

## What's News

### Business & Finance

**McDonald's** said it would quit Russia and sell its business there, ending more than three decades in the country over its invasion of Ukraine. **A1**

◆ **JetBlue** launched a hostile takeover attempt for Spirit after the discount airline rejected JetBlue's \$3.6 billion offer in favor of an existing deal with Frontier. **A1**

◆ **China's economy** descended deeper into Covid-induced doldrums last month, raising questions about whether Beijing can prevent a prolonged downturn. **A20**

◆ **Buffett's Berkshire** has used the slump in markets as an opportunity to ramp up spending on stocks. **B1**

◆ **The S&P 500** and Nasdaq fell, shedding 0.4% and 1.2%, respectively, while the Dow gained 0.1%. **B11**

◆ **The price of TerraUSD** was down sharply Monday as the cryptocurrency's creator announced a plan to attempt to rescue the project. **B5**

◆ **A state judge** struck down a California law requiring that companies in the state appoint female directors to their boards. **B1**

◆ **Yellen, in a visit** to Warsaw, pushed Poland to advance the EU's implementation of a global minimum tax. **A20**

◆ **The CEO of Ryanair**, one of Boeing's biggest customers, took aim at the plane maker's sales team and its 737 MAX delivery schedule. **B3**

◆ **KKR** said it would sell CHI Overhead Doors to Nucor in a deal that will yield a windfall for CHI's hourly workers. **B3**

### World-Wide

◆ **As Ukraine's military** continues to take back Russian-occupied territory in Ukraine, outperforming expectations among leaders globally about its abilities before Russia's invasion, ambitions are growing in Kyiv about what would define victory. **A1, A9-11**

◆ **As authorities investigate** the Buffalo, N.Y., mass shooting as a hate crime, they are tracing the suspect's movements leading up to the attack, which include a trip to the city in March, they said. **A3**

◆ **The FDA** took steps to allow more foreign baby formula on American shelves, easing rules that had effectively prevented shipments from many overseas manufacturers. **A3**

◆ **The Biden administration** said it is loosening some restrictions on flights to and from Cuba and re-establishing a family-reunification program that had been suspended in recent years. **A4**

◆ **The U.S.** is sending hundreds of troops back to Somalia to combat a growing terrorism threat in the region, U.S. officials said, less than a year and a half after Trump withdrew them. **A20**

◆ **The Supreme Court**, in a 6-3 ideological split, struck down a federal campaign-finance regulation that was challenged by Republican Sen. Ted Cruz. **A4**

◆ **A court-drawn plan** for New York's congressional districts would increase the number of competitive seats in the state and erode what had been a significant Democratic advantage under a map struck down earlier this year. **A6**

**CONTENTS**

Opinion.....	A17-19
Arts in Review.....	A15
Business News.....	B3
Capital Journal.....	A4
Crossword.....	A15
Heard on Street.....	B12
Markets.....	B11
Personal Journal.....	A13-14
Sports.....	A16
Technology.....	B4
U.S. News.....	A2-8
Weather.....	A15
World News.....	A9-11,20



## Buffalo Mourns Victims of Shooting That Targeted Blacks



CLOCKWISE FROM TOP LEFT: ROBERT KIRKHAM/THE BUFFALO NEWS/AP; GARNELL WHITFIELD; GENICE BENSON; AMANDA DRURY/REUTERS; BRENDAN MCDERMID/REUTERS



**SOMBER SCENE:** A member of the FBI examines bullet holes at the scene of a mass shooting Saturday at a Tops supermarket in Buffalo, N.Y., where 10 people were killed in an attack that targeted Black residents. Top, four of the identified victims. **A3**

## JetBlue Launches Hostile Bid For Spirit After Being Spurned

By ALISON SIDER

JetBlue Airways Corp. launched a hostile takeover attempt on Monday for discount carrier Spirit Airlines Inc. after Spirit rejected JetBlue's \$3.6 billion offer in favor of an existing deal with Frontier Airlines.

JetBlue is appealing directly to Spirit's shareholders by launching a tender offer for their shares, in hopes of pressuring Spirit's management to

re-engage in negotiations, JetBlue said. At the same time, JetBlue said it is urging Spirit shareholders to vote against Spirit's planned merger with Frontier Group Holdings Inc. on June 10 to send a message to the Spirit board.

JetBlue is offering \$30 a share in cash in its tender offer, but would be open to paying its initial offer price of \$33 a share if Spirit comes to the negotiating table and provides

data that JetBlue has requested, the company said. JetBlue said the tender price reflected what JetBlue called Spirit's unwillingness to share necessary information.

"If the Spirit shareholders vote against the transaction with Frontier and compel the Spirit Board to negotiate with us in good faith, we will work towards a consensual transaction at \$33 per share, subject to receiving the information to

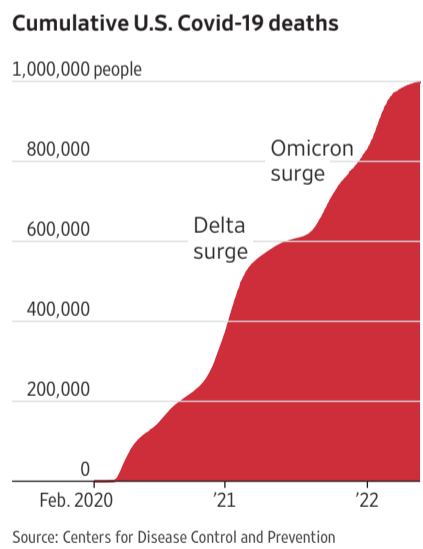
support it," JetBlue Chief Executive Robin Hayes wrote in an open letter to Spirit shareholders.

Spirit said Monday that it would review JetBlue's tender offer, but urged its investors not to take any action at this time. Spirit said it would advise its shareholders of the board's formal position within 10 business days.

Representatives for Frontier  
*Please turn to page A2*

## U.S. Tops A Million Covid-19 Deaths

The Covid-19 death count has surpassed one million and is still rising, the Centers for Disease Control and Prevention says. CDC records show how the deaths have swept unevenly through the U.S. since the 2020 outbreak. **A8**



## Kyiv's War Aims Grow Bolder, Spur Fear of Moscow Backlash

As Ukraine's military continues to take back Russian-occupied territory in Ukraine, outperforming expectations

By Vivian Salama in Kyiv, Ukraine, and Max Colchester in London

among leaders globally about its abilities before Russia's invasion, ambitions are growing in Kyiv about what would define victory.

Ukrainian forces in the northeastern region of Kharkiv

have regained territory at the Russian border, the regional governor, Oleh Sinegubov, said Monday. Russian forces continued to shell cities in the eastern Donbas area and carried out a rare missile strike in western Ukraine.

Mr. Sinegubov said that even as Ukraine wins back territory seized by Russia in recent months, the situation across the region remains volatile. He warned civilians not to become complacent, adding that Russia is focusing on

holding its positions and is preparing an offensive in the area of Izyum, a town south-east of the city of Kharkiv where it has established forward headquarters of its operations to conquer the Donbas.

On Monday, Kyiv declared  
*Please turn to page A10*

- ◆ Turkey presses Finland and Sweden to rein in Kurds..... **A9**
- ◆ U.N. seeks to ease grain blockade to avert crisis..... **A9**
- ◆ Family shared ruined home with enemy..... **A11**

## Hashtag United Plays IRL

Online soccer players are now a team in England

By JAMES HOOKWAY

PITSEA, England—The great names of English soccer ring with the echoes of Britain's industrial past—Liverpool's docks, the railway works that gave birth to Manchester United, the foundries that built West Ham.

Then there's Hashtag United. The club sprang to life through a group of friends led by Spencer Owen, who played video soccer games and streamed them online. He built a large following on YouTube, and now Mr. Owen and his brother have turned their digi-  
*Please turn to page A12*

## For Tech Startups, Funding Party's Over

Suddenly stingy venture capitalists push young firms to be frugal, try to break even

By HEATHER SOMERVILLE

A dizzying turn in technology-startup investing is undoing the fortunes of founders and investors riding a 13-year bull run.

Highflying startups have been grounded, swiftly, by the new climate: layoffs, skeptical investors, an exodus of funds and the prospect of a valuation haircut.

Last year, e-commerce startup Thrasio LLC was expected to be valued at \$10 billion or more in a funding deal that would have led to the four-year-old company going public. The deal didn't happen, and Thrasio, which buys and aggregates retailers that sell on Amazon.com Inc., continues to burn

through the more than \$3.4 billion of debt and equity it had raised.

In recent weeks Thrasio has cut close to 20% of its workforce, announced a new CEO, tapped the brakes on acquisitions and scaled back engineering projects, according to former employees and an internal company memo reviewed by The Wall Street Journal.

Thrasio's trajectory—and the stratospheric rise of many startups—benefited from years of low interest rates and a decline in the number of public-company stocks, which helped drive investors into venture capital. The trend accelerated in 2020 when stimulus and  
*Please turn to page A12*

# Waste not. Produce more.

Software robots can turn wasted hours into productive hours.

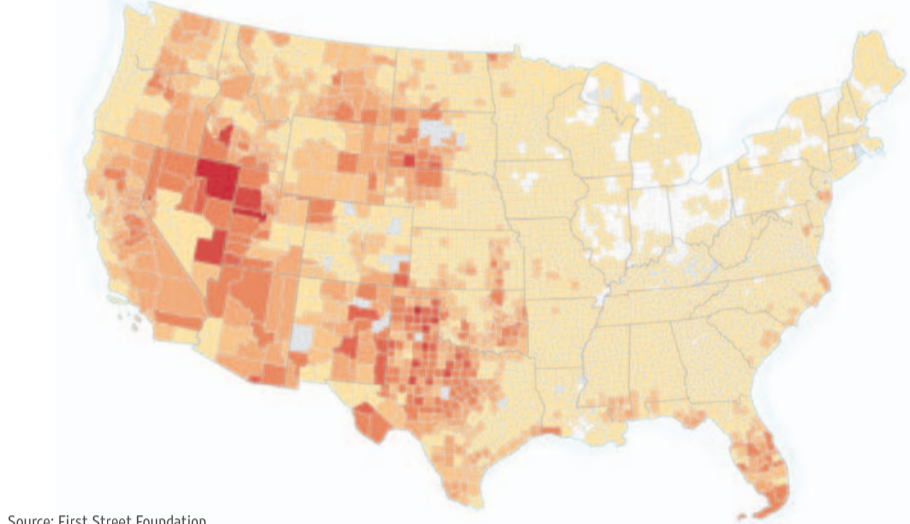
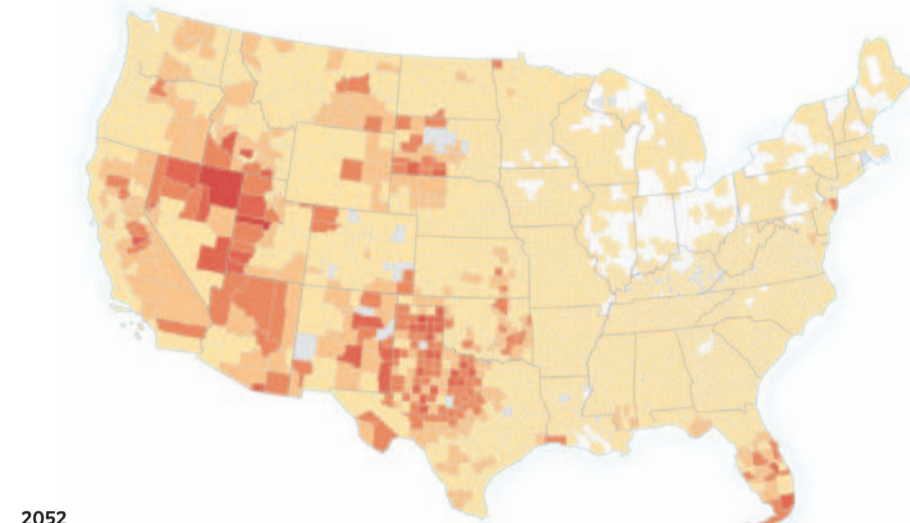
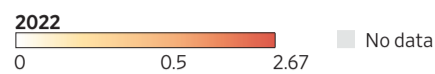


UiPath Reboot Work.

# U.S. NEWS

## Wildfire Property Risk Ratchets Up

Percent likelihood of wildfire among properties with risk



Source: First Street Foundation  
Emma Brown/THE WALL STREET JOURNAL.

By NICOLE FRIEDMAN

Almost 80 million U.S. residential and commercial properties face some risk of wildfire damage in the next 30 years, according to a nonprofit research firm that released its own wildfire risk model Monday.

The model from nonprofit First Street Foundation marks the first attempt to make property-level wildfire-risk scores freely available for homes throughout the contiguous U.S., said Matthew Eby, the organization's executive director.

Wildfires have caused tens of billions of dollars in damage in recent years, and many scientists expect them to become more frequent and intense in the future, fueled by climate change and other factors.

Using First Street Foundation's fire-risk scores, real-estate listings site Realtor.com estimated that 1 in 5 single-family homes in the U.S. is at risk of being in a wildfire over the next 30 years, representing \$8.8 trillion in property value.

First Street Foundation previously released U.S. flood maps in 2020, which said that millions of homeowners have a substantial risk of flooding that isn't disclosed by federal flood maps.

In the U.S., 1.5 million properties, including homes, apartments, hospitals, airports and government buildings, have extreme wildfire risk, meaning at least a 26% probability of being in a wildfire over the next 30 years, according to

First Street Foundation's analysis.

An additional 2.7 million properties have severe risk, or a 14%-to-26% probability of being in a wildfire in the next 30 years; 6 million have major risk, or a 6%-to-14% probability; 20.2 million have moderate risk, or a 1%-to-6% probability, and 49.4 million have minor risk, or a probability of less than 1%, the study said.

To create its wildfire model, First Street Foundation started with publicly available data from federal, state and local government sources. It ran simulations of wildfire behavior millions of times to predict whether properties are likely to be in a wildfire and used satellite imagery and other data to estimate the intensity of the potential exposure, said Ed Kearns, the organization's chief data officer.

First Street Foundation, which is made up of researchers, modelers and scientists, works to provide homeowners with more information about natural disasters and climate change. It relies on grant money and sells its flood-risk data to companies.

Realtor.com said it would incorporate First Street Foundation's wildfire-risk data into its home listings. The site already incorporates First Street Foundation's flood-risk data, which has become a popular feature for home shoppers, said Sara Brinton, lead product manager for Realtor.com. News Corp, parent of The Wall Street Journal, operates Realtor.com.

## U.S. and EU Agree To Expand Trade Ties

By DANIEL MICHAELS

SACLAY, France—Senior U.S. and European Union officials agreed to expand cooperation on supply chains for critical technologies including semiconductors and materials used in their production, they said at a high-level gathering about shared concerns surrounding high-tech international commerce.

At the second meeting of the U.S.-EU Trade and Technology Council, the two sides unveiled initiatives to better align policies and work in 10 areas, including high-tech supply chains, artificial intelligence and international industrial standards. In response to Russia's invasion of Ukraine, the group added an additional work stream on global food security.

The council, which met for the first time in Pittsburgh in September, seeks to identify emerging or potential areas of friction between the two allied economies and find ways to work cooperatively. It is led on the U.S. side by Secretary of State Antony Blinken, Commerce Secretary Gina Raimondo and Trade Representative Katherine Tai, and on the EU side by Executive Vice Presidents Margrethe Vestager and Valdis Dombrovskis.

Work on the TTC last year facilitated coordination and imposition of unprecedented sanctions on Russia, particularly in the area of export controls, following its large-scale invasion of its neighbor in February, the officials said.

Much of the council's work will take time to yield results, so the leaders are eager to show it isn't just a talking shop. On Monday, they said they had agreed on principles for coordinating research and development of semiconductors and limiting subsidies. Prompted by the global microchip shortage and realization that Western economies lack semiconductor production capabilities, officials on both sides of the Atlantic are seeking to promote their microchip industries.

"It is in everyone's interest...for both the U.S. and EU to make investments in a coordinated way that deepens the entire ecosystem of the semiconductor supply chain," Ms. Raimondo said. "It will be good for both industry and national security."

The two sides are trying to resolve a two-decade fight over subsidies to jetliner makers Airbus SE and Boeing Co., so they are aware of the risk that government support to industry can be wasted and

### The two sides plan to better align in areas such as high-tech supply chains.

become a source of friction. Ms. Vestager said that while subsidies will be necessary to help launch some private-sector investments, "what we can do is ensure taxpayers' money is well-spent," she said.

The two sides are also establishing what they called an alert mechanism to track trends in the industry and flag emerging supply issues so a shortage like the current one in microchips doesn't recur.

The TTC was established last June largely to address competitive threats posed by nonmarket economies, which at that time mostly meant China. But Russia's aggression, damage to supply chains in Ukraine and Russia's blockade of grain exports from Ukrainian ports has broadened the body's focus, the officials said.

The TTC remains focused on China, particularly its role in emerging technologies. On Monday, the group said it had set up a mechanism to share information on standardization, the process through which industry and governments create international norms for products and services, particularly in emerging technologies such as 5G communications and artificial intelligence.

## Administration Eyes Affordable-Housing Needs

By ANDREW ACKERMAN AND NICOLE FRIEDMAN

WASHINGTON—The Biden administration on Monday announced steps aimed at addressing the U.S. shortage of entry-level homes, including expanding federally backed financing for affordable housing and directing grants toward localities that encourage construction.

Each regulatory move is technical and modest, though the administration hopes they will collectively dent the estimated shortage of millions of homes over the coming years.

"While the policies cover a

wide range of issues and agencies, most are intended to do one thing: Make it easier and more economical to build affordable housing," said Jim Parrott, a former Obama administration housing adviser, who had reviewed the proposal.

The changes include encouraging greater land-use improvements at the local level by favoring jurisdictions that promote "density and rural main street revitalization" for funding from last year's infrastructure bill, according to a fact sheet distributed by the White House.

Two government agencies,

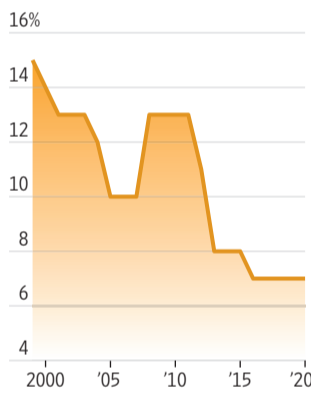
the Federal Housing Administration and the Federal Housing Finance Agency, will explore test pilots to boost financing for tiny homes to increase housing supply.

In another move to encourage construction, government-controlled mortgage company Fannie Mae will consider purchasing loans made to builders prior to construction of multifamily housing. At present, Fannie generally only buys mortgages for homes already built and certified for occupancy, which is too late for smaller builders that lack access to affordable financing.

The limited inventory of homes has pushed up housing costs for buyers and renters alike. The median existing-home price rose 15% in March from a year earlier to \$375,300, according to the National Association of Realtors, a record high going back to 1999. The national median rent in April rose more than 16% from a year earlier, according to rental website Apartment List.

New-home construction hasn't kept up with demand, as builders took years to recover from the financial crisis and faced shortages of land and skilled labor. Those shortages and rising material costs continue to hinder builders.

### Annual share of newly built single-family homes that are under 1,400 square feet



Source: Census Bureau

## JetBlue Launches Spirit Bid

Continued from Page One  
tier didn't respond to requests to comment.

Spirit shares rose 13.5% Monday to \$19.27. JetBlue shares declined 6.1%, and Frontier shares increased 5.9%.

The tender offer, earlier reported by The Wall Street Journal, was slated to remain open until June 30. JetBlue has started meeting with some of Spirit's shareholders, according to a person familiar with the matter.

For a tender offer to succeed, a large portion of holders must agree to tender their shares. But in practice, it rarely gets to that point: If an offer appears to resonate with

shareholders, reluctant boards tend to capitulate and negotiate a deal.

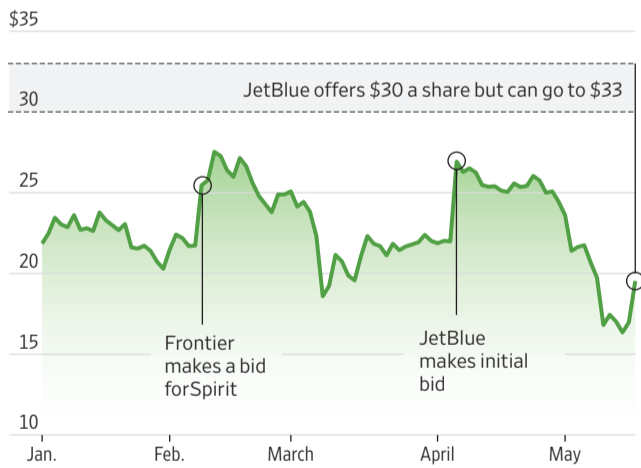
Spirit has been the subject of a tug of war between two rival carriers that both consider the Florida-based airline as key to their ability to grow and challenge the big airlines that dominate the industry in the U.S. Either transaction, if approved, would create the fifth-largest U.S. airline.

Both companies have accused one another of acting in bad faith.

Spirit Chief Executive Ted Christie has questioned whether JetBlue actually intends to buy Spirit, saying that it "stretches any sort of common sense" to believe antitrust regulators would sign off on that merger while JetBlue faces regulatory scrutiny over a separate partnership with American Airlines Group Inc.

"I have wondered whether blocking our deal with Frontier is, in fact, their goal," Mr. Christie said during an earn-

### Spirit Airlines share price



Source: FactSet

ings conference call earlier this month.

JetBlue said Monday that Spirit's regulatory concerns are a "smokescreen," and that Spirit has played down the risks of its Frontier deal while hyping concerns about the JetBlue merger.

Mr. Hayes said Monday that Spirit never seriously considered JetBlue's bid, despite being what he described as a more certain and more valuable transaction, and he said that Spirit has refused to engage with JetBlue.

"The Spirit Board failed to provide us the necessary diligence information they had provided Frontier and then summarily rejected our proposal, which addressed their regulatory concerns, without asking us even a single question about it," JetBlue's Mr. Hayes wrote in the letter to Spirit investors.

