

What's News

Business & Finance

- ◆ **Inflation slowed in August to 2.5%**, a three-year low, extending the consumer-price index's cooling streak to five months and teeing up the Fed to begin cutting interest rates at a meeting next week. **A1**
- ◆ **Volkswagen's tepid sales**, tougher competition and costly electric-vehicle strategy have left its stock trading around 14-year lows, mirroring Germany's broader economic woes. **A1**
- ◆ **Norfolk Southern fired its CEO**, Alan Shaw, citing his romantic relationship with the railroad company's chief legal officer, who was also ousted. **B1**
- ◆ **Many global businesses** are pushing China down on their list of investment destinations and consolidating operations in the country, citing slower growth and diminishing profits. **B1**
- ◆ **PricewaterhouseCooper's U.S. unit** is laying off 1,800 workers, its first formal layoffs since 2009, and restructuring its products and technology group. **B3**
- ◆ **Now-bankrupt Steward Health Care** in 2016 paid a \$790 million dividend—the lion's share going to the hospital chain's private-equity owner, Cerberus Capital Management. **B1**
- ◆ **Zara parent Inditex** said sales grew at a steady pace in the first half, as shoppers bought more clothes and the company held off on big price increases. **B2**
- ◆ **Stocks reversed** early losses to end the day near session highs. The Dow industrials were up 0.3%, the S&P 500 rose 1.1% and the Nasdaq added 2.2%. **B9**
- ◆ **Amazon plans to spend \$10.5 billion** over the next five years in cloud and AI infrastructure in the U.K. amid rising demand for the services. **B4**

World-Wide

- ◆ **Republicans expressed frustration** that Trump didn't help his candidacy during Tuesday's debate, as the former president complained about the moderators and cast doubt on whether he would debate Harris again. **A1**
- ◆ **Trump doubled down** on claims that immigrants in Ohio are eating people's pets, amplifying a falsehood dismissed by officials in the state. **A4**
- ◆ **The U.S. is moving** aircraft and commandos into coastal West Africa in an urgent effort to try to stop the march of al Qaeda and Islamic State militants. **A1**
- ◆ **Social Security recipients** are on track for a smaller cost-of-living adjustment next year, expected to be 2.5%, amid cooling inflation. **A2**
- ◆ **Francine made landfall** in Louisiana as a Category 2 hurricane, bringing strong winds and heavy rain. **A3**
- ◆ **Fewer Black students** enrolled in Harvard's class of 2028, the first group affected by the Supreme Court's ruling last summer that schools can't consider race in admissions. **A3**
- ◆ **House Speaker Johnson** scrapped a planned vote to avoid a government shutdown amid opposition from Republican lawmakers. **A5**
- ◆ **Blinken signaled** that the West is considering giving Ukraine more freedom to strike deeper inside Russian territory, as Russia adds Iranian missiles to its arsenal. **A16**
- ◆ **Mexico's legislature** approved a contentious overhaul of the judicial system. **A16**
- ◆ **Died: Alberto Fujimori**, 86, former Peruvian president. **A16**

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Inflation Slows to 3-Year Low

August's 2.5% rate extends cooling and keeps Fed on track to cut next week

By DAVID UBERTI AND NICK TIMIRAS

Inflation eased in August to a new three-year low, teeing up the Federal Reserve to begin gradually reducing interest rates at a meeting next week. The consumer-price index climbed 2.5% from a year earlier, according to the Labor Department, decreasing from 2.9% in July and extending its

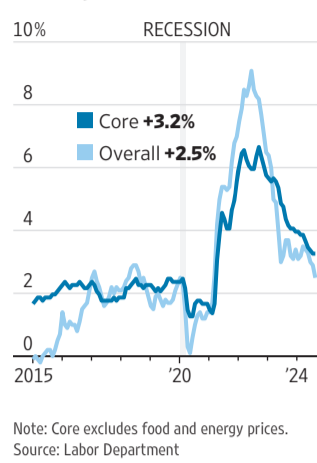
cooling streak to five months. Core inflation, a measure that excludes volatile food and energy costs, held about steady at 3.2%.

Economists surveyed by The Wall Street Journal had expected overall prices to have risen 2.6% from a year ago, as well as a 3.2% increase in core prices. The report likely cemented a shift in focus by the Fed from inflation, which has receded from 40-year-highs, and toward a cooling labor market, where softer hiring has sparked concerns of broader deterioration in the economy. Major stock indexes swung

between gains and losses Wednesday, extending a run of volatile trading sessions linked to economic data. The S&P 500 veered as much as 1.6% lower before rebounding to a 1.1% gain by the closing bell. The yield on 10-year Treasuries inched upward, to 3.653%, but remained near its lowest level of the year. Firmer shelter inflation

- ◆ **Social Security raise to shrink next year**..... A2
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Consumer-price index, change from a year earlier



Note: Core excludes food and energy prices. Source: Labor Department

Trump's Debate Missteps Have GOP Fretting

Nominee criticizes moderators, casts doubt on facing off vs. Harris second time

By KEN THOMAS AND ALEX LEARY

PHILADELPHIA—Republicans expressed frustration that Donald Trump didn't help his candidacy during Tuesday's debate against Kamala Harris, as the former president complained about the event's moderators and cast doubt on whether he would agree to another face-off.

GOP lawmakers and others fretted that Trump had missed chances to challenge the vice president on her record, and instead let his own controversies become the bigger story as Harris's needling got under his skin.

Trump claimed that he won the debate, but he also said Wednesday morning that the ABC News debate moderators were unfair to him and that he was "less inclined" to debate the vice president again, despite previously calling for more debates. The Democratic nominee's team pressed for another, indicating confidence that she won the first round.

It wasn't immediately clear whether the televised event, which drew more than 67 million viewers according to data, would have a measurable impact on a race that was upended seven weeks ago when Harris became the nominee after a disastrous June debate performance by President Biden against Trump. Polls have shown a race that appears to be a coin flip between the two contenders, who are vying for support across roughly seven battleground states, including Pennsylvania, and most voters had entrenched views of Trump before Tuesday's debate.

But concerns from Republicans spilled out in the aftermath of the Philadelphia debate, in which Harris successfully put her opponent on the defensive by baiting

- ◆ **Undecided voters weigh in on debate**..... A4
- ◆ **Moderators' fact checks get mixed reviews**..... A4
- ◆ **Taylor Swift didn't plan with Harris campaign**..... A5

Nation Remembers and Mourns on 9/11



REFLECTION: People gathered to remember the victims of the Sept. 11 terrorist attacks at memorial sites in New York, above, Shanksville, Pa., and the Pentagon in Virginia on the 23rd anniversary. Nearly 3,000 people were killed.

Bad Behavior Plagues Saudi Project

By RORY JONES

Neom executives were summoned to the office to manage a crisis: Three workers had recently died toiling on the world's biggest construction project.

Wayne Borg, a former Hollywood executive hired to run Neom's media division, expressed frustration over the interruption to his evening.

"A whole bunch of people die so we've got to have a meeting on a Sunday night," he said on a phone call, ac-

ording to a recording heard by The Wall Street Journal. He said the project's blue-collar workers from the Indian subcontinent had been "f—ing morons" and "that is why white people are at the top of the pecking order."

The Australian is among thousands of expatriates hired to turn the monumental visions of Crown Prince Mohammed bin Salman into reality. Neom, his signature initiative, markets itself as "the land of the future, where the greatest minds and best talents are

empowered to embody pioneering ideas."

In practice, the project has become a magnet for executives with checkered pasts and inappropriate workplace behavior, according to current and former executives and documents, emails and recordings reviewed by the Journal.

Borg, 59 years old, has been recorded making racist and misogynistic comments. Another top manager has a corruption conviction in his home country and remains under investigation there. Neom has investi-

gated other star executives for embezzlement. Subordinates said Neom's chief executive berates and belittles employees.

The workplace issues illustrate a broader problem for Mohammed. He has made Neom the symbol of his ambitious reform program and is investing hundreds of billions of dollars of oil money building it, with plans to host the Asian Winter Games and the FIFA World Cup there. If Neom fails, the 39-year-old de facto ruler risks squandering

U.S. Moves To Counter West Africa Islamic Militants

By MICHAEL M. PHILLIPS AND BENOIT FAUCON

The U.S. is moving aircraft and commandos into coastal West Africa in an urgent effort to try to stop the march of al Qaeda and Islamic State militants across one of the world's most volatile regions.

U.S. forces were evicted this summer from their regional stronghold in Niger, farther inland, and now the Pentagon is patching together a backup counterinsurgency plan in neighboring countries—refurbishing an airfield in Benin to accommodate U.S. helicopters, stationing Green Berets and surveillance planes in Ivory Coast, and negotiating the return of U.S. commandos to a base they used to occupy in Chad.

"Losing Niger means that we've lost our ability to directly influence counterterror-

INSIDE



SPORTS

The Olympic break dancer everyone laughed at? She is now No. 1 in the world. **A12**



BUSINESS & FINANCE

The collapse of Enviva, once a green-energy superstar, jolts investors. **B1**

Your Kid's Classroom Now Has Better Decor Than Your Home

Gen Z teachers go all out to decorate; some say it's too much. 'Like West Elm for kids.'

By CHAVIE LIEBER

Kayleigh Sloan's students are years from drinking coffee. But every day, when the first and second-graders burst into class, they get a taste of cafe culture: Sloan has meticulously renovated the room to channel a 1970s coffee shop. Her classroom in Northern

Idaho is now bathed in brown, cream and beige, for a "homey, cozy feeling," as the 27-year-old teacher puts it. Thrifted bohemian rugs, groovy flower pillows, wicker baskets and a mod green armchair round out the ambience.

"I have been in a boring classroom where you can't

Germany's Problems Are VW's Problems As High Costs Rage

Volkswagen is going through its deepest crisis in years. So is Germany. And that's no coincidence.

While the carmaker's travails are exposing missteps, they also show how Germany's economic model is struggling

By Bertrand Benoit in Berlin and Stephen Wilmot in London

to keep up with a changing world. Fixing these problems will require changes both for the carmaker and one of the world's largest economies.

"VW's problems mirror to a degree the problems of the German economy, and the problems of the German economy are reflected in VW," said Moritz Schellerick, president of the Kiel Institute for the World Economy, an independent think tank. "Resistance to change is something that hangs over both."

Tepid competition, mounting foreign sales, and an expensive electric-vehicle strategy that hasn't wowed buyers have left VW's stock trading

around 14-year lows. On Tuesday, the company canceled a 30-year agreement to avoid compulsory redundancies at the VW brand, setting up a battle with workers as it looks to rightsize its cost base.

Meanwhile, Germany's economy is stagnating. Its GDP, almost flat since 2019, shrunk 0.3% last year, and some economists expect it to contract again this year.

VW is Germany's largest employer and car making is the country's flagship industry, accounting for 5% of gross domestic product, according to several estimates.

"VW is to Germany what Nokia was to Finland or Samsung is to South Korea...There's a scenario where that sector will shrink significantly and replacing those jobs will not be easy," said Dirk Schumacher, Europe economist at Natixis.

Germany's economic malaise and the crisis at VW have joint roots, according to economists and analysts:



U.S. NEWS

Social Security Raise to Shrink Next Year

Cooling inflation is expected to lower the cost-of-living adjustment to 2.5%

By ANNE TERGESEN

Social Security recipients are on track for a smaller cost-of-living adjustment next year.

The cost-of-living adjustment, or COLA, that retirees receive each year is tied to the average inflation data for July, August and September, so the actual increase won't be clear until October. There was a 2.9% increase in July; the Labor Department reported Wednesday that the August figure rose at an annual rate of 2.5%, although the inflation index the COLA is based on rose 2.4%.

As of now, the Senior Citizens League, which advocates to protect Social Security and Medicare, is forecasting a 2.5% COLA in 2025 for the nation's 68 million Social Security recipients. The Committee for a Responsible Federal Budget, a nonpartisan think tank focused on the federal budget, projects it at

around 2.5%.

A 2.5% increase would raise average monthly retirement benefits by about \$48 to \$1,966, starting in January. That would mark a return to something closer to normal after a three-year run in which the COLA boosted benefits a cumulative 18.8% to keep up with inflation's biggest surge in decades.

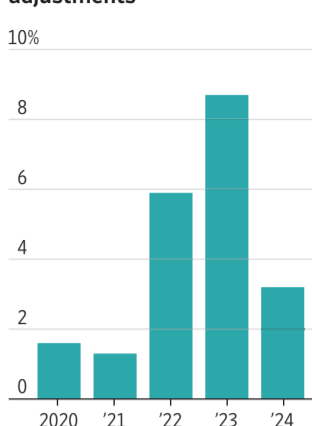
For the better part of three years, retirees have had to pay more for everything from groceries to insurance. It has been harder to stick to a budget, and many had to draw down their savings faster than they expected.

A smaller COLA means inflation is cooling. That helps preserve the value of the cash and bonds many retirees stockpile for near-term expenses and makes it easier to plan for the future.

But it doesn't mean prices are coming down. Art Barton, 73 years old, retired from a sales job at a wireless technology company in late 2021. He returned to similar work in 2022 as inflation soared.

The resident of Tiburon, Calif., just north of San Francisco, figures his cost of liv-

Social security cost-of-living adjustments



Source: Social Security Administration

ing rose about 30% since 2019. He said he is paying contractors as much as 45% more for home repairs, including recently replacing the roof and eliminating dry rot in the wood shingles. His home insurance premiums rose 40%. Both groceries and the chiropractor now cost 30% more.

Social Security is his largest source of retirement income, he said, and the COLA helped somewhat. But he has pensions that aren't adjusted for inflation.

Without a paycheck, he said he and his wife would have had to withdraw more than planned from their savings in 2022, a year when both the stock and bond markets declined. "It was extremely helpful to go back to work," said Barton, who retired again last year but is considering short-term projects for both income and stimulation.

The degree to which retirees' incomes have kept up with inflation depends largely on where their money is invested and the type of retirement benefits they have.

Stocks have risen enough to keep up with inflation: From February 2020 to July 2024, U.S. stocks returned an annualized 9.6%, adjusted for inflation, according to Morningstar. Bonds and pensions generally haven't.

According to Lowell Ricketts, a data scientist at the Federal Reserve Bank of St. Louis, inflation-adjusted income for retirees with median incomes rose 4.4% from 2019 to 2022. For a higher-earning retiree in the 75th percentile, income rose 6.6% versus a decline of 1.2% for

those in the 25th percentile of income.

Middle- and lower-income households tend to have a higher percentage of their savings in bonds and cash than in stocks, said Laura Quinby, a senior research economist at Boston College's Center for Retirement Research, based on an analysis of Federal Reserve data.

U.S. bonds lost an annualized 4.98% from February 2020 to July 2024, adjusted for inflation, while cash lost 2.2%, Morningstar said.

On average, middle-income retirees depend more on pensions as a percentage of income than higher-income households do. Pensions sponsored by private-sector employers don't generally adjust for inflation. While many public-sector pensions boost payouts, they often cap the increase at about 3%, Quinby said.

Susan Gering said she and her husband, John, both 74, have cut spending so they could stick to their planned retirement savings withdrawals since 2022, when inflation peaked at 9.1%.

"We felt really good about our budget until 2022," said

the former teacher and administrator, who retired in 2019, two years before her husband.

The Brentwood, Tenn., couple's travel budget now covers about half the annual trips they had hoped to take. To cut costs, they recently went to Florida rather than Hawaii. The Atlanta Braves fans also reduced their visits to the ballpark, which now cost about \$1,000 each, due to travel and hotel costs, to a couple per year.

They plan to drive their cars several years longer and have cut back on restaurant meals.

Some of the Social Security COLA is offset by rising premiums for Medicare Part B, which covers doctor visits and outpatient care. For many Social Security recipients, the Part B premium is automatically deducted from Social Security checks.

Next year, the standard Part B premium is slated to rise to \$185 a month from \$174.70, according to estimates that Medicare's trustees released in May. That would consume about 20% of the average \$48 projected COLA raise.

Inflation Cools, Hits 3-Year Low

Continued from Page One that contributed to somewhat stronger-than-anticipated core price increases in August will likely make it harder for officials to push for a larger half-percentage-point rate cut at next week's Fed meeting, Wall Street analysts said on Wednesday.

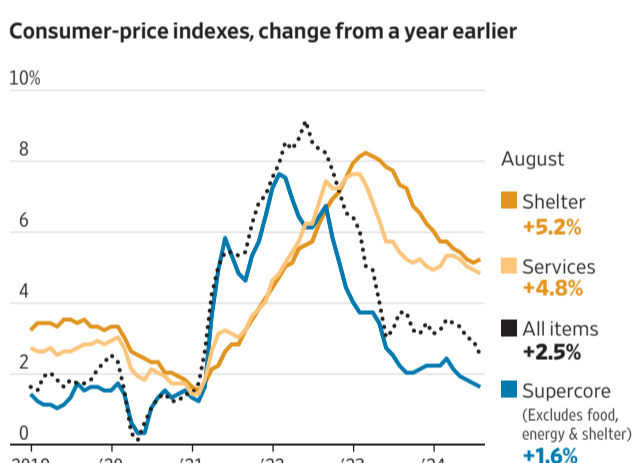
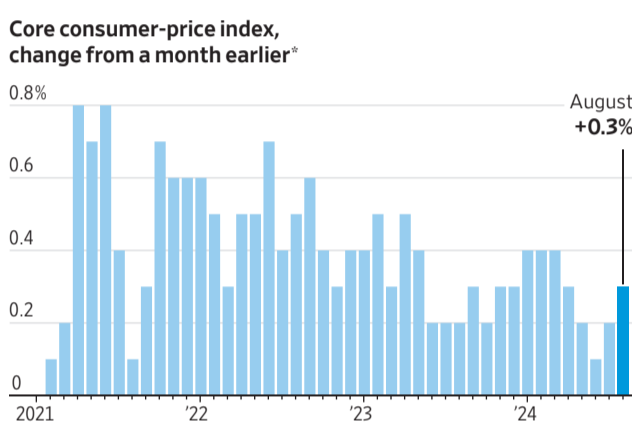
Many of the central bankers have signaled they are prepared to cut rates, and Wednesday's consumer-price index reading won't change that outcome.

But some officials hadn't entirely ruled out the prospect of a larger cut, as opposed to a more traditional reduction of a quarter percentage point, or 25 basis points.

Traders on Wednesday ramped up their bets that the Fed would start lowering rates by 0.25 point next week, but they continue to expect the Fed will cut rates by more than 1 percentage point this year. That implies at least one cut of 0.5-point in either November or December.

Fed officials face a tricky calculus because, while recent data haven't highlighted signs of an imminent slowdown, they have pointed to lower risks of sticky inflation and greater risks of a more pronounced slowdown in the labor market.

The decision over how much to cut next week is up to Fed Chair Jerome Powell, and his call will be scrutinized for what it says about how he



*Core CPI excludes food and energy and is seasonally adjusted. †Includes hotels and motels
Source: Labor Department

sees those risks.

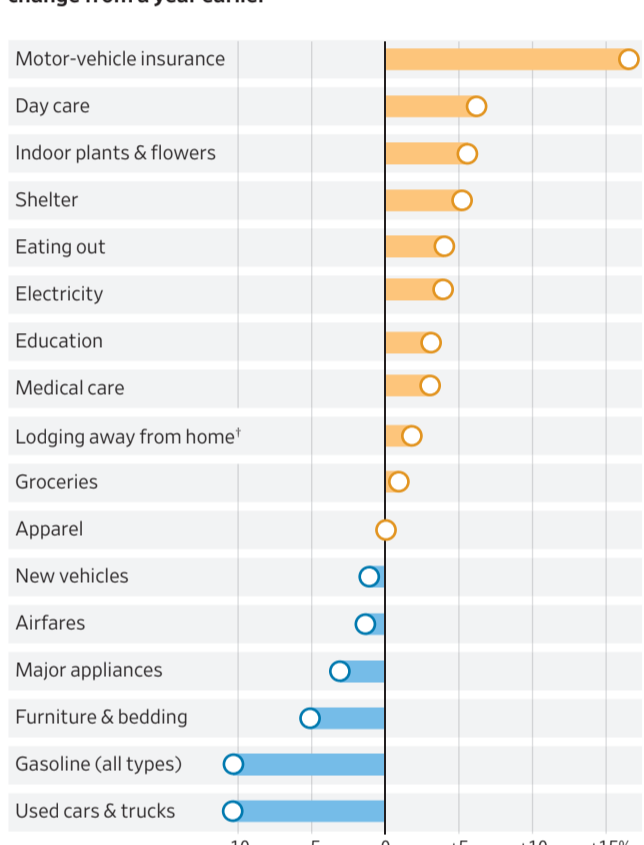
Even if the Fed starts lowering rates by 0.25 point, a debate over whether to accelerate the pace of increases in November "should be and will be much more focused on the labor market than inflation data, particularly if we continue to see these kinds of readings," said Samuel Rines, a macro strategist at asset manager WisdomTree.

Cost increases for food slowed in August, while used vehicles and energy were cheaper than a month earlier.

An intensifying selloff in oil markets suggests prices at the pump will continue to decline in the coming weeks, a key reversal in pressures that have colored consumers' views of the U.S. economy.

Many analysts believe that price increases for housing will gradually slow down, following the path of inflation in other goods and services, as more renters sign new leases. That would help weigh down annual increases in overall consumer prices toward the Fed's longstanding 2% target.

Consumer-price index for select items in August, change from a year earlier



KURT WILBERDING/WSJ

"We've gotten really close to that," said Laura Veldkamp, a professor of finance and economics at Columbia University. "This battle against inflation is more or less done."

The economy is a top issue for voters who haven't decided whether to back Vice President Kamala Harris, the Democratic presidential nominee, or former President Donald Trump, the GOP's nominee. Inflation of the past few years is a big vulnerability for Democrats, and voters consistently list higher prices for

energy, food and housing among their top concerns.

The report comes as investors struggle to parse the health of the U.S. economy, which has slowed from the torrid growth it enjoyed immediately after the pandemic, when employers scrambled to reopen and hire new workers.

Easing inflation has given breathing room to cost-weary families. But the labor market has also cooled, with hiring and wage growth slowing and the average spell of unemployment rising as it takes longer

to find jobs.

The cost of living also hasn't fallen. "Even a more customary pace of inflation doesn't erase the rapid run-up in prices that has stretched household budgets, a strain millions of Americans are still feeling," said Greg McBride, chief financial analyst at Bankrate.com.

With rates still high and people awaiting relief in the form of lower rates on mortgages, car loans and credit cards, major retailers are adjusting to more shoppers hunting for deals. Target slashed prices to help boost sales last quarter, while Amazon.com reported that customers are increasingly looking for discounts and lower-price essentials.

But even though consumers are searching for deals, they are still spending.

"We have not seen any incremental fraying of consumer health," John David Rainey, Walmart's chief financial officer, said on a recent earnings call.

Officials at the central bank usually telegraph their moves ahead of time to avoid surprising Wall Street. But the Fed is now in a self-imposed quiet period leading up to next week's meeting, turning investors' attention to Wednesday's inflation report for final clues about the outlook for interest rates.

The uncertainty has jolted a U.S. stock market that notched record after record this year due to excitement about the prospects for artificial intelligence. Projected demand for commodities has also wavered, pushing contracts for future deliveries of oil, gasoline and diesel on Tuesday to their cheapest prices since 2021.

Wildfires Scorch Parts of Southern California



BATTLING THE BLAZES: Three major wildfires in Southern California grew dramatically but firefighters were hoping to get some relief Wednesday with cooler weather. More than a dozen people, mostly firefighters, were injured, officials said. Above, crews pulled hoses to put out a spot fire during the Bridge Fire in the mountain community of Wrightwood.

CORRECTIONS & AMPLIFICATIONS

Pete Evans is an assistant professor at Iowa State University evaluating the feasibility of 3-D printed affordable homes in Iowa. A Business & Finance article in Tuesday's paper incorrectly said he was a partner on a 2023 3-D printing project in Iowa with the company **Alquist**.

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

Francine Makes Landfall in Louisiana

Category 2 hurricane brings heavy rains and sustained winds of about 100 mph

By ALYSSA LUKPAT

Francine made landfall in Louisiana as a Category 2 hurricane Wednesday evening, bringing strong winds and heavy rain.

The storm hit the parish of Terrebonne, about 30 miles south-southwest of Morgan City, La., at approximately 5 p.m. local time, with maximum sustained winds of about 100 miles an hour. It brought life-threatening storm surge, hurricane-force winds and heavy rain to the southern part of the state, the National Hurricane Center said.

“Stay inside and away from windows,” the hurricane center advised.

Up to a foot of rain was predicted in parts of Louisiana, Mississippi, Alabama and Florida, stoking concerns about flash flooding. More than 2.2 million people were under a hurricane warning Wednesday evening, according to the National Weather Service.

The New Orleans branch of the National Weather Service reported consistent 55-65 mph gusts in the city’s metro area and said flooding was likely.

Francine is only the fourth hurricane to form since the Atlantic hurricane season began in June, defying predictions that this would be the busiest season in recent history. Unexpected weather patterns offset winds and warm ocean temperatures that had been expected to generate up to 25 named storms through November.

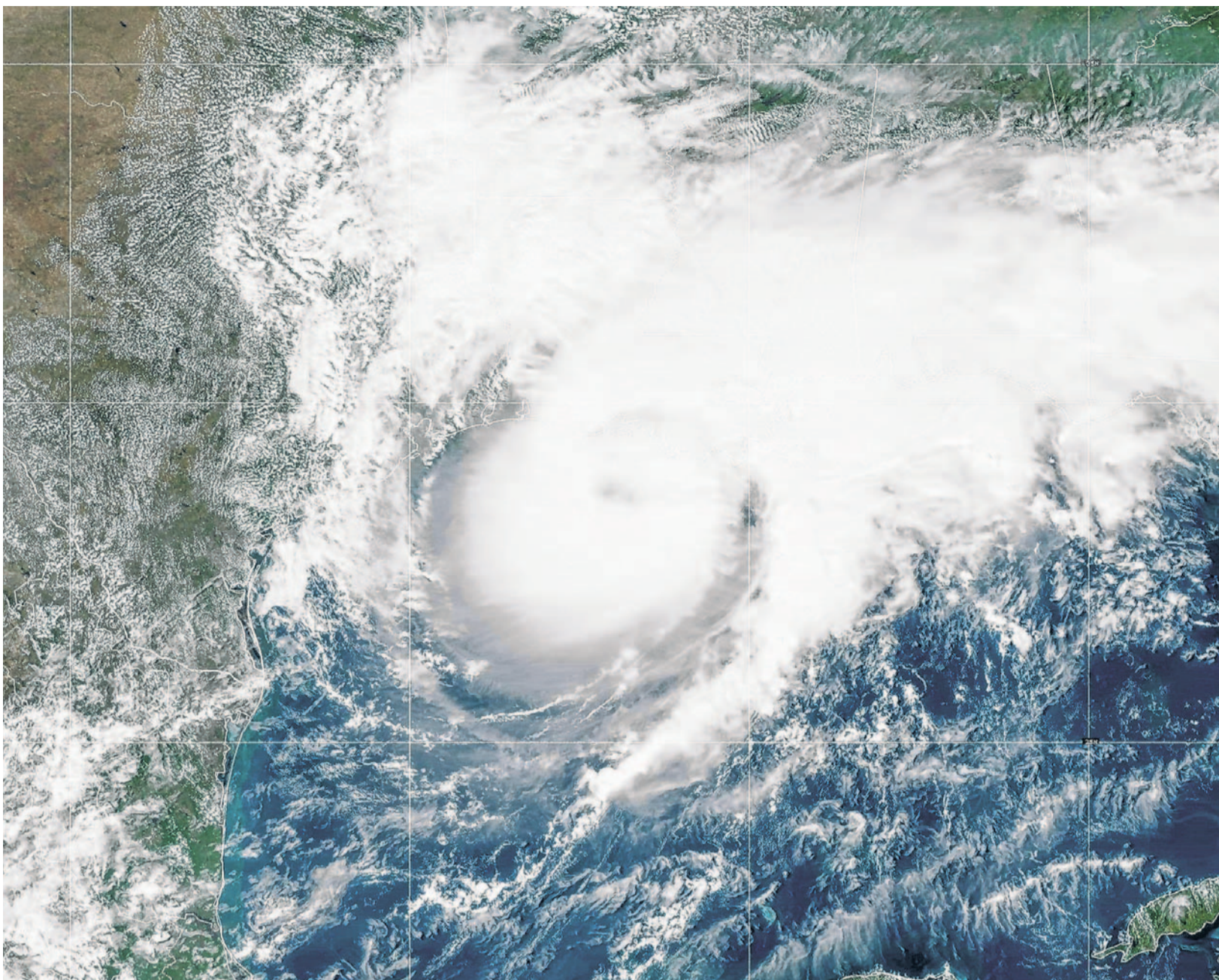
Francine on Monday became the first tropical storm to form in four weeks, breaking the Atlantic’s longest dry spell in more than half a century. The storm strengthened into a hurricane a day later.

Francine is expected to weaken rapidly. The system will likely become post-tropical by Thursday night or Friday, forecasters said.

The Port of New Orleans was closed Wednesday. Port officials said they expected to reopen it Thursday afternoon.

Louisiana was already saturated by heavy rain last week. Gov. Jeff Landry declared a state of emergency on Monday ahead of Francine’s arrival.

—Victoria Albert and Paul Berger contributed to this article.



Clockwise from top: A satellite image on Wednesday showed Francine taking aim at Louisiana; firefighters slogged through floodwaters to respond to a home fire in Morgan City; and families watched the storm from the entrance of their hotel in Houma. The state was already saturated by rain last week.

New Harvard Class Has Fewer Black Students

By JOSEPH PISANI

Fewer students who identified as Black enrolled in Harvard University’s class of 2028, the first group affected by a Supreme Court ruling last summer that schools can’t consider race in admissions.

Harvard said 14% of the new class identify themselves as Black or African-American, down from 18% for the class of 2027. The share of students who said they were Hispanic or Latino rose to 16% from 14%. Enrollment of students who identify as Asian-American remained unchanged at 37%.

The share of students who didn’t disclose their race or ethnicity rose to 8% from 4%.

Other schools have reported a decline in new students from racially diverse backgrounds, particularly Black students, since the Supreme Court ruling, according to a recent examination by The Wall Street Journal of more than 20 colleges.

The Supreme Court made

its ruling after lawsuits against Harvard and the University of North Carolina said the schools gave an unfair advantage to Black students over Asian-American ones. The June 2023 ruling that it is unconstitutional to consider race in university admissions forced a rework of admission policies by schools, many of which have said having a diverse student body is important to higher education.

Harvard said that to comply with the Supreme Court ruling, it made sure its admissions readers didn’t have answers to student questions about their race and ethnicity. It also made standardized testing part of its admissions process again, saying it helps identify students from different socioeconomic backgrounds.

“Our community is strongest when we bring together students from different backgrounds, experiences, and beliefs,” William Fitzsimmons, Harvard’s dean of admissions and financial aid, said in a statement.



Harvard’s campus this month. The Supreme Court ruled last summer that schools can’t consider race in admissions.

Hill Wants One Officer Fired, Regrets Some of His Actions

By ALYSSA LUKPAT

Miami Dolphins star Tyreek Hill called for the firing of one of the officers who detained him Sunday before a game, while acknowledging that he could have better handled his interaction with the police.

Hill, 30 years old, said Wednesday that the officer at the center of a tense traffic stop had been disrespectful. Hill was pulled out of a car, sworn at, put face down on the ground and handcuffed during a traffic stop on his way to a game in Miami while teammates stopped to help him. The episode drew national attention over how quickly it escalated.

“He’s gotta go man,” Hill said at a press conference, “because in that instant right there not only did he treat me bad, he also treated my teammates with disrespect.” Hill said he should have let his window down and handled the interaction differently. “I could have been better,” he said.

“At the end of the day I’m human. I have to follow the rules. I gotta do what everyone else would do,” Hill said. “Now does that give them the right to literally beat the dog out of me? Absolutely not. But at the end of the day I wish I could go back and do things a bit differently.”

The Miami-Dade Police Department said one of the officers involved in the incident was being placed on administrative duties while an investigation is conducted.



Miami Dolphins wide receiver Tyreek Hill spoke to the media Wednesday about his encounter with police Sunday.

Ignacio Alvarez, an attorney for the officer, called the move premature, but said in a statement that he respected the decision to conduct a thorough review of the incident. He identified his client as officer Danny Torres. “We urge all parties to refrain from making public statements that may misrepresent our client’s actions and mislead the public about Mr. Hill’s detainment,” Alvarez said.

The department released footage showing Hill lowering and then raising his car window in front of an officer and not immediately following commands to get out of the car. An officer then forced him out and put him face down.

“When we tell you to do something, you do it, you understand,” one officer said

while Hill was on the ground. “You understand? Not what you want, but what we tell you. You’re a little f—ing confused.”

“All right bro, take me to jail bro, do what you gotta do,” Hill later said while on the ground. Officers eventually moved him to a curb, and one wrapped an arm around his neck.

Hill yelled repeatedly that he had just had knee surgery. He said Wednesday that he had stem cells injected during a minor procedure.

His lawyer, Julius Collins, said the officer who led the traffic stop put his hands on Hill’s neck at least twice and put his knee on Hill’s back. Collins said the episode was a reminder of the injustices that Black and minority communi-

ties face at the hands of law enforcement.

“We are of the opinion that the officer’s use of force was excessive, escalating and reckless,” Collins said. “We are demanding that the officer be terminated effective immediately.”

Hill, a wide receiver, scored a touchdown during Sunday’s game against the Jacksonville Jaguars, which his team won, 20-17. He celebrated by having a teammate pretend to handcuff him.

Hill joined the NFL from the University of West Alabama when the Kansas City Chiefs drafted him in 2016. He won a Super Bowl with the Chiefs in 2020. He joined the Dolphins two seasons later, where he has emerged as one of their stars.

On Tuesday, Hill’s agent, Drew Rosenhaus, said on the “Dan Le Batard Show” that Hill wants to spread the message that he respects law enforcement but that it should act better than it did with him. Rosenhaus didn’t immediately return a request for comment Wednesday.

“It is both maddening and heartbreaking to watch the very people we trust to protect our community use such unnecessary force,” the Dolphins said in a statement Monday.

Watch a Video

Scan this code for body-cam footage of police detaining Tyreek Hill.

U.S. NEWS

Undecided Weigh In on Debate

Voters discuss who had the upper hand—and how it will affect their choices

By SABRINA SIDDIQUI

Many undecided voters were hoping the debate between Vice President Kamala Harris and former President Donald Trump would help inform how they will vote.

In interviews, a handful of voters in battleground states broadly agreed that the Republican nominee appeared rattled by Harris, who repeatedly goaded the former president into veering off course by bringing up his crowds at rallies, criminal indictments and record on abortion. Yet most said the debate didn't shake their previously held notions about Trump and Harris, the Democrats' nominee, and where they would stand on issues such as the economy, immigration and conflicts overseas.

Here's what a sampling of voters had to say:

Kendra Clark
Age: 36
Occupation: Paralegal
Residence: Savannah, Ga.
Self-described political affiliation: Independent
2020 vote: Biden
2024 vote: Leaning Harris
Who won debate: Harris
Clark had no plans to vote for Biden if he were still on the ticket despite supporting



Kendra Clark, at left; Sabrina Champ, center; and Jessica Maldet, right.

him in the last election, in part because of his handling of the humanitarian crisis in Gaza. She hoped to be persuaded that Harris might take a tougher approach to Israel as the Democratic nominee but came away disappointed with the vice president's comments, which she saw as a continuation of the current administration's policy.

