

## What's News

### Business & Finance

**The yield on the 10-year U.S. Treasury note** logged its biggest monthly increase in more than a decade in April, lifted by mounting expectations for higher interest rates that have deepened the pain for debt investors. **A1**

◆ **Executives running** some of the world's biggest retailers, manufacturers and consumer-products makers say they are seeing signs that people are becoming less willing to absorb price increases. **A1**

◆ **The largest U.S. banks,** securities firms and custodians, many of which once greeted cryptocurrencies skeptically, are now showcasing their forays into the market. **B1**

◆ **Florida's stripping** Disney of its special taxing privileges leaves investors wondering who pays back almost \$1 billion of municipal bonds. **B1**

◆ **The fallout from** the spat between Disney and DeSantis alarmed corporate leaders, according to executives and their advisers. **B1**

◆ **Buffett called** markets over the past few years "a gambling parlor," as Berkshire Hathaway makes new investments after a period of relative quiet. **B1**

◆ **Berkshire's quarterly** earnings fell as market turbulence weighed on its stock portfolio and rising claims costs hurt its insurance-underwriting business. **B9**

◆ **Rampant inflation** is helping reduce the weight of the world's public debt relative to its economic output, a boon for governments that economists warn could backfire if inflation stays unchecked. **A8**

### World-Wide

◆ **House Speaker Pelosi** and a delegation of U.S. lawmakers pledged to support Ukraine until it secured victory against Russia after meeting with Ukraine's leader in Kyiv. The U.S. comments came as Moscow's military advance stalled and Russian officials blamed saboteurs for an attack inside its territory. **A1, A6-7**

◆ **A series of May primaries** represent the biggest test yet of Trump's post-presidential influence on the Republican electorate, with the outcomes carrying implications for his potential third White House campaign and control of Congress. **A4**

◆ **As new Omicron variants** further infiltrate the U.S., signals suggest the latest increase in Covid-19 infections hasn't sparked a commensurate surge in severe illness even as risks remain. **A3**

◆ **More than 1,000** firefighters battled the nation's largest wildfire in northern New Mexico on Sunday amid turbulent winds and bone-dry conditions. **A3**

◆ **President Biden paid** tribute to the late former Vice President Walter Mondale in a memorial service on Sunday in Minneapolis. Mr. Mondale died in April 2021 at age 93. **A4**

◆ **European officials** are preparing to make a fresh push to salvage a nuclear deal with Iran, offering to send a top EU negotiator to Tehran in an effort to break a stalemate in talks, according to Western diplomats. **A8**

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Savellii Krotkikh, 10, mourns his father, Ihor Krotkikh, who was killed by shelling in the Russian invasion of Ukraine. The boy stood by the grave during a ceremony Sunday in Irpin.

# Pelosi Pledges To Aid Ukraine Until Victory

U.S. delegation makes show of support on Kyiv visit; Russian offensive in east stalls

RZESZÓW, Poland—House Speaker Nancy Pelosi and a delegation of U.S. lawmakers pledged Sunday to support Ukraine until it secured victory against Russia, after

By Matthew Luxmoore, Nancy A. Youssef and Ann M. Simmons

meeting with Ukraine's leader in the capital city of Kyiv.

The U.S. comments came as Moscow's military advance stalled and Russian officials blamed saboteurs for an attack inside its territory.

"Our delegation traveled to Kyiv to send an unmistakable and resounding message to

the entire world: America stands firmly with Ukraine," Mrs. Pelosi (D., Calif.) and the members of Congress who traveled with her, all Democrats, said in a statement after their Saturday night meeting with President Volodymyr Zelensky. The Ukrainian president conveyed a clear need for continued U.S. security, economic and humanitarian assistance in Ukraine's fight to repel the Russian advance, they said.

At a Sunday news conference in Rzeszów, Rep. Adam Schiff (D., Calif.), chairman of the House Intelligence Committee, said the U.S. commitment wouldn't end until "victory is won." The Biden administration has said it won't send U.S. troops to fight

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◆ **Russia hardens** occupation in southern Ukraine..... **A6**  
◆ **Moscow frames** war as fight with the West..... **A7**

# Bond-Yield Rise Steepest Since '09

By MATT GROSSMAN

The yield on the 10-year U.S. Treasury note logged its biggest monthly increase in more than a decade in April, lifted by mounting expectations for higher interest rates that have deepened the pain for debt investors.

Bond yields, which rise when bond prices fall, have been surging since the start of the year, with few signs of slowing down. Inflation has remained stubbornly high and analysts have ratcheted up forecasts for how aggressively the Federal Reserve will act to

tame it.

The yield on the 10-year note, one of the most actively traded bonds in the world, settled Friday at 2.885%, up from 2.324% at the end of March. That marked its biggest monthly increase since December 2009 and followed an already historic rout in the first three months of the year, when bond indexes delivered their worst quarterly returns since the early 1980s.

Yields are an important element in how investors value companies' projected profits. Their climb has hit the stock market this year, helping send

the S&P 500 in April to its worst monthly loss since October 2008. Down 13.3% in 2022, the index hasn't started a year this badly since 1939.

Persistent inflation, stuck at the highest level since the 1980s, has steered investors into bets that the Federal Reserve will wind down its economic support much faster than was forecast in January. That has lifted government-debt yields, which largely reflect expectations for inflation and Fed policy.

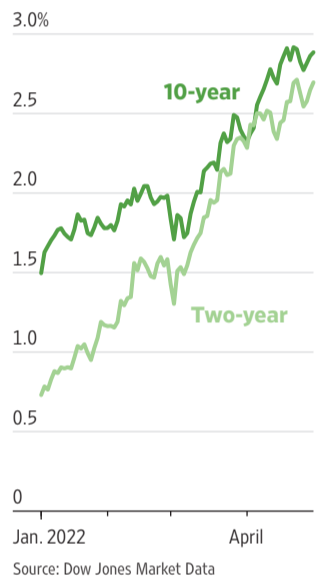
This week, the Fed is widely expected to raise its target short-term interest rate by 0.5

percentage point, with investors pricing in more such increases later this year. The central bank's meeting will also likely produce an update on the Fed's plans to trim the bond holdings on its balance sheet, another means for tightening financial conditions.

On Friday, the 10-year yield jumped as traders sold bonds after the Bureau of Labor Statistics reported that compensation costs for civilian workers climbed by 1.4% in March, the fastest increase on record. The two-year Treasury yield, which is more responsive to Fed pol-

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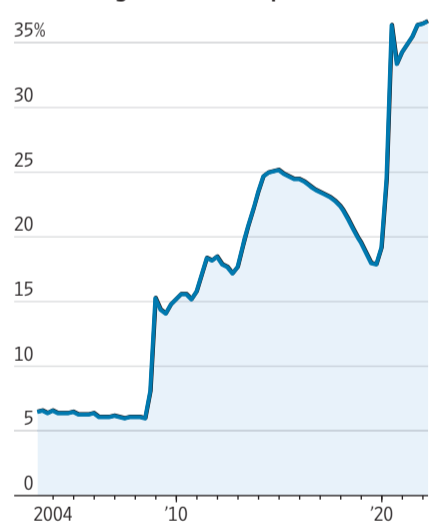
### U.S. Treasury yields



## Fed Hurries To End Stimulus

The Federal Reserve wants to quickly shrink its balance sheet, which was built up during the pandemic to support financial markets and the economy. On Wednesday, officials are to announce plans on how they will reduce those holdings. **A2**

### Federal Reserve asset portfolio as a share of gross domestic product



Sources: Commerce Department; Federal Reserve

# Consumers' Inflation Fatigue Grows as Buying Power Ebbs

By SHARON TERLEP

Executives running some of the world's biggest retailers, manufacturers and consumer-products makers have said they are seeing signs that people are becoming less willing to absorb price increases.

Marlboro maker Altria Group Inc. said cigarette smokers are trading down to discount brands as higher gasoline prices shrink their disposable income. Sleep Number Corp. and Tempur Sealy International Inc. caution demand is falling for mattresses and some big-ticket

items. 1-800-Flowers.com Inc. said it believes consumers are spending less on bouquets, partly because they are worried about rising inflation.

Robust consumer spending has powered the U.S. economy through much of the pandemic, as households were helped by Covid-related government stimulus programs, rising wages and a rebound in the U.S. job market that has pushed the unemployment rate down near pre-pandemic levels.

Companies that made everything from baby wipes to washing machines were able

to raise prices without denting demand much. Now, some executives and analysts said that consumers' buying power is being squeezed by inflation, which in March hit the highest annual rate since 1981. Grocers and other food and staples sellers, for instance, said shoppers have increasingly been seeking discounted products and lower-cost brands.

"U.S. consumer confidence has been shaken by rampant in-

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◆ **Heard on the Street:** Investors wait for car prices to fall... **B10**

## Wild Turkey Attacks Have Government Agencies Aflutter

A wily bird eludes capture; 'It struts its stuff and spreads its tail feathers'

By JAMES V. GRIMALDI

WASHINGTON—On a recent sunny spring day, cardinals, meadowlarks and bobolinks flit through the wooded patch between Kenilworth Marsh and the Anacostia River. A concrete bike and foot path winds through this pastoral stretch just blocks from a dense working-class neighborhood, but nobody is here.

Steps away, a dozen or so neighbors jog and power walk on a synthetic city track. Walkers and bikers say they are afraid of the path through the woods after a series of recent attacks. Cliff Robinson pauses to explain.

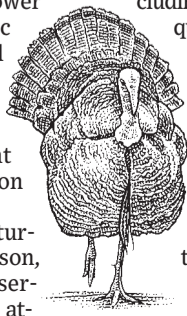
"Because of those turkeys!" said Mr. Robinson, 70, a retired court-services employee. "I was attacked there. Three

weeks ago. I was trying to get away from him and he came after me. He wouldn't let me pass."

The suspect: a male, heavy-set, 3½-foot tall, with a blue head and neck, pink flaps on his chin that turn red when he struts and a large fanned bronze tail. The weapons: sharp beak and talons used to slash passersby in the legs and thighs. The victims: more than a dozen walkers and bikers, including several who have required tetanus shots and antibiotics.

"There is an element of humor to it," said Dan Rauch, a D.C. Department of Energy & Environment wildlife biologist, part of a team trying to catch the perpetrator. "There is a terror turkey stalking a

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Fowl play

## INSIDE



CLAUS ANDERSEN/GETTY IMAGES

### SPORTS

The NHL is heading into the playoffs after a high-scoring regular season. **A14**



### BUSINESS

Buffett's Berkshire loosens its purse strings after a long deal drought. **B1**

## China Faces Sharp Economic Slowdown

Analysts see worrisome signs of slower growth, with global repercussions

Throttled by Beijing's zero-tolerance approach to Covid-19, China's economy is facing a spell of slower growth. Economists are toying with the term "recession" to describe it.

By Jason Douglas, Stella Yifan Xie and Selina Cheng

A recession commonly means two straight quarters of contraction, and that remains unlikely for China, many economists say. The country has many ways to ensure it posts stronger growth than the U.S. and Europe this year, including the ability to unleash heavy government spending.

But economists say that underlying conditions, worsened by Covid lockdowns in Shanghai and elsewhere, are

starting to feel more akin to a recession—something China hasn't experienced in decades.

Millions of new graduates are struggling to find a job. Business confidence has fallen. Imports have plummeted and nervous Chinese are socking away more savings.

On Saturday, purchasing manager indexes released by China's government showed contractions in factory and service-sector activity for a second straight month in April. They fell to their lowest levels since the pandemic began in 2020.

Cement production in mid-April was less than 40% of full capacity. Shipments of

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◆ **Covid outbreaks** in China revive strategy debate..... **A10**

# U.S. NEWS

THE OUTLOOK | By Nick Timiraos

## Fed Set for Double-Barrel Tightening



To support financial markets and the economy during the pandemic, the

Federal Reserve more than doubled its asset portfolio of mostly Treasury and mortgage securities to a mammoth \$9 trillion.

This Wednesday, officials are to announce plans on how they will shrink those holdings. Expect the process to be faster and potentially more disruptive to financial markets than last time.

The Fed first undertook large-scale bond buying, dubbed “quantitative easing,” during and after the 2007-09 financial crisis. At a time when the Fed’s short-term interest rate was near zero, the purchases were designed to stimulate economic growth by lowering long-term interest rates and pushing investors into riskier assets, buoying stocks, corporate bonds and real estate. It stopped expanding its portfolio in 2014, reinvesting the proceeds of maturing securities into new ones, dollar for dollar.

In 2017, when the Fed concluded the stimulus was no longer needed, it began to shrink its portfolio passively—that is, by allowing bonds to mature without reinvesting the proceeds, rather than actively selling them in the open market.

This time, officials have opted again for primarily a passive approach so that investors don’t have to guess from one meeting to the next how the Fed might recal-

brate its bond redemptions.

But passive redemptions, also known as runoff, will be bigger and faster than five years ago. Then, nervous about how runoff would work, officials imposed a low, \$10 billion cap on monthly runoff and slowly increased that cap to \$50 billion over the course of a year.

Officials have recently indicated that in this go-round, they would allow \$95 billion in securities to mature every month—\$60 billion in Treasuries and \$35 billion in mortgage-backed securities—nearly double the caps from last time. Runoff is likely to start in June and reach the new caps in just a couple months instead of a year.

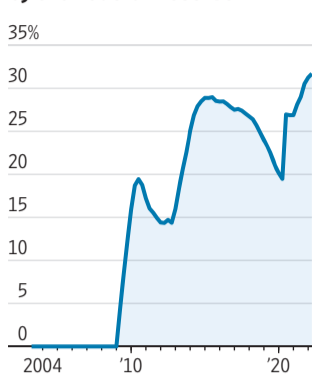
“It was bolder than I was expecting,” said Eric Rosengren, Boston Fed president from 2007 until last year.

Another change is that in September 2017, the Fed briefly paused raising rates when it launched runoff to avoid doing too many things at once. It hoped the program wouldn’t draw much attention; one official quipped it would be akin to “watching paint dry.”

This time, runoff will start while the Fed raises rates quickly. Officials raised rates a quarter percentage point in March and this week are set to approve a half-point rate increase, the first in 22 years.

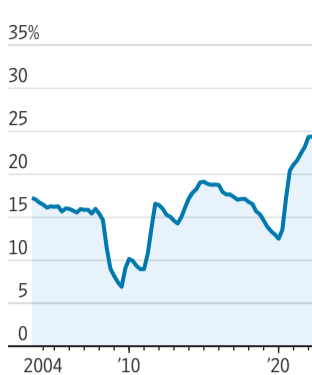
The Fed wasn’t in a rush five years ago because inflation was running just below its 2% target. Runoff was motivated partly by political considerations. The large holdings had become unpopular with some members of

Share of mortgage bonds issued by government-related entities owned by the Federal Reserve



Sources: Commerce Department; Federal Reserve; Treasury Department

Share of publicly held U.S. debt owned by the Federal Reserve



Congress who thought such unconventional stimulus tools hid the costs of steep budget deficits. To blunt such concerns, officials wanted to prove they could reverse quantitative easing.

This time, the Fed is in a hurry to remove stimulus because inflation was 6.6% in March using the Fed’s preferred index, near a four-decade high.

“I don’t think this is going to be ‘watching paint dry,’” said Diane Swonk, chief economist at Grant Thornton. “The Fed is doing this at the same time they are raising rates aggressively and inflation is high. They want to tighten financial conditions.”

Economists at Piper Sandler estimate the Fed will shrink its balance sheet by around \$600 billion this year and \$1 trillion next year. Officials are talking about shrinking holdings by around \$3 trillion over the next three years, compared with just \$800 billion between

2017 and 2019.

Five years ago, the Fed never seriously considered active sales of bonds in addition to passive runoff. By contrast, in March officials agreed they might need to eventually sell some mortgage bonds on the open market.

The reason is that as mortgage rates rise, borrowers are less likely to refinance into a new loan, and thus mortgage-backed securities are slower to mature. This means the Fed might not be able to shrink its mortgage holdings very much through runoff alone.

Active sales could add to this year’s climb in mortgage rates. By some measures, the spread between yields on mortgage securities and Treasuries is the widest since 2008, said Michael Fratantoni, chief economist of the Mortgage Bankers Association. In March, Fed Chairman

Jerome Powell equated the effect of shrinking the balance sheet this year to an additional quarter-percentage-point increase in the central bank’s benchmark short-term rate.

Analysts at JPMorgan Chase & Co. have estimated that each \$1 trillion in Fed bond buying during and after the 2008 financial crisis reduced the term premium—the extra yield that investors get for holding a 10-year Treasury note—by 0.15 to 0.2 percentage points. Runoff should, in theory, boost the term premium by increasing the supply of bonds, pushing their prices lower and raising their yields, which move in inverse relationship to prices.

Some studies show that bond purchases’ greatest effect didn’t come through reducing the supply of bonds but signaling the Fed wouldn’t raise interest rates for a while. If so, then increasing the supply of bonds via runoff might have little effect.

The reality is that no one is quite sure of the impact on growth and markets of throwing quantitative easing into reverse. That ambiguity complicates the Fed’s calculations of how high to raise interest rates to slow the economy and bring down inflation.

“When people talk about the Fed needing to raise short-term rates higher, it depends on how much the balance sheet amplifies short-term rate hikes,” said Ms. Swonk. “Even the people who were the closest to designing these programs don’t seem to share a consensus.”

### ECONOMIC CALENDAR

**Monday:** The Institute for Supply Management’s survey of purchasing managers at U.S. factories is forecast to show another month of expanding activity in April as manufacturers strove to meet high demand for their products while dealing with rising materials costs and wages as well as transportation bottlenecks that have hampered access to supplies.

**Wednesday:** After a slight narrowing in February, the U.S. trade deficit in goods and services likely widened to a record in March as American businesses and consumers slaked their demand for capital goods, cars, computers, food and other products by purchasing them from overseas.

**Federal Reserve** officials are poised to raise the benchmark interest rate by half a percentage point and approve plans to start shrinking the central bank’s \$9 trillion asset portfolio. The moves are part of a double-barreled effort to slow the economy and ease inflation, running at a four-decade high.

**Thursday:** The Bank of England is expected to announce its fourth rate increase in as many meetings of its policy-making body as inflation rises to levels last seen three decades ago.

**Friday:** U.S. employers added an average of 562,000 jobs a month in the first three months of the year, a historically solid pace that has brought employment nearer its prepandemic level, pushed the unemployment rate toward a 50-year low and driven wages higher. The Labor Department’s employment report for April is expected to show another strong month for job gains. Economists will be watching for signs that more people are joining the workforce, potentially easing wage pressures.

### U.S. WATCH

ALABAMA

#### Reward Offered For Escaped Inmate

The U.S. Marshals Service said Sunday that it is offering up to \$10,000 for information about an escaped inmate and a “missing and endangered” correctional officer who disappeared Friday after the two left a jail in north Alabama.

Casey Cole White, 38 years old, had been jailed on a capital murder charge in the Lauderdale County Detention Center in Florence, Ala.

The inmate and assistant director of corrections Vicky White, 56, left the Lauderdale County Detention Center on Friday morning to go to a nearby courthouse, the sheriff’s office said Saturday. Investigators said the two aren’t related.

“Casey White is believed to be a serious threat to the corrections officer and the public,” the U.S. marshal for northern Alabama, Marty Keely, said Sunday.

The vehicle that the officer and the inmate were in when they left the detention center was found at a nearby shopping center parking lot, according to the sheriff’s office. —Associated Press



A house was left destroyed Sunday in Sedgwick County, Kan., two days after a tornado hit the region and damaged over 1,000 buildings.

OBITUARY

#### Naomi Judd, Grammy Winner, Dies at 76

Naomi Judd, whose family harmonies with daughter Wynonna turned them into the

Grammy-winning country stars The Judds, has died. She was 76. Her daughters, Wynonna and Ashley, announced her death on Saturday. “Today we sisters experienced a tragedy. We lost our beautiful mother to the disease of mental illness,” they said in a

statement. “We are shattered.” The mother-daughter performers scored 14 No. 1 songs in a career that spanned nearly three decades. The duo combined the traditional Appalachian sounds of bluegrass with polished pop stylings, scoring hit af-

ter hit in the 1980s. Wynonna Judd led the duo with her powerful vocals, while Naomi Judd provided harmonies. Naomi Judd was open about her health struggles, as well as severe depression and anxiety. —Associated Press

KANSAS

#### Tornado’s Winds Reached 165 MPH

The tornado that damaged more than 1,000 buildings in south-central Kansas generated winds up to 165 miles per hour and carved a path of destruction nearly 13 miles long.

By Sunday, utility crews had restored power to nearly all of the more than 15,000 customers who lost power during the storm.

The National Weather Service said the tornado that caused extensive damage Friday, including in the Wichita suburb of Andover, injured several people and rated an EF-3 on the Enhanced Fujita scale it uses to assess tornadoes.

Andover Fire Chief Chad Russell said at least 300 to 400 buildings were destroyed by the storm.

The Weather Service said the tornado was on the ground for 21 minutes Friday evening.

Four people, including two firefighters who were responding to a call in Andover, were injured during the storm, but their injuries were minor.

“The city of Andover will be affected by this for years,” Mr. Russell said. —Associated Press

## Inflation Fatigue Is Growing

Continued from Page One  
flation and geopolitical uncertainty in recent months,” Tempur Sealy Chief Executive Scott Thompson told analysts last week.

Consumer spending accounts for the bulk of U.S. economic output, and economists are closely watching how people deal with elevated levels of inflation. And although the nation’s gross domestic product shrank in the first quarter, as the trade deficit widened and inventory investments by businesses slowed, economists are expecting consumer spending to remain resilient in the months ahead.

Government data show people have been stepping up purchases on travel and accommodations of late. However, March marked the second consecutive month where spending declined

on durable goods such as automobiles and appliances on a seasonally adjusted basis.

“You will see an elevated rate of consumer fatigue in terms of some of these price increases,” Jefferies analyst Jonathan Matuszewski said. “The good news is that consumers want to spend on travel and entertainment, but are they going to feel healthy enough from a financial perspective to actually do that?”

Not all companies are seeing a slowdown and some, including makers of household staples like Procter & Gamble Co., said that consumers are continuing to pay up for pricier alternatives to mainstays like laundry detergent and razors. P&G recently reported its biggest quarterly sales growth in decades, and Barbie maker Mattel Inc. posted record first-quarter sales.

Coca-Cola Co. reported sales volume rose across all its operating segments in the three months ended April 1, even as prices were higher than a year earlier. Coke CEO James Quincey said April 25 that it is important for the beverage giant to have premium products while also hav-

ing an “anchor in the affordability and entry price-point opportunities” as consumers’ budgets come under pressure.

McDonald’s Corp. executives said despite higher menu prices, the company wants to remain a good value for diners. Finance chief Kevin Ozan told analysts Thursday that one thing helping the fast-food chain is that prices for food at home have

#### Spending is strong, but households are less willing to absorb price increases.

been increasing more than for food away from home.

Amazon.com Inc. executives said they haven’t seen any indicators of weakened consumer demand, even after the retail giant reported its slowest quarterly sales growth in roughly two decades.

Some manufacturers such as Whirlpool Corp. and grill maker Weber Inc. said their sales have been hampered by lack of in-

ventory and supply shortages, not weak demand.

Whirlpool CEO Marc Bitzer said sales in the most recent quarter, though down from a year ago when shut-in consumers in North America splurged on home improvements, remain well above prepandemic levels. He said factors including people using appliances more at home and the elevated age of housing stock should fuel demand for the company’s dishwashers, refrigerators and other products.

“We remain very confident that the fundamental strength of consumer demand trends will remain intact over multiple years,” he said last week on an earnings conference call.

Raising prices on consumers might have its limits. Some companies in recent weeks have raised sales targets but stuck to or tempered profit forecasts. That’s because price increases might not be enough to outweigh rising costs, analysts said.

A Jefferies research note published Thursday suggests people across income levels are changing their spending plans as a result of inflation. It said that in a recent survey of

about 3,500 U.S. consumers, more than 70% said they have switched to cheaper alternatives when it comes to food and household staples. Nearly 40% said they were delaying purchases of big-ticket items such as travel, furniture and electronics.

Macy’s Inc. finance chief Adrian Mitchell said consumer demand will probably remain strong throughout the year, but retailers are likely going to have to step up discounting to win their business. “There’s still uncertainty. There’s still pressure on the consumer,” Mr. Mitchell said at a retail conference early last month. “Even though the consumer is healthy, we do see that inflation is elevated more so than what we expected coming into the year.”

—Suzanne Kapner  
contributed to this article.

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## U.S. NEWS

## Virus Cases Take Smaller Toll

Even as hospitalization rates edge up in some areas, severity of the illness has been muted

BY BRIANNA ABBOTT  
AND JON KAMP

As new Omicron variants further infiltrate the U.S., a jumble of signals suggest the latest increase in Covid-19 infections hasn't sparked a commensurate surge in severe illness even as risks remain.

Covid-19 virus levels detected in wastewater in the Northeast, the first region to see significant concentrations of the easily transmitted Omicron BA.2 variant, appear to have flattened out in the past two weeks. Covid-19 hospital admissions have risen in the region, but they remain far below levels during earlier surges that indicated widespread severe illness and taxed healthcare facilities.

"This wave of Covid in the United States, in the places where it is, is not dangerous in

a way that prior waves of Covid were," said Megan Ranney, an emergency physician and academic dean at Brown University's School of Public Health.

The fast-mutating virus still poses risks, she said. New York state is a hot spot for rising cases from another, even more easily spread version known as BA.2.12.1. Wastewater levels nationwide have tripled since mid-March, according to data from **Biobot Analytics Inc.**, though they pale in comparison to readings during the Omicron surge.

Counts of new cases, though poorly tracked partly because so many people are now self-testing at home, beyond the view of health departments, are still increasing. Cases have recently risen to a seven-day moving average above 55,000 a day, according to Johns Hopkins University, double the averages from early April.

Hospitalizations, though muted, are edging higher and often lag behind case counts. The seven-day rolling average for confirmed and suspected Covid-19 hospitalizations re-

cently topped 17,100, federal data show, up from an all-time, post-surge low of about 14,770 in mid-April. It is also a fraction of the more than 159,000 patients during the Omicron surge.

Epidemiologists say the U.S. may have gained at least some temporary protection from the record-breaking wintertime surge triggered by an earlier version of Omicron in combination with protection from Covid-19 vaccines. The Centers for Disease Control and Prevention last week estimated the proportion of people in the U.S. with infection-induced antibodies jumped from 34% in December to 58% in February.

CDC Director Rochelle Walensky said last week that built-up protection from Covid-19 vaccines and prior infection is likely why hospitalizations are relatively muted so far. "We haven't seen them pick up as much as we might have expected in prior times during this pandemic, thanks to I believe a large amount of protection in the community," she said.

The protective benefits of the Omicron surge came with a price, including a peak in early February above 2,500 newly reported Covid-19 deaths a day. Most recently the U.S. has averaged about 350 reported deaths a day.

The CDC on Thursday said New York is home to the 37 out of 54 U.S. counties that the agency says have high levels of Covid-19 community transmission. The BA.2.12.1 version that has been spreading there has a growth advantage of about 25% over the Omicron BA.2 variant, New York officials said. The CDC recommends donning masks in indoor, public settings in counties that are ranked high. Officials in the state have been reluctant to reimpose mask mandates.

"If our medical infrastructure is not in peril, it's not an emergency," said Onondaga County Executive Ryan McMahon, a Republican whose county includes the city of Syracuse.

Federal officials and the CDC's risk assessments are also moving to a place where they are more sharply focusing on



New York state has 37 of the 54 U.S. counties that the CDC says have high levels of Covid-19 community transmission. Albany, above.

hospitalizations, while still considering cases to some degree. "The goal of our policies should be, obviously minimize infections whenever possible, but to make sure that people don't get seriously ill," White House Covid-19 response coordinator Ashish Jha said.

Mild infections can sometimes cause longer-term symptoms and complications, some public-health experts said, and unmitigated spread increases the risk that the virus will mutate into something more sinister.

The more transmission can be interrupted, the better for everyone, said Daniel Parker,

an infectious-disease epidemiologist at the University of California, Irvine. He said caution is warranted, even though recent infection increases appear to be more of a bump than a major wave. "We're transitioning in how we're dealing with the pandemic," he said. "I hope that we'll be nimble."

—Jimmy Vielkind  
contributed to this article.

## Watch a Video



Scan this to see how mysterious T-cells play a role in the Covid booster debate.

## Land-Conservation Deals Boom Amid IRS Pushback

BY RICHARD RUBIN

More than six years into an Internal Revenue Service clampdown on what the agency says are abuses of land-conservation tax incentives, the deals keep coming.

IRS officials had hoped to shut down the most aggressive operations in a mini-industry built around tax breaks. Instead, they are in a protracted wrestling match with deal promoters. Government scrutiny pushed out some deal makers, but that ceded the market to others, who set aside reserves for legal expenses and risks and bet on beating the IRS through litigation.

Those deal makers have reasons for optimism. The IRS lost a crucial Alabama case after judges found deficiencies in decades-old regulations. A bipartisan bill limiting the most aggressive transactions hasn't advanced in Congress, blocked from Democratic fiscal legislation by Sen. Kyrsten Sinema (D., Ariz.), whose office didn't comment. Other efforts to police promoters and appraisers are moving slowly through courts.

So even as the IRS issues warnings, deal makers tout tax breaks with an upbeat environmental touch, telling investors: "You can double your money from Uncle Sam and by the way, you're saving the Earth," said William Ellis, a Georgia accountant critical of the deals. "There's so much money out there that these people are making."

Preservationists and lawmakers have long protected property and wildlife through "conservation easements," which award tax benefits to landowners who make binding promises to never develop their land. In their basic form, these uncontroversial transactions preserve forests, historical sites and even drinking-water resources.

The IRS has focused sustained attention on a subset called "syndicated" conservation easements. Officials say these rely on aggressive land



Granite quarries, like this one in Elbert County, Ga., can produce many years of cemetery headstones as workers dig deeper. That potential is, in part, what can lead to high values for conservation easements that prevent such mining.

appraisals, letting promoters extract charitable tax deductions for distribution to high-income investors. Investors commonly get \$4 or more in deductions for every \$1 invested, enough for quick profits at public expense, officials say.

"You don't have to be a tax expert to know that valuing property at many multiples of what the investors paid doesn't pass the smell test," said Tom Cullinan, acting IRS chief of staff.

The IRS included syndicated conservation deals among its "Dirty Dozen" tax scams, and it is hiring 200 lawyers to pursue easements and similar cases. In 2016, the agency began requiring syndicated-easement promoters to provide transaction details to the government. The deals now come with a certain audit, and resulting litigation fills the U.S. Tax Court docket.

Supporters of the deals, emphasizing the conservation benefits, also formed a trade group to resist legislative proposals the group calls overly punitive and arbitrary. Meanwhile, the attention might simply have publicized the deduction, stoking interest from

### Some deal makers tout tax breaks with an upbeat environmental touch.

real-estate developers accustomed to risk, said Anson Asbury, a Georgia lawyer who defends easements in litigation but discourages clients from participating in aggressive deals.

"Those that have stopped doing it have had somebody

else step onto the corner, often at the same volume or even greater," he said.

The most recent IRS data released in 2020—four years after the crackdown started—showed syndicated easement deductions climbing from \$6 billion in 2016 to \$9.2 billion in 2018. Since then, evidence suggests deals continue, bringing considerable fees to those structuring transactions.

One company, Birmingham, Ala.-based Green Rock LLC, started conservation-easement deals in 2018 and did 18 last year, according to a legal filing. It raised over \$294 million from investors in 2020 and 2021, according to Securities and Exchange Commission filings. Those deals generated \$26 million in commissions to brokers and more than \$49 million to Green Rock-affiliated people and entities. Profit margins aren't disclosed.

Green Rock said in an April 15 court filing that it was working on at least one easement transaction. But in an April 26 response to questions from The Wall Street Journal, the company said it is exiting the business.

