees the lab and maintains a secret document of the company's failures and fixes that only top engineers can access. He doesn't share it with Garabedian, his boss.

Electric Hydrogen aims to further drive down costs. By 2030, customers will be able to produce hydrogen in renewables-rich states such as Texas for roughly \$1.50 per kilogram, in line with hydrogen made from natural gas, it says.

The Inflation Reduction Act provides a tax credit for green hydrogen of up to \$3 per kilogram. With that money, customers that produce hydrogen could give it away and still make a profit. "Our goal is to make the subsidy irrelevant by bringing down the cost," Eaglesham said.

"They're further along than just about anything else I've invested in," said Michael Leskinen, the chief financial officer at United, who has overseen its venture investments. The industry sees green hydrogen as one way to produce clean jet fuel.

Electric Hydrogen's claims will be put to the test soon. It is opening its first large electrolyzer factory next year at an emerging clean-energy hub in a converted Army base 30 miles northwest of its lab. At the 200,000-square-foot factory's full capacity, Electric Hydrogen aims to produce twice as many electrolyzers each year as the total amount installed globally in 2022.

Electric Hydrogen's success or failure won't be known for years, as it ramps up supply and customers install the machines and connect the electrolyzers to green power. "It's kind of like Netflix waiting for high-speed broadband and internet to get there," said Gregory Constantine, chief executive of startup Air Company, which hopes to use hydrogen to make clean jet fuel. "When it does, it unlocks all of these other areas."

A longtime skeptic of hydrogen, Eaglesham became intrigued about the industry talking to David Danielson, a partner at Breakthrough Energy Ventures who helps manage its climate investments.

Eaglesham decided building a better electrolyzer was the key to making green hydrogen feasible. He and a finance-focused Breakthrough colleague named Derek Warnick recruited Garabedian and brought on a former Tesla chief engineer as a co-founder.

They took space at the closest chemical industry lab Eaglesham could find. Warnick, the company's chief financial officer, killed a rat in his office on his first day. When the company hit its \$1 billion valuation, he gave Garabedian a stuffed toy unicorn to celebrate.

Tech, telecom lead Nasdaq higher; Russell 2000 turns negative for year

By RYAN DEZEMBER

Tumbling utilities stocks weighed on the S&P 500 as investors dumped dividend-paying shares in favor of less-risky and higher-yielding Treasuries. Shares in the S&P 500's utilities segment dropped 4.7%, marking their worst session since the early days of 2020's

Monday's Markets Covid-19 lockdown. AES, PG&E and Dominion Energy were among the 17 utilities in the index that fell more than 4%. NextEra Energy dropped 9%.

The broader S&P 500 ended less than 0.1% higher despite the selloff in utilities.

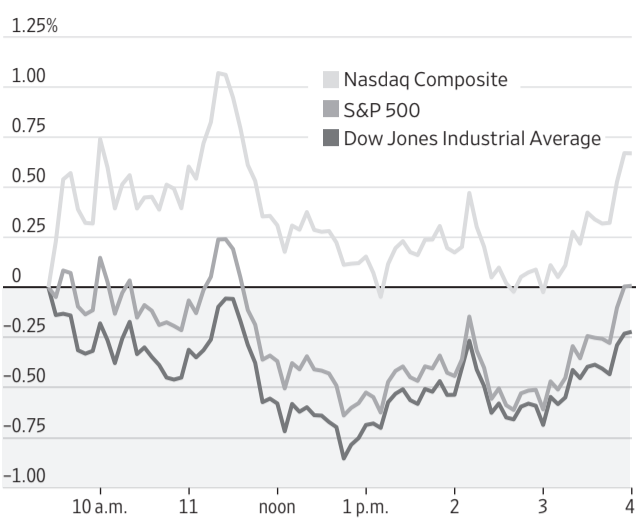
Meanwhile, the Dow Jones Industrial Average fell 0.2%, or 74 points. The tech-heavy Nasdaq Composite, however, added 0.7%.

The Russell 2000 index of smaller companies declined 1.6% to turn negative for the year to date.

Utilities, which are usually considered among the safest bets in the stock market and offer some of the highest dividends, have shed 20% this year, the worst performing sector in the index.

"You have to compare their yield to what you can get from a risk-free asset in government bonds," said Gregg Abella, chief

Index performance on Monday



Source: FactSet

executive of New Jersey money manager Investment Partners Asset Management. "As that gets repriced, it's hard to know where the bottom is."