"We're going to keep giving them weapons regardless of what they do," Clark said.

Still, Clark felt the vice president did well taking on Trump and counts herself as "a hesitant yes" in favor of voting for Harris. She appreciated that Harris turned a question on Trump's comments about her identity as a Black woman into a broader indictment of his record on race.



Sabrina Champ
Age: 47
Occupation: Unemployed
Residence: Arizona
Self-described political affiliation: Independent
2020 vote: Wrote in Bernie Sanders
2024 vote: Leaning Trump
Who won debate: No one
Champ said her first preference would be to vote for Robert F. Kennedy Jr. She found herself disappointed in what both Trump and Harris had to offer Tuesday night.

"She baited him and he fell for it. That was disappointing," Champ said. "But as far as Kamala is concerned, I didn't see a lot of policy. She seemed to dodge some of the major questions or go back to rebutting whatever Trump just said."

Champ said she spent the



hours before the debate between food banks searching for assistance for her and her sons. While she is unconvinced that either party has a plan to improve her economic well-being, Kennedy's endorsement of Trump and potential role in his administration is making Champ lean toward casting her ballot for the former president.

"They both seemed very rehearsed," she said of Trump and Harris. "What choice do we really have at this point?"

Jessica Maldet
Age: 40
Occupation: Behavioral specialist
Residence: Erie, Pa.
Self-described political affiliation: Democrat
2020 vote: Biden

2024 vote: Undecided
Who won debate: Harris
Although she voted for Biden in 2020, Jessica Maldet has been undecided about whether to vote for Trump or Harris in November. The debate did little to change her perception of either candidate. "We had a politician and we had Donald Trump," she said. While Maldet, a single mom, appreciated some of Harris's economic proposals aimed at helping families, she questioned the feasibility of enacting such policies as well as their cost.

"I wish we could go back to a place where we felt financially safe," she said. "I struggle to even figure out how I'm going to make ends meet and what college will look like for my children."

Maldet has found herself more drawn to Republicans this election cycle and believes Trump would be better than Harris on some of her priorities, such as the need to demonstrate strong support for Israel.

When Harris reiterated her call for a cease-fire in Gaza and a two-state solution during the debate, Maldet felt the vice president was ignoring the role played by Hamas in the conflict and its future in the region.

But she also voiced frustration with Trump's ability to stay on message: "When Donald Trump starts talking about Haitians eating people's dogs, I don't even know what to do."

Unfounded Pets Claim Unleashed By Trump

Donald Trump doubled down on claims that immigrants in Ohio are eating people's pets during his debate with Vice President Kamala Harris, amplifying a falsehood dismissed by officials in the state.

By Gareth Vipers, Natalie Andrews and Michelle Hackman

"In Springfield, they are eating the dogs," Trump said onstage during the ABC debate in Philadelphia on Tuesday, repeating an internet conspiracy involving Haitian immigrants that has been debunked by news organizations this week.

"They're eating the cats," Trump continued. Local police have said there is no evidence to substantiate those claims.

The claim is the latest in a series of exaggerations or moments that when challenged with facts, Trump or his top lieutenants refuse to abandon. Local police attributed the rumors to a Facebook post that cited the poster's "neighbor's daughter's friend."

The original poster didn't cite firsthand knowledge of an incident, Springfield Police said Monday. The post claimed that a pet cat had been found hanging from a branch at a Haitian neighbor's home after being carved up to be eaten. Whether the neighbor exists and the status of any such neighbor's citizenship are unknown.

Harris shook her head and laughed as Trump continued to promote the rumor, which was also repeated this week by his vice-presidential running mate, Sen. JD Vance of Ohio, and spread on social media by conservatives and billionaire Elon Musk.

Debate moderator David Muir told Trump that the network had checked with Springfield City Manager Bryan Heck, who said there were no reports of pets being harmed by immigrants.

When again told it wasn't true, Trump said: "But the people on television say their dog was eaten by the people that went there."

The Trump campaign has also discussed the death of an 11-year-old boy from Springfield named Aiden Clark, who died in an accident in 2023 when a minivan driven by a Haitian immigrant collided with his school bus.

Nathan Clark, Aiden's father, pleaded with the Trump campaign while speaking at a meeting of the Springfield City Commission Tuesday to stop bringing up his son. He called Trump and Vance "morally bankrupt" and said they have used his son's death for political gain.

"They can vomit all the hate they want about illegal immigrants, the border crisis and even untrue claims about fluffy pets being ravaged and eaten by community members," Clark said. "However, they are not allowed, nor have they ever been allowed, to mention Aiden Clark from Springfield, Ohio," he said.

The Trump campaign expressed condolences to the Clark family without addressing their concern about the campaign using Aiden's death for political gain.

GOP Airlifts Concerns Over Trump

Continued from Page One
him over the size of his rally crowds and the outcome of the 2020 election.

Sen. Lindsey Graham (R., S.C.), a staunch Trump ally, called the debate a "missed opportunity. He had a chance to lay it all out."

Of Harris, he said: "I think she handled herself well, she had a good disposition. Her biggest failure was to convince people things are going to change if she's president. It was all happy talk."

The back-and-forth took a respite Wednesday as Trump and Harris marked the anniversary of the Sept. 11, 2001, terrorist attacks during ceremonies in New York City, and later near Shanksville, Pa., at events also attended by Biden.

Trump and Harris shook hands at New York's Ground Zero, the site of the World Trade Center Twin Towers that were attacked by the hijackers, and stood in a group that included Biden, former New York City Mayor Michael Bloomberg and Senate Majority Leader Chuck Schumer (D., N.Y.). Trump chatted with his running mate, Sen. JD Vance (R., Ohio), who stood next to him, ahead of the ceremony.

Harris planned to return to the campaign trail on Thursday in North Carolina and Friday in Pennsylvania. Trump is to take a West Coast trip starting Thursday, traveling to Arizona, Nevada, California and Utah.

Sen. Kevin Cramer (R., N.D.) said Trump would have been well served to bring up more details on mortgage rates, in-



From left, Vice President Kamala Harris, President Biden, Michael Bloomberg, Donald Trump and Sen. JD Vance attended the 9/11 memorial ceremony Wednesday in New York.

flation data and border crossings during his term compared with the Biden administration.

"I think that was unfortunate last night because I think the details of his broader message are really important," Cramer said Wednesday. "He treated it like a mini-rally in a lot of respects. You've got to be talking to those swing voters in swing states. He could do that better with details."

Cramer said Harris "helped herself," adding, "I don't think she knocked him off."

Entering the debate, Trump had planned to make the point that Harris should be fixing the nation's problems now—while she is vice president—rather than talking about her plans on the campaign trail. Trump used a similar tactic against Hillary Clinton and Biden, casting them as longtime Democratic leaders who had their chance to fix the country's ills and failed.

"He should have done it every 30 seconds," said a person who was involved in Trump's debate preparations. Instead,

the person said, Trump got "distracted" by Harris onstage and didn't make those points as often or forcefully as his team had planned.

"Why hasn't she done it? She's been there for 3½ years," Trump said in his closing statement, a point he could have made earlier.

Trump aides took comfort in how Trump sought to press his advantage on the economy and blamed Harris for inflation. They also noted that some news organizations spoke with undecided voters found those people weren't all swayed by Harris's responses and wanted more specifics from her. Such voters are likely to play an outside role in battleground states.

The more than 67 million viewers, across 17 networks, that tuned into the debate on ABC, according to Nielsen data provided by ABC, is about 16 million more than the June 27 Trump-Biden debate on CNN.

Trump's team was taken aback by ABC moderators' fact checking, angry that Trump

was called out more than Harris during the exchanges. CNN said in its debate recap that Trump made at least 33 false claims, compared with at least one by Harris in its preliminary count.

Democrats dismissed those complaints as nothing more than whining about the outcome. "He did his best to avoid this debate. I think we all now understand why," said Transportation Secretary Pete Buttigieg, a former presidential rival and debate-prep partner for Harris in 2020. "I imagine after being defeated in the debate last night he'll try to avoid putting himself in that situation again."

ABC News declined to comment on the criticism of the debate moderators.

Former Rep. Cedric Richmond (D., La.), a Harris adviser and a former top White House aide, noted that the Trump team had sought the format, which included muted microphones and the lack of a studio audience.

"We gave them what they

wanted. Their candidate lost and now they're complaining once again," Richmond said.

In a sign of their bullishness, top Harris aides said they would push for another debate with Trump in October. Campaign chair Jen O'Malley Dillon said viewers "got to see the choice they will face this fall at the ballot box" and "what they should see at a second debate in October. Vice President Harris is ready for a second debate. Is Donald Trump?"

Trump, for his part, said that Harris simply wanted a second debate "because she got beat." "We'll think about it," he said late Tuesday.

By morning he was even more noncommittal.

"When a fighter loses, he says, 'I want a rematch,'" Trump said on Fox News. "I don't know that I want to do another debate."

Republicans privately grumbled as Trump during the debate again claimed that the 2020 election was rigged—something his advisers have long hoped he would move past—and played down the Jan. 6, 2021, attack on the U.S. Capitol by his supporters.

Trump created a viral moment when he claimed that Haitian migrants who have settled in Springfield, Ohio, are eating pets. "They're eating the dogs; the people that came in, they're eating the cats. They're eating the pets of the people that live there, and this is what's happening in our country." Local authorities have said there is no evidence to substantiate that claim, which Vance mentioned earlier.

Watch a Video



Scan this code to see a video analysis of the Harris-Trump debate.

ABC News Moderators Win Praise, Some Scorn for Fact-Checking

By ISABELLA SIMONETTI

Much of the talk ahead of last night's debate between the campaigns of former President Donald Trump and Vice President Kamala Harris was about the microphones—whether they would be muted and who would benefit.

But in the aftermath of the clash, it was the fact-checking by host ABC News's moderators that had some talking.

In between fiery exchanges about abortion, crime and false claims that immigrants in Springfield, Ohio, are eating pets, ABC News moderators David Muir and Linsey Davis

birth while answering a question about reproductive rights, Davis spoke up before moving on to Harris's response.

"There is no state in this country where it is legal to kill a baby after it's born," Davis said.

The interjections stood in contrast to June's debate between Trump and President Biden, when CNN faced backlash after its moderators refrained from real-time fact-checking.

Some observers were relieved to see Muir and Davis counter false claims. Others poked holes in the approach, saying they unevenly fact-checked both candidates.

Victor Pickard, a professor of media policy and political economy at the University of Pennsylvania's Annenberg School for Communication, said the fact-checking was a



David Muir and Linsey Davis were the ABC News moderators.

welcome addition to the debate, especially one that "featured such outlandish lies at various points."

He added that critics who say that the moderators didn't

check Harris's remarks as closely are drawing a false equivalence. "There was just nothing remotely close to Donald Trump's just completely baseless claims," he said. CNN

said in its debate recap that Trump made at least 33 false claims, while Harris had at least one by its preliminary count.

Journalist Glenn Greenwald pushed back. "Moderators should either refrain from 'fact-checking,' as they did in the first debate, or fact-check both candidates when uttering falsehoods," Greenwald posted on X.

Trump on Wednesday criticized ABC News's handling of the debate in a Fox News interview. "ABC took a big hit last night. I mean, to be honest, they're a news organization. They have to be licensed to do it. They ought to take away their license for the way they did that."

When Trump claimed that immigrants were eating pets in Ohio, Muir interjected, saying ABC News had looked into the

matter with the city manager and found it to be untrue. "But the people on television say their dog was eaten by the people that went there," Trump said. Muir responded, "Again, the Springfield city manager says there's no evidence of that."

ABC News declined to comment on criticism of the debate moderators.

Airtime in the debate was tilted in Trump's favor. The New York Times estimated that Trump spoke for 43 minutes while Harris had 38.

More than 57 million viewers tuned into the debate across seven networks, according to preliminary data from Nielsen provided by ABC. That is about 6 million more than the Trump-Biden debate on CNN.

U.S. NEWS

Swift Didn't Plan With Harris Campaign

By Neil Shah and Ken Thomas

About an hour after Taylor Swift endorsed Kamala Harris for president, the Democratic candidate's campaign had friendship bracelets for sale on the Harris campaign website.

It looked like a synchronized effort: Bracelets, after all, were a hallmark of Swift's "Eras Tour." People outside the campaign had been encouraging an endorsement. But there was no direct coordination between Swift and the campaign, according to multiple people familiar with the matter. Swift has neither contacted the Harris campaign nor spoken with Harris herself, one of the people said. Harris aides said they weren't given a heads-up.

The world's biggest music star on Tuesday night told her 283 million Instagram followers, directly after the first presidential debate between Vice President Harris and former President Donald Trump, that she would be casting her vote for Harris and the Democrat's running mate Tim Walz, calling Harris a "steady-handed, gifted leader."

Trump said during a television appearance that the pop superstar would probably pay a price in the marketplace for her endorsement. In some ways, it's a precarious moment for Swift, who's more famous than ever thanks to the "Eras Tour" and her highly publicized relationship with Kansas City Chiefs star Travis Kelce. But music-industry experts said fans expect stars to have political stances, and Swift has endorsed before, so they saw little brand risk for her.

"These days, I think it can actually be a disadvantage when artists don't make their values known," says Tatiana Cirisano, senior music-industry analyst at MIDiA Research.

Swift endorsed President Biden in 2020. After spending much of her early career trying to sidestep politics to maintain a broad appeal, Swift became much more open politically in the late 2010s, becoming vocal about women's issues, abortion and LGBTQ rights, even if not as forcefully as some fans would have liked.

On Wednesday, Harris campaign aides said they would welcome any support from Swift but had no expectations of a potential joint event with Harris and the pop singer before the election.

—Anne Steele contributed to this article.

Defections in GOP Delay Funding Bill

Johnson scraps a planned vote to avoid a shutdown as Sept. 30 looms

By Katy Stech Ferek

WASHINGTON—House Speaker Mike Johnson (R., La.) scrapped a planned vote to avoid a government shutdown, with opposition from rank-and-file Republican lawmakers again creating headaches for party leaders in the narrowly divided chamber.

The proposal would extend government funding for six months beyond the Sept. 30 end of the current fiscal year, to give lawmakers more time to settle on new spending levels. The bill includes a provision that would require voters to provide proof of citizenship to register. The measure amounts to House Republicans' opening bid in what is expected to be several weeks of back and forth with Senate Democrats.

"No vote today," Johnson told reporters, just hours before it was scheduled to be held. He said Republican leaders would try to build support for the proposal throughout the weekend. A dozen or so GOP lawmakers were lined up against it.

"We're in the consensus building business here in Congress with small majorities," Johnson said. "That's what you do. That's what I've been doing since I became speaker."

House Democrats favor a three-month extension instead, and they oppose the voting provision.

With Republicans in control of the chamber with a thin 220-211 majority, Johnson could only afford a handful of defections. Some Republicans who



From left, GOP Reps. Michael McCaul, Tom Emmer and Mike Johnson, the House speaker, at a Wednesday news conference.

object to the measure argue kicking the next deadline to March would prevent them from implementing spending cuts sooner. Others say the proposal would hurt military priorities.

"The idea that we're going to continue to have frivolous spending that drives us over the cliff—I just can't get behind it," said Rep. Cory Mills (R., Fla.). His fellow Florida Republican, Rep. Greg Steube, agreed: "It's almost been two years that we've been in the majority, and we haven't cut a dime."

Defense hawks have also raised concerns about keeping current funding levels for the military for another six months. The White House and

Defense Secretary Lloyd Austin have said current levels don't provide enough money to confront overseas conflicts or keep up with Pentagon priorities including building more ships and submarines.

"People have concerns about all sorts of things," Johnson said. "That's how the process works, and sometimes it takes a little more time pursuing this strategy."

Republican presidential nominee Donald Trump, who has falsely claimed the 2020 election was stolen, said Tuesday that Republicans should reject any spending patch that doesn't tighten election rules.

Democrats say the tighter

voter-registration rules address a nonexistent problem and would just make it harder for eligible citizens to vote. There is no evidence of ineligible immigrants ever voting in sufficient numbers to affect an election outcome.

House Minority Leader Hakeem Jeffries (D., N.Y.) called the proposal "unserious and unacceptable."

Johnson's decision to pull the proposal isn't expected to deal a significant blow to the likely negotiations over the final stopgap bill needed to keep the government open; the Democratic-led Senate and President Biden considered it a nonstarter anyway. But the de-

lay further underscores the difficulties Republicans have in pushing through partisan measures. The conference can be unruly and hampered by anti-leadership strains, and its narrow majority means Johnson has little room to maneuver when objections arise.

Lawmakers need to pass a deal to continue funding federal agencies beyond Sept. 30 to prevent a partial government shutdown because Congress has yet to agree on the 12 annual spending bills for federal agencies for the next fiscal year.

—Siobhan Hughes and Ken Thomas contributed to this article.

U.S. WATCH



RUNWAY APPROACH: Models prepared backstage at New York Fashion Week on Wednesday.

SOUTH CAROLINA

Public Money Can't Go to Private School

South Carolina's law allowing parents to spend taxpayer money on private schools violates the constitution, the state's highest court ruled Wednesday.

The 3-2 ruling prohibits paying tuition or fees with "Education Scholarship Trust Funds," but it does allow parents to use that money for indirect private expenses like tutoring, textbooks and other educational material.

Nearly 3,000 students have already been awarded \$1,500 each under the program.

It is unclear if they will have to give the money back because of the ruling.

The case was argued before the high court in March, well before the money was distributed.

—Associated Press

PHILADELPHIA

Officer Shot in Neck Dies of His Wounds

A Philadelphia police officer has died of his wounds, nearly three months after being shot in the neck after stopping a vehicle while on duty, city officials said.

Officer Jaime Roman, 31 years old, who spent 80 days in intensive care without regaining consciousness, died Tuesday night.

Roman leaves behind a wife, a 7-year-old daughter and a 4-year-old son. He had been with the department for nearly seven years.

Police Commissioner Kevin Bethel said murder charges would be filed against Rodriguez Vazquez. George Jackson, a representative for the Defender Association of Philadelphia, which represents Vazquez, declined to comment Wednesday.

—Associated Press

VW and Germany Share Woes

Continued from Page One Heavy reliance on China, high costs and an eroding technological leadership.

Manufacturing accounts for a fifth of Germany's gross domestic product, about twice the U.S. level, with a focus on capital goods and cars. For years, this was a good fit for a globalizing world: German companies built factories in emerging markets, dug Chinese subways and made cars for the new middle classes. While the Midwest was ravaged by deindustrialization, Germany's industrial base grew.

Nowhere was the boom clearer than at VW. A decade ago, the company recorded €5.2 billion, equivalent to around \$5.7 billion, of operating profit from its Chinese joint ventures, and that doesn't include income from brand licensing, parts sales or exports of high-end models from Germany.

Covid-19, geopolitics and China's maturing economy changed that. As tariffs and other trade barriers rose around the world, German exports began falling. China had been Germany's largest trade partner since 2015, so slowing growth there hit German companies hard, as did the rise of Chinese competitors. "China," said Schularick, "turned from

tailwind to headwind."

EV giant BYD overtook VW last year as China's bestselling car brand. VW has relaunched its China strategy and expects its joint ventures there to bring home as little as €1.5 billion in operating profit this year.

"When Western executives returned to China after the pandemic...everybody expected the country to be sitting in a deep Covid hole but they had used the time to invest, become more competitive, cheaper and faster," said Ulrich Ackermann, head of foreign trade at Germany's VDMA mechanical engineering industry association.

In 2020, China overtook Germany as the biggest exporter of machinery and equipment, according to German trade statistics. Today it produces more industrial machines than the U.S., Germany and Japan together.

China isn't alone to blame. The scale, cost and inflexibility of VW's operations in Germany mean the company has thinner profit margins than its rivals despite owning a lucrative portfolio of luxury badges including Audi and Porsche. That makes the company vulnerable to macroeconomic or industry challenges. The tepid post-Covid recovery in European car sales, no longer masked by cash flows from China, is just the latest example.

In the year through July,

about 17% fewer vehicles were registered in the eurozone and U.K.—key markets for the VW brand—than in 2019. Justifying its call for compulsory redundancies, management said the division had lost two plants' worth of production.

While European peers Stellantis and Renault have trimmed staff in recent years, VW's head count has grown modestly. VW finds it hard to let workers go because of its unusual governance. The state of Lower Saxony owns 20% of the company's voting shares, and a special "Volkswagen law" sets a high bar for significant changes to its operations.

"It is more like a state-owned company than a private one," said Ferdinand Dudenhöffer, director of Germany's Center Automotive Research.

Volkswagen's operational skew toward its high-cost home territory is unusual. Germany accounted for 57% of its assets and 44% of its employees in 2023 but only 19% of revenue. At Toyota, VW's closest rival in terms of scale, Japan accounted for 23% of revenues, 27% of assets and 18% of employees in the year through March.

After years of wage restraint boosted its competitiveness in the early 2000s, Germany briefly became the world's largest exporter of goods. This advantage has since faded. German labor is

now among the most expensive in the West, and labor productivity has been flat since 2019.

In Germany, Europe's top car producer, an auto worker cost about €62 an hour last year, compared with €29 in second-ranked Spain, according to an analysis by the German Association of the Automotive Industry.

The Ukraine war and Berlin's decision to forgo nuclear energy have also left Germany with high energy costs. Natural gas is three to five times more expensive than in China and the U.S., and electricity is 60% to 75% more pricey than before the pandemic, according to the BDI Federation of German Industry.

"German industry is slightly more energy intensive than the average and Germany depends more on industrial production, so that higher energy costs have a strong impact," said Clemens Fuest, president of the IFO economic institute in Munich.

VW is also losing the tech race. The company's decades of excellence in combustion engines was little help in developing EVs, where it has struggled to stand out even though it outspends peers on research and development.

Despite its engineering tradition and research institutions, Germany doesn't have a sizable tech sector.

R&D spending in Germany amounts to about 3% of GDP, more than the European average, said Fuest. "The problem is that a large part of this is concentrated in the automotive sector," he said.

The carmaker and country suffer from high costs, reliance on China.

Market Update

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WORLD NEWS

Gaza Students Learn in Tents And Shelters

With schools closed, educators struggle to create makeshift classrooms amid war

BY ABEER AYYOUB
AND OMAR ABDEL-BAQUI

Across the Middle East, early September brings the buzzing return of children to classrooms. In the war-torn Gaza Strip this year, it marks nearly a full year without education.

As a new school year begins this week, some educators are trying to find ways to create teaching centers in the Palestinian enclave—be it in tents, around bombed-out buildings or in small open spaces near shelters.

More than 11 months of fighting between Israel and Hamas have ravaged much of the strip and destroyed critical infrastructure, including education centers, which otherwise would be hosting many of the roughly one million Gazans under 18. Every school in Gaza has closed, according to the United Nations. Many Gaza school compounds are being used to shelter the nearly two million Palestinians displaced by the war.

Finding it difficult to secure a safe space to teach, Wafaa Ali, who ran a preschool in Gaza City before the war, opened two classrooms in her house. Now, dozens of children huddle in the small rooms of her Gaza City home to learn Arabic, English and math.

"Families wanted their children to learn how to read and write instead of wasting time at home, especially since war is not ending anytime soon," Ali said. Individual teachers can

only reach a small percentage of the children who have been deprived of an education because of the war.

Alaa Junaina, who is sheltering in a tent in the central Gaza Strip, said her 4-year-old son and 7-year-old daughter are taking classes in a tent. The children are learning using materials one grade behind their age because of lost learning. The 33-year-old said she visited the tent. "It made me sad. They don't have clothes, bags or shoes," she said. "But we are trying our best."

The United Nations Relief and Works Agency, which also runs dozens of schools there, says more than two-thirds of its schools have been destroyed or damaged since the war began in October. Hundreds of displaced Palestinians sheltering at Unrwa facilities—most of which were schools—have been killed, according to the agency.

Israel says its strikes on schools and Unrwa shelters have targeted militants using the facilities. Cogat, the Israeli military body responsible for coordinating with aid groups, declined to comment. The Israeli prime minister's office didn't respond to a request for comment.

Unrwa said it is launching a back-to-learning program that will bring about 28,000 children to dozens of schools. The program will first focus on psychological support, art, sports and the risks of explosive ordnance, and then will delve into reading, writing and math.

"Too many schools are no place for learning. They have become places of despair, hunger, disease & death," Philippe Lazzarini, commissioner-general of Unrwa, said Wednesday on social media. "The lon-



OMAR ABDELBAQUI/IMAGESZUMA PRESS

Israeli Airstrikes Kill at Least 34 at School, Home

Israeli airstrikes across Gaza hit a United Nations school sheltering displaced Palestinian families, as well as two homes, killing at least 34 people, including 19 women and children, hospital officials said.

The strike on the al-Jaouni Preparatory

Boys School in the Nuseirat refugee camp killed at least 14, officials from Awda and al-Aqsa Martyrs hospitals said. At least 18 other people were wounded, they said.

Above, Palestinians stand in the courtyard of the al-Jaouni school hit in the attacks—one man is carrying the body of a

child. The school has been hit by several strikes during the war.

The Israeli military said it was targeting Hamas militants planning attacks from inside the school. The claim couldn't be independently confirmed.

—Associated Press

ger children stay out of school in the rubble of a devastated land, the higher the risk for them to become a lost generation. This is a recipe for future resentment & extremism."

Before the war, about 88% of students in Gaza completed their basic education and about 63% finished secondary education, according to 2022 data from the U.N. Illiteracy rates in Gaza hover around 2%—low compared with other countries in the region but now threatened by more time away from the classroom.

Gaza has had relatively high education rates despite its poverty for several reasons, said Mouin Rabbani, a nonresident fellow at the Center for Con-

flict and Humanitarian Studies, an independent research center based in Qatar. Palestinians have long pursued education to get ahead in a squeezed economy and have been provided education opportunities by the U.N. and various nongovernmental organizations with a presence in Gaza, he said.

Moreover, many Palestinians in Gaza are familiar with losing their land, home and possessions, Rabbani said. "When you go through that experience repeatedly, you begin to attach real importance to what is transportable, and education is something you can take with you wherever you go," he said.

It will take years to rebuild education infrastructure that

has been destroyed, but Palestinians in Gaza likely will have a piecemeal approach to returning to education, as seen with measures like Unrwa's recently announced program. The cost to the economy and society is immeasurable, Rabbani said.

There is a psychological toll of being away from school on children, too. A year away from class, friends, playgrounds and homes—all while experiencing armed conflict—represents the removal of fundamental pillars of stability and safety for children, said Leslie Archambeault, managing director of humanitarian policy at Save the Children U.S.

The uncertainty, stress and loss of community can trigger

the body's natural stress-response systems, which can be harmful over time, said Archambeault.

"Repeatedly experienced or sustained over long periods, they can lead to a range of negative mental-health outcomes from which children do not easily recover," she said.

The war, in addition to schools, also devastated transportation, health, aid and sanitation infrastructure.

An emergency polio-vaccination campaign in the enclave continued this week, with more than three-quarters of children needing the vaccine receiving the first dose, said the Palestinian health ministry.

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Kevin Iaquinto

Chief Marketing Officer,
Coupa Software

In the past two years, what's the biggest lesson you've learned about marketing through economic uncertainty?

Value authenticity above all else. You must have a clear vision and articulation of your company value proposition, mission and purpose. Any uncertainty around this only adds to the uncertainty surrounding the broader economy and why companies should choose to do business with you versus someone else.

What does authentic marketing look like for you? And what's one mistake you think brands make during times of instability?

We have an entire document that purposely rules out using corporate jargon in our messaging to keep it real. I think during times of instability it's easy to get distracted, forget your North Star, and potentially damage your brand values and identity. In today's fast-paced marketing world, it's also tempting to try to grab onto fads and adopt them for your brand. But you should question if that's the right channel, vehicle and approach. And will you confuse your customers in the process?

When faced with a new challenge, what's your decision-making process, and where do you turn for trusted information or advice?

We have a tremendous management and marketing team here at Coupa that I turn to for counsel, advice and input. Our culture is very collegial. In addition, I have some trusted mentors from previous software companies, including CEOs and heads of sales and marketing who I collaboratively bounce ideas off of.

What shifts do you see happening in marketing and advertising in the next five years?

Digital will only continue to grow as ads become more targeted. It's amazing how far we've come in just the past five years and I only expect more of this transformation. I also think untraditional routes like podcasts will be a much larger piece of the advertising pie as people search for news and opinions on particular channels.

Tell us about a milestone that shaped your career path.

I spent the first seven years of my career in political communications in Washington. I later pivoted to

work at one of the top consumer-focused direct-marketing agencies, which gave me an on-the-job MBA in marketing that I still leverage to this day.

What's in your toolbox for investing in your team — to help them stay focused, feel supported and be productive?

We have more than 30 tech platforms that we leverage every day across our team to be more productive, efficient and effective. But it's also important to build team collaboration — in this highly distributed, video-conferencing world we are making a conscious effort to bring people together face-to-face to collaborate and innovate at times.

What are you most proud of in your current role?

The ability to mentor others — there are now dozens of people who have worked for me over the years who have graduated to CMO roles at other companies. Helping pay it forward is what I am most proud of in my career.

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WORLD NEWS

U.S. Moves To Counter Militants

Continued from Page One
ism and counterinsurgency in the Sahel,” said retired Maj. Gen. Mark Hicks, former commander of U.S. special-operations forces in Africa, referring to the vast, semidesert band just south of the Sahara.

Islamist militants are wreaking havoc across the core of the Sahel—Mali, Burkina Faso and Niger—attacking police and military, stirring local grievances, imposing their harsh version of Islam in occupied villages and causing some 38,000 deaths since 2017, according to the Pentagon’s Africa Center for Strategic Studies, which analyzed figures collected by the Armed Conflict Location & Event Data Project, a U.S.-based, nonprofit monitoring service.

About 200 people were killed in Burkina Faso in a single day in late August, according to the United Nations. Suspected members of an al Qaeda umbrella group, Jama’at Nusrat al-Islam wal-Muslimin, fired on civilians who were digging trenches in a failed effort to protect their town from such attacks, the U.N. said.

In the past couple of years, militants have emerged from the Sahel and launched probing attacks into the more prosperous and stable nations along the Gulf of Guinea. Moving U.S. forces to such coastal countries as Ivory Coast and Benin is “strategically the only game left for us,” Hicks said.

The Pentagon’s Africa Command has assigned a 10-person team under Maj. Gen. Kenneth Ekman to figure out how to redistribute some of the 1,100 U.S. troops ejected from Niger after that country’s military overthrew a pro-U.S. civilian government last year. The U.S. withdrawal included vacating three Special Forces outposts and pulling surveillance drones out of a \$110 million base the Pentagon put into operation five years ago



A U.S. instructor worked with local forces at an army training base in Ouassa, Benin, in 2023.

in the desert town of Agadez.

“We’re shifting forces, but the greater problem is that while our security objectives have not changed, they have become harder to obtain,” Ekman said in an interview.

The spread of Islamist violence undermined the fragile legitimacy of governments in Mali, Burkina Faso and Niger, prompting a spate of military coups in those countries since 2020. The U.S. criticized the revolts and, in keeping with U.S. law, slashed security assistance to the new juntas.

In response, the military rulers ousted U.S., French and other Western counterterrorism forces, and turned to Russia for security aid. Mali’s junta hired Moscow-aligned mercenaries from the Wagner Group to provide regime security and fight militants, driving a further wedge in its relations with the West. Burkina Faso and Niger have hired smaller contingents of Russian fighters to train their troops.

Western governments have accused the Kremlin-backed mercenaries of committing atrocities, while pillaging resources. The West, said Hicks, “has been replaced by a really vile actor that will make the situation worse for the Sahel.”

Wagner atrocities, including the killing of hundreds in the Malian village of Moura in 2022, perversely benefited the militants. “Their actions helped recruit fighters,” said Ibrahim Cisse, a community leader in the area where the village is located.

France, the former colonial power in much of western Africa and leader of the international military response to the Islamist insurgency there, is conducting a similar rethink of its military posture since juntas in Mali, Burkina Faso and Niger ordered French troops to leave.

High-profile French garrisons in western Africa have become the target of pro-Russian protesters who claim France is carrying out a neocolonial ploy to revive Western influence. In response, Paris is moving instructors to local army bases in Gabon, Senegal, Ivory Coast and Chad, according to a French official. But France will retain thousands of troops at home, ready to intervene in Africa on short notice, the official said. “France will

remain involved in Africa, just in a less visible way,” they said.

Several countries bordering the Gulf of Guinea sense the looming danger from the north and hope for the protection offered by an expanded U.S. military presence. The U.S. has a Special Forces team stationed in Cotonou, Benin’s biggest city, and expects those commandos to advise Beninese troops on counterterrorism missions.

The U.S. is spending \$4 million to refurbish taxiways and install aircraft shelters at airports near the central Beninese city of Parakou. The Pentagon has positioned three contracted helicopters and medics in Parakou to evacuate wounded from battlefields along the Burkina Faso, Niger and Nigerian borders.

“This aid is very important for the armed forces of Benin, and we are waiting for intelligence, surveillance and reconnaissance support, which should not be long in coming,” a senior Beninese army officer said.

The U.S. has positioned a Green Beret team in Ivory

Since Niger ousted western forces, security objectives are harder to reach.

Coast to train local forces. Two U.S.-contracted surveillance planes fly out of the biggest city, Abidjan, and provide overhead surveillance video to a military-intelligence center, which passes it along to Ivorian troops operating along the Burkina Faso border, Ekman said. An Ivorian military spokesman didn’t respond to a request for comment.

Ekman has begun negotiations with Chad, whose troops are fighting Boko Haram and Islamic State militants around Lake Chad. U.S.-Chad relations were strained, in part because the country’s president, Mahamat Idriss Déby, came to power in an extra-constitutional maneuver after the battlefield death of his father, longtime strongman Idriss Déby, in 2021.

Earlier this year, a Chadian air-force general ordered a small contingent of U.S. troops to leave his base, another blow to U.S. strategy in the region. Since then, however, Déby won an election that, despite objections from rights groups, the U.S. considers sufficiently democratic to open up the possibility of warmer security ties.

Now Ekman is seeking a possible return of a U.S. regional headquarters to Chad and perhaps deployment of Green Berets to resume the training of Chad’s 11,000-strong antiterrorism force, which the U.S. formerly supplied with pickup trucks and body armor.

Ghana, a regional powerhouse that hasn’t reported any terrorist attacks, has hosted extensive military exercises with U.S. Special Forces. But a Ghanaian government official said: “We don’t intend and have not agreed to increase any U.S. presence in Ghana.”

Likewise, Nigeria, the biggest military power in the region, wants to acquire U.S. helicopters, armored vehicles and other gear, but shows no inclination to welcome an enduring deployment of U.S. troops, Ekman said.

He acknowledged the U.S. is unlikely to reconstitute the kind of counterterrorism force spanning Chad, Benin and Ivory Coast that it once maintained in Niger. “We’re doing what we can, not necessarily doing all that we could or should.”

WORLD WATCH

EGYPT

U.S. Is Releasing \$320 Million in Aid

The Biden administration on Wednesday notified Congress that it was releasing \$320 million in military aid to Egypt conditioned on the country’s human-rights record, in a signal of Cairo’s increasing importance to the U.S. approach to the Gaza war, U.S. officials said.

The decision includes the release of \$95 million that requires a certification by Secretary of State Antony Blinken that Egypt has made progress on its record on political prisoners and other rights issues, a move that is likely to draw criticism from human-rights advocates.

Egypt has been helping to mediate between Israel and Hamas in talks toward a possible truce. An Egyptian spokesman didn’t respond to a request for comment.