Mr. Hayes cited what he called a long history and relationships between several Spirit board members and Frontier's chairman as factors that he said influenced Spirit to reject what Mr. Hayes deemed a superior offer from JetBlue.

William Franke, Frontier's chairman, once served in the same role at Spirit and served

with some of Spirit's current board members, including Mac Gardner, Spirit's current chairman.

Mr. Franke left Spirit in 2013 when the company declined to invest in Frontier alongside his investment firm. Later that year, his firm bought Denver-based Frontier and began transforming it to an ultra-low-cost model similar to Spirit.

Spirit agreed in February to be acquired by Frontier in a cash-and-stock transaction originally valued at \$2.9 billion. Both are part of a niche of fast-growing airlines that cater to budget-conscious travelers, with low base fares and fees for everything else, from bottled water to carry-on bags.

The two companies had been discussing a deal for months.

JetBlue later swooped in with a higher offer, arguing that a tie-up between JetBlue and Spirit would create an even more powerful competitor.

Spirit spurned that bid this month and said it would stick with Frontier. Spirit's board said it believed there was too much risk that regulators would bar a combination with JetBlue, even after JetBlue pledged to shed assets to win

regulatory approval and to pay a \$200 million breakup fee if it was unable to complete the proposed acquisition for antitrust reasons.

Spirit has said its review of JetBlue's offer was rigorous. Spirit raised concerns that JetBlue's plans would eliminate a low-fare competitor and result in higher prices for consumers—something that it said could draw regulators' objection.

JetBlue's alliance with American in New York and Boston was of particular concern, Spirit said earlier this month. The Justice Department has challenged that partnership and is suing to block it.

Spirit asked JetBlue to agree to abandon that American partnership if needed to gain regulatory approval for a Spirit acquisition.

In its revised proposal in late April, JetBlue offered to divest itself of all of Spirit's assets in New York and Boston to avoid increasing its presence in markets where the Justice Department has flagged concerns about the partnership with American, but stopped short of saying it was willing to exit that deal altogether.

Mr. Hayes reiterated Monday that he doesn't believe that JetBlue's partnership with American, dubbed the Northeast Alliance, is a regulatory obstacle. He said that JetBlue has offered to pay Spirit shareholders a fee if the merger fails due to antitrust issues, while Frontier hasn't.

Mr. Christie, Spirit's CEO, said earlier this month that Spirit had talked "constructively" with JetBlue and provided a "well-populated virtual data room."

But the board decided the regulatory hurdle was so high that it couldn't evaluate whether JetBlue's offer was economically superior.

—Dave Sebastian and Cara Lombardo contributed to this article.

### CORRECTIONS & AMPLIFICATIONS

**WeWork Inc.'s stock** trades under the ticker symbol WE. The Score column in Saturday's Exchange section incorrectly gave the symbol as WORK.

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

**THE WALL STREET JOURNAL**  
(USPS 664-880) (Eastern Edition ISSN 0099-9660)  
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036  
Published daily except Sundays and general legal holidays.  
Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax 212-416-2891; email: [wsjltrs@wsj.com](mailto:wsjltrs@wsj.com)  
Need assistance with your subscription?  
By web: [customercenter.wsj.com](http://customercenter.wsj.com); By email: [wsjsupport@wsj.com](mailto:wsjsupport@wsj.com) | By phone: 1-800-JOURNAL (1-800-568-7625)

Reprints & licensing:  
By email: [customreprints@dowjones.com](mailto:customreprints@dowjones.com) | By phone: 1-800-843-0008

WSJ back issues and framed pages: [wsjshop.com](http://wsjshop.com)  
Our newspapers are 100% sourced from sustainably certified mills.

**GOT A TIP FOR US? SUBMIT IT AT [WSJ.COM/TIPS](http://WSJ.COM/TIPS)**

## U.S. NEWS

# Accused Shooter Visited Buffalo in March

Authorities press forward with a hate-crime investigation as victims are identified

As authorities investigate the Buffalo, N.Y., mass shooting as a hate crime, they are tracing the suspect's movements leading up to the attack, which include a trip to the city in March, they said.

By Zusha Elinson,  
Sadie Gurman  
and Omar Abdel-Baqi

The suspect, 18-year-old Payton Gendron, traveled in March nearly 200 miles from his home in Conklin, N.Y., to Buffalo, Buffalo Police Commissioner Joseph Gramaglia said Monday, but he declined to elaborate on any possible motive for the trip.

Mr. Gendron is accused of killing 10 people and wounding three more Saturday after opening fire in a Buffalo supermarket. The gunman live-streamed the attack, the deadliest mass shooting in the U.S. so far this year.

Mr. Gendron is being held in jail and is on suicide watch, authorities said. He was arraigned Saturday on murder charges and pleaded not guilty.

The Justice Department and the Federal Bureau of Investigation were pressing forward with a hate-crime investigation into the shooting. Mr. Gendron, who is white, posted a 180-page document online filled with racist rants and details of his plans to target Black people in Buffalo, law-enforcement officials said.

Eleven of the people shot were Black and two were white.

The investigation is in its early stages, but "we can affirmatively state that this appears to have been a hate-fueled crime," U.S. Assistant Attorney General Kristen Clarke said on a Monday call with law-enforcement officials and others.

"This is a top priority and we are pouring every resource into the full investigation of this matter," she said.

The shooting was the latest in what the FBI has warned is a growing threat posed by extremists advocating for the superiority of the white race, a category it considers most likely to conduct mass-casualty attacks against civilians.

FBI Director Christopher Wray on Monday's call described the shooting as "a targeted attack, a hate crime, and an act of racially motivated violent extremism." Officials noted that both criminal and counterterrorism investigators were involved in the probe, along with experts who were poring over the suspected gunman's devices and social-media accounts.



The family of 86-year-old Ruth Whitfield, who was killed in the attack, held a news conference Monday. Candles mark a memorial to the victims near the supermarket.

While the reasons behind Mr. Gendron's trip from Conklin to Buffalo in March weren't immediately clear, Mr. Gendron visited the scene of the shooting, a Tops Friendly Markets grocery store, on Friday to conduct reconnaissance, police said.

He seemed out of place to Grady Lewis, a 50-year-old who lives in the neighborhood and often hangs out by the Tops. Mr. Gendron said he was visiting the area, according to Mr. Lewis, and the two talked for 90 minutes after Mr. Lewis asked him a question about his shirt, which said "genius."

The full list of victims were released late Sunday. The deceased victims ranged in age from their early 30s to mid-80s.

Most were from Buffalo, including Roberta A. Drury, 32; Celestine Chaney, 65; Katherine Massey, 72; Margus D. Morrison, 52; Heyward Patterson, 67; Geraldine Talley, 62; Pearl Young, 77; and Ruth Whitfield, 86.

Others killed were Aaron Salter, 55, of Lockport, N.Y., and Andre Mackneil, 53, of Auburn, N.Y.

The three people injured in the shooting were Zaire Goodman, 20, of Buffalo; Jennifer Warrington of Tonawanda, N.Y., 50; and Christopher Braden, 55, of Lackawanna, N.Y.



President Biden said he and first lady Jill Biden planned to travel to Buffalo Tuesday "to grieve with the community that lost 10 lives in a senseless and horrific mass shooting."

"Our hearts are heavy once again but our resolve must not waver; we must work together to address the hate that remains a stain on the soul of this nation," Mr. Biden said.

Mr. Salter, one of the victims, was a retired Buffalo police officer who worked as a security guard at the supermarket. He was working when the shooter opened fire in the supermarket parking lot, according to Buffalo police.

Mr. Salter fired at the gunman and struck him at least once, but the bullet didn't pierce the shooter's body ar-

mor, police said.

When Buffalo police arrived, the gunman threatened to shoot himself in the neck before surrendering, according to authorities.

In the document police believe was written by Mr. Gendron, the alleged shooter wrote that he intended to target Black people, and that he picked the shooting site due to

the ZIP Code's high percentage of Black residents.

The document cites rhetoric embraced by white supremacists, making references to a racist conspiracy theory called "great replacement," which asserts that political elites use immigration and other policies to reduce the white population.

The conspiracy theory has been cited as inspiration for several violent attacks against Hispanics, Muslims and Jews in the U.S. and abroad since 2018.

Ms. Young, one of the shooting victims, lived for decades on a short street adjacent to Canisius College, said longtime neighbor Yvette Williams. She was active in her church and raised numerous foster children, Ms. Williams said.

"She was the heart of our village," Ms. Williams said. "She was taken because of violence and hate, but she loved everybody. She took kids in no matter the color."

Mr. Patterson, another victim, was shot outside the store while helping someone load groceries, his family said.

"He liked helping people get home safe with their groceries," said his cousin Genice Benson. Mr. Patterson was a deacon in a local church and had three children, she said.

—Jimmy Vielkind  
contributed to this article.

## FDA Eases Baby-Formula Import Rules

By LIZ ESSLEY WHYTE

U.S. health regulators took steps to allow more foreign baby formula on American shelves, easing rules that had effectively prevented shipments from many overseas manufacturers.

The Food and Drug Administration on Monday said it encouraged the overseas manufacturers to apply to ship their formula to the U.S.

Government officials said the moves will allow more formula products to enter the U.S. baby market, which is dominated by Abbott Laboratories, Reckitt Benckiser Group PLC and Nestlé SA's Gerber business.

It could be weeks, however, before the products come to store shelves in the U.S., an FDA official said. Manufacturers will first have to apply with the agency to be able to ship their products to the U.S., and then the agency will have to conduct a review to assure quality control and safety.

"FDA will prioritize review of applications that are most likely to be successful and will get the most formula to U.S. shelves as quickly as possible," White House press secretary Karine Jean-Pierre said.

Also on Monday, Abbott said it had reached agreement with the FDA for the reopening of the Sturgis, Mich., plant where the company makes

many formula products.

The consent decree between Abbott and the FDA, which must be ratified by a federal court, outlines the steps that the company must take for the agency to allow the reopening of the plant.

The company closed the plant in February, after the FDA found bacterial contamination.

"This is a major step toward reopening our Sturgis facility so we can ease the nationwide formula shortage. We look forward to working

**The move aims to relieve a nationwide shortage that has left parents scrambling.**

with the FDA to quickly and safely reopen the facility," Abbott Chief Executive Robert Ford said.

The regulatory tweaks are part of a larger effort by the Biden administration to ease the shortage, a White House official said.

The administration, which has been facing pressure from parents, Democrats and Republicans to increase formula supplies, is encouraging companies to give priority to making ingredients and to speed up distributing products to retailers.

The White House has also been working with Abbott and the three other major formula makers to identify transportation, logistical and supplier hurdles to increasing production of formula at their U.S. and FDA-approved facilities, the administration official said.

Easing the import rules could add to formula supplies, according to supporters, by allowing manufacturers overseas that haven't been able to ship their products to the U.S. access to the market if they can meet the FDA's adjusted requirements. It could also allow domestic manufacturers of formula destined for foreign shelves to sell their products in the U.S.

The changed guidelines are a temporary measure valid for the next 180 days, said Susan Mayne, who heads the FDA's food-safety division.

Under the changed guidelines, Dr. Mayne said, the FDA will have more flexibility to allow more overseas formula products into the U.S. after making sure they are safe, nutritious and properly labeled.

"We are hopeful this call to the global market will be answered and that international businesses will rise to the occasion to assist in bolstering the supply of products that serve as the sole source of nutrition for many infants," FDA Commissioner Robert Califf said.

The White House has asked

embassies, retailers and manufacturers to help find companies that could ship formula to the U.S. under the new FDA importation rules, Ms. Jean-Pierre said.

Abbott said it is already importing millions of cans of formula from an Ireland plant, and is prepared to import from other company facilities if possible.

Formula shortages have left parents scrambling, in some cases driving hours to find stores stocking the brands their infants need because of dietary restrictions.

The products have been in shortage for months partly because of supply-chain issues caused by the pandemic. The situation worsened after Abbott, one of the leading formula makers, recalled some products and shut down its plant in Sturgis making Similac and other brands.

The FDA said it found a germ called *cronobacter sakazakii*, which can be deadly in infants, in the Sturgis plant, but not in products.

Abbott said there isn't evidence linking its formula products to illnesses resulting in the hospitalizations of four infants, including two deaths. The Centers for Disease Control and Prevention also said the strains of bacteria at the plant didn't match those involved in cases.

—Tarini Parti  
contributed to this article.

**10 IRRESISTIBLE DAYS**  
MAY 12-22

ALLURING OFFERS ON ALL NEW COLLECTIONS

**rochebobo**  
PARIS

## U.S. NEWS

## After 3 Stormy Decades, There's Still Hope



By Gerald F. Seib

This column was born 29 years ago this spring. The times weren't exactly simple then, though they may seem that way in the rearview mirror.

President Bill Clinton had just taken office after an election in which he, a Democrat, won the states of Louisiana, Arkansas, Georgia,



Tennessee, Kentucky and West Virginia, among others. (Let that sink in for a minute.)

The Soviet Union had dissolved, the Cold War was over and the U.S. was headed for a period of peace and prosperity.

Within five years the federal budget would be in surplus, thanks to actual bipartisan stewardship in Congress. (Let that also sink in for a minute.)

From there, the road became, shall we say, a bit more winding and bumpy. It has been a privilege to chronicle the whole journey here.

Today, though, we reach the end of that road. I am retiring from full-time service to The Wall Street Journal, the only professional home I have known since being hired as a college intern in 1977. I will still write occasionally for the Journal and help in other capacities, but this weekly conversation about the capital and the world will conclude.

Over the life of this column, the landscape at home appears in many ways to have become less healthy and more unstable. Amer-



Fireworks explode in Washington on the Fourth of July, one of the moments when the nation's capital still draws Americans together. ALEX WONG/GETTY IMAGES

ica's political system is fractured and polarized, and reasoned debate seems to have given way to mindless shouting. Democrats seem unable to talk to older rural voters, Republicans unable to talk to younger urban voters. The unsubstantiated claims that the 2020 presidential election was somehow stolen from former President Donald Trump represent a dangerous cancer growing inside the body politic.

Abroad, Russia has brazenly invaded a neighboring democratic state, Ukraine, simply because the autocrat in charge in Moscow wanted to do so. Nearly as distressing, some democratic nations—India most prominently—can't bring themselves to condemn the action.

So it is easy to be pessimistic about the future of democracy.

Yet there is another, more optimistic way to look at the landscape. The genius of American democracy is that it isn't static. It adjusts and adapts over time to changing circumstances. It renews itself.

These adjustments usually are messy and disruptive, as they were when America evolved from slaveholding to abolitionist nation, from an agricultural to an industrial economy, from isolation to world leadership, from liberal dominance to a conservative arising.

We are in the midst of another period of self-correction now, and that shouldn't be surprising. It turns out economic globalization and a technological revolution haven't spread their benefits uniformly across society. The progress in racial equity wasn't as

thorough as many assumed. The coastal establishment's disconnect from the heartland has invited cultural warfare. Political leaders' persistent failure to construct a more sane immigration system has undermined America's powerful role as a magnet for talented and energetic people from around the globe.

So now that the country is trying to come to grips with that unfinished agenda, its politics are a mess. We have four parties, not two: Trumpists and traditional conservatives on the Republican side, and moderates and progressives on the Democratic side. The forces at play are driving politics away from the center, where solutions are usually found.

This is an unstable atmo-

sphere, and unstable atmospheric conditions don't last. So we are in transition to something different. To what isn't clear, and there is no guarantee this transition will be peaceful and successful. Four steps would help ease the way:

◆ An outbreak of political courage. Specifically, the country needs the emergence of more lawmakers from both parties who are willing to risk their jobs by reaching out to the other side, and to take steps that displease the most extreme elements of their own base. Such leaders are in depressingly short supply.

◆ Actual steps to revive the political center, starting with dramatic actions to curtail gerrymandering. Both parties have taken brazen actions at the state level to redraw congressional dis-

tricts into uncompetitive sin-cures, thereby empowering those on the ideological wings.

◆ A bipartisan agreement on the rules for casting and counting votes, taking election integrity off the table as a divisive issue. Both sides are wholly dependent on confidence in the system that brought them to office. If, as seems likely, power in Washington is to be shared by the two parties after this fall's midterm elections, they will have an equal stake in the soundness of the system, and the moment to end this corrosive argument could be at hand.

◆ A decision by voters across the spectrum to reward rather than punish responsible behavior and compromise. Voters aren't powerless; politicians respond to the signals they send.

If you are searching for confidence, a good starting point is the Journal's own growing universe of smart and sophisticated readers. This column has given me the privilege of having an extended conversation with them. They weigh in shrewdly and wisely, sometimes with compliments and sometimes with complaints, all received with gratitude.

The best compliment has come from those who say that, after years of digesting this column, they still can't figure out the partisanship or ideology of its author. That is great. The goal has been to be analytical without being partisan or ideological. Honestly, that is where most Americans are.

That is cause for hope. Our democracy has always adapted, and it can do so again. The power to make it survive and thrive remains in the hands of all of us who participate in, and benefit from, the great American experiment.

## Cuban Flight Curbs Are Eased

WASHINGTON—The Biden administration on Monday said it is loosening some restrictions on flights to and from Cuba and re-establishing a family-reunification program that had been suspended in recent years, reversing Trump-era policies that had largely cut off the island and its people from the U.S.

By Gordon Lubold, Jose de Cordoba and Courtney McBride

The policy changes would also expand consular services and visa processing, enabling more Cubans to either visit or join their families in the U.S. Those changes will ultimately require the reassignment of more American diplomatic personnel into Cuba following the removal of many from Havana in 2017 after a series of mysterious injuries there and at other posts abroad that have been referred to as Havana Syndrome.

The measures also include efforts to help Cuban entrepreneurs by encouraging commercial opportunities outside of the Cuban government to expand cloud technology, application programming interfaces and e-commerce platforms, the State Department said. The administration will also remove the limit on family remittances.

—Michelle Hackman contributed to this article.



Commerce Secretary Gina Raimondo is urging lawmakers to move quickly on the legislation. JOSE LUIS MAGANA/AGENCE FRANCE-PRESSE/GETTY IMAGES

## Fresh Squabbles Slow Action On China Competitiveness Bill

By JOHN D. MCKINNON AND YUKA HAYASHI

WASHINGTON—Disagreements over legislation designed to boost U.S. competitiveness against China are clouding its prospects in Congress, as lawmakers enter a period of make-or-break negotiations.

Many lawmakers say the sprawling package remains likely to pass this year. But squabbles are emerging over proposed national security reviews of outbound U.S. foreign investments; waivers of tariffs on Chinese imports; and curbs on the sale of counterfeit goods online, among other provisions.

The flashpoints are worrying those who support the bill's central goal of boosting U.S. high-tech research and manufacturing to counter advances by China and other rivals. The legislation would expand federal investment in technologies such as quantum computing and dedicate \$52 billion in new subsidies to rebuilding semiconductor manufacturing in the U.S., which has been eclipsed by Taiwan and other overseas competitors.

"If they delay too much, America loses out," said Commerce Secretary Gina Raimondo last week, referring to U.S. lawmakers.

A spokesperson for the Chinese Embassy in Washington said of the legislation: "How the U.S. intends to develop and strengthen its competitiveness is its own business, but we are

firmly against the U.S. making an issue out of China and perceiving it as an imaginary enemy."

The November elections are also looming, limiting time for lawmakers to hammer out a compromise.

Last Thursday, members of the joint House-Senate committee that will negotiate a compromise held their initial meeting to discuss the legislation.

Legislative proposals in the mix aren't all directly related to China policy and touch on areas as diverse as banking rules for marijuana merchants and domestic mink ranching (which would be effectively banned by the House bill).

The House version of the bill also included a provision to establish a government mechanism to review and restrict outbound U.S. investments on national security grounds, despite opposition from industry—and concerns in both parties—about the measure's potentially broad scope.

Proposals to address these concerns have emerged in recent weeks, but lawmakers haven't unified behind any one.

Another controversy has arisen over House proposals that sponsors say aim to curb counterfeit imports that can short-change U.S. businesses and consumers. The measures have drawn fire from the likes of eBay Inc. which has said it could pit small sellers against big brands.

The bill's Senate sponsors, Sens. Chris Coons (D., Del.) and Thom Tillis (R., N.C.), said in a joint statement that the

bill "provides a balanced approach to address the dangers of counterfeit goods, many of which come from China, that threaten Americans' health and safety and harm American jobs and intellectual property." They say the House version of the bill addresses many of the concerns raised, including for small sellers, and they remain open to further changes.

Among the most contentious provisions is a proposed requirement that the U.S. trade representative start a new process to grant tariff waivers, a step that could result in a significant erosion of the scope of goods subject to existing tariffs on \$300 billion of Chinese imports.

Critics say the tariffs fall on U.S. businesses that pay duties on imported materials or parts, rather than Chinese exporters they were intended to punish.

Sen. Pat Toomey (R., Pa.) is leading the Senate effort to push for the provision allowing importers to request to waive certain tariffs.

Pushing against Mr. Toomey are Katherine Tai, the U.S. trade representative, and Robert Lighthizer, Ms. Tai's predecessor under the Trump administration. The pair, in favor of maintaining the levies as leverage against Beijing in continuing trade talks, have separately asked senators to oppose the exclusion and successfully persuaded some to withdraw their support, according to people familiar with the situation.

## Court Backs Cruz In Striking Down Campaign Rule

By JESS BRAVIN

WASHINGTON—The Supreme Court struck down a federal campaign-finance regulation limiting politicians from repaying loans to themselves above \$250,000 from donations received after Election Day.

The 6-3 ideological split sided with Sen. Ted Cruz (R., Texas), who argued the limitation abridged free-speech rights. Three liberal justices in dissent said the rule helped curb corruption.

Separately, the court restricted immigrants from challenging in federal court adverse factual findings by immigration judges.

Mr. Cruz brought the suit as a test case against the regulation, which caps at \$250,000 the reimbursement of a candidate's personal loans with money his or her campaign collects after the election. In his 2018 face-off against Democrat

## The regulation was the latest provision of the McCain-Feingold Act to fall.

Beto O'Rourke, Mr. Cruz lent his campaign \$260,000—leaving \$10,000 at issue in the case.