"Even though we believe certain regulatory agencies are targeting the industry unfairly, we have decided to discontinue offering investment programs with an option to conserve land," the company said, announcing a focus on mining and real-estate investment.

Deals occur nationwide, and other promoters continue pitching them. Florida-based Sandy Bay Partners describes its "unique and thoughtful alternative investments and business strategies that are environmentally, socially and economically impactful." SEC filings show Sandy Bay raised about \$150 million from investors in 2020 and 2021.

### Hefty Appraisals Yield Big Deductions

Deductions parceled out through partnerships are attractive to high-income taxpayers who don't own land but seek tax breaks.

The deduction's size typically equals what investors give up—the decline in appraised value caused by permanent conservation restrictions. That leads promoters to properties that could become a valuable solar farm, luxury development, oil well or granite mine, then they claim tax breaks by promising not to build.

Georgia's Oglethorpe and Elbert counties, for example, are full of farmland and timber tracts, with few signs of suburban sprawl from nearby Athens. Market rates for land often range between \$2,000 and \$3,000 per acre. But tax-court cases from the area show easement-deduction claims near or above \$100,000 per acre.

A common rationale for such deductions: The counties sit atop a block of granite—35 miles long, 10 miles wide and 2 miles deep—used by local manufacturers, who cut it with diamond saws and polish it into cemetery headstones and other monuments. A quarry could theoretically provide decades of income as workers jackhammer rock and cranes hoist five-ton granite blocks from 100-foot-deep holes. So the area is a prime spot for easement deal promoters, who conduct exploratory drilling for granite.

Then, essentially arguing that prior owners didn't know the true value they were sitting on, they claim deductions by promising not to build quarries.

Doug Kirkpatrick, Elbert County's chief property-tax appraiser, said operating mines are worth \$25,000 per acre. That is far below the \$100,000 in some easement deals and far above the \$2,000 to \$3,000 price of raw land.

## Winds, Dry Weather Feed Growing Fires in New Mexico

BY DAN FROSCH  
AND GINGER ADAMS OTIS

SANTA FE, N.M.—More than 1,000 firefighters were battling the country's largest wildfire in northern New Mexico on Sunday amid turbulent winds and bone-dry conditions, trying to keep it from encroaching on the hamlets and small towns that dot this part of the state.

The Calf Canyon fire, burning east of Santa Fe, has destroyed homes and forced evacuations in the area around the city of Las Vegas, N.M., which has a population of 13,000. Officials called the blaze 30% contained on Sunday.

The fire, which recently combined with the Hermits Peak fire, covers roughly 157 square miles and could become larger, fire officials said. It has already burned more than 103,000 acres, officials said.

Wind gusts up to 45 miles

an hour helped fan the fast-moving fire and several others roaring through parts of the parched state, according to National Weather Service meteorologist Todd Shoemaker. Humidity levels across the affected areas ranged from 20% to as low as 3%, he said.

"The weather is doing absolutely nothing but making it worse," said Mike De Fries, fire information officer for the multiagency team assigned to the blaze.

Mr. De Fries said 172 homes have been destroyed, 116 other structures have been damaged or destroyed and 6,000 people have been evacuated.

Among those forced to flee were 220 students from the United World College, an international boarding school in Montezuma.

Carl-Martin Nelson, a spokesman for the school, said that the students, who hail from 95 countries, along with

about 40 staff and administrators, evacuated on Friday and are staying at a retreat center in Glorieta, N.M. So far, he said, the school's campus hasn't been damaged by the wildfire.

Firefighters in New Mexico are also battling two other large wildfires in the area.

Joy Ansley, manager for San Miguel County, a mostly rural area affected by the Calf Canyon fire, fears the next few days could be rough. Ash had already fallen in parts of Las Vegas, she said, and some neighborhoods have been told to be ready to evacuate if the fire moves closer.

"We have this huge fire that is out of control, and we don't know what to do," Ms. Ansley said. "Our community is smoked in."

On Sunday afternoon, local officials urged residents in Mora County, a ranching and farming region of about 4,000, to evacuate.



The Calf Canyon Fire, shown burning Friday, has destroyed homes and forced evacuations in the area around Las Vegas, N.M. It has already burned more than 103,000 acres, officials said Sunday.

U.S. NEWS

# May Primaries Test Trump's Sway in GOP

Senate, governor races will provide insight into the former president's clout with party's base

By JOHN MCCORMICK

A series of May primaries represent the biggest test yet of Donald Trump's post-presidential influence on the Republican electorate, with the outcomes carrying implications for his potential third White House campaign and control of Congress.

The fate of several of Mr. Trump's highest-profile endorsements will be determined during a month that features a dozen primaries from coast to coast. GOP contests for U.S. Senate in Ohio on Tuesday and the battleground states of Georgia, North Carolina, Ohio and Pennsylvania in the following weeks will be among the most closely watched, as well as a Republican primary for governor in Georgia, where Mr. Trump badly wants incumbent Brian Kemp defeated.

In the 15 months since leaving office, the former president has endorsed 150 candidates for offices ranging from state legislatures to the Senate, according to the election data website Ballotpedia.

The large number is part of an effort to remain relevant for a possible second run against President Biden in 2024, something Mr. Trump has strongly hinted he will do. He has often awarded his support to those who display loyalty to him, including agreeing with his false claims of widespread election fraud in the 2020 presidential election.

"Up until now, everything about Trump has been speculation, with a little bit of polling data," said Scott Reed, a Republican and former chief political strategist for the U.S. Chamber of Commerce. "But by the end of May, we will have hard data on him from these primaries."

Mr. Trump's deep involvement in GOP primaries has left some establishment Republicans like Mr. Reed worried that some of his selections—if they are successful in their primaries—could prove to be flawed in the general election, when the former president's seal of



Candidates vying to win GOP primaries this month include, from left, J.D. Vance, Charles Herbster, Mehmet Oz and Brian Kemp.

approval could prove to be harmful.

## Indiana and Ohio (May 3)

The first verdict on Mr. Trump's ability to serve as a party king maker will come in Ohio, where he has endorsed venture capitalist and author J.D. Vance in one of the party's most contentious primaries.

Mr. Vance in 2016 called Mr. Trump "unfit for our nation's highest office." But he subsequently lobbied hard for the former president's backing, as did virtually all other candidates in the race.

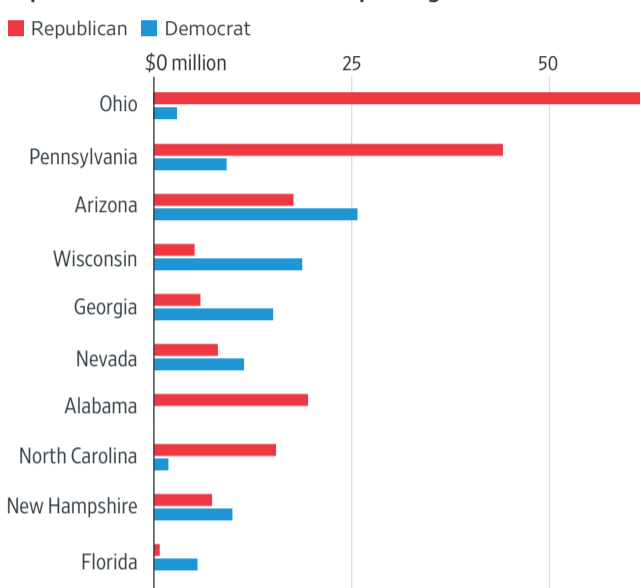
Limited public polling suggests a close contest in a race with seven candidates on the ballot, with four of them in double digits in a RealClearPolitics.com polling average: Mr. Vance, former State Treasurer Josh Mandel, investment banker Mike Gibbons and Matt Dolan, a state senator and former prosecutor.

Among top candidates, Mr. Dolan is alone in not chasing Mr. Trump's endorsement, and he has campaigned as a more traditional Republican, giving an option for voters who might not like how closely the others have tied themselves to the former president.

The Ohio primary, for a seat that is now held by retiring Republican Sen. Rob Portman, has seen the most ad spending on the GOP side so far this election cycle.

Mark R. Weaver, a GOP strategist who lives in Ohio, said Mr. Trump's endorsement has boosted Mr. Vance but lost some of its force because it came after early voting had already started. "Many had al-

## Top Senate races for estimated ad spending



Note: Ohio and Pennsylvania, with early primaries, have seen the most spending so far. Includes TV, radio and digital from Jan. 1, 2021 - April 28, 2022. Source: AdImpact

ready voted before his announcement, or picked a candidate before Trump announced," he said.

## Nebraska and West Virginia (May 10)

In Nebraska's race for governor, the former president is backing Charles Herbster, a farmer and chief executive of a manufacturing company who has been accused of inappropriately touching numerous women, including a Republican state senator. Mr. Herbster has denied the allegations and was scheduled to appear with the former president in the state on Sunday evening.

In West Virginia, two House Republican incumbents are competing because the state lost a seat in reapportionment.

Mr. Trump backs Rep. Alex Mooney over Rep. David McKinley, who voted for bipartisan infrastructure legislation and for a commission to investigate the attack on the Capitol on Jan. 6, 2021, by Mr. Trump's supporters.

## Idaho, Kentucky, North Carolina, Oregon, Pennsylvania (May 17)

The highest-profile contest on May 17 is the GOP primary for Senate in Pennsylvania. Mr. Trump endorsed celebrity surgeon Mehmet Oz, widely known as Dr. Oz, after the first candidate he backed dropped amid allegations of domestic abuse. David McCormick, a former chief executive of hedge-fund giant Bridgewater

Associates, is the other top candidate in the race.

Pennsylvania and West Virginia reveal cracks in Mr. Trump's grip on the party, even among people who once worked for him. Several of Mr. Trump's former White House aides are working for Mr. McCormick. Former Secretary of State Mike Pompeo, a potential 2024 presidential candidate, has endorsed Mr. McCormick in Pennsylvania and Mr. McKinley in West Virginia.

North Carolina's Senate primary, where Mr. Trump decided to back Rep. Ted Budd over former Gov. Pat McCrory, will be another closely watched contest. Mr. Budd leads in the RealClearPolitics.com polling average and has the backing of Club for Growth Action, a super PAC that is the race's largest advertising spender so far.

Mr. Trump is also backing Rep. Madison Cawthorn in a crowded House race in North Carolina. Mr. Cawthorn, the youngest member of Congress at 26, recently saw undated photos of him wearing women's lingerie published by Politico. He has said they were from a game on a cruise before he ran for Congress.

In Idaho's May 17 primary, Mr. Trump has endorsed Republican Lt. Gov. Janice McGeachin over incumbent Republican Gov. Brad Little. Both candidates sought his backing during visits to his Mar-a-Lago club in Florida.

## Alabama, Arkansas, Georgia (May 24)

Georgia's gubernatorial primary includes one of Mr. Trump's riskier bets. Gov.

Kemp has a large polling lead over David Perdue, a defeated U.S. senator who has echoed the former president's false claims of the 2020 election.

Mr. Trump has been fixated on trying to defeat Mr. Kemp because of his unwillingness to help throw out 2020 election results that showed Mr. Trump had lost Georgia.

On the campaign trail, Mr. Kemp has avoided mentioning Mr. Trump. At a recent event in northern Georgia, the Republican chairman of the Lumpkin County Board of Commissioners took the same approach, while also appearing to comment on Mr. Trump.

"I'm an independent thinker and I don't need a politician that's been defeated telling me who I need to vote for for the next governor of the state of Georgia," Chris Dockery, who is backing Mr. Kemp, said to applause.

Later, in an interview, Mr. Dockery said "most rational people" don't blame Mr. Kemp for Mr. Trump's 2020 defeat in Georgia. "His influence is dying," Mr. Dockery said. "People are starting to focus on the issues and not so much on the politics of Donald Trump."

Trump spokesman Taylor Budowich predicted the demise of so-called Republicans in name only. "In American politics, there is nothing more consequential than the endorsement of President Donald J. Trump and the only people disputing that reality are irrelevant RINOs breathing their final breaths before their political extinction," he said in a statement.

Herschel Walker, a former football player who has acknowledged a battle with mental illness that included playing Russian roulette with a loaded gun, is likely to deliver a win for Mr. Trump in Georgia's GOP senate primary. Surveys suggest a possible tight general election with Democratic Sen. Raphael Warnock.

Mr. Trump has no endorsement in place for Alabama's Senate primary following his decision to rescind his backing of Mo Brooks. The congressman appeared to be struggling in the race and had moved on from emphasizing the former president's 2020 claims.

—Cameron McWhirter contributed to this article.

## Biden Pays Tribute to Mondale In Year-Delayed Memorial Service

President Biden paid tribute to the late former Vice President Walter Mondale in a memorial service on Sunday in Minneapolis. Mr. Mondale died in April 2021 at age 93.

"Fritz Mondale was a good man," Mr. Biden said, using the nickname of his longtime confidant and friend. "Fritz was a master legislator who shone a light on those who needed it most."

Mr. Mondale, who served under President Jimmy Carter, died of natural causes, his family said. His memorial service was delayed for a year because of the pandemic.

Mr. Biden recalled that after his wife and daughter died in a car crash in 1972, Mr. Mondale was quickly by his side. The newly elected senator from Delaware didn't want to take his seat as his two young sons were still

recovering from the accident. Mr. Mondale, then a senator, and other senior members of the Senate persuaded him to try it for six months. Mr. Biden served for 36 years.

When he was considering President Barack Obama's request that he become his running mate, Mr. Biden was initially reluctant, telling Mr. Obama that he could be of more help in the Senate. Mr. Mondale "went into great detail" about the importance of the vice president and that person's relationship with the president, said Mr. Biden, who would serve for eight years as Mr. Obama's vice president.

"It was Fritz who lit the way. At his core, Fritz embraced everybody with the belief that everyone is entitled to be treated with dignity," Mr. Biden said.

—Bryan Mena



## A Turkey Attacks In D.C.

Continued from Page One river trail. If I hadn't seen the videos myself, I would have thought it was an urban myth."

This being the nation's capital, a task force of more than half a dozen agencies has assembled a dragnet across city,

state and federal lands to cage the wily bird.

Wild turkeys are making a national comeback after nearly going extinct a century ago, according to a copy of Turkey Interview Talking Points drafted by the National Park Service and reviewed by The Wall Street Journal. With the proliferation of wild turkeys, about 7 million nationwide, there has been an uptick in unhappy encounters with the public.

Most interactions are harmless and typically turkeys become aggressive during breeding season between March and May, though the attacks can occur at any time. Males are aggressive to establish dominance. Often they are protecting hens and a nest with eggs or fledglings.

Outside Boston in November 2020, Liz Poulette said she was on her way to a Dunkin' for coffee (large, iced, cream, one Splenda) when a wild turkey began tailing them. "I had started walking backwards to keep an eye on it, not wanting to make any sudden moves," Ms. Poulette said in an email.

"When it was a few feet away, suddenly it jumped at me. Like out of some cartoon, I had to use my purse to beat it back," she said. She sustained scratches on her arm.

About the same time, in Oakland, Calif., a turkey named Gerald who lived in a municipal rose garden wounded several parkgoers, becoming so aggressive that one resident complained the bird reminded him of "the velociraptor scenes in Jurassic Park."

The city shut down the garden until he was captured and relocated by state game officials. It was an ordeal that took months, said Ann Dunn, director of Oakland Animal Services, who read a media account about the D.C. bird. "Even seeing the words 'turkey attack' brings back bad memories," she said.

In Washington, the tom turkey who resides alongside a popular, six-year-old Anacostia Riverwalk Trail, has become a fearsome bully, increasingly aggressive since he was first spotted at the Kenilworth Aquatic Gardens, a historic fa-

cility managed by the National Park Service. Joe Cashman, a park guide everyone knows as "Ranger Joe," said that he and another park guide were on bike patrol when they were pursued by the fowl last fall. "We got a kick out of it," he said. "Then we started getting complaints. It started getting aggressive. It's gotten more and more aggressive."

## 'Like out of some cartoon, I had to use my purse to beat it back.'

In January, warning signs were posted. In February, the turkey aggression became extreme. Wild turkeys can run up to 25 miles an hour, according to the turkey talking points.

"It struts its stuff and spreads its tail feathers," Ranger Joe said, sharing a video of the tom trying to attack him. The ranger, an Air

Force Academy graduate, is no shrimp; he's 6-foot-4.

As complaints mounted, the park service fretted. "It's not a good situation," Ranger Joe said. "We want to have a balance between protecting wildlife and protecting our visitors."

Hunters have volunteered to take the matter in their own hands. "I'll put that turkey in a pot," one visitor told Ranger Joe. The offers have been declined. "We don't want to kill it," Ranger Joe said.

"Why is the turkey still 'at large?'" ask the talking points. "Turkeys are elusive birds and are hard to catch."

The National Park Service hatched a plan. "The park determined that the turkey had to be captured and relocated," the talking points stated.

Enter the District of Columbia's Department of Energy and the Environment, Division of Fish and Wildlife, which also enlisted the Humane Rescue Alliance, the nonprofit that acts as Washington's animal-control unit.

The fowl has been spotted fleeing across the state line

into Bladensburg, Md., as well, so also on the case are the Prince George's County Parks and Recreation Department and the Maryland Department of Natural Resources.

The fugitive is slick, Ranger Joe said, because he takes flight "when he sees nets." The animal cops had him cornered under a bridge recently, but he flew across the Anacostia River to the U.S. National Arboretum—entangling yet another federal agency in the hunt, the U.S. Department of Agriculture.

One elderly woman told Ranger Joe she warded the turkey off with a fanny pack. Ranger Joe defended himself with a rolled-up plastic fence.

On a recent morning, Ranger Joe cautioned Terri Swegle, a tourist visiting the Kenilworth gardens with her family, and asked the Swegles to report any sightings. She said she was familiar with turkeys because they nest in her yard in Dixon, Ill., but those birds are docile.

"This is awesome," Mrs. Swegle said. "We're in a pursuit!"

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## THE UKRAINE CRISIS

## Russia Stiffens Its Occupation

Moscow introduces rubles, Russian schools, Lenin's statues in southern Ukraine

By YAROSLAV TROFIMOV

ZAPORIZHZHIA, Ukraine—Every day, convoys of cars and minivans trickle to a processing center on the edge of Zaporizhzhia, packed with civilians fleeing the areas of southern Ukraine under Russian occupation while they still can.

A swath of southern Ukraine, including almost all of its Kherson region and the majority of its Zaporizhzhia region, has been under Russian military rule since early March.

Russian occupation authorities are swiftly integrating these areas into Russia, appointing collaborationist administrations and introducing Russian documents, education programs and currency. On Saturday, Russian authorities disconnected most of the occupied areas in southern Ukraine from Ukrainian cellphone service and internet providers by cutting fiber-optic cables and turning off power at base stations so as to hide “truthful information about the course of the war,” the Ukrainian government said.

The biggest fear, especially among men, in areas under Russian control is that they will soon be forcibly drafted to fight other Ukrainians. That happened earlier this year to men up to the age of 65 in the parts of eastern Ukraine's Donetsk and Luhansk regions that Moscow has controlled since 2014.

“If they conscript you, and your family is left behind as hostages, what can you do? This was one of the main reasons why we got out,” said Mykola Murashko, 46, who drove to Zaporizhzhia on Wednesday with his wife and children from the Russian-occupied town of Vasylyvka.

Russian soldiers at the checkpoint were turning around people who admitted that they were heading to Ukrainian-controlled Zaporizhzhia city, he said. Mr. Murashko told them he was driving on business to another Russian-held village near the front-line. “Every morning for weeks, I kept waking up with the thought: let's try to leave,” he said. “And today, we have made it.”

Russian occupation authorities in southern Ukraine so far haven't announced mobilization plans. But, signaling a comeback to Soviet-style totalitarian rule, they have started returning to central squares the monuments to Lenin that were dismantled by Kyiv after 2014. They have also removed and repainted Ukrainian symbols, flying Soviet flags alongside the Russian banner on public buildings.

“The pressure on people has become systemic in recent weeks,” said the Ukrainian governor of Zaporizhzhia region, Oleksandr Starukh. “It really is like the Soviet Union is back over there, and people are forced to live in fear.”

Even though no agreed



A family reunited Saturday after a mother and son fled the occupied region to Zaporizhzhia, Ukraine.

evacuation routes exist and people trying to escape have to brave shelling and cross-fire, some 150,000 residents of the occupied areas of Zaporizhzhia region have moved to Kyiv-controlled parts of Ukraine since the war began Feb. 24, out of an estimated prewar population of 700,000, Gov. Starukh said. An additional 100,000 people have fled via Zaporizhzhia from the devastated city of Mariupol, which is part of the nearby Donetsk region, he said.

Signs of Russia consolidating its rule are everywhere. Russian rubles became legal tender in the biggest Russian-controlled city of Zaporizhzhia, Melitopol, on Sunday, according to the Russian-appointed caretaker mayor there. The city-run wedding hall of the port city of Berdyansk, also in Zaporizhzhia region, has begun issuing newlyweds with Russian Federation wedding certificates.

The message from Moscow is that the occupied areas of southern Ukraine, which form

a land bridge to the Crimean Peninsula that Russia annexed in 2014, will remain under Russian control forever.

“It's out of the question to return the Kherson region back to Nazi Ukraine.... Kyiv will no longer be able to force its ugly Nazi policies upon our land,” the Russian-appointed deputy head of the military-civil administration of Kherson region, Kirill Stremousov, told Russia's state news agency RIA on Thursday.

Peaceful pro-Ukrainian protests in Kherson and other occupied cities, a frequent occurrence in recent weeks. “At first, the Russian intelligence services allowed these protests so they could see the structure of activist networks,” said Gov. Starukh. “But then, they detained the real organizers—either to beat them up, or to pressure them to leave to Ukrainian-controlled territory.”

With the Russian crackdown making peaceful protests impossible, armed

struggle behind Russian lines shows signs of emerging.

On Thursday, a major railway bridge on the line connecting Melitopol and Russian front-line positions to supply bases in Crimea was destroyed, in an operation claimed by Ukrainian special-operations forces. A handful of residents of southern Ukraine known to have collaborated with Russian forces were gunned down in recent weeks by unknown assailants, according to Ukrainian officials and local residents.

Almost all the elected mayors in occupied towns and villages of southern Ukraine have been replaced with Russian military appointees. The mayor of Kherson, Ihor Kolykhaev, was the last elected official to be removed, replaced on April 25 by a collaborationist member of the municipal council.

The Russians that day also named a former mayor of Kherson, Volodymyr Saldo, who served as a Ukrainian parliament member from the pro-Russian Party of Regions until 2014, as the head of the regional military-civilian administration. After the appointment, Mr. Saldo said that Russian-language schools would return, as will the system of education “that has been perfected in Soviet times.”

For both sides, education is a critical battleground. In Zaporizhzhia region, Ukrainian authorities have ordered the early closure of schools from May 2. Russian forces are trying to reopen schools as part of Moscow's project to “re-educate” the residents of Ukraine and eliminate patriotic sentiment.

For Serhiy Oleksienko, a geography teacher, and his wife Tetiana, a primary schoolteacher, that pressure prompted them to pack all their belongings into a small trailer and leave their home in the Chernihivka district of the Zaporizhzhia region on Saturday.

“We had hoped we could hold out, but the psychological pressure is too much. We didn't wait around to be forced to teach in Russian,” said Mr. Oleksienko.

## Affordable Satellites For Hire Shape War

By WARREN P. STROBEL AND ROBERT WALL

AURORA, Colo.—Ukrainian forces hunting Russian tanks and tracking troop movement are being aided by imagery from a growing number of commercial spy satellites, giving Kyiv access to intelligence once the domain of only a few governments.

Russian President Vladimir Putin's attack on his neighbor has coincided with a boom in the number and sophistication of commercial surveillance satellites, with hundreds now in orbit. Company officials say they are streaming data to the U.S. and allied governments, sometimes directly to Kyiv authorities to aid them in repelling Russia's invading force, as well as to humanitarian groups to help them map the chaos and evacuate civilians.

Even before Russian troops poured into Ukraine, satellites detailed the Kremlin's plans. When Mr. Putin said his troops massing at the border were pulling back, satellites showed the opposite, and that Russia had built a bridge from Belarus for tanks to cross a river into Ukraine. “No one knew to look at that area,” Planet Labs PBC co-founder and Chief Executive Will Marshall said.

The imagery provider, which is working with the

## Images shed light on everything from Russian tanks to mass burial sites.

Pentagon and others, was able to spot the bridge because its fleet of roughly 200 satellites scan all of Ukraine once a day, Mr. Marshall said. The company's satellites have a resolution of around 9 feet, a measure of the level of detail the sensors can image, and can spot changes on the ground.

It isn't just optical imagery being gathered. Some satellites can see through clouds and track Russian troop movements at night, industry officials said. Still others scoop up electronic signals that can be used to track Russian forces. The data from commercial spacecraft may not be as high-quality as those the latest U.S. spy satellites can reap, but they can be easily shared without the encumbrance of security restrictions.

The data from these commercial spy satellites are now an integral, if often informal, part of the conflict, providing Ukraine with valuable intelligence it can use to battle Russian forces, but also in shaping public opinion by exposing civilian destruction and potential war crimes.

Senior U.S. national security officials and industry executives say affordable satellites for hire have transformed the war, making it harder for Russia to hide or dissemble about its military actions. Since so much information is already public, it has also made it easier for U.S. intelligence agencies to declassify and share some of their own secrets.

“Commercial geospatial data is to the war in Ukraine what GPS was to Desert Storm 30 years ago,” said John Serafini, CEO of HawkEye 360, referring to the U.S. military's use of satellite navigation for precision operations in the 1991 conflict. HawkEye 360, one of many satellite startups still in their first decade, has a constellation gathering radio-frequency signals from space.

Satellites have also been used to track refugee flows and spot mass graves in Ukraine, industry officials said.

While government intelligence agencies once viewed commercial spy satellites with suspicion, they are now eager customers.

U.S. government spy satellites cost billions of dollars each and can take years to build and deploy. Commercial spy satellites are relatively cheap and can fill gaps.

## Pelosi Vows Support To Ukraine

Continued from Page One inside Ukraine.

While in Poland, Mrs. Pelosi was also expected to meet on Monday with President Andrzej Duda of Poland.

Sen. Tim Kaine (D., Va.) said Sunday that work will start this week on passing the Biden administration's request for \$33 billion to fund more weapons and provide longer-term assistance to Kyiv, and that it has widespread support in Congress. The bill is essential not just to Ukraine, but to preserving global security, Sen. Robert Menendez (D., N.J.), chairman of the Senate Foreign Relations Committee, said in an interview with NBC News.

“We shouldn't wait around,” Mr. Kaine said on CBS.

Rep. Michael McCaul (R., Texas) said on ABC that the aid could help the Ukrainians go on the offensive and push Russian forces out of Ukraine's eastern provinces, which could be decisive.

“I am thankful to you for this signal of strong support for Ukraine,” Mr. Zelensky said in a video from his meeting with the U.S. delegation, which was posted to his official Telegram channel on Sunday.

Meanwhile, Roman Starovoi, the regional governor of Russia's Kursk region, which borders Ukraine, blamed the partial collapse of a railway bridge on Sunday morning on saboteurs. “Specialists from law-enforcement agencies will investigate in more detail,” Mr. Starovoi said on his Telegram messenger channel, adding that there were no casualties.

Also on Sunday, Vyacheslav Gladkov, the governor of Russia's Belgorod region that also borders Ukraine, reported a fire at a Russian Defense Ministry facility after video on social media showed a deafening



House Speaker Nancy Pelosi and Ukrainian President Volodymyr Zelensky greet each other during the congressional delegation's Kyiv visit.

explosion with secondary blasts. Mr. Gladkov wrote on his Telegram messenger that a local resident had sustained non-life-threatening injuries, seven houses were damaged and “all necessary measures are being taken to ensure safety.” He later reported that the fire had been contained.

The Russian Defense Ministry didn't comment on the incident.

The blaze follows at least two other explosions in recent days and a fire Sunday at an oil depot in the Russian city of Bryansk, also close to the Ukraine border. Russia and Ukraine accuse each other of occasional cross-border shelling.

For the past few weeks, Kursk, Belgorod and other regions close to Ukraine have been under the second highest-level terrorist threat alert, which allows for military and police checkpoints to be established throughout the region and stepped-up patrols by se-

curity personnel, among other safety measures.

The developments occurred as civilians began to be evacuated Saturday from the besieged Azovstal steel plant in the southern city of Mariupol. Mr. Zelensky tweeted Sunday that 100 people were exiting under the supervision of the United Nations and would be taken to the southeastern city of Zaporizhzhya. He said more civilians would be evacuated.

Russia's Defense Ministry said later that 80 civilians had been “rescued from the territory” through a humanitarian corridor during a temporary cease-fire. The civilians were taken to the village of Beziemme in the Russian-held Donetsk region of eastern Ukraine and given accommodation, food and medical assistance, the ministry said. Evacuees who wanted to go to areas controlled by the government of Kyiv were transferred to representatives of

the U.N. and the International Committee of the Red Cross, the Defense Ministry said.

Vladimir Legoyda, a senior church spokesman, wrote on his Telegram channel that Patriarch Kirill of Moscow, leader of the Russian Orthodox Church, was involved in organizing the exit of civilians.

Mr. Legoyda said the safe exit of the civilians was “a very important result of the negotiations undertaken with the participation of international organizations.”

A fighter from the Azov battalion holed up in the plant said that many more wounded soldiers needed immediate medical assistance and called for further humanitarian corridors.

As Russia has shifted its focus toward the eastern Donbas territory, the U.S. has sent Ukraine more-advanced arms in preparation for a more conventional battle. The U.S. also has trained more Ukrainian troops in neighboring states

## THE UKRAINE CRISIS

# Russia Frames War as Fight With the West

By ANN M. SIMMONS  
AND EVAN GERSHKOVICH

Moscow is recasting its fight with Ukraine as a broader war between Russia and the West, as Kremlin leaders and state propaganda outlets warn Russians that the conflict with its smaller neighbor could spill over into a global clash.

The Kremlin and state-controlled media have warned in recent days that the West ultimately seeks to contain—or even destroy—Russia and have threatened retaliation, including the possibility of nuclear strikes.

The U.S. and some of its allies have ratcheted up military assistance to Ukraine as it increasingly views the war as an opportunity to constrain Russia's ability to pursue imperial ambitions.

In response, the Kremlin has begun priming its population for the possibility of a wider and more intractable conflict.

In particular, it is using the May 9 celebrations commemorating the Soviet victory over Nazi Germany, a historical touchstone for millions of Russians, to draw parallels between World War II and the conflict in Ukraine.

The narrative of Russia as the victim of the West and the need to defend the country has gained new momentum in recent weeks.

"The forces that have always pursued a policy of containing Russia...they do not want such a huge and independent country that is too big for their ideas," Russian President Vladimir Putin said last week. "They believe it endangers them simply by the fact of its existence, although this is far from real-

ity. It is they who endanger the world."

If any other country intervenes in the events "and creates strategic threats for Russia that are unacceptable to us, they should know that our retaliatory strikes will be lightning-fast," he said, repeating a past warning. Russia has "all the tools for this, such that no one [else] can boast of," he said. "We will use them if necessary."

State media have gone into overdrive with prominent news anchors, pundits and talk-show hosts warning of the dire consequences of a loss in Ukraine.

"I think World War III is more realistic, knowing us, knowing our leader Vladimir Vladimirovich Putin," said Margarita Simonyan, head of the Russian state-controlled international television network RT, during an appearance Tuesday on the program of the pro-Kremlin talk-show host Vladimir Soloviev.

"There's no chance at all that we would simply roll over and say, 'Oh, you know, it didn't work out,'" she added. "The most incredible thing is that, in the end, all this will end in a nuclear strike."

Mr. Soloviev replied, "But we will go to heaven, and they will simply croak," echoing a past remark by Mr. Putin.

Pentagon spokesman John Kirby said Friday: "You have a nation the size of Russia with a nuclear arsenal their size and capability and a leader that is clearly as belligerent as Vladimir Putin, we have to take seriously the escalatory rhetoric that he and his leaders have been using lately."