—Jared Malsin

FRANCE

Attack Plots Foiled During Olympics

French authorities stopped three plots to attack the Olympic and Paralympic Games in Paris and other cities that hosted the summer events, said the national counterterrorism prosecutor.

Olivier Christen said Wednesday the plots included plans to attack “Israeli institutions or representatives of Israel in Paris” during the July 26-Aug. 11 Olympics. He told broadcaster France Info that “the Israeli team itself was not specifically targeted.” He didn’t give further details.

Five people, including a minor, were arrested on suspicion of involvement in the three foiled plots against the Summer Games, which were held against the backdrop of the Israel-Hamas war and Russia’s war in Ukraine. The suspects, who face various terrorism-related charges, remain in pretrial detention, the prosecutor said.

—Associated Press

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FROM PAGE ONE

Project Rife With Bad Behavior

Continued from Page One his country's wealth, and his reputation as a reformer.

In a meeting about the worker fatalities last summer, Neom's chief executive, Nadhmi al-Nasr, demanded to know what had gone wrong, according to current and former employees. A falling pipe killed one worker; a wall collapsed on another; and one person died after mishandling explosives, the current and former employees said.

Even as Neom sought to limit fatalities, Borg demonstrated a casual disregard for worker safety. "You can't train for stupidity," Borg said in a later conversation about the deaths. "The white blokes are at the top of the tree."

Neom said its top priority is protecting the welfare of employees, who are encouraged to anonymously voice concerns. Neom has a code of conduct and promotes a set of values that include being respectful, embracing cultural differences and acting responsibly.

Neom in a statement said it has a culturally diverse workforce of about 5,000 employees from more than 100 countries and has a zero-tolerance approach to inappropriate workplace behavior. The project said it investigates every health-and-safety incident.

"Any allegations of wrongdoing and misconduct are thoroughly investigated," Neom said. It added: "If any wrongdoing is substantiated, we take appropriate action."

The Saudi government referred a request for comment to Neom. A representative for Borg didn't respond to a request for comment.

Ambitious plans

Mohammed launched Neom to fast-track his kingdom into the modern world. He sectioned off a Massachusetts-sized parcel with plans for its own laws and a liberal, egalitarian environment to attract smart foreigners and businesses.

From Neom's earliest conception, Mohammed was willing to back controversial executives to translate his bold ideas into reality.

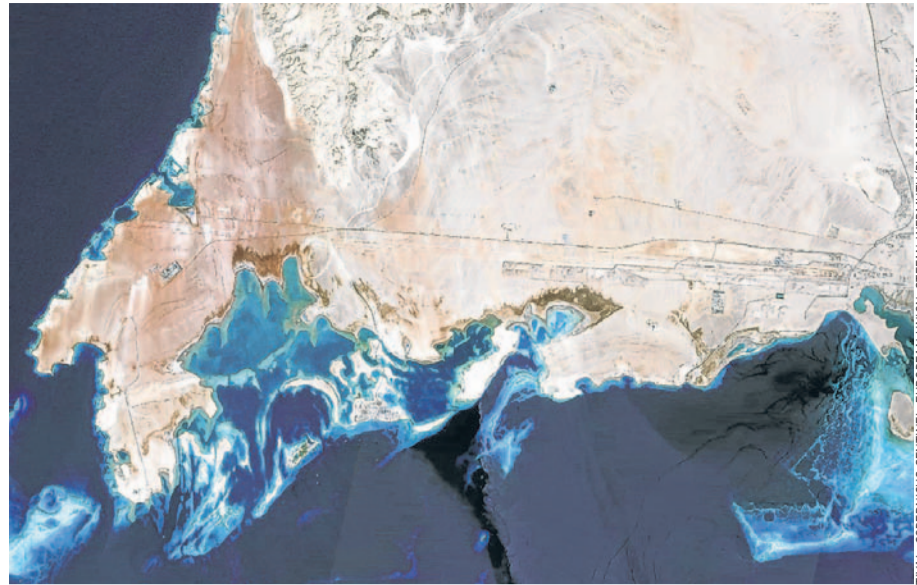
These include a multibillion-dollar pair of skyscrapers taller than the Empire State Building, designed to run 105 miles long and known as the Line. Neom is meant to be a logistics hub, a tourism destination and a world leader in health, media and renewable energy.

In 2017, Mohammed appointed Klaus Kleinfeld to run Neom, months after the German lost his job as chief executive of Arconic, the aluminum maker. Kleinfeld had sent a letter that included a vague threat toward the billionaire whose hedge fund campaigned for Kleinfeld's ouster. Kleinfeld resigned after Arconic's board said he showed bad judgment in sending the letter.

A year later, Mohammed replaced Kleinfeld with Nasr, the current chief executive,



Neom's Wayne Borg, above, has been recorded making racist and misogynistic comments. A satellite image shows construction on the Line, a pair of skyscrapers taller than the Empire State Building, designed to run 105 miles long. A Neom pop-up store on the final day of the World Economic Forum in Davos, Switzerland, in January 2023.



who has a reputation for a difficult management style. At Neom, staff have complained that he rails at employees, the Journal has previously reported.

"I drive everybody like a slave," Nasr said in one meeting, according to a recording heard by the Journal.

Recruiters and former employees say Neom's ability to draw talent has been hurt by Nasr's decision to move staff to the project's remote location in the kingdom's desert northwest. There, more than 100,000 white-collar and blue-collar construction workers live in temporary trailer parks, a hundred miles from a major city. Alcohol is banned and there are few social diversions. The murder in 2018 of Washington Post journalist Jamal Khashoggi spooked some would-be workers.

White-collar employees from companies such as GE, Amazon and Cisco Systems have joined, encouraged by paychecks that average \$1.1 million for Neom's senior leaders and the chance to create an industry or company in a country that until recently was closed off to the outside world.

Current and former employees said the culture at the project follows the hard-charging style of Mohammed, the son of 88-year-old King Salman. He allows what many consider bad behavior as long as an executive delivers on his vision, according to former Neom employees.

'Vives is the Line'

One of those who has impressed the prince is Antoni Vives, an executive who has helped lead development of the Line.

In 2021, some inside Neom pushed for the ouster of Vives, 59, after a Spanish

court convicted him of corruption in his previous role in Barcelona's city hall, former employees said.

He pleaded guilty to public-maleficance charges that he gave a friend a no-show job worth around \$165,000 over four years. He agreed with prosecutors to a two-year suspended prison sentence.

Vives resigned from Neom but was soon back after Mohammed told Nasr to convince him to return, some of the former employees said. As long as Vives didn't commit the crime in Saudi Arabia, he didn't care, the royal told executives working on Neom.

He has overcome questions about his past by building a bond with Mohammed as one of the few people who understand his desire to build a development that leaves a physical legacy, some of the former employees added.

"Vives is the Line, the Line is Vives," Nasr has told associates, according to one of the former employees who heard the remark.

Tensions have risen between Vives and construction project managers to deliver. In one incident, the tall and broad-shouldered Vives argued with a construction manager and the two men physically wrestled. Vives then demanded his dismissal, according to a former employee and a person familiar with the altercation. The executive stayed, backed by another executive who threatened to quit should his colleague be forced out, these people said.

In October 2022, Spanish prosecutors again accused

Vives of corruption during his time in office in Barcelona. This time the case related to construction contracts awarded for the redevelopment of a well-known city square, according to an indictment.

Prosecutors are seeking a six-year prison term for Vives, who is accused of criminal conspiracy, fraud and perversion of justice. Vives and a lawyer who represented him in his first case didn't respond to requests for comment.

'Brightest Minds'

A series of videos Neom produced in 2020, dubbed "Brightest Minds," featured two senior Neom executives—Melvin Samsom and Maliha Hashmi.

Samsom, who is Dutch, had moved to Neom after resigning as chief executive of the Swedish hospital affiliated with the institute that awards the Nobel Prize in

Medicine. Hashmi has a law degree and a master's from Harvard.

In the video, Samsom explained how Neom was designing a healthcare system from scratch. Inside Neom's real-estate projects, the crown prince wants to create a home for industries such as healthcare to employ Saudi Arabia's burgeoning generation of young people and drive economic growth.

In 2021, Neom officials found that Samsom and Hashmi had awarded contracts worth hundreds of thousands of dollars to a consulting firm founded by one of Hashmi's relatives, according to current and former Neom

employees and corporate records. The firm, Boston-based Myriad Consulting, also employed Samsom's son, these people said.

Samsom and Hashmi contracted Myriad to help develop a genetics center in 2020 without a competitive tender, even though Myriad had been founded only a year before with few employees and had only a limited online presence.

A "discussion with industry professionals and regional network has identified the vendor as the best provider for the expert skills for this unique project," Hashmi wrote, according to a document viewed by the Journal.

When Samsom heard in the spring of 2021 that Neom executives were investigating the contract, he drove to the airport and left his keys in the car as he fled, according to some of the current and former employees. Both he and Hashmi were fired.

Hashmi, Samsom and Myriad didn't respond to requests for comment.

Called before HR

Borg, the media executive, was featured in the same "Brightest Minds" series, where he explained that Neom was going to redefine "how many parts of the media industry operate."

He came to the project from Fox Corp. after nearly two decades working for movie studios in the U.S., the U.K. and Australia, according to his LinkedIn profile. Fox and Journal parent News Corp share common ownership.

He has worked with companies to produce movies and a reality-television series called "Million Dollar Island" filmed amid Neom's rugged desert landscape.

Early in his tenure at

Neom, Borg was hauled in front of human resources for calling a female subordinate, who is Black, a "Black shit," according to some of the former employees.

In messages to his subordinate, Borg said "I miss you" and your "arse is better than Beyoncé's," alongside kiss emojis, according to a summary of the employee's grievance, which added that Borg denied making the "Black shit" comment.

When the Western woman met with human resources, Neom's male head of the department mistakenly asked her to explain the issue of "black tits," before he came to understand that Borg had called his colleague a "Black shit," according to some of the former employees and a recording of Borg discussing it.

In a later meeting, Borg laughed about the mistake, according to the recording, and referred to "that f—ing episode I had with that Black bitch."

Neom's human resources recommended that Borg receive six months of personal coaching, according to the summary of the employee's grievance.

Since that issue, Borg has made statements in closed-door meetings that have demonstrated a disregard for the culture and religion of Saudi Arabia, according to audio heard by the Journal.

In one meeting, Borg referred to women from the Arabian Gulf as looking like "transvestites" and in another joked that certain sexual positions are forbidden in Islam, according to the audio.

"Do you wanna guess which ones?" he said. "Doggy-style, because it's animalistic."

—Eliot Brown, Xavier Fontdegloria and Joshua Kirby contributed to this article.

The project is a magnet for executives with checkered pasts.

Teachers Deck Out Classrooms

Continued from Page One wait to leave," she says, "but a decorated classroom that's outside the norm is fun and inspiring." And, "It can affect the way they learn."

Teachers have long enhanced their learning spaces. But now, some are crafting rooms that could grace Architectural Digest.

The makeovers are particularly prevalent among Gen-Z teachers. A wave of young people who are used to sharing their lives on social media have entered the field. They are curating classrooms that dazzle on TikTok, complete with cubbies and bespoke furniture, and that aim to create a soothing vibe for students (and the teachers).

"I love to decorate for the kids, but it helps me too," says Sloan, in Idaho. "I go in early, I stay in late, so I'm not going

to lie, I want a space that's for me too."

Thousands of #Classroom-Setup videos on TikTok show teachers redecorating. They are adding dress skirts to desks, putting fairy lights above blackboards and hanging tapestries on walls. (Finally, a good reason for kids to stare at the walls.)

On Pinterest, the online hub for sharing creative ideas, searches for "cozy classrooms" have surged 430% since last August, and results show school spaces bedecked with lightwood furniture, cream rugs and bouclé ottomans. Searches for "preppy" classrooms were up 360%.

Keeping up with hot classroom decor isn't easy in the penny-pinching profession. Many teachers already dip into their own wallets to buy school supplies. Sloan spent about \$1,000 to bring her coffee-shop vision to life, she says, although she also incorporated items she already owned, such as the boho rugs.

Melanie Ralbusky is the co-founder and creative director of Schoolgirl Style, a Michigan-based school-decor company that has a huge online



Summer Shields, a 24-year-old first-grade teacher in San Diego, embraced the cozy theme this year.

following and pulls in about \$4 million in annual sales. Top-selling products this year are in pastels, including baby pink carpets.

"Our biggest following are young teachers coming out of college," Ralbusky says, "and they all love pastel." Her second-best-selling category is the

"cozy collection," which includes taupe calendars, brown burlap bulletin board accessories and beige rugs.

Summer Shields, a 24-year-old first-grade teacher in San Diego, embraced the cozy theme this year. She picked up a black rug and white teepee for her reading corner, as well

as beige pompoms garlands and fuzzy, white heart-shaped pillows. "I think it helps with a theme I convey to our class, which is that we are a family and this is our home, so we have to take good care of it," she says. "I've even noticed the students trying to be careful around the reading corner, to keep it extra neat."

Not everyone is awarding these glow-ups a blue ribbon.

Ellen Moskowitz, a 43-year-old administrator in Westchester County, N.Y., says she has spotted at least a half-dozen "overly decorated" classrooms in one school, mostly from Gen-Z teachers.

The educators are hauling in pillows, curtains, rugs, and lamps and Moskowitz says she's also seen them spend hours repainting wood furniture to be white, and lugging in giant floor cushions "that our fire marshal won't really like but lice will really love."

"It looks like West Elm for kids," she says.

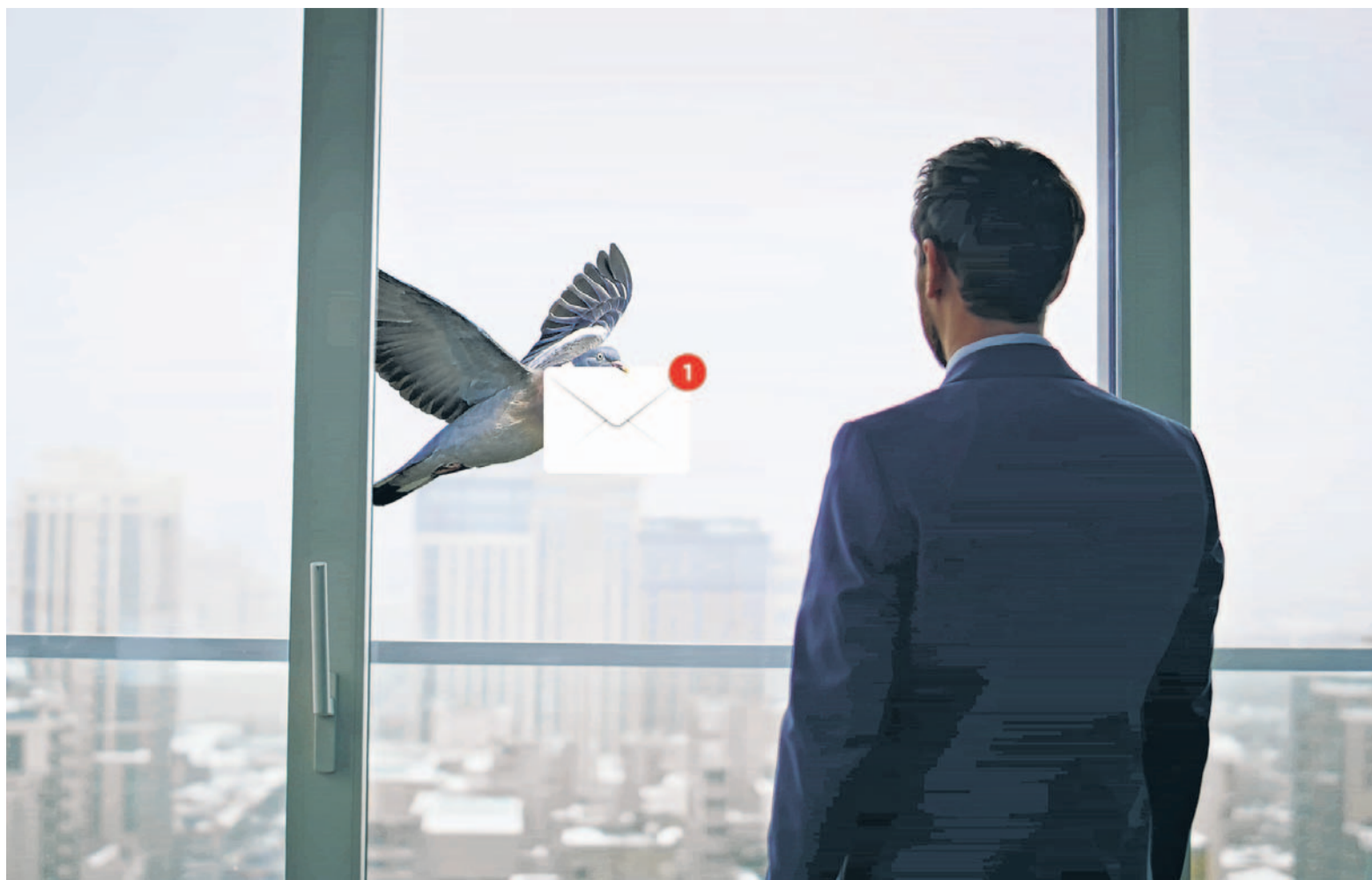
Academic research she's studied indicates classrooms should reflect the students, not the teachers, she says. "If your room's walls are filled on day one, it doesn't allow the

student to claim the room as their own."

Yet, Genevieve Julich, who teaches middle school in Westchester, contends that her 7th-graders are opinionated about classroom decor. "They said, 'we really need a rug over there.'"

Julich, who is 35 and teaches English and social studies, bought pastel labels, Sharpies and folders this year. "Pastels make kids calmer because they are homey and inviting." Still, she isn't splurging the way some younger peers are. "You don't want to be spending thousands of dollars on pillows."

In Boynton Beach, Fla., Jamie Lledo, a third-grade teacher, spent about \$400 of her own money on string lights, two-tone pillows, pastel charts, and pompom garlands. Her bookshelves are color-coded—and a heart-shaped glowing lamp adorns a corner desk. "I had last year's students come visit me and their jaws dropped when they saw my classroom," says Lledo, 40. "They were like, 'Why didn't we have these decorations last year?' They are now coming back on a daily basis."



Some Bosses Flex Their Power With Decidedly Low-Tech Gear

The latest technology is available to anyone with the money. Only a big shot can say ‘page me.’



ON THE CLOCK
CALLUM BORCHERS

If you think your new iPhone is a status symbol, prepare to be punked—or, rather, Punkt—by Benjamin Crudo’s dumbphone.

The chief executive of Diff, which makes software for online retailers, calls and texts from a 4.6-by-2-inch brick with buttons called a Punkt MP02. Send an email or Slack message and the 41-year-old Crudo won’t respond until he’s in front of his computer.

“It definitely causes a bit of disruption because everybody around me is communicating in a certain way, and I’m choosing to communicate differently,” he says. “Lucky for me, I’m the boss.”

From vinyl records to analog watches, old technology is having a moment as people seek digital detoxes—or, at least, breaks from the ding and buzzing of our always-connected lives.

For executives, even those getting rich from high tech, using stuff from the past can double as a power move. Junior employees may chafe at jumping through

hoops to get hold of them, not to mention having to be reachable at all times themselves. But one of the perks of calling the shots is being able to make others wait or rely on assistants to alert them to truly urgent matters.

Throwback bosses say eschewing smart glasses or other state-of-the-art gizmos makes them better leaders. They can focus on deep work and be fully present in meetings. Plus, people in the know recognize low-tech gear can be pricey, too. Witness the stripped-down Light Phone III to be released next year at \$799—the starting price of the newly unveiled iPhone 16.

Incongruous habits

In practical terms, it’s hard to ditch modern tech entirely. Tom Patterson, co-founder of the Tommy John underwear brand, told me he ordered a dumbphone a few months ago hoping it would reduce his time spent on emails. But he hasn’t used it yet because he can’t quite bring himself to go back to texting on a T9 keypad.

Crudo, the software CEO, recognizes his job and habits seem incongruous. The way he sees it, technology is a valuable tool that ought to be put away when it isn’t needed. He uses a smartphone for



Diff CEO Benjamin Crudo says his dumbphone, a Punkt MP02, helps him treat technology as a tool instead of a distraction.

driving directions and two-factor authentication at work, but his dumbphone is his primary device.

He checks email at 9 a.m., noon, 3 p.m. and 6 p.m. and not in between. Now, *that’s* luxury.

He says colleagues and customers know to call him for after-hours emergencies. The new dad might not pick up his dumbphone because he doesn’t keep it in his pocket during family time. But



don’t worry—he forwards calls to his house phone and is sure to hear it ring.

Snap Chairman Michael Lynton traces his appreciation of old technology to a lunch with graphic designer Milton Glaser in the late ’90s. Lynton remembers gushing about how the internet would rev-

olutionize everything. Glaser—who died in 2020 and is known for simple aesthetics, like the “I ♥ NY” logo—wasn’t so sure.

“He said, ‘Look at the watch you’re wearing,’” Lynton recalls. The timepiece, a steel Rolex given by his parents many years earlier, is still on his wrist today.

Besides its beauty and freedom from notifications, the vintage watch has an advantage over many digital models: The minute hand’s gradual arc toward the top or bottom of the hour helps Lynton visualize how much time remains before his next appointment, and the face never goes to sleep.

Yes, glancing at your Rolex in a meeting is a classic boss move. The bigger point is one-function tools can remain useful long after they’re supposedly outmoded.

Which brings me to Lynton’s love of fax machines. Pause for a moment to appreciate the irony of a man who chairs the board of Snap—maker of a mobile app for trading disappearing messages—relying on paper and ink. He considers faxes more secure than emails, and who could blame the guy? He dealt with a big cyberattack in 2014 as CEO of Sony, based in Japan, where fax machines remain more popular than in the U.S.

More than that, the novelty of a fax grabs people’s attention, he says. An important email can get buried in someone’s inbox. A message delivered via fax might be the only one a person receives this month...or decade. One catch: The number of business contacts who still have fax machines is shrinking.

Humblebrag

Shay Sharon’s teenage heroes were the TV doctors of “ER,” who sprang into action when their pagers went off. He dreamed of wear-

ing his own beeper, even as some hospitals stopped using them.

Now an oral and maxillofacial cancer surgeon, he finally got his chance on a recent fellowship at Boston Medical Center.

To the 44-year-old Sharon, the beeper has aged as gracefully as George Clooney—and even conveys a little star power. Since hardly anyone except doctors wears a pager anymore, people know what Sharon does for a living when he goes to the coffee shop.

“They see the pager and usually, if they greet you, they greet you with ‘Good morning, doctor,’” he says.

His ’90s relic is now a humblebrag. And he says he sleeps better with a pager on

his nightstand. It’s hard to rest when he’s on call with a smartphone because he startles at every text and push alert.

Sharon likes disconnecting so much that he recently started leaving his phone at home when he jogs. He now runs with a Sony Walkman and corded earbuds.

Classic Ralph Lauren Takes the Hamptons

By RORY SATRAN AND JACOB GALLAGHER

For his first Hamptons runway show, Ralph Lauren brought a taste of Midtown to the east end of Long Island. His team spent around a month painstakingly building an ephemeral outpost of the Polo Bar, his patrician-meets-down-home Manhattan restaurant, to host guests after a fashion show spanning many of Lauren’s greatest preppy hits.

Flanked by Jill Biden and Ricky Lauren, his wife of 60 years, the fashion designer held court in a corner booth. All the Ralphian details were there, from silver cups of mixed nuts to alarmingly handsome waiters to just-so burgers and fries.

Yes, the first lady downed a burger in her polished black Ralph Lauren suit. In Lauren’s world, we wear beautiful clothes and get ketchup on them.

For around 230 guests including Kacey Musgraves, Usher and Laura Dern, the lush setting at a Bridgehampton horse stable was a kind of end-of-summer fever dream. Several guests talked about the allure of being transported (some by helicopter) into the Ralph Lauren uni-

verse—with its picket fences, galloping horses, hydrangeas, saddlery and classic cars from Lauren’s personal collection.

“I’m definitely in Ralph World—the cars, the good folks, the horses,” said Jude Law, who noted that he hadn’t been to a fashion show in decades. (The last was his friend’s, the late Alexander McQueen.)

But after the show Lauren, impossibly and engaging at 84 years old, said it was all genuine. “It’s not a fantasy. It’s real.”

Although this was the first show the brand has staged on the east end of Long Island, the Lauren family has owned properties in the area since the early 1970s. Images of Ralph, Ricky and their three children in ultra-American denim and plaid on Hamptons beaches and lawns are the template for the brand’s aesthetic (along with their homes in Manhattan...and Colorado...and Jamaica...). The company’s history is inseparable from Lauren’s personal family album.

The show itself drew heavily from that classic Ralph Lauren aesthetic, with looks from the lines Ralph Lauren Collection, Purple Label and Polo for men, women and



▲ Usher and Dr. Jill Biden were among some 230 guests of Ralph Lauren’s first Hamptons show.

kids. Adorable faux families paraded together, smiling in overlapping brightly colored popped-collar polo shirts, American-flag sweaters, madras prints, Yankees caps (stitched with Lauren’s scrawling signature) and white evening wear.

Since the brand’s early days, buying a polo or a cable-knit sweater has been a way to buy into the Ralph dream.

“I’m a guy from West Philadelphia, and [growing up] I would look in catalogs and magazines and see something aspirational, but it felt like I could achieve it,” said actor Colman Domingo. “It didn’t feel like it was so far out of my realm, but I could never become a Ralph Lauren guy.” For last night at least, he was.

Dressed in a dove-gray double-breasted suit and matching turtle-neck, he appeared ready to star in his own Lauren spread.

The company’s chief executive, Patrice Louvet, mused during cocktail hour that Lauren was more like a film director in the style of Martin Scorsese or Steven Spielberg than a typical fashion designer.

“To a large extent, our brand is bigger than our business,” said Louvet between nibbles of a mini corned-beef sandwich, his favorite item on the Polo Bar’s menu.

The brand leans on its mythology

in concrete ways, showing up as a major partner at sporting events from the Paris Olympics to Wimbledon. Sometimes that means clothes, like the “USA” uniforms it made for the Olympic closing ceremony; other times it’s hosting a box and slapping logos on benches at the U.S. Open. Louvet said that seven years ago, the company was spending 3% of its revenue on marketing; now that’s 7%. For a brand with more than \$6 billion in revenue in the 12 months ended March 2024, that’s a marketing budget well over the size of most American fashion brands.

As for how such astronomical spends translate into returns on investment, that’s tricky math. Back when Lauren did a similar show in Los Angeles in 2022, Louvet said, “It’s always very difficult to do a scientific calculation of this many dollars results in this many dollars in return.”

There is also a feeling that for Lauren, who has long outlasted his American design competitors like Calvin Klein and Donna Karan (who both sold their eponymous companies), these extravagant destination shows are a victory lap, bringing the whole of the fashion world onto his well-manicured turf.

Today, Louvet talks about short-term payoffs, like buying affiliated collections immediately after an event, and long-term boosts, which involve lifting brand equity and buying intent over time.

While it’s complicated to measure brand heat, the Ralph-o-meter was running on overdrive at this celebrity-filled dinner.

Lauren summed it up: “I do what I love, and if you do what you love, the world starts to go with you.”

PERSONAL JOURNAL.

By JULIA CARPENTER

Is Election Fatigue the Reason Why I'm Spending So Much?

Some young people overindulge on carefree distractions to counter their political exhaustion

I already knew 2024 would be a tough year for my finances.

I had planned to quit my full-time job and go freelance in the spring. My girlfriend was scheduled to spend part of the summer in Paris, covering the Olympics. What I didn't count on was my election-year spending.

Economists and marketers have long debated whether consumer spending increases during election years. So I can't offer any global conclusions. But speaking for myself and my friends and some other young people I know, I have no doubt: When election fatigue kicks in, our spending goes up.

I feel like I shouldn't fall prey to this, since I quite literally wrote a book about personal finance. But one glance at my calendar shows that I've already taken two big trips this year—more than usual, even when compared with prepandemic years. And every time I'm out with friends, any sense of budget goes out the window.

I attribute it to political exhaustion: We're so besieged with nonstop breaking news, political ads and memes from both sides of the aisle that when we get the chance to feel carefree, we snatch at the chance for distraction—even if it means disregarding our own spending limits.

Plans on hold

Politics isn't the only culprit, as the past few years have brought a host of financial anxieties for young people, says Stephanie Genkin, a Brooklyn, N.Y.-based financial adviser, therapist and founder of My Financial Planner. People who once dreamed of owning a home put their plans on hold as they wait for interest rates to drop and housing inventory to increase. Some thought the bulk of their student-loan debt would be canceled, and then it wasn't.

"I do think it being an election year and the craziness of the past few weeks is an extra layer on top of [that frustration]," she says. "How you feel about the country and where the country is going, those are legitimate feelings."

But, she is quick to add, those are just *feelings*. As Genkin says, the reality is that most political decisions won't have a material effect on her clients' ability to meet financial milestones. A solid budget, good investment habits and a strong financial plan can go a long way toward insulating someone against any major changes.

Still, the intensity of politics makes it hard to keep all that in mind. We already know young Americans take a particularly grim view of U.S. politics. During the past three decades, the share of people with unfavorable views of both major political parties has more than quadrupled, according to data from the Pew Research Center, and that share is higher for people under 50. So when they're feeling pessimistic about



the state of the union, that is when they may feel likelier to treat themselves to lavish vacations, everyday "treats" and more.

"It's a feeling of being out of control, and, of course, the election is exacerbating that," says Kristen Euretig, a certified financial planner and founder and CEO of Brooklyn Plans.

Psychologists have identified a phenomenon dubbed the "what-the-hell effect," or that moment when you throw up your hands and toss all previous commitments and promises of willpower out the window.

Warding off despair

I recently found myself falling for just that effect. In a summer plagued with various challenges—both existential and personal—I overindulged at one too many celebrations. Every friend's birthday felt like a cause for a lavish gift. Every night out called for a dinner reservation or a fancy bottle. That little part of my brain said,

"Snatch at this chance for a cheerful distraction before you open your phone and feel despair again."

Similarly, as one friend and I planned what was supposed to be a simple weekend away, we found ourselves griping about the overly loud political ads breaking into our reality-TV binges and lo-fi beats playlists. The idea of treating ourselves with larger and larger extras seemed to help keep us from being overwhelmed, at least for a little while. And that's how our "simple" weekend morphed into a bougie beach getaway with oysters and champagne—we even contemplated tacking on spa trips to the overall bill.

Many of us have, of course, felt scared and uncertain at one point or another, Euretig says, but lingering in it for too long can mean

you're disregarding good financial literacy and threatening the strength of the financial plan you already have.

"Taking that to the next step to say 'Should we even be investing?' or 'Is anything safe? Should I buy all gold?'"—that is where the leap can be dangerous," Euretig says. "History tells us that these concerns blow over and there isn't really a 'good' or 'bad' time to invest."

Both Genkin and Euretig say they try to help clients instead shift their focus back to the things within their scope. Genkin says she gives priority to acknowledging the feelings of panic or fear that clients bring, all while helping them find a balance between the short-term and the long-term goals they previously discussed.

"I'm not anti-brunch, don't get

me wrong," she says. "But I try to help people detach from whatever they're feeling in the news cycle. Understanding what you're aiming for and what vehicles to use and where you have control is very important in a world where many of us feel we have less and less control."

Julianne Culey, a 33-year-old doctoral student and assistant director at Arizona State University's Reynolds Center for Business Journalism, knows the destructive impulse to spend when anxious. But she says that rather than finding her budget boundaries and financial goals limiting, she tries to view them as empowering.

"You really can't control everyone else around you or even convince a lot of people around you to think differently," she says of the political landscape. "So it makes sense that one thing I can control is whether or not I go to Starbucks today. That seems simplistic, but that is something you have control over."

'One thing I can control is whether or not I go to Starbucks today.'

By JOE PINSKER, ELIZAVETA GALKINA AND IMANI MOISE

The State of America's Wallet

If you want to know how Americans are doing, look in their wallets.

They have more money in the bank than they did in 2019, even after adjusting for inflation, and just slightly less credit-card debt relative to income. But they generally don't feel better off financially than they did five years ago, before the turmoil of the pandemic, inflation and rising interest rates.

Heavier wallets have lightened the mood, though. We are getting more optimistic about the economy, according to the University of Michigan's Surveys of Consumers. It doesn't hurt that average 401(k) balances rose to about \$127,000 in the second quarter of this year, from about \$104,000 two years earlier, according to Fidelity.

Zooming in on the American wallet and what we have and owe is a useful way to understand this moment of unease about the economy, and to think about how our own finances stack up, economists say.

Money

Americans make more money than they did at the end of 2019, even after adjusting for unusually high inflation since then.

Our emotions are harder to adjust for inflation. The pain of higher prices brought on whiplash or even nostalgia for the recent past.

Wage data adjusted for inflation using the consumer-price index shows that real median earnings were about 3.5% higher in the second quarter of 2024 than they were at the beginning of 2019.

From 2020 to 2022, year-over-year pay growth was highest for the bottom 25% of earners, according to the Atlanta Fed.

Debit card

Americans carried an average of \$74 in cash in their wallets and purses in 2023, up from \$60 in 2019, according to the Fed.

They also have more cash in the bank. Savings swelled in 2020 and 2021 because of Covid restrictions and government-stimulus payments. That cushion has largely been spent. "There is not money burning a hole in people's pocket right now," said Wendy Edelberg, an economist at the Brookings Institution.

Account balances fell from pandemic highs faster for lower earners. In February, the median balance for the bottom quarter of earners was \$1,160, versus \$8,143 for the top 25%, per JPMorganChase Institute.

Americans' saving rate was down to 2.9% in July 2024, less than half what it was in late 2019,



those who carry a balance rose to \$6,218 in the first quarter of this year, up from \$5,834 at the end of 2019, according to TransUnion data. Card debt as a share of income is now just about even

with what it was at the end of 2019, but higher interest rates—which have climbed to 23% from 17%—make it more expensive to carry the debt.

Slightly more than half of credit-card users now carry a balance from month to month, according to industry-research firm J.D. Power. Until last year, those who paid in full made up the slim majority. The median balance per card was \$347 in the first quarter of this year.

Americans opened new credit cards at an unprecedented pace in the years following the pandemic,

according to government data.

This reflects the confidence people have as a result of higher home prices, stock prices and income from bonds, said Torsten Slok, the chief economist at Apollo Global Management.

Credit cards

Americans have racked up more credit-card debt in the past few years, after paying down balances during the early part of the pandemic.

The average credit-card debt for

Change in weekly income since 2019*



Median checking and savings balance*



Credit-card debt as a share of disposable income†



*Data is median weekly income. Dollar figure is nominal, from 2Q 2024 and 4Q 2019. Chart data is adjusted for inflation. †Accounts figure is from Feb. 2024 and Dec. 2019. In Feb. 2024 dollars. ‡Debt figure is from 1Q 2024 and 4Q 2019. Number of cards is for credit scores between 721-780. Chart includes revolving debt. Sources: Federal Reserve; Labor Dept. (weekly income); JPMorganChase Institute (balances); Philadelphia Fed; TransUnion; Federal Reserve/BEA/Apollo Global Management (debt)

KEESTEN ESSENHARES

said Charlie Wise, head of global research at TransUnion. Most of the new cards went to first-time borrowers and those with less than pristine credit, he said.

Driver's license

The price of a car and the cost of borrowing money to buy one have shot up since 2019. The average annual percentage rate on a loan for a new car was 7.1% in August, up from 5.4% at the end of 2019, according to Edmunds, an online car-shopping guide.