The yield on 10-year Treasury notes continued their sharp climb, exceeding 4.7% intraday for the first time since October 2007. The benchmark yield ended at 4.682%, up from 4.572% on Friday. That exceeds the collective 3.94% dividend yield paid by utility shares in the S&P 500, according to FactSet.

Technology and telecommunications stocks were the only S&P 500 segments to end higher.

Large companies in those categories, such as Nvidia and Meta Platforms, have accounted for much of the

broader index's 12% gain this year. Lately, however, those trades have lost steam and failed to offset declines elsewhere.

Phil Orlando, chief equity-market strategist at Pittsburgh-based investment manager Federated Hermes, said he is counting on another month of choppy trading leading up to the Federal Reserve's November meeting. He expects the central bank to raise interest rates an additional quarter of a percentage point and then hold them steady for a year or so.

Stocks should rally in between as investors anticipate cuts to borrowing costs, according to Orlando.

Real-estate and energy shares also slumped. Oil-and-gas producers Marathon Oil,

Occidental and Devon each lost roughly 4%.

Energy prices turned lower after the ISM Manufacturing Index for September registered a 10th consecutive month of contraction in the manufacturing sector.

Benchmark U.S. crude futures lost 2.2% to end at \$88.82 a barrel. Prices for natural gas, another big manufacturing input, also fell. Futures for November delivery dropped 3% to settle at \$2.84 per million British thermal units.

Other losers included both stocks that came from the snacks-cereal split at Kellogg, Kellanova, the Rice Krispies Treats maker, and WK Kellogg, the Rice Krispies cereal company, dropped in their debuts, falling 6% and 9%, respectively.

At midday Tuesday, Japan's Nikkei 225 was down 1.2% and Hong Kong's Hang Seng Index was down 3.2%. S&P 500 futures were flat.

Heard on Street: Bond market isn't friendly..... B12

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.

Table with 2 columns: 13-Week and 26-Week. Rows include Applications, Accepted bids, noncomp, Foreign noncomp, Auction price (Rate), Bids at clearing yield accepted.

Both issues are dated Oct. 5, 2023. The 13-week bills mature on Jan. 4, 2024; the 26-week bills mature on April 4, 2024.

Dollar Is Global Problem

Continued from page B1 vinced of the U.S. economy's resilience—and that the Federal Reserve is likely to keep borrowing costs higher for longer than it would do in a typical business cycle.

Any big currency move produces both winners and losers. In the U.S., a strong dollar is politically popular and largely good for consumers because it holds down inflation by keeping import prices in check and makes trips abroad cheaper.

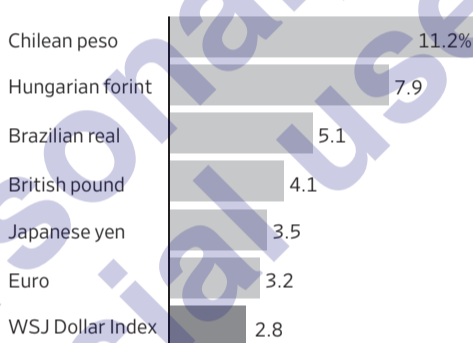
For the rest of the world, however, the return of the strong dollar is a largely unwelcome development. In many countries, interest rates are at their highest in years or decades, already increasing the risk of financial stress. The combination of those higher rates, a stronger U.S. currency and elevated oil prices spells lower growth across the world and more financial vulnerability.

U.S. companies with big overseas businesses like Apple are also getting hit as the value of their overseas revenue falls in terms of the U.S. currency and their goods become more expensive for foreigners.

"The strong dollar is overstaying its welcome. It's starting to become a problem again," said Chris Turner, head of foreign-exchange strategy at ING.

The greenback is still by far the most widely used currency for global trade and finance, which means its fluctuations ripple far outside of the U.S. Commodities, like oil or wheat, are usually priced in dollars. And governments,

Dollar's gains against foreign currencies in the third quarter



Sources: Tullett Prebon (dollar's gains); Dow Jones Market Data (index)

companies and households around the world have borrowed trillions of dollars in the U.S. currency. When the dollar's value rises, it gets more expensive for others to buy imports or repay their debts.

"The markets have consistently tried to price in rosy scenarios which were associated with a weaker dollar and they continue to be surprised that the reality isn't quite as rosy," said Maurice Obstfeld, former chief economist at the International Monetary Fund.