Writing for the majority, Chief Justice John Roberts said the cap on repayment could inhibit candidates from lending themselves funds that could be crucial to victory. That amounted to a limit on their free speech that the government couldn't justify, he wrote.

"The ability to lend money to a campaign is especially important for new candidates and challengers. As a practical matter, personal loans will sometimes be the only way for an unknown challenger with limited connections to front-load campaign spending," Chief Justice Roberts wrote.

The regulation was the latest provision of the 2002 Bipartisan Campaign Reform Act to fall on constitutional grounds. The statute, known as the McCain-Feingold Act, was intended to curb what its authors viewed as a corrupting influence of money on politics.

The Supreme Court largely upheld the McCain-Feingold law in 2003, but in subsequent years an increasingly conservative court, equating political spending with political speech, has found that several of its provisions run afoul of the First Amendment.

Those decisions, in essence, recognize only bribery as a justification for regulating political contributions, the chief justice wrote.

"Political contributions that will line a candidate's own pockets, given after his election to office, pose a special danger of corruption," Justice Elena Kagan wrote in dissent.

In a separate decision, the court split 5-4 in holding that federal district courts can't review factual findings by immigration judges in certain deportation proceedings.

Writing for the majority, Justice Amy Coney Barrett said when noncitizens in such cases appeal to federal court, Congress authorized district judges to review legal and constitutional findings by immigration judges, but not their determinations of fact.

The case involved Pankaj Kumar Patel, a citizen of India who entered the U.S. unlawfully and then sought authorization to remain. He applied for a Georgia driver's license and checked a box stating he was a U.S. citizen. An immigration judge later found Mr. Patel had lied on the driver's license form, making his deportation mandatory.

On appeal, Mr. Patel argued he had checked the box by mistake. A federal appeals court in Atlanta found that the immigration judge's factual finding couldn't be reviewed by the federal courts.

JOHN & CHRISTIAN  
Crafted in gold & platinum  
Rush! Service Available

Your Anniversary Immortalized In Roman Numerals  
JOHN-CHRISTIAN.COM 888.646.6466



# WELCOME TO WORKTOPIA™

Supporting your employees should be effortless.

That's Worktopia. It's a place where AI solves thousands of issues in seconds — whether people get locked out of an account, can't find the new conference room, or need onboarding help on their first day.

Moveworks is the AI platform that powers Worktopia. It automatically resolves requests and communicates changes for you, letting you turn moments of frustration into moments of magic.

Welcome to the world's best place to work.  
Welcome to Worktopia.



J

It's my first day! My manager said I should join the sales group for Canada.



Hi Jessika, I've added you to the Canada Sales distribution list!

[moveworks.com](https://www.moveworks.com)

U.S. NEWS

# Durham Probe Puts Focus on Tech Expert

For decades, Rodney Joffe built a career in Washington linking U.S. federal agencies to the engineers of the internet. He helped root out a computer worm called Conficker that in 2008 infected as many as 15 million computers. His work

By Aruna Viswanatha, Robert McMillan and Byron Tau

helping to analyze vast stores of data from internet-service providers prompted closer collaboration between government agencies and private researchers to pinpoint computer infractions and gather online intelligence.

“It kicked off an industry,” said Rick Wesson, chief executive at cybersecurity firm Support Intelligence Inc. It also made a lucrative business in government contracting for Mr. Joffe and his companies, allowing him to regularly fly by private jet, according to associates.

But Mr. Joffe’s methods have put him under the scrutiny of federal prosecutors examining whether he played a role in an alleged effort to aid Hillary Clinton against Donald Trump during the 2016 U.S. presidential campaign.

Mr. Joffe’s former lawyer, Michael Sussmann, went on trial in federal court in Washington on Monday, accused of one count of lying to the Federal Bureau of Investigation about why he brought the FBI research derived from data Mr. Joffe helped compile.

It is the first trial brought by special counsel John Durham, who was appointed by then-Attorney General William Barr to examine the early stages of the FBI’s investigation into the Trump campaign and whether it had any links to Russia’s efforts to interfere in the 2016 election.

After a day of interviewing candidates, the court seated a jury late Monday, and prosecutors are expected to present opening arguments on Tuesday.

Mr. Sussmann, who represented both Mr. Joffe and Mrs. Clinton’s presidential campaign, has pleaded not guilty and has said he brought the research to the FBI out of civic concern, as he told an agency official at the time. Prosecutors allege he fed the information to the FBI on behalf of his clients. Mr. Joffe hasn’t been charged with any wrongdoing.

### Probing data use

Federal prosecutors say they are investigating whether Mr. Joffe may have misused sensitive internet data in 2016 to draw a spurious computer connection between Mr. Trump’s company and a Rus-

sian bank—an allegation Mr. Joffe’s lawyer has denied.

Prosecutors have pressed witnesses and subpoenaed related documents on Mr. Joffe’s role in assembling that data, according to people familiar with the matter, and appear to be examining whether evidence shows Mr. Joffe knowingly manipulated or falsified any of it.

At a hearing last month, prosecutor Andrew DeFilippis of Mr. Durham’s team said the probe was looking into whether Mr. Joffe’s work violated a law against defrauding the government in procurement.

“There is a Darpa contract—a federal contract—at issue here, which we have been looking at closely,” Mr. DeFilippis said, referring to the Defense Advanced Research Projects Agency, an arm of the Pentagon that funds research.

### Prosecutors examine an alleged effort to aid Hillary Clinton in 2016.

Darpa, through a spokesman, earlier this year denied any links to the research regarding the computer server connected to the Trump Organization. Mr. Joffe has denied any wrongdoing, and his spokeswoman said the company where Mr. Joffe then worked, Neustar Inc., never had a contract with Darpa. His lawyer has said in court filings that prosecutors are providing a misleading and incomplete narrative of Mr. Joffe’s actions.

“I have observed and experienced behavior by and from your team that one might expect from sharp-elbowed civil litigants, but not from experienced prosecutors who wield great power and are held to a more rigorous standard of proof,” a lawyer for Mr. Joffe wrote in an October letter to prosecutors reviewed by The Wall Street Journal.

Part of Mr. Durham’s probe has examined how unsubstantiated allegations came to be leveled against the Trump campaign. One other case brought by the special prosecutor’s office ended in a guilty plea; another is set for trial later this year. A spokesman for Mr. Durham declined to comment beyond public filings.

Mr. Sussmann sought immunity for Mr. Joffe so he could testify as a key witness in Mr. Sussmann’s defense, arguing that prosecutors have

no case against the internet businessman and are only keeping their investigation open to dissuade him from testifying in a manner that would bolster Mr. Sussmann’s case. The judge overseeing the case, Christopher Cooper, denied the request earlier this month.

The Durham probe has exposed how the world’s internet traffic is being monitored by a coterie of network researchers and security experts inside and outside the government. Mr. Joffe has been a central figure in that network for years, including as a top executive at Neustar, which specializes in technology services that include those related to the internet’s Domain Name System—a kind of phone book of the internet.

Mr. Joffe’s specialty was using DNS data from billions of web users to do cyberintelligence and tracking to a degree largely unknown by the general public, according to court filings, federal contracting records and people familiar with the matter. For instance, court records show Mr. Joffe provided a tip to the Justice Department in 2017 about how it could see that a computer belonging to a federal employee assigned to the department’s Office of Inspector General was connecting to a virtual private network in a foreign country.

Few rules govern the use of such data, which companies such as Neustar make commercially available. Several lawmakers have expressed concern in recent months about the issue of government access to such commercial data, citing Mr. Sussmann’s case.

### Philadelphia gathering

The events Mr. Durham is examining trace to June 2016. A small, tightknit group of security researchers and networking experts was gathered in Philadelphia at a meeting of the Messaging, Malware and Mobile Anti-Abuse Working Group, according to people familiar with the event. The group describes itself as a global industry association that seeks to “develop cooperative approaches for fighting online abuse.”

While they were meeting, the Democratic National Committee publicly revealed it had been the victim of a Russian-government-sponsored cyber-attack.

The news of the breach sent ripples through the assembled researchers and experts, who began discussing how they could bring their expertise to bear in response to what they believed was an attack on the U.S. political system, accord-



Michael Sussmann, top, and John Durham, above, arriving at federal court Monday in Washington.

ing to the people familiar with the matter. Russia has denied interfering in the 2016 election.

What emerged was a white paper that Mr. Joffe later helped coordinate that alleged there was a connection between Mr. Trump’s company and Russia’s Alfa Bank. Alfa has said it was the victim of an attack that intentionally misrepresented the data.

Mr. Joffe provided Neustar’s DNS data to researchers from the Georgia Institute of Technology to help with the research. Two other companies that Mr. Joffe is affiliated with conducted their own research, prosecutors alleged. A Georgia Tech representative didn’t respond to a request for comment.

In the waning days of the 2016 presidential campaign, the white paper and the claims in it were circulated by Mr. Sussmann and others to opposition researchers working for Mrs. Clinton, major media outlets, and to the FBI.

At a hearing last month, prosecutors from Mr. Durham’s office said the FBI’s investigation didn’t substantiate

any connection between Alfa Bank and Mr. Trump’s company, as the researchers had alleged. A lawyer for Mr. Sussmann said he didn’t plan to introduce evidence at trial to dispute that.

### Political implications

Emails described in federal court by Mr. Durham show that other researchers working with Mr. Joffe worried about the political implications of what they were doing. Other emails reviewed by the Journal show the researchers concluded that there was unusual internet traffic involving Mr. Trump’s company and that it posed a national-security threat.

Prosecutors allege that Mr. Joffe had boasted of ties to the Clinton campaign in 2016, citing emails that suggested his goal was to support a narrative regarding Mr. Trump that would please certain “VIPs.” They also said he had written in an email to a colleague that he was tentatively offered a cybersecurity job in a potential Clinton administration.

A person familiar with Mr.

Joffe’s activities said the email about the job offer was a joke and he was never offered such a post. The person also said the reference to VIPs related to being able to show Neustar executives the value in researching DNS data, rather than satisfying anyone by typing data specifically to Mr. Trump. A Neustar representative declined to comment.

Mr. Joffe was providing data to Georgia Tech academics to help them win Darpa funding—data they also used to do the Trump internet research, legal filings show.

The spokeswoman for Mr. Joffe said: “The researchers were not searching for Trump-related data as part of ‘political opposition research’ when they discovered the Trump/Alfa Bank...traffic. They were searching for suspicious and anomalous threat traffic emanating from Russian domain names.”

Mr. Joffe has described himself in the media as a “John McCain Republican,” and said in a February deposition he hadn’t donated to political parties or even voted for many years.

# New York Map Plan Sparks Outcry

By Chad Day and Jimmy Vielkind

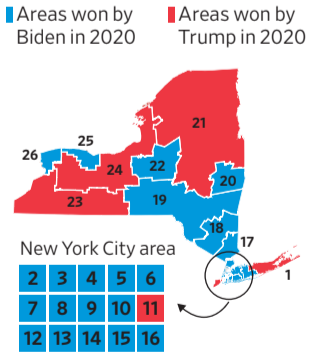
A court-drawn plan for New York’s congressional districts would increase the number of competitive seats in the state, pit incumbents against each other and erode what had been a significant Democratic advantage under a map struck down earlier this year.

The plan was outlined in a filing Monday in a court in upstate Steuben County. It was prepared by a court-appointed special master after the New York State Court of Appeals ruled earlier lines—enacted by Democrats who control the state Assembly and Senate and signed by Democratic Gov. Kathy Hochul—violated an anti-gerrymandering provision in the state constitution.

Special master Jonathan Cervas, a fellow at Carnegie Mellon University, wrote that the plan would result in eight competitive seats, compared with three under a proposal from the state legislature. The plan isn’t final and could change after input from parties in the lawsuit and the public. State Supreme Court Justice Patrick McAllister has said he would adopt a final map by Friday.

Changes to New York’s delegation have national implications: Republicans need to net only five seats to take control of the U.S. House, making any advantage in redistricting a po-

### Special master proposed U.S. congressional district map in New York



Source: Jonathan Cervas via Dave's Redistricting

tential chance to tip the balance. The proposed map also raised the prospect that candidates would revive, amend or abandon their plans to seek office and potentially have incumbents run against each other.

Former GOP Rep. John Faso, who has been advising the Republican plaintiffs in the redistricting lawsuit, said the proposed map was better than the one produced by the state government headed by Democrats. “However, we will be making suggestions to the court and special master for revisions which better reflect longstanding communities of interest around the state,” he said.

Several Democratic incumbents criticized the proposal as potentially unconstitutional

as they announced their plans. New York Democratic Rep. Hakeem Jeffries said the map “viciously targets historic Black representation” because it would leave four Black members of Congress competing in two separate head-to-head races.

“The draft map is unacceptable, unconscionable & unconstitutional,” Mr. Jeffries wrote on Twitter.

Longtime Democratic Rep. Jerrold Nadler also criticized the map as potentially violating the state’s constitution as both he and fellow Democratic Rep. Carolyn B. Maloney said they would run in the proposed 12th Congressional District if the lines become permanent. Both were first elected to Congress in 1992.

Republicans are favored by many election forecasters to retake the House given polls showing voters dissatisfied with high inflation and with President Biden’s performance. National Democrats had hoped that pickups in New York would help outweigh Republican gains in states such as Florida where the GOP controls the map-drawing processes.

Eight Republicans now serve in New York’s 27-member House delegation. The maps struck down by the court were expected to yield a 22-4 split favoring Democrats in the 26-member delegation that came about because of New

York losing a congressional seat after the 2020 Census.

David Wasserman of the non-partisan Cook Political Report said on Monday that in his own analysis of Dr. Cervas’s proposal using 2020 presidential results Democrats likely would hold a 16-5 advantage over Republicans in safe seats with five others that Mr. Wasserman classified as highly competitive.

He said in a good year for Republicans, the GOP easily could carve into the Democratic advantage in the state’s delegation.

“Could you come up with a 16-10 split out of New York? Sure, and Democrats aren’t going to win the House with a 16-10 split there,” he said.

Adam Kincaid, the president and executive director of the National Republican Redistricting Trust, an organization which backed the lawsuit, said the “map is a step in the right direction, but still unduly favors Democrats.” He cited data from the website FiveThirtyEight that showed all but two other maps proposed to the court had smaller pro-Democratic partisan bias.

Michael Li, senior counsel for the Brennan Center for Justice at the New York University School of Law, said the map upends New York politics given the special master’s focus on competitiveness with little regard to preserving incumbents in their districts.

# Trump Backs Cawthorn In Bid for Second Term

By Natalie Andrews

Former President Donald Trump threw his support behind North Carolina Rep. Madison Cawthorn, whose political future was in peril after he lost support from grass-roots groups in his district and many prominent Republican lawmakers.

Mr. Trump posted on his Truth Social account that Mr. Cawthorn had made “foolish mistakes, which I don’t believe he’ll make again.” He added: “Let’s give Madison a second chance!”

On Tuesday, voters in the GOP primary will decide whether to send the youngest lawmaker in the House back for a second term. Mr. Trump’s support could give Mr. Cawthorn a last-minute boost while also testing the political power of the former president.

Mr. Cawthorn has been at the center of a series of headline-grabbing blunders and indiscretions, including twice having a gun confiscated at the airport, being repeatedly pulled over by highway police and making comments about sex parties and drug use that angered GOP colleagues. He counters that the Republican establishment is trying to crush him and will “attack what they fear,” because he is effective in pushing Mr. Trump’s agenda. “I’ll slow down on the road,

but I won’t be slowing down on working to fix Congress,” Mr. Cawthorn said in an Instagram video defending the gaffes.

Mr. Cawthorn’s strong name recognition is expected to benefit him in the eight-way Republican primary, in which the 26-year-old freshman congressman needs only 30% plus one vote to avoid a runoff. Contested primaries often yield unexpected results and polling has been sparse, but in every survey, Mr. Cawthorn has had a lead in the western North Carolina district, bolstering his camp’s hopes.

State Sen. Chuck Edwards, whose legislative seat covers more than a third of the U.S. House district, is seen as the top contender. He has the backing of the state’s Republican establishment, including Sen. Thom Tillis, as well as many prominent state lawmakers.

“Clearly it’s a crowded primary, but the reality is that there are only two names that are widely known, our incumbent and me,” he said.

Other candidates in the race, Michele Woodhouse and Matthew Burrell, have criticized Mr. Edwards as “too Raleigh,” the state’s capital, and not enough western North Carolina.

Most of the candidates are aligned with Mr. Trump and highlight their Christian values and conservative policy stances on issues like border security.

**CELEBRATE SUMMER & NATIONAL ROSÉ DAY**

# Presenting Our TOP 12 ROSÉS

**SAVE  
\$190**



## Pour the Finest Pinks All Summer Long **ONLY \$69.99 + BONUS GIFTS**

These are our 12 most refreshing pinks to sip under the sun. To celebrate National Rosé Day (June 11), we're offering them at a price you won't see anywhere else—only \$5.83 a bottle as your special introduction to WSJwine. You'll also enjoy two bonus bottles of a 90-point Prosecco Rosé plus a pair of stemless glasses. It's all yours for just \$69.99 (plus \$19.99 shipping & tax).

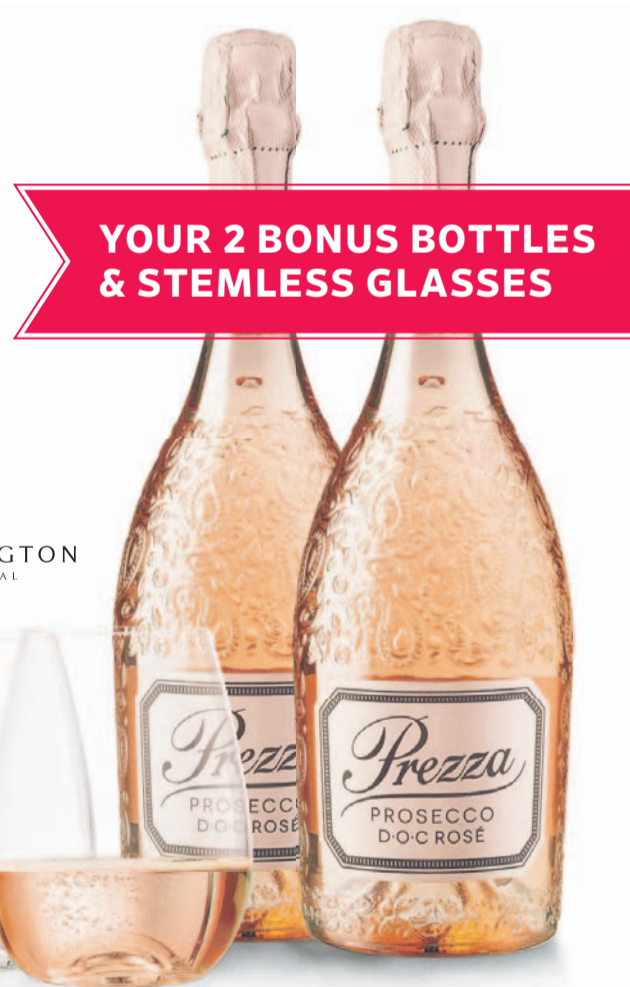
### HUGE ACCLAIM & WAVES OF REFRESHING FLAVOR

Treat yourself to gold-medal Provence rosé and more French finds made in the same pretty, pale style. In Tuscany, Paolo Masi crafts a juicy *rosato* with cherry-ripe Sangiovese, while Rioja's famed Chavarri family lightly presses pristine Tempranillo for delicate red-fruit flavors. There's also a seriously fresh Patagonian Pinot Noir (in pink), a 95-point Australian star and more. Each is perfect for sipping at the beach, pool or on the porch...wherever you find yourself relaxing this summer.

### PLUS REWARDS FOR EVERY SEASON

Enjoy the pink showcase for National Rosé Day and more summer occasions, then look forward to a dozen exciting wines (reds, whites or a mix) every three months, complete with expert tasting notes and serving tips. You take only the cases you want—saving at least 20% every time—and can skip or cancel anytime. We'll also reward you with more bonus bottles and members-only treats throughout the year. Plus, every wine comes with our 100% money-back guarantee.

**Order by June 2 to get them in time for rosé's big day.**



As a special National Rosé Day gift, we're including two bottles of a 90-point vintage Prosecco Rosé crafted by the renowned Botter family and two stylish Dartington Crystal stemless glasses.  
**Valued at \$64.97.**



ORDER NOW AT [wsjwine.com/pink](https://wsjwine.com/pink)  
or call 1-877-975-9463 and quote code AC8Q009



Offer available to first-time WSJwine Discovery Club members only and limited to one case per household. Wines and offer may vary by state. 100% money-back guarantee applies to each wine. Offer subject to availability and club enrollment. All orders fulfilled by licensed retailers/wineries and applicable taxes are paid. You must be at least 21 years old to order. Offer valid in U.S. only (excluding AR, DE, MS, RI, UT). WSJwine is operated independently of The Wall Street Journal's news department. Full terms and conditions online. Void where prohibited by law.

U.S. NEWS

# U.S. Surpasses One Million Covid-19 Deaths

More than two years after recording its first Covid-19 death, the U.S. has crossed a once-unthinkable threshold: one million deaths attributed to the disease, according to the Centers for Disease Control and Prevention.

By Jon Kamp, Stephanie Stamm and Elliot Bentley

The Covid-19 mortality count—just over one million and still rising—is reflected in death certificates recorded by the CDC. Of these certificates, at least 90% list Covid-19 as the underlying cause of death, the CDC said. The remainder list the disease as a contributing cause.