The costs of car ownership have similarly accelerated. Insuring and repairing a vehicle have become significantly more expensive lately. The price of gas is down from a spike in 2022, though still about 20% higher than at the end of 2019, based on Labor Department data.

Rising costs have inspired many drivers to get more years of life out of their cars. Partly as a result, America's vehicles are getting older. Their average age stands at 12.6 years, up from 11.8 in 2019, according to S&P Global Mobility.

House keys

Housing is the biggest expense for most people, and those who own a home got richer. A surge in prices raised the net worth of both long-time homeowners and millennials who lucked into great timing.

Rising rents, meanwhile, strained the budgets of tenants.

Though the median mortgage payment is \$1,520, rising prices and interest rates have made buying a home far less affordable. The monthly payment on a purchase of a median-priced home in July with an average mortgage rate was \$3,010, according to real-estate firm Redfin. In December 2019, it was \$1,566.

—Veronica Dagher contributed to this article.



INTEGRAL CROWN GUARD



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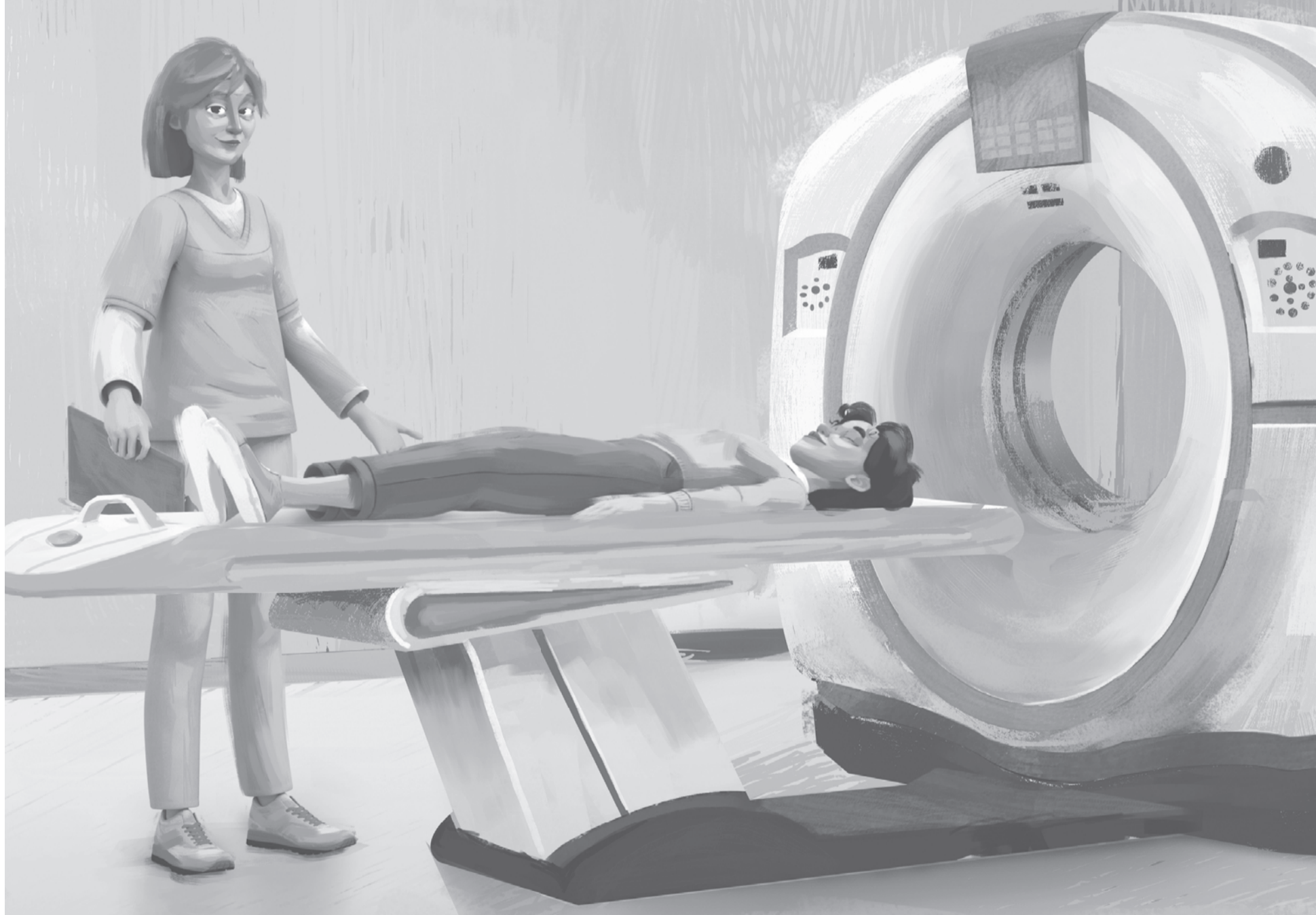
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ARTS IN REVIEW

By MICHAEL J. LEWIS

Sarasota, Fla. The commercial showroom is the mayfly of architecture, born to buzz and die before it can grow old. It is as fleeting as stage scenery; after all, that's what it is. Perhaps the greatest was the circular pavilion that once served Galloway's, the furniture manufacturer here that flourished in postwar Florida. Built in 1959 and closed in 1964, it was to showrooms what Notre-Dame is to cathedrals. Now it is the subject of "Modern Masterpiece Uncovered," a small but provocative exhibition at the Sarasota Art Museum that reminds us how spectacularly good it was.

Earlier this year, architecture students from Hampton University, a historically black college in Virginia, came to Sarasota to study the showroom, which survives as a ravaged hulk, its windows removed and its spreading roof canopy shorn away. Their task was to document it digitally and through drawings that are to serve as a catalyst—so it is hoped—for its eventual restoration. This project led to a collaboration between the museum and Architecture Sarasota, the advocacy group working to preserve the city's architectural legacy. The show that resulted has the loose and informal feeling of a studio pinup, where drawings are tacked to the wall, models rolled in, and ideas thrashed out in a spirit of collegial brainstorming.

All this is confined to a single gallery. One wall reproduces historical photographs and news clippings of the showroom, another is devoted to its brilliant architect, Victor Lundy (born in 1923 and still living), and still another to the projects of the Hampton students. The final wall is taken up by a video display that walks you through an imaginative digital recreation of the building. There is just enough room left over for one



EXHIBITION REVIEW

A Transparent Temple

A museum highlights a boldly designed furniture showroom from 1959

of Galloway's combination Lounge Chair and Ottoman sets, built of bent plywood, and a splendidly detailed scale model of the showroom.

At first the exhibition feels constrained—until you glance out the gallery window and discover that the shapeless lump of a building outside is actually Galloway's showroom, or its mutilated torso. And then you realize that the architectural model has been slyly placed so that you can align it with the actual structure, and imagine what it once was—and might be again.

Galloway's showroom, right; a model of the building, below.

Mr. Lundy, along with Paul Rudolph and Ralph Twitchell, was one of the luminaries of the celebrated Sarasota School, a regional architectural movement that flourished from the early 1940s to the mid-1960s and was characterized by open floor plans, abstract geometry, and receptiveness to new materials and building techniques. Mr. Lundy stood apart, less interested in cool rectilinearity than in bold curving forms, carried out in exposed wood construction. In Ralph Galloway, the manufac-

turer's flamboyant founder, he had a client looking to achieve in furniture what the Sarasota School did in architecture, something suited to what Galloway called Florida's "casual manner and care-free indoor-outdoor way of life."

For the showroom, Mr. Lundy fashioned a circular pavilion of continuous glass, 287 feet in circumference with no intervening wall, crowned by a deeply projecting roof. This in turn was supported by 16 wooden ribs that radiated outward from a central

Installation view of the Sarasota Art Museum's small but revealing show.

stem, making it "the largest redwood laminated arch structure in the world," as newspapers called it. Here Mr. Lundy distilled the showroom to its irreducible essence, a ring of transparency beneath a sheltering canopy. His model, he claimed, was the morning glory, a flower whose petals unfurl after dawn and then curl up again at dusk.

The theme of light and lightness achieved through slender wood construction made the building itself into an abstract item of furniture, enlarged to monumental scale. Its openness was made possible by its function. As a showroom, it did not store furniture; it merely displayed models that could be ordered from the company factory. The items of furniture were arranged according to their color, but whimsically, "as though the color wheel disintegrated to suit itself." So the scheme was explained by Ralph Galloway, whose entrepreneurial gifts exceeded his design skills (he was successfully sued in 1959 for copying the form of three Knoll chairs).

The idea of a circular all-glass pavilion is hardly new, but it is seldom treated in such daringly muscular terms. A highlight of the exhibition is Mr. Lundy's gorgeous painting of his groundbreaking design for the Sarasota Civic Center, a vibrant blue pagoda afloat in a jungle of writhing foliage. It reminds us that he was at heart an Expressionist for whom modern architecture need not be limited to functionalist problem-solving—that it could also be an instrument of personal expression, and of the most passionate sort.

But it also reminds us that Mr. Lundy was designing deliberately for a climate where the line between inside and outside is negotiable. As if to celebrate that blurry line, he permitted three existing pine trees to pierce the roof canopy of his showroom, a wry acknowledgment that in Florida nature will sooner or later work its way into our buildings. Any future reconstruction of the building needs to restore the trees, a note of humility that softens its overwhelming conceptual authority.

Modern Masterpiece Uncovered: Galloway's Furniture Showroom by Victor Lundy

Sarasota Art Museum, Ringling College of Art and Design, through Oct. 27

Mr. Lewis teaches architectural history at Williams and reviews architecture for the Journal.



CULTURAL COMMENTARY

The 12-Tone Revolution at 100

By STUART ISACOFF

Among several historic musical anniversaries celebrated this year—including the centenary of "Rhapsody in Blue"—an easily overlooked one especially deserves mention, since it marked an artistic tsunami that shook the classical music world to its very foundations. One hundred years ago, Arnold Schoenberg (1874-1951) gathered his students together and offered the details of a dramatic new approach to composition. His "Method of Composing With Twelve Tones Which Are Related Only With One Another" outlined the procedures for what became known as "atonal" music, breaching nearly every precept of the classical tradition.

(Another theorist, Josef Matthias Hauer, was working on a similar approach, and Schoenberg was racing to claim ownership of the idea.)

What was his innovation? For centuries, the structure of Western music was based on the idea that some combinations of tones blended smoothly, creating a state of repose, while others were ill-fitting, producing discomfort in the listener, like a pebble in your shoe. Passages of unsettled dissonance were followed by soothing consonance, imbuing music with moments of tension and release, a sense of respiration. As if they were heavenly bodies, tones could exert a gravitational pull, a dynamic that shaped the basic structure of musical works.

When Haydn wrote a cello concerto in C, for example, the music moved inexorably toward a final C, the piece's anchor.

Bach, Mozart and Beethoven developed their styles by negotiating the details of such musical interactions, which somehow seemed driven by natural law. The influential theorist Heinrich Schenker even asserted that musical harmonies behaved like living creatures, with dissonant tones acting as if they were hungry for their consonant resolutions.

Schoenberg changed all that. Erasing the distinction between consonance and dissonance, his new system gave every pitch equal weight, without any emotional encumbrances. In place of traditional imper-

atives, the composer simply numbered each of the 12 tones, creating a strict order. That "tone row" could be used in four possible configurations: as a straightforward sequence of intervals; or run in reverse order (retrograde); or presented in mirror form (so that an interval

that rose now falls by the same distance); or, finally, unspooled both backward and inverted at the same time. No tone could be repeated before the row was completed, ensuring a democratic playing field, free of any pitches on an equal footing, with all additional considerations. This was a startlingly revolutionary concept that influenced nearly every composer who followed, including Pierre Boulez, Charles Wuorinen, Milton Babbitt, and even, eventually, Igor

Stravinsky. Although it sounds like a prescription for disaster, it found many adherents.

Schoenberg had inched his way toward this framework. He had demonstrated his mastery of the old techniques in works such as his gorgeous oratorio "Gurrelieder," (1900-1903) and in his encyclopedic textbook, "Theory of Harmony" (1911). Yet even his early compositions contained the seeds of tonality's demise. The melodramatic string sextet "Transfigured Night" (1899), written when he was just 25, pushed typical Romantic writing to extremes, with the music endlessly slip-sliding across keys. "It sounds as

if someone had smeared the score of [Wagner's] 'Tristan' while it was still wet," remarked a contemporary. A musical society in Vienna refused to allow the work to be performed because it contained one dissonant chord as yet unclassified by any textbook (it was an inverted ninth chord, today considered tame).

Things became even more extreme with Schoenberg's "Pierrot Lunaire" (1912), a madcap, kaleidoscopic piece that Stravinsky called the "solar plexus" of 20th-century

Portrait of the modernist composer Arnold Schoenberg from 1917, by Egon Schiele.



music, as if it were the wellspring of all that followed. It was labeled by one critic "verbal insanity" matched by "musical madness." (In a preview of indignities to come, an audience member at the premiere pointed at the composer and yelled, "Shoot him! Shoot him!") The work, Stravinsky admitted 50 years after its premiere, had simply been "beyond me, as it was beyond all of us at that time."

The new method he created—12-tone serialism—attempted to instill in music a sense of mathematical inevitability. But it was seriously flawed. "Form in the arts, and especially in music, aims primarily at comprehensibility," wrote Schoenberg. "The relaxation that a satisfied listener experiences when he can follow an idea, its development, and the reasons for such development is closely related, psychologically speaking, to a feeling of beauty." Schoenberg naively believed his new approach would still make this possible: "Just as our mind always recognizes, for instance, a knife, a bottle or a watch, regardless of its position, and can reproduce it in the imagination in every possible position," he explained, "even so a musical creator's mind [and, presumably, an educated listener's] can operate subconsciously with a row of tones, regardless of their direction." As it turns out, though, without the traditional glue of tonal gravity, the pitches seem arbitrary; they no longer register in discernible patterns. An average listener becomes disoriented, like an astronaut in a gravity-free environment.

Hence, even supporters like the philosopher Theodor Adorno believed that Schoenberg's main achievement had been to make his listeners aware of a profound sense of alienation. Though he meant this as praise, his view was hardly comfort to anyone seeking the solace of musical beauty. With the passage of time, for most listeners, that dismal assessment has remained.

Mr. Isacoff's latest book is "Musical Revolutions" (Knopf).

SPORTS

The Coach Tasked With Leading U.S. to Glory

After stops at some of Europe's biggest soccer clubs, Mauricio Pochettino was unveiled as the new U.S. men's soccer coach. He has two years to prepare them for a World Cup on home soil.

By JOSHUA ROBINSON

Over the course of his career as one of the most respected coaches in European soccer, Mauricio Pochettino has been offered some of the most difficult and unusual jobs in the game.

At Tottenham Hotspur, he was tasked with winning the club's first ever Premier League title. (He came close.) At Paris Saint-Germain, Pochettino was given a squad that included Neymar, Lionel Messi, and Kylian Mbappé with the express purpose of winning the Champions League. (He didn't come close at all.) And at Chelsea, he was charged with reviving an English soccer blue blood during a period of transition. (He was close-ish—until he was abruptly let go.)

Now, Pochettino has signed up for one of the stiffest challenges since the laws of soccer were written down in the back of a Victorian pub. The 52-year-old taskmaster from Argentina will try to lead the U.S. men's national team to World Cup glory.

"It's about the journey that this team and this country are on," said Pochettino, who was unveiled as head coach on Tuesday. "The energy, the passion, and the hunger to achieve something truly historic here—those are the things that inspired me."

The stakes for the men's national team have never been higher. Come 2026, the U.S. will co-host the World Cup with Canada and Mexico, in the country's biggest soccer showcase since 1994. The difference this time is that expectations have skyrocketed. Thirty years ago, simply scraping through the group stage was close to miraculous. But in 2022, the American exit in the round of 16 in Qatar produced intense frustration.

So this time, U.S. Soccer pulled

out all the stops. In order to land Pochettino, by far the most accomplished coach in the program's history, the federation had to secure funding far beyond the low-seven-figure salary it paid his predecessor. This appointment, U.S. Soccer said, was "supported in significant part by a philanthropic leadership gift" from Ken Griffin, the hedge-fund billionaire and founder of Citadel.

The debate over who should coach the men's national team tends to be more fraught in the

U.S. than nearly any other nation where people kick a ball. Each time U.S. Soccer needs to make a hire, it runs into gigantic questions about the country's soccer identity and how this team should play.

The longest modern tenure belongs to Bruce Arena, an old-school American associated with Major League Soccer. His successor, Bob Bradley, had a similar profile. But in 2011, the U.S. decided to prioritize European sophistication and hired Germany

legend Jurgen Klinsmann. The problem was that results hardly improved.

The Americans returned to a more homegrown approach when they hired Gregg Berhalter in 2018, yet questions about how a U.S. team should actually play persisted. Berhalter was often pilloried for fielding a dull team with no discernible style.

"I think it's time for a change," U.S. playmaker Christian Pulisic said last month after Berhalter had been dismissed. "It's time for

us to take another step and really improve."

In Pochettino, the U.S. has hired a specialist in taking midlevel teams and getting them to overperform. After starting his coaching career at Espanyol, where he'd spent the bulk of his playing career as a hard-nosed defender, he moved to England with Southampton and led the team to its best league finish in a decade.

In 2014, that earned Pochettino the job at Tottenham, where his energetic approach built around striker Harry Kane hauled Spurs into contention for a Premier League title and to the final of the Champions League in 2019. Pochettino didn't end up lifting either trophy, but his credentials as the rare coach who could actually improve top-level players were established.

Even that couldn't prepare him for what lay ahead at PSG, where the top-level players he was tasked with improving were named Mbappé, Neymar, and Messi.

"It was a massive, massive challenge," Pochettino told the BBC of the talent, egos, and tense dressing-room politics he encountered in Paris.

Pochettino's American challenge will be much closer to what he faced in England: taking a young team, and molding it into a high-energy, attacking unit. The issue is that Pochettino's specialty is instilling those tactics through grueling daily practices, whereas national team coaches only see their players for a few weeks a year.

Still, Pochettino knows that whatever happens in 2026 can hardly rank below his performance the last time he took part in a World Cup. That was in 2002. Argentina was taking on England in a high-pressure match, and Pochettino bowled over forward Michael Owen for a penalty. Argentina lost 1-0—even if Pochettino still insists it was a dive.

"Owen," he once said, "jumped like he was in a swimming pool."



In Mauricio Pochettino, the U.S. has hired a specialist in getting midlevel teams to overperform.

The WSJ Daily Crossword | Edited by Mike Shenk

15x15 crossword grid with numbers 1-70.

- 24 Support staffers
26 Draftable status
27 Disaster response org.
29 Diamond center
30 Blockhead
31 Annoyed
35 Willing subject?
36 Mating game
37 Worthless auto
39 Region north of Canal Street
41 Summation symbol, in math
44 Uncommon, in ancient Rome
48 Incisive comeback
49 Capital named in honor of Queen Victoria

CUTTING TOOLS | By Mike Shenk

- Across: 1 Scales up?, 6 Blubbery beast, 10 "I'm sad to report..."
Down: 1 Cut off, 2 Nest egg option, briefly, 3 Violent drive, 4 Fingers in a pitcher's mitt?
28 Steakhouse favorite, 32 Citadel site ender, 33 Uproar, 34 Gray-barked tree, 38 Neatnik's bane, 40 Deck divisions, 42 1975 Wimbledon champ, 43 America's first multimillionaire, 45 Claim of innocence, 46 Product of the Camellia sinensis shrub, 47 Esoteric, 49 Woodworking tool, 50 Sculptor Henry, 52 Pool events, 54 Carpentry tool

Previous Puzzle's Solution grid with words like CLOAK, TYPO, FLEE, OMANI, HEAD, LAVIA, NATASHA, AND, BORIS, SO, SOWS, DAWDLE, ACRE, SUNS, JILL, LAND, JACK, MCV, A ROOM, INK, STAIN, DEAN, FADES, ROVE, ENDEARED, AURIC, DES, NORA, AND, NICK, TOGO, SOAK, APHIDS, SIAM, EVE, GRETTEL, LAND, HANSEL, EARL, ERIE, NOISES, SMEE, GETS, TRIOPÉ

The Olympic Break Dancer Everyone Laughed At Is No. 1

By JOSHUA ROBINSON AND ANDREW BEATON

FOR 17 DAYS THIS SUMMER, Paris the Paris Olympics turned into a factory of indelible images: Stephen Curry raining 3-pointers, Simone Biles soaring to gymnastics gold, and Celine Dion belting out hits on the Eiffel Tower.

But nothing went more viral than a brief clip of an Australian woman who went by the name Raygun twisting around on the floor.

Rachael Gunn, as it says on her passport, was the break dancer whose performance launched a thousand memes and earned her exactly zero votes from the judges the whole time she was in Paris.

But it also paved the way for something else. A month after the Games, Raygun is now the No. 1 breaker in the world.

This might seem like an egregious mistake to anybody who actually watched breaking's Olympic debut—or to the millions who didn't but caught the clips that set the internet on fire. Raygun, a college lecturer in Sydney who focuses on "the cultural politics of breaking," lost her three dance-offs, or battles, by a combined score of 54-0.

Except this isn't some kind of prank. Instead, her rise to the top is explained by the esoteric rules of the little-known World DanceSport Federation, which felt compelled to issue a lengthy statement this week explaining how Raygun really became the top-ranked breaker.

According to the WDSF's Breaking Rules and Regulations Manual, the standings are based on athletes' top four performances over the previous 12 months. And last October, Raygun earned a whole raft of points when she claimed first place at the Oceania Continental Championships.

Since then, those points have only become more valuable. That's because there ha-

ven't been any chances for breakers to accumulate them for most of the past year.

From the start of 2024 through the Paris Olympics, the WDSF intentionally stopped holding ranking events so that the breakers could "focus solely on the last part of their Olympic qualification without the added pressure." Neither qualifying nor the Olympics had points on offer either be-

seen this level of weirdness. The scenario is so unusual that even the WDSF appears to be taking its own rankings as seriously as a kangaroo trying to play cricket.

"Until WDSF ranking events recommence later this year," the organization said, "the world rankings as they currently stand should be interpreted in conjunction with results from recent global Breaking competitions for a



Raygun is now ranked as the No. 1 breaker in the world.

cause of the limited athlete quotas.

The outcome couldn't have been more bizarre. Once the Olympics ended, many of the results included in the rankings simply expired, the WDSF said. That left plenty of breakers with just one event's worth of ranking points.

That's how Raygun's lone first-place finish propelled her into a points tie with another "B-Girl" named Riko from Japan. Raygun won the No. 1 slot over Riko in the end based on Article 5.1.1 of the bylaws, which settles ties based on the level of the competition where the points were earned.

Even in a sport as offbeat as breaking, no one had fore-

more accurate reflection of the global competitive landscape."

In other words, maybe ignore them for now.

And the WDSF does have a point. Just as strange as Raygun's presence atop the rankings is the absence from the Top 50 of Japan's B-Girl Ami, who won the gold medal in Paris. The silver and bronze medalists are also missing.

But if Raygun's ranking feels like the punchline to one long Olympic joke, she has done her best to tune out the noise. After the Games, she called the backlash "devastating."

Now, she may be having the last laugh—Raygun is on top of the world.

JOHN WALTON/ZUMA PRESS

EZRA SHAW/GETTY IMAGES

OPINION

Is the 2024 Election Over?



WONDERLAND
By Daniel Henninger

An election isn't over until it's over. Is the 2024 presidential election over?

It had been reported for days that Kamala Harris would try to provoke Donald Trump in their Tuesday debate. She did, again and again. No surprise, ABC's David Muir and Linsey Davis went along. Ms. Harris repeatedly defined the former president in the darkest terms ever seen in a U.S. presidential campaign.

Given the Harris team's willingness to tip its debate strategy, one might have assumed Mr. Trump would have a game plan for dealing with the attacks. As debate prep, Mr. Trump should have asked Andrew Cuomo how to deal with such a barrage.

Trump has a problem with communication. Harris has a character problem. It isn't over.

Earlier on debate day, the former New York governor sat before a congressional committee and endured an extended assault from New York Republican Rep. Elise Stefanik about his handling of patients in nursing homes during the pandemic. The granite-faced Mr. Cuomo merely let it roll off and moved on to his talking points. It wasn't admirable, but it was Politics 101.

Unlike the advisers to Hillary Clinton and Joe Biden, the Harris team finally figured out the way Mr. Trump processes information. First in line is his



Donald Trump and Kamala Harris debate.

determination to refute the details of any accusation (he said this week he was "disappointed" in his lawyers). But in the tight debate format, that left little time for Mr. Trump to describe his policy ideas. Too often, his policy proposals came out as, well, a word salad.

Ms. Harris has famously "adapted" her politics over the past several weeks from what they were during her 3½ years as Mr. Biden's vice president and decades before. We will get to the implications of that adaptability in a moment. By contrast, the Trump political model hasn't budged, and that is hurting him.

Mr. Trump's political persona emerged in a series of Republican primary debates in 2015 and 2016. As an outsider, Mr. Trump's gruff, blunt style had appeal then because he caught the moment when many voters were souring on traditional politics and the major parties.

But that was eight years ago. The current Trump model is a caricature of the original, and Mr. Trump isn't someone who could withstand becoming a caricature. By the 30-minute mark of the debate, the former president was shouting his answers, as he does at rallies, or indeed as Mr. Biden does.



Mr. Trump chose not to expose himself to the critical pressure of the 2023 Republican primary debates against candidates like Nikki Haley, Ron DeSantis and Doug Burgum, choosing instead to hold mega-rallies. But the rallies-only choice has eroded Mr. Trump's skills as a communicator of ideas.

Mr. Trump's current rally model assumes his audience is in on everything he's talking about. Now, no matter the venue, Mr. Trump forces listeners to fill in the blanks of policy substance that he leaves out. But for swing voters, what he is saying is often incoherent and confusing.

Mr. Trump's free-market energy plan is central to his campaign, but he never clearly described those energy policies during the debate, or contrasted them to Biden-Harris. Did Mr. Trump's debate prep actually include citing the support of Hungarian Prime Minister Viktor Orbán? How many undecided voters know or care who Viktor Orbán is?

Mr. Trump was right to distrust ABC. But Ms. Harris and her colluding moderators may have overplayed their hands. Her relentless, sarcastic personal attacks may have come across as unseemly and excessive to undecided voters.

As well, a fair number of these voters don't admire or trust mainstream media, and Tuesday evening they got a case study in why. The problem remains that Mr. Trump's response to it all was inadequate, again dumping the burden of interpretation onto these voters.

Despite Mr. Trump's bad night, the debate made something important clear to viewers: Kamala Harris has a character problem.

Her repeated ducking of questions about her past politics became impossible not to notice. Would she allow abortions in the third trimester? Has she ever met Vladimir Putin? Why was the border left open so long? Mr. Trump himself didn't emphasize that she wasn't answering these questions, but maybe he didn't have to. Her instinct to evade was obvious. Sen. Bernie Sanders said this week that her move to the center is largely opportunistic.

Ms. Harris's defenders will say she established in the debate that Mr. Trump is the one with the character problem. But the Trump reality is well known, and he's still tied with her in most polls. She is the new entity running for the nation's highest office, and a question is whether she is making consciously false promises to the American people.

Ms. Harris and her advisers, like Joe Biden in 2020, embraced "adaptability" because they had to. Progressivism doesn't win presidential elections. But Ms. Harris's crafted flexibility is what many voters don't like about politics today—and haven't since the 2016 election.

It isn't over. This election could still be Mr. Trump's to lose. If nothing changes after Tuesday night, he will.

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BOOKSHELF | By David A. Price

A Competition For Tech's Future

Supremacy: AI, ChatGPT, and the Race That Will Change the World

By Parmy Olson

St. Martin's, 336 pages, \$30

The story of the AI industry over the past seven years or so is the story of Prometheus in California—the story of humanity receiving the gift, or perhaps the curse, of a new kind of fire. Here the fire is a technology on the threshold of humanlike artificial general intelligence; the role of the Greek god is played by a group of mortal entrepreneurs and researchers, together with the chief executives of powerful tech companies.

In "Supremacy," Parmy Olson offers a history of how we got to this moment. Ms. Olson, a Bloomberg Opinion technology columnist, centers her tale on Sam Altman, OpenAI's co-founder and CEO, with various allies and rivals of Mr. Altman in supporting roles; among them are DeepMind co-founder Demis Hassabis and Mr. Altman's rich donor turned adversary, Elon Musk.

The essentials of Mr. Altman's story are, by now, well known. A computer-science student and poker enthusiast at Stanford University, he dropped out at 19 to start a social-networking company with the support of the Silicon Valley startup incubator Y Combinator. His startup didn't work out—but he impressed Paul Graham, the head of Y Combinator, ultimately becoming Mr. Graham's successor in 2014.

From there, he amassed wealth and contacts. All the while he maintained an interest in AI, one that he had developed at Stanford.

Messrs. Altman and Musk, both of them concerned about the risks posed by future AI technology, made a fateful decision to join forces; in late 2015, Mr. Altman would start a nonprofit, with millions in funding from Mr. Musk and others, to carry out AI research and development more responsibly than companies like Google would, and more openly.

But within a couple years, Mr. Musk split with OpenAI and Mr. Altman over the organization's direction. To raise more money, Mr. Altman devised a hybrid scheme in which the nonprofit would own a for-profit company with capped profits for its investors—what Ms. Olson calls "a byzantine mishmash of the nonprofit and corporate worlds." It was this company that would, with a \$1 billion investment from Microsoft, release the AI-driven services GPT-3, DALL-E and ChatGPT to a mostly appreciative world.

Ms. Olson has done her homework on AI technology, offering careful but accessible explanations of such concepts as neural networks, deep-learning models and diffusion models. (The last are at the heart of image-generating AIs like DALL-E.) The book is thought-provoking on the dilemma faced by entrepreneurs who want funding for expensive leading-edge research while also wanting to maintain control over what they view as ethically fraught technology. Mr. Hassabis, at DeepMind, took the approach of striking a deal with Google that he believed would allow his company independence, including its own ethics board; in Ms. Olson's telling, Google essentially reneged on its pledges, though there's no indication she asked Google for comment.

Mr. Altman worked out a quite different arrangement with Microsoft's CEO, Satya Nadella. In the men's first conversation, in a stairwell at the annual Sun Valley conference, Mr. Nadella "was struck," Ms. Olson says, "by how big Altman wanted to go" with AI. The eventual result was a strategic partnership rather than an acquisition, a deal that gave OpenAI the independence that Mr. Altman wanted, leaving Microsoft without even a board seat. In return, Microsoft got AI technology that could differentiate its products from its competitors'.

Entrepreneurs want funding for leading-edge research while also wanting to keep control over what they view as ethically fraught technology.

Ms. Olson also offers convincing, if conventional, reasons why Google let its own pioneering AI technology languish at first while OpenAI raced ahead. A research unit of Google known as Google Brain achieved a foundational breakthrough in 2017, with an invention known as the transformer (the "T" in "GPT"). For Ms. Olson, Google's failure to capitalize on its invention more aggressively was mainly the result of "lumbering bureaucracy" and an imperative to protect its enormous search and advertising business.

Another reason OpenAI pulled ahead, as Ms. Olson notes, came down to one engineer, little known outside AI circles, named Alec Radford. It was Mr. Radford who played the pivotal role in making the leap from transformers to a far more capable subset of them known as generative pretrained transformers, which could be trained on large bodies of text and then learn new tasks from a few examples. When Mr. Radford's efforts showed promise, OpenAI's leadership recognized what it had on its hands and quickly changed the company's direction, focusing on GPT models and turning them into usable products.

While Ms. Olson tells a clear and well-researched story, "Supremacy" has some nontrivial problems. The least among them is that the prose often tends toward the tired. ("Silicon Valley was the land of crazy thinkers.") Of greater note, her narrative is distorted by her preemptory rejection of concerns about destructive behavior by AI systems, a threat cited by many who are close to the work. Harm from misanthropic AI—for example, takeover of critical infrastructure—is an outcome that can't be dismissed, given that no one really knows why large language models engage in reasoning-like behaviors or what's going on inside them.

For Ms. Olson, anyone who expresses worry about large-scale dangers from AI is a crank ("Musk went down the rabbit hole of AI doom")—or, if not a crank, then a cynic trying to divert attention from what she views as the real problem with AI, namely race and gender bias. While bias is an important concern, it's a non sequitur to insist that there's a choice between one concern and the other. ChatGPT wouldn't have made that mistake. And the mistake could be a big one. As Mr. Altman observed in a tweet in July 2014, a year and a half before OpenAI: "AI will be either the best or the worst thing ever."

Mr. Price is the author, most recently, of "Geniuses at War: Bletchley Park, Colossus, and the Dawn of the Digital Age."

A Catastrophic Debate for Trump

By Karl Rove

Tuesday's debate between Kamala Harris and Donald Trump was a train wreck for him, far worse than anything Team Trump could have imagined.

Ms. Harris was often on offense, leaving Mr. Trump visibly rattled as she launched rocket after rocket at him. A New York Times analysis found she spent 46% of her time on the attack while Mr. Trump devoted 29% of his time to going after her. Debates aren't won on defense.

Ms. Harris pressed Mr. Trump on the economy, the Ukraine war, foreign policy, healthcare, the Jan. 6 attack and especially abortion, leaving him flustered and often incoherent. In return, he criticized her on border security, climate change and the Israel-Hamas war.

Mr. Trump had to know the vice president would try to get him to lose his cool. She did. She went after him on his multiple indictments. She called him "weak" and belittled him as a six-time bankrupt, spoiled inheritor of wealth. She said his former national security adviser thought him, in her words, "dangerous and unfit" for the Oval Office.

As is frequently the case with Mr. Trump, he let his emotions get the better of him. He took the bait almost every time she put it on the hook, offering a pained smile as she did. Rather than dis-

missing her attacks and launching his strongest counterarguments against her, Mr. Trump got furious. As her attacks continued, his voice rose. He gripped the podium more often and more firmly. He grimaced and shook his head, at times responding with wild and fanciful rhetoric. Short, deft replies and counterpunches would have been effective. He didn't deliver them.

Mr. Trump did a terrible job at his most important task—tying her to President Biden's failed policies. He did an even worse job prosecuting the argument that she's a far-left politician out of sync with America's values. The Trump campaign's mid-debate fact-check bulletins that flooded email inboxes were far more substantive and effective than his responses at the podium.

Mr. Trump's failure wasn't for a lack of material. He had plenty in the Biden-Harris administration's record to work with, especially on inflation and the crisis at the border. In one of his strongest moments, he hit hard on the botched Afghan withdrawal. Even then, he got sucked into an argument about his administration's negotiations with the Taliban.

There was no sustained, specific indictment of her record on almost any issue. Mr. Trump offered angry responses, pursed lips and eyes darting mostly down, seldom looking at her. And what was it with his makeup that left

white circles around his eyes? This was his most important opportunity to make an impression of strength and relative stability.

Both candidates made significant misstatements. Ms. Harris said her opponent "left us the worst unemployment since the Great Depression" and Mr. Trump declared inflation under Biden-Harris "probably the worst in our nation's history." But his false statements far outnumbered hers by my count.

He was angry and fixated on the past, and he failed to define Harris or her policies.

Mr. Trump had a great comeback to Ms. Harris's agenda for change. She's had 3½ years as vice president, he said, so "why hasn't she done it?" But that was in his closing statement. It should have been the attack he started with, continually repeated, and closed with, undercutting every new policy proposal she offered.