The strong dollar "is going to be negative for emerging markets. It's going to be negative for global trade," he said.

So far at least, the damage has been less widespread than last year, when the dollar surge led to a historic selloff in emerging-market assets and helped tip countries like Sri Lanka and Ghana into full-blown economic crises.

In recent months, currencies in Latin America and Eastern Europe have been hit hard. Central banks in Brazil, Poland and Hungary have started cutting policy rates after winning praise for their quick action to tighten monetary policy in 2021, well ahead of the Federal Reserve and other developed-market central banks. They are now under pressure to pause or slow rate-cutting plans to prevent

further pressure on their currencies.

A stronger dollar is felt broadly in emerging markets. A paper co-written by Obstfeld last year showed how the shock of a sharp rise in the dollar leads to yearslong economic underperformance in less-developed economies. Consumption, output, investment and government spending all come under pressure alongside the local currency.

"It's a double whammy," he said. "You're being driven away from your growth target and you're being driven away from your inflation target at the same time."

Some global central banks are tapping into stockpiles of foreign currency to help shore up their currencies. Others are publicly threatening to do so, a tactic known as jawboning.

Japanese Finance Minister Shunichi Suzuki on Friday pledged to take action against sharp falls in the yen, which is close to 150 a dollar. That's around the level that last year spurred the Bank of Japan's first market intervention to buy yen in 24 years.

"We will take appropriate action against excessive moves without ruling out any options," Suzuki said. "We have a strong sense of urgency."

Switzerland and South Korea have sold foreign-currency

reserves to bolster the franc and won respectively. Analysts believe China is helping prop up the yuan, which fell to a 16-year low in onshore trading in September, by having state banks sell dollars.

Investors had largely expected the greenback to weaken this year as the Fed wound down its most aggressive campaign of interest-rate increases since the 1980s. Indeed, in the first half of the year, beaten-down currencies like the British pound and euro rebounded from 2022's brutal declines.

But those rallies have petered out. The euro, which topped \$1.10 over the summer, has fallen back toward \$1.05 as the eurozone economy stagnates and worries over debt sustainability in fragile southern economies like Italy re-emerge.

Many investors still hope the dollar's decadelong winning streak, which has left it at least 10% overvalued by many estimates, is coming to an end.

One factor could be fading American growth. U.S. consumers have been running down their \$2 trillion-plus in pandemic-era savings and the resumption of student-loan payments is expected to further dent consumption.

-Megumi Fujikawa contributed to this article.

Small Investors Cool to Ether ETF Debut

By VICKY GE HUANG AND PAUL KIERNAN

The first ether-focused exchange-traded funds were launched on Monday, giving individual investors access in their brokerage accounts to the second-largest cryptocurrency.

So far, small investors haven't shown a lot of interest. Most of the futures-based ether ETFs that were launched on Monday ended the day in the red. The seven funds combined had less than \$7 million in trading volume, according to Dow Jones Market Data.

The ether funds, including those by ProShares, VanEck and Bitwise Asset Manage-

ment, are expected to face intense competition in a crowded market. They will have to compete on cost and marketing, investors and analysts say.

"A lot of these funds are going to struggle to get assets," said Eric Balchunas, senior ETF analyst at Bloomberg Intelligence. "There's probably only room for one stud in this race."

The crypto industry has long hoped to use ETFs to draw money. Directly trading digital tokens poses logistical and legal challenges for many small investors. So far, regulators have only allowed products that hold bitcoin and ether futures contracts.

Money managers such as

BlackRock and Fidelity Investments are waiting to find out whether the Securities and Exchange Commission will give them the green light to launch spot bitcoin ETFs that would own the digital token directly.

The SEC delayed making decisions on some pending applications last week for a second time, pushing the deadline to January 2024. The agency also delayed a review of applications by VanEck and Cathie Wood's ARK Invest to launch spot ether ETFs.

The SEC has sought to block ETFs that hold actual bitcoin and ether, allowing only futures-based funds to launch. Futures trade on exchanges

overseen by the Commodity Futures Trading Commission.

A federal court recently expressed skepticism about the SEC's approach. In an August ruling, a panel of judges rejected the SEC's justification for denying Grayscale Investments' application to convert its bitcoin trust into a spot-bitcoin ETF, saying it was treating similar products differently.

The SEC has until mid-October to decide how to move forward. Its options include appealing to the Supreme Court, granting Grayscale's application, denying it again based on some other justification or rescinding its prior approval of bitcoin-futures ETFs.