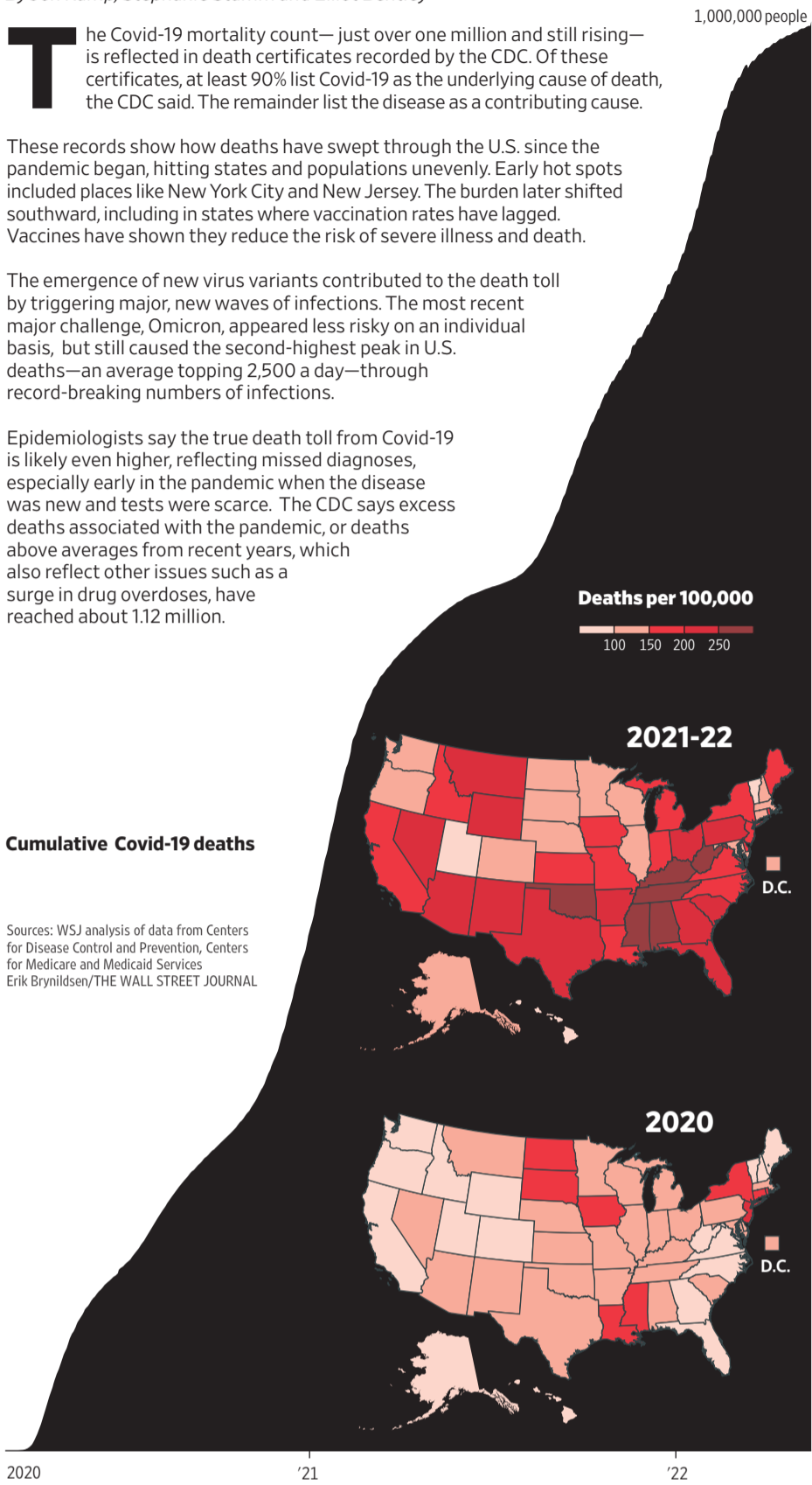
These records show how deaths have swept through the U.S. since the pandemic began, hitting states and populations unevenly. Early hot spots included places like New York City and New Jersey. The burden later shifted southward, including in states where vaccination rates have lagged. Vaccines have shown they reduce the risk of severe illness and death.

The emergence of new virus variants contributed to the death toll by triggering major, new waves of infections. The most recent major challenge, Omicron, appeared less risky on an individual basis, but still caused the second-highest peak in U.S. deaths—an average topping 2,500 a day—through record-breaking numbers of infections.

Epidemiologists say the true death toll from Covid-19 is likely even higher, reflecting missed diagnoses, especially early in the pandemic when the disease was new and tests were scarce. The CDC says excess deaths associated with the pandemic, or deaths above averages from recent years, which also reflect other issues such as a surge in drug overdoses, have reached about 1.12 million.

## Cumulative Covid-19 deaths

Sources: WSJ analysis of data from Centers for Disease Control and Prevention, Centers for Medicare and Medicaid Services  
Erik Brynildsen/THE WALL STREET JOURNAL



## The pandemic's overall toll has been concentrated among the elderly, especially those in nursing homes. Black and Hispanic populations also have experienced high mortality rates.

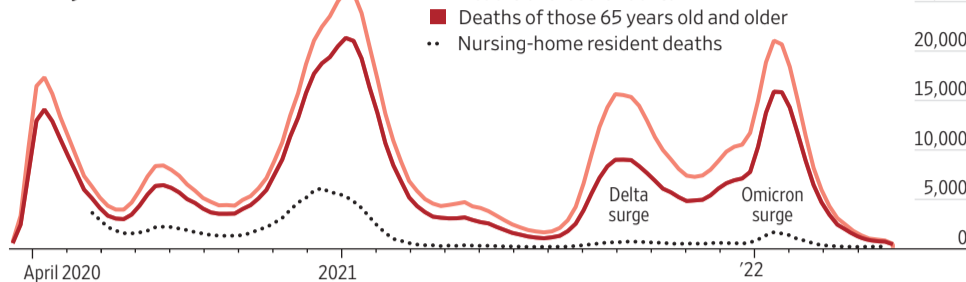
Advancing age often means higher risk for those with Covid-19. Since the start of the pandemic, nearly three-quarters of all deaths have been among people at least 65 years old, according to the CDC.

This has changed over time: In 2020, largely before

vaccines, this age group represented at least four of every five deaths. In 2021, after the vaccine rollout focused first on older, more vulnerable people, seniors' share of deaths shrank. However, older people were hit hard again during the recent Omicron-fueled surge.

Covid-19 has hit nursing homes particularly hard, showcasing the serious risk the virus posed to older people. Nursing homes have also been a proving ground for the high level of protection vaccines can provide, as deaths linked to these facilities plunged after vaccines were rolled out.

## Weekly U.S. Covid-19 deaths



One hallmark of the pandemic is the high proportion of deaths within some nonwhite groups. Public-health experts say Covid-19 has exacerbated long-running issues, including inequalities in the U.S. health system that contribute to poorer care for some people. Other factors, including underlying health factors, crowded living conditions and jobs that require leaving the house for work, also put some populations at higher risk.

The overall number of deaths is highest for the white

population on average, because it is the largest and significantly older. But when adjusting for age, data show Black and Hispanic people are overrepresented in Covid-19 deaths, while the white population is underrepresented.

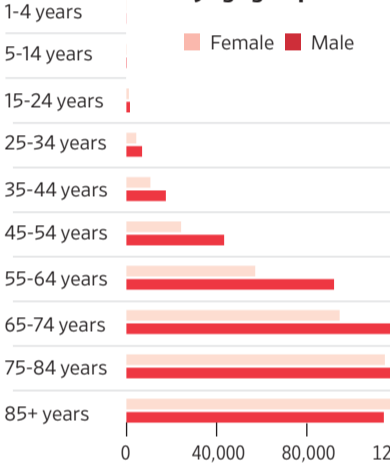
Deaths have also hit the Black and Hispanic populations at younger ages, which public-health experts say may be related again to factors like high levels of job exposure outside the house among working-age people.

Among other groups, the American Indian/Alaska Native

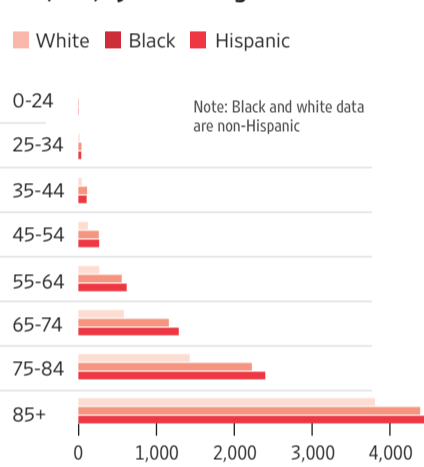
population is also overrepresented among Covid-19 deaths.

Covid-19 deaths have been reported in men more than women throughout the pandemic, with men representing about 55% of deaths, federal death-certificate data show. Men are prone to cardiovascular problems that can heighten the risks of Covid-19 infections. But researchers say there may also be some differences in how the immune systems in men and women respond to the virus.

## U.S. Covid-19 deaths, by age group and sex



## U.S. Covid-19 deaths per 100,000, by race and age



Note: Black and white data are non-Hispanic

# Political Motive Cited in Church Shooting

By GINGER ADAMS OTIS AND JAMES T. AREDDY

A gunman accused of killing one person and wounding five others inside a Southern California church over the weekend was upset about the state of relations between China and Taiwan, law-enforcement officials said Monday.

The deadly assault happened around 1:30 p.m. Sunday and is being investigated as a possible "politically motivated hate incident," Orange

County Sheriff Don Barnes said at a news conference.

The Orange County sheriff's office identified the suspected gunman as David Chou, 68 years old, of Las Vegas. He has been booked on one felony count of murder and five felony counts of attempted murder, according to authorities.

Sheriff Barnes said the suspect, a China-born U.S. citizen, was acting on a grievance he had against the Taiwanese community. Sheriff Barnes said Mr. Chou had previously

lived in Taiwan, where his wife is now, and wasn't well received while there.

Dr. John Cheng, 52, a husband and father of two children, was killed, Sheriff Barnes said.

The victims of the attack were attending a lunch banquet held by the Irvine Taiwanese Presbyterian Church. That church worships in the Geneva Presbyterian Church in Laguna Woods, a retirement community.

When the suspect began shooting, Dr. Cheng ran at him

and a pastor threw a chair at him, Sheriff Barnes said. The other parishioners managed to restrain the suspect and tie him up with electrical cords before police arrived, he said.

"Dr. Cheng is a hero," the sheriff said.

The five wounded parishioners are Asian-American, the sheriff said. They range in age from 66 to 92 years old.

The Federal Bureau of Investigation is also investigating the assault as a possible hate crime, authorities said.

# Macklowe Collection Sets Auction Record

By KELLY CROW

A group of 65 artworks totaling \$922 million and amassed over the past half-century by New York real-estate developer Harry Macklowe and his ex-wife, Linda Macklowe, can now claim bragging rights as the priciest collection ever sold in auction history.

Colorful, wall-power paintings by midcentury masters like Mark Rothko, Andy Warhol and Cy Twombly triumphed across a pair of evening sales at Sotheby's in New York: an initial, \$676 million sale held in November, and Monday's \$246 million follow-up. This second and final batch was led by a moody, maroon-colored \$48 million untitled Rothko from 1960.

Taken together, the Macklowe trove managed to topple the previous, \$835 million record set four years ago by the 1,500-piece estate of banking scion David Rockefeller and his wife, Peggy Rockefeller. Whereas the Rockefeller estate was packed with more porcelain dishes than Pablo Picasso paintings and took Christie's 10 sale days to unload, the Macklowe holdings mainly comprised 20th-century masterpieces prized by today's global billionaires.

"What else are you going to invest in right now?" said Sotheby's Chief Executive Charles Stewart after Monday's sale. "Art doesn't evaporate, and the people who came out tonight knew they were getting quality works."

The Sotheby's sale is the latest sign that the art market remains on fire even as the broader economy faces volatility. Sotheby's Macklowe sale follows Christie's \$1.4 billion sale last week that saw a Warhol sell for a record-setting \$195 million, the most ever paid at auction for a work by a U.S. artist.

Heading into Monday's sale, Sotheby's had to face down some challenges. Last fall, news of the Macklowe consign-



Jeff Koons's 'Popples' sold for \$3.9 million, part of a collection fetching a total of \$922 million.

ment featuring works by Alberto Giacometti and Jackson Pollock was initially met with giddy enthusiasm. Six months later, the house had to make sure collectors remembered to double back for this second batch, mostly pieces with smaller asking prices. No works sold Monday topped the \$82.4 million paid last fall for the Macklowes' Rothko "No. 7." Still, a telephone bidder paid Sotheby's \$48 million for the maroon-and-lavender Rothko abstract from 1960, over its \$35 million low estimate.

Gerhard Richter's 1975 "Seascape," which shows a cloudy sky over mauve-colored waves splashed across a canvas nearly 10 feet wide, sold for \$30.2 million. It was expected to sell for at least \$25 million. Warhol's camouflage 1986 "Self-Portrait," created a few months before he died, sold for \$18.7 million. The 80-inch square work was expected to sell for at least \$15 million.

Two bidders vied for Twombly's 1968 "Synopsis of a Battle," a piece from the artist's "Blackboard" series, whose notations seek to map out historic battles by Alexander the Great and others. It sold for \$15.3 million on Monday.

Mr. Macklowe was spotted in Sotheby's skybox watching the bidding in the crowded salesroom, dotted with dealers and collectors like Carson Guo.

## U.S. WATCH

### NEW YORK CITY

#### Residents Urged to Wear Masks Indoors

New York City officials are recommending residents wear masks in indoor public spaces amid climbing Covid-19 cases.

City Health Commissioner Ashwin Vasan issued the advisory, requesting New Yorkers over the age of 2 years wear masks in indoor public spaces such as grocery stores and offices.

"We don't anticipate that this wave will last much longer, so hang in there, New York City," Dr. Vasan said Monday. "If we all do our part, we can bring case numbers down in the coming weeks."

The advisory is a recommendation, not a requirement. The health department's website said the city could weigh mask requirements in indoor public areas should Covid-19 indicators for community spread increase from "medium" to "high" alert levels.

—Jennifer Calfas



BRAVERY HONORED: President Biden bestowed the Medal of Valor on 15 police officers and firefighters, including, from left, California Highway Patrol Officers Robert Paul III, Vincent Mendoza and Ryan Smith. Two of those honored Monday died in the line of duty.

### CONGRESS

#### Panel to Hold Hearing on UFOs

A congressional panel is holding a public hearing on unidentified flying objects for the first time in more than five decades.

The House Intelligence Committee's subcommittee on counterterrorism, counterintelligence and counterproliferation will hear

testimony Tuesday from defense officials on reports of "unidentified aerial phenomena" and the risks they pose to national security.

Rep. Adam Schiff (D., Calif.), chairman of the House Intelligence Committee, said the public deserved to learn more about what the government knows about these unexplained flying objects that have long been the subject of conspiracy theories.

—Joseph De Avila

### FLORIDA

#### Law Bans Protests At Private Homes

Anyone who protests in front of a private residence in Florida can face jail time and fines under a bill Republican Gov. Ron DeSantis signed Monday.

The legislation makes it a second-degree misdemeanor to protest in a manner that is aimed at

intentionally harassing or disturbing someone in their home. Violators face 60 days in jail and fines of up to \$500. Protesters can only be arrested after ignoring law enforcement's orders to disperse.

The governor said the new law, set to take effect Oct. 1, will prevent protests in Florida like those waged by abortion-rights supporters in front of U.S. Supreme Court justices' homes in Virginia.

—Associated Press





# YOUTUBE IS ON THE BIG STAGE

135M monthly U.S. viewers are tuning into YouTube on connected TV, according to Nielsen.

YOUTUBE IS THE  
MAIN STREAM



Nielsen Streaming Platform Ratings; Total Viewing Minutes of P18+ in TV streaming meter panel; Custom definition of AVOD services consisting of Pluto, Tubi, Peacock, Roku Channel, Hulu; Live+7; October 1-31, 2021

**“Everything was always very tidy.  
Then my family noticed how  
disorganized I had become.”**

—Theresa, living with Alzheimer’s



**When something feels different,  
it could be Alzheimer’s.  
Now is the time to talk.**

Visit  
**[alz.org/ourstories](https://alz.org/ourstories)**

to learn more



# THE UKRAINE CRISIS

## Turkey Presses Finland, Sweden To Rein In Kurds

Officials plan to discuss the NATO-membership hurdle in Ankara, says Swedish minister

By JARED MALSIN

ISTANBUL—Turkey is pressing Sweden and Finland to clamp down on what it calls Kurdish terrorist activity in the two Nordic states and drop their restrictions on arms sales to Ankara, with the NATO member potentially holding the decisive vote on whether the two can join the alliance.

Turkish President Recep Tayyip Erdogan injected uncertainty into the Nordic nations' bid to join the organization on Friday when he said Turkey didn't view their request favorably, accusing the two countries of harboring what he said were Kurdish militants belonging to a group targeting Turkey. All 30 members of NATO must approve the entrance of any new members.

The comment, which surprised some European leaders and diplomats, highlighted how Turkey has used the Russian invasion of Ukraine to

draw attention to its key role within NATO and attempt to win concessions from Western countries. Turkey has hosted two rounds of Russia-Ukraine peace talks and sold armed drones that have been essential in the Ukrainian resistance to Moscow's assault. Turkey also has sought to pressure Washington into hastening arms sales to Ankara.

Meanwhile, Turkey aims to preserve its relationship with Russia, opting not to impose sanctions, maintaining a dialogue with President Vladimir Putin and welcoming inflows of Russian money.

Now, Turkey is urging both countries to crack down on media, organizations and individuals allegedly linked to the Kurdistan Workers' Party (PKK), a militant group that has waged a slow-burning war with the Turkish state for more than 40 years. The group is designated a terrorist organization by Turkey, the U.S. and the European Union.

Finnish leaders are set to seek parliamentary approval for their application to join NATO this week, while Sweden's government formally decided to apply for membership



Finnish Prime Minister Sanna Marin, left, addressed Parliament in Oslo during a NATO-membership debate. Also on Monday, Swedish Prime Minister Magdalena Andersson spoke in Stockholm as the government formally decided to apply to join the alliance.

in the alliance on Monday.

"The Foreign Minister had an important meeting on Saturday. It will be followed up when other senior representatives of Sweden and Finland meet their Turkish counterparts in Ankara," said the Press Office of the Ministry for Foreign Affairs of Sweden in an emailed response to The Wall Street Journal. The ministry didn't say when the meetings would take place.

Earlier on Monday, Swedish Defense Minister Peter Hultqvist said Swedish officials would travel to Turkey, "so we can see how this can be resolved and what this is really about," he told Swedish television.

Mr. Erdogan doubled down

on his comments Monday, saying Swedish and Finnish officials "should not bother" trying to persuade Turkey of their position.

A central point in the talks is likely to be Turkey's allegation that Sweden has provided support for Kurds that Ankara regards as terrorists. "They need to end their support for terrorist organizations," said Turkey's foreign minister, Mevlut Cavusoglu. He also said Ankara wants the two countries to lift bans on exports of certain defense goods to Turkey. Sweden and Finland were among a number of nations that imposed restrictions on arms exports to Turkey during the country's offensive on



Kurdish militants in Syria following the U.S.'s partial military withdrawal from the area ordered by former President Donald Trump in 2019.

Asked about Turkey's position on the matter, the Turkish foreign ministry referred to Mr. Cavusoglu's comments.

The U.S. and other Western countries have joined with an offshoot of the Kurdish group in Syria in the continuing battle against Islamic State extremists. The U.S. still has about 900 soldiers stationed in northeastern Syria working alongside Kurdish-led militias.

For Turkey, support for Syrian Kurdish forces has long been a point of contention with Washington and other Western

countries since the Obama administration first joined with the militias in the fight against Islamic State in 2014.

U.S. officials have played down Turkey's comments on the issue. Secretary of State Antony Blinken said he and Mr. Cavusoglu have discussed Turkey's position on Finland and Sweden joining NATO. "I am very confident that we will reach consensus," he said Sunday.

Turkey's war with the PKK is a polarizing issue within Turkey, which has its own large Kurdish population. The recent escalation in the conflict could become a wedge issue for Mr. Erdogan, who faces a difficult battle in an election set for next year.

## U.N. Seeks to Ease Grain Blockade to Avert Food Crisis

By WILLIAM MAULDIN

United Nations Secretary-General António Guterres is pursuing a high-stakes deal with Russia, Turkey and other nations to open up Ukrainian food exports to world markets and stave off a potential global food shortage, according to diplomats familiar with the effort.

Russia has sealed off Ukraine's Black Sea ports to weaken the country and conquer its coast. Mr. Guterres has asked Moscow to permit some Ukrainian grain shipments in exchange for moves to ease Russian and Belarusian exports of potash fertilizer.

Russia doesn't appear to be engaged in earnest negotiations, the diplomats said. Tur-

key, a major Black Sea power, has expressed willingness to participate in a deal, including by removing mines from the sea and managing shipping traffic, they said.

Russia and Belarus are key suppliers of potash, a plant nutrient that can ensure good harvests in other regions of the world. Belarusian potash is banned from global markets under Western sanctions. The war in Ukraine also has disrupted some Russian exports, and Mr. Guterres is seeking to remove barriers—including Western sanctions—to get more Russian and Belarusian potash back on the market.

As one of the largest grain exporters, Ukraine exported 41.5 million metric tons of corn

and wheat in the 2020-21 season, and more than 95% was shipped through the Black Sea, according to Maxigrain, a Ukrainian grain broker.

Between the war's disruption of the Ukraine's agricultural industry and Russia's blockade of the Ukrainian ports, U.N. officials fear rising prices and potential shortages could destabilize the poor countries that depend on Ukrainian grain and lead to conflict. Wheat prices have hit record levels since the Russian invasion in February.

Western sanctions have crimped Moscow's access to foreign currency, while nations that support Ukraine have squeezed Moscow's oil exports. A deal to ease barriers

to exports of Russian and Belarusian potash would give the two countries a lift.

The Russian and Ukrainian missions to the U.N. declined to comment. The Turkish Em-

**Officials fear possible shortages and rising prices, could hurt poor countries.**

bassy in Washington declined to comment.

The U.N.-led talks to open up Black Sea grain exports complement more-immediate efforts by European countries

to move smaller amounts of Ukrainian food products to market through the Continent's roads, railways and waterways, including the Danube River.