He added, "It would be—as



A rehearsal for the Victory Day parade, an event on May 9 that the Kremlin is using to bolster popular support for the Ukraine war.

NATALIA KOLESNIKOVA/AGENCE FRANCE-PRESSE/GETTY IMAGES

## Parade Ties Ukraine Fight to World War II

Along with the Victory Day parade each year, Russians participate in so-called Immortal Regiment processions, hoisting placards of loved ones who died during World War II or who survived the conflict. This year, several cities have announced that Russians will be

allowed to carry photos featuring soldiers who have died in the fighting in Ukraine, in effect linking the two wars.

The Russian Defense Ministry says 1,351 soldiers had been killed in the conflict as of March 25. The U.K. estimates that 15,000 Russian soldiers have died so far.

Thousands of troops and hundreds of tanks and aircraft normally parade across Red Square before an audience in-

cluding the Russian president, foreign dignitaries and carefully selected veterans, the surviving few now in their late 90s.

Kremlin spokesman Dmitry Peskov told reporters on Friday that Moscow hadn't invited any foreign leaders to this year's commemoration.

"The fact is that this is not an anniversary date, this is our holiday, this is a holy holiday for all of Russia and for all Russians," he said.

whole of Ukraine, including the Crimean Peninsula, which Moscow annexed in 2014.

The May 9 commemorations provide the Kremlin with an important opportunity to maintain popular resolve in the war.

Over the years, Mr. Putin has tried to harness the wave of patriotism connected to the Great Patriotic War, as World War II is commonly known in Russia, to bolster his position and rally the country.

The conflict, in which some 27 million Soviet citizens perished, touched the

lives of virtually every Russian family.

Last year, Mr. Putin said, "The enemy not only wanted to overthrow the Soviet political system but also to destroy us as a state, as a nation and wipe our peoples off the face of the earth." He added, "We responded to the invasion by the Nazi hordes with a united, formidable and unstoppable determination to repel that invasion, to do everything in our power for the enemy to be defeated."

This year, Mr. Putin has revived the same message, this time falsely portraying the

leaders in Kyiv as Nazis and justifying the invasion—described by the Kremlin as a "special military operation"—as necessary to protect Russian-speakers in Ukraine.

State media has also been playing on a popular perception in Russia that Ukraine is under the yoke of corrupt and inept leadership.

"Ukrainians are perceived as a suffering object, a suffering element—our brothers, whom the cunning West forced to fight against us," said Evgeny Minchenko, head of an independent political-studies think tank in Moscow.

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## WORLD NEWS

## Europe Makes Push to Revive Iran Deal

Talks are deadlocked over demand U.S. lift terror designation on Revolutionary Guards

By LAURENCE NORMAN

European officials are preparing to make a fresh push to salvage a nuclear deal with Iran, offering to send a top European Union negotiator to Tehran in an effort to break a stalemate in talks, according to Western diplomats.

Enrique Mora, the European Union coordinator of the negotiations, has told Iranian counterparts he is ready to return to Tehran to open a pathway through the deadlock, the people said. So far, Iran hasn't responded with an invitation, the people added.

The negotiations, which started in Vienna in April 2021,

are aimed at agreeing to steps the U.S. and Iran must take to return to compliance with the 2015 nuclear deal signed under President Obama, which lifted most international sanctions on Iran in exchange for tight but temporary limits on Iran's nuclear activities.

President Trump withdrew the U.S. from the deal, arguing it wouldn't stop Iran from developing nuclear weapons, and reimposed sweeping sanctions on Iran in 2018. In 2019, Iran started a major expansion in its nuclear program.

Talks in Vienna, which also involve Britain, France, Germany, Russia and China, have been on a protracted pause since March 11. At that point, Western and Iranian officials said the text of the nuclear deal was virtually complete.

However, the deal has run into trouble in recent weeks over Iranian demands that the



Enrique Mora, the EU coordinator of the negotiations, in March.

U.S. lift its designation of Iran's elite Revolutionary Guards, or IRGC, as a terrorist organization. There is bipartisan opposition in Washington and anger among the U.S.'s traditional Middle Eastern allies at the prospect of the designation being removed.

With Iran refusing to engage in direct negotiations with

Washington until sanctions are lifted, European officials have been trying to keep the talks alive, even as Western capitals have turned their focus to the conflict in Ukraine. Mr. Mora visited Tehran in late March to try to resolve the issue over the foreign terrorist designation but returned empty-handed. U.S. officials have said that

President Biden won't relax or eliminate the conditions for lifting the terror designation.

The Western diplomats say they want to put the onus back on Iran, making it clear the talks could end unless Iran offers a way through the standoff. The opening for the talks came during an April 23 call between Iran's foreign minister and his EU counterpart. Mr. Mora will try to persuade Iran to sign off on a final text of the agreement without the foreign terrorist designation and leave that issue to a future point, diplomats say.

The diplomats say that if Iran comes back with a demand for a U.S. concession on another issue, Washington will consider that.

The U.S. has accused the IRGC of killing hundreds of Americans, working on Iran's ballistic and nuclear programs and being involved in human rights violations. Its Quds Force

has arranged weapons and support for proxy forces throughout the region.

Iran has so far dismissed a U.S. offer that the foreign terrorist designation of the IRGC could be lifted if Tehran agrees to not attack Americans in the region or seek to assassinate current and former U.S. officials. U.S. officials say that even if the designation is lifted, the group would still face several other U.S. sanctions.

Iran says its nuclear program is for civilian purposes.

Hopes of a deal remain slim. With Washington and Tehran doubling down on their demands over the IRGC, one former U.S. official who has worked on the issue said the current stalemate could continue for months.

"A long-term impasse is certainly possible," said the official. "Neither side wants to declare the talks dead."

## Inflation Eases Global Public Debt, but Risks Remain

By TOM FAIRLESS

Rampant inflation is helping reduce the weight of the world's public debt relative to its economic output, a boon for governments that economists warn could easily backfire if inflation stays unchecked.

Some highly indebted European countries—including Greece, Portugal and the U.K.—are on track to erase the additional debt raised to combat the Covid-19 pandemic as a share of gross domestic product over the next year or two, taking their debt-to-GDP ratios below 2019 levels, according to data from the International Monetary Fund.

The reason is that inflation, coupled with brisk economic growth, is turbocharging economic output measured in dollars, euros or pounds. While government borrowing costs are also rising, they remain relatively low, meaning public debt as a share of GDP—the main yardstick by which economists measure the sustainability of a country's public debt—is falling in many places.

In the U.S., public debt declined to about 123% of GDP at the end of last year from 136% in the middle of 2020, even as the government has clocked up deficits of around one-quarter of U.S. GDP over the past two years, according to data from the Federal Reserve Bank of St. Louis.

Inflation reduced the U.S. public debt to GDP ratio by about 5 percentage points last year alone, according to IMF data. U.S. government debt will be almost 12 percentage

points lower as a share of GDP next year than the IMF had forecast in October 2020, the data show.

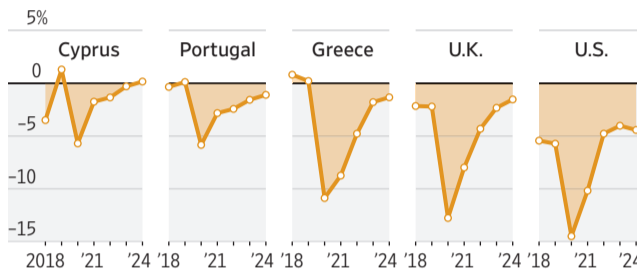
"Unexpected inflation, combined with low nominal rates, does wonders for debt dynamics," said Olivier Blanchard, a former IMF chief economist and now senior fellow at the Peterson Institute for International Economics in Washington. "But the policy lesson should not be to rely on that mechanism." Mr. Blanchard was prominent among economists arguing before the pandemic that governments could handle higher debt loads.

It is historically rare for bouts of higher inflation to help reduce public debt relative to output. Bondholders who fund governments' borrowing normally demand higher interest rates to compensate for rising prices, which adds to the debt burden. The U.S. inflated away public debt after World War II and in the 1970s. Other governments have failed to do so, often triggering spirals of rising interest rates and hyperinflation.

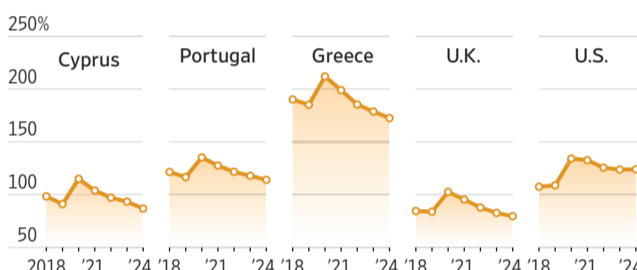
In a 2014 paper, Ricardo Reis, a professor at the London School of Economics, and other economists found that investors were pricing in a less than 1 in 2,000 chance that an unexpected burst of inflation would lower U.S. public debt by 5.5 percentage points.

"The unlikely thing happened," said Mr. Reis in an interview. He cautioned that the development was a one-off gift to governments that could backfire by imperiling their ability to increase debt cheaply,

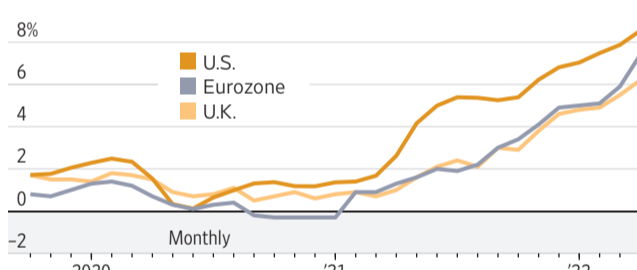
Government budget deficit as a percentage of GDP\*



Gross public debt as a percentage of GDP\*



Inflation, annual rate



\*Estimates start after 2021; 2020 for U.S. & Cyprus  
Sources: IMF (budget deficit, public debt); OECD (inflation)

as they have done recently.

"In the last 20 years, we never had to do that much austerity," Mr. Reis said. Governments should restate their intentions to keep inflation low to prevent interest rates from shooting upward, he added. "Last year was a fluke,

we need to get back relatively quickly," he said.

Global interest rates are rising significantly, and central banks are planning to reduce their holdings of government debt, which is likely to push up public borrowing costs further. If inflation remains elevated,

investors might start to demand much higher interest rates. Such an increased servicing cost could in turn raise the debt burden on governments.

"It is true that inflation surprises contribute to lower debt ratios, but in a regime of permanently high and volatile inflation, the attractiveness of sovereign bonds is undermined, making it harder to sustain elevated levels of debt," Vitor Gaspar, director of the IMF's fiscal affairs department, wrote recently in its fiscal monitor.

Meanwhile, the demands on the public purse are rising after a succession of geopolitical shocks including Russia's war in Ukraine and as governments invest heavily in the shift toward cleaner energy and digital technology. Advanced economies are expected to increase annual public investment by 0.5 percentage point of GDP in the medium term relative to pre-pandemic forecasts, the IMF said in April.

For now, though, governments are reaping the benefits of high inflation.

Last year higher-than-expected inflation reduced public debt-to-GDP ratios by 1.8 percentage points of GDP in advanced economies, and by 4.1 percentage points of GDP in emerging markets, excluding China, according to the IMF. For Europe, the main impact is expected to come this year as inflation surges.

In Greece, where the large public debt sparked a crisis that almost broke up the eurozone, public debt is forecast to decline to its 2019 level of

185% of GDP this year, down from 212% of GDP in 2020, according to IMF data.

The decrease reflects the difference between Greece's high nominal growth rate and low borrowing costs as a result of its bailout during the eurozone debt crisis, said Yannis Stournaras, a European Central Bank policy maker and governor of Greece's central bank.

For Cyprus and Portugal, which also received international bailouts during Europe's debt crisis, the story is similar.

In Portugal, government debt is expected to fall comfortably below its 2019 level as a share of GDP by 2024, according to IMF data. Cyprus's public debt is expected to decline to 87% of GDP in 2024, which would be the lowest level since 2012, the year before the nation's international bailout.

In the U.K., government debt is expected to drop to about 83% of GDP next year, below the 2019 level and down from a peak of 103% of GDP in 2020, according to the IMF.

A spokesperson said the U.K. government is committed to reducing public debt in the midst of rising interest rates and recently unveiled tighter rules for public spending.

In such situations, the losers are bondholders. Investors and banks are required to buy safe assets such as government bonds, even if they lose money, under regulations introduced after the 2008-09 financial crisis that are designed to make the financial system safer.

"It is a hidden form of expropriation," said Mr. Blanchard.

## Shortages of Vital Medicines In Mexico Lead to Suffering

By JUAN MONTES

MEXICO CITY—Soon after President Andrés Manuel López Obrador was elected in 2018, he said the existing system of medication purchases for public hospitals was riddled with corruption that benefited greedy healthcare firms. He promised an overhaul that would lower prices and make Mexico's public healthcare system look like Denmark's welfare state.

But the government has struggled to find a fix. Instead, it has ended up buying fewer drugs at higher prices, according to Cero Desabasto, an umbrella group representing 80 organizations of doctors and patients, which recently released a 100-page report detailing widespread shortages. Mexico has now turned to hiring a United Nations agency to buy all the country's pharmaceuticals.

For some families, the revamp has been catastrophic. Evan Omar Polina Aguilar was a chubby 2-year-old when he was diagnosed with malignant neuroblastoma cancer in May 2019, said his mother, Lorena Aguilar. He began chemotherapy, improved quickly, and was on his way to being cured, doctors told his desperate parents.

Then the public hospital in Monterrey, the industrial city in northern Mexico where he was being treated, ran out of his chemotherapy medicine, Ms. Aguilar said. Evan's family

used their savings and got donations to buy part of the missing medicines—some of which cost as much as \$2,000 a dose—from private hospitals and online. But Evan missed several sessions, relapsed and died a day after Christmas of 2019, his mother said.

"My son would be alive if he had received proper treatment. It's criminal," said Ms. Aguilar, a 35-year-old sales agent at a security company.

Spokespeople for Mr. López Obrador and the country's health ministry didn't respond to requests for comment on Evan's death, or on other criticisms leveled by healthcare ex-

**'My son would be alive if he had received proper treatment.'**

perts and members of the public about his prescription-drugs policy. The hospital declined to comment and referred questions to the health ministry.

The president has, however, admitted there are shortages of medications.

"We have to resolve the problem of scarcity [of medicines] once and for all," Mr. López Obrador said in public comments in November. "I do not want to hear that there

are no medicines, I do not want more excuses of any kind," he said, chastising top health officials.

Ms. Aguilar and many others blame the president for the shortages of medicines, including lifesaving insulin treatments, chemotherapy drugs and hypertension medicines. The overhaul has hit the poorest Mexicans hardest because they can't afford to pay for private healthcare.

The number of prescription medicines that patients were unable to get filled at public hospitals has soared nearly 10-fold since the president took office almost four years ago, to 24 million in the past year, according to Cero Desabasto, which cited government data from 2018 to 2021 obtained through Mexico's transparency agency. That translates to about one in 10 prescriptions going unfilled, Cero Desabasto said. The group's figures were corroborated by a Wall Street Journal review of records from the Mexican Social Security Institute, or IMSS, Mexico's largest public-health agency.

The mother of Evan, Ms. Aguilar, has filed a criminal complaint against Mr. López Obrador and top health officials, accusing them of homicide by negligence. Mexico's attorney general's office said it is investigating.

To raise attention to their plight, families of children with cancer who couldn't get



Evan Omar Polina Aguilar with his parents in 2018. He died in late 2019 after the public hospital in Monterrey ran out of his chemotherapy medicine and he missed several sessions, his mother says.

medicines began in 2019 blocking roads and the Mexico City airport, with protests continuing every few months.

Mr. López Obrador has said such families are part of a political conspiracy organized by the political opposition and private drug companies affected by his policies.

Before Mr. López Obrador became president, the IMSS bought the country's medicines, which were then distributed to federal public hospitals and clinics. By 2017, the IMSS also bought medicines for 22 of Mexico's 31 states and the federal district of Mexico City.

In a 2018 report, the IMSS estimated the centralized purchases saved more than \$1 billion in the 2013-2018 period.

But the president argued that the system was rotten. He said three distribution firms that in turn bought medicines

from hundreds of individual pharmaceutical companies and accounted for the bulk of purchases were overcharging the Mexican state. He barred the government from buying from those firms and handed purchases to the Finance Ministry, which was tasked to negotiate directly with drug companies to get discounts.

His government shut down several manufacturing plants of one of the main producers of anticancer drugs in the country, also alleging corruption. No charges were ever brought against the drugmaker or the three distribution companies, and the president never offered evidence of graft.

Meanwhile, the Finance Ministry struggled to complete the deals, securing just 36% of needed medicines for the second half of 2019, the president's first full year, ac-

ording to a pharmaceutical-industry research firm called Inefam, which provides data and advice to the industry. In mid-2020, Mr. López Obrador hired the U.N. Office for Project Services to handle the process until 2024, the year he leaves office.

The U.N. agency says that it secured 97% of the needed medicines for the public sector in 2021. Mr. López Obrador's government said it saved some \$500 million in drug purchases last year compared with 2018, without explaining how.

Cero Desabasto and the pharmaceutical industry dispute those figures, saying the government has offered no evidence to back up its claims of savings. Inefam, the research firm, said the government paid 53% more last year for medicines on average and bought 38% fewer types of medicines.



WORLD WATCH

EUROPE

May Day Rallies Held Across Continent

Tens of thousands of people marched in cities around Europe as part in May Day protests to honor workers and press governments into doing more for their citizens. In France, protesters shouted slogans against newly re-elected President Emmanuel Macron.

Tensions erupted in Paris, as some demonstrators broke windows at banks and ripped up street signs. Police moved in, firing rounds of tear gas.

May Day is often a time of high emotion for trade unionists and other workers, and protests in the last two years have been limited by pandemic restrictions.

Turkish police moved in quickly in Istanbul and circled protesters near the barred-off Taksim Square—where 34 people were killed in 1977 during a May Day event when shots were fired into the crowd from a building.

On Sunday, Turkish police detained 164 people for demonstrating without permits and resisting police at the square, the Istanbul governor's office said.

In Italy, after a two-year pandemic lull, an outdoor mega-concert was set for Rome with rallies in cities across the country.

—Associated Press



Demonstrators rallied Sunday in Lisbon, one of many cities where May Day marches took place.

ruptions, keeping oil prices high and boosting the value of imports.  
—Kwanwoo Jun

ITALY, GREECE

Countries Relax Covid Restrictions

Italy and Greece relaxed some Covid-19 restrictions on Sunday, in a sign that life was increasingly returning to normal before Europe's peak summer tourist season.

Greece's civil aviation authority said it was lifting all Covid-19 rules for international and domestic flights except for the wearing of face masks during flights and at airports. Previously, air travelers had been required to show proof of vaccination, a negative test or a recent recovery from the disease.

Under a decree passed by Italy's health ministry, the country did away with the health pass that had been required to enter restaurants, cinemas, gyms and other venues. The green pass, which showed proof of vaccination, recovery from the virus or a recent negative test, is still required to access hospitals and nursing homes.

Some indoor mask mandates also ended in Italy, including inside supermarkets, workplaces and stores. Masks are still required on public transport, in

movie theaters and in all health-care and eldercare facilities.

"It was needed," said Claudio Civitelli, a Rome resident who was having his morning coffee at a bar near the Trevi Fountain. Until Sunday, patrons had to wear a mask to enter bars and restaurants, though they could remove them to eat and drink. "We have waited more than two years."

At a nearby table, Andrea Bichler, an Italian tourist from Trentino Alto-Adige, sat with similarly maskless friends. "It's much better," Bichler said. "Let's say it's a return to life, a free life."

Italian public-health officials say masks still remain highly recommended for all indoor activities, and private companies can still require them.

As of Sunday, visitors to Italy also no longer have to fill out the EU passenger locator form, a complicated and user-unfriendly online form required at airport check-in.

Even with restrictions increasingly going by the wayside, public health officials urged prudence and stressed that the pandemic still isn't over. Italy is reporting 699 cases per 100,000 inhabitants and recording more than 100 deaths per day, with a total confirmed death toll at 163,500. But hospital capacity remains stable and under the critical threshold.

—Associated Press

SOUTH KOREA

Export Growth Slowed in April

South Korea's export growth slowed further in April as China's pandemic lockdowns, the Russia-Ukraine war and higher energy prices weighed on external trade.

Overseas shipments grew 12.6% from a year earlier to \$57.69 billion, following March's 18.2% increase, according to preliminary data from the trade ministry on Sunday. That missed expectations for a 14.5% rise from a Wall Street Journal poll of nine economists.

Demand for Korean memory chips, petrochemicals, steel and

other goods was steady, but exports to China and the Commonwealth of Independent States shrank in April. Imports gained 18.6% to \$60.35 billion after a 27.9% rise in March on surging energy prices, keeping the trade balance wider at \$2.67 billion in April from a month earlier. The war exacerbated global supply-chain dis-

FROM PAGE ONE

Yield Rise Is Steepest Since 2009

Continued from Page One  
icy expectations, notched an even sharper gain, settling at 2.696%.

Investors base their trades in the Treasury market not only on the Fed's current stance but also on how they guess policy will evolve. Even so, many investors are betting that at current yields, the market hasn't fully captured how much interest rates will continue to rise.

In the latest version of a weekly survey, 44% of JPMorgan's most active Treasury clients were wagering that yields will rise further, compared with 22% who were betting on yields coming down. As April progressed, a bigger share of investors in the survey positioned for rising rates, with inflation data showing little sign of falling near the Fed's 2% target soon.

Treasury yields are important across the economy because they set a floor on borrowing costs.

As yields have risen this year, so have the interest rates that people pay on new mortgages and on credit-card debt. Rising yields also translate into higher debt expenses for companies.

Shares of companies whose

strongest returns appear far into the future also suffer because higher Treasury yields reduce the appeal of long waits for future profits. Some businesses that analysts place in that category, such as plant-based-food maker Beyond Meat and space-tourism firm Virgin Galactic, have endured bruising rides in markets this year, down 43% and 44%, respectively.

Friday's compensation data reinforced traders' concerns that inflation will prompt an urgent Fed response.

The 1.4% monthly increase in March exceeded the consensus forecast of economists surveyed by The Wall Street Journal, who expected a 1.1% rise. It was the latest data point to disappoint investors hoping to

see signs inflation has peaked.

As pricing pressures linger, Kevin Nicholson, global fixed-income chief investment officer at Richmond, Va.-based RiverFront Investment Group, said that his firm continues to shun

**'We're more willing to take credit risk than interest-rate risk,' investor says.**

long-dated Treasury notes, wary of how their returns would suffer if yields continue to rise. Instead, RiverFront's portfolios have favored short-term corporate debt.

The more time until a bond's maturity, the more it stands to lag behind other investments as yields rise. With the Fed poised to move aggressively against inflation, Mr. Nicholson sees better value in corporate bonds that pay off soon, even though they are more likely to default than government debt.

"We're more willing to take credit risk than interest-rate risk, and so we have avoided Treasuries in that sense," Mr. Nicholson said.

Signs of weakness in economic growth or the labor market could make Fed officials hesitant to tighten financial conditions as aggressively as investors now project.

Data released Thursday showed that output contracted

at a 1.4% annualized rate in the first quarter amid a widening trade deficit.

The next look at unemployment will come on Friday, when the Labor Department releases its April jobs figures.

Still, Friday's compensation data will help ensure inflation remains at the top of the Fed's agenda, said Scott Wren, a senior global market strategist at the Wells Fargo Investment Institute.

"Wage hikes and rising commodities prices are hanging around for longer than what we thought it was going to be a year ago," he said. "We're going to continue to see some high [inflation] prints here in these next couple of months."

—Sam Goldfarb  
contributed to this article.

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## WORLD NEWS

## Outbreaks in China Revive Strategy Debate

By SHA HUA

With Beijing and Shanghai struggling to control Covid-19 outbreaks, China's pandemic strategy faces a moment of truth.

The highly infectious Omicron variant of the coronavirus has shut down Shanghai for more than a month. Its threat to do the same to the country's capital is fueling debate over whether China needs to shift its zero-tolerance approach.

Most of Shanghai's 25 million residents remain confined to their homes, with little expectation of a quick return to normal life. Daily new infections have fallen in recent days, but public-health experts say any loosening of control measures could prompt a resurgence, overwhelming the healthcare system and exacting an unacceptably high toll on the elderly and unvaccinated.

Meanwhile, in Beijing, the

country's all-important political center, schools have been closed and worried citizens have cleaned out supermarkets amid fears a large-scale lockdown is coming to the city of around 22 million.

On Sunday, Beijing reported 59 new locally transmitted infections, up from 54 the previous day, while China's National Health Commission said it had discovered 8,256 new infections nationwide. Most of the cases, 7,872, were still in Shanghai, though new infections there have come down from more than 20,000 a day.

In recent days, Chinese leader Xi Jinping and health authorities have reaffirmed their commitment to the playbook that the country has adhered to for most of the past two years, aiming to quickly suppress any outbreaks through a regimen of mass testing and quarantining of infected patients.

Public-health officials have been told to regard Shanghai's struggles as a warning against looser controls and that the leadership, at least for now, plans to continue the current approach until at least the Communist Party Congress in the fall when Mr. Xi is expected to secure a third term as China's leader, according to people working at China's Center for Disease Control and Prevention.

China's National Health Commission, in response to a request for comment, referred to its news briefings. In one of those on Friday, a senior official said it was important that action be consistent across the country and warned that local outbreaks, if badly controlled, could easily spread across China.

The people working at China's CDC said employees have been told by superiors to refrain from publicly criticiz-

ing or raising alternatives to China's Covid-19 strategy to avoid undermining the morale of officials and ordinary Chinese in fighting Covid-19.

Behind closed doors, however, some top-level public health experts in China have argued that the current zero-

## Some experts argue the zero-tolerance approach to Covid-19 is unsustainable.

tolerance approach is unsustainable, the people said.

On April 25, members of the National Health Commission and China's CDC discussed in an internal meeting the lessons learned from Shanghai's travails and the need to explore home quaran-

time for mild and asymptomatic cases, said one of the people. That would represent a loosening of China's current practice of sending anyone who tests positive, regardless of severity, to designated quarantine facilities.

Hu Xijin, the former top editor of nationalist tabloid Global Times and a widely followed commentator, laid out the stakes in a recent post, describing Beijing's ability to contain the current wave of cases as a make-or-break moment for China's "zero-Covid" approach.

He told his 24 million followers that the outcome in Beijing will show whether "Omicron is so powerful that it can break through any human-erected barrier"—or whether Shanghai simply made preventable mistakes. If Beijing can't control the current outbreak, he added, "then the Chinese understanding of the

virus will likely be reshaped."

China's economy is already paying the price, and many economists are now skeptical the country will be able to achieve its 5.5% growth target this year if it sticks to its strict Covid-19 approach, even as Mr. Xi pushes for China to top the U.S. in gross domestic product growth this year.

Beijing raced to carry out citywide testing late last month two days after cases began surging, hoping to snuff out the nascent outbreak before numbers could explode. Shanghai, in contrast, waited around two weeks before implementing a citywide screening.

Eager to avoid the logistical breakdowns that have plagued Shanghai's lockdown, authorities have assured residents that food supply is ample after residents stocked up on food and other necessities in preparation for a potential lockdown.

## China Faces Slowdown

Continued from Page One smartphones dropped 18% from a year earlier in the first quarter. Excavator sales within China were down 61% in April compared with the previous year.

China's challenges go beyond the latest lockdowns. The fallout from the war in Ukraine has pushed up costs for Chinese businesses and contributed to fading overseas demand for their exports. Regulatory crackdowns have hit high-growth sectors such as technology and education. Real estate, a primary driver of the nation's economy, went into free fall last year as developers buckled under heavy debts and home sales slumped.

Any sustained slowdown in China will be felt globally, depriving the world economy of one of its most dependable engines when inflation and war are raising recession fears in the U.S. and Europe this year. The U.S. economy shrank at a 1.4% annual rate in the first quarter, data released last week showed.

## Global growth

China was projected to account for a quarter of global economic growth in the five years through 2026, according to data released by the International Monetary Fund last year.

Commodity-exporting countries like Brazil that count on Chinese demand for products such as iron ore and other metals could see demand wane. Exporters of components and machinery to China, such as Taiwan, South Korea and Japan, have already reported weaker sales after lockdowns shut Chinese factories.

Ford Motor Co. said vehicle sales in China dropped by 19% in the first quarter from a year earlier. Dallas-based chip maker Texas Instruments Inc. cut its revenue forecast for the second quarter due to reduced demand related to Covid restrictions in China.

A loosening of China's "zero Covid" lockdowns, which have crippled cross-country supply chains and kept consumers at home as Omicron has spread this year, would likely spark a partial recovery. Caseloads in Shanghai, the worst-affected city, have fallen in recent days, though a handful of cases in Beijing have led to new restrictions there.

Unlike in 2020, when China's economy snapped back quickly from its first bout with the pandemic, the country's additional problems mean there's lessening hope of a major resurgence later this year.

Li Haitao, a manager with Zhejiang Taotao Vehicles Co., based in the eastern Zhejiang province, said that Covid lockdowns have made it harder to get supplies and keep workers on site. He has also seen a 40% decline in orders for his firm's electric scooters and dirt bikes compared with last year, due to slowing demand in Western economies. Higher prices for raw materials such as copper, steel and aluminum are eating into profit margins.



Songz Automobile Air Conditioning Co. in Shanghai on April 29. Covid lockdowns in Shanghai have added pressure to the supply chain.

The company has cut one working day a week for each staff member, resulting in a salary cut of about a fifth for each employee, said Mr. Li. Surveyed unemployment in China's 31 largest cities has surpassed the level it hit when Wuhan was locked down in 2020. Youth unemployment is now 16%, according to official data.

"It's too hard for young people to find a job nowadays," said Jessica Fan, a project manager for an internet company in China. The country's technology giants have laid off employees en masse since Beijing launched a sweeping crackdown on them last year to ensure they followed government dictates more closely. Ms. Fan said that every time her team advertises a new position, résumés land in her mailbox "like snowfall" for weeks.

More than 10 million college students are due to graduate this year, a record for China, but a gauge of vacancies compiled by the China Institute for Employment Research at Renmin University of China and job search website Zhaopin suggests there aren't nearly enough jobs for them all.

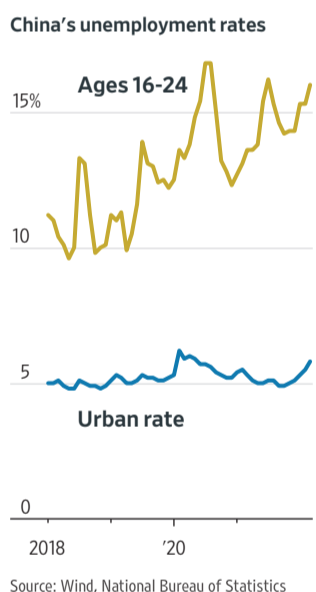
About a third of China's 290 million migrant laborers haven't returned to their cities of employment since the Lunar New Year in February amid the Covid restrictions. The number of people employed at small- and medium-size businesses has shrunk by around 30%, according to research firm J Capital Research, based on interviews with Chinese labor agencies.

## Stock selloff

Chinese stocks suffered their worst selloff in more than two years last Monday, though they recovered somewhat later in the week. A slide in China's yuan currency rekindled memories of a heavy drop in 2015 that unnerved global markets.

China's economy is "in the worst shape in the past 30 years," said Weijian Shan, chairman and chief executive of PAG, a Hong Kong-based private-equity firm that manages about \$50 billion, in a video for investors reviewed by The Wall Street Journal.