The Trial of Crypto's Golden Boy



The Journal podcast explores Sam Bankman-Fried's meteoric rise, devastating fall and the trial beginning this week that will determine his future. Scan this code to listen to the second episode of the series.

# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## Bond Market Isn't So Friendly to Stocks

Fixed-income markets have shaken off the last vestiges of the post-2008 stimulus era, with huge consequences for shares

After a mostly stellar year, stocks have stumbled on an unexpected hurdle: The bond market isn't the friendly companion it used to be.

Stocks and bonds alike closed the third quarter with losses: The S&P 500 and the Euro Stoxx 50 were down 3.7% and 5.1%, respectively, as 10-year Treasury yields jumped from 3.8% to 4.6%, around a 16-year high.

Commonly cited reasons for the rise in yields include robust economic data for the U.S. and an increase in oil prices that is reviving inflation.

The government-bond market is the bedrock of financial markets and over the past two decades it has been a key source of support for stocks.

Higher inflation and hawkish central banks may now have ended that benign regime.

### Term premium

Ten-year yields have been rising for a couple of years as investors price in higher rates for longer. But the driver of their gains since mid-September hasn't been rate expectations so much as a preference for bonds that mature sooner rather than later.

The so-called term premium moved back into positive territory last week for the first time in over two years, according to calculations by the Federal Reserve Bank of New York.

This is the extra return that investors demand for locking their money away in a 10-year Treasury rather than, say, buying into a readily accessible money-market fund.

Over the past decade, markets have been obsessed with longer-term assets, to the point that the term premium turned negative. At a time of ultralow yields and massive central bank bond buying, perhaps this made sense.

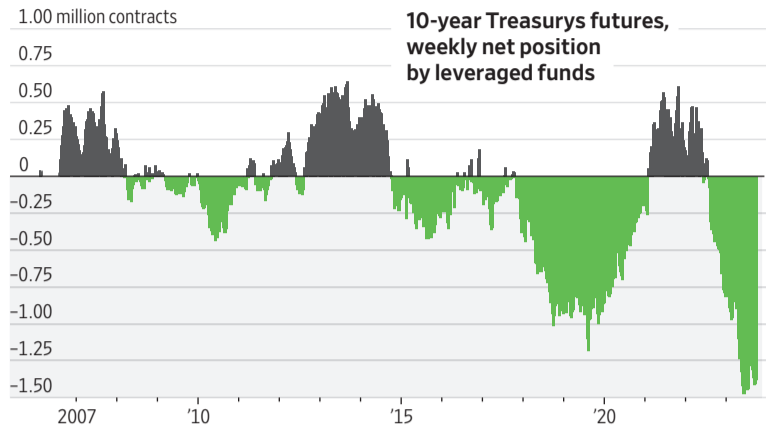
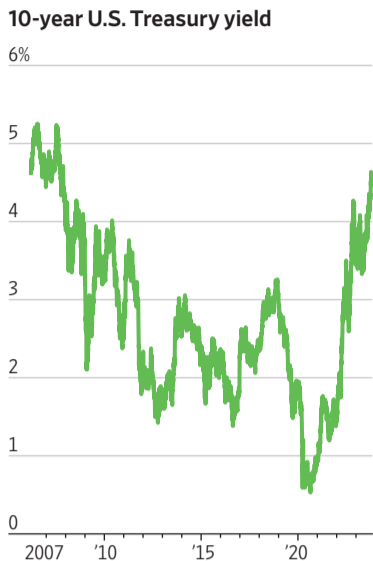
The oddity is that it remained negative—with a small break during the volatility of 2021—even as inflation and interest rates shot up and central banks started to wind down their bond holdings. Only a couple of months ago, few investors seemed worried that a repricing of the term premium could steepen the yield curve. Right now, it sits at only about 0.1 percentage point, but a reversion to the historical average could add a whopping 1.5 percentage points to 10-year yields.

### No cushion for stocks

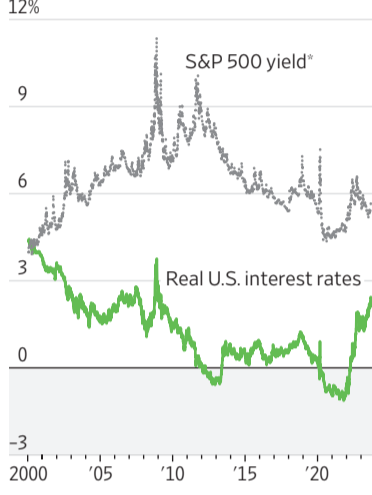
Higher bond yields and steeper yield curves aren't necessarily bad for stocks.