U.S. Secretary of State Antony Blinken is set to preside over the U.N. Security Council on Thursday, when member states are expected to discuss global food security.

"We support efforts to address this crisis, including ensuring the flow of key commodities," said Olivia Dalton, a spokeswoman for the U.S. ambassador to the U.N., Linda Thomas-Greenfield. "We're very concerned about the impact of the war on shipping in the Black Sea, on Ukraine's ability to export grain, and the way in which rising food inse-

curity in Africa, the Middle East, and around the world has been exacerbated."

Adjusting sanctions to minimize humanitarian fallout or issuing broad U.S. licenses to allow activities related to food and agriculture, is standard practice for Washington, which has avoided food and agriculture sanctions on Russia, a U.S. official said.

Moscow is a formidable obstacle to freeing grain exports. Russia has dramatically expanded its naval presence and prowess in the Black Sea, leveraging a base in Crimea to seize the entire peninsula on Ukraine in 2014, recently capturing the port city of Mariupol and blockading Odessa, Ukraine's biggest port.

## McDonald's Pulls Out Of Russia

Continued from Page One

tent with its values, as well as posing practical and commercial challenges.

"We have a commitment to our global community and must remain steadfast in our values," Chief Executive Chris Kempczinski said in a statement.

McDonald's said it would now pursue the sale of its entire portfolio of restaurants in Russia to a local buyer. It said those restaurants would no longer use the McDonald's name, logo, branding or menu. The company owns and operates 84% of its restaurants in Russia, with the rest run by franchisees.

McDonald's had previously said it would announce a decision regarding the fate of its Russia business by the end of June. Company executives spent the past two months weighing their options and hoping the violence would end, Mr. Kempczinski said in a letter to stakeholders.

In connection with the exit, McDonald's said it expects to record an accounting charge of between \$1.2 billion and \$1.4 billion, and recognize a significant foreign currency translation loss.

In the long run, the move could make financial sense for McDonald's, Wall Street analysts said. McDonald's had said that since closing its Russia restaurants in March, its operations there were continuing to cost the company about \$55 million a month in employee paychecks, lease payments and supply-chain costs.

Russia and Ukraine accounted for around 9% of McDonald's revenue last year, given the high percentage of company-owned restaurants in

those markets. The countries accounted for 2% of restaurant sales at all McDonald's locations—including those owned by franchisees—and less than 3% of operating income, the company has said.

Analysts said that company-owned stores tend to be less profitable for McDonald's, compared with franchised locations.

McDonald's stock declined 0.4% on Monday. Its share price has fallen 9% so far this year, while the S&P 500 index is down about 16%.

The company owns around 100 restaurants in Ukraine that remain closed.

Russia's state-run TASS news agency reported Monday that McDonald's restaurants in the country would reopen under a different name next month.

McDonald's has faced the risk of Russian officials seizing its intellectual property. Russian prosecutors issued warnings to McDonald's and other Western companies in Russia, The Wall Street Journal reported in March, threatening to arrest corporate leaders there who criticize the government or to seize assets, including trademarks, of companies that pull out of the country.

The decision from McDonald's came the same day another big Western company, French auto maker Renault SA, reached a deal to cede its 68% stake in Russia's biggest car maker, AvtoVAZ, to a state-backed entity. Unlike McDonald's, though, Renault has kept an option to take back some of its assets in a few years, a potentially valuable hedge on the Russian market stabilizing in the medium term.

Western companies across sectors have been under pressure to divest themselves of their operations in Russia since the country invaded Ukraine in late February. That move triggered waves of sanctions from Western governments that have also made it



A man walked past a closed McDonald's restaurant in Moscow on Monday.

## Renault Sells Firm Stake for One Ruble

PARIS—French auto maker Renault SA reached a deal to cede its 68% stake in Russia's biggest auto maker to a state-backed entity for one ruble and a six-year option to buy back its shares, according to people familiar with the matter, an illustration of the limited options Western firms face in leaving Russia.

Renault said Monday that it is handing over its stake in Russian car maker AvtoVAZ to NAMI, a state-backed automotive research and development center. Renault also said it is transferring

ownership of a Moscow factory, which makes vehicles under the Renault and Nissan brands, to the city's government.

Renault didn't disclose financial terms of the deal, but people familiar with it said the company is selling both assets for the symbolic sum of one ruble each. "We are making a responsible choice towards our 45,000 employees in Russia," said Renault Chief Executive Luca de Meo.

Renault can exercise its option to buy back its stake in AvtoVAZ at predetermined intervals over the next six years, people familiar with the deal said. The buyback option doesn't apply to the Renault

factory in Moscow, which Renault executives believe will be merged with the rest of the AvtoVAZ operations anyway, the people said. The price of any buyback will take into account investments made in AvtoVAZ while it is under NAMI's stewardship, the people said.

"It's not good news, but it's a good solution," said Cyril Meziere, a representative for one of Renault's unions.

Moscow Mayor Sergei Sobyanin said the city plans to use Renault's plant to produce passenger cars under the Moskvich brand, reviving a Soviet-era classic that ended production two decades ago.

—Nick Kostov

hard to continue to do business in the country.

In recent months, companies have exited or signaled their intention to pull back in various ways.

Oil major Shell PLC has been exiting its Russian businesses in phases, saying most recently it would sell its retail gas stations and lube business to Russian giant Lukoil PJSC.

Shell said it took a \$3.9 billion posttax charge related to its decision to leave Russia. BP PLC has said it would exit its joint-venture stake in Russian producer Rosneft, taking a \$25.5 billion hit. It hasn't said how it would do that.

French banking giant Société Générale SA said last month that it would exit Russia, selling its operations to

one of Russia's richest people, and taking a more than \$3 billion hit.

Budweiser brewer Anheuser-Busch InBev SA initially said it would suspend its license for the Bud brand in Russia, but otherwise it took a wait-and-see approach in terms of its joint venture there. It changed course last month, saying it would seek to

sell its stake in the business to its partner.

McDonald's had also kept its options open until now. In an email to McDonald's operators, employees and suppliers, Mr. Kempczinski said the decision to leave wasn't easy and wouldn't be simple to execute given the size of its business in Russia and the challenges of operating there.

Mr. Kempczinski said he had focused on five questions: could the company legally operate in Russia; could it meet the needs of customers and workers unimpeded; was its presence in Russia brand-enhancing; and does it make good business sense. He said the answer to each was no and that he didn't see that changing for the foreseeable future.

The fifth question was whether operating in Russia aligned with the company's values. Mr. Kempczinski didn't answer that as directly.

"Some might argue that providing access to food and continuing to employ tens of thousands of ordinary citizens, is surely the right thing to do," he said in the letter. "But it is impossible to ignore the humanitarian crisis caused by the war in Ukraine."

Mr. Kempczinski also emphasized the brand's history in Russia.

McDonald's first began eyeing the Russian market in the late 1970s, and it took repeated discussions with government officials to provide food for the 1980 Moscow Olympic Games and, later, open restaurants in the country.

Some of McDonald's locations in Russia eventually became among the chain's top-performing stores.

On Monday, some ordinary Russians said they would simply get their fast food elsewhere.

"Let McDonald's leave. In fact, I am happy they are leaving," said Alexander Vishnyakov, a 35-year-old driver from St. Petersburg. "I will now switch to Russia's own fast-food outlets."

# THE UKRAINE CRISIS

## Kyiv's War Aims Grow Bolder

Continued from Page One  
the end of its combat mission in Mariupol, concluding months of bloody battle that ended with fighters and civilians holding out in a siege at an abandoned steel plant.

President Volodymyr Zelensky of Ukraine has made clear in recent days that his country's aim is to retake territory seized by Russian forces in 2014, including the Crimean Peninsula. Ukraine currently also controls less of Donbas than it did before Russia invaded the country on Feb. 24, according to U.S. and Ukrainian officials, but its recent battlefield gains have raised questions about how Russia might respond if Kyiv is able to regain territory once firmly under Moscow's control.

A particular worry is the possibility of Russian-staged referendums in captured Ukrainian territory by which the territories are incorporated de facto into Russia itself. That would mean any Ukrainian counterattack there could be deemed an attack on Russia itself and potentially trigger nuclear retaliation from the Kremlin, analysts and officials said.

Recent setbacks by Russian forces have led many in Kyiv to believe that turning the clock back to Ukraine's pre-2014 borders is a goal within reach. In Washington, officials haven't defined what a Ukrainian military victory would look like, deferring to Ukraine to set its own goals.

On Saturday, foreign ministers from the Group of Seven democracies said in a statement that they will "uphold our engagement in the support of the sovereignty and territorial integrity of Ukraine, including Crimea, and all states."

U.K. Prime Minister Boris Johnson has echoed the view that the whole of Ukraine must be liberated from Russia. But privately British officials said



A Ukrainian soldier outside Kharkiv on Monday. Russian forces have been pushed back in the area.

that for any attempt to take back areas such as Crimea, Ukraine and the West must be willing to countenance a much greater threat of the use of chemical or nuclear weapons.

So far, British officials have remained vague about what level of Ukrainian military success they encourage. British officials have spoken about wanting to, at a minimum, see Russia pushed back to its Feb. 23 position and ensure that Russia is seen to have failed in its military endeavor. To that extent, the West can already claim victory, they said, given the North Atlantic Treaty Organization's likely enlargement and a renewed desire to move away from Russian energy.

Meanwhile, U.S. officials said Washington, which has supplied Ukraine with vast amounts of battlefield intelligence, doesn't under current guidelines provide information that would help Ukraine strike targets inside Russia. Nor does it give Kyiv intelligence that would allow it to target Russia's senior-most political and military leaders.

The top U.S. intelligence official warned last week that as Russia's military aims are frustrated, the conflict could move onto "a more unpredictable and potentially escalatory

trajectory."

"The current trend increases the likelihood that [Russian] President [Vladimir] Putin will turn to more drastic means, including imposing martial law, reorienting industrial production or potentially escalatory military actions to free up the resources needed to achieve his objectives as the conflict drags on or if he perceives Russia is losing in Ukraine," Director of

### Mr. Zelensky wants to retake territory seized by Russian forces in 2014.

National Intelligence Avril Haines told the Senate Armed Services Committee.

"The real danger is that this is going to become a war of attrition and Washington is waking up to the fact that this is going to go on for a long time," said Melinda Haring, deputy director of the Atlantic Council's Eurasia Center. "Vladimir Putin cares about this conflict and will be more patient than the West would be."

Ukrainian officials continue to lobby their Western counter-

parts for military aid which they feel could bring battlefield victory.

Following a visit to Kyiv over the weekend, Sen. Mitch McConnell of Kentucky, the GOP leader, said the U.S. government is considering a request from Ukraine to provide multiple-launch rocket systems.

But in Washington, deliberations over this request have provoked some scrutiny due to escalation concerns, U.S. and Ukrainian defense officials said.

A \$40 billion aid package for Ukraine advanced in the Senate, 81-11, on Monday.

Concerns over escalation extend beyond Ukraine. Mr. Putin warned Monday that Moscow would respond to NATO's potential expansion into Finland and Sweden, while at the same time dismissing those Nordic nations as presenting any danger to Russia. —Warren P. Strobel, Michael Gordon, Ann M. Simmons, Mauro Orru and Laurence Norman contributed to this article.

### Watch a Video

Scan this code for a video on Russia's retreat from north of Kharkiv.

## EU Ministers Press Hungary to Back Moscow Oil Ban

BY LAURENCE NORMAN

Hungary said a European Union embargo on Russian oil would cost the country close to \$19 billion, raising the stakes in negotiations between it and other EU nations pushing to win Budapest's support for the ban.

The European Commission proposed the oil ban as part of its latest sanctions almost two weeks ago, but has been locked in talks with Hungary over how Brussels could help the country adjust to such a move. Hungary relies on Russian oil more than most other members.

Its recently re-elected prime minister, Viktor Orban, has cultivated close ties with the Kremlin and has refused to allow weapons to be transported through its territory to Ukraine.

Still, European diplomats have held out hope for weeks that Mr. Orban could be brought on board with financial support. Some EU officials are now saying they are starting to doubt whether that will be enough and whether the oil embargo will win approval. As EU foreign ministers met in Brussels on Monday, Mr. Orban lashed out at EU sanctions in a speech marking the inauguration of his new government.

Hungary's opposition to the embargo has caused growing worries over the first significant split in the EU's ability to respond to Russia's invasion of Ukraine. While Mr. Orban has clashed repeatedly with the EU over other issues, he has gone along with five sets of punishing economic sanctions.

The bloc, which can act only by consensus, has approved previous sanctions on Russia's central bank, economy and financial system. Blocking Russian sales of energy, though, has always been seen as a key test of the EU's unity.

In a Facebook event, Hungarian Foreign Minister Peter Szijarto said an EU embargo

on Russian oil would require a "complete modernization" of the country's energy system that would cost between 15 billion and 18 billion euros, or about \$15.7 billion and \$18.8 billion.

In Budapest, after winning Parliament's approval for his new government on Monday, Mr. Orban lambasted both the war and the EU's response.

"The war and sanctions policies have created an energy crisis," Mr. Orban said. "All of this will bring an era of economic recession, with the threat of renewed epidemics, deepening recession and increased migration."

Under Brussels' proposals, the EU would stop the import of Russian oil by the end of the year. Hungary and Slovakia would have until the end of 2024 to transition away from Russian oil.

Hungary, which receives 65% of its oil via the Druzhba pipeline from Russia, wants more time to adapt and is pushing for EU assistance to cover costs. Budapest has said it would need to extend alternative pipelines and make technical changes to refineries to accommodate the transition from Russian oil.

Slovakia, the Czech Republic and Bulgaria have also sought more time to transition away from Russian oil.

EU foreign-policy chief Josep Borrell said after the meeting of EU foreign ministers that they had discussed the sanctions package, but that "unhappily today, it's not been possible to reach an agreement."

Hungary's block on the sanctions package has caused growing rancor within the EU.

"This is how we will be remembered: either the union who managed to...send a very clear message to Russia or [the union] who got stuck," Lithuanian Foreign Minister Gabrielius Landsbergis said.

# Give Your New Grad the Gift Of The Wall Street Journal

VISIT [GETWSJ.COM/GRADS522](https://www.wsj.com/grads522) OR CALL (888) 705-3866

Decisions are what define our lives—and new graduates have many to make in both life and work. It's crucial they have the news, insight and resources they need to inform their decisions. Give the gift of a print and digital WSJ membership.

## Get Ahead With:

### 6-DAY HOME DELIVERY

Includes our iconic print edition, WSJ Weekend and WSJ. Magazine

### UNLIMITED DIGITAL ACCESS

Get an immersive digital news experience wherever you are with WSJ.com and our mobile app

### WSJ+ MEMBERSHIP

Features a wide range of offers and events, plus a complimentary ebook and audiobook every month



### A GIFT FROM US

Gift a 12-Month Membership and Receive a \$25 Amazon.com Gift Card\*



Gift a 6-Month Membership and Receive a \$10 Amazon.com Gift Card\*

\*If you are already a member of The Wall Street Journal, you do not qualify to receive an Amazon.com Gift Card.

Gift offer is valid for new subscribers who reside at a different address. If you respond to this offer for your household and are already a subscriber (or someone else in your household is already a subscriber), we reserve the right to reject your order, prorate your order, or exclude the gift card from your order. Offer available in the contiguous U.S. only. Print delivery not available in certain areas. Sales tax may apply. Offer expires on 08/31/2022. Gift cards will be delivered to qualifying orders in 6-8 weeks. Restrictions apply, see [amazon.com/gc-legal](https://www.amazon.com/gc-legal)

© 2022 Dow Jones and Company, Inc. All rights reserved. 6DJ8887

## THE UKRAINE CRISIS

## Family Shared Ruined Home With Enemy

For three tense weeks, the Ukrainians lived in a cellar with five Russian soldiers

By Isabel Coles

LUKASHIVKA, Ukraine—When hundreds of Russian soldiers occupied this small village in northern Ukraine, five of them took up residence in the Horbones family's cellar.

For three weeks, they lived together in roughly 200 square feet—forcing the Ukrainian family into an uncomfortable intimacy with members of an army that had devastated their lives and country.

To survive, the Horbones would have to remain on good terms with their enemies. "There was no choice," said Mykyta Horbones. "We tried to be civil, but I think they realized we hate them."

Lukashivka was taken over by Russian forces in March as part of the siege of the northern city of Chernihiv after President Vladimir Putin ordered the invasion of Ukraine on Feb. 24. Soldiers seized villagers' phones and lined them up in front of a garage while checking their identification.

Mr. Horbones, 25 years old, feared they would be shot, but the soldiers let them go after confirming none of them were military. They were forbidden to leave the village, and warned that anyone caught trying would be shot, residents said.

Mr. Horbones had gone to stay with his parents, believing it would be safer than the regional capital Chernihiv where he worked as a content manager before the war.

Days after Russian troops entered the village, an explosion followed by a fire destroyed the Horboneses' home. They returned and planned to stay in the only room that had survived: the cellar.

When they opened the door leading down to the place where they used to store beetroot and potatoes, the family found five Russian soldiers.

The intruders invited them in. The family was unarmed and fearful. The soldiers, the youngest of whom was 36, had their guard up too; they slept wearing bulletproof vests and kept their weapons close.

Elsewhere in Lukashivka, residents said Russian soldiers threatened them and looted their homes. But in the cellar, an uneasy accommodation was reached.

After breakfast, the soldiers usually went out, returning later in the day with weapons and ammunition they claimed to have plundered from Ukrainian forces, the family said. They kept Russian time and took turns to stand guard outside the cellar overnight.

The soldiers told the family they had come to liberate them, and spoke of Mr. Putin as though he were God, the Horboneses recalled. The family said the men expressed admiration for the standard of living and infrastructure they saw in Lukashivka, which was being destroyed by daily shelling.

It was hard to know which side was bombarding the village, but the presence of Russian soldiers put it in the crosshairs of Ukrainian forces seeking to recapture areas around Chernihiv.

"Putin will rebuild everything," the Horboneses said the soldiers told them. They reassured the family they would be evacuated to Russia or Belarus and given a job and an apartment.

Their commander rode around Lukashivka on a looted motorcycle wearing a leather jacket with a Soviet Union badge, once forcing a local man to guzzle vodka from a flask he carried and threatening to make him walk into a minefield, residents said.

The soldiers told the family the commander was insane. But it could have been worse, the soldiers said: At least their village hadn't been taken over by forces under Chechen warlord Ramzan Kadyrov, the Horboneses recalled them saying.

One day, the soldiers asked Mr. Horbones for help getting their bearings. "Which way is



ADRIENNE SURREY/ANYP FOR THE WALL STREET JOURNAL (2)



Mykyta Horbones feared the Russians would shoot him and his family. The soldiers linked up a radio to their generator to pick up Ukrainian airwaves.

country. The Horbones weren't sure what to believe until mid-March, when the men returned with a radio. There wasn't any power in the village, but the soldiers linked the radio up to their generator with a cord. It picked up Ukrainian airwaves.

"We were happy to hear that Chernihiv and Kyiv were still fighting," said Mr. Horbones. He assumes the Russians let them listen because they didn't understand what was being said.

Over time, the barriers came down and the family got to know the five soldiers—Yuriy, Roman, Ruslan, Zakir and Alexiy.

At least one of the men had served in Syria and Afghanistan. The Wall Street Journal contacted one of the Russian soldiers who stayed in the basement. He didn't respond.

The soldiers also asked the family what they did for a living. They didn't know what a content manager was, so Mr. Horbones explained that he oversaw the content presented on websites and blogs. "The

Russians told the family Kyiv was surrounded, Chernihiv had fallen and that Ukraine's president, Volodymyr Zelensky, had fled the

Kyiv?" one asked, drawing a map on a cellar wall. Mr. Horbones complied, saying he feared the consequences if he gave them the wrong locations.

The family had no contact with the outside world, but Mr. Horbones said he did his best to figure out what the soldiers were doing in case it proved useful in future.

"We knew that sooner or later these people would leave, and we would be able to pass the information on to our military and help them somehow with it," said Mr. Horbones, who spoke in English.

The men, however, gave little away. When they wanted to

discuss something in private, they went outside to smoke, the family said. From what he overheard, Mr. Horbones guessed they were tank technicians.

They sometimes brought food and toiletries apparently looted from the homes of Ukrainians. But other times they came back with IDs of Ukrainian soldiers, which they burned, and spoke in hushed tones about "clearing operations"—code words that often refer to killings.

The Russians told the family Kyiv was surrounded, Chernihiv had fallen and that Ukraine's president, Volodymyr Zelensky, had fled the

ice broke," said Ms. Horbones. Yuriy cooked for everyone in the cellar. Most often they ate Russian military rations, but the Horboneses contributed potatoes and preserves from their own stockpile.

There was also meat from local cows that Russian soldiers had shot. Other times they ate soup the Russians distributed as humanitarian aid in areas under occupation.

Mr. Horbones was sometimes asked to light a fire or fetch water for Yuriy—but never to assist in the preparation of food. "I think they were afraid we would poison them," he said.

After a neighbor died of internal bleeding, one of the soldiers helped bury her in a yard, Mr. Horbones said.

Around March 23, a woman from the village went into labor and her relatives asked if she could give birth in the family's cellar as it was the warmest place in town. Two of the soldiers cleared a space, found clean sheets and alcohol to use for disinfectant, and called their medic, who helped deliver a girl who was named Victoria.

"They still had a shred of humanity," Ms. Horbones said.

The soldiers made remarks suggesting they harbored doubts about the war, the family said. If they had known Ukraine wasn't controlled by Nazis, they wouldn't have come, they recalled the soldiers saying.

The Horboneses were unconvinced: "I think they just wanted to get home to their families as soon as possible,"

On March 30, the soldiers appeared downcast, Mr. Horbones said. At dawn the following day, they began packing. The family followed them out of the cellar and saw a column of Russian vehicles preparing to depart Lukashivka amid a broad retreat from northern Ukraine and Kyiv.

The five Russian soldiers said goodbye and wished the Horboneses the best. "If you had come here as guests, I would say goodbye—but not like this," the elder Mr. Horbones recalled saying. "You are my enemies."