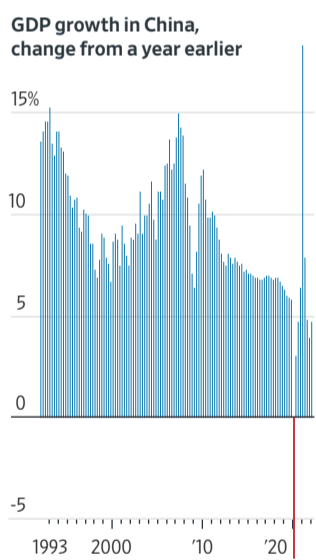
"I also think the public discontent in China is at the



highest point in the past 30 years," added Mr. Shan, who attributed China's current crisis to policy decisions, though he said that his firm remains confident in the long term in China's growth and market potential. His comments were first reported by the Financial Times.

Weaker demand in China could have one positive: somewhat reduced inflation pressure for the world, if it consumes less oil and other imported goods.

Many economists say any upsides could be offset by the inflationary impact of Covid-related disruptions to China's



supply chains, which are crimping its ability to supply the world with manufactured goods. If that continues, it could contribute to the much-feared combination of anemic growth and high inflation known as stagflation.

That's especially true for parts of Asia which trade heavily with China, contributing to a "stagflationary outlook" for the region, said Anne-Marie Gulde-Wolf, an official at the International Monetary Fund, at a conference on April 25.

In April, the IMF cut China's full-year growth forecast to 4.4% from 4.8% earlier

this year, and well below the government's target of around 5.5% for 2022. Barclays said on April 29 that it believes China's full-year GDP growth could dip below 4% if lockdowns extend into the second half of this year. The IMF's forecast, if accurate, would be the worst year for China's growth since 1990 aside from 2020, when it was 2.2%.

Lengthy bouts of weak growth or falling economic output are rare in China. Until 2020, it hadn't reported a single quarter of contraction since 1992, the earliest year for which quarterly data is available.

## Output fall

Ting Lu, chief China economist at Nomura in Hong Kong, said he's forecasting a small quarter-to-quarter contraction in China in the second quarter. He said if the government doesn't modify its pandemic strategy, there's a chance of another fall in output in the third quarter, though he added that he expects aggressive government action to mitigate that risk.

Craig Botham, chief China economist at Pantheon Macroeconomics in London, said he thinks China already experienced a fall in output in the first three months of the year on a quarter-to-quarter basis, despite official statistics

showing growth of 1.3% on the same measure.

His own estimates of changes in China's gross domestic product, which draw on official data but adjust for inflation in a different way, point to a quarter-on-quarter contraction of 1.8% in the first quarter on an annualized basis. He expects a bigger fall in output, of 2.5%, in the April to June quarter.

Many economists say China is at risk of a growth recession, a term used to describe a spell of weak expansion when the economy isn't close to its full potential and isn't creating many new jobs.

Such a situation is reminiscent of the jobless recoveries of the U.S. and other advanced economies after the 2008-09 financial crisis. It isn't a label commonly stuck on China, which averaged 7.7% GDP growth in the decade through 2019.

"There's clearly a risk of a standard type of growth recession," said Jonathan Ashworth, China economist at Fathom Consulting in London.

Chinese officials are pledging to get the economy back on track, without abandoning their tough Covid-control policies.

## More spending

President Xi Jinping, who is angling to stay in power for a third term at an important party conclave later this year, has called for an all out campaign to rev up growth through more infrastructure spending. Beijing has frowned on such outlays in recent years because of fears they could exacerbate China's debt problems.

Other plans under consideration include coupons for shoppers to lift consumption and steps to rein in regulatory campaigns against the technology and real-estate industries that have slowed their growth.

The policy response from the government and central bank has disappointed many economists so far. The People's Bank of China has trimmed banks' reserve requirements but kept interest rates steady since January, fearful of pushing investors into looking for better returns elsewhere.

Many economists are skeptical that traditional stimulus policies will work in any case due to Covid lockdowns. Some question whether China needs much more infrastructure—and how the government will fire up construction projects while sticking to its zero-tolerance approach to Covid.

"You've still got the problem of actually getting the shovels in the ground if all the shovels are locked in a shed somewhere," said Mr. Botham, of Pantheon Macroeconomics.

A real-estate agent in Guangzhou, who asked to be identified by only his surname, Mr. Du, said he has been looking for a job since November. The 28-year-old said he used to sell properties for real-estate developers, including the beleaguered property giant Evergrande Group, which has defaulted on its international bonds.

Mr. Du said he is skeptical the market will recover soon. "For many people, their whole life's savings is just enough for buying a house," he said. "Now that they may stop working anytime due to lockdowns, they won't easily put their money down."



Evening rush hour in Beijing's central business district on April 21.



FROM TOP: BETH SACCA FOR THE WALL STREET JOURNAL; GETTY IMAGES/SCIENCE PHOTO LIBRARY/RE



**WORK & LIFE**  
**RACHEL FEINTZEIG**

## Weird, Loud And Stinky

How to deal with your co-workers' annoying quirks

**T**hey're taking Zoom calls without headphones. They're strolling over to your desk in sweaty gym clothes. And, yup, they're microwaving fish again.

Were our co-workers always this annoying? Back at the office, the quirks suddenly seem louder, grosser and harder than ever to confront. Our tolerance for other humans has grown thin. Working from home, when co-workers grated on us, we could screen their calls, mute their Zoom square or let out a low-level scream after tapping "leave meeting."

Not only are we stuck with each other in the office, plenty of us also got weird during the WFH years.

"This is what happens when you cut people off socially," says Tessa West, a New York University psychology professor who studies uncomfortable interactions. "We developed some habits that are nonnormative, that were totally fine in our houses. Now we're having a hard time letting go."

She's observed colleagues in her workplace entering conference rooms without shoes and painting their nails at their desk. The line of what's acceptable seems to have shifted—for some people, at least.

"We all used to have a shared reality of what you can and can't do at work," Dr. West says. "Now we're in a place where we're all kind of disagreeing about what

the rules are." Here's how to take back control and gracefully set some boundaries, while keeping your career and sanity intact.

### Turn down the volume

Offices are loud. Jennifer Edwards, a California-based leadership coach and partner at a venture-capital fund, was recently at a client site when a worker decided to take a FaceTime call. On speakerphone. In the middle of the open office.

"He was shushing us," she says. The key to changing behavior is to acknowledge the other person before presenting your ask, Ms. Edwards says.

Ask if now is a good time to have a conversation. Say something kind and true; for example, "I can see you're really passion-



ate." Then, the request: "Can you wear headphones so the rest of us can stay focused?"

If the person bristles, reframe it as a joint problem-solving exercise, says Suzanne de Janasz, who teaches negotiation and conflict resolution at George Mason University. Use phrases like, "Have you noticed?" or "What's your take?"

"We're adults. We want to make decisions for ourselves," she says. "When you tell me what to do, I'm going to get defensive and push back."

Speaking up can be hard, Dr. de Janasz acknowledges, especially when so many of us just want to be liked. Staying mum will only stoke your resentment, though, and sends a message of its own.

"Saying nothing is saying it's OK," she says.

### Tackle smells, fidgeting—and worse

Start small. Sometimes nonverbal cues do the trick. If someone is a chronic finger tapper, nail biter or soup slurper, try looking them in the eyes and raising an eyebrow. It radiates "I see you," without being too aggressive, says Vanessa Van Edwards, an author of books about communication and body language.

Poke fun at yourself. Something like, "I'm so sorry, I'm so used to working by myself that I'm not a normal human," she says. (But also, can you please stop clipping your nails at your desk?)

In a way, this moment of office returns has freed us to talk about things that irk us. After years away, we have a fresh slate, Ms. Van Edwards says. Invite your team to a casual conversation about pandemic vices, she suggests, and then create some boundaries for everyone. Jared has taken to eating last night's leftovers at 9:30 a.m.? Cool, but all food stays in the office kitchen.

Think of one-on-one interventions as an opportunity to help your colleague avoid future awkwardness, says Daniel Post Senning, the great-great-grandson of manners guru Emily Post and author of several etiquette books.

You may want to stay quiet if you don't have a close relationship with the person, or fear a conflict that could hurt your career. But if you're in the right spot, start by explaining your intentions. You're raising a sensitive topic because you care about the person, or care about everyone's comfort at the office. Be specific. Vague comments about good hygiene aren't going to help someone address

bad breath, he says. Brace for things to go sideways. If they get angry, don't ratchet up the conversation. Be OK with letting them have the last word.

### Fend off secondary stress

You know that colleague who's always spewing negative gossip and doomsday scenarios about the company? Their anxiety and stress can catch on, says Dr. West, the NYU psychologist and author of a book about toxic work personas.

The good news: The contagion's only in the air for about 20 minutes after they've had their triggering event (say, a tense meeting with their boss), Dr. West says. Take note of when they tend to blow through the office like a tornado, and take a walk or grab a cup of coffee at those times.

### Are you the problem?

The scariest news about the annoying person at the office? At some point, it's probably you.

Are your co-workers staring when you make personal calls from your desk? If you didn't love tuna so much, would you be happy to have the odor wafting into your cubicle? Ask a co-worker you trust to tell you if your professional demeanor is off, Mr. Senning says.

Not to mention the triggers that make your own heart rate go up at the office, Dr. West says, and avoid ambushing other colleagues until you've calmed back down. When you want to vent to someone, ask, "I had a really bad experience," Dr. West suggests saying. "Is now a good time to talk about it?"

After all, the more we catch ourselves, the fewer awkward conversations we'll all have to have.

## Airline Call Waits Are Getting Shorter

By Allison Pohle

**M**any airlines are promising customers that the hours-long waits on hold for customer service in the summer of 2021 won't happen again during this year's peak travel months. Delivering on that promise will be no small task. Airlines' preparation will be put to the test as demand levels for summer travel are at record highs.

Hold times for callers to customer-service lines, which stretched up to 12 hours last summer, have since come down, but still vary by airline and rise when bad weather or staffing issues occur. Airlines have since hired thousands of workers, raised starting pay, offered remote-work options and invested in new technology to cut waits and customer frustration.

While many airlines have upgraded chat or self-service options online and through apps, the issues customers call in about are often complex or can't be solved easily without a live person on the phone.

United Airlines Holdings Inc. says its wait times have averaged under five minutes in the past month across all contact center channels, though days with significant travel disruption trend higher.

Delta Air Lines Inc. wait times are averaging 30 minutes or less, in part due to improved staffing, CEO Ed

Bastian said in an April interview. These statistics may surprise some calling airlines recently, especially when bad weather or staffing shortages result in large numbers of flight cancellations or delays.

Matthew Cain, a digital organizer based in Brooklyn, N.Y., says he spent more than four hours on hold with Delta on a recent Friday after a flight from New York's LaGuardia Airport to Raleigh, N.C., was canceled.

At the time of the cancellation, Mr. Cain says a reservation agent reached over chat told him that he could get a refund for the canceled flight and travel on a rescheduled flight. A subsequent agent he messaged with said he could either reschedule the flight or receive a refund—not both.

Mr. Cain flew to Raleigh Sunday instead of Saturday, and once the trip was over, he called Delta to explore his options. Because he flew out one day later than expected, he missed a show and one night of an Airbnb. He says after 4½ hours of Delta's hold music, he spoke with a customer-service agent who quickly resolved his issue. The airline refunded \$350 for the missed expenses and gave \$100 travel vouchers for him and his partner.

Staffing at Delta's call centers was down 50% in summer 2021 compared with prepandemic levels. Delta says staffing has improved and Mr.



Large numbers of flight cancellations or delays push up hold times for callers.

Bastian says more than half of the reservation agents hired within the past two years are new. Beyond more hiring, Delta says it is expanding staffing through more scheduled hours and overtime and upgrading existing self-service options.

Reservations agents spend weeks in training, but enter a challenging industry. Some travelers have encountered situations where rookie agents are inexperienced handling awards tickets or airline bookings, says Henry Hartevelt, an industry analyst and president of Atmosphere Research Group.

"It's going to be more inconvenient than we want it to be," he says, while noting the airlines have made vast improvements since 2021.

For requests like seat changes, upgrade options and straightforward flight changes, United has

seen a smaller percentage of its flying customers call into the airline than it did before the pandemic, says Bryan Stoller, vice president for contact centers. As customers have more self-service tools, the future requests people call about will become more complicated, so he is planning for how to best train agents for more intricate requests, he says.

American Airlines Group Inc. says wait times can vary greatly based on time of day, the reason for the call and whether storms are causing mass cancellations. American allows passengers to schedule a callback up to seven days out, says Julie Rath, the airline's vice president of customer experience, loyalty and marketing.

Hiring, high turnover and more callers with complicated needs are

major issues behind wait times.

Working as an airline help agent can be stressful. In addition to handling detailed requests, agents cope with frustrated callers, too. In December, the union that represents passenger service workers for American Airlines put out a public-service announcement encouraging passengers to treat workers with kindness.

Other employee organizations have been seeking more pay. The International Association of Machinists and Aerospace Workers, which represents customer-service agents for Southwest Airlines Co., recently reached a tentative agreement with the airline to provide more protections around the pay and hours worked when it comes to mandatory overtime, says Edison Fraser, the union's air-transport territory chief of staff.

A Southwest spokesman says the airline has hired more than 1,000 representatives since September and is hiring more. The company is now bringing on remote workers in 19 states, which it says has helped attract new employees. Previously, representatives needed to work out of a physical call center. Southwest raised its starting hourly wage across the company to \$17 on March 1.

—Alison Sider contributed to this article.

## PERSONAL JOURNAL.

# Overcome Multitasking Madness

Toggling between devices and apps leads to shortened attention spans and causes mistakes. There are remedies.



**FAMILY  
& TECH**  
**JULIE  
JARGON**

**Y**ou know that productivity rush you get when responding to Slack messages from colleagues, emailing your child's teacher and placing an Amazon order—all while on a Zoom?

Not all multitasking is the same, of course: Folding laundry while watching TV isn't a problem. Studying for an exam while listening to music and checking your social-media feed is.

As it turns out, media multitasking is making us less productive, not more, according to neuroscientists and others who are studying this. You might be checking stuff off your to-do list, but you might also be missing some of the more important things that go whizzing by.

**'We feel we're working harder. But it doesn't mean we're working smarter.'**

Nonstop toggling between devices and apps slows our ability to process and retain information, decreases our ability to filter out extraneous information, shortens our attention span and causes us to make mistakes, neuroscientists say. The researchers say the glut of new technological distractions over the past decade means the consequences of bad multitasking are now more dire.

Fortunately, there are remedies for multitasking madness.

**Walking and chewing gum** Attempting to do too many things at once causes a bottleneck in the prefrontal cortex, the brain's con-

trol center, according to brain researchers at the University of Helsinki. They conducted brain-imaging scans of young adults to see what was going on while the participants were asked to read or listen to two kinds of sentences: sensible ("This morning I ate a bowl of cereal.") and nonsensical ("This morning I ate a bowl of shoes.").

The participants were asked to identify which sentences made sense. They were also presented with written and spoken sentences at the same time. The participants' ability to correctly identify sentences declined significantly when their attention was divided between the written and spoken sentences.

That original study was published in 2015 in the journal *Frontiers in Human Neuroscience*, and a follow-up published in April covered other ground and reaffirmed the initial findings.

Carl Marci, a psychiatrist at Massachusetts General Hospital in Boston who has researched media multitasking extensively, said the study, in which he had no involvement, provides evidence that the brain reaches a capacity limit as it tries to process two streams of information at once.

Dr. Marci first began studying media multitasking when he worked at market-research firm Nielsen as chief neuroscientist of its consumer-neuroscience division. In 2002, he saw American adults were spending up to 40 hours a week consuming media; now, they're spending about 80 hours a week doing so.

"How do people spend the equivalent of two full-time jobs a week consuming media? It isn't possible unless they're doing two things at once," said Dr. Marci, who dedicated a section of his new book, "Rewired: Protecting Your Brain in the Digital Age," to the phenomenon.

Those at greatest risk are children, he said, who are spending more time on devices at ever-younger ages, which has the po-



tential for disaster come the teenage years.

"The analogy often used when describing teens, that there's too much gas and not enough brake, applies here," Dr. Marci said.

Translation: There's more available stimulation to the brain's reward and emotion centers, but not enough friction that comes from good judgment. You get that from your prefrontal cortex, which isn't developed until around age 25, he added.

**Trouble at school and work** Numerous studies have found that learning suffers among young children even when TV is on in the background, and that grades decline when students are texting or

using social media in class or when doing homework.

Adults aren't immune to the detrimental effects of trying to do too much. We're constantly distracted by notifications at work and families can't seem to watch a TV show together without one or more members simultaneously scrolling social media.

These habits tend to carry over into all areas of life, Dr. Marci said, including driving, where divided attention can be fatal.

But are kids adapting to this world of multiple data streams? Will they become tomorrow's mega-multitaskers? The answer appears to be no.

The Finnish researchers conducted another multitasking study

on the recognition of nonsensical sentences. Performed a year later, this larger second study involved adolescents and young adults, who shared their daily media-multitasking habits. Those who reported the highest levels of media multitasking performed worse on the sentence-recognition tasks when they were distracted by music.

These heavy multitaskers showed higher prefrontal-cortex activity than mono-taskers.

That doesn't mean they were achieving more. They were exerting more brain effort to recognize the sentences in the presence of distraction.

"We feel we're working harder," Dr. Marci said.

"But it doesn't mean we're working smarter."

The upside? Those in the study who claimed to multitask less often were better able to tune out the distraction.

## What you can do

Here are tips to help you stay on task and be less scattered.

► **Block out focus time.** Set aside time to get a work or school project done and set your phone to Do Not Disturb. Close out of your email and other programs on your computer and turn off notifications. Setting an alarm can help so you're not watching the clock.

► **Set expectations.** If your boss or co-workers frequently need to be in touch, let them know when you plan to be offline focusing on a project. Mark it on your calendar if you need to.

► **Leave your phone in another room.** Whether you're watching a movie with your family or doing homework, have your phone out of sight. Research has shown that just seeing your phone can lead to distracting thoughts.

► **Teach good habits early.** All of this applies to your kids, who will not only follow your lead, but will also seek any and all available distractions on their own. It's good to set an example, as well as limit what they can and can't do during, for instance, the homework hour.

  
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Richard Hagenlock's 2021 Corvette Stingray C8 fulfills his yen for a mid-engine sports car.

## MY RIDE | A.J. BAIME Revved by Corvette Redesign

**R**ichard Hagenlock, 68, a retired paint-company executive who lives in Santa Ana, Calif., on his 2021 Chevrolet Corvette Stingray C8, as told to A.J. Baime.

I was born and raised in South Dakota, in a town of some 1,500 people. My father owned an automotive repair shop, and I worked there all the time. We did everything: automotive mechanics, diesel mechanics, we fixed tractors, we had a small body shop. And we had a little area to keep a car to work on, when we weren't working. That's how I got into cars.

Let me tell you, in a town as small as this one, you did not ever see anything like a Porsche. You might have had a poster of a Lamborghini Countach on your wall, but you were never going to see one in person. For my friends and I, the Corvette was the car.

I particularly liked the 1968 Corvette—the first year of the third generation—with the big-block engine. So that was what I worked toward. I finally got one, almost entirely totaled, around 1975, and I rebuilt it. Then one day I got pulled over going...let's just say I was in a hurry. It's

not a good thing when your father is the service guy they call to come impound your car. He sold that car, and I never saw it again.

I always knew that when I retired I was going to buy a two-seat sports car, and I wanted a mid-engine car. A mid-engine car has the engine behind the driver and ahead of the rear axle. This layout first caught on in the 1960s, and quickly almost all the major race cars and exotics became mid-engine vehicles. Formula One cars, IndyCars, and many Lamborghinis, Ferraris and Porsches today have the en-

car I loved all my life, but now it became what we would call a mid-engine "exotic."

I cannot underestimate what a radical move this was in the Corvette world. For years there had been exciting rumors. But never a car anyone could buy until the new generation. There are people I know, die-hard Corvette fans, that don't like the new mid-engine car because it bucks tradition. But I love it. And for all that performance, it is still way cheaper than a Porsche 911.

I don't drive it every day. My everyday driver is an



gine behind the driver for performance reasons. But for seven generations, starting in 1953 when it was first launched, the Corvette remained a front-engine car.

All that changed when General Motors put out the eighth-generation Corvette in model year 2020 as a mid-engine car for the first time. This was, for me, a no-brainer, because it was the

electric Nissan Leaf, and my friends give me a lot of grief for that. But early on Sunday mornings, I take out my Corvette and get together with friends. We drive on great roads near where we live and I have driven this car on amazing roads through Northern California. I don't drive like I did when I was a teenager, but I still have a whole lot of fun.

## ARTS IN REVIEW



## ART REVIEW

# In Boston, 'Philip Guston Now,' at Last

BY PETER PLAGENS

*Boston*

Two years after the fear of a racial contretemps temporarily scuttled "Philip Guston Now," the retrospective exhibition of the painter has just opened at the Museum of Fine Arts, Boston. In attempted reassurance, viewers are told that "We have thought deeply about what it means to present Guston's paintings while respecting both the context in which they were made and their meaning for audiences today." (The exhibition will proceed, in semi-independent versions, to Washington, Houston and London.) Which means that the show is both the same and different. It's still an ample retrospective of 73 paintings and 27 drawings displaying Guston's stylistic shifts, including—actually featuring—the sardonic KKK paintings that delayed the original show. But the exhibition has now been recontextualized both to show that Guston was not an inadvertent racist and to provide a didactic cushion for those who might be offended or seriously discomfited by Guston's late-career imagery of Ku Klux Klansmen. (The museum has hired a trauma specialist for visitors disturbed by the work; an alternative exit provides an escape hatch.)

Does it work? Let's just say that Guston (1913-1980) still looks like the great painter he is. As to whether—in Boston's version at least—black audiences will be outraged (as was feared with the original iteration) is not for me to say. I can report only that the civics-class bufferings (e.g., "The content of this exhibition is challenging. The Museum offers these words in a spirit of care and invitation") haven't ruined the gritty



Installation view of 'Philip Guston Now' at the Museum of Fine Arts, Boston, above; Guston's 'Gladiators' (1940), top right, and 'Open Window' (1969), top left

magnificence of Guston's art.

Guston's parents came to Canada early in the 20th century as refugees from pogroms against Jews in Ukraine. They eventually moved to Los Angeles, where Guston became enamored with the work of "Krazy Kat" cartoonist George Herriman (who was, incidentally, Creole, mixed-race and passed for white all his adult life) and a bit frightened by the burgeoning KKK in the city in the 1920s. (Seeing, decades later, published photos of Nazi concentration-camp victims piled in carts didn't help.) He attended Manual Arts High School, where he met and started a bumptious friendship with fellow student Jackson Pollock. After a moderately successful early career with such social-commentary paintings as "If This Be Not I" (1945), Guston moved to New York and became

an Abstract Expressionist. By the late 1950s, with such paintings as "Dial" (1956), he'd managed to become famous enough so that he could stop teaching and just paint. But . . .

"When the 1960s came along," Guston said, "I was feeling split . . . the war, what was happening to America, the brutality of the world. What kind of man am I . . . sitting at home, reading magazines, going into a frustrated fury about everything—and then going into my studio to adjust a red to a blue." He reacted by creating over the next few years a plethora of simple small paintings of single objects, each a kind of pictorial vocabulary card. Then in late 1968 a figure emerged—a white triangle (or hood) with black eye slits exuding a bland horror. It became, along with a peanut-headed figure with an enormous upward-staring

eye (who smoked in bed, worrying), Guston's trademark iconography. This, with a few earlier figurative paintings purportedly buttressing Guston's interest in disguises, masks and varied skin colors, constitutes the heart of the exhibition. Works such as "City Limits" (1969), depicting three Klansmen crowded into a kind of clown car, are the heart of that heart. Alas, his abstract paintings are almost a museological afterthought here.

Nevertheless, Guston's painting—his poetically meaty way of putting on paint, his pushing pink beyond its inherent prettiness, his blunt anti-finesse compositions, and the unpretentiousness of his depicted angst—is what still comes across most forcefully. (If this weren't the case, there are plenty of other, much more op-ed-like painters who'd instead be

the subject of this retrospective.) The vaguely chronological installation is well-lighted and spatially generous, and the school-field-trip labels don't really contradict anything on the walls.

If there's a bottom line—what journalism calls a takeaway—to "Philip Guston Now," it's the inherent conflict between the artist's being necessarily separate from the godawful everyday world (otherwise, he'd be on a picket line) and being ineluctably part of it. Guston knew that fact all too well, and his distress over it propels his art.

**Philip Guston Now**

Museum of Fine Arts, Boston, through Sept. 11

*Mr. Plagens is an artist and writer in Connecticut.*

*New York*

He thee to the Longacre Theatre, should you be interested in seeing one of the more dismal Shakespeare productions ever to grace—or rather besmirch—a Broadway stage in recent memory. The highly anticipated production of "Macbeth," starring Daniel Craig and Ruth Negga, closes the pandemic-plagued Broadway season on a dispiritingly dreary note. Misguided in execution and largely indifferently acted, this minimalist production does no favors to either of its talented stars.

The director, Sam Gold, is perhaps the most puzzlingly—or do I mean predictably?—uneven one working in New York theater. When he turns to new plays, he is almost invariably terrific, having shaped with uncommon sensitivity the work of playwrights including Annie Baker (the Pulitzer Prize-winning "The Flick"), Lucas Hnath and Will Eno.

But Mr. Gold has been unable to achieve similarly distinguished results with classics; in fact he has, with almost equal reliability, floundered when staging revivals of such various works as the Glenda Jackson "King Lear," John Osborne's "Look Back in Anger" and William Inge's "Picnic." Mr. Gold seems almost perversely intent on subverting traditional approaches to the plays, like a kid who wants to break his toys and put them back together again in his own fashion. The results are superficially radical but ultimately ineffective. (It is surprising that producers have apparently not noticed this strange duality in his work.)

His "Macbeth" opens with the weird sisters (the witches) cooking up their brew as the audience enters. The cookware is brightly colored and contemporary, as the costumes are



Daniel Craig and Ruth Negga (foreground) with the cast of 'Macbeth,' directed by Sam Gold

casual and seemingly fresh off the racks of fashionable department stores. These supposedly malevolent spirits look like a team of aspirants on "Top Chef" fiddling with their recipes.

Things do not improve when we meet Duncan (Paul Lazar), the king whom Macbeth honorably served in battle, only to plot his murder when the witches fertilize in his malleable mind the idea that he may one day be king. Mr. Lazar is depicted as a doddering fool, the crown practically toppling from his head. This is antithetical to Shakespeare's (and Macbeth's) conception of this noble figure. Here he seems like a witless man ripe for usurping.

The bizarrely comic interpretation of his character is underscored when, almost immediately after Duncan is stabbed to death by Macbeth, Mr. La-

zar rises from Duncan's deathbed, strips off layers of his bloody costume, and steps into a new role, the lewdly comic Porter.

Mr. Craig, known best for his James Bond on film, is a veteran stage actor here left seemingly to his own devices. Although his commanding presence is undeniable, he fails to bring alive the interior life of one of Shakespeare's most compellingly conflicted tragic figures. Many of Macbeth's soliloquies are delivered at the lip of the stage directly to the audience, as if they were miniature TED talks, with logic and rationality subsuming the roiling psychic torment that should be a hallmark of any thoughtful interpretation of the character.

Macbeth is, unlike more obviously maleficent figures like Richard III, a

man whose once-sturdy conscience is corrupted by supernatural influences, his wife's headlong ambition and his own divided mind, but in Mr. Craig's interpretation he rarely seems to have any anguished feelings about his behavior as he wades ever deeper into bloodshed. His brief equivocation about the plan to murder Duncan is delivered with little conviction. There is, in fact, a James Bond-like coolness and determination in the performance that robs it of the fraught ambiguity that makes Macbeth an almost sympathetic villain.

Ms. Negga's Lady Macbeth is rather bland, perhaps in part because her seething attempts to encourage Macbeth in his regal ambitions seem unnecessary. The performance is polished in terms of the precision of Ms. Negga's grasp of the language,

but oddly vacuous when it comes to animating one of Shakespeare's most arresting female figures. Even the famous sleepwalking scene, when Lady Macbeth's mind disintegrates before our eyes under the weight of her guilt, does not achieve the frightening pathos it often does. (Incidentally, Ms. Negga's Hamlet, seen in Brooklyn several years ago, was outstanding.)

There are some effective supporting performances, notably Amber Gray ("Hometown") as Banquo—here a female character, with the pronouns in the original text changed. Ms. Gray brings a staunch nobility to her performance as well as a palpable suspicion of Macbeth's designs. Also deserving praise is the Macduff of Grantham Coleman, who registers the news of his family's brutal murder with a quietly boiling shock.

The stage is bare but for a few pieces of furniture: a couple of armchairs that appear to be the only seating in Macbeth's castle, and a long table for the banquet scene. (But why is this newly crowned king setting out napkins?) The actors sometimes remain onstage even when they are not performing. Often they wield smoke-spewing machines, the ample volume of smoke being virtually the only attempt to invoke the play's eerie, unsettled atmosphere. Unfortunately, no amount of stage smoke could serve to obscure the deficiencies of this unhappy production.

**Macbeth**

Longacre Theatre, 220 W. 48th St., New York, \$35-\$180, 212-239-6200, closes July 10

*Mr. Isherwood is the Journal's theater critic.*

# SPORTS

By LAINE HIGGINS

Goalies hate it. League executives love it. Coaches don't understand it. But no one can deny it: The NHL is in the midst of a goal-scoring explosion.

Across the 82-game regular season that wraps up on Sunday, teams are on pace to net 6.2 goals per game—the highest total since the 1995-96 season and a 6.9% bump from last year, during which teams played against the same six or seven opponents mostly in empty arenas.

The uptick in scoring is likely a product of several forces, some of them related to the pandemic. But it's also a sign of how the game is changing, with dozens of lightning-fast, highly skilled players coming through the ranks, making benches deeper and opposing goalies miserable.

Some teams possess a near-unstoppable ability to score goals. Six teams—Calgary, Colorado, Florida, Minnesota, St. Louis and Toronto—are all averaging more than 3.5 goals per contest, with the Panthers leading the way at 4.1 per game. There are six teams *total* that have scored as much in the last 15 seasons combined.

Unsurprisingly, all six of those teams are bound for the playoffs. Calgary clinched the Pacific Division, the Panthers and Maple Leafs led the Atlantic, and the Avalanche, Wild and Blues round out the three spots in the Central Division. Only five can make it out of the first round: Minnesota and St. Louis will face off in what could be a highflying first round series.

Part of the reason there have been more goals this season is inconsistent goaltending. When the Omicron variant of Covid-19 ripped through the league in December, decimating rosters and postponing or canceling more than 50 games, teams were forced to get creative, particularly when it came to finding starting goalies. In January, 86 different players started in the net compared with 65 over that span from 2019-20, the last full season before the pandemic.

With so many players cycling through goal, many of them getting called up from the minors well ahead of when the front office might originally have planned, league-wide save percentage took a dive, from 0.914 in October to 0.904 in December and January. That might seem like a small change, but in a sport where teams combine for more than 63 shots on goal per game, that difference means allowing one more goal every other game. Across 1,312 league games, that adds up.

The beginning of the season, when teams are still gelling, is when goalie stat lines tend to be the worst and scoring tends to be the highest.

As things tighten up down the stretch, goals become fewer and further between. But that wasn't the case this year: The average number of goals scored per game has steadily ticked up every month from 5.74 in October to 6.54 in April.

It isn't just that the lamps are



Toronto Maple Leafs forward Auston Matthews celebrates after scoring his 60th goal of the season. The NHL wrapped up its highest-scoring season since 1996.

## NHL Is Set for the Playoffs After a High-Scoring Year

The pandemic and personnel shifts resulted in a record-setting number of goals

getting lit more frequently in March and April: the top goal-scoring talent has become even more lethal across the entire season. Auston Matthews of the Toronto Maple Leafs on Tuesday became the third player after Alex Ovechkin and Steven Stamkos to score 60 goals in a single season since a guy named Wayne Gretzky retired. Four players have at least 50 goals—the same as there were in the last seven seasons combined—and 13 have at least 40 goals, the largest bunch since 2018-19, according to Stats LLC.