When seen as a reflection of a stronger economy, they often accompany a buoyant equity market. As a result, stocks and bonds have tended to move in opposite directions for the past 20 years, making the ubiquitous "60/40 portfolio" a star performer.

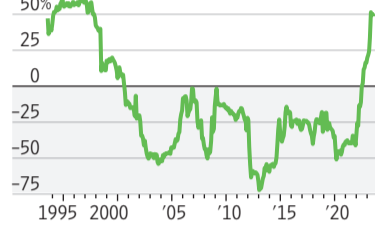
But if yields rise for reasons unrelated to economic growth—



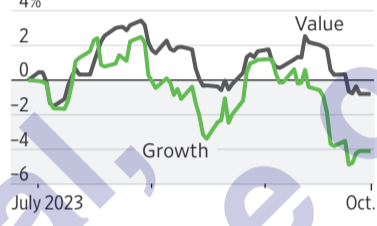
Yields on inflation-protected Treasuries are now positive again, and are narrowing the gap with equity yields



Correlation between the S&P 500 and Treasury prices



Cumulative total return from three months earlier



\*S&P 500 yields are based on 12-month forward earnings expectations. Real interest rates are for an index of inflation-linked Treasuries. †Three-year correlation of monthly price changes, using indexes. ‡Based on the MSCI World Index of developed-market stocks. Sources: Tullett Prebon (return); U.S. Commodity Futures Trading Commission (Treasury futures); Federal Reserve Bank of New York (term premium); FactSet (inflation-protected Treasuries, correlation); MSCI via FactSet (cumulative return)



The S&P 500 ended the third quarter down 3.7% as 10-year Treasury yields jumped to roughly a 16-year high.

central banks are struggling to tame inflation or investors are repricing the term premium, for example—then equities look less attractive. This was the norm before the 2000s. Judging from the positive stock-bond correlation of the past year, it could be so again, leaving stock-and-bond portfolios without rainy-day protection.

### High 'real' rates

Another trend from the era of low inflation was that "real" rates, as measured by the yield on inflation-adjusted government bonds, reached historic lows.

They were even consistently negative in the eurozone and Japan.

Economists often read a lot—

perhaps too much—into the deep potential causes of this trend, such as aging populations. In truth, real rates seem tightly related to monetary policy. Their recent increase suggests that officials' dovish bias, which has gotten equity investors out of trouble many times since the late 1990s, has ended.

This also takes the shine off stocks.

Based on 12-month forward earnings forecasts, the S&P 500 is expected to yield 5.6% at a time when investors can get a 2.5% inflation-protected return by buying bonds without default risk. A decade ago, stocks were yielding 7.2%, compared with 0.2% for inflation-linked debt.

### Short-term stocks

Stocks can be more or less sensitive to bond yields, depending on how much of their earnings investors expect in the distant future. While the bond-market term premium was negative, money piled into high-growth companies and tended to eschew mature "value" investments.

This has changed over the past three months.

While returns for the MSCI World Value index have only been slightly negative, the MSCI World Growth index has returned a negative 4.1%.

The telecommunications, financial and healthcare sectors have pared the blow, while some of the technology giants that previously carried the market have suffered, including Apple and Microsoft.

Of course, this is a small move in historical context. But it does hint that value investors might make a comeback in a more short-termist regime.

### Fragile government debt

Higher rates also have resurrected old fears about Western nations' public debt.

Last year, a gilt-market tantrum toppled British Prime Minister Liz Truss.

This August, ratings agency Fitch downgraded U.S. debt. Last week, an increase in deficit targets by the Italian government triggered a eurozone bond selloff.

Central banks won't let governments default, of course. Furthermore, most of the recent bond auctions have had to do with faults in market plumbing, which was made safer by post-2008 financial regulations but also less adapted to providing liquidity.

For example, the U.K. crisis was mostly caused by pension funds selling liquid assets to meet margin calls.

The Bank for International Settlements warned last month that hedge funds pose a similar threat to the Treasury market. Because traditional bank dealers now have less capacity to absorb government bond issues, leveraged funds have stepped in, hedging their risk with a record amount of short positions in the futures market, numbers by the Commodity Futures Trading Commission suggest.