Your next tax-deductible donation could give playful healing to children in the hospital.

Ranken Jordan Pediatric Bridge Hospital gives kids with complex medical needs the best chance for recovery, something we cannot do without philanthropic support.

DONATE TODAY AT

[rankenjordan.org/donate](https://rankenjordan.org/donate)



RankenJordan.  
PEDIATRIC BRIDGE HOSPITAL



# A MATCH MADE JUST FOR YOU

For over 20 years, our Matchmakers have protected the time, privacy and preferences of our clients.

Our customized searches have resulted in love and happiness for thousands of couples.

Now it's your turn.

SELECTIVE SEARCH®  
EXECUTIVE SEARCH MEETS PERSONAL MATCHMAKING

866.592.1200 [selectivesearch.com](https://selectivesearch.com)

FROM PAGE ONE

# Startups' Funding Tightens

*Continued from Page One*  
 other pandemic-relief moves created a flood of cheap capital, which some investors parked in startups as pandemic restrictions made digital apps and services a hotter asset class.

The reversal mirrors a turn in the broader tech industry, where stocks are being hammered and companies from Facebook parent Meta Platforms Inc. to Twitter Inc. and Uber Technologies Inc. are moving to cut costs.

Many big money managers have fled startups. Venture capitalists are steering clear of high valuations and demanding that companies spend less and improve their margins—an about-face after years of profitability taking a back seat to growth.

The pressure, combined with uncertainty over where the next investor check will come from, has prompted startups that seemed to be soaring just months ago to fire staff members, cut marketing spending, cancel projects and do whatever they can to make their money last.

“This is clearly not a speed bump,” said Mike Volpi, a venture capitalist with Index Ventures. “This is a proper correction. The end of a cycle.”

In March, startup CEO Doug Ludlow cautioned his fellow founders on Twitter: “If you haven’t already started on a path to break-even, start immediately. In 2022, VC’s are going to pull back massively.”

Mr. Ludlow has confronted that himself. Plans for a fundraising round with new investors fell through after the market turned sour and there was disagreement with investors over price, according to a person familiar with the matter. He reverted to plan B: a much smaller funding round with his existing investors, known as an insider round.

Mr. Ludlow said he has developed a plan for his three-year-old financial-services firm, MainStreet Work Inc., to break even in six months to a year. It entails laying off 45 people, about a third of the workforce.

“Every dollar you’ve got to treat as if that’s the last dollar you may have,” he said.

Matt Schulman, CEO of software startup Pave, said his investors are scrutinizing gross margins in a way they hadn’t before. Pave, which helps employers develop compensation plans and discuss them with employees, has repositioned itself from a service to help firms with hiring to a service that helps companies retain employees, he said. There have been too many hiring freezes for the previous strategy to make sense.

Mr. Schulman recently made a list of 15 potential ways to cut spending. One was to do more hiring in cheaper regions such as Latin America.

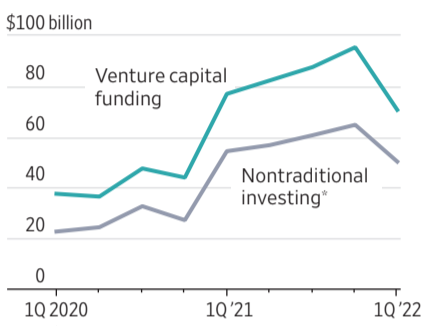
The pullback is a correction from extraordinary heights. Investors poured \$1.3 trillion into startups over a decade,



Many tech startups face a tougher funding climate, among them Reef Technology, which builds kitchens for food delivery services.

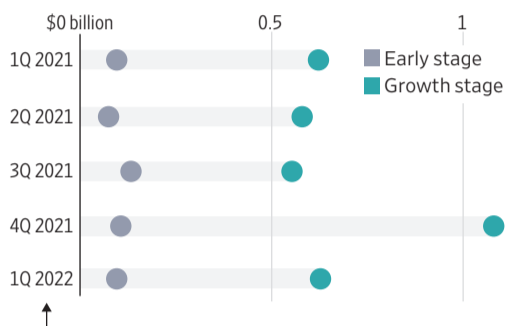
CRISTOBAL HERRERA-JULASHKEVICH/EPA/SHUTTERSTOCK

### Quarterly investments in U.S. startups



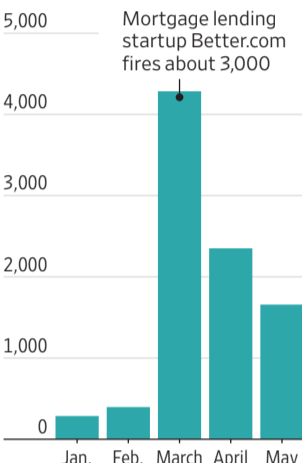
Federal Reserve cuts interest rates to near zero, spurring investor interest in riskier assets

### Average startup valuation



A broad tech stock slide and interest rate hikes cause investors to retreat

### Monthly layoffs at venture capital-backed U.S. startups†



Mortgage lending startup Better.com fires about 3,000

\*Include hedge, mutual and pension funds and other money managers that are not traditional venture capitalists  
 †Estimates are likely undercounting layoffs because not all companies disclose details of their staff reductions. Data as of May 12.  
 Sources: PitchBook Data (investments); Carta (valuations); Layoffs.fyi, company statements (layoffs)

producing hundreds of companies annually that attained billion-dollar-plus valuations, attracting interest from foreign governments and top-tier hedge funds.

Venture-capital funds raised \$132 billion to invest in startups in 2021, nearly double the 2019 total and six times that raised a decade ago, when the number of funds was about a third of what it is now. In last year’s fourth quarter, venture capital investments reached a record \$95 billion, according to PitchBook Data Inc.

### Capital surplus

That was too much cash to deploy effectively, some investors say. The valuation multiple that was deemed acceptable for software startups reached 100 times annual recurring revenue, roughly 10 times the historical norm for companies in that industry, according to data from venture-capital firms.

“If you keep marking everything up, you’re eventually going to believe that those marks are accurate,” said Gil Dibner, a London-based venture capitalist.

Startups that raised big sums at high valuations faced pressure to grow, which they did by rapidly adding staff and making acquisitions. At some, the quality of work slipped, acquisitions weren’t thought out, leadership got distracted

and cash burn soared, said investors and startup founders. “It was a scrum,” said Mr. Dibner. “When you shove that much money at pretty much anything, you change the way people make decisions.”

Now, public tech companies are suffering some of the market’s biggest losses. Shares of Facebook parent Meta and Amazon.com are down more than 30% this year, Apple Inc., Microsoft Corp. and Alphabet Inc. have all dropped about 20% and Netflix Inc. has fallen 69%. The S&P 500 is down 16% since the start of the year, and the Nasdaq Composite Index is off by more than a quarter from its high in November.

Private tech companies quickly looked overpriced. With interest rates rising to fight 8%-plus inflation, startups whose profits were years in the future had less appeal.

Particularly important to startups seeking big sums are crossover funds, large money managers that invest in both stocks and private companies. Those managers accounted for about 70% of the dollars startups raised last year.

Some, including Coatue Management LLC and DI Capital Partners, backed off from startup investing when the market fall hurt their stock investments. In the first three months of 2022, crossover funds’ venture-capital investments sank to the lowest level in six quarters, according to

PitchBook.

SoftBank Group Corp., which operates two startup investment pools as part of its Vision Fund unit, reported a \$26.2 billion loss Thursday on its portfolio of tech companies in the first three months. SoftBank said it would cut the number of startup investments through next March by half or 75% from the 2021 pace.

Hedge fund Tiger Global is staying in venture capital investing despite being on track to have its worst year, with its main fund down 45% year to date. But Tiger is shifting to early-stage companies.

### When technology stocks fell, private tech firms started looking overpriced.

In all, venture-capital investments fell 26% in this year’s first three months from the fourth quarter, according to PitchBook data. Some investors say they are looking at about a third to half the number of prospective deals they were last year. From the end of last year through the first quarter, valuations for one cohort of high-growth startups fell 42% on average, according to data provided by Carta Inc. The vacuum in funding has

turned sentiment in Silicon Valley “the most negative since the dot-com crash” two decades ago, said venture capitalist David Sacks.

Thrasio, which has more than 300 retail brands selling items ranging from insect traps to mops, is valued as a tech company (at more than \$5.5 billion, in its last private financing) despite having limited tech, people familiar with the matter said. The startup made its first \$100 million or so in revenue without an engineering team and was using Google spreadsheets, one of the people said.

Its discussions last year with a special-purpose acquisition company to go public were scuttled by complications with Thrasio’s accounting and investors souring on SPAC deals, according to people familiar with the plan.

Thrasio now faces not only the venture-capital retreat but also rising costs for goods and advertising, and larger Amazon fees for sellers. The cost predicament is squeezing many others, too, and has contributed to the more than 8,200 layoffs at U.S. venture-backed startups since March, according to a survey of layoff announcements and tracking website Layoffs.fyi.

Reef Technology Inc., which builds kitchens for food delivery services on parking lots, has been struggling to raise a round of funding. It

initially was seeking as much as \$1 billion.

As the market tightened and capital became harder to secure, Reef cut hundreds of staff, closed kitchens and delayed paying bills. The company recently struck a deal for over \$250 million in funding, people familiar with the matter said.

A Reef spokesman said the company recently secured new funding from investors, and it expects to add additional investors in the future.

Rapid-delivery startup Gopuff said in a company filing in December it was seeking to raise up to \$1.5 billion in a loan that would convert to equity. The full funding hasn’t materialized, according to a person familiar with the matter. Gopuff now is working to secure a \$1 billion loan. It has laid off around 450 people, or 3% of its staff, according to a company memo.

There are structural reasons to believe the funding turmoil isn’t headed to a bust. The digital transformation of industries that the pandemic has helped spur is permanent, say investors. Many startups remain flush with cash and just need to keep a lid on spending.

Past pullbacks that proved brief show the tech industry’s resilience. Among these were one in 2016, when investors cooled on software-as-a-service companies, and another in 2019, when investors punished newly public tech companies for their heavy losses. Each time, startup investment rebounded quickly and rose to a higher level.

“It’s not a 2001, in my opinion, or a 2008 scenario,” said former Cisco Systems Inc. CEO John Chambers, who is now a venture capitalist. “Marginal startups just will not get funded, but I actually think that’s a healthy phenomenon.”

For venture capitalists who no longer have to jockey with hedge funds, the slowdown comes as a relief. Mr. Sacks said his firm, Craft Ventures, has been able to invest in two late-stage companies without facing the competition from big money managers that, six months ago, would have driven the price much higher.

### Shift in leverage

Meanwhile, venture capitalists are clawing back some of the power they ceded to company founders when the market was hot.

More deals now include protections such as so-called full ratchets, which ensure that investors can recoup the value of their investment in case a startup’s valuation declines in a future funding round or public offering. Some investors are providing a startup with capital but not assigning a valuation until they can assess its revenue and losses at the end of the year.

Startups should be prepared for things to get worse before they get better, according to J Zac Stein, president of human resources software startup Lattice.

“Many people join startups to embrace the struggle,” he said. “They may just get that opportunity.”

—Eliot Brown contributed to this article.

# Hashtag United Plays IRL

*Continued from Page One*  
 tal team into a real-life soccer team that’s climbing up through England’s semipro leagues—and slowly winning over rival fans who questioned their bona fides.

“We got a lot of stick at the beginning,” says Mr. Owen, recalling the criticism they would get at games. “But it’s like how every football club started. Look at Thames Ironworks. They were just mates working together down by the river and now they’re West Ham United. We’re the same. It’s just that we work with the internet and social media instead of in a factory.”

Sports teams around the world boast about their local roots and all the mythology that goes with it, often going back 100 years or more.

Think of Boston. The Red Sox have an outsize influence on how people there perceive themselves and how the rest

of the U.S. sees them, too. Or how the storied soccer team FC Barcelona has become a symbol for Catalan independence.

But Hashtag United’s founders say the world has changed. Any new sports team’s fan base is now as likely to find a sense of togetherness online as working on the docks or at the steel mill.

Some half-a-million subscribers now watch games and highlights on the team’s YouTube channel, more than Mr. Owen’s favorite team, Premier League West Ham. Some players have become minor celebrities while having day jobs. One, Toby Aromolaran, appeared on “Love Island,” a British reality show. Others are asked for selfies in the supermarket.

“It’s part of the appeal of playing for Hashtag,” said Seb Carmichael-Brown, the team’s commercial director and Mr. Owen’s brother. (Spencer tends to use his middle name to better differentiate their online projects.)

Some supporters have taken the leap to watching the games in the flesh. The Tags, as the team is known, draw around 500 people for their home matches at a small



Sam Bantick plays for Hashtag United, a soccer team in England.

GARETH NASH/WASH PHOTOGRAPHY

ground they share with another team in Pitsea, a town around 30 miles east of London. That’s considered a good turnout in the Isthmian League Northern Division, down in the eighth tier of the English leagues, where the billboards advertise dumpsters or asbestos-removal services and opponents have names like Stowmarket Town and Heybridge Swifts.

“I used to go see Chelsea,” a glamorous London team, said Matthew Dillon, who came with his son Colm on a recent Saturday to see Hashtag United play Canvey

Island. “But Colm here was watching Hashtag on YouTube and wanted to come here instead.”

Cathal Sheerin flew in from Galway, Ireland, to catch the game. “I was a fan of what Spencer was doing on YouTube and I just fell in love with the story,” he said.

The Tags’ founders first approached England’s Football Association in 2017 to see if Hashtag United could join the league. They laid out plans for their women’s teams and youth teams, but the name was a sticking point.

“We were a bit worried for

a while,” says Mr. Carmichael-Brown. “They wanted us to call ourselves Hashtag London or Hashtag Essex.”

“The name is the secret sauce, really,” Mr. Owen says. “If we were called Brentwood Athletic then nobody outside of a 10-mile radius would take a blind bit of notice.”

After a tense few weeks, the soccer bosses agreed. Hashtag United were cleared to play.

“Other clubs’ fans were a bit dismissive at first,” says Tony Stratton, a disc jockey at a local hospital radio station. Some wrote off the new team, saying a bunch of YouTube celebrities wouldn’t be able to cope with a rainy night in some of the towns around London’s rougher reaches.

“People would look at them funny when they started,” said Chris Wright, a Canvey Island fan. “But they’ve done a lot with their youth teams and their women’s team so, yeah, I think people accept them more now.”

The Tags’ first two seasons flashed by, winning promotion to the next league up each time. This season has been tougher, with the team going up against more experienced opponents.

Coach Jay Devereux, or

“Devs,” as he’s known, had few illusions about how difficult it would be. “This is where we find out exactly where we are,” he told the players before taking to the field for their first game of the season last August, against Coggeshall Town.

The Tags picked up some wins over the rest of the year and into the spring, getting themselves into contention for the postseason playoffs.

The team still had an outside chance of making it in the final game of the regular season last month. They went a goal down to Canvey Island before tying the score in the second half. Then Canvey scored the winner.

Hashtag United will now have to wait until next season to try again. Messrs. Owen and Carmichael-Brown are already making plans, searching out sites for a ground of their own.

The fans are thinking further ahead.

“You hear about people in their 90s talking about how they got to see their team rise all the way to top,” said Mr. Sheerin before leaving for his flight back to Ireland. “Maybe when we’re 96 or 97 we’ll be those people.”



Karen Hurt's son Michael, left and below, his wife and daughter came to live with her after he lost his job and relapsed into drug use.

She kept his illness private, in part to protect her daughter, but started Iowa Mental Health Advocacy with her husband and shared their son's story to help get better treatment for people with serious brain illness.

"It allowed me to take my grief and anger and turn it into something positive," she says.

One dad said his daughter, an engineer in her 40s who had a psychotic break, agreed to see a psychiatrist, which was a huge step. But he couldn't get an appointment for six months. "Getting her help when she is ready to accept help is just about impossible," said the father, who didn't want his name used.

For Ms. Hurt, the 71-year-old mother in Virginia, the pandemic and her son's return home to live with her and her husband was the latest chapter in a long, exhausting and sometimes frightening story.

Her eldest son, Michael, was an Eagle Scout who aspired to be a filmmaker. He can't fully explain why he started taking drugs in his late teens but says he felt "bleak" when his close friends went to college and he didn't. His family didn't have a lot of money, but he says he could have gotten a scholarship if he applied himself in school.

"I don't know what I was thinking," he says.

He ended up taking drugs, cycling in and out of treatment programs, and relapsing. His parents were supportive, driving him two hours every morning to a methadone clinic for two years. They also set boundaries. They kicked him out of the house when he used drugs and called the police when he stole from them.

"It was horrifying at times," Ms. Hurt said recently over coffee with Michael. "A parent blames themselves. Where did I go wrong?" Her son responded. "It was never anything you or dad did. You missed a lot, but I hid everything from you."

Michael married Taylor Rudin Hurt in 2019 and had a daughter in 2020. He worked at a box factory, was in counseling and treatment and doing relatively well, until the pandemic hit and he was laid off. When a friend called, Michael, feeling isolated in the pandemic, agreed to see him. "I was so desperate for company," says Michael, who met his friend and ended up relapsing.

His parents took the baby to live with them, while he got treatment.

A year ago, Michael and Taylor, who had been living in a hotel and their van, moved into his parents' four-bedroom ranch home. He works 2 p.m. to 10 p.m., loading books into boxes, gets regular drug testing and is learning about synthesizers, computer programming and robotics.

"I see progress," his mother says.

Michael credits his mom and dad. "I have a family holding my hand while I put the pieces together," he says.

## Older Parents Walk a Fine Line When Kids in Crisis Move Back

By CLARE ANSBERRY

**K**aren Hurt volunteers in her local arts community and loves to travel. The 71-year-old had dreams of her children launching out on their own, thriving and returning home for visits.

She didn't expect her 38-year-old son, his wife and their daughter to move back in with her after he lost his job during the pandemic and relapsed into drug use.

"No parent thinks this will happen to them," says Ms. Hurt, a social-work case manager in Staunton, Va.

Many adult children are returning home lately because they need help. Some adult children have addiction or mental-health disorders, while others are emotionally and financially distressed after a divorce, broken relationship or job loss.

The pandemic accelerated the trend of adult children living at home. In 2021, close to one-third of adults aged 18 to 34 lived with their parents—which would include those in the younger age range who came home when campuses moved to remote learning—up from 27% in 2005, according to U.S. Census figures.

For parents, this often means shelving retirement plans and new worries about their child's emotional and mental health, as well as their grandchildren's well-being. They have to figure out how to be supportive but not enabling and set boundaries and expectations.

"Parents are always in the parent role," says Karen Fingerman, a professor of human development and family sciences at the University of Texas at Austin.

Dr. Fingerman, who researched the pandemic's impact on psychological well-being, says young adults had more stress, more life changes and more isolation during the Covid-19 pandemic than older adults. Six out of 10 young adults aged 18 to 24 reported anxiety or depressive disorders during the pandemic, according to the Centers for Disease

Control and Prevention. About 25% of young adults abused drugs or alcohol to help cope with the pandemic.

One unexpected aspect of the pandemic is that it helped to normalize adult children living with their parents.

"There's less judgment when it's the norm," says Dr. Fingerman.

Judith Smith interviewed dozens of older mothers whose children returned to live at home for her book "Difficult: Mothering Challenging Adult Children Through Conflict and Change." Mental health, addiction, job loss or broken relationships were the main drivers for the

child's return home, says Dr. Smith, a clinical social worker and associate professor at Fordham University.

Many parents blamed themselves for their children's problems,



**In 2021, close to one-third of adults aged 18 to 34 lived with their parents, up from 27% in 2005.**

## Photo Widgets Open Portals To Friends' iPhone Screens

By DALVIN BROWN

**T**here's a new kind of social-media experience that allows your friends to photobomb your home screen.

Millions of people, mostly iPhone owners in the under-30 TikTok crowd, have downloaded apps that allow users to send photos directly to a small group of friends. Locket and Liveln both let shared photos be seen immediately when a phone is unlocked, without even opening an app. The apps have in recent months taken turns as the top free social-networking app in Apple Inc.'s App Store.

The home-screen magic is possible because of a 2020 change to iOS that included widgets, little boxes of live information and images—clocks, weather and stock updates, news headlines, etc.—alongside the iPhone's usual rows of app icons. (Android users have had widgets for years.)

Photo-sharing widgets are fun to try out, and they might actually help you find a better way to be social. But they do require discretion and trust. Typically, they allow just a small group of people into your personal network, and the photos those people send appear automatically on your phone.

The early users we talked to didn't mention any photo high-jinks—though we're sure it happens. They did say the most fun to be had is surprising someone with an unex-

pected snapshot.

"It is more personal than having someone's phone number. That's appealing to this generation," said Jennifer Grygiel, a professor at Syracuse University who studies social media. "They're looking for unique ways to show what closeness looks like."

### The TikTok effect

News of the widgets spread on TikTok, where the companies, users and influencers gush about getting surprise updates from friends and romantic partners. Whenever a new video goes viral, the photo-widget apps get more downloads.

Lexi Sydow, head of insights at data.ai, an app tracker previously called App Annie, confirmed the apps' occasional download surges.

Matt Moss, Locket's creator, says he benefited from the TikTok effect when he introduced his app in January.

He made Locket as a birthday gift for his girlfriend, allowing them to send photos directly to each other's iPhone home screens. In January, after he shared his story on TikTok, people downloaded the widget 6.2 million times, according to Sensor Tower.

By the end of April, the tally was roughly 15 million, the mobile-app metrics company said.

"TikTok was the real difference-maker," Mr. Moss said. "It was important for getting initial awareness out there." The app, billed as a "portal to

the people you care about," lets you add up to 10 friends.

A group of developers launched Liveln in February.

While the app works mostly the same, as a frame for friends to share photos, you can scribble words and doodles on the images before sharing.

The app also offers a "world" view tool, so you can see what users have publicly shared globally. You can follow people whose posts you like, and if they follow you back, their photos are added to your home-screen photo widget.