It matters how debating candidates carry themselves. There, it was no contest. Ms. Harris came across as calm, confident, strong and focused on the future. Mr. Trump came across as hot, angry and fixated on the past, especially his own. She mastered the split screen, projecting

confidence and wordlessly undercutting him by smiling while shaking her head as he spoke.

Many undecided and swing voters will make up their minds less on any single issue than on their visceral reactions to the candidates. Ms. Harris did herself much good with that crowd Tuesday. Mr. Trump didn't.

Even more voters wanted to learn something new and reassuring about the candidates in the debate. She provided them plenty, while he didn't.

Trump enthusiasts will be upset that the ABC interviewers fact-checked the former president far more than they did Ms. Harris. Then again, he gave them plenty of material to work with—such as repeating the bizarre claim that Haitian migrants in Springfield, Ohio, are eating the pets of local residents. That was probably Team Trump's lowest moment.

Will this debate have an effect? Yes, though perhaps not as much as Team Harris hopes or as much as Team Trump might fear. But there's no putting lipstick on this pig. Mr. Trump was crushed by a woman he previously dismissed as "dumb as a rock." Which raises the question: What does that make him?

Mr. Rove helped organize the political-action committee American Crossroads and is author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

St. Bernard on the Hertz Shuttle

By Mike Kerrigan

I recently returned from vacation in Boulder, Colo. On the drive to Denver International Airport, my mind churned over many things to be done back at work, sensitive issues I upishly felt that I alone could handle. Then I met Dave.

Dave Moller drove the shuttle bus that carried me from Hertz's rental-car lot to the terminal. I might not have noticed him, but the whimsical song he was playing—"A Groovy Kind of Love" by the Mindbenders—broke my newsfeed's gravitational pull.

Looking up from my iPhone was good fortune. It allowed me to see festive bunting reading "Cheers to 45" that

adorned the bus cabin. Mr. Moller has driven airport shuttles for Hertz for 45 years, a fact he shared with pride moments later over the public address system.

What we do isn't nearly as important as how we do it.

The announcement drew applause. Humorous observations of a man comfortable with his place in the cosmos followed, making the journey pleasant. Based on how swiftly he moved luggage from bus to curb, Mr. Moller appeared to be as light of foot as of heart.

As his shuttle pulled away,

a thought occurred to me. Mr. Moller had performed the morning's repetitive tasks multiple times a day for more than four decades, yet still he did them with the purposefulness and lightheartedness of an applicant looking to land the job.

The admirable marriage of consistency and mirth got me thinking about this bus driver's job, and the one to which I was returning. All things being equal, work done joylessly is work done less effectively, for nothing ever happens in a vacuum.

Someone is always watching, whether it's an office colleague or a bus passenger, and influenced accordingly. This means that whatever a man's vocation in life happens

to be, what he does is scarcely more important than how he does it.

This is so especially after considering a timeless self-inquiry attributed to St. Bernard of Clairvaux: *Quid hoc ad aeternitatem*, or what does it matter in light of eternity? Asking this frequently of oneself reminds that all earthly tasks, from bus driving to lawyering, are comparatively small. All that matters in the end is the love with which we do them.

Deep in his bones Mr. Moller seems to understand this. Perhaps that is why he has stayed in the same happy seat for 45 years.

Mr. Kerrigan is a lawyer in Charlotte, N.C.

OPINION

REVIEW & OUTLOOK

Trump Lets Harris Off the Hook

Donald Trump and Kamala Harris debated each other with the skill, knowledge and dignity befitting a great democracy on Tuesday—well, at least they appeared on stage together. Americans were able to see the candidates their two parties have bequeathed for President, for better or (mostly) worse.

Ms. Harris, less well known than the former President, had the most to gain and our guess is she helped herself. She clearly won the debate, though not because she made a powerful case for her vision or the record of the last four years. Though she kept talking about her “plan” for the economy, she largely sailed along on the same unspecific promises about “the future” that she has since Democrats made her the nominee.

She won the debate because she came in with a strategy to taunt and goad Mr. Trump into diving down rabbit holes of personal grievance and vanity that left her policies and history largely untouched. He always takes the bait, and Ms. Harris set multiple traps so he spent much of the debate talking about the past, or about Joe Biden, or about immigrants eating pets, but not how he’d improve the lives of Americans in the next four years.

The Vice President had help from the ABC News moderators, who were clearly on her side. They fact-checked only Mr. Trump, several times, though Ms. Harris offered numerous whoppers—on Mr. Trump’s alleged support for Project 2025, Mr. Trump’s views on in-vitro fertilization, and that no American troops are in a combat zone overseas.

Tell that last one to the Americans killed by Iranian proxies in Jordan this year or the U.S. Navy commanders tasked with intercepting Houthi missiles in the Red Sea.

But Mr. Trump didn’t help himself because he let Ms. Harris put him on the defensive. He mentioned Mr. Biden so many times—14 by our count—that it’s clear he hasn’t gotten over the President’s withdrawal from the race. That let the Veep keep saying she isn’t Joe Biden without having to explain how, or whether, she differs from Mr. Biden’s policies. Mr. Trump didn’t press the point.

He also fell into the trap of saying the last election was stolen, that the rioters on Jan. 6 were mistreated, and that the courts had ruled

against him in 2020 on a “technicality.” Does any undecided voter worried about the price of groceries care?

We almost laughed out loud when Mr. Trump even fell into a debate about the size of his rallies and whether people leave early. All of this played into Ms. Harris’s hands as she portrayed the former President as a man of the past and asked voters to “turn the page.” She took the mantle of the “change” candidate, though she has been in power for the last three-and-a-half years.

Mr. Trump also let Ms. Harris off the hook time and again on her policy views. One of his weaknesses is that he can rarely marshal policy details or arguments that explain an issue beyond a slogan. He resorts instead to over-the-top claims like she’s a Marxist, or the “worst Vice President in history.” He didn’t even say she wants to raise taxes by \$5 trillion, which happens to be true.

If Mr. Trump won on any topic, it might have been foreign policy, where he contrasted as he always does the current world disorder with the relative peace of his four years. Ms. Harris didn’t offer much more than Biden Administration talking points. But even that exchange was marred by Mr. Trump’s refusal to say that he hoped Ukraine would prevail against Russia’s invading army. That failure let Ms. Harris argue that Mr. Trump would settle the conflict by abandoning Ukraine.

* * *

Whether any of this will be decisive for swing voters, we don’t know. The electorate is closely divided, and most voters already have a firm view of Mr. Trump. The wild card is whether Ms. Harris made a strong enough impression to persuade the undecided that she is worth taking the risk. If she did, she will owe her success to Mr. Trump’s lack of preparation and discipline. This is the risk Republicans took when they nominated a 78-year-old who has always thought he can wing it and win.

Flush with its candidate’s success, the Harris campaign on Tuesday night called for a second debate in October. But don’t expect her to sit for any in-depth interviews. That would be risky. This was the only scheduled debate between Ms. Harris and Mr. Trump, and given what we saw Tuesday, the nation will be grateful if it is the last.

Why Trump Is the Abortion Moderate

Here’s a fact check that ABC’s eager debate moderators missed Tuesday night: Of the two candidates on stage, Donald Trump is the abortion moderate. This is easy not to notice, amid the rapid-fire competing claims, but it’s true.

Mr. Trump bragged about his role in ending *Roe v. Wade*, which protected abortion access through fetal viability, or about six months into pregnancy (23 or 24 weeks). Yet he also has repeatedly criticized Florida’s law restricting abortions at six weeks. “Six weeks is too short,” he recently said. “I’ve told them that I want more weeks.”

Broadly speaking, this is in step with public opinion. Look at Gallup’s 2023 numbers: 69% of Americans want abortion “generally legal” in the first three months. In the second three months, however, only 37% agree; 55% say abortion should be “generally illegal,” and that includes 52% of women.

Mr. Trump’s view is that abortion is now a question for the voters of each state to decide. Ms. Harris claimed Tuesday that he’s raring to sign a national abortion ban. “It’s a lie,” Mr. Trump replied. “I’m not signing a ban.” Asked if he’d veto one, he said he wouldn’t have to,

suggesting it could never pass Congress.

So why does Mr. Trump plan to vote against Florida’s Amendment 4, which would overturn the six-week law? Because he thinks it goes too far. It would restore the viability line, protecting abortions again until about six months, as well as when necessary “to protect the patient’s health,” however a doctor defines that.

Does Ms. Harris believe in any restrictions at all? She refused to say. Her response Tuesday was to call for reimposing *Roe v. Wade* nationwide, as if that’s all voters need to know. But she has backed the Women’s Health Protection Act, which mirrors the Florida ballot measure by reinstating the viability line with the same undefined “health” loophole late in pregnancy.

The bill is more radical than laws in many European countries that have reached a middle ground on this difficult moral issue. Ms. Harris is staking out the extreme position favored by the left that no restrictions on abortion are tolerable, not even on late-term abortions long after a fetus is viable in the womb.

Mr. Trump is moderating the GOP’s anti-abortion position and taking some heat from the right for doing so. Ms. Harris is the real abortion absolutist.

Harris Tells a Fracking Howler

Republicans are complaining about the ABC News debate moderators’ one-sided fact-checking, but why didn’t Donald Trump call out more of Kamala Harris’s howlers? Consider her claim that the Inflation Reduction Act increased leases for fracking for oil and gas.

Asked why she has reversed her 2019 support for a ban on fracking, Ms. Harris sidestepped. “I was the tie-breaking vote on the Inflation Reduction Act, which opened new leases for fracking,” she boasted. West Virginia Sen. Joe Manchin must be laughing. She is taking credit for a provision in the IRA that he wrote and the Administration has tried to sabotage.

Mr. Manchin’s provision prohibits the government from holding offshore wind sales unless it auctions off a certain amount of offshore area for oil and gas. The Administration had canceled Mr. Trump’s planned offshore oil and gas lease sales. Mr. Manchin’s goal was to force the Administration to open up more public area for drilling. No dice.

The Administration’s new five-year offshore oil and gas plan for 2024 through 2029 includes only three lease sales, which is the fewest in history and the bare minimum needed for Biden officials to achieve their offshore wind targets. Most five-year plans have included 15 to 20 sales. The Trump plan that Biden officials revoked would have held 47.

Mr. Manchin rapped the Administration’s plan, while trying to put a positive spin on it by noting there would be zero offshore oil and gas

auctions if not for his IRA provision. So Ms. Harris is correct in the limited sense that if Mr. Manchin hadn’t insisted on the provision as his price for supporting the IRA, the Administration wouldn’t have allowed any more offshore fracking.

Ms. Harris also claimed credit in the debate for “the largest increase in domestic oil production in history.” She might as well take credit for the sunrise. Since January 2021, U.S. oil production has increased by 2.1 million barrels a day, versus four million during Mr. Trump’s first three years before the pandemic caused prices to plunge and 2.3 million over his full term.

Almost all of the production increase under Mr. Biden was a bounce back from the pandemic slump. Most has occurred on private and state land in Texas’s Permian Basin, much of which has come from tapping what are known as “drilled but uncompleted wells.” These are wells that were drilled previously but not fracked, in part because of market uncertainty about demand.

Ms. Harris tried to sound like a friend of frackers by saying the U.S. has to “reduce our reliance on foreign oil.” That is this Administration’s code for subsidizing electric vehicles. Because the Administration has eased sanctions, oil production from Iran and Venezuela has increased by nearly as much under Mr. Biden as U.S. production has.

The U.S. fracking boom has taken place despite the Biden-Harris Administration, not because of it. The same will be true if she becomes President.

He let her rattle him, as he failed to make her defend her policies.

LETTERS TO THE EDITOR

What Can We Do About School Shootings?

As a longtime National Rifle Association member, I don’t support firearms registration, mandatory buybacks and so forth. But I fully support holding reckless or criminal firearms owners responsible for their actions (“Parents and School Shooters,” Review & Outlook, Sept. 7).

Too many times, gun charges are plea-bargained away in criminal proceedings. All use of firearms in crimes or dangerous behavior should be punished with mandatory penalties not subject to discretion of the prosecution or the courts. Legal firearms owners who don’t secure their guns and allow minors access and use without direct constant supervision must be held responsible in part for subsequent misuse of those firearms.

NICHOLAS BEDNARSKI
Camarillo, Calif.

Your editorial states, “The Second Amendment protects an individual’s right to bear arms, and gun control has become a political and practical dead end.” There are, however, legislative remedies that would help and aren’t restricted by any reasonable judicial interpretation of the Second Amendment.

Some were enacted previously, like the Brady Bill and limiting the sale of assault weapons, but were struck down or allowed to lapse because of opposition from one party. Others are possible, but the only thing standing in their way is the NRA and spineless Republicans, most of whom call themselves pro-life.

THOMAS SCOTT
Morgan Hill, Calif.

I applaud your editorial for identifying what may be “the deeper causes of school shootings such as community and family dissolution will require a cultural renaissance.”

To me, this seems obvious. Yet few of our leaders will even mention it, let alone seriously address it. Guns are part of it—and that is the only factor President Biden ever mentions—but so are drugs, social media, youth mental illness, a societywide breakdown in civility and more.

A “cultural renaissance” is necessary, though enormously challenging. No one party or president will bring it about, but they could at least raise the alarm.

BILL HINCHLIFF
Chicago

On Campus, Is Jew Hatred a Feature or Bug?

In “Can Campuses Get a Grip on Antisemitism?” (Politics & Ideas, Sept. 4), William Galston urges colleges to protect Jewish students by forbidding disruptions of their core activities. This is a pressing issue, and we should be clear in our analysis of what is happening.

Many believe that in their zeal for social justice, some participants in the anti-Israel protests that have swept U.S. campuses have gone off script and dipped into the sea of canards about Jews. This misses the point that conspiratorial antisemitism reinvents itself in every age and clime and is the driving force behind the protests.

Present anti-Israel animus is unlike hostility to any other country. There is no world-wide anti-Syria movement, for instance. It is only to demonize the world’s only Jewish state that an entire vocabulary of ahistorical epithets has been fabricated. It is only through opposition to a single nation

that people create their identities as virtuous warriors for justice and find global solidarity.

It may be that Jew-hatred is most emblematic of the extreme right, but the global left owns Israel-hatred. It appears that antisemitism is a gift for all who seek to look beyond the failings of their own societies to explain our complex world.

PROF. AZRIEL GENACK
Queens College, CUNY Graduate Center
Chairman, CUNY Alliance for Inclusion
New York

I agree with Mr. Galston’s reasoned approach to enforcement, not negotiation about rules, norms and appropriate behavior. Administrators should take the lead in responding to major campus disruptions. Unfortunately, a large number of Columbia administrators and professors seem to agree with the disruption.

ALAN L. SAUNDERS
Tampa, Fla.

Family Courts Should Think of the Children

“Courts Separate Kids from Parents” (Page One, Aug. 26) and the more than 1,000 comments from readers demonstrate the passion, pain and polarization of the increasingly prevalent dynamic in which children reject a parent after divorce. These parent-child contact problems are complex.

There is professional consensus that children reject parents for different reasons, including problematic or abusive behavior by the rejected parent or emotionally damaging behavior of the favored parent. Family courts must determine from which

parent the child needs protection and whether to reunify children when they refuse contact with a parent.

The one-sided legislative efforts that restrict or outlaw reunification in all cases, regardless of the cause for the child’s rejection, will harm children by failing to protect or restore healthy parent-child relationships. There is a more balanced way to approach these tragic family situations.

The Association of Family and Conciliation Courts and the National Council of Juvenile and Family Court Judges issued a joint statement on parent-child contact problems that recommends individual case assessment, with children’s safety always as the first priority, and interventions based on the best available science, with increased training of family-court professionals.

MATTHEW J. SULLIVAN, PH.D.
Santa Cruz, Calif.

Mr. Sullivan is a past president of the Association of Family and Conciliation Courts.

Fire or Ice? Determining the Cause of Death Isn’t Simple

Bjorn Lomborg rightly criticizes the exaggerations about “heat deaths” in the climate debate (“U.N. Casts Little Light on Heat,” op-ed, Aug. 30), but I’m afraid he embraces an underlying distortion contained in all such numbers. This is the problem of attributing any death to a single cause. We grappled with this confusion during Covid in attributing deaths to this disease without considering age and prior infirmities.

Mr. Lomborg writes, “Cold deaths are a far larger problem [than heat deaths], killing 4.5 million people annually.” The implication is that in the absence of cold temperatures, these people would be living long and happy lives. Death typically involves a number of contributing causes, and this is especially true when temperature is considered. Commentators should recognize this complexity with statements like “Cold is a factor in 4.5 million deaths annually.”

JAMES L. PAYNE
Sandpoint, Idaho

What if Trump Knows Best?

Peggy Noonan anticipates that Donald Trump will “probably not” heed her debate tips (“Trump and Harris Get Set to Debate,” Declarations, Sept. 7). Right. But to me her advice seems entirely sound and well-reasoned. Will we of the enlightened elite never grasp the possibility that narcissistic, unstable, malevolent Mr. Trump understands electioneering in today’s democracy better than we do?

BARRY GAULT
West Newton, Mass.

Letters intended for publication should be emailed to wsj.letters@wsj.com. Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

‘No Spoilers’ Is My Courtesy

I am surprised Meghan Cox Gurdon would suggest (reviewing “Literary Journeys,” Books, Sept. 7) that I seem “only hazily acquainted” with the plot of “Life of Pi” by Yann Martel. The reason I “dwell suspiciously” on the opening pages of this astonishing book is that I have no wish to spoil it for new readers by revealing the climax, punch line or finale. Mrs. Gurdon, spoiler alert, apparently has no such qualms.

DREW SMITH
London

Pepper ... And Salt

THE WALL STREET JOURNAL



“As I near my 9th life, I feel I’m entering a post-curious, pre-fatalist phase of existence.”

OPINION

Will I Have To Vote For Donald Trump?

By Alan M. Dershowitz

I've been a loyal Democrat since before I was old enough to vote—until last month, when the party's convention in Chicago convinced me it had become too radical, particularly when it comes to Israel. I'm not a Republican, and I don't want to vote for Donald Trump given his actions on Jan. 6, 2021, his personal attacks on patriots such as John McCain, and his threats to retaliate in kind for being prosecuted. The vice president will have to earn my vote. Here's how she can:

- **Publicly repudiate the claim by some fellow Democrats that Israel is engaged in genocide in Gaza.** In the debate Tuesday, Ms. Harris gave her standard response to the question about the conflict: Israel has a right to defend itself but has killed too many civilians. She didn't blame

I've left the Democratic Party, but I don't like the alternative. Here's how Harris can win me over.

Hamas for using civilians as human shields. She affirmed that "I will always give Israel the ability to defend itself," but she needs to state unequivocally that she won't cut off or condition the military aid Israel needs in its legitimate efforts to counter the threats posed by Hamas, Hezbollah, the Houthis and Iran.

- **State unambiguously that she will never allow Iran to develop nuclear weapons.** That entails a willingness to take all steps, including military, to prevent such a threat to Israel and the U.S. All previous administrations, including Barack Obama's and Joe Biden's, have made that promise.

- **Stop pandering to anti-Israel extremists.** Ms. Harris should offer a plan for protecting the civil rights of Jewish and pro-Israel students at universities that receive federal funding. She should show that she rejects the views of protesters who chant slogans like "From the river to the sea"—something Tim Walz failed to do when he said in a radio interview: "I think those folks who are speaking out loudly in Michigan are speaking out for all the right reasons."

More generally, Ms. Harris should push her party back toward its traditional liberal center and away from the illiberal left represented by such figures as Sens. Bernie Sanders and Elizabeth Warren, Rep. Alexandria Ocasio-Cortez and Minnesota Attorney General Keith Ellison. She said recently that she would put a Republican in her cabinet. It's more important that she favor centrist members of her own party over the extreme wing.

Ms. Harris has an opportunity to help her party, our country and her electoral prospects by moving away from the extremist views she espoused when she ran for the 2020 nomination. She must persuade voters she is sincere. American voters tend to be centrist, moderate and balanced. They reject extremes on all sides, including the strains that have recently influenced both parties. The party that makes clear to voters its determination to move back to the center will have an excellent chance of gaining the support of undecided and independent voters like me.

So far, Mr. Trump seems to understand this better than Ms. Harris does. He has moved his party toward the center on abortion, gay rights and foreign policy (though her views on abortion are closer to my own). He better reflects the views of American voters like me on Israel. I still don't want to vote for him. I hope Ms. Harris doesn't leave me without a choice.

Mr. Dershowitz is a professor emeritus at Harvard Law School and author of "War Against the Jews: How to End Hamas Barbarism."

Welfare Is What's Eating the Budget

By Phil Gramm
And Jodey Arrington

Ask any budget expert in Washington to explain the ballooning deficit and debt, and Social Security and Medicare will be high on the list of causes. That's wrong. The real driver, the elephant in the room, is means-tested social-welfare spending—Medicaid, food stamps, refundable tax credits, Supplemental Security Income, Temporary Assistance for Needy Families, federal housing subsidies and almost 100 other programs whose eligibility is limited to those below an income threshold.

True, Social Security and Medicare are a drain on general revenue and will become big fiscal problems if not reformed. But they aren't the major source of our current fiscal crisis, because both are financed in large part by dedicated payroll taxes. Since its inception, Social Security has produced cash surpluses 60% of the time. In 2023 Social Security payroll taxes funded 88.9% of benefits. The cost of Social Security's Old-Age, Survivors and Disability Insurance program, net of payroll tax collections, was only \$88.1 billion. Medicare payroll taxes and premiums funded 49.7% of Medicare expenditures, producing a net cost of \$509 billion.

Means-tested social-welfare spending totaled \$1.6 trillion in 2023. Welfare spending now absorbs an astonishing 72.6% of unobligated general revenue (total revenue net of Social Security and Medicare payroll taxes and premiums and mandatory interest on the public debt) and is larger than the claims against unobligated general revenue by Social Security (4.1%), Medicare (23.5%) and defense (37.2%) combined.

Since funding for the War on Poverty ramped up in 1967, welfare payments received by the average work-age household in the bottom quintile of income recipients has risen from \$7,352 in inflation-adjusted 2022 dollars to \$64,700 in 2022, the last year with available household income data. This 780% increase was 9.2 times the rise in income earned by the average American household.



fallen dramatically, the labor-force participation rate of never-married mothers had increased, and child poverty had declined. State-imposed work requirements for food-stamp eligibility in Arkansas, Mississippi, Missouri and Florida have thus far also been successful.

Demand for reform would be even stronger if the public understood how generous social-welfare benefits are. In reporting household income, the Census Bureau doesn't count 88% of transfer payments made to households that are defined as being poor. The census doesn't count refundable tax credits (for which the beneficiary receives a check from the Treasury), food-stamp debit cards, free medical care through Medicaid, or benefits from about 100 other federal transfer payments as income to welfare recipients. When those benefits are counted as income, 80% of those who are today counted as being poor are no longer poor, and almost half have incomes equivalent to American middle-income earners.

A mandatory welfare work requirement for able-bodied adults receiving welfare benefits, a requirement that the Census Bureau count all transfer payments as income, and a mandate that all federal agencies use the same income measure when determining eligibility for welfare would be major steps toward righting the nation's finances.

Requiring all able-bodied Americans to work as a condition for receiving welfare would do more than reduce the deficit. It would bring people back into the economy, the source of prosperity and economic independence. A job is the best nutrition, housing, healthcare, education, child-care and general welfare program. That welfare reform isn't a major issue in the November elections is a missed opportunity to improve the well-being of low-income families and the overall economic health of the nation.

Mr. Gramm, a former chairman of the Senate Banking Committee, is a nonresident senior fellow at the American Enterprise Institute. Mr. Arrington, a Texas Republican, is chairman of the House Budget Committee. John Early and Mike Solon contributed to this article.

Since 1967 defense spending has fallen from 68% of unobligated general revenue to 37.2% in 2023, almost a mirror image of the growth in means-tested welfare benefits. As defense spending plummeted, swords weren't beaten into plowshares, which would have increased economic growth and wages, but were instead used to fund welfare payments. As a result, the U.S. today redistributes a larger share of its gross domestic product, 29.4%, through transfers and taxes than any developed country in the world except France with 30.1%.

Means-tested programs, not Medicare and Social Security, are behind today's massive debt.

After counting all transfer payments as income to the recipients and taxes as income lost by taxpayers, and adjusting for household size, the average households in the bottom, second and middle quintiles all have roughly the same incomes—despite dramatic differences in work effort. With the explosion of means-tested transfer payments, the portion of prime work-age persons in the bottom quintile who actually work has fallen to 36% from 68%. In the second quintile, households with a work-age

adult who actually works have declined to 85% from 90%. While work effort fell in the bottom two quintiles, the percentage of middle-income households with a prime work-age person who works has risen to 92% from 86%.

The injustice of this government-created income equality is palpable. For about the same income, 2.4 times as many work-age persons in the second quintile actually work and on average work 85% more hours than those in the bottom quintile. And 2.5 times as many work-age middle-income persons actually work and work on average 108% more hours.

Americans overwhelmingly support an effective mandatory work requirement for able-bodied adults receiving welfare benefits. That's evident in public opinion polls and ballot measures; in purple Wisconsin almost 80% of voters supported this in 2023. The bipartisan effort to reform Aid to Families with Dependent Children during the Clinton administration was a success.

Despite the subsequent granting of numerous waivers of work requirements, according to the Congressional Research Service, the 1996 Clinton welfare reforms reduced the rate of dependency of families on what is now called Temporary Assistance for Needy Families by 80%. Six years after the adoption of the reforms, the number of program beneficiaries had

Knowns and Unknowns of the Harris-Trump Debate

By Matthew Hennessey

I don't know if Tuesday's presidential debate will matter in November. I do know that watching it was painful.

I don't know if Haitians are eating cats and geese in the streets of Springfield, Ohio. I do know that whenever ordinary people express concerns about unbridled illegal immigration, the media elite's first instinct is to laugh at them.

I don't know if Donald Trump is as thin-skinned as he sometimes seems. I do know that falling for the trap Kamala Harris laid for him on crowd size badly undermines his claim to be a master negotiator.

I don't know if Ms. Harris's policy evolutions on fracking and private health insurance are sincere. I do know that flip-flopping so boldly

and then refusing to discuss it is an insult to voters' intelligence.

I don't know if Mr. Trump is bought and paid for by Vladimir Putin. I do know that someone who can't bring himself to say that Ukraine should win its war with Russia doesn't have a clear sense of where America's global interests lie.

I don't know if Mr. Harris supports abortion up to the ninth month of pregnancy. I do know that the Democratic Party has grown more radical by the decade, methodically driving from its ranks anyone who supports even the most reasonable limits on abortion.

I don't know if Mr. Trump's tariffs will punish countries for ripping America off. I do know that free trade is good for the U.S., and the Republican Party's embrace of bad economics will reduce our

prosperity in the long run.

I don't know if Ms. Harris is right and there are no U.S. service members currently deployed in combat zones. I do know that earlier this year an Iranian-backed militia killed three American soldiers in a drone attack in Jordan

Can you believe everything they say? Obviously not, but that isn't the point.

(and the Houthis have been firing rockets continuously at American sailors in the Red Sea).

I don't know why Mr. Trump thinks Israel will cease to exist if Ms. Harris wins the White House. I do know that if the U.S. abandons

its key Middle Eastern ally, Americans will one day fight Hamas and Hezbollah in the streets of our own cities.

I don't know if the moderators deliberately set out to help Ms. Harris. I do know that if you argue with one candidate and coddle the other, you can't profess surprise when observers call you biased.

I don't know if Mr. Trump is a threat to democracy. I do know that most people interpret his inability to accept his 2020 loss as the behavior of a self-absorbed man-child, not a budding fascist.

I don't know if that was the last presidential debate we'll ever see. I do know that if it is, we probably won't miss them.

Mr. Hennessey is the Journal's deputy editorial features editor.

Can India Keep Its Wealthy From Fleeing?



EAST IS EAST
By Sadanand Dhume

India is curiously defying a common law of economics. When foreign investors cool toward an emerging economy's stock market, share prices usually fall. Not so in the world's fifth-largest economy.

Foreign investors were net sellers of India-listed shares last month, accounting for more than \$1 billion in outflows. Foreign inflows of \$2.6 billion this year are a fraction of last year's \$22 billion. Yet the Bombay Stock Exchange's benchmark BSE Sensex has risen 12.8% year to date, buoyed in large part by domestic mutual funds.

The stock market's resilience reflects deeper changes in India, with implications beyond investor port-

folios. Long a global byword for poverty, India now boasts a significant and rapidly growing cohort of relatively wealthy consumers and investors. Goldman Sachs estimates the country's "affluent population"—those with an annual income of at least \$10,000—will grow from approximately 60 million today to 100 million by 2027. Blume Ventures, an early-stage Indian venture fund, estimates that about 30 million households, or roughly 120 million people, with an annual per capita income equivalent to \$15,000 represent "the consuming class."

These are the people largely responsible for India's stock-market boom, as well as for the majority of domestic spending on everything from beauty products and restaurant meals to airline tickets and iPhones. In historical terms they are an anomaly. India has long been characterized by extreme wealth disparities—the old cliché of maharajas and snake charmers—but it has never had a well-off class this large. Goldman Sachs estimates that as recently as 2011 only about 20 million Indians met its criteria for "affluent."

Despite this progress, the country's consuming class remains small. Blume estimates it at about 8% of the population. It reports that only about 25 million to 30 million households own a car. Some 30 million homes, according to Blume, have wired broadband. Among all U.S. households in 2021, 90% had a broadband internet subscription.

At the higher end, India's market nearly vanishes. According to Mercedes Benz's 2023 annual report, it sold about 737,000 cars in China

and 298,000 in the U.S. In the 2023-24 financial year, it reportedly sold some 18,000 in India. For BMW the Indian market is less than 2% of the Chinese. India houses nearly one-sixth of the world's population but reportedly accounts for roughly 4.4% of Netflix's 270 million paid subscribers.

According to Blume, only 22 million Indians paid income tax last year. Of them 4.5 million—or 0.3% of the population—accounted for 80% of collected income taxes. By contrast, the top 1% of Americans in

A suspicion of wealth and embrace of redistribution stymie the nation's increasingly affluent.

2021 paid 45.8% of total income taxes.

Blume reports that groceries accounted for three-quarters of retail spending in India in 2022, compared with 40% in China and 30% in the U.S. Most Indians lack the disposable income to buy most consumer goods, let alone invest in the stock market. The roughly 40 million Indians invested in mutual funds, according to Blume, represent less than 3% of the country's population. More than 800 million Indians are entitled to free grains from the government every month, and as many as 900 million have received direct cash benefits in the past decade.

How India approaches its growing bubbles of affluence will determine

its future. For the past century, dating to the final decades of colonial rule, Indian politics and public discourse have been dominated by leftists quick to demonize wealth. Since the demise of the Swatantra Party in 1974 no Indian party has espoused economic liberalism. The economic reforms of the 1990s occurred because India was broke, not because its political class suddenly embraced free enterprise.

Because nonpoor Indians have almost no ability to affect electoral outcomes, they have largely "seceded" from the public sphere, Sajith Pai, a partner with Blume Ventures, says in an interview. Many of those who can have left: According to Henley & Partners, a firm that helps the wealthy acquire foreign residency, 7,500 millionaires exited India in 2022.

Even today, no Indian politician can bring himself to lament that a tiny part of the population shoulders a disproportionate amount of the tax burden and receives few government services in return. The promise of radical wealth redistribution lies at the heart of opposition leader Rahul Gandhi's attempted political comeback. Mr. Modi's popularity relies largely on a mix of religious chauvinism and handouts for the masses.

For the U.S., and the West more broadly, India would be a more desirable partner—both as a market and potential counterweight to China—if it could increase the proportion of its population able to afford cars, cappuccinos and international flights. Yet to do so, India must first treat such people as assets to be cultivated, not scorned.

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WORLD NEWS

U.S. Weighs Leeway for Kyiv

Blinken suggests Ukrainian forces may soon be allowed deeper Russia strikes

BY ALAN CULLISON AND JANE LYTVYENKO

KYIV—Secretary of State Antony Blinken signaled that the West is considering allowing Kyiv to strike deeper inside Russian territory with Western-made weaponry, as Russia adds Iranian ballistic missiles to its arsenal.

Blinken's comments, delivered on a brief visit to Kyiv on Wednesday, came also as Russia launched a counteroffensive in the Kursk border region, its first major effort to regain control of its territory that Ukrainian forces seized in a lightning attack more than a month ago.

Ukraine has been pressing the U.S. for permission to use long-range missiles to break up Russian offensives and disrupt Moscow's own long-range attacks on Ukraine. The U.S. has been reluctant to give such permission, fearing it could lead to escalation of the war.

"We have adjusted and adapted as needs have changed, as the battlefield has changed, and I have no doubt that we'll continue to do that as this evolves," Blinken said at a news conference in response to a question about whether Ukraine should be allowed to make such strikes.

U.S. officials have cited multiple reasons for their reluctance to proffer long-range weaponry, beyond the fears of escalation. Among them: U.S. officials don't see them as strategic game-changers in the war and the U.S. and Kyiv don't have enough of them.

On Wednesday, Russian Deputy Foreign Minister Sergei Ryabkov warned Washington that allowing Kyiv to use long-range missiles to strike deep in Russian territory would be seen as an escalation of the conflict in Moscow, state news agency TASS reported.

"This is alarming, danger-

ous, threatening, but our determination to achieve all the goals of the special military operation is unwavering as never before," Ryabkov said.

Following Ukraine's Kursk offensive, Russia launched devastating attacks on cities and infrastructure throughout Ukraine using drones and ballistic missiles. Western officials fear that destruction of the country's electricity grid could force a mass flight of Ukrainians this winter.

Blinken warned this week that the delivery of Iranian ballistic missiles to Russia will allow Moscow to intensify its attacks. On Wednesday, he said the U.S. would have to weigh the dangers of escalation if it allows Ukraine to strike deeper into Russia. But, he said, Moscow had already escalated by targeting civilians and infrastructure around the country.

"And we've now seen this action of Russia, Russia acquir-

ing ballistic missiles from Iran, which will further empower their aggression in Ukraine," he said. "So if anyone is taking escalatory action, it would appear to be Mr. Putin and Russia."

Senior Biden administration officials have passed through Kyiv during the past few weeks, discussing strategies for how Ukraine can carry on its war. On Wednesday, Blinken traveled to Kyiv with U.K. Foreign Secretary David Lammy, who also denounced Iran's supply of ballistic missiles to Russia and "horrendous Russian attacks on energy supplies."

Lammy said U.K. Prime Minister Keir Starmer would be discussing a strategy for Ukraine when he visits the White House on Friday.

Blinken's comments came as Russia mounted its first significant effort to retake territory in its border region. A Russian commander said on Tuesday that the country's armed forces had regained control of several settlements. Ukrainian officials didn't respond to a request for comment.

—Ian Lovett and Ann M. Simmons contributed to this article.

Two Cities Are Key For Russia in East

Moscow piles pressure on Kyiv's stretched front line, setting up fierce battles to come

BY JAMES MARSON AND CARL CHURCHILL



A split-screen war

Ukraine's Aug. 6 thrust into Kursk took Russia by surprise, boosting Ukraine's morale and showing the West that it was still in the fight. But on the main battlefields in the east, Russia is in the ascendancy. There, Russia is targeting two

main gains that would give its forces a significant advantage: Pokrovsk, a logistics hub for Ukraine's forces in the east, and Chasiv Yar, a high point in the area. It has also renewed assaults on the cities of Toretsk, Kurakhove and Vuhledar, seeking to take advantage of Ukraine's threadbare front lines.