Still, a creaky financial infrastructure struggling to handle today's enormous debt piles amid rising rates is nothing to brush off.

Hedge-fund trades can unravel quickly, leading to the kind of market chaos seen in March 2020.

If investors' safest assets become more volatile, everyone seems likely to suffer.

—Jon Sindreu

## How the Fed Stopped a Worrisome Economic Signal

The Federal Reserve has been losing a lot of money. For a moment there, this might have made the economy look weaker than it really was.

When the Commerce Department reported its latest estimates of second-quarter-gross domestic product last Thursday, it also released its once-every-five-years benchmark revision to the accounts that underlie much of its economic data. One consequence of that is a somewhat worrisome discrepancy between two measures of economic growth has narrowed. That in turn has to do with the Fed's internal accounting.

Gross domestic income measures net income earned across the economy through wages and profits, while GDP captures the spending side of the transactions that came from. GDP and GDI have never exactly matched because of statistical discrepancies, but as the Commerce Department gathers more data and makes revisions, the two measures tend to draw closer. And when they do, history shows that the initial estimates of

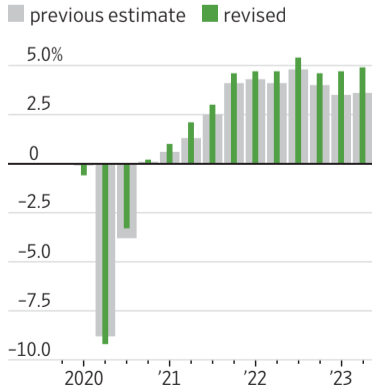
GDI have typically been closer to the mark.

So it was worrisome when real, or inflation-adjusted, GDI contracted in the fourth quarter of last year, and again in the first quarter of this year, even as GDP grew. In late August, the Commerce Department reported that GDI started growing again in the second quarter, but at a paltry 0.5% annual rate, while GDP rose 2.1%.

But Thursday's revised data showed that GDI contracted a bit less in the fourth quarter, while in the first quarter it actually grew. Second-quarter GDI growth was revised up a bit, too, to 0.7%.

One reason that GDI had been performing worse than GDP was losses that the Fed has been experiencing due to the combination of its big holdings of Treasuries and mortgages and the sharp increase in rates. That is because as the Fed's assets surged, so, too, by necessity, did its liabilities. A bit more than one-third of these it doesn't pay any interest on, such as currency in circulation. But on most liabili-

Cumulative change in real gross domestic income since the end of 2019



Source: Commerce Department via St. Louis Fed

ties it must, such as deposits at the Fed held by banks, and reverse repurchase agreements with money-market funds and other short-term lenders. As the Fed raised its target range on the federal-funds rate from near zero at the start of last year to the current range of 5.25% to 5.5%, it had to pay more and more interest on those deposits and repos.

This all shows up in the national accounts data that the Commerce Department uses for GDI. These show that Federal Reserve banks lost a seasonally adjusted \$40 billion in the second quarter. This compared with a profit of \$30.6 billion in the second quarter of last year, when the interest Fed banks were paying on deposits was still low relative to the interest payments it was receiving on its Treasury and mortgage holdings.

Of course, the money the Fed has been losing has been going somewhere, but as JPMorgan Chase economists have pointed out, this wasn't getting reflected in the GDI figures, since the issue of the Fed having to pay out costs of Fed money to banks and others is pretty new. The benchmark revisions addressed this shortcoming by recording interest paid by Federal Reserve banks. Quarterly data aren't available, but the Commerce Department released data on Friday showing that these payments amounted to \$102.4 billion last year, versus \$5.7 billion a year earlier. The up-

ward revisions in GDI are in part a reflection of the accounting for those payments.

The Fed's losses don't represent a direct hit to the economy, since the way Fed accounting works, the central bank just carries losses on its books, to be washed away when it starts making profits again. When the Fed turns a profit, on the other hand, it makes payments to the Treasury Department, which can help offset budget deficits. However, the Fed's recent accumulated losses do mean that even if it returns to profitability, it won't be contributing to the federal budget right away, as it first has to dig itself out of a hole.

And the losses look likely to continue for a while, especially with Fed policy makers lately projecting that they won't cut rates by very much next year, meaning payments to banks will stay elevated. That might not muck up economic data anymore, but it also means politicians can't count on the Fed to help make the deficit better.

—Justin Lahart