The company also credits TikTok videos for its growth spurt, though its 2.9 million total downloads through April lag behind Locket's tally, according to Sensor Tower.

Other photo-sharing widget apps, such as WidgetPal and Comet: Live Friends Widget, have become available in 2022, while Ekko, an early entrant in the category, hit the App Store a year ago.

We like WidgetPal for its ability to add stickers to photos and Ekko because it gives senders a "gift wrap" option for sensitive photos. However, since they all effectively serve the same purpose, the important thing is



Using Locket, Dalvin and his friend appear on each other's home screen.

to pick the same ones as your friends and family members.

### Sharing images

After seeing Locket on TikTok, Natalie Feliciano downloaded the widget and persuaded her boyfriend to download it, too. She likes the convenience and speed built into Locket, not to mention the fact that her "posts" are seen by only one other person.

"I'm not that big on social media," said Ms. Feliciano, a 19-year-old who's studying cybersecurity at the University of Texas at San Antonio. "Locket feels more private. I won't get a notification. I'll just unlock my phone, and it's updated."

Jimmy Wells, a 19-year-old content

creator in Wilmington, N.C., posts roughly twice a day on Liveln, and checks for photos from his group of nine friends. As his friends respond, Liveln cycles the most recent photos through his home-screen widget.

"It is pretty much what you would do on Snapchat, except you don't have to open an app," Mr. Wells said. "You don't have to reply, but there's really no way you didn't see it."

### A competitive space

Whether the photo-widget apps have staying power is unclear.

BeReal, another buzzy app, prompts users to

share unfiltered images with their friends at a seemingly random time each day. And former Facebook and WhatsApp employees created HaloApp to let users interact with smaller groups. Facebook, too, wants to usher users into small groups that share interests, while Instagram encourages people to create second accounts to "keep up with a smaller group of friends." But the widget apps do have inherent characteristics—most notably, a streamlined, uncluttered user experience—that may encourage users to share more.

"Once you're on these apps, it's not about influencers, ads or algorithms," said Andrew Selepek, coordinator of the master's program in social media at the University of Florida. "It is more of what people hoped social media would be in the beginning."

## PERSONAL JOURNAL.

## Thrift Stores Get Pricier

Shoppers can't discount impact of inflation and canny clothing resellers

By JACOB GALLAGHER

The thrift store is becoming a bit less thrifty. Shoppers are reporting that prices are inching up at their local thrift stores, which have long been a trusty stopover for a one-dollar T-shirt or five-dollar jacket. Billy Seidel, 33, of South Portland, Maine, a full-time clothing reseller, is baffled by some of the prices at his region's Goodwill store lately, like a used Carhartt jacket for \$50, when a new version retails for about \$80. "Let's say five, six years ago, everything was a flat-line price of 99 cents or \$1.99." Those days, to him, are long gone.

The rise of canny used-clothing resellers has driven some prices up at thrift stores. And with inflation climbing to over 8%, even thrift stores are feeling the impact. Nichole Webster-Smith, 30, a clothing reseller in the Seattle area has seen some "substantially overpriced" items in her nearby thrift stores.

She caught the thrifting bug from her mother and began reselling clothes (particularly vintage Patagonia) in recent years. She visits several thrift stores a week in search of gems to flip online. Rising prices have, at times, left her confused as they seem beyond what anyone—even a prospect-hungry reseller—would pay. Recently, she encountered North Face jackets for as much as \$70 (many of the brand's new jackets sell for a bit over \$100) and a vintage Filson duffle bag for \$200, "which felt a bit absurd."

Bill Parrish, senior consultant in donated goods retail for Goodwill Industries International, said that while there has not been a set price increase across the board at the nonprofit's retail locations, each Goodwill organization adjusts its pricing periodically "to ensure that they are in line with the value of the category of items provided."

Greg Tuck, the assistant national community relations and development secretary at the Salvation Army USA, likewise acknowledged that prices at the charity's thrift stores were set by each store, and have crept up in some cases.

While thrift stores don't purchase



most of their inventory (it largely comes by way of tax-deductible donations) they still have to pay for operational costs such as staffing, utilities and rent. "We are always trying to make sure that people are earning a livable wage," Mr. Tuck said.

Still, he stressed that prices at Salvation Army stores aren't reaching an untenable level for its core, budget-conscious customers. "We've got to make sure that there's stuff for them that is affordable," he said. To be clear: those dollar T-shirts and five-dollar jackets will always be there.

Beyond inflationary aftershocks, thrift stores have gotten wise to the fact that there are covetable, profitable gems lurking in their

trove of textiles.

"Our staff are trained, as much as we can, to identify the high-value things and then we'll sell them for high value," Mr. Tuck said. Salvation Army's 987 thrift stores fund its 96 nationwide rehab centers. Goodwill uses its proceeds to support child care, financial education and other social services.

In the past few years, thrift stores have honed their ecommerce chops, flipping higher-value goods through sites like eBay and Instagram. The Salvation Army of Atlanta, for example, recently sold a vintage Larry Bird T-shirt for \$56 and a Billy Reid cardigan for \$46 via its eBay page.

"Many of the stores that I per-



'We've got to make sure that there's stuff...that is affordable,' said Greg Tuck of the Salvation Army USA, which runs stores including one in Brooklyn, N.Y.

sonally go to are setting up their own eBay shops and they're selling stuff online themselves," said Suzanne Butler, 35, a longtime thrifter and part-time reseller in the Nashville suburbs.

It's easy to see why a thrift store might want to get in on the resale action. According to a report from the resale start-up ThredUp, the second-hand clothing market was at \$36 billion in 2021 and is on track to hit \$77 billion by 2025.

Used clothes can now fetch gobs of money on the secondary market. In 2020, a 1992 shirt showing the Genie from the movie "Aladdin" sold for \$6,000 over social media. A year later, a Grateful Dead T-shirt from 1967 sold at Sotheby's for \$17,640.

These big numbers have helped fuel a secondhand gold rush, with resellers flocking to their local thrift stores in search of a single gem that could pay that month's rent.

"There's more people looking for [vintage]. And so that's probably taking away some inventory," said Turner Isenberg, 24, a reseller in Little Rock, Ark., who hunts for vintage varsity jackets, aged T-shirts and military fatigue pants.

As in any market, scarcity drives prices up, so resellers seeking a culprit for elevated prices may want to look in the mirror. But the idiosyncratic thrifting market has many variables.

"Not all resellers are created equal," said Ms. Webster-Smith of the Seattle area. She may be willing to pay for a pair of Arc'teryx pants,

while the young shopper next to her is more interested in a vintage Mariners jersey he can boast about on TikTok. In thrift stores, a deal is really in the eye of the beholder.

A price also hinges on how savvy a store worker is. One employee could know that a pair of Lululemon leggings is worth \$40 or so on eBay, while their shiftmate might have never googled the brand.

This surge of flip-happy prospectors has ignited fears (particularly on Gen-Z favorite social-media platforms like TikTok) that thrift stores may get cleaned out of their inventory, leaving frugal shoppers with nowhere to shop.

Companies that operate thrift stores dismissed these concerns.

"I don't think we'll ever be in a place where we don't have stuff," said Mr. Tuck, noting that the Salvation Army received \$68 million of donations during last year's Christmas season alone. "Part of our culture in America is that we are consumers and we are replacers, and we just hope that the public always see us as a viable place to make those kinds of donations."

At Goodwill, clothing makes up about 48% of its sales, a figure that has hardly fluctuated over the years. In other words, resellers aren't making much of a difference.

The glut of clothing on hand at thrift stores is often visible. "I was just at Goodwill yesterday and they were rolling out racks and racks," said Ms. Butler of the Nashville area. "You drive by the donation site, and it's literally overflowing."




OYSTER PERPETUAL SEA-DWELLER

MANFREDI  
jewels

New Canaan  
manfredijewels.com

ROLEX • OYSTER PERPETUAL AND SEA-DWELLER ARE ® TRADEMARKS.

YOUR HEALTH  
SUMATHI REDDYStrategies  
For Covid  
Fatigue

Ken Todd, a 53-year-old in New York City, ran 18 marathons before he got Covid-19 last year. Now, going out to brunch with friends exhausts him.

"I need to plan to basically lie down when I get home for the rest of the day," Mr. Todd says.

He is among the many long-Covid patients suffering from fatigue months after initial infection. Doctors say many, like Mr. Todd, experience not only tiredness but also a syndrome called post-exertional malaise. Some long-Covid patients try to push through the fatigue, a decision that often backfires and makes the fatigue and other symptoms worse.

With post-exertional malaise, fatigue can worsen after even minor physical activity as well as after emotional or cognitive exertion, such as putting together a presentation for work or socializing. The deterioration can happen immediately after the activity or a day or two later, and can last days or weeks. It is also associated with another chronic illness, myalgic encephalomyelitis/chronic fatigue syndrome, or ME/CFS. Some long-Covid patients describe a level of fatigue where showering is difficult. Doing laundry or going to the grocery store can feel overwhelming. Decisions involve choosing between having the energy for a 20-minute conversation with a spouse or going on a short walk.

Doctors disagree on how to treat fatigue and post-exertional malaise, also called PEM. Some say the best approach is a technique called pacing, which requires planning daily activities with rest breaks. Others say a very gradual and incremental return to some physical activity is a better strategy, combined with pacing and

medication, as long as patients are carefully monitored for symptom exacerbation.

## Learning to 'pace'

Maureen Lyons, medical director of the long-Covid clinic at Washington University in St. Louis, says pacing is currently the most effective intervention for managing fatigue in long-Covid patients.

With pacing, patients learn to determine how to balance rest and activities to avoid exacerbating symptoms. The approach involves figuring out which times of

and Women's Hospital in Boston who studies and treats ME/CFS and long-Covid patients at an exercise-testing program there.

He says they've found that the most effective way to manage and even improve fatigue and post-exertional malaise is to first treat patients with drugs commonly used to treat a blood-circulation disorder with which long-Covid patients are frequently diagnosed.

The medication can improve the blood circulation



Ken Todd, an ex-marathoner, now gets fatigued from brunch.

day they have the most energy.

At the clinic, patients work with doctors to create an individualized plan for daily activities. Patients start by tracking their symptoms and activity levels, then make schedules that break up tasks into smaller chunks with rest periods in between.

Susan Levine, a New York City-based infectious-disease physician with an expertise in ME/CFS, now sees hundreds of long-Covid patients. She recommends that patients have some sort of routine that includes a little bit of activity, even if it's just five minutes of walking to start.

## A gradual return to exercise

David Systrom is an associate physician at Brigham

of patients, he says. Then, they are able to start a graded exercise program.

## Steady progress

Mr. Todd, the former marathoner in New York, has used pacing techniques as well as incremental increases in physical activity to try to improve his fatigue and post-exertional malaise.

He says he's still only a little more than halfway back to his pre-Covid baseline when he did vigorous exercise five to six days a week, including runs or CrossFit workouts.

Even tasks such as cleaning the bathroom can be challenging, and he breaks them up over several days.

"This is a life-changing disability," Mr. Todd says.



ARTS IN REVIEW

MUSIC REVIEW | MARK RICHARDSON

Kendrick Lamar's Brave New Album

The Pulitzer winner's long and dense 'Mr. Morale & the Big Steppers' is both a rewarding and a frustrating listen



ALLEN J. SCHABEN/LOS ANGELES TIMES/GETTY IMAGES; RENELL MEDRANO

When Kendrick Lamar won the Pulitzer Prize for "distinguished musical composition by an American" for his 2017 album "Damn," it instantly put him into his own artistic category.

He turns his attention inward, working through his own guilt, grief, fears and pain.

now, the 34-year-old lets us know that he's been feeling the pressure: "I've been goin' through somethin' / 1,855 days / I've been goin' through somethin' / Be afraid," he raps in a low voice over a spare piano line on the opening "United in Grief," spelling out precisely how much time has passed since the release of his last LP.

inward and working through his own guilt, grief, fears and pain. An 18-song, 74-minute opus built from such personal material is going to be a challenging proposition no matter what, but a splintered lattice of framing devices actually increases the record's impenetrability.

rapper Kodak Black in a recurring role, has multiple references to self-help author Eckhart Tolle and connecting narration from Mr. Lamar's fiancée, Whitney Alford, and unfolds like a psychotherapy session—sometimes threaten to overwhelm the songs threaded through them.

The fourth track, "Die Hard," is a mournful number about desire and need. "If I told you who I am, would you use it against me?" goes a representative line, as Mr. Lamar yearns for unconditional support while also wondering if he deserves it.

copated beat, Mr. Lamar grapples with his feelings about his own father, thankful he learned toughness while lamenting that he was taught to keep his emotions to himself. The harrowing "We Cry Together," on which Mr. Lamar and actress Taylour Paige portray an ugly and expletive-filled shouting match between lovers, is both technically impressive and difficult to listen to more than once.

A pair of stunning songs late in the LP are among Mr. Lamar's best. "Auntie Diaries" tells a story about growing up with transgender relatives, and how Mr. Lamar's perspective on their identities changed over time.

"Mother I Sober," a meditation on the cycle of sexual abuse that includes discomfiting details from his own childhood, is even better. "I know the secrets, every other rapper sexually abused / I see 'em daily buryin' they pain in chains and tattoos," Mr. Lamar raps, while Beth Gibbons of the band Portishead sings "I wish I was somebody / Anybody but myself" on the chorus.

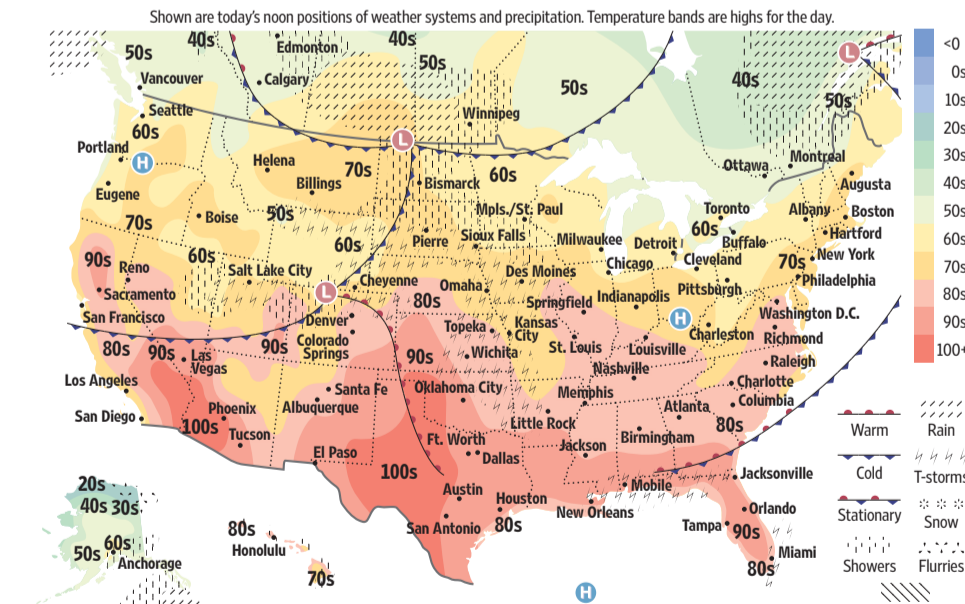
For all its thematic weight, "Mr. Morale & the Big Steppers" is less musically engaging than its predecessors. Mr. Lamar's 2012 breakthrough album "Good Kid, M.A.A.D City" was draped in soul samples, 2015's "To Pimp a Butterfly" made heavy use of jazz instrumentation, and "Damn" found Mr. Lamar working with more contemporary hip-hop styles, including trap.

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



Kendrick Lamar in performance, top.

Weather AccuWeather | Discover our app



U.S. Forecasts table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

International table with columns for City, Today, and Tomorrow weather conditions.

The WSJ Daily Crossword | Edited by Mike Shenk

Crossword puzzle grid with clues and starting numbers.

ABOVE IT ALL | By Alexander Liebeskind & Jeff Chen

- Across: 1 Humor, 4 Greg Evans comic strip, 9 de coeur (impassioned appeal), 12 Singer Grande, to fans, 13 Some halftime performers, 15 Roman Empire raider, 16 Takes things too far, 19 Subsidized, 20 Word after parking or auction, 21 Stereotypical mathletes, 22 Pride sound?, 23 Simon of Duran Duran, 25 May honorees, 26 Manages competing interests, 29 Devoured, as a Thanksgiving turkey, 30 Stands in for, 33 Demand, 37 Egg mass, 38 Endorse on a screen, 42 Asian language, 43 Navigates a precarious situation, 48 Dark-furred marten, 49 "No Time to Die" co-star de Armas, 50 Borders, 51 Took a spill, 53 Low-tech smoke detectors, 55 Avoids the extremes, 60 "Legally Blonde" heroine, 61 "Don't let those fellas escape!", 62 The Emerald Isle, 63 Free from worries, 64 Two scents?, 65 Not natural, in a way, Down: 1 Enters the pool, 2 Asimov work with "Three Laws", 3 Cravat accessory

Previous Puzzle's Solution

Solution to the previous crossword puzzle, including words like ASAP, PACER, FLIST, ROWS, ERODE, ONTO, CURIOUSITY, STREAM, SLY, LITS, SLAYERS, FLEET, AROD, SIJOJOURN, ERITRUTH, PREOP, SUEY, OUIT, ACED, MATED, ERGO, TAZ, FALL, FLUME, SPIRIT, AIR, LINES, EDEN, BOOYA, GOOTEET, DUB, YUM, OPPORTUNITY, COST, BALM, ABODE, ADEN, TILES, YAWED, MARS.

Solve this puzzle online and discuss it at WSJ.com/Puzzles.

## SPORTS

JASON GAY

# Luka Dončić Thumped the Suns. Next Up: The Golden State Warriors.

The Mavericks star is one of the NBA's most celebrated young players. Now he'll get the brightest stage.



He's built for this—a wicked twist, because as talented as he is, there'd have been worry if he was fit enough to go the distance.

With everything on the line, Luka Dončić looks as ready as a basketball player can be.

On Sunday in Arizona, Dončić's Dallas Mavericks thumped the Phoenix Suns in Game 7 of the NBA's Western Conference semifinals, 123-90.

The reloaded Golden State Warriors await on Wednesday. Luka-mania now gets its brightest stage.

If you watched Sunday's Game 7, you know the game was nowhere near as competitive as that 33-point final margin. The Suns, defending conference champs, owners of the league's No. 1 playoff seed, never got their shoelaces tied. The score was 27-17 Dallas after one, and 57-27 at the half—the largest Game 7 halftime deficit in NBA history. At one point, the Mavs led by 46.

"We basically played the worst game of the season tonight," said Phoenix's coach, Monty Williams.

No argument here. Game 7s are supposed to be magical theater, riveting until the final ticks. Look at those thrilling NHL Game 7s on Sunday—the New York Rangers vanquishing the Pittsburgh Penguins in OT, and then Calgary doing the same to Dallas in an overtime nightcap.

The Suns-Mavs Game 7, meanwhile, was about as riveting as watching someone eat a bowl of baby carrots.

That's unfair. It was less riveting than watching someone eat a bowl of baby carrots.

The only magic in Phoenix was happening with the Mavs, and especially Dončić, who finished with 35 points, 10 rebounds and 4 assists, and delivered the kind of clinch game performance that'd been hoped for ever since he arrived in the league in 2018, the wide-shouldered Slovenian teenager who'd shown a flair for late dramatics at Real Madrid.

Dončić had all the tools, from the start. He had a preternatural touch and craftiness. He played like he'd already been in the league for 10 years. He made Dallas a contender, and the draft-night trade to get him—the Mavs moved up by flipping a pick that proved to be Trae Young to Atlanta—quickly moved into NBA lore.



And yet, at times, Dončić ran up against exhaustion. The Mavs were an uneven club, and Dončić got banged up and looked tired on his feet. Until this season, Dallas had yet to win a playoff series with

Luka. A new coach, Jason Kidd, was installed. A once-celebrated accomplice, Kristaps Porziņģis, was traded to Washington.

Ironically, a Dončić setback may have helped these Mavs. The 23-



Luka Dončić, left, and the Dallas Mavericks are set to play Steph Curry, above, and the Golden State Warriors in the Western Conference Finals.

year-old went down with a late season calf strain, and missed some opening playoff games versus Utah. New talent ascended, chief among them Jalen Brunson, a second-round point guard out of Villanova, and Spencer Dinwiddie, a scorer obtained in the Porziņģis deal. Dončić returned to a confident team, already mid-stride.

Versus Phoenix, he was ruthless. The Suns surged to a 2-0 series lead, but the Mavs clawed right back at home. On Sunday, they never gave the Suns a chance. Dončić played with a visible snarl, toying with the Suns.

It's an NBA article of faith that true superstardom isn't conferred until it's achieved in the signature moments. Dončić—already clearly one of the league's best—is now there. At the game's end, the torch seemed to be metaphorically passed, retired Mavericks legend Dirk Nowitzki stepping down from the stands to embrace Dončić on the court.

Now come the Warriors, winners of a chippy playoff series with Memphis. Golden State is not at the virtuoso level of its championship era—the Grizzlies gave them a scare—but they're a handful. Third-year comet Jordan Poole has barged his way into the Steph Curry/Draymond Green/Klay Thompson lineup. The Warriors can pour it on.

But Dallas has Luka, and more than that: these Mavs have proven themselves to be a team.

In the East, Miami will host Boston, the latter itself the winner of a one-sided Game 7 versus Milwaukee. Giannis Antetokounmpo met his match in the Celtics' swarming defense, and the absence of injured No. 2 Kris Middleton was too much for the Bucks to overcome.

Boston's Jayson Tatum has made a leap similar to Dončić, establishing himself as one of the league's best, in key moments. The Celtics are a young, physical team, and the Heat are an older, physical outfit. Referee whistles should get a workout.

A related note here: The NBA is muddying its product with its constant replay interruptions—coaching challenges and the Zapruder-like video analysis of close plays. *Did it touch his finger? Or the other guy's finger?* It's aggravating. Basketball is meant to be a fast, fluid game, with missed calls part of the bargain for the speed.