All this scoring has prompted some to wonder whether there has been a backslide in defensive talent. But it's actually been the opposite: as the game gets faster, teams increasingly rely on defensemen to be two-way players. Plus, there has been an influx of younger players who have yet to master the subtleties the shot-blocking veterans who came before them did so well.

"There's not a lot of defensive detail in a lot of those young guys," said New York Islanders coach Barry Trotz. "But they have great skills, so it's a little more wide open."

New York Rangers defenseman Jacob Trouba stressed that scoring

**This season, 133 skaters scored at least 20 goals, compared with 101 a decade ago.**

oodles of points is fine and dandy, but it becomes irrelevant if play at the other end of the ice is lacking.

"In my opinion, defense wins in this league. It's tough to outscore people every night," Trouba said on Tuesday after his team lost to the Carolina Hurricanes 4-3. NHL forwards look different

these days too—and not just on the top lines. Where teams used to rely on two or three players to carry them to victory and packed their bottom lines with players whose main responsibility on shifts was to not mess up and give the superstars a rest, there is more scoring coming from deeper down on the bench. This season, 133 skaters scored at least 20 goals, compared with 101 a decade ago. It's a clear sign that clubs have realized they need to build their rosters in different ways if they want to have a chance to win.

"When I started, your third line was grinding, your fourth line was fighting," said Wild goalie Marc-André Fleury, an 18-season NHL veteran. Now, he said, Minnesota's third line has two 20-goal scorers in Marcus Foligno and Joel Eriksson Ek.

For a league whose product is famously poor at translating to television, the barrage of scoring has been a boon for fan interest.

Close games these days aren't 1-0 slugfests, but 4-3 shootouts like New York and Carolina played.

"It's good to see goals scored in the game. That's what fans come to see, they want to see lots of goals," Rangers coach Gerard Gallant said.

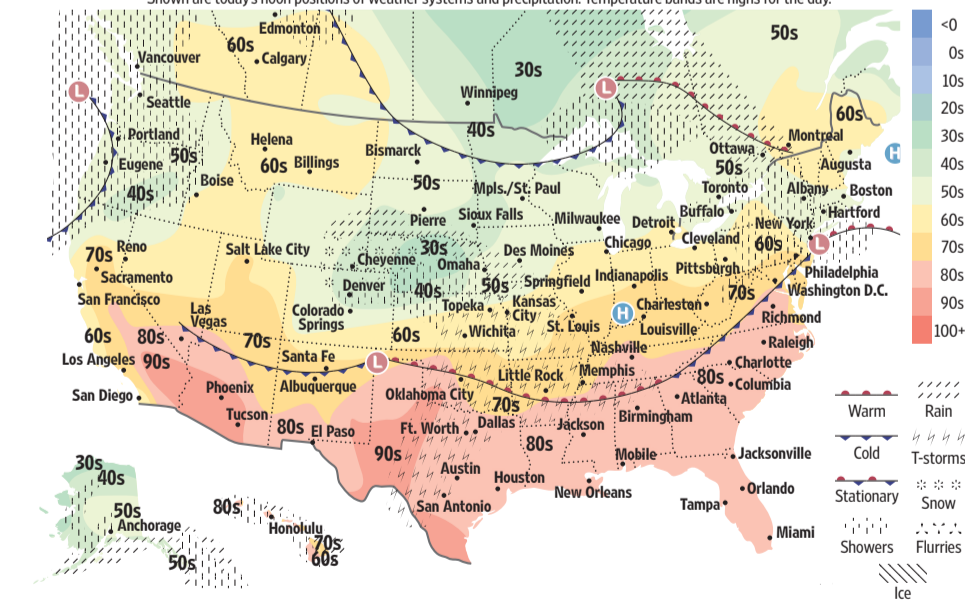
Scoring more goals in the regular season is one thing, but keeping that pace in the playoffs is another. With Lord Stanley's Cup on the line, the level of hockey elevates and scoring falls off. Across the last decade teams have averaged 5.65 goals per game in the regular season compared with 5.38 once the postseason begins, a 4.7% decline.

Even if that regression holds true in 2022, these playoffs would be historic for the NHL. It would be the first time that postseason games have featured at least six goals since 1996—so long ago that Matthews, the league's top goal scorer this season, wasn't even born.

### Weather

AccuWeather | Go to AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



Forecasts and graphics provided by AccuWeather, Inc. ©2022

### U.S. Forecasts

s...sunny; p...partly cloudy; c...cloudy; sh...showers; t...tstorms; r...rain; sf...snow flurries; sn...snow; l...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	50	40	c	51	40	c
Atlanta	84	65	pc	86	67	pc
Austin	85	72	t	88	71	pc
Baltimore	78	53	pc	73	55	pc
Boise	63	40	sh	58	37	r
Boston	57	46	pc	53	46	c
Burlington	61	48	sh	65	51	c
Charlotte	87	65	pc	85	66	t
Chicago	61	47	pc	62	42	r
Cleveland	61	49	pc	68	54	r
Dallas	83	70	t	80	68	sh
Denver	48	31	r	67	38	c
Detroit	61	48	pc	59	47	r
Honolulu	83	72	r	85	72	sh
Houston	85	74	pc	89	74	t
Indianapolis	70	58	pc	71	51	t
Kansas City	61	50	r	61	50	c
Las Vegas	88	65	s	83	60	s
Little Rock	78	68	t	78	64	t
Los Angeles	75	56	pc	73	54	pc
Miami	86	76	pc	87	74	sh
Minneapolis	55	44	c	46	42	r
Missouri	51	40	pc	56	38	pc
Nashville	84	66	t	84	63	t
New Orleans	85	73	t	86	71	pc
New York City	57	52	sh	64	51	pc
Oklahoma City	77	49	t	70	55	s

### International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	61	45	pc	56	40	pc
Athens	64	54	sh	69	56	pc
Baghdad	89	67	pc	97	74	pc
Bangkok	86	74	t	85	76	c
Beijing	76	52	s	87	57	s
Berlin	64	45	pc	64	44	c
Brussels	63	42	pc	62	43	pc
Buenos Aires	62	51	pc	63	52	s
Dubai	97	82	s	94	79	s
Dublin	57	45	c	58	46	c
Edinburgh	54	43	c	53	46	c

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	68	48	pc	68	49	t
Geneva	66	48	c	65	49	t
Havana	89	70	pc	89	70	t
Hong Kong	73	68	c	79	72	pc
Istanbul	67	52	pc	59	51	sh
Jakarta	92	78	t	92	78	t
Jerusalem	80	65	pc	86	59	s
Johannesburg	71	50	s	72	51	s
London	62	48	c	60	49	c
Madrid	69	52	t	64	49	t
Manila	96	80	pc	96	80	pc
Melbourne	70	56	pc	69	56	pc
Mexico City	81	60	pc	82	60	t
Milan	72	53	pc	72	54	pc
Moscow	53	44	c	60	42	pc
Mumbai	92	84	s	92	84	s
Paris	64	48	pc	67	49	pc
Rio de Janeiro	83	74	s	86	75	s
Riyadh	99	74	s	101	77	s
Rome	69	51	s	69	53	pc
San Juan	84	76	c	86	75	pc
Seoul	68	43	s	69	50	s
Shanghai	78	58	pc	80	58	s
Singapore	87	78	r	86	79	t
Sydney	71	57	s	73	59	s
Taipei City	67	62	r	73	67	r
Tokyo	66	53	pc	68	56	s
Toronto	58	44	c	56	50	r
Vancouver	56	46	r	57	45	r
Warsaw	64	46	pc	63	45	pc
Zurich	66	45	t	66	47	t

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

1	2	3	4	5	6	7	8	9	10	11	12	13	
14					15					16			
17					18					19			
20					21					22			
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26	27	28			29	30							
31			32		33						34	35	
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49	50							51					
52					53			54	55		56	57	58
59					60					61			
62					63					64			
65					66					67			

### MAKE THE GRADE | By Kathy Lowden

- Across**
- Enticed
  - Beatle Ringo
  - Female moose
  - Nevada neighbor
  - Singer Janelle who had roles in "Hidden Figures" and "Moonlight"
  - Hockey Hall of Famer Bobby
  - Retort in a playground argument
  - Grocery chain from 1859 to 2015
  - Assn. like Doctors Without Borders
  - You might use a few of these when you're angry
  - Silent agreement
  - Quayle who was vice president
  - Stepped down
  - Under the weather
  - Broke up with
  - Medical journal named after a surgical knife, with "The"
  - "Give \_\_\_ rest"
  - Paper towel option
  - Impudence
  - "\_\_\_ we there yet?"
  - Response to the question in 38-Across
  - You might use a few of these when you're angry
  - Silent agreement
  - Nook's kin
  - Treasure containers
  - "I'm With Stupid" garment
  - Hammer or handsaw
  - Start for cycle or brow
  - 13, 29 or 43, e.g.
  - \_\_\_ Vegas
  - Burr who was vice president
  - Connect with, by rope
  - Take a load off
  - Long autos
  - 64 Neighborhoods
  - Singers Green and Jarreau
  - Trap
  - First family of 1910

- Down**
- Parts for pots
  - Work on copy
  - Max Ernst's art
  - Response to a witty put-down
  - Pasta makeup
  - Brainy
  - Creature mistakenly thought to cause warts
  - \_\_\_ Domini
  - Glowing
  - Copy
  - They may be serious or critical
  - Liver or lung, e.g.
  - Not right
  - Assistant
  - Not so much
  - Spine part
  - Nevada neighbor
  - They thrive on pain and suffering
  - Butler being inducted into the Pro Football Hall of Fame in 2022
  - Taiwanese laptop maker
  - Central Park has a Great one
  - \_\_\_ suit (outfit for Cab Calloway)
  - Finishes
  - iPhone answerer
  - Wrist bones
  - Board the express
  - Big name in rodent control
  - Give an earful to
  - City of south central New York
  - Oklahoma crude city
  - Quintessentially slow creature
  - Keyed up
  - "\_\_\_ la Douce" (Shirley MacLaine movie)
  - Secure to the dock
  - Complaint, or a hint to the grades that start 20-, 32-, 40- and 53-Across
  - Coup d'\_\_\_
  - Betsy of flag fame

### Previous Puzzle's Solution

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

The contest answer is CANTATA. Each of the starred answers has a synonym that can be made by putting a note of the scale before another grid answer (GUIDE/DOCENT, ARRIVES AT/REACHES, TRIVIAL/MINOR, BEGAT/FATHERED, COMFORT/SOLACE, CONCEALED/LATENT, CROWN/TIARA). The first letters of those grid answers spell the contest answer.

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

## OPINION

## Debt Can Be a Killer



INSIDE VIEW  
By Andy Kessler

The arrest last week of the founder of the investment firm Archegos, charged with securities fraud, is a great reminder of hidden debt. In March 2021, Archegos was overleveraged, allegedly hiding its debt from Wall Street firms as it used funky “total-return swaps” to manipulate stock prices. The inevitable collapse destroyed \$100 billion in stock value. (Archegos’s lawyers have denied the allegations.) Separately, supply-chain financier Greensill used what Fitch described as a “hidden debt loophole” and collapsed around the same time.

Are there more of these out there? I ask because we’re in the most dangerous part of the economic cycle. Interest rates are rising to combat inflation, and there could be all sorts of leverage we don’t know about. There always is. A slowdown (and especially a recession) would expose these hidden horrors. In 2018 this column argued that “in downturns, equity hurts but debt kills.” We’re about to find out if that’s still true.

More than \$850 billion in credit-card debt and \$800 billion in margin debt are high but off their peaks, and at least they are known amounts. It’s always hidden debt that comes back to bite when things fall apart. In June 1929, banks had \$82 in deposits for each dollar

in cash on hand. Bank runs followed. The 2008-09 financial crisis resulted from mispriced collateralized loans and weird derivatives on the balance sheets of Lehman Brothers, Bear Stearns and many others. Citibank used “structured investment vehicles” loaded with mortgages and who knows what else essentially to hide \$100 billion in debt by keeping it off its balance sheet.

Now debt is fashionable again. Tesla’s last proxy statement shows Elon Musk owning 73 million options and 170 million shares, of which more than 88 million were “pledged as collateral to secure certain personal indebtedness.” Even assuming a 20% loan-to-value ratio, that’s a lot of personal indebtedness. In the pending Twitter deal, Morgan Stanley is providing a \$12.5 billion margin loan against another 62 million of his Tesla shares.

Tesla sold around a million cars in 2021 and was worth \$1 trillion last week at the time of the Twitter deal. Ford Motor Co. sold almost four million vehicles world-wide in 2021 and is currently worth just under \$60 billion. I’d rather have Tesla’s business than Ford’s, but perhaps Tesla’s valuation is a tad fluffy. Netflix stock has fallen 72% in six months. Carvana is down 84% since August. Valuations are fleeting, and we aren’t even in a recession. Now may not be the time to borrow against Tesla shares.

There are reports that Mr. Musk may take out a loan against his current 9.2% stake

in Twitter. Yes, borrowing against Twitter to buy more Twitter. Why does that sound familiar? Oh yes, MicroStrategy. Michael Saylor, a bitcoin evangelist and CEO of the Tysons, Va., software company, has the company buying gobs of the cryptocurrency. It recently took out a \$205 million loan, backed by its bitcoin holdings, to buy even more bitcoin, for a current total of 128,687 worth \$5 billion. In March Mr. Saylor tweeted, “Give me a lever long enough and #bitcoin on which to place

**Elon Musk is leveraging his Twitter shares to buy even more shares.**

it, and I shall move the world.” He doesn’t say in which direction. Note that MicroStrategy’s company value is worth less than its bitcoin.

The latest crypto craze is decentralized finance, the ability to do peer-to-peer transactions, bypassing centralized banks, Wall Street and governments. YouTube is filled with videos with titles like “Using the Power of DeFi to Leverage Any Asset.” There is even a lending-and-borrowing platform named DeFi Prime. Sounds safe, but so did buying Las Vegas condos with leverage in 2007.

One DeFi effort named Terra is amazingly offering 20% returns on deposits to

fund a blockchain platform that uses an “algorithmic stablecoin” that maintains a \$1 price. To do this, there is a fluctuating (but backed by nothing) cryptocurrency named Luna that is created or destroyed to buy or sell the TerraUSD stablecoin as needed to keep it stable. More than 20 years ago, Enron created and issued shares to cover losses in heavily indebted Special Purpose Vehicles until losses became so large that the scheme collapsed. Terra’s CEO, Do Kwon, told Bloomberg that high returns on deposits aren’t a problem; they are like high commercial banking rates in many Asian countries in the 1990s. Someone might remind him how that ended: with bad debt and giant currency crises in 1997 and 1998.

How much debt is in crypto-world? No one really knows, but I wouldn’t want to be in its way if it begins to snowball during a downturn.

Even scarier is the \$13.4 trillion of dollar debt owed by non-U.S. borrowers, according to the Bank for International Settlements. That’s doubled since 2010. Maybe that’s overstated because of hedging, but that’s a lot of dollar denominated debt outstanding. Each time the Federal Reserve raises interest rates to battle inflation, the dollar strengthens against other currencies, making dollar debt more expensive to service. Will this all blow up? I’ve seen it happen a few times. Each time, debt kills.

Write to [kessler@wsj.com](mailto:kessler@wsj.com).

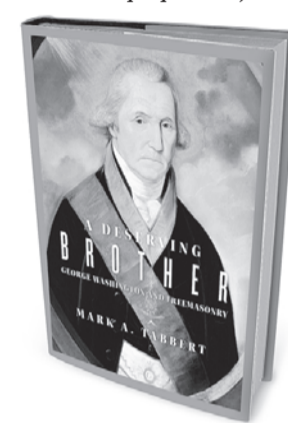
BOOKSHELF | By Priscilla Montgomery Jensen

## First in the Hearts Of His Brethren

**A Deserving Brother: George Washington and Freemasonry**

By Mark A. Tabbert  
(Virginia, 271 pages, \$34.95)

For generations, residents of Alexandria, Va., have taken their bearings from the imposing, stepped “lighthouse” modeled after the original in their namesake Egyptian city. It’s high on Shuter’s Hill, not far from the Potomac; everyone in the area agrees it’s the best place for sledding after a decent snowfall. But while many are aware that the structure commemorates Virginia’s most famous son, fewer know it as the George Washington Masonic National Memorial, a “temple” dedicated to enshrining Washington’s association with Freemasonry *in memoriam perpetuam*, and to promoting the Masons’



shared values of “liberty, justice, equality, and charity.”

Preparing for the Memorial’s 2023 centenary, its director of archives and exhibits, Mark A. Tabbert, realized that, despite a significant survival of Masonic Washingtoniana—even the minutes of his 1755 induction survive—“no comprehensive analysis” of his relationship with Masonry had yet been written. At the suggestion of a colleague, Mr. Tabbert set about assembling one. His intent, he says in the

preface to “A Deserving Brother: George Washington and Freemasonry,” is “to present all known physical evidence of George Washington’s membership in, and lifelong support of, Freemasonry.”

Mr. Tabbert is thorough and assiduous, and careful with the facts if occasionally speculative about their meaning. He is at pains to note that his book “includes only the documents and artifacts that provide a record,” even though some anecdotes and stories are temptingly “believable . . . or oft repeated.”

The author has an unenviable task for a historian, navigating around some mighty big holes: Washington fell off the Masonic map soon after he joined the Fredericksburg, Va., lodge, and doesn’t reappear in Masonic records until the Revolution. “For a man who, so far as is known, never initiated any Masonic activity or a letter after 1755, Washington had a complicated Masonic life,” Mr. Tabbert observes. Certainly the Masons were keen to claim him: When he died in 1799, he was eulogized by Masons around the country; a lock of his hair was “preserved with the jewels of the society” by a Boston lodge, in a golden urn cast by no less than Paul Revere.

Masonic practice, at least in the United States, mirrors and parallels religious rites, which has raised eyebrows at some points and riots at others. When a group of Masons laid the cornerstone of the U.S. Capitol building in 1793, President Washington solemnly set an engraved silver plaque upon it. The cornerstone was blessed with libations of wine, corn and oil (“symbolizing health, peace, and plenty,” Mr. Tabbert tells us) and the “Freemasons ‘chanted’ as Washington stepped out of the trench.” “It is possible,” adds our guide, that “all attending brethren made appropriate hand signs or hand-claps between each motion” as the stone was laid. The occasion culminated, encouragingly, in a barbecue, ending in what Washington’s friend and fellow Mason, Lafayette, might have called a *plus ça change* moment, in which the participants, including the president, bought promising lots of land in the new District of Columbia.

**Among the lesser-known offices held by the father of our country was charter master of Masonic Lodge No. 22, Alexandria, Va.**

“A Deserving Brother” offers a refresher for the Masonic amateur and a useful primer of sorts for the entirely unfamiliar. The organization’s dedication to brotherhood and honesty—its symbols of the plumb of rectitude, the compass of moderation, the square of virtue and the level of equality—resonate with the democratic traditions of the United States from its founding to the present. Its rites and organization illuminate the human need for ceremony and hierarchy—if we don’t have ritual, we tend to create it.

Masonic adjacency to religious observation is reflected in the curiously High Church phenomenon of the feasts of St. John the Baptist and St. John the Evangelist—observed, in Washington’s day at least, in Episcopal and other churches of the new country, where a minister’s sermon took place after various Masonic processions. The sermons were subsequently printed and used to raise money for the poor.

Formal religious involvement was complicated and contradictory. Washington’s funeral was conducted both by a minister and with the ceremonials of his brother Masons. Constitutional Convention delegate and District of Columbia commissioner Daniel Carroll, of the great Maryland Catholic family, was a Mason, instrumental in the cornerstone-laying ceremony at the new Capitol. Most American Catholics, now at least, are acutely aware that membership in the Masons is forbidden by the Church; this was a direct catalyst in the creation and rise of the Knights of Columbus and other Catholic civic organizations.

Mr. Tabbert rejects a shorthand interpretation of Washington’s—and early American—Freemasonry as part of some strain of Voltairian deism and freethinking, and briefly addresses the “Dan Brown effect” early in this century, when a “torrent” of sensational conspiracism inundated the public with assertions about “Washington the Masonic Satanist,” “Washington the Rosicrucian” and “Washington the Illuminati President.” The author is correct to relate this spasm of gnostic Scooby-van investigation to many previous anti-Masonic eruptions, but perhaps lacks a bit of self-awareness. Claiming your organization is the repository of the ancient secrets of Solomon’s temple is apt to give people ideas.

Whatever you’re building—a Capitol, an argument, a history—won’t stand up if it’s not laid true. Mr. Tabbert’s book, a catalogue raisonné of Washington as Freemason, establishes a firm basis for further exploration. He says he intends for his work to “spur more extensive scholarship into an unexplored aspect of Washington’s life”; it will be interesting to see if his conscientious assembly inspires new analysis of the cultural and political thought behind the Founding.

Ms. Jensen is a writer and editor in northern Virginia.

## Mexico Criminalizes Investment



AMERICAS  
By Mary Anastasia O'Grady

President Biden met virtually with Mexican President Andrés Manuel López Obrador on Friday to talk about bilateral and regional issues, according to the White House. Diplomatic gibberish aside, the priority of the call was clear: Both presidents are harmed politically by the mess at the southern U.S. border and want it to go away.

Let’s be honest, though. That’s about the extent of their shared goals.

It’s in the U.S. interest that Mexico grow faster and strengthen its democratic institutions. Mr. López Obrador

**President López Obrador threatens to jail opponents of his energy agenda.**

doesn’t care about growth and is trying to tear down independent institutions because they stand in the way of his power to dictate the political economy. Those who disagree with him are branded greedy and corrupt.

Exhibit A is the president’s recent threat to jail his political opponents and prosecute investors who don’t get on board with his energy agenda. This Putin-style thuggery is unlikely to secure convictions, but criminal complaints lodged with the attorney general can

result in years of investigation, harassment and even preventive detention.

Last week Mr. López Obrador announced a constitutional-reform initiative to end the independence of the federal body that runs all elections in the country and of the tribunal that settles electoral disputes. The initiative would also make all seats in the Chamber of Deputies, Mexico’s lower house of Congress, chosen by proportional representation, a change that would empower his Morena party.

The initiative isn’t expected to garner the necessary two-thirds majority votes in Congress to pass. But that’s not important for AMLO, who according to polls still has better than 50% approval ratings. He’s telling his supporters that Mexico’s representative democracy is run by a “mafia of power” that denies them their rights. According to his narrative, only he can protect their interests. If this electoral reform fails, it strengthens his argument.

The left calls what AMLO wants “participatory democracy” but it is instead a dangerous flirtation with mob rule.

When he took office in 2018, Mr. López Obrador promised to deliver an irreversible “fourth transformation” of Mexico, an ambiguous utopian vision that seems to require the centralization of political power and the state as the dominant player in the economy. With only two years and seven months left in his six-year term, he’s running out of time.

The April 17 defeat in



Andrés Manuel López Obrador

Congress of constitutional reforms to reverse the 2014 opening of Mexico’s energy markets is a major setback for AMLO. Those reforms were aimed at restoring the monopoly power of state-owned oil company Petróleos Mexicanos, or Pemex, and of the state-owned Federal Electricity Commission, or CFE.

Mexicans don’t seem to see a future in inefficient and corrupt state energy monopolies. The reforms never had backing from the necessary qualified majorities in Congress. Even Morena knew they were a long shot, which is why it tried to reduce the number of opposition legislators who would show up to vote by scheduling the session during Holy Week and then abruptly moving it to Easter Sunday. Desperate Morena supporters even tried to get up a rabble to block opposition legislators physically from entering the chamber.

AMLO and Morena are furious about the defeat. The day after the vote the president accused those in Congress who opposed the reforms of treason. Members of his party have echoed the sentiment, creating “wanted” posters of some dissident congressmen on social media.

of your wise warning. If you don’t predict doom and reality is worse than you predicted, you will be blamed and shamed. The incentives are clear. Truth experts at the DGB will proclaim grave threats around every turn even when any “threats” are minor to nonexistent.

By creating the DGB, the U.S. government is creating a crisis monitor with the dial permanently set to “existential threat.” No one inside the board will have the incentive—or the courage—to dial it down.

The dangers of the DGB will be amplified if it becomes the tool of partisan political actors. And it already has. Executive director Nina Jankowicz, who once described Hunter Biden’s laptop as “a Trump campaign product,” has written that America’s “information land-

scape” includes “declining trust in the media, fed by the Trump administration’s relentless attacks on the fourth estate.” She has said: “Unless we mitigate our own political polarization, our own internal issues, we will continue to be an easy target for any malign actor—Russian or Iranian, foreign or domestic—to manipulate.”

Yes, you read that right. We must all fall in line because of the many grave threats—domestic as well as foreign—out there. Incorrect political opinions become a national-security threat. The DGB already looks frighteningly similar to the KGB.

Mr. Koppl is a professor of finance at Syracuse University and author of “Expert Failure.” Ms. Devereaux is a professor of economics at Wichita State University.

## Biden Establishes a Ministry of Truth

By Roger Koppl  
And Abigail Devereaux

The Department of Homeland Security has announced the formation of the Disinformation Governance Board—charged, according to Politico, with “countering misinformation related to homeland security, focused specifically on irregular migration and Russia.” In a twist too implausible for fiction, the abbreviation is DGB, one letter off from KGB.

The stated goal of combating mis- and disinformation is framed to seem unobjectionable. Who objects to truth and pines for falsehood? DGB experts will guide the way, separating the informational wheat from the disinformation chaff. But there’s one small problem with empowering “truth experts”: Experts are people.

People respond to incentives. Therefore experts respond to incentives. Graham Medley, a British expert involved in the U.K. policy response to Covid, illustrated the point in recent testimony before Parliament. “The worst thing for me,” he said, “would

**The Disinformation Governance Board already looks like a partisan instrument.**

be for the government to say, ‘Why didn’t you tell us it could be that bad?’ Inevitably, we were always going to have a worst case which is above reality.”

Put yourself in his shoes. If you predict doom and nothing much happens, it was because

## OPINION

## REVIEW &amp; OUTLOOK

## The Republican Plot to Lose Wisconsin

Michael Gableman isn't a secret Democratic double agent, but he's sure acting like one. Mr. Gableman, a former Wisconsin Supreme Court Justice, was hired by the GOP Assembly to investigate the 2020 election. Last week he wrangled an extension. At this rate, Wisconsin Republicans might keep trying to undo the 2020 presidential result all the way to Election Day 2022, or 2024.

Their priority ought to be beating Democratic Gov. Tony Evers. Six months from November, his GOP challengers should be hammering Covid lockdowns and inflation. "Do I think that the election was rigged from the very beginning against Donald Trump?" former Lt. Gov. Rebecca Kleefisch told a radio show last week. "Yes, absolutely." Mr. Gableman has called on lawmakers to "look at the option of decertification of the 2020 Wisconsin presidential election."

What option? Wisconsin's 10 electoral votes for President Biden were counted on Jan. 6, 2021. There is no mechanism to nullify them. A resolution to "decertify" is akin to a voter shouting at the end of the bar at 2 a.m. that his 2020 ballot is hereby rescinded.

Mr. Gableman has already issued his report, which includes both points of concern and also red herrings. He cites a handful of examples of residents in nursing homes who cast ballots despite being allegedly incapable. In one case, family "provided copies of that resident's signature against the signature on the absentee envelope, and they do not match."

Manipulation of the elderly happens. In February a nursing-home worker in Michigan received 45 days in jail, plus probation. She allegedly forged signatures on ballot applications for residents who hadn't asked to vote. If that took place in Wisconsin, it should be prosecuted. Yet it's tricky: Only a judge can strip a Wisconsinite's franchise. Even people under guardianship can be eligible to vote.

Wisconsin's approach to this fraught problem is to have Special Voting Deputies (SVDs) who supervise absentee ballots in nursing homes. But when Covid hit in 2020, such facilities barred visitors. The bipartisan state elections commission voted to suspend sending SVDs into nursing homes. Mr. Gableman says this was illegal and enabled abuse. Possibly, though commissioners have defended it as an open public decision to avoid disenfranchising the elderly.

Mr. Gableman's report claims that at many unnamed nursing homes, including in Milwaukee County, 100% of registered voters cast bal-

lots. Is it true? He doesn't show his work. The city of Milwaukee's elections chief says the real figure for her area is 79%, with some facilities as low as 36%. Kenosha says it had 458 registered voters with addresses in residential facilities, and 388 cast ballots.

The Racine sheriff investigated a nursing home with 200 beds and 42 votes, eight from people allegedly incapable. But it doesn't sound like a coordinated scheme to help Mr. Biden. "If a resident could only point at the ballot," an investigator said, "that's what the employee of the facility would mark." To give a sense of scale, the state election commission says in 2016 there were 17,176 total SVD votes. Mr. Trump lost in 2020 by 20,682.

Mr. Gableman recapitulates GOP complaints about private funds sent to local election offices in 2020 from a nonprofit tied to Mark Zuckerberg. In Wisconsin most of the cash went to five cities. This practice should be banned, because official voter education can easily bleed into get-out-the-vote drives for select constituencies. But courts have said it wasn't illegal. Mr. Gableman's assertion that the nonprofit grants constituted "election bribery" is a stretch.

He takes aim at voting equipment from ES&S, which can include wireless modems. "One municipality," the report alleges, "admitted that these machines had these modems and were connected to the internet on election night. The reason given was to 'transmit data' about votes to the county clerks." In Green Bay, Mr. Gableman claims, ES&S machines "were connected to a secret, hidden Wi-Fi access point."

ES&S disputes almost every syllable. "Green Bay voting machines have no wireless connection capability," the company says. Elsewhere in Wisconsin, ES&S scanners use modems to transmit unofficial results on election night. Yet they "do not connect to the public internet, but instead use private network configurations specifically designed for high-security applications." The final, official tallies later "are physically uploaded at election headquarters."

Republicans have valid gripes about how the 2020 election was run. But it isn't hard to figure out what flipped Wisconsin. Many voters, Republicans included, didn't want four more years of Mr. Trump's antics. In some suburban wards, 10.5% of Mr. Biden's voters picked the GOP for Congress. This beats the evidence of vote fraud detected by everyone who has looked.

Mr. Trump lost Wisconsin in 2020 on his own, and if Republicans keep chasing ghosts, he will also help them lose in 2022.

## Buffett on Wall Street 'Gambling'

Warren Buffett is apparently shocked, shocked to find gambling going on in financial markets. That was the headline from the Berkshire Hathaway CEO's remarks at its annual meeting on Saturday in Omaha. "It's a gambling parlor," Mr. Buffett said, and he blamed the financial industry for encouraging risky and speculative behavior.

His longtime business partner, Charlie Munger, underscored the lament. "I don't think we ever had anything quite like we have now in terms of the volumes of pure gambling activity going on daily," he said. "It's not pretty." At 98 years old, Mr. Munger has seen just about everything in markets—good, bad and ugly.

Note, however, that both men said the "gambling" by others is providing opportunity for Berkshire as it puts some of its \$106 billion in cash to work. That's the way markets work: One man's gamble is another man's chance to spot a mispriced asset.

Our quibble with the two investing veterans concerns their diagnosis for today's stock trading volatility. They've nailed the symptom but

not the disease. Greed is always with us; it's part of the human condition. The willingness of financial companies to facilitate and finance trading also isn't new. Wall Street is a convenient scapegoat.

The difference in markets in recent years has been the extraordinary monetary intervention by central banks. The Federal Reserve and its global

counterparts have flooded the world with money. Their policy of buying bonds—"quantitative easing"—has also distorted pricing in fixed-income markets.

The explicit Fed goal has been to encourage risk-taking, and investors have obliged by pushing up asset prices as they hunt for yield. This elevated stock prices to historically high price-earnings ratios, and it has also played a role in the speculation over bitcoin, non-fungible tokens, and meme stocks.

What goes up often corrects when the monetary music stops. That's what seems to be happening this year. If there's been gambling in Rick's cafe, blame those who provided the excess liquidity for the gamblers. Oh, and don't forget your winnings, Mr. Buffett.

## Disinformation for Dummies

We realize public schools don't teach the classics any more, but has no one in the Biden Administration read George Orwell? Apparently not, because that's the only explanation for its creation of a new Disinformation Governance Board.