As president, Alberto Fujimori crushed an insurgency and was on the scene (center) after troops mounted a 1997 hostage rescue.

Peru Leader Was Jailed for Abuses

BY RYAN DUBÉ

LIMA, Peru—Alberto Fujimori, the former Peruvian president whose 1990s-era government crushed Maoist rebels and revived a battered economy but descended into authoritarianism and corruption before collapsing, has died at age 86.

Fujimori's daughter, Keiko Fujimori, said he died at her home in Lima of complications from cancer.

Fujimori was a little-known academic when he came to power during one of the most tumultuous periods in Peru's history. His supporters credit him with bringing peace and prosperity to a once-chaotic, violent country. But in 2009, nearly a decade after leaving the presidency, Peruvian courts convicted both Fujimori and his spy chief, Vladimiro Montesinos, of human-rights violations.

"The Peru I inherited was a disaster," Fujimori said later. "I had to govern from hell."

Fujimori, the son of Japanese immigrants, entered national politics in 1990 as a dark-horse candidate running for president against author Mario Vargas Llosa, who would later become a Nobel laureate. Fujimori won on a swell of support from voters distrustful of Peru's traditional elite.

After his victory, Fujimori removed state controls on the economy, privatized state-owned companies, replaced Peru's hyperinflation-ravaged currency and rewrote the constitution to attract foreign capital. Economists say the reforms, known as "Fuji shock," laid the foundation for Peru's robust economic growth.

At the same time, he faced down the Shining Path insurgency, which had expanded from the Andean countryside to the capital, Lima. The 1992 capture of Abimael Guzmán, the Shining Path's messianic leader, effectively crippled the group.

However, Fujimori's regime was also rife with abuses. In 1992, he suspended the constitution, purged the judiciary and closed the Peruvian Congress. In 2000, Fujimori ran for a



third term. But the Organization of American States and human-rights groups said his purported win was fraudulent.

The extent of corruption in the government came to light in September 2000, with secretly recorded videos showing Montesinos, the former spymaster, paying stacks of cash to opposition lawmakers, judges and media owners to buy their support. Montesinos was convicted of a number of corruption-related charges.

Fujimori's government collapsed in November 2000 after he fled to Japan. Investigations by local

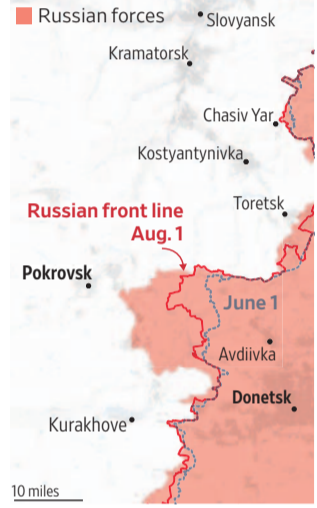
prosecutors estimated that administration officials had embezzled about \$600 million.

"He was democratically elected, but destroyed the democracy," said Vargas Llosa, the author, in 2012. "That's the worst crime that a ruler can commit."

Fujimori was also convicted of ordering the extrajudicial killings of 25 people, including an 8-year-old boy, in the early 1990s. The killings were carried out by a paramilitary death squad, which Fujimori and Montesinos had set up to target suspected rebel supporters and leftist activists.

In 2005, Fujimori, aiming at a comeback, flew to Chile, which he planned to use as a springboard to take power in Peru. Chilean police detained him until he was extradited to Peru for trial on charges of human-rights abuses and corruption.

He was found guilty in 2009 and sentenced to 25 years in prison, marking the first time a democratically elected president in Latin America was convicted in his own country of human-rights crimes. He was released in December.



Russia's big push

Russia's most dangerous advance this summer has been on Pokrovsk, a crucial logistical hub for Ukrainian forces in the east. Since Russia seized the industrial city of Avdiivka in February, its main gain this year, its forces have moved through villages to the west. They have accelerated their advance in recent weeks and are now only a few miles from Pokrovsk, a city once home to 80,000 people. Ukrainian troops in the area say their defensive efforts have been hampered by insufficient artillery shells and a lack of well-trained troops.

Supply hub

Pokrovsk is a fulcrum for Ukraine's operations in the east. It sits on a road and railway that serve as a main supply route for Ukrainian forces in the Donetsk region. The loss of Pokrovsk would leave cities to the east such as Kostyantynivka and Chasiv Yar with one main supply route from the northeast and bring Russian forces closer to the western edge of the Donetsk region. Russia has also set up positions to use explosive drones to strike Ukrainian vehicles, making it harder for Ukrainian forces to bring in supplies and troops.



Important canal

For several months, Russian forces have been struggling to cross a canal that runs along the eastern flank of the main part of Chasiv Yar.

Ukraine has maintained infantry in buildings on the western bank of the canal. But Russia launched raids across the canal in August, and Ukraine's presence in those buildings is under threat.



Two vital hills

Since Russia seized Bakhmut last year after a long and painful battle, it has said its eyes are on an even bigger prize: Chasiv Yar. The city is smaller, with a population of some 12,000, but stands on a high point in the area that

would provide a significant advantage in its efforts to take cities to the west and northwest, such as the region's main remaining population centers of Kramatorsk and Sloviansk. Holding the high ground would make it easier for Russia to target Ukrainian military units and positions.

Maps sources: Institute for the Study of War and AEI's Critical Threats Project (Russian and Ukrainian forces) as of Sept. 8; European Space Agency (satellite imagery); National Aeronautics and Space Administration (elevation); OpenStreetMap (infrastructure)

Mexico Passes Overhaul of Judiciary

BY JOSÉ DE CÓRDOBA AND ANTHONY HARRUP

MEXICO CITY—Mexico's legislature approved a contentious overhaul of the country's judicial system, a move that has rattled investors and drawn strong criticism in the U.S.

The Senate approved a constitutional amendment to replace all federal judges in a raucous session that lasted past midnight. The lower house passed the bill last week.

The Senate voted 86-41 in favor of the bill, which has worried investors and stirred fears that the measure could endanger the independence of Mex-

ico's courts and imperil trade and investment with the U.S.

The judicial shake-up is among a raft of constitutional changes being pushed through by President Andrés Manuel López Obrador in his last month in office, taking advantage of the supermajority won by the ruling Morena party in the June 2 general election.

Claudia Sheinbaum, a protégée of Lopez Obrador who is due to take office Oct. 1, has defended the overhaul, saying it is aimed at cleaning up corruption and nepotism in the judiciary.

Last week, the bill passed the lower house, where Morena has the two-thirds majority

needed to make constitutional changes. It also needs to be approved by 17 of the country's 32 state legislatures, a likely outcome given that Morena has a majority in 27 of them.

Under the overhaul, the country's more than 1,700 federal judges and Supreme Court justices will be replaced through elections to be held in 2025 and 2027.

The changes are likely to be a distraction for Sheinbaum, who has outlined an ambitious program including expanding pensions, attracting foreign investment and pacifying swaths of the country now controlled by powerful drug cartels.

Many say the overhaul could hurt Mexico's efforts to attract the billions of dollars in investment it needs to build infrastructure necessary to draw firms relocating to Mexico to be close to U.S. markets. Critics say foreign investors may fear that judges will become beholden to constituents or put political considerations ahead of the law.

"The perception that you don't have an independent judicial branch will limit the investments you will attract," said Luis de la Calle, the head of an economic-consulting firm in Mexico and former trade negotiator.

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, September 12, 2024 | B1

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Western Companies Cool on China

Slower growth plus difficulty of doing business there have firms pulling back

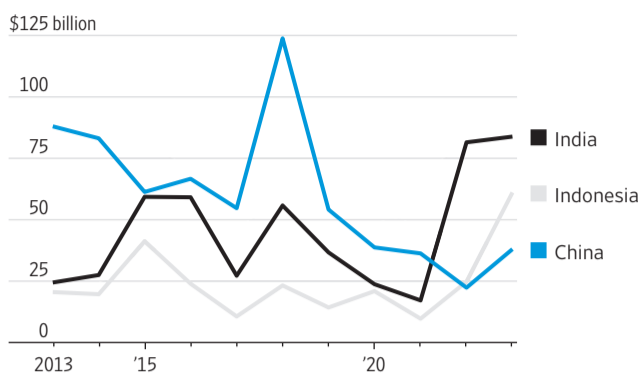
By YOKO KUBOTA AND LIZA LIN

BEIJING—Many global businesses are pushing China down on their list of investment destinations and consolidating operations in the country, citing slower growth and diminishing profits.

The gloomy investment trend was the focus of twin reports this week from the European Union Chamber of Commerce in China and the American Chamber of Commerce in Shanghai.

“The risk of doing business in China has gone up in the past few years and at the same time the market is slowing down,” said Eric Zheng, president of the U.S. group. A poll by the U.S. chamber found the percent-

Value of announced greenfield foreign direct investment*



*Greenfield refers to projects started from scratch as opposed to improving existing facilities.

†Negative figures show periods when foreigners pulled out more investment than they put in.

Sources: U.N. Trade and Development (value); China State Administration of Foreign Exchange via CEIC (direct investment in China)

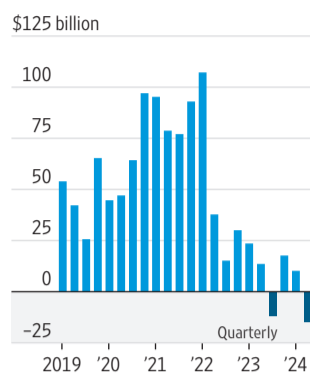
age of respondents ranking China as their headquarters’ top investment destination fell to the lowest level since the annual survey began 25 years ago.

China has noticed. In August, the Shanghai city government said one of its most pressing economic challenges

was the hollowing out of the “fruit chain”—a reference to Apple’s move to diversify production of some electronics to countries such as India and Vietnam.

Driving these decisions are a prolonged economic slump, intensifying local competition, geopolitical tensions and

Direct investment by foreigners in China†



the rise of alternative manufacturing destinations in Asia. Business chambers say profit margins in China no longer outshine other markets.

Last month, Walmart sold an eight-year-old stake it held in one of China’s main e-commerce platforms for \$3.6 billion and IBM closed research

institutes in China, affecting more than 1,000 jobs.

Carmakers are scaling back because Chinese companies now hold nearly three-fifths of the passenger car market. As of this summer, most new cars sold are electric vehicles or plug-in hybrids rather than the purely gasoline-powered vehicles in which non-Chinese automakers long held an advantage.

Japan’s Honda Motor recently suspended production at three plants in China and has reduced personnel through voluntary retirements. Honda’s unit sales in China fell 32% to 209,000 in the April-June quarter compared with the same period a year earlier.

Last year, foreign investment into China fell 8% from the previous year in yuan terms.

According to United Nations figures, Indonesia, with a far smaller population than

Norfolk Southern Ousts CEO Over Romance

By CONNOR HART

Norfolk Southern’s board has terminated Alan Shaw as the company’s top executive.

The leadership change comes after preliminary findings from an investigation found that Shaw violated company policies by engaging in a consensual relationship with the company’s chief legal officer, Norfolk Southern said Wednesday. Also in connection with the investigation, Norfolk Southern terminated Nabanita Nag from her roles of executive vice president of corporate affairs, legal chief and corporate secretary.

A three-decade veteran of the company, Shaw will be succeeded by Mark George, who has been chief financial officer since 2019.

Shaw had a rocky tenure since assuming the company’s top role in May 2022, including a train derailment that led to a toxic chemical spill and an activist investor campaign

Dividend Payout Drained Hospital

By JONATHAN WEIL

In 2016, Steward Health Care System paid out a \$790 million dividend—the lion’s share going to the hospital chain’s private-equity owner, Cerberus Capital Management.

That money could have come in handy when the Covid-19 pandemic hit in 2020, a year when Steward recorded a \$408 million net loss.

The dividend, the amount of which hasn’t previously been reported, is among the key flashpoints at the center of accusations by elected officials, hospital employees and patients over who bears responsibility for Steward’s collapse.

Steward filed for bankruptcy in May, its coffers drained by recurring losses and payouts to shareholders. The company, which operated 30 hospitals in eight states, had been in financial straits for years. Patient care was in disarray. Steward routinely

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An Enviva wood-pellet plant under construction in Epes, Ala., left. The market for pellets has expanded from wood-stove enthusiasts to giant utilities.

The Rise and Fall of a Green-Energy Star

By RYAN DEZEMBER

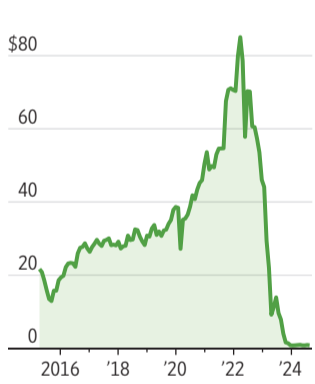
EPES, Ala.—When Enviva began construction here on the world’s largest wood-pellet plant, it had contracts worth more than \$20 billion to supply overseas power plants with an alternative to coal. The company’s shares were near an all-time high.

That was two years ago. The Epes facility is still under construction, but Enviva is in bankruptcy court.

Demand hasn’t been an issue. Renewable-energy subsidies in Europe and Asia encourage electricity generators to burn wood instead of fossil fuels. U.S. pellet exports are on pace to exceed last year’s record.

Enviva’s problem is that it promised buyers more pellets than it could make, and for cheaper than it ended up costing to produce them. Then it made a disastrous trade to try

Enviva share price, monthly



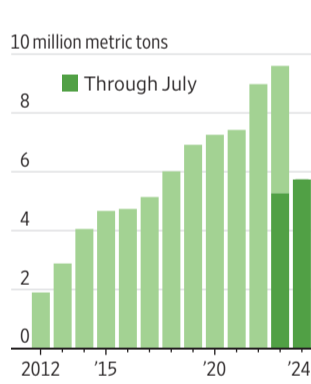
*Free on board; 2024 is through July

Sources: FactSet (share price); Foreign Agricultural Service (exports)

to cover the shortfall.

The roughly \$350 million trading debt that ensued—owed to a German power producer that is one of its best customers—forced Enviva to file for bankruptcy protection in March so that it could shed debt and try to renegotiate

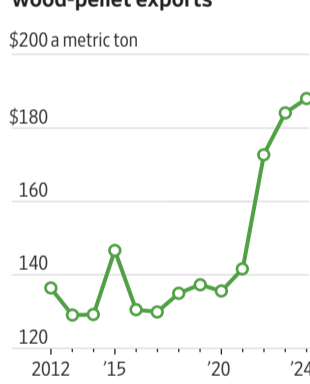
U.S. wood-pellet exports



supply deals it says are no longer profitable.

Enviva’s financial collapse has jolted some of the nation’s largest clean-energy investors, adding to the list of financial disappointments for the ESG investment sector, which raised trillions of dollars for

Average price of U.S. wood-pellet exports*



funds that promise to invest with environmental, social and corporate-governance goals in mind. Some firms, such as startup electric-vehicle makers, have gone bankrupt, while high interest rates have hammered even businesses with proven technologies, such as solar-

power producers.

Scientists and environmental groups have raised questions about the climate claims put forth by the wood-pellet industry. Burning wood, many scientists and environmentalists say, is less efficient than burning fossil fuels, emitting more carbon to generate equivalent energy. Demand for pellets, they say, causes trees to be cut down that would otherwise remain standing—and removing carbon dioxide from the atmosphere.

The rise of coal in the 1800s saved Western Europe’s forests from being wiped out for firewood, “but the solution to replacing coal is not to go back to burning forests,” said a 2018 letter to the European Parliament signed by 772 scientists.

Pellet proponents say the climate math is more complicated—that carbon dioxide emitted burning wood from

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Under Armour’s Plank Takes On Big Cleanup

By INTI PACHECO

When Kevin Plank took back the CEO job this year at Under Armour, he said the sportswear brand he founded had suffered from executive turnover and strategy shifts.

“My top priority is to bring clarity and stability to our business,” he told investors in May, when Plank also warned them that the company’s sales would drop at least 10% this year.

The 52-year-old billionaire had never left the company he started nearly 30 years ago. After stepping aside as chief executive in late 2019, he stayed on as executive chairman and brand chief. And he remained the controlling shareholder, thanks to super-voting shares.

More than half a dozen former executives said Plank was responsible for much of the turmoil and complexity that he is now promising to clean up. In recent years, they say he foiled marketing plans put in place by others, pushed

product ideas that flopped and blurred the lines between his brand role and that of the CEOs that succeeded him.

Much like Bob Iger at Disney and Howard Schultz at Starbucks who were reinstated as CEO, Plank and the Under Armour board have decided that the business he long ran needs a rescue and he is the best person to pull it off.

“Under Armour continues to address what has distracted us from our core mission,” a company spokesman said. “Under Kevin’s leadership, we are determined to change the trajectory of this business.”

Under Armour said Plank and the board supported the CEOs who were selected to succeed him and they had the opportunity to do so how they saw fit. Plank “continued to have a founder’s opinion on the business he built, particularly in the areas of brand marketing, product, and innovation,” the spokesman said.

Plank is betting that the

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Lululemon is trying to stanch a slowdown by dialing up variety in its products. **B2**



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STREETWISE | By James Mackintosh

Signal for a Recession Ahead Is Flashing Red. Or Is It?



Two years ago, the inversion of the yield curve—shorter-dated Treasuries yielding more than longer-dated bonds—was taken by investors as a sure-fire sign of recession. Now Wall Street worriers have a new concern: The yield curve is back to normal, a surefire sign of recession.

It might seem odd, but both yield-curve moves are indeed good signs of recession, though not foolproof ones. What really matters is why Treasuries move as they do, and in this case it comes down to the Federal Reserve.

The Fed is expected to embark on a series of interest-rate cuts starting next week, which is why short-dated bond yields have fallen fast, uninverting the yield curve when measured as the 10-year

minus two-year yield. If those cuts are purely because inflation has dropped back close to target, that is the ideal of a soft landing for the economy, and absolutely not a sign of imminent recession.

But for most of modern history, deep rate cuts by the Fed have been a sign that the country is about to plunge into recession, or is already in one that economists missed.

The yield curve is rather a crude representation of this problem. The inversion of the past two years tells us that investors thought the Fed had rates temporarily high and they would be lower in the long run. It doesn’t tell us why.

Look at recent market action and you see investors are vacillating between the reasons for rate cuts. Some days they think a weaker economy, particularly a weaker jobs market, will

push the Fed to try to boost growth with rate cuts. That is bad news for stocks, because weaker growth might turn into a recession.

Other days, they think growth is fine but lower inflation will allow the Fed to cut rates anyway. That is good for stocks, because it means cheaper financing combined with decent after-inflation profits.

History tells us that in the past when the Fed raised rates a lot, it almost always caused a recession. History also tells us that when the Fed embarked on a big series of rate cuts, it was almost always because of a recession.

The combination gives us the oddity that inverted yields curves appear to predict recession, since they typically result from the Fed raising rates a lot, and uninverting yield curves appear to predict recession since they typically

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Dividend Drained Hospital

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stuffed vendors, and many of its facilities lacked adequate staff and basic equipment. An analysis by a Cerberus executive in April 2020—about four years after the dividend payout—said that the hospital chain likely would need \$750 million over the next seven years to carry out the business strategy advocated by Steward's management, which had

A Senate panel on Thursday plans a hearing on Steward's collapse.

pushed the company to grow rapidly. "Clearly, the business will need additional investment/money," the executive, Chan Galbato, wrote in a memo to three Cerberus representatives on Steward's board.

A month later, Cerberus sold the hospital chain to a physician group led by Steward's chief executive, Dr. Ralph de la Torre, who became majority owner.

The money for the 2016 dividend came from a complex deal with an Alabama real-estate company, **Medical Properties Trust**, or MPT, rather than from Steward's earnings. For 2016, Steward had a \$300 million net loss. Big lease payments stemming from the deal weighed on Steward's finances

in later years.

Cerberus spokesman Michael Sitrick said, "Steward had more than sufficient capital and liquidity to make the dividend payments in 2016."

Sitrick said Cerberus received \$719 million of the dividend, and that the remaining \$71 million was paid to de la Torre and his management team. He said Cerberus received no other dividends from Steward during its ownership, which began in 2010.

The amount of the 2016 dividend appeared in previously undisclosed Steward financial statements viewed by The Wall Street Journal. The Journal previously reported several hundred million dollars from the MPT deal in 2016 went to Cerberus, but the specific amount hadn't been disclosed.

The payment reduced Steward's equity. At the start of 2016, Steward's assets exceeded its liabilities by \$131 million. At the end of 2016, its liabilities exceeded its assets by \$910 million. Four years later, that deficit had grown to \$1.5 billion, after the \$408 million loss in 2020.

The Senate Committee on Health, Education, Labor and Pensions has set a hearing for Thursday on Steward's collapse and issued a subpoena for de la Torre's testimony. De la Torre has said he won't participate.

De la Torre declined to be interviewed. MPT didn't respond to requests for comment. Steward declined to comment.

CEO Plank Seeks Under Armour Fix

Continued from page B1

company can become a premium sports brand by cutting the number of products it sells by 25%, reducing the discounts it offers and delivering more impactful merchandise. His plan is to reconstitute a brand that has lost its grip on shoppers after its explosive sales growth hit a wall in 2017.

Some investors and former executives doubt whether Plank's strategy to turn the company around will make a difference for a brand that watered down its value they said by selling much of its inventory at a discount to hit revenue targets. Under Armour risks following the path of BlackBerry, a cautionary tale Plank used in meetings about an industry leader that became irrelevant, former executives said.

Shares of Under Armour have fallen 23% over the past year and are down 87% from their 2015 high, erasing \$18



Kevin Plank and Under Armour have warned of a deeper-than-expected annual loss amid higher charges.

billion of market value. The slide began during Plank's first CEO tenure, when sales started declining in its core North American market and the company underwent three rounds of restructurings, resulting in about \$1 billion in charges.

This week, the company warned of a deeper-than-expected annual loss amid higher restructuring charges, including for closing a California distribution facility that Plank opened during his first CEO stint.

The Baltimore-based company is no longer the threat it was a decade ago to giants such as Nike and Adidas.

BUSINESS & FINANCE

Zara Owner Inditex's Sales Grow As It Holds Back on Price Increases

By ANDREA FIGUERAS

Zara parent **Inditex** said sales grew at a steady pace in the first half, when shoppers bought more clothes as the fashion group held off on significant price increases in a bid to fend off competition from the likes of China's **Shein**.

The Spanish company—also home to brands including Massimo Dutti, Pull & Bear and Bershka—said Wednesday that higher sales volumes across both physical and online stores drove growth in the six months through July 31, and that interest in its collections for the fall-winter season continued to support sales in recent weeks.

"There were no significant price increases, with the exception of those markets with high inflation," Chief Executive Oscar Garcia Maceiras told analysts in a call after the results.

Companies across the consumer spectrum—from luxury to consumer staples to cars—have said in recent weeks they were dealing with weakening demand as inflation-wary consumers reined in spending in many parts of the world.

However, Inditex reported

sales of 18.1 billion euros, or about \$19.9 billion, for its first half, slightly ahead of analysts' forecasts of €17.98 billion, according to consensus estimates provided by Visible Alpha.

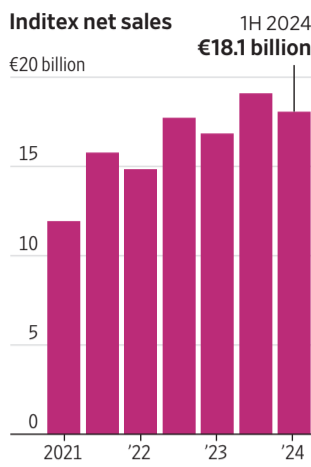
Sales grew 10% compared with the same period last year on a constant-currency basis, slowing somewhat from the 11% rise the company logged in the first quarter, but picked up again at the start of the current quarter. The company posted an 11% increase between Aug. 1 and Sept. 8, which it credited to a positive reception of fall-winter collections.

Shares in Inditex rose 4.5% in Europe, closing in on the record highs the stock reached in late August.

The company's performance in August and early September shows the group is back to normal after softer growth in June and July, Barclays analysts said in a research note.

Discussions of consumer slowdowns and weather impacts don't seem relevant against Inditex's numbers, Deutsche Bank analysts wrote in a note to clients.

Primark owner **Associated British Foods** last week re-



Note: €1 billion = \$1.10 billion. Source: the company.

year plus or minus 0.50 percentage point from the 57.8% it reported for the fiscal year ended Jan. 31.

The company said it now expects a 3% negative currency impact on full-year sales; it had previously forecast a 2% negative impact.

Fast-fashion companies like Inditex and H&M are grappling with fierce competition from low-cost players such as Shein and Temu.

While H&M has been struggling to revive its sales momentum after the pandemic, the Zara owner benefits from a local sourcing model that has allowed it to avoid the supply-chain issues caused by disruption in the Red Sea, another major headache for retailers.

The group posted first-half net profit of €2.77 billion, matching analysts' expectations and up from €2.51 billion in the year-earlier period.

Operating profit rose to €3.54 billion from €3.16 billion, with a margin that expanded to 19.6% from 18.8%.

Inditex appointed Antonio Florez de la Fuente and Jordi Triquell Valls, directors of the group's brands Bershka and Stradivarius, respectively, to its management committee.

Lululemon's Slump Raises Questions

By MEGAN GRAHAM

Lululemon is trying to stanch a slowdown in its women's business by dialing up variety in its products. But industry veterans say the company has more to worry about as competition grows and cash-strapped shoppers trade down to cheaper brands.

The Canadian athleisure pioneer rode double-digit sales growth every year since 2003 to become one of the largest activewear firms in the U.S. and Canada, Morningstar analysts wrote in a note earlier this year.

But when Lululemon reported second-quarter earnings late last month, executives said they were disappointed in the recent performance of its women's lineup, despite the segment's 6% growth in the quarter.

The company in July pulled a new legging from the market that some shoppers had given poor reviews. However, it said the most significant factor in the weakness of its women's business was a product plan that didn't give consumers enough new colors, prints, patterns and silhouettes.

"As we have learned more, it's become clear to us that this reduced newness, which is below our historical levels and stems from earlier product decisions, has impacted conversion rates given the fewer new options available to our female guests," Chief



The retailer is trying to broaden variety to combat a slowdown in its women's business, but industry veterans note that growing competition and cash-strapped consumers pose worries.

Executive Calvin McDonald said on the company's earnings call.

The company said a reorganization earlier this year will help its efforts. Its chief merchandising officer, an executive important in the brand's sales strategy, now reports to its chief brand and product activation officer. Previously, the chief merchandising officer reported to the chief product officer, who left the company and wasn't replaced.

"We're seeing a much tighter relationship in the brand/marketing organization with merchandising, which is really the whole sell side of the business being under one leader, where before it was a

handoff," McDonald said.

The question is whether fixing "newness" in the women's business will be enough to restore the old momentum.

The Morningstar analysts said Lululemon's brand power remains intact despite some challenges. "We think sales will recover when new products hit the shelves," they wrote.

The company said in its 2023 annual report that its women's range represented 64% of net revenue and its men's represented 23%.

But the sports and athleisure category has been registering both heightened competition and a modest slowdown as a result of more

cautious consumers, according to Neil Saunders, managing director at data analytics firm GlobalData, in a note about Lululemon.

"There probably needs to be a bit more effort around the core assortment which, while still impressive in terms of quality, lacks some of the oomph with new drops coming across as a bit 'samey,'" Saunders said.

"Lululemon remains a very good retailer and brand with an impressive track record. However, the miracle it has worked for so long seems to be fading," he added. Its challenges are leading some to ask whether the brand has reached its ceiling in the U.S. and Canada, he said.

Plank shifted from CEO to brand chief, a newly created role, in late 2019 in what he said was a plan to elevate his top deputy, Patrik Frisk, as his successor. The change came in the midst of a restructuring effort to cut costs and revive sales.

The Journal reported that employees had also made complaints about Under Armour's workplace culture and that the board had questioned Plank about his ties to TV journalist Stephanie Ruhle. Plank replaced some senior executives, said Ruhle was a friend and vowed to improve Under Armour's culture.

After the handoff, former employees and executives said Plank showed up to product and marketing meetings, and questioned the directions they were taking despite not holding the CEO title. The billionaire's management style is throwing two pitbulls in a room and seeing which one makes it out alive, several of them said.

Frisk, who had joined Under Armour in 2017 as president, took the CEO job after Plank agreed to attend regular sessions with an executive coach, the corporate equivalent of a couples counselor, some former executives said. Frisk hoped the therapy would

keep the founder on the sidelines, they said.

Frisk created a Special Teams unit, a group that worked directly with Plank on his ideas to try to keep the founder out of day-to-day operations, executives said. Soon, Plank's creations such as a Sportsmask during Covid and the SlipSpeed sneaker—a shoe with a collapsible heel—were prioritized over Frisk's plans, including a focus on sustainability projects.

Some, including Plank, felt Frisk's consultant-led style was killing the brand's cool. Others thought Frisk brought much-needed discipline to a company that was constantly changing direction. Tensions between the two led to Frisk's departure in mid-2022, former executives said.

By early 2023, Under Armour had found its next leader. Plank introduced former Marriott President Stephanie Linnartz as the new CEO at the cafeteria inside its Baltimore headquarters.

Plank still ran the show even when he no longer held the CEO title, former executives said. In fact, he kept the same office he had as CEO—the biggest in the building.

In May 2023, in a call with analysts, Linnartz presented her three-year strategy to re-

ignite growth for Under Armour. Her plan was to lean on its lifestyle products to generate more brand awareness, especially in the U.S.

Some people at Under Armour said they realized Linnartz wasn't the right fit. She wanted to change the way the industry was run and imposed some discipline on operations. Her moves rankled some workers who thought of her as a drill sergeant, former executives said.

Annual sales declined 3.4% in its most recent fiscal year, and the company projected lower demand from retailers. About a year after Linnartz joined, she was out.

Now as CEO again, Plank is undoing some of his predecessors' moves. He has vowed to cut out consultants that were prominent during Frisk's tenure and has said the company will focus on performance products.

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BUSINESS NEWS

BurgerFi Is Latest Chain to File for Chapter 11



BurgerFi International, owner of Anthony's Coal Fired Pizza & Wings as well as its namesake chain, has become the latest restaurant operator in recent months to file for bankruptcy.

The Fort Lauderdale, Fla.-based company's 67 corporate-owned locations sought protection from creditors Wednesday in the U.S. Bankruptcy Court in Wilmington, Del., with assets of at least \$50 million and liabilities of

at least \$100 million.

BurgerFi, which in the past has sized itself up against Five Guys, Shake Shack and Smashburger, joins a crowd of chains that have sought shelter in chapter 11 this year, among them Red Lobster, the nation's biggest seafood restaurant chain; Italian eatery Buca di Beppo; Mediterranean fast-casual chain Roti, and Rubio's Restaurants, operator of Rubio's Coastal Grill. BurgerFi's backers include

Lionheart Capital, Walleye Capital and Lion Point Capital, according to a court filing.

Shares of BurgerFi ended down almost 22% Wednesday after the chapter 11 filing.

"In the face of a drastic decline in postpandemic consumer spending amidst sustained inflation and increasing food and labor costs, we need to stabilize the business in a structured process," Jeremy Rosenthal, the company's chief restructuring officer, said.

Last month, BurgerFi said in a securities filing that sales were down, pressured by higher wages and the cost of chicken wings; that it had defaulted on its debt; and that if it couldn't reach a deal with lenders, it might have to file for bankruptcy.

It has a total of 144 locations; they will continue to operate normally. Roughly half are owned by franchisees and not part of the bankruptcy.

—Becky Yerak

PwC to Lay Off 1,800 As New U.S. Leader Revamps Operations

By MARK MAURER

PricewaterhouseCoopers's U.S. unit is laying off about 1,800 workers, its first formal layoffs since 2009, and restructuring its products and technology group to simplify operations and address declining demand for certain advisory services.

The Big Four accounting firm is in the process of cutting employees in the U.S. and elsewhere, primarily in its U.S. advisory and products and technology operations, according to people familiar with the matter.

The cuts, about half of which are offshore, span employees ranging from associates to managing directors and include business services, audit and tax, the people said.

PwC plans to notify those affected, roughly 2.5% of the workforce at the U.S. unit, in October, the people said.

PwC announced the plans Wednesday in a memo to U.S. staff reviewed by The Wall Street Journal. "There will be an element of resource action that will impact a relatively small proportion of our people, something that is never easy," Paul Griggs, PwC's U.S. leader, said in the memo.

PwC plans to restructure its products and technology teams to further embed them in individual business lines and streamline processes in business services, Griggs said.

The moves come after Griggs began as U.S. leader in May. He launched a structural overhaul that took effect in July, shifting the 75,000-person U.S. unit back to three business lines from two. Tax returned to being a separate U.S. business in July. The firm in 2021 had combined tax-reporting and accounting into one unit, with remaining revenue stemming from consulting solutions, which included tax consulting.

"To remain competitive and position our business for the future, we are continuing to transform areas of our firm and are aligning our workforce to better support our strategy, including attracting and moving the right talent and skill sets to the areas where we need them most," Tim Grady, PwC's U.S. chief operating officer, said.

PwC's products and technologies are aimed at addressing a range of corporate challenges, including managing risks around supply chains, data privacy and regulations.

Top Jeep Dealers Blame Stellantis CEO for 'Disastrous Choices'

By BEN GLICKMAN

Influential Jeep and Ram dealers are pushing their parent company to take more drastic action to reverse steep market-share losses, adding to pressure on management to reinvigorate sales in the U.S.

In a letter from a dealer advisory group sent to Stellantis Chief Executive Carlos Tavares

on Wednesday, the retailers argued that the CEO caused a sharp sales pullback through "disastrous choices." The letter was viewed by The Wall Street Journal.

The car retailers called on Tavares to spend more money on customer promotions to clear out bloated inventories.

Stellantis, the parent company of Jeep, Ram, Dodge and

Chrysler, said that an action plan developed with dealers already helped increase sales 21% in August from the month earlier, increasing market share. "We will continue to work with our dealers to avoid any public disputes that will delay our ability to deliver results," the company said.

The letter was addressed to Tavares and signed by four

Stellantis dealers who serve on an elected advisory committee. It also was sent to Stellantis Chair John Elkann on Wednesday, people familiar with the matter said. Elkann heads the holding company of Italy's Agnelli family, which holds about a 15% stake in Stellantis, according to FactSet.

Dealers for months have complained to management

behind closed doors about vehicles being priced too high, driving away price-conscious customers and leading to lackluster sales as rivals offer more discounts. Some Jeep and Ram retailers have said the company's strategy has left too many older models sitting on lots.

Stellantis's market share in the U.S. fell to 8.5% through

the first half of the year, from 10.4% in the prior-year period, according to Cox Automotive. That is a significant loss in industry terms and was the most of any car manufacturer in the market over that period.

The company said when reporting first-half results in July that it would likely slash prices for its cars and cut production.

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TECHNOLOGY

Amazon Plans \$10.5 Billion U.K. Push

Cloud services and AI infrastructure are focus of effort as demand is booming

BY KIMBERLEY KAO

Amazon.com plans to spend about \$10.5 billion over the next five years in cloud and artificial intelligence infrastructure in the U.K., as global tech companies boost their data-center footprints amid a boom in demand for artificial-intelligence computing.

Amazon Web Services, the U.S. tech giant's cloud-computing arm, said Wednesday that it will make an invest-

ment of £8 billion, the equivalent of \$10.46 billion, through 2028 to build and operate data centers in the U.K. to meet rising demand for cloud technology and services.

AWS is Amazon's most-profitable unit and its second-quarter results showed the segment's net sales grew about 19% from a year earlier to a higher-than-expected \$26.28 billion.

U.K. Chancellor of the Exchequer Rachel Reeves described Amazon's latest investment as "the start of the economic revival and shows Britain is a place to do business."

"The next few years could be among the most pivotal for the U.K.'s digital and economic



U.K. Chancellor of the Exchequer Rachel Reeves says Amazon's investment 'shows Britain is a place to do business.'

future," given the growing adoption of cloud computing and AI technologies by busi-

Africa at AWS, said in a statement.

Like many top tech companies, Amazon has been ramping up its spending on the data centers, real estate and chips needed to meet the surging demand for computer power that has come with the rise of AI. Amazon's purchases of property and equipment, a measurement of its capital spending, were \$17.62 billion in the second quarter. That was over 50% higher than the year-earlier level and the highest quarterly expenditure since 2021.

Chief Executive Andy Jassy has reoriented the company to focus on AI innovations and to catch up with **Microsoft**, Google and others in the

space.

Since the start of 2024, AWS has earmarked over \$50 billion in investments overseas in the coming years, in countries including Germany, Japan, Singapore, Mexico and Saudi Arabia.

This year, rival Microsoft also announced billions in investments for its cloud and AI infrastructure in Europe, including in Sweden, Germany and France.

AWS first launched an AWS Region, or a cluster of data centers, in the U.K. in December 2016, it said, and has invested over £3 billion since 2020. Wednesday's announcement will bring AWS's total planned investment in the country to over £11 billion.

Jack Ma Urges Alibaba to Trust In Market Forces and Innovation

BY JIAHUI HUANG

Alibaba Group co-founder Jack Ma said competition will make the company stronger and the e-commerce giant needs to trust in the power of market forces and innovation, according to an internal memo to commemorate the company's 25th anniversary.

"Many of Alibaba's business face challenges and the possibility of being surpassed, but that's to be expected as no single company can stay at the top forever in any industry," Ma said in a letter sent to employees late Tuesday, seen by The Wall Street Journal.

Once a darling of Wall Street and the dominant player in China's e-commerce industry, the tech giant's growth has slowed amid a weakening Chinese economy and subdued consumer sentiment. Intensifying competition from homegrown upstarts such as **PDD Holdings'** Pinduoduo e-commerce platform

and ByteDance's short-video app Douyin has also pressured Alibaba's growth momentum.

"Only with competition can we become stronger and allow the industry to remain healthy," Ma said.

The letter came after Alibaba recently completed a three-year regulatory process in China. Chinese regulators said in late August that they have completed their monitoring and evaluation of Alibaba after the company was penalized over monopolistic practices in 2021. Over the past three years, the company has been required to submit self-evaluation compliance reports to market regulators.

Ma reiterated Alibaba's ambition of being a company that can last 102 years. He urged Alibaba's employees to not flounder in the midst of challenges and competition.

"The reason we're Alibaba is because we have idealistic beliefs, we trust the future, believe in the market. We be-

lieve that only a company that can create real value for society can keep operating for 102 years," he said.

Ma himself has kept a low profile since late 2020 when financial affiliate Ant Group called off initial public offerings in Hong Kong and Shanghai that had been on track to raise more than \$34 billion.

In a separate internal letter in April, he praised Alibaba's leadership and its restructuring efforts after the company split the group into six independently run companies.

Alibaba recently completed the conversion of its Hong Kong secondary listing into a primary listing, and on Tuesday was added to a scheme allowing investors in mainland China to trade Hong Kong-listed shares.

Alibaba shares fell 1.2% to 81.45 Hong Kong dollars, or equivalent of US\$10.44, on Wednesday, after rising 4.2% on Tuesday after the Stock Connect inclusion. The company's shares are up 6.8% this year.



Pixar, the Disney movie studio behind 'Inside Out 2,' has been working with VAST since 2018.

AI Will Force Revamp of Technology Infrastructure

BY STEVEN ROSENBUCH

AI is about to make the cloud a lot heavier.

Cloud services and private networks for years had to handle relatively limited amounts of data. Now that artificial intelligence and deep learning are driving vast quantities of photos, video, sound and natural language into the mix, however, data that was once counted in gigabytes and terabytes is measured in much larger units of petabytes and exabytes.

Information systems, including the cloud, must expand to store all of that data. Less obvious—and more interesting—is the need to access all of that information at much higher speed and, critically, lower operating cost.

Some companies have already begun trying to develop the next generation of infrastructure. **CoreWeave**, a cloud-computing provider that gives customers access to advanced AI chips from **Nvidia**, has focused attention on the emerging market.

CoreWeave in May announced a \$1.1 billion equity funding round that valued the seven-year-old startup at \$19 billion, as well as \$7.5 billion in debt financing from investors including **Blackstone**, **Carlyle Group** and **BlackRock**. Nvidia is also an investor.

CoreWeave in turn is a customer of a startup called **VAST Data**, which approaches cloud and private-network modernization from the software perspective. VAST has developed what it calls a faster, cheaper and more scalable operating system for all sorts of distributed networks.

"Our vision was to build infrastructure for these new AI workloads," said Chief Executive Renen Hallak, who founded the company in Israel in 2016. In December, VAST



Renen Hallak, CEO of VAST

said it secured \$118 million in a Series E funding round, led by Fidelity Management & Research, that nearly tripled its valuation to \$9.1 billion. The company has surpassed \$200 million in annual recurring revenue and claims a gross margin of nearly 90%.

Data storage historically has been organized in tiers, in which recent, high-priority data was kept readily accessible and older data was buried further down, according to Hallak. "That's not the case anymore with these new AI workloads," Hallak said in an interview at the company's office in New York.

"Once you have a good AI model you want to infer on all of your history, because that's how you get value out of it. And then as you get more information you want to retrain and build a better model," Hallak said. "You read data over and over and over again across many petabytes and in some cases exabytes. And so that's a very different problem," he added.

Traditional systems also expand by adding nodes that store a slice of the larger data set. The nature of this architecture requires all parts to expand resources communicating with one another and can suffer if a single node develops a problem. As a result, many enterprise systems could only scale to a few dozen nodes, insufficient for AI-driven demands, Hallak said.

In the VAST approach, all nodes have access to all of the information at once, improving scalability, speed and resiliency, he said. VAST also unbundles the price of data storage and computing, which it says saves money. The need for a new tech infrastructure at first summons thoughts of the tech giants, but it will move ever deeper into the economy. This shift is already under way at some highly data-intensive companies such as Pixar, the **Walt Disney** movie studio behind this summer's hit "Inside Out 2." It has been working with VAST since 2018. Beginning with its 2020 film "Soul," Pixar has employed a technique known as volumetric animation that produces more highly detailed characters and movements. The use of volumetric animation was more extensive in its 2023 release "Elemental," for which Pixar used AI to curate protagonist Ember Lumen's flames. "Inside Out 2," which came out in June, had double the data capacity needs of "Soul" and required about 75% more computation.

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members of the company's 13-person board. It is unclear how Shaw's termination will affect his compensation. Several high-profile executives have lost jobs in recent years as a result of personal relationships that breached company policies. At the same time, clawing back executive pay has become more common, and most companies have policies to recoup pay in certain circumstances. Jason Zampi will serve as acting chief financial officer, and Jason Morris will serve as acting corporate secretary.

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BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

In re: Yuzhou Group Holdings Company Limited,¹ Debtor in a Foreign Proceeding.

Chapter 15 Case No. 24-11441 (LGB)

NOTICE OF FILING AND HEARING ON CHAPTER 15 PETITION SEEKING RECOGNITION OF A FOREIGN PROCEEDING AND RELATED RELIEF PURSUANT TO CHAPTER 15 OF THE UNITED STATES BANKRUPTCY CODE

PLEASE TAKE NOTICE that on August 24, 2024, Kwok Ying Lan, solely in her capacity as the duly authorized foreign representative (the "Foreign Representative") of Yuzhou Group Holdings Company Limited (the "Debtor"), filed the Chapter 15 Petition for Recognition of a Foreign Proceeding for the Debtor (Dkt. No. 1) and the Verified Petition Under Chapter 15 for Recognition of a Foreign Main Proceeding and Related Relief (Dkt. No. 2) (together, the "Chapter 15 Petitions") pursuant to chapter 15 of title 11 of the United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the Southern District of New York (the "Court").

PLEASE TAKE FURTHER NOTICE that the Foreign Representative seeks the entry of an order: (a) finding that (i) the Debtor is eligible to be a "debtor" under chapter 15 of the Bankruptcy Code, (ii) the Hong Kong Proceeding is a "foreign main proceeding" within the meaning of section 1502 of the Bankruptcy Code, (iii) the Foreign Representative satisfies the requirements of a "foreign representative" under section 101(24) of the Bankruptcy Code and (iv) the Chapter 15 Petition was properly filed and meets the requirements of section 1515 of the Bankruptcy Code; (b) granting recognition of the Hong Kong Proceeding as a foreign main proceeding under sections 1517 and 1520 of the Bankruptcy Code; (c) granting all relief afforded to foreign main proceedings under section 1520 of the Bankruptcy Code; (d) recognizing and enforcing, granting comity to, and giving full force and effect within the territorial jurisdiction of the United States to the Hong Kong Proceeding, the Scheme and the Sanction Order, including giving effect to the Releases set forth in the Scheme; (e) permanently enjoined all parties from commencing or continuing any action or proceeding in the United States against the Debtor or its assets located within the territorial jurisdiction of the United States that is inconsistent with the Scheme; (f) waiving the 14-day stay of effectiveness of the proposed order granting the relief requested in the Chapter 15 Petition; and (g) granting related relief.

PLEASE TAKE FURTHER NOTICE that the Court has scheduled a hearing (the "Recognition Hearing") to consider the relief requested in the Chapter 15 Petition for **10:00 a.m. (Eastern Time) on October 2, 2024, in Room 623 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004.**

PLEASE TAKE FURTHER NOTICE that copies of the Chapter 15 Petition and all documents filed in the chapter 15 case are available to parties in interest on the Court's Electronic Case Filing System, which can be accessed from (i) the website maintained by Sodali & Co in respect of the Scheme at <https://projects.sodali.com/yuzhou>, (ii) the Court's website at <http://www.nys.uscourts.gov> (a PACER login and password are required to retrieve a document) or (iii) upon written request to the Foreign Representative's counsel (including by facsimile or email) addressed to: LINKLATERS LLP, 1290 Avenue of the Americas, New York, NY 10104, Telephone: (212) 903-9000, facsimile: (212) 903-9100, Attn: Christopher J. Hunker, Esq., Attn: Clark L. Xue, Esq., christopher.hunker@linklaters.com, clark.xue@linklaters.com.

PLEASE TAKE FURTHER NOTICE that any party in interest wishing to submit a response or objection to the Chapter 15 Petition must do so in writing and in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Local Bankruptcy Rules for the United States Bankruptcy Court for the Southern District of New York, setting forth the basis for such response or objection with specificity and the nature and extent of the respondent's claims against the Debtors. Such responses or objections must be filed electronically with the Court by registered users of the Court's electronic case filing system in accordance with General Order M-399 and the Court's Procedures for the Filing, Signing and Verification of Documents by Electronic Means (copies of each of which may be viewed on the Court's website at <http://www.nys.uscourts.gov>) and by all other parties in interest on a compact disc in Portable Document Format (PDF), Microsoft Word, or any other Windows-based word processing format, which disc shall be sent to the Office of the Clerk of the Court, One Bowling Green, New York, New York 10004-1408. A hard copy of any response or objection shall be sent to the Chambers of the Honorable Lisa G. Beckerman, United States Bankruptcy Judge, One Bowling Green, New York, New York 10004-1408 and served upon counsel for the Foreign Representative, Linklaters LLP, 1290 Avenue of the Americas, New York, New York 10104 (Attention: Christopher J. Hunker, Esq. and Clark L. Xue, Esq.), so as to be actually received on or before **September 25, 2024, at 4:00 p.m. (Eastern Time).**

PLEASE TAKE FURTHER NOTICE that all parties in interest opposed to the Chapter 15 Petition must appear at the Recognition Hearing at the time and place set forth above.

PLEASE TAKE FURTHER NOTICE that, at the Recognition Hearing, the Court may order the scheduling of a case management conference to consider the efficient administration of the case.

PLEASE TAKE FURTHER NOTICE that if no response or objection is timely filed and served as provided above, the Court may grant the relief requested in the Chapter 15 Petition without further notice or hearing.

PLEASE TAKE FURTHER NOTICE that the Recognition Hearing may be adjourned from time to time without further notice. The Court may enter the scheduling of a case management conference with the Court, of the adjourned date or dates at the hearing or any other further adjourned hearing.

Dated: September 12, 2024, New York, New York. Respectfully submitted, By: */s/ Christopher J. Hunker*, Christopher J. Hunker, Mark Dawson, Clark L. Xue, Curtis G. Smith, LINKLATERS LLP, 1290 Avenue of the Americas, New York, NY 10104, (212) 903-9000, Counsel to the Foreign Representative

¹ Yuzhou Group Holdings Company Limited's company registration number is 295366, and the location of its registered office is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman KY1-1111, Cayman Islands.

* Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Chapter 15 Petition. The Debtor is the subject of the Hong Kong Proceeding as defined in the Chapter 15 Petition.

COMMERCIAL REAL ESTATE

NOTICE OF SALE

PLEASE TAKE NOTICE, that in accordance with applicable provisions of the Uniform Commercial Code as enacted in New York, by virtue of certain Events of Default under that certain Pledge and Security Agreement, dated as of April 18, 2018 (the "Pledge Agreement"), executed and delivered by **GOWANUS MEMBER LLC** (the "Pledgor"), and in accordance with its rights as holder of the security, **175-225 THIRD STREET LENDER LLC** (the "Secured Party"), by virtue of possession of that certain Share Certificate held in accordance with Article 8 of the Uniform Commercial Code of the State of New York (the "Code"), and by virtue of that certain UCC-1 Filing Statement made in favor of Secured Party, all in accordance with Article 9 of the Code, Secured Party will offer for sale, at public auction: (i) all of Pledgor's right, title, and interest in and to the following: **GOWANUS OWNER LLC** (the "Pledged Entity"), and (ii) certain real estate interests and property relating thereto (collectively, (i) and (ii) are the "Collateral"). Secured Party's understanding is that the principal asset of the Pledged Entity is the premises located at 169 Third Street, 201 Third Street, and 225 Third Street (a/k/a 175-185 Third Street, Brooklyn, NY (Block 972; Lot 58) (the "Property").

Mannion Auctions, LLC ("Mannion"), under the direction of Matthew D. Mannion or William Mannion (the "Auctioneer"), will conduct a public sale consisting of the Collateral (as set forth in Schedule A below), via online bidding, on **October 22, 2024 at 3:00pm**, in satisfaction of an indebtedness in the approximate amount of **\$94,830,265.93**, including principal, interest on principal, and reasonable fees and costs, plus default interest through October 22, 2024, subject to open charges and all additional costs, fees and disbursements permitted by law. The Secured Party reserves the right to credit bid.

SCHEDULE A - PLEDGED INTEREST: PLEDGOR, GOWANUS MEMBER LLC, a Delaware limited liability company, ISSUER, GOWANUS OWNER LLC, a Delaware limited liability company, INTERESTS PLEDGED: 100% limited liability company interest. The UCC1 was filed on April 25, 2018, with the Delaware Department of State under Filing No. 20182802193, continued by UCC3 filed on March 8, 2023 under Filing No. 2023176730 assigned by UCC3 filed on May 17, 2024 under Filing No. 20243312848 and amended and corrected by UCC3 filed on August 8, 2024 under Filing No. 20245448202, KRISS & FEUERSTEIN LLP, Attn: Jerold C. Feuerstein, Esq., Attorneys for Secured Party, 360 Lexington Avenue, Suite 1200, New York, New York 10017, (212) 661-2900.

Online bidding will be made available via Zoom Meeting: Meeting link: <https://bit.ly/GowanusMember>; Meeting ID: 814 5286 8507; Passcode: 282317 One Tap Mobile: +16469313860, 81452868507#,,*282317# US Dial by your location: +1 646 931 3860 US Bidder Qualification Deadline: Interested parties who intend to bid on the Collateral must contact David Schechtman at Meridian Capital Group ("MCG"), One Battery Park Plaza, 26th Floor, New York, NY 10004, (212) 468-5907, dschechtman@meridiancapital.com, to receive the Terms and Conditions of Sale and bidding instructions by **October 21, 2024 by 4:00 pm**. Upon execution of a standard confidentiality and non-disclosure agreement, which can be found at the following link 2253rdbtk.com, additional documentation and information will be available. Interested parties who do not contact MCG and qualify prior to the sale will not be permitted to enter a bid.

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Norfolk Southern CEO Ousted

Continued from page B1
acted from the company. He led the company's response following the derailment in East Palestine, Ohio, in February 2023. The incident forced a massive cleanup operation and led to efforts by

lawmakers to introduce more safety regulations for railroad operators. It also resulted in the company agreeing to pay a record \$600 million settlement with local residents.

Activist investor **Ancora Holdings** criticized the railroad's response to the incident and its sluggish financial performance, prompting it to push for seven seats on the board and to demand the replacement of Shaw and other executives. Shaw kept his job in May, but Ancora scored a partial victory as shareholders voted to replace three mem-

bers of the company's 13-person board. It is unclear how Shaw's termination will affect his compensation. Several high-profile executives have lost jobs in recent years as a result of personal relationships that breached company policies. At the same time, clawing back executive pay has become more common, and most companies have policies to recoup pay in certain circumstances. Jason Zampi will serve as acting chief financial officer, and Jason Morris will serve as acting corporate secretary.

BUSINESS & FINANCE

Wood Pellet Producer Flames Out

Continued from page B1

Southern pineries is reabsorbed over time by the next crop of trees that is planted. That makes pellets not just renewable, they say, but a carbon-neutral source of energy. Plus, they say, many pellets are made from mill waste and the scraps left behind at logging sites, which would emit carbon if left to rot.

Investors in the pellet industry wagered on wood qualifying for renewable-energy subsidies and displacing coal at power plants.

A few years back, private-equity investor Riverstone Holdings characterized Enviva as a big winner among its otherwise struggling renewable-energy bets. Then the value of its 43% stake in Enviva shriveled from roughly \$3 billion in 2022 to less than \$20 million.

Activist investor Jeff Ubben's Inclusive Capital Partners, once Enviva's second-largest shareholder, lost more than \$200 million liquidating its biggest position after the bad trade was disclosed, according to securities filings. Ubben's social-impact investing firm has stopped making new investments and is returning cash to investors.

Power producers from Germany to Japan are counting on shipments from Enviva to keep their customers' lights on, as well as to meet renewable-energy mandates. Enviva has continued to operate while it sheds debt and reworks long-term deals with customers.

The plant in Epes is scheduled to open next year. It was financed with tax-free bonds for green-energy projects and public money meant to boost employment along a desolate stretch of the Tennessee-Tombigbee Waterway. Another plant, planned for Bond, Miss., is on hold.

One of Enviva's biggest customers, U.K. power producer Drax, says it is owed more than \$75 million for missed deliveries. Drax's power station in the English countryside consumes about 7 million metric tons of pellets annually. It has been increasing its own pellet production, including a recent \$50 million expansion of its Aliceville, Ala., mill upriver from Epes. But Drax still needs to buy pellets from Enviva.

"We've been very focused on making sure that our supply chain is intact," Drax Chief Executive Will Gardiner said in an interview. "We can manage the risk regardless of what happens to them."

Enviva declined to comment. When the company sought bankruptcy protection, interim CEO Glenn Nunziata said the filing would allow Enviva to trim debt, cut costs and get its mills running more efficiently. That process, he said, would leave Enviva "a stronger company with a solid financial foundation and better posi-



The pellet plant Enviva is building in Epes, Ala., which has fewer than 300 residents, is expected to boost the local economy

tioned to be a leader in the future growth of the wood-based biomass industry."

Green power?

The race to reduce greenhouse-gas emissions has expanded the market for pellets—dried sawdust pressed into cylinder form—from wood-stove enthusiasts to giant utilities eager to shift away from fossil fuels.

Enviva was founded by University of Virginia business-school classmates and bankrolled primarily by Riverstone. Enviva bought its first pellet plant in 2010, in Amory, Miss.

Corey Glenn, now Amory's mayor, worked for the original owners, who were private investors with local ties. The original plan had been to produce pellets for use in grills and wood stoves from the sawdust and shavings from nearby sawmills. The introduction of European Union renewable-energy subsidies afforded pellet producers the opportunity to sell by the boatload rather than the bag.

The Amory plant processes only sawdust and wood chips. After Enviva bought it, Glenn helped the company identify places for new facilities, which now also consume whole trees.

Enviva looked for places where pulp mills had closed and left voids in the market for trees too small or otherwise unfit for lumber. "With the secular decline in paper and pulp, that hasn't been hard," co-founder and then-CEO John Keppler told The Wall Street Journal in 2022.

By 2022, Enviva had 10 plants near six ocean ports in the Southeast, and had plans to build six more, beginning in Epes.

Most pellets are sold under long-term contracts at set prices, but there is a small market of on-the-spot deliver-



Enviva's financial collapse has jolted some of the nation's largest clean-energy investors.

ies. As with coal and natural gas, spot prices for pellets surged after Russia invaded Ukraine in February 2022 and Russian fuel exports were banned in Western Europe.

To meet the growing demand, Enviva was trucking more tree trunks to its mills, raising questions about its claims that it used mostly waste from someone else's logging jobs.

In October 2022, short seller Blue Orca Capital circulated a report challenging Enviva's procurement and sustainability claims. It argued the company wasn't earning enough to continue paying its dividend without borrowing more or selling new shares that would dilute existing investors' stakes. Blue Orca wagered that Enviva's stock would fall.

"Enviva is the latest ESG farce, a product of deranged European climate subsidies," Blue Orca wrote, arguing that the company was overstating the environmental benefits of its pellets. "Evidence of green-

washing in the company's procurement processes undermines not only Enviva's suitability as an ESG investment, but future demand for its product."

Enviva responded that the report "contains numerous errors, repeats previous unsupported speculation and gross mischaracterizations, and draws specious, misleading conclusions."

Enviva's facilities were racking up air-quality violations and drawing complaints from neighbors about noise and sawdust. Some plants were plagued by mechanical problems that reduced output.

When Enviva couldn't produce enough pellets to fulfill its contracts, it bought them in the spot market for shipment to customers, said the interim CEO, Nunziata, in a filing in the bankruptcy case. When spot prices surged, that was no longer an option, he said, describing events before he joined the company.

Enviva disclosed in its 2022

financial report that it had agreed to pay \$141 million to customers to reschedule or cancel deliveries.

It didn't disclose at the time a deal with German power producer RWE that was shaping up to be a big money loser. Enviva had agreed to buy pellets from RWE, intending to resell them for even more. But mild winter weather eroded demand and tanked spot prices, meaning Enviva would have to resell the pellets for much less than it agreed to pay RWE.

Another blow came in March 2023 when a tornado wrecked Enviva's plant in Amory.

Enviva executives tried to allay investors' concerns the following month in a meeting at the New York Stock Exchange. They said the company would maintain its quarterly dividend and continue to build plants, according to a transcript.

A few weeks later, Enviva said it expected to lose about five times as much in 2023 as

it previously forecast, and that it would stop paying a dividend. Its stock fell 67% that day.

Soren Aandahl, founder and chief investment officer at the short seller Blue Orca, said in an interview that Enviva was "bleeding cash, and they were doing it in an environment that was pretty much the most favorable environment for them as possible."

Last November, Enviva revealed the money-losing RWE trade, which hadn't been disclosed to its board when it was made. A special board committee enlisted law firm Baker Botts to investigate. Nunziata said in a bankruptcy-court filing.

Riverstone, whose founders and two other appointees hold four of Enviva's 13 board seats, has become a creditor, claiming unspecified "damages caused by violations of the federal securities law." Riverstone cited shareholder litigation alleging that Enviva misrepresented its procurement and environmental record and made misleading statements about plant equipment failures.

Last month, Enviva proposed a plan to exit bankruptcy that would leave existing shareholders with just 5% of the stock in a restructured company.

Local fallout

Enviva's storm-damaged plant in Amory is running again, but the company has left unpaid bills around town. Contractors, two hardware stores and the municipal utility, which says Enviva owes it \$161,000 for water and power, have filed claims in the bankruptcy court.

Downriver in Epes, which counts fewer than 300 residents, hopes remain high about the plant under construction. Census data show that only about 30% of residents have jobs, half the national rate.

Enviva's decision to build where a wood-flooring plant closed in 2019, and to hire more than 80 people, was celebrated as a big win for one of the poorest parts of the U.S.

To pay for the construction, Enviva tapped Alabama and federal economic-development funds and sold \$250 million in tax-free green bonds through the Industrial Development Authority of Sumter County.

Economic development officials are now working to draw a dollar store to Epes to give mill workers a place to spend money, said the industrial development authority's Allison Brantley.

After filing for bankruptcy protection, Enviva executives assured local officials that construction remained on pace and that it would meet its financial obligations, Brantley said.

In bankruptcy court, though, creditors from western Alabama have lined up. The Sumter County Tax Collector seeks nearly \$97,000. The industrial development authority wants more than \$1.1 million that it says is Enviva's share of the cost of dredging the port, which has been dormant since the 1990s.

Western Firms Cool On China

Continued from page B1

China, is drawing more "greenfield" investment in which new facilities are built from the ground up.

To be sure, most companies aren't abandoning China. The majority are trying to maintain existing operations, with some saying that staying abreast of Chinese technology helps them sharpen their competitive edge. Walmart is expanding the number of its Sam's Club stores in the country.

In an annual survey by the EU chamber conducted in May, 15% of the respondents said China was their top investment destination. For years, about one-fifth of the respondents had said so.

In another poll, about one-fifth of the 306 respondents surveyed by the American chamber in Shanghai said they would be cutting investment in China this year, citing concerns about growth and moves to redirect investments to places such as India and Vietnam.

In mid-August, China's

Commerce Ministry convened a meeting with foreign companies undertaking large investments in the country and promised to address any financing and bureaucratic hurdles they faced in a timely manner. Attendees included representatives of Danish toy maker Lego and pharmaceutical company Moderna.

Shanghai's economic planning agency last month said the decline in foreign investment in Shanghai was partly due to multinational companies such as suppliers to Apple shifting production capacity out, according to The Paper, a news outlet backed by the Shanghai government. Many Apple suppliers such as electronics assembler Quanta have production bases in the city.

Apple's emphasis on sourcing from India and Vietnam grew after geopolitical tensions and pandemic-era lockdowns in China.

A decade or two ago, multinational companies were flocking to China, lured by its cheap and abundant labor force and the potential buying power of its 1.4 billion people.

Back then, foreign companies sold to a market eager for their products and could charge a premium. Chinese rivals have since improved technology and product offerings. Local competition is intensifying in cars, steel, sportswear and other industries, often accompanied by cutthroat price wars.

Among the worst hit have been foreign automakers. South Korea's Hyundai sold a factory in 2021 and shut down another the following year. This January, Hyundai sold its third Chinese plant to a local company for more than \$227 million. Meanwhile, it is expanding in India.

Even so, for companies with the right product, China is still too big to ignore. In cars, it is the world's largest market by unit sales.

If domestic demand picks up, China will return to becoming a top investment priority for multinationals again, said Allan Gabor, the chair of the American chamber in Shanghai.

"It's about the economy. The demand side is the bigger factor. Companies are in China, for China," he said.

'The risk of doing business in China has gone up in the past few years...'



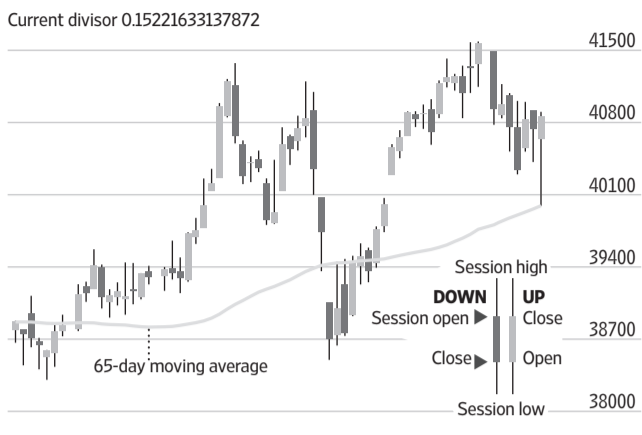
Last month, Walmart sold a stake it held in one of China's main e-commerce platforms.

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

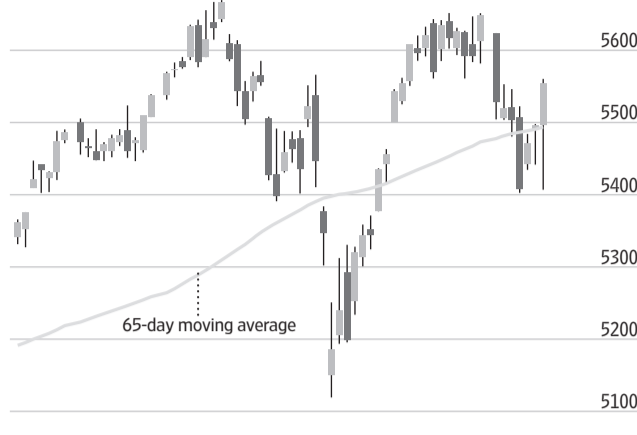
40861.71 ▲124.75, or 0.31%
 High, low, open and close for each trading day of the past three months.
 Last: 25.38, Year ago: 25.03
 Trailing P/E ratio: 19.89, P/E estimate: 18.69
 Dividend yield: 2.06, All-time high: 41563.08, 08/30/24



Current divisor 0.15221633137872
 *Weekly P/E data based on as-reported earnings from Birlinyi Associates Inc.; †Based on Nasdaq-100 Index

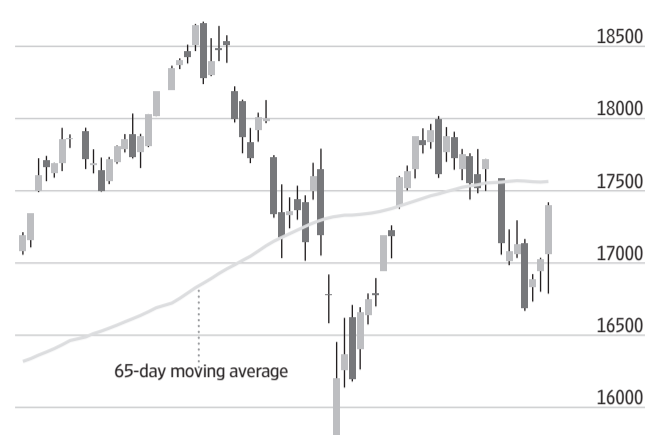
S&P 500 Index

5554.13 ▲58.61, or 1.07%
 High, low, open and close for each trading day of the past three months.
 Last: 23.58, Year ago: 21.67
 Trailing P/E ratio: 22.57, P/E estimate: 20.05
 Dividend yield: 1.34, All-time high: 5667.20, 07/16/24



Nasdaq Composite Index

17395.53 ▲369.65, or 2.17%
 High, low, open and close for each trading day of the past three months.
 Last: 30.75, Year ago: 30.27
 Trailing P/E ratio: 28.75, P/E estimate: 26.97
 Dividend yield: 0.84, All-time high: 18647.45, 07/10/24



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Dow Jones									
Industrial Average	40903.68	39993.07	40861.71	124.75	0.31	41563.08	32417.59	8.4	5.7
Transportation Avg	15560.92	15227.47	15550.34	-58.78	-0.38	16298.98	13556.07	2.1	-2.2
Utility Average	1042.35	1027.56	1041.31	-2.38	-0.23	1043.69	783.08	17.6	18.1
Total Stock Market	54910.78	53420.49	54854.47	552.96	1.02	56206.02	40847.04	23.2	14.8
Barron's 400	1159.25	1131.93	1158.51	4.89	0.42	1212.12	907.97	18.2	8.0

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Nasdaq Stock Market									
Nasdaq Composite	17420.23	16787.84	17395.53	369.65	2.17	18647.45	12595.61	25.9	15.9
Nasdaq-100	19266.39	18531.58	19237.30	408.16	2.17	20675.38	14109.57	25.3	14.3

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
S&P									
500 Index	5560.41	5406.96	5554.13	58.61	1.07	5667.20	4117.37	24.3	16.4
MidCap 400	2961.59	2894.49	2959.84	12.05	0.41	3115.02	2326.82	15.5	6.4
SmallCap 600	1335.04	1303.68	1333.68	2.71	0.20	1435.83	1068.80	13.2	1.2

Other Indexes	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Russell 2000	2105.36	2058.68	2103.85	6.41	0.31	2263.67	1636.94	14.3	3.8
NYSE Composite	18876.86	18513.07	18866.63	44.41	0.24	19292.23	14675.78	18.5	11.9
Value Line	589.21	576.34	589.00	2.73	0.47	620.59	498.09	6.3	-0.8
NYSE Arca Biotech	5799.51	5682.04	5794.03	59.44	1.04	5905.19	4544.40	10.7	6.9
NYSE Arca Pharma	1111.23	1095.00	1109.67	3.28	0.30	1140.17	845.32	20.4	21.9
KBW Bank	109.21	106.30	109.10	-0.42	-0.38	115.93	71.71	34.2	13.6
PHLX ^S Gold/Silver	148.82	145.22	148.70	1.38	0.94	158.93	102.94	29.7	18.3
PHLX ^S Oil Service	73.28	71.20	72.89	0.22	0.31	98.36	72.67	-24.5	-13.1
PHLX ^S Semiconductor	4918.91	4616.59	4910.17	229.50	4.90	5904.54	3185.18	37.9	17.6
Cboe Volatility	21.41	17.55	17.69	-1.39	-7.29	38.57	11.86	31.2	42.1

Sources: FactSet; Dow Jones Market Data

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
NVIDIA	NVDA	15,188.0	116.34	-0.57	-0.49	117.20	116.04
SPDR S&P 500 ETF Trust	SPY	10,169.7	554.27	-0.15	-0.03	554.88	554.04
ProShares UltraPro QQQ	TQQQ	7,643.8	64.33	-0.24	-0.37	64.71	64.29
ProShares Ultra QQQ	QLD	7,378.7	92.72	-0.25	-0.27	93.09	92.70
Finl Select Sector SPDR	XLFF	5,997.8	44.25	-0.03	-0.07	44.31	44.22
Brookfield	BN	5,509.9	49.00	0.91	1.89	49.00	48.09
Intel	INTC	5,193.7	19.53	-0.11	-0.56	19.70	19.50
Grab Holdings	GRAB	5,024.4	3.44	-0.01	-0.29	3.45	3.41

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
NETGEAR	NTGR	84.6	19.79	3.86	24.23	21.16	15.93
Magic Software Ent's	MGIC	55.0	12.10	1.47	13.83	12.29	10.75
Trip.com Group ADR	TCOM	615.6	50.54	3.26	6.90	50.54	46.91
Hancock Whitney	HWC	73.2	50.91	2.42	4.99	50.92	48.32
Longboard Pharm	LBPH	726.4	35.10	1.50	4.46	35.10	33.60

...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Ryde Group CI A	RYDE	3,209.9	6.53	-6.58	-50.19	13.11	3.75
Oxford Industries	OXM	235.4	76.30	-7.36	-8.80	86.46	75.41
Progyny	PGNY	57.4	22.00	-0.90	-3.93	22.90	22.00
iShares MSCI Taiwan ETF	EWTP	427.7	50.00	-2.00	-3.85	52.17	50.00
S&P Global	SPGI	69.7	497.69	-18.12	-3.51	522.00	497.69

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	922,623,551	10,430,867
Adv. volume*	524,216,174	6,410,662
Decl. volume*	382,237,942	3,905,186
Issues traded	2,861	302
Advances	1,580	167
Declines	1,175	119
Unchanged	106	16
New highs	178	8
New lows	99	13
Closing Arms*	0.84	0.81
Block trades*	4,332	106

	Nasdaq	NYSE Arca
Total volume*	6,086,938,849	307,811,486
Adv. volume*	4,334,253,170	169,200,970
Decl. volume*	1,713,487,291	134,209,601
Issues traded	4,338	1,964
Advances	2,238	1,380
Declines	1,918	541
Unchanged	182	43
New highs	140	175
New lows	143	27
Closing Arms*	0.46	2.15
Block trades*	40,812	1,853

*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
World	MSCI ACWI	813.61	5.12	0.63	11.9
	MSCI ACWI ex-USA	332.58	-0.63	-0.19	5.0
	MSCI World	3578.65	26.62	0.75	12.9
	MSCI Emerging Markets	1058.69	-4.19	-0.39	3.4
Americas	MSCI AC Americas	2088.67	22.14	1.07	15.2
Canada	S&P/TSX Comp	23211.17	208.08	0.90	10.7
Latin Amer.	MSCI EM Latin America	2186.51	10.76	0.49	-17.9
Brazil	Ibovespa	134676.27	357.17	0.27	0.4
Chile	S&P IPSA	3414.98	46.99	1.40	-1.5
Mexico	S&P/BMV IPC	51195.76	222.65	0.44	-10.8
EMEA	STOXX Europe 600	508.02	0.07	0.01	6.1
Eurozone	Euro STOXX	494.55	1.06	0.21	4.3
Belgium	Bel-20	4195.75	-1.59	-0.04	13.2
Denmark	OMX Copenhagen 20	2690.47	40.01	1.51	17.8
France	CAC 40	7396.83	-10.72	-0.14	-1.9
Germany	DAX	18330.27	64.35	0.35	9.4
Israel	Tel Aviv	2033.00	2.39	0.12	9.0
Italy	FTSE MIB	33174.42	-38.87	-0.12	9.3
Netherlands	AEX	884.50	2.66	0.30	12.4
Norway	Oslo Bors All-Share	1590.82	3.14	0.20	4.7
South Africa	FTSE/JSE All-Share	80827.79	-814.11	-1.00	5.1
Spain	IBEX 35	11278.90	75.40	0.67	11.6
Sweden	OMX Stockholm	964.80	-5.30	-0.55	6.9
Switzerland	Swiss Market	11922.91	-41.80	-0.35	7.0
Turkey	BIST 100	9419.66	-204.38	-2.12	26.1
U.K.	FTSE 100	8193.94	-12.04	-0.15	6.0
U.K.	FTSE 250	20537.25	-118.89	-0.58	4.3
Asia-Pacific	MSCI AC Asia Pacific	179.02	-0.88	-0.49	5.7
Australia	S&P/ASX 200	7987.90	-24.04	-0.30	5.2
China	Shanghai Composite	2721.80	-22.40	-0.82	-8.5
Hong Kong	Hang Seng	17108.71	-125.38	-0.73	0.4
India	BSE Sensex	81523.16	-398.13	-0.49	12.9
Japan	NIKKEI 225	35619.77	-539.39	-1.49	6.4
Singapore	Straits Times	3531.17	18.50	0.53	9.0
South Korea	KOSPI	2513.37	-10.06	-0.40	-5.3
Taiwan	TAIEX	21031.00	-33.08	-0.16	17.3
Thailand	SET	1415.41	-12.62	-0.88	-0.03

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	Low	% chg
Children's Place	PLCE	9.10	4.20	85.71	38.03	4.77	-62.0
PureCycle Technologies	PCT	6.76	2.07	44.14	8.00	2.39	-10.8
Petco Health & Wellness	WOOF	4.08	1.01	32.90	4.85	1.41	-14.3
Fitell	FTLE	17.59	3.91	28.58	39.89	0.88	568.8
Allbirds	BIRD	13.79	2.81	25.59	29.00	9.06	-48.9
Solowin Holdings	SWIN	3.03	0.59	24.18	72.55	1.84	11.0
Nano Nuclear Energy	NNE	10.85	2.06	23.44	37.51	3.25	...
SmartKem	SMTK	6.15	1.07	21.06	19.00	1.50	-7.4
Instil Bio	TIL	29.65	5.07	20.63	32.40	6.07	209.5
NFT	MI	5.18	0.88	20.47	16.72	3.08	-45.5
XCHG ADR	XCH	8.80	1.44	19.57	10.96	6.40	...
Cingulate	CING	6.51	1.06	19.45	187.20	1.80	-95.6
Alignment Healthcare	ALHC	10.75	1.75	19.44	10.83	4.46	99.8
UTStarcom Holdings	UTSI	3.04	0.48	18.75	3.79	2.20	-17.8
Oscar Health	OSCR	20.67	3.25	18.66	23.44	4.72	224.5

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Table of Metal & Petroleum Futures. Columns include Contract, Open, High, Low, Settle, Chg, and Open interest. Rows include Copper-High (CMX), Gold (CMX), Palladium (NYM), Platinum (NYM), Silver (CMX), Crude Oil, Light Sweet (NYM), Gasoline-NY RBBO (NYM), and Natural Gas (NYM).