We have to admit that when we first read about it, we thought the news was itself disinformation from the Administration's political enemies. Surely, no one in this age of polarization and public mistrust of institutions would think it's wise to set up a government shop with the job of telling Americans what is true.

We were wrong. No less an authority than Alejandro Mayorkas, the secretary of homeland security, broke the news about the board last week in an appearance before Congress. He said the purpose of this new corner of the bureaucracy will be to warn Americans about falsehoods coming from foreign adversaries such as Russia, China and cartels that smuggle migrants into the United States.

"It works to ensure that the way in which we address threats, the connectivity between threats and acts of violence are addressed without infringing on free speech—protecting civil rights and civil liberties, the right of privacy," Mr. Mayorkas told CNN's "State of the Union" Sunday.

This isn't reassuring. The concern isn't that

the board will spy on Americans. The problem is that this new board may choose to play the role of national fact checker, a kind of government PolitiFact. They'll look down from Mt. Washington at this or that statement and vouchsafe to the masses what is true and what is false.

No doubt there's some utility in telling migrants from Haiti that they will be deported if they seek to cross the Mexican border into the U.S. And there may be a need for someone in government to monitor and rebut Russian or Chinese propaganda.

But does anyone think this board will limit itself to foreign falsehoods? The temptation will be great to address issues that are part of America's raucous domestic political debate. All the more so given that the disinformation board's first executive director is reported to be Nina Jankowicz, whose partisan footprints are all over social media. She can be seen on TikTok singing her own highly partisan adapted lyrics to the tune of a "Mary Poppins" song. (What did Julie Andrews do to deserve that?)

Mr. Mayorkas's intentions may be nonpartisan, but refocusing political debate isn't the government's job. Leave that to the free exchange of ideas in the public square. The Disinformation Governance Board will promote more mistrust than it prevents.

## LETTERS TO THE EDITOR

## Censorship Is Destructive to Medical Science

The world would be different today had "medical misinformation" been disallowed in the past as is now proposed in California ("California's Medical 'Misinformation' Crusade Could Cost Lives" by Allysia Finley, op-ed, April 21). Smoking would be embraced by clinicians.

In 1959 the editor in chief of JAMA, the Journal of the American Medical Association, wrote, "Neither the proponents nor the opponents of the smoking theory have sufficient evidence to warrant the assumption of an all-or-none authoritative position." In 1958 the leading expert on statistical analysis, R.A. Fisher, wrote in Nature, "Unfortunately, considerable propaganda is now being developed to convince the public that cigarette smoking is dangerous." Imagine if doctors would have lost their medical licenses for disagreeing with the expert opinion.

With Covid-19, honesty about what we know and don't know would have been better than forced mandates. Had leaders been forthright about the

limited efficacy of masks, the public may have been much more accepting of interventions with overwhelming evidence of success like vaccines. Suppressing dissenting views will only foster greater skepticism within the public at large.

PROF. EDWARD H. LIVINGSTON  
UCLA School of Medicine

Mainstream science is often wrong. Consider stomach ulcers, long thought to be caused by stress and lifestyle factors. Then Australian physicians Barry Marshall and Robin Warren deciphered the role of the bacterium *h. pylori*. Famously, Dr. Marshall infected himself with it, developed acute gastritis and published his results in 1985. But it was years before it was widely accepted that *h. pylori* caused most ulcers and could be treated with antibiotics. What if Australian medical officials in the 1980s had the power to take action against doctors who spread "misinformation"?

ANDREW CAMPBELL  
Ann Arbor, Mich.

## Is a Crash Landing More Likely for the Fed?

Joseph Sternberg uses the "soft landing" analogy ("Will the Mighty Dollar Prevent a Soft Landing From Inflation?" Political Economics, April 22) to discuss the predicament now faced by the Federal Reserve: how to slow inflation without creating chaos in the economy. This analogy brings to mind an airliner on a glide path to a specific airport, guided by precise instruments and pilots with spotless safety records.

The only challenge is to get the speed of descent right. Is it really that easy? Perhaps there is a better analogy for the Fed's dilemma. Try to picture Chairman Jerome Powell driving the monetary-policy bus down a curvy road at excess speed. It's foggy and visibility is poor. The steering is loose and the brakes only work with an unpredictable time lag. Various passengers, led by Neel Kashkari of the Minneapolis Fed, have been distracting the driver by insisting the fog is merely transitory while nattering about policies that have nothing to do with the task ahead. What could possibly go wrong?

EM. PROF. ROBERT F. STAUFFER  
Roanoke College  
Salem, Va.

Mr. Sternberg correctly identifies a downside of floating exchange rates in the debts of foreign governments and companies that are denominated in dollars. But his wish for "global monetary and exchange-rate coordination" is neither a good solution nor feasible. Would he prefer the Fed, facing high inflation and low unemployment as it now does, run a loose monetary policy to avoid a stronger dollar? Conversely, should a central bank faced with low inflation and high unemployment run a tight monetary policy to avoid a depreciating currency? This situation led the U.K. to leave the Exchange Rate Mechanism in 1992.

Monetary and exchange-rate coordination fell out of favor for good reasons. It requires central banks to tolerate continued rising inflation or unemployment just to keep an exchange rate fixed. A more practical solution would be greater prudential and financial regulation for the people and governments who may borrow in foreign currency to limit exposure and manage risks.

PROF. WILLIAM MILES  
Wichita State University  
Wichita, Kan.

## What's Best for Buffett May Not Be Best for Us

Scott Kaufmann's letter (April 23) is too quick to compare the average homeowner with Warren Buffett. Buying a home in an area where you plan to live long term keeps folks out of trouble. Houses can also be bought with 10% down. Or even 3%. After a few years, the mortgage is no more than a comparable rent, and then lower every year after that. And if you sell? Tax-free profits from the house.

My parents bought a house in 1984 for \$325,000 with 10% down. It has more than quadrupled in value. Yes, the S&P 500 is up 2200% since then.

## Let Markets Lead the Fight Against Climate Change

The beauty of a carbon tax is that it uses market forces to stimulate innovation and reduce carbon emissions ("Oil Group Drafts Proposal for Carbon Tax on Fossil Fuels," U.S. News, April 22). Economists find it among the fastest, fairest, cheapest and most effective actions we can take to limit global warming.

Under the Energy Innovation and Carbon Dividend Act, 95% of low- and middle-income earners are expected to save money or break even, with the poorest seeing the greatest health and economic benefits. All this without our government picking winners and losers, issuing mandates or adding to our deficit.

TOM HAZELLEAF  
Seal Beach, Calif.

## The Great Expectations Trap

Regarding Karl Rove's "How Badly Will the Democrats Lose?" (op-ed, April 28): There's another dynamic in play. Democrat strategists are predicting a disaster so that anything that happens can be painted as better than anyone expected. Even if every single close race were to go red, Democrats and their media allies would spin the news as a courageous group of truth-tellers going down nobly to defeat—and it could have been worse. As for pointing fingers, President Biden should get used to the view from under the bus—where he will be thrown by his fellow Democrats.

JOHN TRICKETT  
Charleston, Ark.

But since the subsequent expenses were no more than rent, the profits on the small down payment are approximately 45 times, or double the S&P return. Perhaps dividends bring the relative profits closely into line.

The house I bought for \$375,000 in 2000 is worth triple now, which already exceeds the S&P 500 return, and hugely exceeds it once the 10% down payment and comparable rent is taken into account. For most middle-class families living in a stable community and participating in the forced savings plan of buying a house, the availability of safe leverage, when combined with a timely sale to shelter \$500,000 in profits from taxes, makes home ownership the American dream.

DAO SUNG  
Queens, N.Y.

## After the Court Has Spoken

In 1966, during the pre-Roe v. Wade days, I wrote a term paper on abortion ("Abortion and the Supreme Court," Review & Outlook, April 27). At that time, abortion proponents hurled arguments about back-alley abortions, undue burden, interstate travel to secure an abortion and the disparity in availability. Right-to-life advocates called abortion immoral and baby killing. There were marches and protests on both sides and skirmishes between the two forces. Boy, I'm glad the Supreme Court settled that issue and those days are over.

GREGORY MARSHALL  
Marietta, Ga.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"If the Webers invite us to their vegan potluck dinner, I found an excuse we haven't used yet."

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.



## OPINION

## The Bitter Fruit of Inflation: Dow 29500

By Arthur Laffer  
And Stephen Moore

The recent report showing negative economic growth for the first quarter of the year is a painful reminder of the damage that inflation can do. The current 8.5% inflation rate is the highest in 40 years. But few policy makers or Federal Reserve governors seem to have learned the lessons from the last bout of surging prices—how it started, the economic wreckage it caused, and how we got out of it. We wince when we hear investment gurus arguing that because inflation often means rising consumer demand, it is good for the economy and stock market.

## The debacle of the 1970s reveals how disastrous surging prices can be for the economy and markets.

Really? Let's rewind to 1974, the early stages of that long stretch of inflation. That year one of us, Mr. Laffer, wrote on these pages what became a controversial and influential article with the headline "The Bitter Fruits of Devaluation." Inflation is, of course, a form of currency devaluation.

Two years earlier the Nixon administration had intentionally devalued the dollar in the mistaken belief that a cheaper dollar would spur growth and employment while reducing the U.S. trade deficit. The

Laffer article warned that this policy would wreak economic havoc and cause a stock-market train wreck. That's precisely what happened.

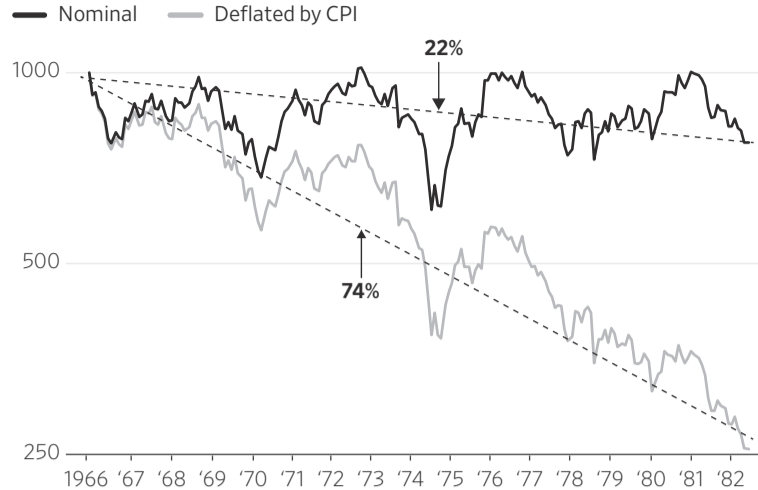
Those who suffered the most were middle-class workers hit by rising prices, especially for energy, surging way ahead of wage increases. Between 1972 and 1981—under Presidents Nixon, Gerald Ford and Jimmy Carter—hourly earnings for workers went from \$4 to almost \$7, a roughly 70% gain. But after accounting for inflation, workers were getting poorer because the purchasing power of wages fell by roughly 12%. Is it any wonder that Ford and Mr. Carter were voted out of office? That's exactly what workers are facing today with wages up 5.6% over the past year but consumer prices up 8.5%. Then as now, the White House and the Fed said the inflation would be temporary and blamed it on global factors beyond their control.

What about the stock market and Americans' wealth? Mr. Laffer's warning of a bear market turned out to be spot on. As the nearby chart shows, the Dow Jones Industrial Average briefly climbed above 1000 in the mid-'60s and then bottomed out at 777 in the summer of 1982—a 22% reduction in stock values in nominal terms.

But investors, like workers, care about their real return. Adjusted for inflation, the industrial average (and the S&P 500) fell during that period by more than 70%—the worst 15-year stock performance since the crash of 1929. President Ronald Reagan and Fed Chairman Paul Volcker had to sweat the 11% inflation out of the system through a return to a stable-dollar regime

## The Real Value of Stocks

Nominal and Inflation-Adjusted Dow Jones Industrial Average



Source: S&amp;P, Bloomberg, Bureau of Labor Statistics

along with supply-side tax cuts that encouraged the production of more goods and services. A bull market ensued, with the Dow Jones Industrial Average rising to more than 30000 between 1982 and 2022. Over that 40-year period inflation averaged a benign 3%—until the arrival of President Biden and the Modern Monetary Theory crowd.

So what are the lessons from the 1970s economic tsunami? First, inflation is a double whammy on Americans' salaries and lifetime savings. The demand-siders are wrong. Their argument is that Mr. Biden's multi-trillions of government spending and welfare programs are putting more money into people's pockets that is translating into higher consumer demand, which means higher corporate profits.

This argument isn't panning out. In the past 12 months workers have seen the purchasing power of their paychecks decline by 3%—a faster pace than at any time in at least a decade. For shareholders, those frothy profits that companies have been reporting may be illusory. Over the past year stock markets have fallen slightly in nominal terms, but when adjusted for inflation the values are down more than 10%.

The 1970s collapse in worker incomes and the stock market wasn't due only to galloping inflation. The decade also was an era of increasing regulation, a vast expansion of the welfare state, wage and price controls—which made inflation worse—and rising global tariffs. Because the capital-gains tax isn't indexed for inflation, many shareholders paid

taxes on purely inflationary gains—a real tax rate of more than 100%.

With Mr. Biden in the White House, doesn't this constellation of policies sound familiar? This month, even with the economy contracting by 1.4% in the first quarter, the Biden White House's budget requested \$2.5 trillion in tax increases, including a tax on trillions of dollars in unrealized capital gains. The White House and Speaker Nancy Pelosi are still peddling their \$5 trillion Build Back Better bill. Imagine how much higher inflation would be today had Sens. Joe Manchin and Kyrsten Sinema not saved the day by blocking that bill.

Every business cycle is unique, and comparing one era to another often yields incorrect conclusions. We don't think it is too late for a sharp policy reversal to prevent a recession and market contraction.

Here is our current warning of bitter fruit: If Mr. Biden doesn't change course and the bear market cycle from the late '60s through the early '80s returns, the Dow Jones Industrial Average would fall from its recent peak of 36800 to less than 29500 in 2038. Adjusting for inflation the index would drop even further.

Still think a little inflation—which often metastasizes into a lot of inflation—is good for investors?

*Mr. Laffer is chairman of Laffer Associates. Mr. Moore is a co-founder of the Committee to Unleash Prosperity and an economist with the Heritage Foundation. Mr. Laffer was a member of Reagan's Economic Policy Advisory Board and Mr. Moore served in the Office of Management and Budget under Reagan.*

## Russia Isn't a Military State. It's a Delusional One

By Yulia Latynina

When Russian tanks were shelling the nuclear core at the Zaporozhskaya power plant with live rounds, not all of the shells exploded because they were too old and decrepit. This story, told to me by Piotr Kotin, head of the company that owns the plant, is a metaphor for Vladimir Putin's war on Ukraine.

The current Russian army is a replica of Joseph Stalin's Red Army, designed to saturate minefields with bodies. During World War II, while U.S. generals were parachuting onto battlefields with their troops and sharing their hardships, Soviet generals stayed far from the front and sent wave after wave of doomed conscripts against impregnable defenses. So it is no surprise that their successors asked troops under their command to dig trenches in the highly radioactive soil of Chernobyl and sent units into the meat grinder of Chornobaiivka.

The incompetent and corrupt Russian army blundered into this war. Soldiers picked the wrong roads. Broken tanks littered the

thoroughfares well before contact with the enemy: mired in mud, out of fuel and, above all, lost. In the 21st century, with satellites dotting the sky, the Russian army was using outdated Soviet paper charts with towns that had changed names and roads that no longer existed.

Why weren't Russian troops using the Global Positioning System or its Russian counterpart, Glonass? It seems, among other things, that the Russian army fell victim to its own propaganda. Before the war, Mr. Putin had been fascinated with the acquisition of new weapons. Among the most important were electronic countermeasures, or ECM. They were supposed to be a game-changer that could be used to black out GPS, disrupt communications, and take over drones or deliberately crash them into the ground.

ECM units were indeed marching with all Russian columns as they entered Ukraine. But they didn't work as planned. Instead of knocking Turkish drones out of the skies, the ECM units blacked out all communications, including the Russian army's. "This is the problem of ECM. It either isn't working, or,

when it's working, it's wrecking your side much more than the enemy's," says Victor Kevluk, a military expert with Ukrainian Center for Defense Strategies.

The Russian army blinded itself on foreign land, while the Ukrainians knew their way in the dark. So instead of relying on new technology, the Russians turned to an old tactic: mass terror. Russian soldiers raped

## For all the talk of Putin's mistakes, he was right in guessing that NATO won't fight for Ukraine.

Ukrainian women and executed Ukrainian men. Mariupol is being razed to the ground. Former Ukrainian General Staff Col. Oleg Zhdanov vividly described to me in an interview how, in Berezovka, "the dug-in tanks made a shooting range with fleeing civilian cars as targets."

The mass terror was the direct consequence of mass lying, for it is easier to expend ammunition on a

bunch of fleeing civilians than to engage a real military target. Even the looting has become organized. Ruslan Leviev, founder of the open-source-based Conflict Intelligence Team, claimed in an interview that soldiers are driving stolen cars laden with loot to Russia to sell them on improvised markets, and they pay part of the proceeds to their officers.

This is truly amazing. A modern army doesn't loot. It is doubtful that the same army that left Bucha toting trophy dishwashers will be able to regroup swiftly to fight in the Donbas.

How did Mr. Putin think he could win this war? The answer has to do with state delusion. It is easy to mistake Russia for a military state. It isn't. It's true that the Russian state is run by *siloviki* (roughly translated as "the enforcers"), but those strongmen are from the Federal Security Service, known as the FSB, not the army.

Mr. Putin, himself a former KGB officer, has long been highly suspicious of a possible army coup. The incompetence of the Russian military is at least partly intentional—

designed to reinforce that the FSB, not the army, was in charge of running Russian society. The FSB and its political allies told Mr. Putin what he wanted to hear: namely, that Russia had an extensive network of sympathizers in Ukraine who would hand the country to him on a platter. A state with this level of incompetence and delusion simply wouldn't have survived in the 19th century.

Things are different today. Sanctions are much preferred to direct fighting. And while economic sanctions can isolate a rogue regime, they can't crush it. Mr. Putin has gotten many things wrong in his current war, but he did get one thing right. The North Atlantic Treaty Organization won't go to war over Ukraine. And this is perhaps the biggest reason why he must be crushed. If not, more Vladimir Putins will follow, including those with a much firmer grip on reality.

*Ms. Latynina was a journalist with Echo of Moscow and Novaya Gazeta, Russian press outlets that have been shut down during Russia's war with Ukraine.*

## The West Has a Crucial Ally in Qatar

By Ben Hodges  
And Sam Mundy

One promising development of the Ukraine crisis has been the decision by several members of the North Atlantic Treaty Organization to increase commitments to the alliance's defense needs. But even if all NATO members meet the charter's threshold of spending 2% of gross domestic product on defense, many would remain vulnerable given the leverage of Russia's energy resources. The best way to improve defense capabilities is to secure alternative energy supplies for NATO members.

An emergency in one region can also reveal the value of partners in another. Since last July's troubling Afghanistan exit, the Biden administration has struggled to land a signature foreign-policy win in the Middle East. President Biden did, however, upgrade one key strategic relationship with a critical ally in the Gulf: Qatar. This was an important reordering of America's hierarchy of allies that could form a solution to

Europe's dependence on Russian energy. American and Qatari liquefied natural gas supplies can lessen Western dependence on Russian exports, and Qatar seems to be a willing and reliable partner.

The emir of Qatar, Sheikh Tamim bin Hamad al-Thani, received a warm welcome at the end of January in Washington. Mr. Biden designated Qatar a major non-NATO ally in recognition of the deepening "strategic partnership" between the two countries. In his notification to Congress, the president said he made "this designation in recognition of Qatar's many years of contributions to U.S.-led efforts in the U.S. Central Command area of responsibility and in recognition of our own national interest in deepening bilateral defense and security cooperation."

This designation puts Qatar in the company of 17 other non-NATO nations the U.S. regards as its most reliable partners, including Australia, Israel and Japan. This new status means collaboration on defense projects, or as Pentagon

press secretary John Kirby said, it opens "up a full new range of opportunities: exercises, operations and perhaps . . . the acquisition of capabilities, as well."

The Biden administration's move is overdue considering the consistently helpful role Qatar has played in America's regional strategy for more than two decades. Qatar's Al Udeid Air Base has provided the U.S. guaranteed high-capacity strategic mobility and air operations crucial to American military efforts in the Middle East and beyond. Qatar has played an important mediating role in the Israeli-Palestinian conflict, working to reduce human suffering within this highly complex situation. When the U.S. decided to negotiate with the Taliban for an end to the Afghanistan war, Qatar hosted the talks. And when the final stages of the American withdrawal resulted in significant numbers of unanticipated Afghan refugees at the American base in Qatar, the country provided urgent support and helped prevent further human suffering and embarrassment.

Qatar has begun to play a similarly constructive role in Europe. Washington understands that some European NATO members hesitate to confront Russian aggression because 40% of Europe's gas comes from Russia. The European Commission fostered this dependence by extending antitrust investiga-

## With America's help, the country's natural-gas reserves can wean Europe from Russian energy.

tions that delayed Qatar, the world's largest LNG exporter, from concluding long-term deals with the EU energy market.

Now that Europe finds itself in the difficult position of having to choose between supporting a democratic government or keeping the lights on, regulators in Brussels have eased their position on QatarEnergy, the country's state-owned

petroleum company. Qatar, despite having long-term supply agreements in Asia, can now reroute its stored LNG to Europe in an emergency.

The Ukraine crisis has shown clearly which American allies have the will and ability to provide material support to the West. Europe's growing resolve to push back on Russian aggression and support Ukraine is admirable, but it requires new efforts from other allies to work.

To get the most leverage from Qatar's unique ability to offset Russia's energy, the West must adopt deliberate long-term energy strategies, including switching from coal to gas, that enable a transition to renewables and hedge against future energy disruptions.

Working with Europe to expand LNG transport infrastructure and reduce dependency on Russian gas would benefit both American and Qatari companies. Such infrastructure could include pipeline capacity from the Eastern Mediterranean and the Caucasus as well as transport terminals for maritime carriers. Finally, the U.S. should lead investment in Arabian Gulf regional defense initiatives. Qatar and other Western allies involved in energy production and transport must be secured against retaliation from potential disrupters such as Russia and Iran that wouldn't like this cooperation.

Non-NATO major ally designation recognizes Qatar's strategic value to the West. With a little foresight and investment, far more is possible.

*Mr. Hodges served as commander of U.S. Army Europe, 2014-17. Mr. Mundy served as commander of the U.S. Marine Forces Central Command, 2018-21. Both retired from the service with the rank of lieutenant general.*

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## Notable &amp; Quotable: WHCD

From "The White House Correspondents' Dinner Nearly Made My Head Explode" by Lissandra Villa, BuzzFeedNews.com, May 1:

Normally I wouldn't bother writing an article about something like the White House Correspondents' Dinner, because unless you live here, why would you care?

But the large, indoor event at the Washington Hilton was back for the first time since 2019 on Saturday night, even though members of the administration, including Vice President Kamala Harris, tested positive for COVID in recent

days. And it was on in the wake of dozens of people reportedly testing positive after the Gridiron Dinner, another Washington-establishment event, earlier this month. Doctor-in-Chief Anthony Fauci even decided he wasn't willing to take the risk of attending. But apparently, the WHCD could not—NOT!—be canceled for a third year in a row.

And so there I was, the day's White House pool reporter in a packed room of hundreds of unmasked journalists, celebrities, politicians, and President Joe Biden and Dr. Jill Biden.

# What if →

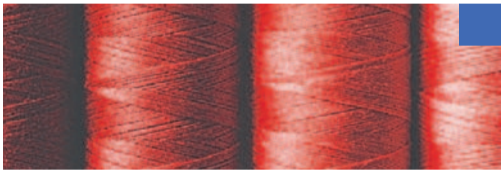
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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Last Week: S&P 4131.93 ▼3.27% S&P FIN ▼4.59% S&P IT ▼1.26% DJTRANS ▼1.34% WSJ IDX ▲1.81% 2-YR. TREAS. yield 2.696% NIKKEI 26847.90 ▼0.95% See more at WSJ.com/Markets

## Wall Street Warms Up to Crypto

By JUSTIN BAER

Wall Street has a message for its many clients that have been eager to invest in cryptocurrencies: We hear you.

The largest U.S. banks, securities firms and custodians, many of whom once greeted the emergence of digital assets with skepticism, are now showcasing their forays into the market.

"It's a moment in time when the traditional industry has woken up and more

broadly accepted this is happening," said Walt Lukken, president and chief executive of the Futures Industry Association, a large trade group for the derivatives markets.

Their recent conversion, industry executives said, has less to do with any epiphany about crypto's utility than it does a simple reality: They don't want to lose the business to rivals.

Hedge funds and other professional investors were already trading cryptocurren-

cies, but many money managers—from mutual-fund giants to pension funds—are eager to find a way into the crypto markets, executives said. Inflation and rising interest rates damped expectations for returns on stocks and bonds, making cryptocurrencies more attractive.

Now the money managers, banks' biggest clients, want to pay them to trade and lend, structure and safeguard crypto. They are uneasy with relying on crypto startups on

transactions that involve other people's money and want mainstream financial firms to settle into their traditional roles as intermediaries. Wall Street's participation, investors say, might bring stability to the nascent markets.

"It's gotten to the point where everyone is at some point in the journey," said Mike Demissie, head of digital assets and advanced solutions at Bank of New York Mellon Corp. "If they're not actively investing [in crypto], then

they're exploring it."

In response, most banks and custodians are working on plans to move forward with handling crypto—at different paces.

Firms such as Fidelity Investments and Cowen Inc. started storing and trading cryptocurrencies, either on their own or through ventures with digital-asset startups. Last week, Fidelity announced plans to allow individual savers to add bitcoin to their

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## Florida Disney Bill Creates Tax Mess

By HEATHER GILLERS

When Florida Republicans approved a bill to strip Walt Disney Co. of its special taxing privileges in April over how gender and sexuality are taught in schools, they failed to address an important question: Who is responsible for paying back nearly \$1 billion in municipal debt used to build roads, walkways and other infrastructure around Disney World?

Florida law dictates the bondholders must be paid even if Disney's special taxing district, known as Reedy Creek, is dissolved. A separate law creating Reedy Creek promised bondholders the state wouldn't interfere with its tax collections. One of the bill's sponsors is considering re-establishing a watered-down version of Reedy Creek to unwind the legal mess.

Those caught up in the fight include municipal-bond investors, firefighters and the \$210 billion global media and marketing enterprise behind "Star Wars," "The Avengers" and ESPN.

Prices have dropped on many of the bonds, which sit in mutual funds managed by Goldman Sachs Asset Management, AllianceBernstein and other firms. Reedy Creek bonds maturing in 2028 traded at 87.5 cents on the dollar Thursday and Friday, down from about 100 cents in January, according to Municipal Securities Rulemaking Board data. Two major ratings firms have flagged the bonds for potential downgrade, saying it isn't exactly clear who owes investors their money.

"It's mere speculation at this point," said Michael Rinaldi, head of U.S. local government ratings at Fitch Ratings. "We don't have any information."

A representative for Gov. Ron DeSantis said a plan for Reedy Creek is being completed and could be made public within the next few weeks. Mr. DeSantis, a Republican, said in an interview with Fox News Thursday night that "the bonds will be paid by Disney."

The Reedy Creek Improvement District is a 40-square-mile area encompassing Disney's Orlando-area theme parks, hotels and resorts. Tens of thousands of such special districts exist across the U.S., typically run by local boards and formed at the behest of property owners who want to

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## Buffett's Berkshire Loosens Its Purse Strings



The Boys are Back T-shirts were on sale at the Oriental Trading Co. booth during the Berkshire Hathaway shareholders meeting in Omaha, Neb., on Saturday.

By AKANE OTANI

OMAHA, Neb.—As recently as February, Warren Buffett lamented he wasn't finding much out there that was worth buying.

That is no longer the case. After a yearslong deal drought, Mr. Buffett's Berkshire Hathaway Inc. is opening up the spending spigot again. The company forged an \$11.6 billion deal to buy insurer Alleghany Corp., poised to be Berkshire's biggest acquisition in six years. It bought millions of shares of

◆ Market turmoil hits Berkshire Hathaway ..... B9

HP Inc. and Occidental Petroleum Corp. And it dramatically ramped up its stake in Chevron Corp., making the energy company one of Berkshire's top four stock investments.

The big question: Why? "It's a gambling parlor," Mr. Buffett said Saturday of the markets over the past few years. He added that he blamed the financial industry for motivating risky behavior among investors. While he finds speculative bets "obscene," the pickup in volatility across the markets has had one good effect, he said: It has allowed Berkshire to find undervalued businesses to invest

in again following a period of relative quiet.

"We depend on mispriced businesses through a mechanism where we're not responsible for the mispricing," Mr. Buffett said.

Mr. Buffett, 91 years old, shared his thoughts on the state of the markets, Berkshire's insurance business and recent investments at the company's annual shareholder meeting in downtown Omaha.

Berkshire also held votes on shareholder proposals, with investors ultimately striking down measures that asked Berkshire to make its board chairman independent and called for the company to dis-

close climate risk across its businesses.

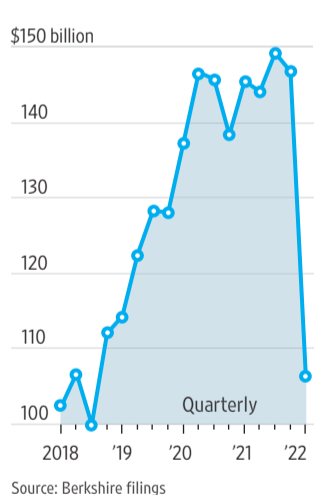
Shareholders eager to score prime seats lined up for hours before the doors opened in the arena where Mr. Buffett, right-hand-man Charlie Munger, 98; and Vice Chairmen Greg Abel, 59, and Ajit Jain, 70, took the stage. As Mr. Buffett entered, a lone audience member took the opportunity to send a message. "We love you," the person shouted.

Mr. Buffett appeared equally enthused to see the thousands of shareholders sitting before him.

It was a lot better being able to be with everyone in

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Berkshire's war chest



Source: Berkshire filings

## Global Supply Pinch Reaches Amish

By LYDIA O'NEAL

With its furniture made by a couple of dozen rural American workshops and in-house craftsmen, Arcola, Ill., manufacturer Simply Amish would seem to be far removed from the global supply-chain strains that have hobbled most businesses.

But the seller of handmade tables, chairs and beds famous for clean, simple lines and old-fashioned sturdiness has seen its costs skyrocket as volatility in lumber markets has raised prices for the wood used to make its products.

Lead times for Simply Amish's deliveries to dealers have also increased dramatically even though the company sources the maple, cherry and other woods from within 500 miles of its plant in central Illinois. The furniture also includes parts like knobs and pulls whose sellers import them from Asia, as well as table slides from Germany, items that have been caught up in bottlenecks at ports and other swamped distribution hubs.

The problems in such a seemingly pared-down domestic supply chain, one that harks back to an era before offshoring and other pillars of globalization, suggest how



Costs have surged for wood used in crafted products. An RV factory in Indiana Amish country.

deeply embedded global supply chains to become in manufacturing. The issues at Amish furniture shops and sellers of their goods also highlight the challenges companies face in trying to get more resilient to global disruptions by bringing production closer to home.

"Even domestic operations rely on overseas materials," said Simply Amish owner

Kevin Kauffman. "The supply chain, it's really a world-wide problem and it's one you won't fix overnight."

Mike Miller, director of operations at the online Amish Outlet Store based in Smithville, Ohio, says its network of Amish builders supply solid beds, dining sets and outdoor furniture crafted from North American hardwoods. But the

company's and suppliers' lead times to fill orders have jumped from three months to up to nine months, he said, because of shortages of both locally sourced and imported components. Some of the builders' hardware and fabric, for instance, comes from Asia and Germany.