Table of Agriculture Futures. Columns include Contract, Open, High, Low, Settle, Chg, and Open interest. Rows include Corn (CBT), Oats (CBT), Soybeans (CBT), Soybean Meal (CBT), Soybean Oil (CBT), Rough Rice (CBT), Wheat (CBT), and various other agricultural products.

Table of Interest Rate Futures. Columns include Contract, Open, High, Low, Settle, Chg, and Open interest. Rows include Ultra Treasury Bonds (CBT), Treasury Bonds (CBT), Treasury Notes (CBT), 5 Year Treasury Notes (CBT), and 2 Year Treasury Notes (CBT).

Table of Currency Futures. Columns include Contract, Open, High, Low, Settle, Chg, and Open interest. Rows include Japanese Yen (CME), Canadian Dollar (CME), British Pound (CME), Swiss Franc (CME), Australian Dollar (CME), Mexican Peso (CME), and Euro (CME).

Table of Index Futures. Columns include Contract, Open, High, Low, Settle, Chg, and Open interest. Rows include Mini DJ Industrial Average (CBT), Mini S&P 500 (CME), Mini Russell 2000 (CME), and U.S. Dollar Index (ICE-US).

Cash Prices

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table of Cash Prices categorized by Energy, Metals, Fibers and Textiles, Grains and Feeds, and Fats and Oils. Includes sub-sections like Battery/EV metals and Other metals.

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=Comlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. *Data as of 9/10

Source: Dow Jones Market Data

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table of Bond Benchmarks. Columns include Total return close, YTD total return (%), Index, Yield (%), Latest, Low, High. Rows include Broad Market, U.S. Corporate, High Yield, and Global Government bonds.

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. **EMBI Global Index. Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P. Morgan

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended September 6. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import and demand data are available monthly only.

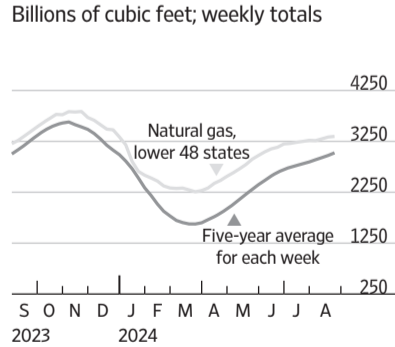
Table of Inventories, 000s barrels. Columns include Current, Expected change, Previous week, Year ago, 4-week avg, 5-year avg. Rows include Crude oil and petroleum prod, Gasoline, Natural gas (bcf), etc.

Table of Imports, 000s barrels per day. Columns include Current, Expected change, Previous week, Year ago, 4-week avg, 5-year avg. Rows include Crude oil and petroleum prod, Gasoline, Natural gas (bcf), etc.

Weekly Demand, 000s barrels per day

Table of Weekly Demand, 000s barrels per day. Columns include Current, Expected change, Previous week, Year ago, 4-week avg, 5-year avg. Rows include Total petroleum product, Finished motor gasoline, etc.

Natural gas storage



Exchange-Traded Portfolios | wsj.com/market-data/mutualfunds-etfs

Table of Largest 100 exchange-traded funds. Columns include Symbol, Price, Chg, YTD. Rows include CSMR, DIMEN, ENSEL, etc.

Table of ETFs. Columns include Symbol, Price, Chg, YTD. Rows include SPDR S&P MidCap, SPDR S&P Div, Tech Select Sector, etc.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table of Corporate Debt. Columns include Issuer, Symbol, Coupon, Yield, Maturity, Spread, One-day change, Last week. Rows include Procter & Gamble, Cleco Power, Progress Energy, etc.

...And spreads that widened the most

Table of Corporate Debt. Columns include Issuer, Symbol, Coupon, Yield, Maturity, Spread, One-day change, Last week. Rows include Citigroup, Bank of America, Ally Financial, etc.

High-yield issues with the biggest price increases...

Table of Corporate Debt. Columns include Issuer, Symbol, Coupon, Yield, Maturity, Bond Price, One-day change, Last week. Rows include Transocean, Navient, Prime Security Services Borrower, etc.

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread. Note: Data are for the most active issue of bonds with maturities of two years or more

Source: MarketAxess

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are consolidated from trades reported by various market centers, including securities exchanges, Finra, electronic communications networks and other broker-dealers. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes: 1-New 52-week high; 1-New 52-week low; dd-Indicates loss in the most recent four quarters.

Stock tables reflect composite regular trading as of 4 p.m. ET and changes in the official closing prices from 4 p.m. ET the previous day.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like AECOM, AES, Affirm, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like Equinix, Hyatt, ICI, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like J.D. Combs, Johnson & Johnson, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like GE Aerospace, GE Healthcare, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like GlobalFoundries, GlobalWired, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like M&T Bank, MGM Resorts, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like Prudential, PublicService, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like RBC Bearings, RB Global, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like TC Energy, TD Synnex, etc.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Includes sub-sections for Wednesday, September 11, 2024, and various stock listings like WEC Energy, Weyerhaeuser, etc.

IPO Scorecard table showing performance of IPOs, most-recent listed first. Columns include Company, SYMBOL, Wed's Offer price, 1st-day price, % Chg From, etc.

Dividend Changes table showing dividend information for various stocks. Columns include Company, Symbol, Yld %, Amount New/Old, Frq, Payable/Record.

Borrowing Benchmarks

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table showing various interest rate benchmarks: Inflation, U.S. consumer price index, Commercial paper (AA financial), Prime rates, Secured Overnight Financing Rate, etc.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Table showing New Highs and Lows for various stocks on Wednesday, September 11, 2024. Columns include Stock, Sym, Hi/Low, % Chg.

Table showing 52-Week Highs and Lows for various stocks. Columns include Stock, Sym, Hi/Low, % Chg.

Table showing Overnight repurchase, U.S. government rates, Discount, Federal funds, Treasury bill auction, etc.

Table showing 52-Week Highs and Lows for various stocks. Columns include Stock, Sym, Hi/Low, % Chg.

MARKETS & FINANCE

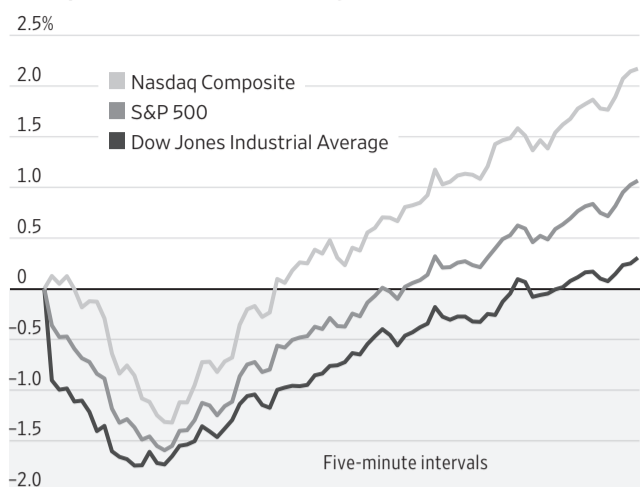
Stocks Reverse Day's Early Declines

Presidential candidates' debate sends ripples through markets

BY ANNA HIRTENSTEIN AND VICKY GE HUANG

Stocks reversed early declines and ended the day near session highs, rebounding from a slide that followed a slightly hotter-than-expected reading on inflation. Wednesday morning's consumer-price index showed core inflation, which excludes food and energy costs, unexpectedly picked up in August, even as the annual rate of headline inflation eased to a slower-than-expected 2.5%. The Dow industrials added 0.3%, or about 125 points. The

Index performance on Wednesday



Source: FactSet

S&P 500 rose 1.1%, while the Nasdaq Composite gained 2.2%. The rally continued in Asia early Thursday. At midday,

Japan's Nikkei 225 was up 2.8%, while stocks in China and elsewhere were up to a lesser extent.

Wednesday's inflation report is critical because the Federal Reserve is poised to start lowering interest rates next week, and investors are still trying to determine how fast it will move to ease policy.

Following the release, investors slashed bets on the Fed kicking off its easing campaign with a big cut.

"I only expected a [quarter-percentage-point] cut," said Kristina Hooper, chief global market strategist at Invesco. "If we were to get a [half] point cut, I think that would set off alarm bells, especially given that markets are already nervous about the health of the economy."

Traders also were reacting to presidential candidates Kamala Harris's and Donald Trump's first debate Tuesday, taking positions that reflected a higher chance of a Harris victory.

Elsewhere:

Treasury yields rose, with the yield on the benchmark 10-year U.S. Treasury note settling at 3.653%. The two-year settled at 3.643%.

THURSDAY'S EVENTS:

The European Central Bank's interest-rate decision is due at 8:15 a.m. ET.

The U.S. producer-price index is due out at 8:30 a.m. ET and is expected to show a slightly monthly pickup.

Weekly jobless claims, due at the same time, are expected to come in at 225,000.

EARNINGS EXPECTED:

Adobe, Kroger

STOCK SPOTLIGHT

Trump Media & Technology Group

Shares of Truth Social's parent dropped 10% after the debate between presidential candidates Kamala Harris and Donald Trump.

Coinbase Global and MicroStrategy

Crypto-linked stocks declined, tracking bitcoin losses that began during the debate; Trump is seen as the pro-crypto candidate. Coinbase fell 0.8% and MicroStrategy fell 0.3%.

GameStop

The videogame retailer and meme stock closed down 12% after it reported a sharp decline in sales.

Albermarle

Shares of the lithium miner rallied 14% after Citi said China's CATL was considering suspending some of its mining and production operations.

Dave & Buster's

The arcade and restaurant operator's earnings beat analysts' estimates. Shares jumped 4.7%.

Commerzbank

The German bank's shares rocketed 17% after Italy's UniCredit acquired a stake. UniCredit said it would seek regulatory clearance to potentially buy more.

REA

The U.K.'s Rightmove rebuffed a bid by Australia's REA, whose shares fell 2.2%. A deal would unite two dominant real-estate listing websites. REA is 61% owned by News Corp, which owns Dow Jones, The Wall Street Journal's publisher.

AUCTION RESULTS

Here are the results of Wednesday'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 columns for Applications, Accepted bids, noncompetitively, foreign noncompetitively, Auction price (rate), Coupon equivalent, Bids at clearing yield accepted, Cusip number, and dates for 17-WEEK BILLS and NINE-YEAR, 11-MONTH NOTES.

Is Recession Signal Now Flashing?

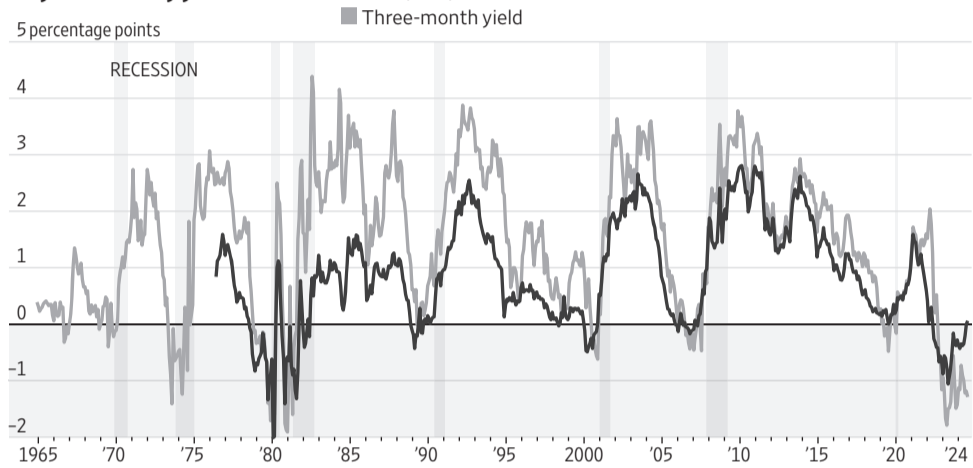
Continued from page B1 result from the Fed cutting rates a lot. At the moment, futures traders are pricing in 2.5 percentage points or more of rate cuts by the end of next year, which is a lot to cut without a recession.

Hope this time rests on the historical exceptions. There were soft landings in the mid-1960s, mid-1980s and mid-1990s despite big rate rises. In the mid-1960s and briefly in the mid-1990s, at least some measures of the yield curve inverted, although nowhere near as long or as deeply as in the past couple of years. In the mid-'80s, there was a soft landing without an inverted yield curve after big rate rises turned into rate cuts as large as the markets are predicting by the end of next year.

There is the question of which yield curve to choose. Economists prefer to compare the 10-year yield with the three-month yield, which captures only impending rate cuts and has a better record than the two-year used by many investors. The 10-year minus three-month curve is a long way from uninteresting,

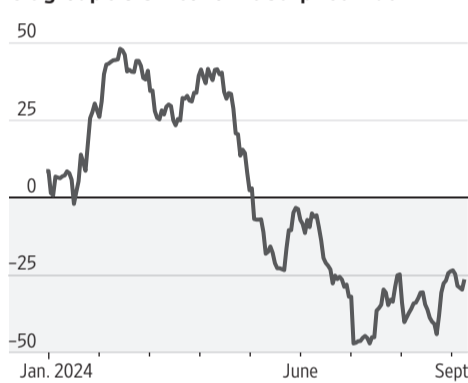
U.S. yield curves*

10-year Treasury yield minus:



The economy is weaker than expected...

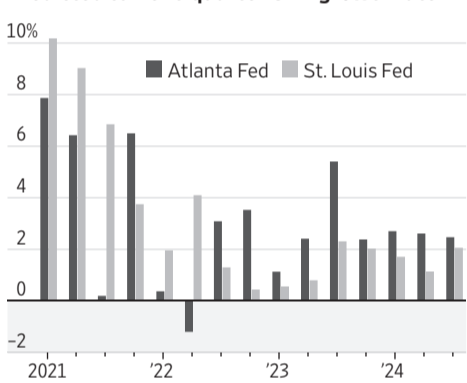
Citigroup's U.S. Economic Surprise Index



*Monthly data through Monday †Seasonally-adjusted annual real rate Sources: LSEG (Treasury yield, index); Federal Reserve Bank of St. Louis (GDP growth rate)

...But still positive

Predicted current-quarter GDP growth rate*



confusing the picture further. None of the historical examples involved an inverted curve and such rapid predicted cuts. This is where the market might have things

wrong. There are good reasons to think investors might be overdoing it in pricing in such deep cuts combined with a soft landing, given the upward pressures on long-term

rates from huge and apparently permanent fiscal deficits, increased protectionism and the need for higher defense and energy spending. Yet, if inflation stabilizes

Lithium Miners Surge on Possible CATL Supply Cut

BY SHERRY QIN

Miners of lithium have been searching for a spark in recent months despite the metal's key role in the energy transition. Now, they may have found one. The world's biggest maker of batteries for electric vehicles, China's Contemporary Amperex Technology, is considering the suspension of some lithium mining and production operations, according to a research report by Citi. The company, better known as CATL, is weighing whether to mothball its lepidolite mine in eastern China and one of its three lithium carbonate production lines, the bank said. CATL hasn't confirmed the news of the potential suspensions to investors, and it didn't

respond to a request for comment. Still, investors took the opportunity to buy shares in lithium producers on hopes that an easing in the global supply glut of the material could be imminent. In Australia, shares of Mineral Resources advanced 16%, just two days after Fitch Ratings revised its outlook for the company to negative partly due to the drop in lithium prices. Local rivals Pilbara Minerals and Lontown Resources each rose by 13%. Elsewhere, Ganfeng Lithium rose 9% in Hong Kong and 10% in Shenzhen. Tianqi Lithium surged 13% in Hong Kong and its A shares advanced 10%, the maximum daily rise permitted in mainland China's market.

UniCredit Takes Commerzbank Stake

BY ADRIÀ CALATAYUD

Italy's UniCredit took a stake of around 9% in smaller German peer Commerzbank and opened the door to further share purchases, reviving the prospect of a deeper tie-up between the banks. The Italian bank—one of the biggest in the eurozone—said Wednesday it would engage with Commerzbank about value-creating opportunities and request authorization to potentially exceed a 9.9% shareholding at a later date. Commerzbank's Germany-listed shares surged on the news, climbing nearly 17% Wednesday, while UniCredit stock edged up 0.2% in Milan. A potential UniCredit-Commerzbank deal has been the subject of speculation in the

past, with reports pointing to interest from parties including the Italian bank after merger talks between Commerzbank and Deutsche Bank collapsed in 2019, and renewed reports of a tie-up in 2022. Some analysts consider a deal possible. Investors have long looked for consolidation activity among European banks, but deals have been few over the past years, with the recent exception of UBS's state-supported takeover of Credit Suisse. UniCredit's chief executive, Andrea Orcel, earlier this year said his bank was interested in acquisitions, but only if they made sense for shareholders. A regulatory submission to exceed a 9.9% holding in Commerzbank would give Uni-

Credit flexibility, and any decision on the stake would depend on the investment meeting its financial parameters, UniCredit said. The bank said it bought 4.49% of Commerzbank from the German government and the rest on the market. UniCredit said it supports Commerzbank's management and supervisory boards and the progress they made in improving the bank's performance. The German finance agency earlier said it sold a first block of its crisis-era stake in Commerzbank for €702 million, or about \$773.6 million, reducing its shareholding to 12% from 16.49%. UniCredit outbid all other offers by paying €13.20 a share, a premium to Commerzbank's closing price of

€12.60 a share on Tuesday, the agency said. A potential full takeover of Commerzbank by UniCredit would make financial and strategic sense for the Italian bank, bolstering its presence in Germany and Poland, Keefe, Bruyette & Woods analysts Hugo Cruz and Ben Maher wrote in a note to clients. UniCredit's interest in Germany means rival banks looking for acquisitions in Italy could face less competition, the analysts added. The German government remains the largest shareholder in Commerzbank after the sale, it said. However, the government said last week that it wanted to begin a process to exit the stake it built in Commerzbank during the financial crisis of 2008.

Mutual Funds

Table of mutual fund performance for Wednesday, September 11, 2024. Columns include Fund, NAV, YTD % Ret, and Net YTD % Ret. Funds are categorized by type (e.g., AB Funds, AG Funds, American Century Inv, etc.).

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Campbell Changes Its Name, Not Its Plans

While the company is rightly emphasizing new growth drivers, its core soup business could still surprise

Campbell wants you to know it is about more than just soup. But that doesn't mean the company is giving up on its namesake product.

At an investor event Tuesday, Chief Executive Mark Clouse revealed the storied company would ask shareholders to approve a name change, from Campbell Soup Co. to The Campbell's Co.

It is a significant shift that underscores how much transformation has occurred since Clouse took over in January 2019.

Today, nearly half the company's sales come from snacks, including such brands as Goldfish crackers and Kettle chips. Meanwhile, the growth potential of the meals-and-beverages segment, which includes soups as well as such sauce brands as Prego and Pace, has been significantly upgraded with the recent acquisition of the Rao's pasta-sauce brand.

Yet it remains the case that in his more-than-five-year tenure at Campbell, one of Clouse's most significant achievements has been the stabilization of the soup business, which was in free fall when he arrived.

The company's fiscal year ended in July wasn't an easy one—it saw consumers pull back

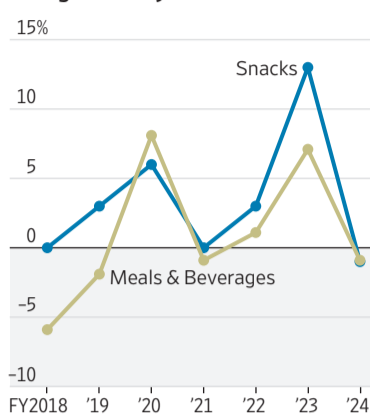
from food purchases in reaction to years of cumulative inflation, as well as a sharp reduction in food-stamp benefits.

Nonetheless, the meals-and-beverages segment recorded an organic sales decline, stripping out acquisitions and currency impacts, of just 1%, equal to what occurred in snacks, which is typically faster-growing.

By contrast, in the fiscal year through July 2018, before Clouse's arrival, the equivalent meals-and-beverages segment logged an organic sales decline of 6%. And that was without any of those macroeconomic headwinds. Campbell soups simply lost favor with consumers and shed market share.

In fiscal 2020 through fiscal 2024, meals and beverages posted average annual organic sales growth of around 3%. Admittedly this was boosted by the pandemic and inflation-driven price increases, but it also clearly reflected improvements to the underlying product, including innovative new flavors, a redesigned can and other needed updates. This, in turn, has given Campbell a stable, cash-generating foundation from which to grow, instead of a burning crisis to address.

Campbell organic sales by division, change from a year earlier



Note: Fiscal year is through July. For FY2018, the division names were Americas Simple Meals and Beverages and Global Biscuits and Snacks
Source: the company

With the investor presentations on Tuesday, Campbell executives explicitly tried to turn attention away from the problems of the past and toward their future strategy. Nonetheless, their outlook was fairly conservative. The company's new "growth algorithm," which is industry jargon for a long-term growth target, was upgraded only slightly, to organic sales growth of 2% to 3% a year. That compares with the prior tar-

get, unveiled at an investor day in 2021, of 2% a year.

This step up looks especially modest after accounting for the acquisition of Sovos Brands, the parent company of Rao's, which Campbell executives call "the best growth story in food." In the quarter through July, Sovos's net sales were up 14% from a year earlier.

Within the growth algorithm, Campbell said it expects annual growth of 3% to 4% in snacks and 1% to 2% in meals and beverages, including Rao's.

Importantly, the company is assuming no growth at all in soup, just stable sales.

Yet investment in the soup line continues. The company on Tuesday set a long-term target for 4% of sales to come from new products launched within the past 12 months, up from 3.1% last fiscal year, which it acknowledged was below the industry average.

The target proportion of new product sales was set at 4% to 5% for snacks and 3% in meals and beverages.

As an example of recent innovation in soup, the company cited the rollout of new spicy flavors aimed at younger consumers following the success of its Ghost Pepper Chicken Noodle soup. New

additions include Nashville-Style Hot Chicken soup, which is currently being featured in an ad with the retired NFL star Jason Kelce, and an even spicier limited edition Carolina Reaper soup.

At the same time, the company said it could see rising soup sales from an aging population—including elder millennials—as older consumers tend to buy more soup. Encouragingly, it is revamping its Healthy Request line of lower-sodium soups, which has long underperformed in the market despite addressing a widespread health concern with canned soup.

In an interview, Clouse said the long-term algorithm assumes no growth in soup as a way to assure investors that the company isn't depending on it.

"How do I take off any risk or concern someone may have in our ability to deliver results? The luxury I guess I would say of our portfolio today is it only depends on soup to be flat. I fully expect it to grow and therefore for there to be upside to us," he said.

In other words, if Campbell is going to deliver a positive surprise to investors in the years ahead, it could well come from soup. A name isn't everything.

—Aaron Back

Topgolf Sent Callaway Into the Rough

Duffers are ruining things for **Topgolf Callaway**.

Serious golfers are reliably showing up on golf courses, spending money on their equipment and golf balls. But recreational players are no longer as keen on shelling out some \$70 an hour on a driving range for fun these days. This has been just one of many problems plaguing the company since it bought recreational driving-range operator Topgolf.

Hence its decision to spin off the Topgolf business. The company said last week that the target spinoff date would be in the second half of 2025, though it also said it would be open to other options such as an outright sale of Topgolf if an attractive offer shows up.

Investors weren't enthusiastic about the combination to begin with. Shares of the company, previously known as Callaway, fell 19% following the initial announcement of the deal in October 2020. Not only were so-called deal synergies not very convincing, but the company took on substantial debt as a result. This followed another acquisition—apparel brand Jack Wolfskin—that had also added to its debt pile.

The company initially thought that visitors to Topgolf would become newbie golfers who might seek out its products after trying them out at those venues, which carry Callaway equipment. As it turns out, hitting a few balls at a recreational driving range isn't enough to convert people into Callaway faithfuls.

Lately, the Topgolf business has been hit hard by slowing con-

sumer spending. Same-venue sales fell 8% in the second quarter from a year earlier, the fourth consecutive quarter of declines. The sales drop was even worse for big-group events because of "corporate belt-tightening," according to the company.

That is quite the contrast with bowling-alley operator **Bowlero**, which reported a same-store sales increase in the same quarter. Eric Wold, equity analyst for B. Riley Securities, noted that movie theaters and theme parks also haven't experienced the degree of slowdown that Topgolf has seen recently.

The steeper price tag might be one contributor: In its location in Edison, N.J., for example, it costs about \$155 to reserve one bay for a two-hour session during peak hours. And that doesn't include food or drinks.

Topgolf is trying out different ways to lure customers, including variable pricing, tweaks to its promotions and adding concerts and live DJ nights.

In all, Topgolf Callaway's shares have shed nearly 52% since it unveiled the deal, a contrast with peer **Acushnet** (owner of Titleist), which has appreciated 83% over the same period. This is despite the fact that the postpandemic period has been "the greatest period for the sport of golf and the golf equipment industry" since the peak of Tigermania more than 20 years ago, according to Joe Altobello, equity analyst at Raymond James.

Last year was the record for rounds played in U.S. history, and that number was still growing through mid-2024, according to a



Topgolf Callaway plans to spin off its Topgolf driving-range business in the second half of 2025.

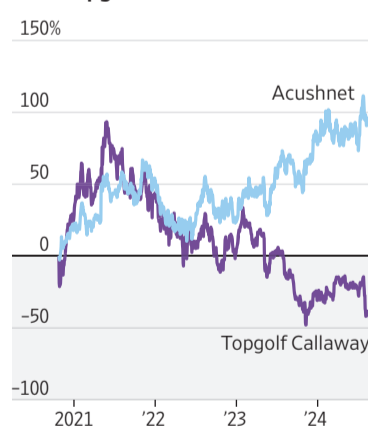
research note from Jefferies.

Callaway has been a clear beneficiary, and it still has the leading market share in the U.S. for drivers, fairway woods and irons, according to the research note.

Topgolf itself isn't a lousy business—it is profitable and generated a 15.5% margin on the basis of earnings before interest, taxes, depreciation and amortization last year. Its top line grew at a healthy 27% compound annual growth rate between 2021 and 2023 before the recent slowdown, and it still has a long runway of new locations. It will, however, first need to prove that it can bring customers back after the first handful of visits.

More broadly, Altobello notes that the company was probably getting a "conglomerate discount" because the two are such different businesses: There might not be a big overlap of investors who want to invest in an industry-leading golf-equipment maker and those who want a stake in an entertain-

Share-price performance since Callaway announced merger with Topgolf

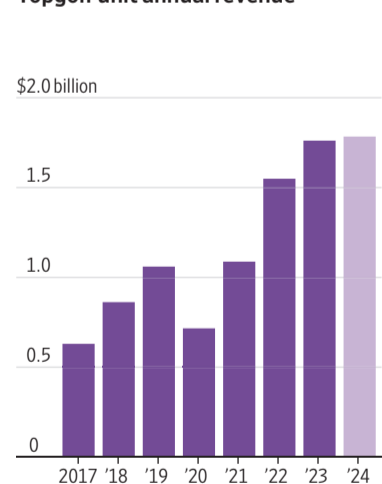


*Figure for 2024 is based on analyst estimates.

ment-and-restaurant type business.

Today, Topgolf Callaway's enterprise value is less than 10 times forward-12-month Ebitda, a 14% discount to peer Acushnet and

Topgolf unit annual revenue*



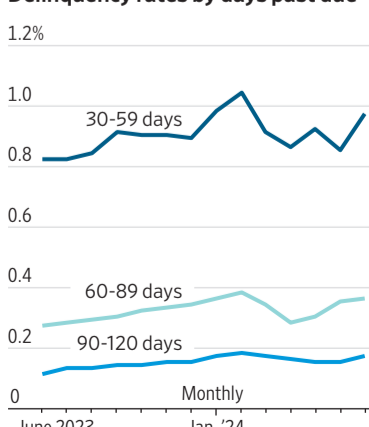
Sources: FactSet (share price); Visible Alpha (revenue)

10% cheaper than Bowlero. That makes for an enticing entry point, but investors might first want to see proof of lasting discipline at Callaway before pouncing.

—Jinjo Lee

Ally's Warning Light on Credit Should Be Heeded

Delinquency rates by days past due



Note: Delinquency rate is shown as a percentage of outstanding balance for overall consumer debt.
Source: VantageScore CreditGauge

A "check engine" light went off Tuesday for consumer lenders. Sometimes that is nothing serious. But it is always worth investigating.

Ally Financial, a leading retail auto lender, spooked investors by warning that "credit challenges have intensified" in this business over the quarter. Ally's stock fell 18% Tuesday, though it edged higher on Wednesday.

Russell Hutchinson, Ally's chief financial officer, told an investor conference that borrowers "have been struggling with cost of living and now are struggling with an employment picture that's worse." He said overdue payments on car loans and charge-offs were higher than expected in July and August,

and Ally will likely have to increase loan-loss reserves.

Late-payment trends have worsened since the spring across consumer lending. In July, a key measure of overdue consumer credit jumped, according to CreditGauge, which is produced by VantageScore, a joint venture of the three major reporting agencies.

Consumer-credit payments that were about one to two months past due surged to 0.97% of outstanding balances in July—up from 0.85% in June, and 0.82% a year earlier.

Yet Ally's comments were an outlier among firms at Barclays's financial-services conference this week. Besides Ally, "most banks held firm on their asset quality ex-

pectations," Barclays analysts wrote Tuesday. They added that other large players, including **Bank of America**, **Capital One** and **Huntington**, didn't flag similar auto-lending concerns.

Credit issues can be lender-specific. But Ally could still be a canary in the coal mine. Besides 2022 loans—a lending vintage well known across banking for its problems—Ally also said last year's retail auto loans, while faring better than 2022, still face rising pressure amid "an increasingly difficult macro environment."

And here is something else to consider: Auto loans have historically often been one of the last things people stop paying, because they need their cars so much. But

it doesn't have to be that way.

Access to consumer credit has broadly tightened. Some struggling borrowers may be prioritizing minimum payments on cards, not cars, to keep them active, lest they have no options at all.

People also have lots of home equity. If they miss mortgage payments and can't cash out or borrow against that equity, or even lose the house, that could be a far worse outcome than in past credit cycles.

If this is how some borrowers think, then auto loans might be an early indicator of trouble, rather than a late one. Even in a soft landing, things could still get harder for many borrowers and their lenders.

—Telis Demos