The builders have also faced

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## Clash With State Puts Executives on Alert

By CHIP CUTTER AND EMILY GLAZER

In private meetings and coaching sessions over the past few weeks, top business leaders have been wondering how they can avoid becoming the next Walt Disney Co.

The fallout from the recent political spat between Disney and Florida Gov. Ron DeSantis alarmed leaders across the corporate sphere, according to

executives and their advisers, and heightened the challenges for chief executive officers navigating charged topics.

At many companies, vocal employees in recent years pushed bosses to take stands on social and political issues. Florida's pushback against Disney has raised the stakes.

"The No. 1 concern CEOs have is, 'When should I speak out on public issues?'" said

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Prices of some woods soared as much as 70% during pandemic.

## Supply Pinch Felt By Amish

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rising costs for basic materials. Lumber prices have fluctuated wildly over the past two years as demand for home goods has soared, stretching capacity at sawmills and triggering supply shortfalls and higher costs. Two-by-four futures prices hit records in May 2021 as the pandemic housing boom took off; then they dropped steeply in summer, only to lift again in the fall and winter. The sharp swings in the commodity markets have reached into the real world, with limits on daily trading slowing the flow of actual lumber and forcing traders to hold the wood as a buffer against potential losses, exacerbating the tightness in supplies. Mr. Kauffman of Simply Amish said maple prices rose as much as 70% during the pandemic, while the price of cherry and some others increased 25%. The cost increases have reached showrooms and online stores. The retail price of a bed at Amish Outlet Store, for instance, jumped from \$2,300 to \$3,300 over six months, said Mr. Miller.

"What started out as global has made its way down to the small local Midwest craftsmen," he said. The broader U.S. furniture market has become a prime example of the globalization of American supply chains over the past two decades. Less than half of the wood furniture sold in the U.S. in 2002 was imported, but the share of imports reached 86% in 2020, according to Richmond, Va.-based investment banking and corporate advisory firm Mann, Armistead & Epperson, Ltd. Furniture imports by value have increased by nearly 70% over the decade ending in 2020 to \$30.7 billion, with China supplying more than a third of that amount, the firm said. That has left many furniture importers vulnerable to supply chain disruptions, such as the backup of ships outside U.S. ports and to the sharp increases in container shipping prices. Countryside Amish Furniture in Arthur, Ill., has seen lead times for delivery of its orders extend to 10 months from as little as three months, which has dented sales, said owner Melvin Stutzman. Everything is locally sourced, he said. But the hundred or so small family workshops in Ohio, Indiana and Pennsylvania that supply the store have raised prices by roughly 40% amid shortages of everything from stains to drawer slides.

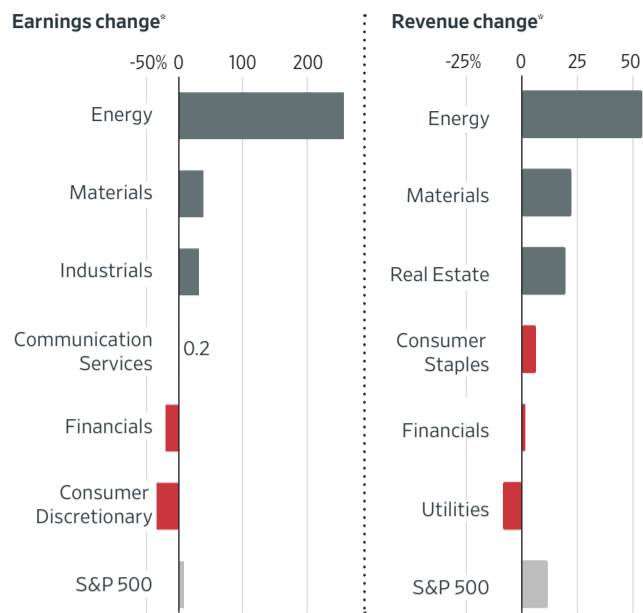
# BUSINESS & FINANCE

## Eyes Are on Starbucks, Pfizer, CVS

By WILL FEUER

**Pfizer Inc., CVS Health Corp. and Starbucks Corp.** are among the companies headlining another busy earnings week as investors continue to digest consumer responses to higher prices and other global issues impacting supplies and raising costs. Also expected to report earnings are key members of the travel sector like **Airbnb Inc.**, **Marriott International Inc.** and **MGM Resorts International**; ride-hailing rivals **Uber Technologies Inc.** and **Lyft Inc.**; and private-equity powerhouses **KKR & Co. Inc.** and **Apollo Global Management Inc.** Overall, nearly a third of the S&P 500 are scheduled to provide their quarterly updates during the week starting Monday, according to FactSet. Surging inflation and fears over waning consumer demand have been in focus so far this earnings season. On top of that, companies across sectors are warning that lockdowns in China and Russia's war on Ukraine have exacerbated supply-chain costs. Many companies forecast that higher costs will likely pressure operations through the year. While some companies have cautioned that inflation could dent consumers' spending power, others say demand is holding up.

The best- and worst-performing S&P 500 sectors in the first quarter of 2022 compared with a year earlier



\*Based on companies that had reported as of Friday and on earnings and revenue estimates for those yet to report. Source: FactSet

recently ended quarter, according to data from FactSet. Earnings are on track to rise 7.1% year-over-year for the quarter, based on actual results and estimates for companies that have yet to report, FactSet said, marking the lowest earnings growth rate since the fourth quarter of 2020. However, FactSet noted that excluding Amazon's results, the S&P 500 would be reporting earnings growth of 10.1% for the quarter. Revenue is poised to rise 12.2%. Pfizer, which is set to report first-quarter earnings on Tuesday, is expected to see quarterly sales soar more than 60%, powered higher by the company's Covid-19 vaccine. Rival vaccine maker Moderna Inc. will report results on Wednesday. CVS reports its first-quarter earnings on Wednesday and is projected to have sales rise about 9% on a continued boost from its Covid-19 vaccine and testing services. On Tuesday, Starbucks will hold its first earnings call since Howard Schultz, who built the coffee chain into a global empire, rejoined the company as CEO in April amid an expanding unionization push among U.S. baristas. The company is expected to post lower quarterly profit as higher labor and ingredients costs weigh on operations.

Amazon.com Inc. saw its slowest sales-growth rate in at least 12 years last quarter. Chief Financial Officer Brian Olsavsky said consumers are still spending despite swelling costs throughout the economy. "We're cognizant of the current inflationary environment and the impact it has on the household budgets," Mr. Olsavsky said Thursday. "But we

don't see any macroeconomic factors generally in this forecast on the demand side. We definitely see it on the cost side, though." Executives at Kraft Heinz Co. said they would continue to raise prices to try to stay ahead of input cost increases. So far, more than half of S&P 500 companies have reported earnings results for the

## Florida Faces Tax Mess

*Continued from page B1*  
pay taxes beyond what they owe to the city or county for extra services such as mosquito abatement. Reedy Creek is unusual in that almost all the property belongs to one taxpayer, Disney, which effectively funds and controls its own government. Reedy Creek operates outside area rules on building and zoning and uses tax revenue from Disney properties to run a local fire department and other services. About \$60 million of the district's \$170 million 2021 budget went to debt payments on bonds issued to finance roads and a pedestrian bridge, among other projects. Created by Florida lawmakers more than 50 years ago at Disney's request, Reedy Creek was an easy target for Florida lawmakers unhappy with Disney over its opposition to Florida's Parental Rights in Education bill. Nicknamed "Don't Say Gay" by critics, the legislation approved in April prohibits classroom instruction on gender identity and sexual orientation for schoolchildren through grade three, and limits it for



Reedy Creek was an easy target for Florida lawmakers.

older students. After Disney, under pressure from employees, vowed to push for the law's repeal, Florida lawmakers, at the urging of Mr. DeSantis, filed, heard and approved a bill dissolving Reedy Creek over a three-day period in mid-April. The dissolution is effective June 1, 2023. A Disney representative declined to comment. A Reedy Creek representative didn't respond to a phone call. State law dictates that when a special district is dissolved, the responsibility for paying its debt falls to the area local government. In Reedy Creek's case, there are four: Orange County,

which encompasses most of Reedy Creek, Osceola County and the cities of Bay Lake and Lake Buena Vista. Reedy Creek said in a statement filed with the Municipal Securities Rulemaking Board, a self-regulatory organization governing the bond market, it "expects to explore its options while continuing its present operations." The statement also cited a 1967 legal promise to Reedy Creek bondholders that the state wouldn't alter the district's ability to collect taxes. Florida Rep. Randy Fine, a Republican who sponsored the bill in the state's house of representatives, said he believes

that obligation will no longer exist after the new law takes effect next year. He said a court or additional legislation could help determine how to divide the debt up among local governments. Still, he said, another option would be for lawmakers to re-establish a less-powerful version of the Reedy Creek Improvement District for the purpose of servicing the debt. In that scenario, "there continues to be a Reedy Creek that continues to hold that and continues to pay it off," Mr. Fine said, but the legislature could withhold other powers the district currently has such as the ability to issue additional debt backed by a promise of repayment in state law. Mr. DeSantis's office said in a statement when he signed the Reedy Creek bill that he didn't expect it to increase residents' taxes. The impact to local governments could extend well beyond having to take over debt payments, however. Orange County Mayor Jerry Demings, a Democrat, said at a press conference while the bill was under consideration that Reedy Creek covers the cost of police, fire and 911 services in the district. Taking over those operations without additional revenue would be "catastrophic for our budget," he said. Osceola County said in a statement following the bill's passage that it is "evaluating any shifts in cost to Osceola."

## Clash Puts Executives On Alert

*Continued from page B1*  
Bill George, former chairman and CEO of Medtronic PLC and now a senior fellow at Harvard Business School. "As one CEO said to me, 'I want to speak out on social issues, but I don't want to get involved in politics.' Which I said under my breath, 'That's not possible.'" Some executives might be relieved. The old idea that CEOs should focus on shareholder returns and stay out of politics lingers in some corporate suites, even in a politicized age of public social-media discussions and more activist workforces. Certainly the consequences of weighing in appear to be changing. Lawmakers for years expressed displeasure when companies take stands on issues like voting access, through critical tweets, public remarks and, in some cases, calls for boycotts. Disney's experience shows a willingness to go further, corporate advisers say, by challenging arrangements that have helped a company to operate. Gov. DeSantis, a Republican, in April signed into law a bill that would terminate a special tax district that allowed Disney to self-govern the land that houses its Orlando-area theme

parks, hotels and resorts for more than a half-century. Questions remain about the law's impact on Disney and surrounding communities. Gov. DeSantis cited Disney's opposition to Florida's Parental Rights in Education bill, which was signed into law in March and which critics call the "Don't Say Gay" bill. He called Disney a "woke" corporation. David Berger, a partner who specializes in corporate governance at law firm Wilson Sonsini Goodrich & Rosati, said politicians seem increasingly comfortable taking on businesses when it is advantageous for them. "It used to be that Republicans especially—but both parties—liked big business," he said. "And now what you're seeing is both parties like to use big business as political footballs one way or the other." Some executives say they have learned to monitor issues that could consume public attention and increase pressure for some response. Some use employee affinity groups to help flag issues. "You make it a safe forum where people feel comfortable talking about concerns or whatever, and out of that, there's really a kind of responsibility on our part to pick up on things that really do demand some attention," said Nancy Langer, CEO of Transact Campus Inc., a financial-technology company near Phoenix. "I look at that as a feedback loop for us." Some of the topics of employee pressure involve Re-



Ron Williams

publican-backed measures, such as the new abortion law in Texas and new voting laws. Democrats have pushed executives to weigh in, and Republicans have pushed them to keep out. Climate and diversity issues also are hot buttons, as is the Jan. 6, 2021 riot at the U.S. Capitol. Democrats have criticized companies. President Biden, facing heat on inflation, has accused meat and oil companies of price gouging. But Disney's recent experience in Florida has captured the attention of C-suite executives at companies big and small, given the impact on its operations, many say. "I think probably anybody sitting in a leadership role follows it to some degree," said Julie Schertell, chief executive of Alpharetta, Ga.-based manufacturing company Neenah Inc., which has around 2,500 employees. Ms. Schertell said the Disney drama reminds her as a

CEO that she must look at situations from every angle. "Because I want folks to assume positive intent, like 'Here's what we're trying to do, and if it feels like a misstep, let's talk about that. And of course, correct on it,'" she said. Staying silent has its own risks. Disney initially declined to take a public stance against the Florida bill, which bans classroom instruction on sexual orientation and gender identity through third grade. Disney CEO Bob Chapek told employees he didn't want the company to become a "political football." That sparked an outcry from some employees, and Disney reversed course and spoke out against the bill. Washington veterans advise that building relationships with political leaders in advance, particularly in off-cycle election years, can be helpful during times of crisis. Ron Williams, the former chairman and chief executive of Aetna who sits on the boards of Boeing Co., Johnson & Johnson and American Express Co., said he counsels CEOs to find advisers who know how to navigate the political terrain. "Companies often deal in substance and politicians often deal with foils," he said. "And so, you know, companies can inadvertently become a foil for different political issues. It's not enough to know what you want to do. You have to be artful in how you do it." Mr. Williams added: "It is an even more challenging job. Running the business turns out to be table stakes."

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#### SHAREHOLDERS' RESOLUTIONS DISTRIBUTION OF DIVIDENDS AND RESERVES

The Shareholders of the Bank, at their meeting held in Turin on 29 April 2022, approved the Parent Company's 2021 financial statements, as well as the proposal of allocation of net income for the year and distribution to shareholders of the remaining amount for 2021 equal to 0.0789 euro gross per ordinary share, composed of:

- 0.0669 euro gross per ordinary share as dividend on net income for the year
- 0.0120 euro gross per ordinary share from the Share Premium Reserve.

Share Premium Reserve distribution will be subject to the same tax regime applied to dividend distribution.

The aforementioned unit amounts will be payable as of 25 May 2022 to the shares outstanding on 24 May 2022, with presentation of coupon no. 46 on 23 May 2022.

Payments will be made by all the intermediaries taking part in the centralised administration system of financial instruments (Monte Titoli S.p.A.).

The minutes of the Shareholders' Meeting will be made available to the public within the terms provided, in accordance with the regulations in force, at the Company's Registered Office, on the authorised storage system (emarketstorage.com) and on the website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting").

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## BUSINESS NEWS

# Instacart Workers Have Tougher Job

Some shoppers for the platform say customers are ordering, tipping less

By JAEWON KANG

The pandemic made shopping for Instacart Inc. one of the hottest jobs in the supermarket business. Now, it is getting tougher.

Instacart workers, who fulfill online orders for consumers, say their jobs have become more difficult and less lucrative as they see fewer, smaller orders than they did earlier in the pandemic. Some said they are increasingly competing against other so-called shoppers, waiting around for orders or driving to neighborhoods where they are more likely to find work.

The job is changing as growth slows at Instacart. Hundreds of thousands of workers joined the grocery-delivery company during the pandemic, drawn to flexible hours, ample work and good pay. Some shoppers say they are looking for different gigs, posing a challenge for Instacart, which relies on them to deliver groceries.

Lisa Kochersperger, who has shopped for Instacart since 2017, said her waits are getting longer and fewer orders are coming into the app that she and other Instacart shoppers use to fulfill customers' shopping lists. Those orders that do appear have become harder to fill since products are often out of stock, she said, and customers often don't respond quickly on possible substitutions.

"I used to see big batches. I never see that now," Ms. Koch-

ersperger said, referring to the size of customers' incoming Instacart orders. In recent months, she said, she has been making more money delivering orders for Amazon.com Inc.

Instacart said it is committed to supporting shoppers and is continuing to update its platform. The privately held company said it has made substantial improvements to its shopping and payment systems in recent months and will add more features over the next few months, using feedback from shoppers via surveys and focus groups.

Instacart, the biggest grocery-delivery company by sales, helped people like Ms. Kochersperger navigate the pandemic when consumers avoided making trips to supermarkets. Shoppers, in turn, helped Instacart achieve tremendous growth, its sales rocketing 330% from 2019 to 2020, according to research firm 1010data Services LLC, and pushing the company's valuation to roughly \$39 billion.

Instacart's sales growth slowed to 15% in 2021, according to 1010data, while rivals like DoorDash Inc. have gained market share, according to research firm YipitData. Some supermarket companies are trying to coax more consumers back into their stores, where retailers don't have to pay fees to delivery app companies. Instacart cut its valuation to \$24 billion in March.

Instacart shoppers are independent contractors who sign up to fulfill online orders when they can, rather than work a set number of hours. Since the start of the pandemic, Instacart has tripled its number of shoppers to about 600,000—the company's high-



Hundreds of thousands of workers joined Instacart as shoppers during the pandemic, drawn to flexible hours and good pay.

est ever—to meet escalating demand, paying referral bonuses as high as \$1,000 in some areas of the U.S.

Instacart said order volume is growing, though sizes are lower partly because people are going out more. In recent months, it introduced a 40-cent gas surcharge to each order, and upgraded its pay system to allow shoppers to cash out tips in two hours, versus 24 hours before. Instacart recently said it will cover up to \$10 if a customer removes an initially offered tip without reporting issues, a practice known as tip baiting. Instacart is also rolling out a new feature that gives workers the option to take multiple orders at once, and add another batch while shopping. It began offering phone support to help address issues for shoppers.

Those efforts aim to hang on to shoppers like Tony Hoang, who quit his e-commerce job in the summer of 2020 and

began shopping for Instacart. He said he initially earned \$30 to \$40 an hour and worked about 20 hours a week, bumping that up to 30 to 40 hours a week after he was vaccinated against Covid-19. Mr. Hoang and other shoppers get paid per batch by Instacart and a

**Instacart's sales growth slowed to 15% in 2021, while rivals gained market share.**

tip by customers, typically a percentage of the total order. Shoppers keep 100% of the tip.

Last year, Mr. Hoang said he began noticing fewer available orders on Instacart and that the size of each batch was shrinking. He said his tips and payments from Instacart declined, too. When his income

took a hit, Mr. Hoang said he started filling orders for DoorDash as well as Instacart.

"Now, my majority is DoorDash," Mr. Hoang said, adding he finds DoorDash orders more consistent than Instacart. Today, he said, he makes about \$25 an hour from Instacart, representing about one-third of his income. Mr. Hoang said he plans to keep shopping for Instacart so he isn't reliant on a single gig job and can choose what pays more between the two companies.

A DoorDash spokeswoman said having restaurants, supermarkets and other stores on the company's platform gives workers more avenues to earn money.

Workers who can quickly fill orders help delivery companies such as Instacart make money and retain more customers, said Noor Abdel-Samed, a managing director at L.E.K. Consulting LLC who previously led e-commerce at

BJ's Wholesale Club Holdings Inc. Orders that take a long time to fill or have many substitute items can cost delivery companies customers, he said.

To retain shoppers, Instacart offers cash promotions based on demand, region and when they last filled an order for Instacart. It also reaches out to workers who signed up but never completed a batch. The company late last year introduced safety features including alerts and emergency assistance.

Abigail Nordstrom said she started shopping for Instacart in December to bring in extra income as she finishes up school in Wisconsin. She said she takes orders mostly in the evening and weekends, working about 12 to 14 hours a week, and skips orders with no or low tip.

"There are not a lot of jobs where you can, right off the gate, make \$20 to \$30 on your own time," she said.



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Item #797365

# Probe Casts Shadow on Solar Projects

NextEra, Xcel and Southern cite delays as Chinese panel makers are investigated

By KATHERINE BLUNT

American utilities are anticipating a significant slowdown in the build-out of new solar farms amid a U.S. probe into Asian solar panels that has created uncertainty for developers and manufacturers and caused widespread delays and cancellations.

Companies including **NextEra Energy Inc.**, **Xcel Energy Inc.** and **Southern Co.** have recently flagged the effects that the solar-panel probe, led by the Commerce Department, could have on projects in the works this year, with several anticipating monthslong delays in completion.

California Gov. Gavin Newsom told the department in a letter Wednesday that the investigation has caused the delay of many new solar and battery-storage projects expected to come online through 2024.

At the request of a small solar-panel manufacturer in California, the Commerce Department is investigating whether Chinese solar producers are illegally circumventing tariffs by routing operations through Cambodia, Thailand, Vietnam and Malaysia.

The investigation could culminate in the retroactive imposition of significant tariffs on solar cells and modules from Chinese companies operating out of those countries, which produce roughly 80% of U.S. solar imports. The department is expected to issue a preliminary determination by the end of August.

At a U.S. Senate committee hearing last week, Commerce Secretary Gina Raimondo said her “hands are very tied” in response to a question about whether the agency could expedite its decision to give clarity to the solar industry. She said it would move “as fast as possible, consistent with the



Solar panels at LaGuardia Airport in New York City. Cambodia, Thailand, Vietnam and Malaysia produce roughly 80% of solar modules imported into the U.S.

statute to conduct that investigation.”

The risk of such tariffs has halted some exports to the U.S. and caused delays or cancellations by project developers, according to the Solar Energy Industries Association, an industry trade group. The group cut its solar installation forecasts for 2022 and 2023 by 46%, or 24 gigawatts of capacity, more than the industry installed in all of 2021.

NextEra, one of the nation’s largest renewable energy developers, disclosed recently that it expects as much as 2.8 gigawatts of solar and storage projects to shift from this year to next year because of the delays. The company expects to build as much as 30 gigawatts of wind, solar and storage between 2021 and 2024.

Chief Executive John Ketchum said if the Commerce Department moves to impose new tariffs, it could take as

long as two years for the agency to do so, creating further uncertainty that he expects would bring additional delays and force developers to buy solar equipment from China, where tariff rates are known. He said U.S. solar assemblers, which aren’t capable of supplying the entire domestic market, are sold out through 2024.

“The option that you have, as an industry participant, is to go back to China, which is just an outrageous outcome,” Mr. Ketchum said in an interview. “If they think they’re being tough on trade with China, they’re really just being tough on American projects that won’t get built because you don’t have the panels to build them.”

The delays and potential cost increases come at a challenging time for the utility industry. The war in Ukraine is exacerbating supply-chain

snarls, inflation and a global natural-gas supply shortage that has made it more expensive for utilities to produce or purchase power. Already, U.S. electricity customers are facing some of the largest bills in years as a result of those factors, and analysts said utilities might face pressure from regulators to keep spending in check if gas prices and inflation rates remain elevated.

“Every utility is going to be exposed to not only the gas price environment, but also renewable price risks, as well as inflation,” said Guggenheim analyst Shahriar Pourreza. “Utilities are sometimes the biggest employers in a state, and everyone has seen what’s happening to wage inflation.”

The delays could pose serious challenges in California, where utilities have been racing to procure new renewable energy and battery storage to help offset the closure of sev-

eral gas-fired power plants, as well as a nuclear plant that provides nearly 10% of the electricity generated in the state. Already, the state has been strained to keep the lights on in the summer as a severe drought crimps hydroelectric production throughout the West and wildfires threaten transmission capacity.

Mr. Newsom said in his letter to the Commerce Department that the investigation has delayed at least 4,350 megawatts of new solar and storage projects, including more than 400 megawatts of new capacity that was expected to come online this year.

In a securities filing, Southern said Georgia Power, one of its subsidiaries serving more than 2.6 million customers in that state, expects a one-year delay in completion of about 970 megawatts of contracted solar projects as a result of

both the Commerce Department’s investigation and other supply-chain challenges. Those projects are now expected to come online at the end of 2024.

Xcel, a Minneapolis-based utility company serving customers in eight states in the West and Midwest, said it is in negotiations with several solar developers facing difficulties meeting schedule and pricing agreements as a result of supply-chain issues brought about by the probe. One project in Minnesota is facing a delay in regulatory review because of pricing uncertainty.

“We’re certainly seeing the disruptions,” said Brian Van Abel, Xcel’s chief financial officer. “This really points to the importance of getting a domestic clean energy supply chain.”

—Timothy Puko and Yuka Hayashi contributed to this article.

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## BUSINESS &amp; FINANCE

# Record Fertilizer Prices Drive Microbes Push

By Patrick Thomas  
and Amrith Ramkumar

Startups marketing alternative crop fertilizers said they are gaining traction among U.S. farmers and investors, pitching themselves as a potentially cheaper option as prices for traditional fertilizers surge.

Companies such as **Pivot Bio**, **Kula Bio** and **Anuvia** are pushing development of farm fertilizers by harnessing microbes or plant-based products to deliver nutrients that corn and other crops need. They aim to replace traditional fertilizers produced from natural gas or mined underground, prices of which have hit records this year due to supply-chain constraints and Russia's war on Ukraine.

While some farmers have been skeptical of trading in tried-and-true fertilizers for still-nascent alternatives, startup executives and investors said that escalating prices for traditional nitrogen, potash and phosphorous-based fertilizers are giving farmers extra incentive to test drive the new products. Such startups, which pitch their products as more environmentally friendly than conventional fertilizers, attracted roughly \$1 billion since early last year, according to research AgFunder.

Dan Hansen, a fifth-generation farmer in Avoca, Iowa, said he is saving money by using Pivot microbes instead of conventional fertilizers. Mr. Hansen, who has been applying the startup's products to his roughly 700 acres for several years, said he has cut his nitrogen fertilizer use by about 25% over that period and his corn yields have been bigger.

The high price of nitrogen fertilizers could prompt more skeptical farmers to look at new products like Pivot, he said. Nitrogen fertilizer costs him about 90 cents a pound, while Pivot's product amounts to about 60 cents a pound, he said.

"When fertilizers are cheap, guys are more willing to do what they do," Mr. Hansen said. "It's in these situations when there's supply issues that we're pushed to step out of our comfort zone a bit."

Fertilizer costs, one of growers' biggest expenses each year, tripled earlier this year due to supply constraints. Costs went higher following a drop in supply from Russia, one of the world's largest exporters, due to sanctions after the Ukraine invasion. Skyrocketing prices for natural gas—another Russian export and a crucial ingredient in fertilizer—

making—prompted European fertilizer factories to scale back production.

Mounting pressures on the traditional fertilizer industry show the need to modernize the sector and develop U.S. sources of what some backers call clean fertilizer, investors said. Berkeley, Calif.-based Pivot has raised more than \$615 million, according to AgFunder, including \$430 million last summer from investors including Bill Gates's **Breakthrough Energy Ventures**, Singapore's state investment firm **Temasek Holdings Ltd.** and the venture arm of grain trader **Bunge Ltd.**

Pivot develops microbes that can be applied to fertilize crops. Karsten Temme, its CEO, said he expects the company's products to be used on more than three million acres of land this year, three times last year's figure, and that they are often cheaper than conventional fertilizers.

"The biggest challenge is to convince people that now it's possible" to profitably use alternatives to conventional fertilizers, Mr. Temme said. The company is now expanding its sales force and labs.

Traditional fertilizer makers said microbe-based alternatives are promising but can't fully replace existing products. While emerging alternatives can offset some nitrogen-based fertilizers, they don't replicate others such as potash and phosphate, said a spokesman for **Mosaic Co.**, which produces those two fertilizers. Mosaic has a commercial agreement to sell a biofertilizer product made by Anuvia, a Winter Park, Fla., startup that has raised about \$170 million since early last year.

Fertilizer companies including Mosaic, **Yara International ASA** and **Nutrien Ltd.** have made their own investments in researching and developing such biological products. A Nutrien spokeswoman said it has invested \$1 billion in its effort over the past decade.

**Bayer AG** recently announced a partnership with synthetic-biology company **Ginkgo Bioworks Holdings Inc.** that includes evaluating biological fertilizer solutions. Robert Reiter, head of research and development for Bayer's crop science division, said the partnership is meant to engineer a product that is more effective than what's currently on the market.

Independent research on alternative fertilizers remains limited, said James Camberato, a professor of agronomy at Purdue University. Farmers should

consider testing the products themselves before purchasing in bulk, he said.

In January, climate-focused **Lowercarbon Capital** and other investors put \$50 million into **Kula Bio**, a Boston company co-founded by a Harvard University professor that is working to commercialize cost-competitive microbes that can store energy, stay alive longer and boost crop growth. Kula has seen a surge in inquiries from farmers and now expects to start selling products to farmers by the end of 2022, several months earlier than it previously did, Chief Executive Bill Brady said.

**Nitricity**, San Francisco, is working to build reactors that replicate lightning's effect on



Dan Hansen said Pivot Bio's microbial products have increased his corn crop yields.

the atmosphere, using electricity to break down nitrogen molecules in the air that are mixed with water to fertilize crops. The company raised \$5 million in August from investors including **Lowercarbon** and **En-**

**ergy Impact Partners.**

The company isn't yet selling its products to farmers. Still, Nico Pinkowski, Nitricity's chief executive, said "We've been totally inundated with inquiries" from farmers.

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## Wall Street Warms Up To Crypto

Continued from page B1  
401(k)s. The Labor Department argued the offering would risk Americans' retirement security.

BNY Mellon and rivals such as **State Street Corp.** are building capabilities to store and trade bitcoin and other digital assets while they await U.S. and state regulatory approvals that they say will allow them to go live with those services for institutional clients. They expect that to happen as soon as this year.

Investment banks, including **Goldman Sachs Group Inc.**, have said they need more regulatory input before they can handle cryptocurrencies directly. Goldman started executing trades on over-the-counter bitcoin options as well as futures listed with CME Group Inc., operator of the world's biggest derivatives exchange. The bank recently made a loan that was secured by the borrower's bitcoin holdings.

Regulatory uncertainty isn't the only reason many mainstream financial firms are wading gingerly into crypto. Inside these firms, the crypto skeptics can still outnumber the crypto curious. In recent years, bitcoin was derided as "worthless" by Jamie Dimon, CEO of JPMorgan Chase & Co., and "rat-poison squared" by Berkshire Hathaway Inc. CEO

Warren Buffett.

Some firms don't feel compelled to lead the charge, opting instead to wait for the moment when there are enough fees to justify the risks.

"They all understand something revolutionary is taking place that will impact parts of their business model," said Damien Vanderwilt, co-president of Galaxy Digital Holdings Ltd., a firm that provides trading and advisory services to digital-asset companies and runs a crypto-investing business. "When they stop and think, 'What do we do about it,' the answer for most banks is that the opportunity today is not big enough to take the reputational risks of being early."

### BNY Mellon and rivals are building capabilities to trade digital assets.

Jeffrey Solomon, Cowen's chairman and chief executive, said institutional investors are taking the same path they did more than 50 years ago, when stocks were largely held in personal accounts and the market struggled to handle surges in trading volume.

Advancements in computer power helped change all of that, leading to huge growth in stock-investing products managed by professionals, he said. Big-money investors—and the banks and brokers who serve them—find themselves at a similar crossroads, he said.

MARKETS DIGEST

New to the Market

Continued on Page B7

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Table with columns: Expected pricing date, Filed, Issuer/business, Symbol/primary exchange, Shares (mil.), Pricing Range(\$), Bookrunner(s)

IPO Scorecard

Performance of IPOs, most-recent listed first

Table with columns: Company, SYMBOL, Friday's IPO date/Offer price, Offer close (\$), 1st-day close (\$), % Chg From Offer close, Company, SYMBOL, Friday's IPO date/Offer price, Offer close (\$), 1st-day close (\$), % Chg From Offer close

Currencies

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

Table with columns: Country/currency, Fri in US\$, YTD chg per US\$, Country/currency, Fri in US\$, YTD chg per US%

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NOTICE OF DEADLINE TO FILE CLAIMS

RELATED TO LOANS IN FAVOR OF VICENTIN S.A.I.C. AND ITS AFFILIATES VICENTIN S.A.I.C. SUCURSAL URUGUAY, ALGONDONERA AVELLANEDA S.A., NACADIE COMMERCIAL S.A., FRIGORIFICO REGIONAL INDUSTRIAS ALIMENTARIAS RECONQUISTA S.A. AND FRIGORIFICO REGIONAL INDUSTRIAS ALIMENTARIAS RECONQUISTA S.A. SUCURSAL URUGUAY THAT WERE ORIGINATED BY INVESTMENT FUNDS AFFILIATED WITH INTERNATIONAL INVESTMENT GROUP, LLC

On April 25, 2022, the UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK entered an order requiring the proceeds of a settlement related to loans originated by investment funds affiliated by the International Investment Group, LLC for affiliates of Vicentin S.A.I.C., including Vicentin S.A.I.C. Sucursal Uruguay, Algodonera Avellaneda S.A., Nacadie Comercial S.A., Frigorifico Regional Industrias Alimenticias Reconquista S.A. and Frigorifico Regional Industrias Alimenticias Reconquista S.A. Sucursal Uruguay (collectively, the "Vicentin Group") to be deposited into the Court's disputed ownership fund.

PLEASE TAKE NOTICE that, if you purchased Vicentin Group loans or participation interests in Vicentin Group loans originated by affiliates of the International Investment Group, LLC, including TOF B.V., Trade Opportunities Fund NLV, Trade Finance Funding I, Ltd. and Trade Finance Trust and have not been repaid, you may have a claim to the Settlement Proceeds.

PLEASE TAKE FURTHER NOTICE that, any claim against the Settlement Proceeds (each, a "Claim") must be filed with the Bankruptcy court no later than 5:00 p.m. on May 20, 2022.

PLEASE TAKE FURTHER NOTICE that any party wishing to submit a Claim, such claim must be filed electronically with the Court by registered users of the Court's electronic case filing system in accordance with General Order M-242, (a copy of which may be viewed on the Court's website, http://www.nys.uscourts.gov) and by all other parties-in-interest on a 3.5 inch disc, preferably in Portable Document Format (PDF), Word Perfect 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.

An hard copy of any Claim shall be sent to the Chambers of the Honorable Wiles, United States Bankruptcy Judge, One Bowling Green, New York, New York 10004-1408 and an electronic copy of the Claim shall be served upon (a) Pillsbury Winthrop Shaw Pittman LLP, Attn: John A. Pintarelli and Patrick Fitzmaurice, at john.pintarelli@pillsburylaw.com and patrick.fitzmaurice@pillsburylaw.com; (b) Morrison & Foerster LLP, Attn: Joel Haimis, at jhaimis@mfo.com; (c) Tannenbaum Helmen Synouse & Hirschtritt LLP, Attn: Michael J. Rieja, at Rieja@tsh.com; and (d) Thompson Hine LLP, Attn: Constance Boland, at constance.boland@thompsonhine.com.

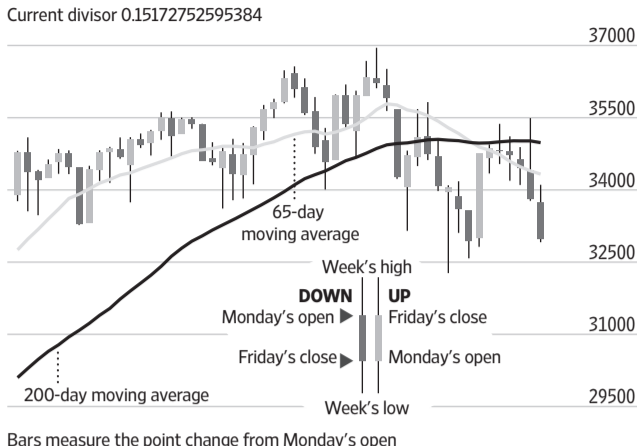
PLEASE TAKE FURTHER NOTICE that if no Claim is filed the Court may enter an order disbursing the Settlement Funds without further notice. Failure to file a Claim may affect your rights.

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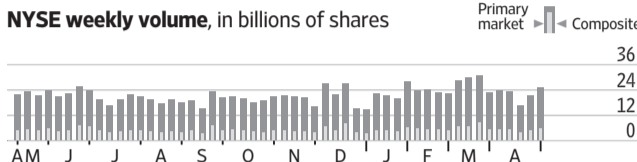
Dow Jones Industrial Average

32977.21 ▼834.19, or 2.47% last week Last Year ago Trailing P/E ratio 18.98 29.25

High, low, open and close for each of the past 52 weeks P/E estimate \* 17.50 20.41 Dividend yield 2.15 1.76 All-time high 36799.65, 01/04/22



Current divisor 0.15172752595384



Major U.S. Stock-Market Indexes

Table with columns: Index, High, Low, Close, Net chg, % chg, Low, Close (●), High, % chg, YTD 3-yr. ann.

Table with columns: Index, Close, Latest Week % chg, 52-Week Range Close (●), High, % chg

Table with columns: Index, Close, Latest Week % chg, 52-Week Range Close (●), High, % chg

International Stock Indexes

Table with columns: Region/Country, Index, Close, Latest Week % chg, Low, 52-Week Range Close, High, YTD % chg

Source: FactSet, Dow Jones Market Data

Consumer Rates and Returns to Investor

U.S. consumer rates A consumer rate against its benchmark over the past year

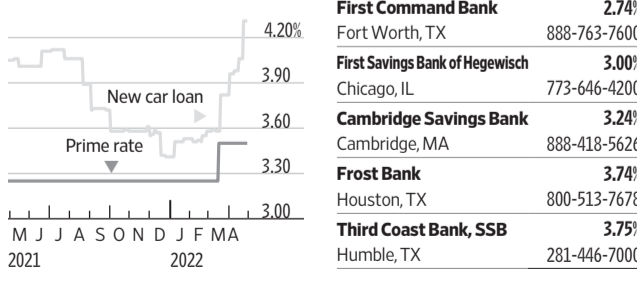
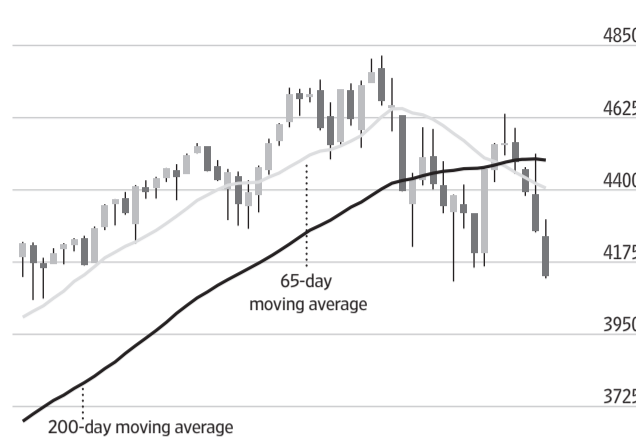


Table with columns: Interest rate, Yield/Rate (%), Last (●) Week ago, 52-Week Range (%), Low 0 2 4 6 8 High, 3-yr chg (pct pts)

S&P 500 Index

4131.93 ▼139.85, or 3.27% last week Last Year ago Trailing P/E ratio \* 24.14 39.76

High, low, open and close for each of the past 52 weeks P/E estimate \* 18.62 23.07 Dividend yield \* 1.46 1.37 All-time high 4796.56, 01/03/22



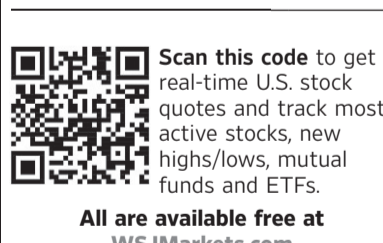
Track the Markets Compare the performance of selected global stock indexes, bond ETFs, currencies and commodities at WSJ.com/TrackTheMarkets

Table with columns: Index, Close, Latest Week % chg, 52-Week Range Close (●), High, % chg, YTD 3-yr. ann.

Sources: FactSet, Dow Jones Market Data

Commodities and Currencies

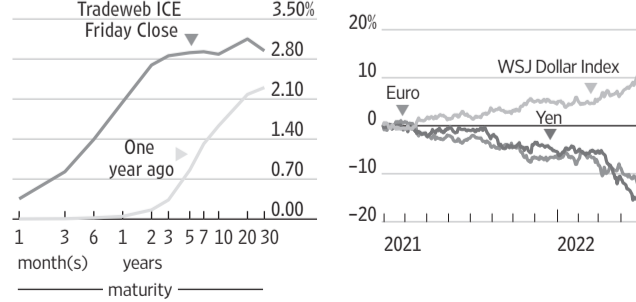
Table with columns: Commodity, Last Week Close, Net chg, % Chg, YTD % chg



All are available free at WSJMarkets.com

Benchmark Yields and Rates

Treasury yield curve Yield to maturity of current bills, notes and bonds



Sources: Tradeweb ICE U.S. Treasury Close; Tullett Prebon; Dow Jones Market Data

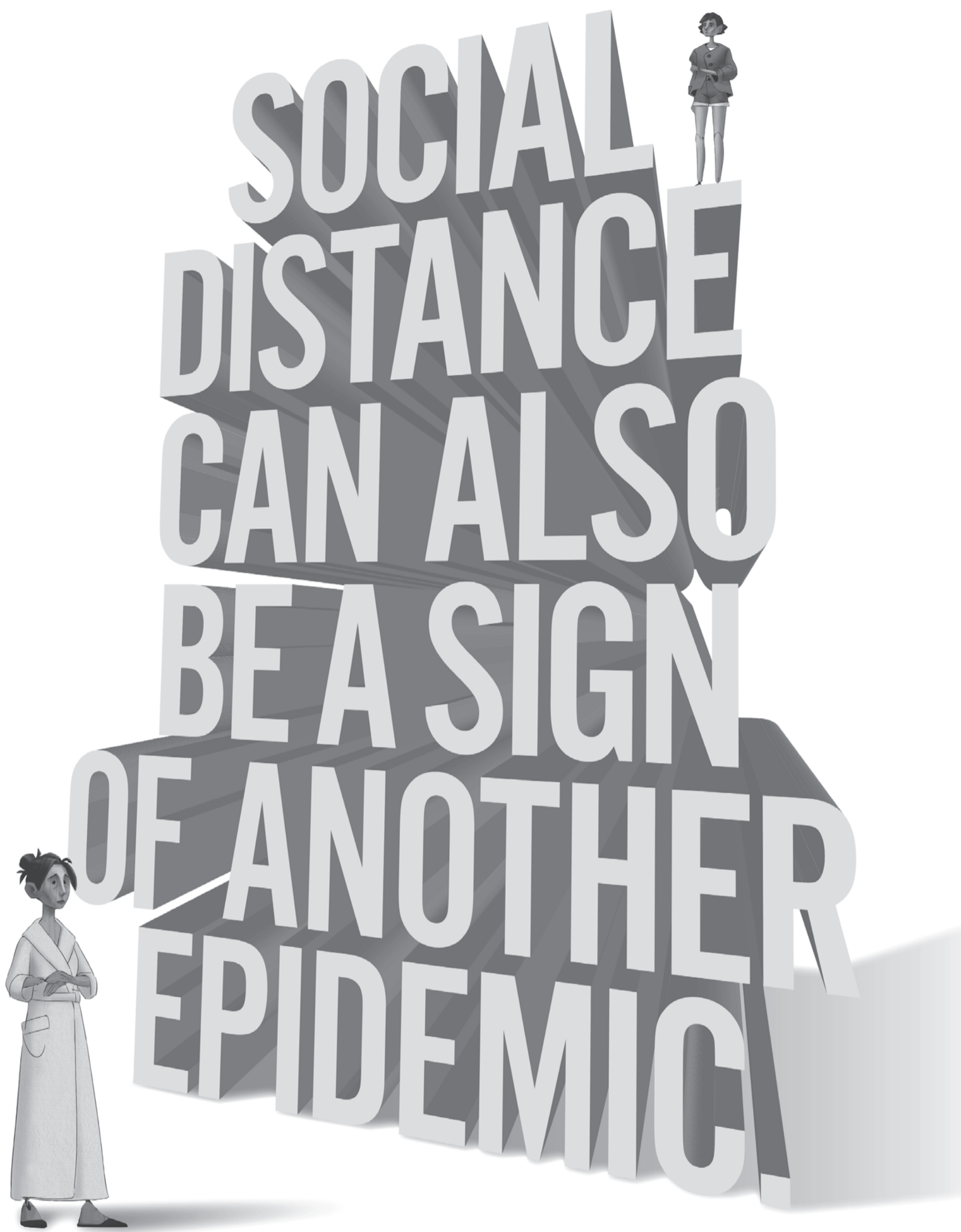
Corporate Borrowing Rates and Yields

Table with columns: Bond total return index, Yield (%), Spread +/- Treasuries, in basis pts, 52-wk Low High, Total Return 52-wk 3-yr

Sources: J.P. Morgan; S&P Dow Jones Indices; Bloomberg Fixed Income Indices; ICE BofA







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MARKETS

# Munger Takes Another Swipe at Robinhood

By GINGER ADAMS OTIS

Charlie Munger's opinion of Robinhood Markets Inc. hasn't improved in the past year. If anything, it has become more negative.

The vice chairman of Berkshire Hathaway Inc. blasted the trading platform while addressing thousands of shareholders at the company's annual gathering in Omaha, Neb., on Saturday. He said Robinhood is losing ground since going public in July 2021.

"It was pretty obvious that something like that was going to happen," Mr. Munger said, during a question-and-answer session with Warren Buffett, Berkshire Hathaway's chief executive and chairman.

"All the short-term gambling and big commissions and hidden kickbacks and so and so on. It was disgusting," Mr. Munger said.

Mr. Munger has criticized Robinhood previously. In a February 2021 interview with The Wall Street Journal, he compared the platform to racetrack betting and said it was wildly speculative.

Mr. Buffett reminded him of those earlier remarks on Saturday.

"And now they're unraveling. God is getting just," Mr. Munger said.

His comments came two days after Robinhood said its revenue fell to \$299 million in the first quarter, a decline of 43% from the same period last year. It was the company's fifth-consecutive quarterly drop. The online trading app, which says it offers a commission-free experience, said last week it would lay off 9% of its full-time workers.

Jacqueline Ortiz Ramsay, head of public policy for Robinhood, hit back at Mr. Munger's recent comments.

"It is tiresome witnessing Mr. Munger mischaracterize a platform and customer base he knows nothing about," she said in a written statement. "He should just say what he really means: unless you look, think, and act like him, you cannot and should not be an investor."

Her statement this weekend echoed the response she gave more than a year ago when Mr. Munger began criticizing Robinhood over the way it had enabled and profited from the January 2021 individual-investing boom. "In one fell swoop an entire new generation of investors has been criticized and this commentary overlooks the cultural shift that is taking place in our nation today," she said at the time.

# Market Turmoil Hits Berkshire

Earnings drop as turbulence among stocks such as Apple weighed on portfolio

By AKANE OTANI

Berkshire Hathaway Inc.'s first-quarter earnings fell as turbulence across financial markets weighed on its giant stock portfolio and rising claims costs hurt its insurance-underwriting business.

Warren Buffett's company reported net income of \$5.46 billion, or \$3,702 a Class A share equivalent. That was down from \$11.71 billion, or \$7,638 a share, a year earlier. Operating earnings, which exclude some investment results, edged up to \$7.04 billion from \$7.02 billion last year.

Most of Berkshire's businesses, including its railroad, utilities and energy, and manufacturing, service and retailing operations, posted growth in the first quarter. But its insurance-underwriting business took a sharp hit. The cost of paying out insurance claims rose significantly as prices of used cars jumped, Berkshire said, sending operating income for that unit falling to \$47 million from \$764 million a year earlier.

Berkshire's net income can be volatile from quarter to quarter because the company has large stock investments, and it is required to include unrealized investment gains or losses in the figure. The company uses billions of dollars of float, or upfront premiums that its insurance customers

pay, to make investments for its own gain. While that is a boost to its results when markets are rallying, it hurt Berkshire's earnings in the latest quarter.

Worries about inflation, tightening monetary policy and slowing growth sent the S&P 500 tumbling to start the year. Berkshire's biggest holding, Apple Inc., took a hit. Shares of the iPhone maker are down 11% in 2022. Other major holdings, like Kraft Heinz Co. and Coca-Cola Co., weathered the market volatility better as shares of companies providing consumer staples gained popularity.

Mr. Buffett, who is Berkshire's chief executive and chairman, is unlikely to focus much on the drop in net income. He has long held that shareholders should focus more on Berkshire's operating earnings, which he believes is a better measure of how the company is performing.

The results were released ahead of Berkshire's first in-person annual shareholder meeting since 2019. The 91-year-old investor appeared on stage at an arena in Omaha, Neb., alongside right-hand man Charlie Munger and Vice Chairmen Greg Abel and Ajit Jain. Shareholders pay close attention to Mr. Buffett's views on the markets and the economy, given his decades of investing experience and the vast scale of Berkshire's businesses.

Berkshire runs a large insurance operation, as well as a railroad, utilities, manufacturers and retailers. Many of its holdings are household names,



Shares of iPhone maker Apple, Berkshire's biggest holding, are down 11% in 2022.

such as Fruit of the Loom, Geico, Dairy Queen and Benjamin Moore & Co.

While most shareholder meetings pass by without much notice, Berkshire's has been dubbed the "Woodstock for Capitalists" given its unusually high turnout, festival-like atmosphere and plethora of memorabilia celebrating Mr. Buffett and his investments. In the past, attendees have taken home souvenirs such as Fruit of the Loom boxers with images of Mr. Buffett printed on them and Oriental Trading rubber ducks created in the likeness of Mr. Buffett and Mr. Munger.

One topic on investors' minds: what Berkshire will do with its massive cash reserves. While the company made no major acquisitions in 2021,

with Mr. Buffett citing a lack of attractive long-term investment opportunities, it ended that dry spell in the first few months of the year.

In March, Berkshire said it had reached a deal to acquire insurer Alleghany Corp. for \$11.6 billion. The deal is set to be Berkshire's biggest in years. The company also unveiled it had built a 14.6% stake in Occidental Petroleum in March and disclosed an 11% stake in HP Inc. in April.

Shares of Occidental and HP soared following news of Berkshire's investments.

Berkshire also ramped up its stake in Chevron Corp., it disclosed Saturday. It owned \$25.9 billion worth of Chevron shares as of the end of the first quarter, up from \$4.5 bil-

lion at the end of 2021. Chevron is now among Berkshire's biggest four positions, joining Apple, American Express Co. and Bank of America Corp. and displacing Coca-Cola.

As Berkshire spent more on other businesses, the company bought back less of its own stock during the quarter. It repurchased about \$3.2 billion in shares, down from \$6.9 billion in the fourth quarter.

The company still has a mountain of cash it can tap. Berkshire had \$106.26 billion in cash and equivalents at the end of the first quarter, down from \$146.72 billion at the end of 2021.

Berkshire itself has been a strong investment in 2022. Its Class A shares are up 7.5%, while the S&P 500 is down 13%.

# Berkshire Starts Spending

Continued from page B1

person, he said. Up until recently, Berkshire had largely been sitting on its cash pile. Its business thrived; a recovering economy and roaring stock market helped push net earnings to a record in 2021. But it didn't announce any major deals, something that led many analysts and investors to wonder about its next moves. Berkshire ended the year with a near record amount of cash on hand. (After Berkshire's buying spree, the size of the company's war chest shrank to \$106.26 billion at the end of the first quarter, from \$146.72 billion three months earlier.)

Mr. Buffett's feeling that there were no appealing investment opportunities for Berkshire quickly gave way to excitement in late February, he

said Saturday, when he got a copy of Alleghany Chief Executive Joseph Brandon's annual report.

The report piqued his interest. He decided to follow up with Mr. Brandon, flying to New York City to talk about a potential deal over dinner.

If the chief executive hadn't reached out, "it wouldn't have occurred to me to write to him and say, 'Let's get together,'" Mr. Buffett said.

Berkshire's decision to build up a 14% stake in Occidental also came about with a report. Mr. Buffett said he had read an analyst note on the company, whose stock is still trading below its 2011 high, and decided the casino-like market conditions made it a good time to buy the stock.

Over the course of just two weeks, Berkshire scooped up millions of shares of the company.

"I don't think we ever had anything quite like we have now in terms of the volumes of pure gambling activity going on daily," Mr. Munger said. "It's not pretty."

But the amount of speculation in the markets has given



Warren Buffett rides through the exhibition hall as investors and guests arrive for the first in-person annual meeting since 2019.

Berkshire a chance to spot undervalued businesses, Mr. Munger said, allowing the company to put its cash reserve to work.

"I think we've made more because of the crazy gambling," Mr. Munger said.

Another business that caught Berkshire's eye? Chevron. Berkshire's stake in the company was worth \$25.9 billion as of March 31, up from \$4.5 billion at the end of 2021, according to the company's filing. That makes Chevron one

of Berkshire's four biggest stockholdings, alongside Apple, American Express Co. and Bank of America Corp.

Neither Mr. Buffett nor Mr. Munger specifically addressed Berkshire's decision to increase its Chevron stake.

But the two men offered a defense of the oil industry. It is a good thing for the U.S. to be producing more of its own oil, Mr. Buffett said. Mr. Munger went further, saying he could hardly think of a more useful industry.

At the meeting, Mr. Buffett also revealed that Berkshire has increased its stake in Activision Blizzard Inc. The company now holds a 9.5% position in Activision, a merger-arbitrage bet from which Berkshire stands to profit if Microsoft Corp.'s proposal to acquire the videogame maker goes through.

At the end of the day, Berkshire doesn't try to make its investments based on what it believes the stock market will do when it opens each Monday, Mr. Buffett said.

"I can't predict what [a] stock will do...We don't know what the economy will do," he said.

What Berkshire focuses on is doing what it can to keep generating returns for its shareholders, Mr. Buffett said. Berkshire produced 20% compounded annualized gains between 1965 and 2020, compared with the S&P 500, which returned 10% including dividends over the same period.

"The idea of losing permanently other people's money...that's just a future I don't want to have," Mr. Buffett said.

## THE TICKER | MARKET EVENTS COMING THIS WEEK

### Monday

#### Construction spending

Feb., previous up 0.5%  
Mar., expected up 0.8%

#### ISM mfg. index

Mar., previous 57.1  
Apr., expected 57.8

#### Earnings expected\*

Estimate/Year Ago  
Arista Networks 0.81/0.63  
Devon Energy 1.75/0.45  
Global Payments 2.04/1.82  
Moody's 2.90/4.06  
NXP Semiconductors 3.19/2.31  
Williams Cos. 0.35/0.35

### Tuesday

#### Fed 2-day meeting starts

#### Factory orders

Feb., previous down 0.5%  
Mar., expected up 0.9%

#### Earnings expected\*

Estimate/Year Ago  
Advanced Micro Devices 0.91/0.52  
Fidelity National Information Services 1.46/1.30  
Pfizer 1.49/0.93  
Public Storage 2.32/2.21  
S&P Global 3.00/3.39  
Starbucks 0.60/0.62



CVS Health is expected to post per-share earnings of \$2.16 on Wednesday.

### Wednesday

#### Fed rate-policy meeting

Target rate 0.25%-0.5%

#### EIA status report

Previous change in stocks in millions of barrels  
Crude-oil stocks up 0.7  
Gasoline stocks down 1.6  
Distillates down 1.4

#### ISM non-mfg index

Mar., previous 58.3  
Apr., expected 58.9

#### Mort. bankers indexes

Purch., previous down 8%

#### Refinan., prev. down 9%

#### Int'l trade deficit in billions

Feb., previous \$89.19  
Mar., expected \$106.70

#### Earnings expected\*

Estimate/Year Ago  
Booking Holdings 0.89/(5.26)  
CVS Health 2.16/2.04  
Marriott International 0.90/0.10  
Moderna 5.37/2.84  
Regeneron Pharmaceuticals 9.79/9.89  
Uber Technologies (0.27)/(0.06)

### Thursday

#### EIA report: natural-gas

Previous change in stocks in billions of cubic feet  
up 40

#### Initial jobless claims

Previous 180,000  
Expected 180,000

#### Productivity

4th qtr., previous up 6.6%  
1st qtr. prel. exp. down 3.5%

#### Unit labor costs

4th qtr., previous up 0.9%  
1st qtr. prel. exp. up 7.5%

#### Earnings expected\*

Estimate/Year Ago  
Becton, Dickinson 2.93/3.11  
ConocoPhillips 3.17/0.69  
Dominion Energy 1.17/1.09  
EOG Resources 3.66/1.62  
Vistra 0.18/(4.21)

Vertex Pharmaceuticals 3.57/2.98  
Zoetis 1.23/1.26

### Friday

#### Nonfarm payrolls

Mar., previous 431,000  
Apr., expected 400,000

#### Unemployment rate

Mar., previous 3.6%  
Apr., expected 3.5%

#### Consumer Credit

Feb., previous up \$41.9 bil.  
Apr., expected up \$29.8 bil.

#### Earnings expected\*

Estimate/Year Ago  
Black Knight 0.60/0.56  
Brookfield Renewable Partners (0.06)/(0.24)  
Cigna 5.18/4.73  
Liberty Broadband 1.08/0.27  
Liberty Media 0.61/0.07  
Vistra 0.18/(4.21)

\* FactSet Estimates earnings-per-share estimates don't include extraordinary items (Losses in parentheses) ♦ Adjusted for stock split  
Note: Forecasts are from Dow Jones weekly survey of economists

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# HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

## Selling Grubhub Won't Help Its Owner

It might not solve Just Eat Takeaway's woes

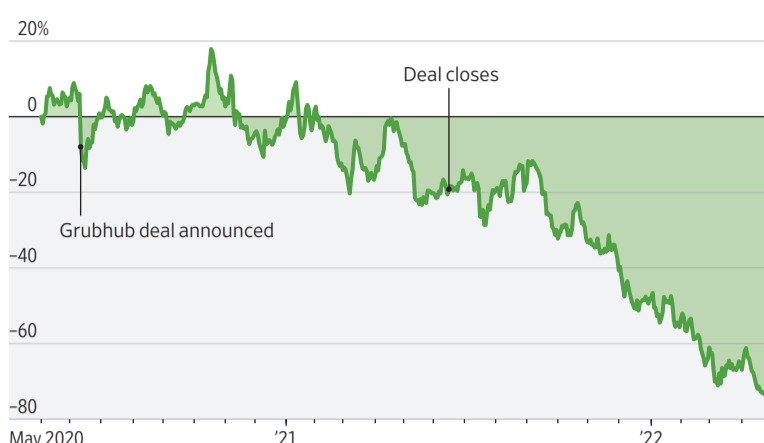
Grubhub owner **Just Eat Takeaway.com's** share price fell nearly 70% over the past year. Trimming the fat might not help in the long run.

The European food-delivery giant said in April it would consider a full sale of Grubhub, a \$7.3 billion acquisition it closed on just last year. Since the purchase, Jet's results have been consistently dragged down by the U.S. food-delivery platform's underperformance. Even if it manages to find a buyer, the very thing that crippled Grubhub could still hurt Jet.

Amsterdam-based Jet said on April 20 that first-quarter orders fell 5% year over year in North America, but grew 4% on the same basis in Northern Europe, where its business is strongest. The underperformance wasn't an anomaly: Last year, Jet reported 33% order growth globally on an annual basis, though North American orders, including Grubhub's business, grew just 19%.

Grubhub has gone from a clear market leader in U.S. food delivery to a distant third as **DoorDash** and **Uber Technologies'** Uber Eats caught fire. It is true that DoorDash in particular grew by going after more underserved areas such as suburbs rather than focusing exclusively on Grubhub's top cities. But Grubhub, which wasn't originally a delivery platform and instead relied on restaurants to make their own deliveries, was arguably beaten by both platforms in terms of logistics and spending and had to scramble to catch up.

Just Eat Takeaway.com's share-price performance since the end of April 2020



Source: FactSet

Activist investor **Cat Rock Capital**, which has a stake of roughly 6.9% in Jet, has long been calling on the company to divest Grubhub to focus on its best-performing European markets. But at this stage, Grubhub's business could be seen as even less attractive than it was back when Uber also bid on it in mid-2020. Bloomberg Second Measure data show Grubhub's U.S. market share has declined since.

Even if someone does come to the table for Grubhub—Cat Rock has suggested the likes of **Amazon.com**, **Walmart** or **Instacart**—the sale could create its own problems for Jet. The company has struggled not only with accurate forecasting but also with clear communication to its investors as to how long things such as commission caps will last and how quickly Grubhub's business can improve.

Admitting defeat and selling the company won't help build confidence in Jet's future decisions. Jet's shares rose just 2% after the company said in its first-quarter trading update it was actively exploring a strategic partner or sale of Grubhub but have since reversed those gains.

The removal of Grubhub's drag on its business also will turn all eyes back to Jet's European markets. In many of these, such as Germany, Jet has a massive leadership position. But these key markets also are being inundated by

competitors, some of which are the very same that dethroned Grubhub in the U.S.

You can argue that Jet is better positioned in its top markets than Grubhub was, but at the very least, it will need to pay to maintain its lead. Some of the things Jet touts, like "profitability is in our DNA," sound ominously similar to what Grubhub used to say before major U.S. competition came in and former Chief Executive Matt Maloney was finally forced to spend money to chase it.

In the U.K., Jet has been focused on rapid growth, but it also has had to contend with a hard court press there from Uber. Ultimately, Jet lost \$107 million on the basis of adjusted earnings before interest, taxes, depreciation and amortization last year. Northern Europe, where DoorDash has recently entered both with its namesake brand and through its recent acquisition of Wolt, was Jet's most-profitable business segment last year. Spending more to maintain share or to retain its customers could threaten Jet's guidance to turn Ebitda positive next year.

Jet lowered its guidance earlier in April for both gross transaction value growth and its adjusted Ebitda margin for this year. For a management team whose credibility already is being questioned, further downward revisions would hardly be an appetizing look.

—Laura Forman

## Investors Wait for Car Prices to Drop

Sky-high vehicle prices are keeping auto-maker profits in the fast lane for now. How long these unusual times will last is largely a macroeconomic call in the short term, and investors expect the worst. Looking down the road, collaboration between manufacturers and dealers could make a big difference.

Many first-quarter results from car manufacturers last week had one common theme: pricing power. Numbers from **General Motors**, **Mercedes-Benz**, **Ford** and **Volvo Cars** beat forecasts as high vehicle prices proved resilient in offsetting the impact of fast-rising costs. Moreover, the companies said they weren't yet seeing signs of consumer weakness and maintained full-year guidance despite headwinds from commodity prices.

Some targets seem more optimistic than others. Ford made clear that hitting its guidance depended heavily on improving semiconductor supplies and production after a difficult start to the year. "The second half is very critical for us," Chief Executive Officer Jim Farley told analysts on Wednesday.

Mercedes-Benz reported blowout profits and seemed cautious in not upgrading its guidance. Volvo Cars beat expectations handily and its stock rose 8% Thursday and jumped Friday. Premium brands should find it easier to pass on commodity costs than the likes of GM and Ford.

In most cases, though, investors seem reluctant to give manufacturers much credit for today's high vehicle prices, leaving car stocks at lower than average multiples of expected profit. Even Mercedes-Benz—an analyst favorite under reforming Chief Executive Ola Källenius—trades for under six times forward earnings, at the bottom end of its historical range. This amounts to a bet consumer spending will soon start to crack under inflation.

Whether this thesis proves pessimistic or just realistic, one way

manufacturers can tilt the scales in their favor is by finding more direct paths to car buyers.

The current retailing setup doesn't lend itself to pricing discipline. Right now, manufacturers are more concerned about dealers selling vehicles for more than the recommended retail price, particularly in the U.S. But as soon as supply normalizes and consumer sentiment weakens, mass discounting seems bound to return—unless, that is, manufacturers and dealers can work together to revamp distribution.

Most brands have strategies to modernize the experience of buying a car. Getting rid of price negotiations, which buyers dislike, is one goal—following the lead of **Tesla**, which has nonnegotiable

**Getting rid of price negotiations, which buyers dislike, is one goal—following Tesla's lead.**

prices. For Mercedes-Benz, tightly controlling discounts is particularly important. Reform is about taking the costs associated with uneven dealer processes out of the system, said Jim Rowan, who in March became chief executive of Volvo Cars.

There are two barriers. One is technological and logistical: Brands need to develop their own seamless online retail processes. The second is the sensitivity of negotiations with retailers, particularly in the U.S.

Could change have a chance? The pandemic experience of shortages and high prices, which benefited dealers and manufacturers, may help smooth the way for an agreement. Until there are clear signs of movement, car buyers can look forward to better days ahead. Investors perhaps not so much.

—Stephen Wilmot

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