It's one thing to seek accuracy, especially in the final moments. A pedantic chase of perfection turns a pretty game into a sludge.

We don't want the referees, huddled over a television monitor. We want Luka, ripping the net cords. And here he brilliantly comes.

## Bauer Suspension Casts Spotlight on NFL's Watson Probe

When Major League Baseball suspended Trevor Bauer last month for 324 games, the league set the stage for an unprecedented battle over an unprecedented punishment.

By Louise Radnofsky,  
Jared Diamond  
and Andrew Beaton

The decision also set up inevitable—and uncomfortable—comparisons for the National Football League as it weighs discipline for one of its own most high-profile players: Deshaun Watson.

Bauer, an ace pitcher for the Los Angeles Dodgers and one of the highest-paid players in the sport, recently received the harshest sanction ever under MLB's seven-year old domestic-violence policy: a ban of two seasons, after he already sat out almost an entire year on paid administrative leave during MLB's investigation.

The matter isn't yet settled: Rather than accept a negotiated settlement, Bauer is the first player ever to challenge his punishment.

An arbitrator will now determine when Bauer will be allowed to return to the field—and how much of the roughly \$60 million the Dodgers still owe him will end up in his pocket. The hearing is set to begin May 23, a person familiar with the matter said.

MLB isn't the only league

closely watching the outcome of Bauer's arbitration hearing, or the standards it will set for off-the-field misconduct penalties moving forward. In the coming months, the NFL must determine if—or how severely—it will punish one of its own biggest stars: Watson, the Cleveland Browns quarterback who received a giant contract and was acquired from the Houston Texans after a grand jury in Texas said he wouldn't be charged criminally.

The cases involve different sets of troubling allegations with some underlying similarities. They involve accusations of sexual misconduct against women. Neither man has been charged criminally. Both have denied any wrongdoing. And in both instances, the leagues have been tasked to extrajudicially examine the behavior of one of their employees who wasn't punished by the law.

Bauer was accused of sexual assault by a California woman, but after an investigation, prosecutors opted not to file charges. He has said that he had "consensual rough sex" with the woman and that he did not choke her without her consent. Two other women, both in Ohio, have also said he choked them during sex without their consent; Bauer's denial has been the same.

Watson faces 22 civil lawsuits that allege various types of sexual misconduct with massage therapists. Two grand juries in Texas



MLB's two-year suspension of pitcher Trevor Bauer, above, set up comparisons for the NFL as it weighs disciplining quarterback Deshaun Watson, below.



opted not to bring charges against him earlier this year. He has denied mistreating any woman. Commissioner Roger Goodell has said investigators are still working on the case and that the league is taking it seriously.

The domestic violence policy agreed to by MLB and the players' union in 2015 was widely understood to be a response to outrage in football over Baltimore Ravens' running back Ray Rice's attack on his then-fiancée, for which he ini-

tially received a two-game suspension.

Now it is baseball at the forefront of the discussion, as MLB's suspension of Bauer may now move the goal posts for the NFL. The two leagues each have their own policies for administering personal discipline, but historically they have often yielded similar results. Most suspensions last not nearly as long as Bauer's.

The NFL's personal conduct policy says that violations, including for "sexual assault involving physical force," should result in a suspension of six games while leaving a room for "aggravating or mitigating factors." That has played out in the past with high-profile players, notably Dallas Cowboys running back Ezekiel Elliott in 2017 who received a six-game ban that he unsuccessfully contested.

MLB has doled out punishments similarly. Until last year, the longest suspension was for 100 games. Most of the bans were for less than half of a season.

Ahead of the 2021 season, the league suspended pitcher Sam Dyson following allegations of physical abuse by a former girlfriend. He hasn't commented on them. Then came the two-year long punishment of Bauer.

The question for football is whether that type of escalation could be reflected in the Watson decision.

Bauer himself connected the two cases when he tweeted in March about Watson's new contract: "Congrats @deshaunwatson on the new contract! Can't wait to watch you play again," Bauer tweeted in March.

Bauer's suspension, if upheld in arbitration, ends partway through the 2024 campaign. If it's shortened, the Dodgers would have to decide whether to bring him back—or simply pay him to go away.

# OPINION

## What Does Southeast Asia Want?



**GLOBAL VIEW**  
By *Walter Russell Mead*

The Biden administration rolled out the red carpet last week for leaders of eight of the 10 members of the Association of Southeast Asian Nations. Hosting what the White House described as a “special summit” in Washington was, in theory, an excellent idea.

Asean members like the Philippines, Vietnam, Indonesia and Thailand are vital to American policy in the Indo-Pacific. Threatened by Chinese territorial claims in the South China Sea, most Asean states welcome Washington’s presence in the region and fear that an easily distracted American foreign-policy elite lacks a firm commitment to their region. Holding a high-profile Washington summit is one way to telegraph the importance of Asean to Washington’s Indo-Pacific strategy, especially at a time when the war in Ukraine dominates Washington politics.

Unfortunately, the summit highlighted the strategic deadlock that has challenged America’s regional diplomacy during the Biden era. This deadlock has prevented the inauguration of a new era of cooperation between the U.S. and key Southeast Asian regional leaders. There is a fundamental mismatch between what Southeast Asia needs from the U.S. and what, given the state of the foreign-policy

debate among Democrats, President Biden can offer.

Unlike the war in Ukraine, which allows Democrats to unite against a ruler they associate with Donald Trump while standing with democratic allies to uphold basic principles of international law, the American strategy in the Indo-Pacific cannot easily be reconciled with the values and priorities internationalist Democrats want to promote.

Most Asean countries are either not democracies, like Vietnam, or are imperfect and often backsliding ones, like the Philippines. They are, for the most part, unashamedly nationalist and want to preserve and deepen their sovereignty, not cede authority to rule-bound international institutions. They don’t trust Western values, institutions or governments, and the legacy of European colonialism and racial arrogance continues to rankle.

Russia’s war in Ukraine is not a priority for them. They see climate change as, at most, a long-term and secondary concern. They think Western concerns about issues like labor standards and “green trade standards” are hypocritical slogans aimed at supporting a protectionist agenda. In any case, they believe that a low-wage, low-regulation economic model offers the best hope for economic development, and they have no desire to walk away from it.

While they worry about the rise of China and hope to see America remain active in the region as an important

counterweight, their goal is not to align with the U.S., especially as members of Mr. Biden’s dreamed-of alliance for democracy. Most of these countries look forward to a long and profitable future of nonalignment, balancing between China and the U.S., coaxed and petted by both sides, committing to neither.

### For starters, access to U.S. markets and a military buildup to counter China.

On top of this, many Asean governments face problems that have little to do with the big global issues that motivate Democratic foreign-policy activists. The trade and tourism disruptions associated with the Covid pandemic hit these countries hard. Thailand, where tourism accounted for 20% of GDP as recently as 2019, saw tourist arrivals collapse by 99%—from 40 million in 2019 to 430,000 in 2021. Now these nations are looking at a nightmare scenario of rising interest rates and skyrocketing food and fuel prices.

What they want from Washington is simple. They want a major military buildup in the region to counter China. They want a reliable partner in Washington that doesn’t make radical foreign-policy changes from one administration to the next. They want increased access to American markets with no strings at-

tached. They want lower interest rates and help managing the coming economic storms. They want an end to human-rights finger-wagging, and they don’t want any talk about green energy unless it comes with huge, ironclad foreign-aid commitments that offset the costs.

No American president can (or should) give Asean leaders everything they want, but the gap between the Asean agenda and conventional Democratic ideas about American foreign-policy priorities is dangerously wide. Unless it can be bridged, there is little prospect for successful American policy in a critical region.

The biggest issue is trade. Getting trade wrong while stepping up the moralistic lectures is a surefire strategy for Indo-Pacific failure. When Donald Trump, quickly echoed by Hillary Clinton, turned against the Trans-Pacific Partnership during the 2016 presidential campaign, American power and prestige in the region took a serious hit. Mr. Trump failed to find a way forward during four years in the White House; so far, Mr. Biden has followed his lead. The promotion of free trade has been the most powerful tool for American diplomacy since World War II. If the Biden administration cannot develop a trade agenda that attracts Southeast Asia, it won’t matter how many high-profile summits are held in Washington.

Willian McGurn is away.

**BOOKSHELF** | By Tunku Varadarajan

## Take Your Medicine, or Else

### The Doctor Who Would Be King

By *Guillaume Lachenal*  
(*Duke, 291 pages, \$27.95*)

A 19th-century German doctor named Rudolf Virchow wrote that “medicine is a social science, and politics is nothing more than medicine on a grand scale.” Before you dismiss his assertion as the fantasy of an over-ambitious physician of yesteryear, consider how eerily it fits today’s Shanghai, almost completely locked down in the Chinese regime’s quest for zero-Covid utopia.

Of course, the clamor for medical utopias predates the remorseless Xi Jinping. The quotation above, in fact, is invoked by Guillaume Lachenal, the author of “The Doctor Who Would Be King,” to illuminate events in the mid-20th century. Mr. Lachenal is a professor at Sciences Po, in Paris, and his book is an absorbing—if haphazardly assembled—account of a French colonial doctor who was handed absolute political control of an African territory the size of Switzerland in the years 1939–44. His task, writes Mr. Lachenal, was to “reinvent a new society based on healthy foundations.”

The title of the book echoes Rudyard Kipling’s “The Man Who Would Be King” (1888), a story of two British hucksters who set out to become monarchs in the remote Hindu Kush. In Mr. Lachenal’s real-life tale, the land over which his doctor—Jean Joseph David—was “king” is the Haut-Nyong region in southern Cameroon, a West Africa territory then afflicted by trypanosomiasis, or sleeping sickness.

France, Cameroon’s imperial trustee under a League of Nations mandate, was desperate to rid the area of the illness, which felled able-bodied men and women at such an alarming rate that Dr. David was greeted by “ghost villages” when he took charge in 1939. He was sent with a small team of French doctors, who fanned out to various parts of the Haut-Nyong and reported directly to him. His goal, writes Mr. Lachenal, was “liberating the native from misery, ignorance, and sickness . . . by fair means or foul.”

And so Dr. David, French patriot and messianic man of medicine, went out into the Heart of Darkness—and it is impossible not to feel the presence of Joseph Conrad’s tale of lordly isolation and madness. It is as if, by assembling this story from archival fragments and the oral accounts of present-day residents, Mr. Lachenal is seeking to bring Dr. David back to our metropolitan gaze in much the way Conrad’s Marlow sought to bring Kurtz back from the jungle.

Although Dr. David’s story is a minor one, almost (in Mr. Lachenal’s words) “an anecdote,” it encapsulates a “fundamental principle” of European colonialism—the idea of a “civilizing mission.” In this case, France was treating an African tract as a laboratory where modern medicine could show “its capacity to transform society and cultivate life.” Medicine was “practiced as a spectacle,” to awe the natives and showcase the French as exemplary imperial stewards.

It will come as no surprise to the reader that Dr. David’s methods were cruel. Natives who flouted his health rules were punished by *sjambok*—a heavy leather whip. Since the aim of improved native health was to enhance French profits, men and women who weren’t dying were pressed-ganged into extractive labor. Natives who didn’t work, or who left their village without permission, were treated as “vagrants,” on whom the doctor was empowered to inflict corporal punishment. It was compulsory for women to give birth in hospitals, which seems progressive. But if a woman were found at home in an advanced state of pregnancy, her husband was jailed.

### In a remote colonial outpost, a doctor-administrator decides to transform society as well as heal the sick. Whips are involved.

The French authorities were concerned less with the niceties of Dr. David’s methods than with their results—which pleased the colony’s governor—and he was promoted to the rank of colonel by the time he left Cameroon in 1944. He had sought to do more than cure sleeping sickness (and, incidentally, syphilis) and had striven hard (if ruthlessly) to raise native standards of hygiene, nutrition and education. He kept impressive records: Infant mortality, Mr. Lachenal writes, was monitored “with an accuracy rarely achieved in Africa at the time.” When a resident of the region tells Mr. Lachenal that Dr. David was “the one who brought us light,” the author isn’t sure whether his interlocutor means electricity or something metaphorical—such as “modernity.”

Mr. Lachenal’s narrative rocks back-and-forth between archival detail and oral history, sometimes dizzily. Then, halfway through, he springs a surprise, the disclosure of which should not, in truth, count as a spoiler—a prequel to Dr. David’s time as physician-potentate in Africa.

Before Cameroon, Dr. David had been the colonial resident—again, with absolute power, in 1933–38—in the French protectorate of Wallis and Futuna, tiny South Pacific islands close to Tonga. Wallis, Mr. Lachenal notes, is so small that “it is hard to drive for more than fifteen minutes without passing a place a second time.” Dr. David was 30 years old when he took charge of these flecks on the map, and his time there, Mr. Lachenal suggests, was a kind of rehearsal for his stint in Cameroon.

Historical records are scarce, and Mr. Lachenal sleuths around for fragments of history and information. He gathers that the doctor terrorized the locals with a whip and a fierce dog and that he arrived in 1933 at a time when order needed to be restored to Wallis. His predecessor as doctor-administrator had survived an assassination attempt, and invading beetles had ravaged the island’s only cash crop—its coconut trees. Dr. David concluded that he had to put an end to the “laziness of the natives” (his words) and forced them to work “in order to protect them from themselves.” A tall, strapping man, he impressed the locals, who were physically imposing themselves. He married a local princess and came to be known as “King David.”

“The Conradian theme,” writes Mr. Lachenal, “fascinates me, like everyone.” And yet, if Dr. David’s story does feel like that of Kurtz, it differs in a startling respect. Unlike the latter, our French super-doctor ends his life in baths. He died in France—in the suburbs of Paris—having finished out his career as a medical sales rep for a drug company. Once a king, he petered out in the heart of drabness.

Mr. Varadarajan, a Journal contributor, is a fellow at the American Enterprise Institute and at NYU Law School’s Classical Liberal Institute.

## Post-Roe Babies Will Need Support

By *Jedd Medefind*

The likely end of *Roe v. Wade* is no finish line; it’s a starting gate. If the Supreme Court hands down an opinion similar to Justice Samuel Alito’s leaked draft, voters at the state level, not federal courts, will decide important questions of policy. One question lies beneath the others: Will we rise to the challenge and help children who would have been aborted but now won’t be?

The number of lives saved would be only a fraction of all U.S. abortions seen in recent years, which top 600,000 annually. Abortion clinics would expand their work in many states. Pill-driven abortions would likely continue to rise. Unintended pregnancies may decrease. But at a minimum we should anticipate tens of thousands of children would be born who wouldn’t have been under *Roe*—possibly many more.

Many of these children would be welcomed into loving, stable homes—some by their biological parents, others through adoption. But not all. Almost certainly, more children than before would be born into households strained by material poverty. For some, this will include family breakdown, addiction, homelessness and mental illness.

These children would need help, and America is up to the task. But it would require significant growth in the support offered for vulnerable children and families.

Both the public and private sectors have roles to play. Government programs can provide basic needs such as nutrition and medical care. This aid must come paired with policies that reward parents for making choices proven to elevate outcomes for children, including working, learning, getting married and saving money.

### Government can’t do it alone. Fortunately, there’s a wide network of private charities.

But government can’t provide everything. If I’ve learned one thing in my years working with vulnerable children and families, it’s this: Material goods alone rarely solve the deepest challenges humanity faces. What’s needed is well-calibrated support rooted in meaningful relationships. A blend of help and friendship, assistance and accountability, tangible aid and personal connection makes all the difference. Government can’t create these relationships by mandate or printing press. They grow

one generous heart at a time.

But the infrastructure for this relationship-rich support for children and families is already largely present across America. I see it in my work every day. Among its components:

- Thousands of pregnancy resource centers that walk with mothers through pregnancy and beyond, providing counsel, material goods, parenting classes, mentoring and more.

- National programs, often based in local places of worship, that meet the biggest needs of parents, from Celebrate Recovery (support for overcoming substance abuse) to MOPS (community support for moms of young children) and Homebuilders (intensive in-home support).

- Hundreds of local agencies and organizations that recruit and support families in foster care and adoption, while helping families in the child-welfare system reunify with their children.

- Programs like Jonah’s Journey, Together for Good, Harbor Families, Safe Families for Children, Orphan Care Alliance Family Support and many others that support families through crises—even providing volunteer foster care at no cost—as parents get back on their feet.

- Nationwide initiatives like More Than Enough that work to establish local networks of churches to support

adoptive, foster, kinship and reunited biological families in every U.S. county.

Individually, each of these efforts is a small part of the solution. But together they form an expansive infrastructure capable of delivering what vulnerable children and families most need.

More will be needed if *Roe v. Wade* is overturned. Donors and foundations can help strengthen existing programs and launch new ones. Businesses can make critical contributions, including family-friendly work policies. Meanwhile, more mentors, welcoming homes, and volunteers of all kinds will be needed to offer everything from simple companionship for new parents to fostering or adoption to mentorship and support for struggling families.

Building this child- and family-support infrastructure is no small endeavor. But it is a worthy one, equal to any of the great undertakings of the American people. If we join together, the hundreds of thousands of children who would be born as a result of the end of *Roe* will not only live, they’ll thrive.

*Mr. Medefind is president of the Christian Alliance for Orphans. He directed the White House Office of Faith-Based and Community Initiatives under President George W. Bush.*

## Schoolyard Bullies Come for Daniel Boone

By *Joseph Epstein*

A plan is afoot to change the name of a Chicago grammar school I attended. Daniel Boone, under the reign of self-righteous political correctness, is now a problem. The old pioneer apparently kept seven slaves and took over lands belonging to (as we now say) indigenous people. (His daughter Jemima was also kidnapped by a Cherokee-Shawnee raiding party, but let that pass.) For these sins the Chicago Public Schools Office of Equity has decided Boone is a “historically egregious figure” and can’t be allowed to have a school named after him.

The question of a new name was taken up in March at what the Washington Examiner’s Abigail Adcox described as an “in-person forum for the renaming process that was exclusively for parents, guardians, staff, and community members who are ‘Black, Indigenous, [or] People of Color.’” The school’s neighborhood is now a

mixture of East Asians and Orthodox Jews. Most of the Jewish children attend religious day schools.

I attended Boone School from ages 10 to 14. I find myself not shocked but distressed by the name change. Boone was the scene of many of the happiest days of my boyhood. I was a

### Chicago plans to change the name of my elementary school.

quarterback, a shortstop, a point guard. I danced the rhumba with Marie Goldman at my first boy-and-girl parties. I spent my summers playing ball on the school’s gravel playground. I made friends I retain more than 70 years later.

What is in it for those intent on taking down statues and changing names of institutions? A feeling of high virtue, through redressing injustices of the past by canceling its heroes. They have at their disposal a

powerful weapon: the right to call anyone who disagrees a racist.

And so heroic figures of the past—Columbus, Washington, Jefferson, Madison, now Boone and others doubtless to follow—must be shuffled off the stage because they held views or acted in a manner incongruent with the high moral standards of today’s self-righteous.

Some 20 years ago, in a book on snobbery, I defined the “virtocrat” as “any man or woman who is certain that his or her political views are not merely correct but deeply, morally righteous in the bargain.” At the time I thought such people little more than moral snobs. I had no notion their growing tribe would have so pervasive an effect on the culture. Think of all the associate provosts, deans and other university administrators whose job is ensuring what they deem proper diversity, inclusivity and equity. Such jobs are now beginning to be found in large corporations. Will they one day become presidential cabinet offices?

The effect of the virtocrats has been profound. At the university, equality has replaced intellectual achievement as the goal. They have lowered the standard of culture, and everywhere narrowed the range of artistic possibilities. Today a white writer is no longer permitted to write about blacks, a man about women, or a heterosexual about homosexuals.

The virtocrats have all but crushed humor. They have radically altered language, down to its use of pronouns. They have made it impossible to talk candidly about crime at a time when candor is desperately needed. They have made life, guided by their own self-righteousness, more inhibited, constricted, unpleasant all round.

The virtocrat is a moral bully, and like all bullies must be stood up to and stopped. Hell, I learned that on the playground at Daniel Boone School.

*Mr. Epstein is author, most recently, of “Gallimaufry: A Collection of Essays, Reviews, Bits.”*

## OPINION

## REVIEW &amp; OUTLOOK

## The Senators From Venezuela

As night follows day, the economic problems caused by government are invariably followed by government solutions that would make everything worse. For a classic of the genre, consider the bill introduced by Democratic Senators to fight inflation by attacking price “gouging.”

Massachusetts Senator Elizabeth Warren and seven Democratic colleagues in the Senate and six in the House want to punish companies that raise prices more than they like. The result would be price controls by another name, and they would produce what price controls always do—supply shortages. If you like today’s baby formula mess, pass this bill.

The legislation unveiled last week would grant sweeping new powers to the Federal Trade Commission. It bans companies with \$100 million or more in revenue from selling goods or services “at an unconscionably excessive price” during a market shock. The public employees in their Beltway offices would define what is “unconscionably excessive,” and they could then slap offenders with a penalty of up to 5% of annual revenue. Not profits, mind you, but revenue.

The scheme is the latest attempt by Democrats to blame inflation on business. In a statement on the bill, Sen. Warren denounced “corporations taking advantage of the current crisis to prey on consumers,” and listed grocery stores, car-rental firms and drug companies as nefarious price gougers. She wants you to forget that federal spending contributed to soaring prices, as well as to the labor shortages across the economy.

The bill puts the burden of proof on companies, letting them avoid the penalty only if they can show that their price increases are the result of business costs beyond their control. Producer prices have outpaced inflation in the past year, and unpredictable component shortages are popping up across the supply chain.

But the current FTC, run by Warren acolyte

## Warren’s ‘anti-gouging’ bill would make today’s shortages look quaint.

Lina Khan, has already declared its intention to punish business for various alleged offenses. Regulators ordered to search for “widespread”

gouging—as Sen. Warren puts it—are likely to find it, even if the price increases have sound business explanations.

The economic consequences would go far beyond fines on specific companies.

The vaguely worded bill would force all large companies to think twice before raising prices to keep up with costs.

Consider Kroger, which Sen. Warren called out by name. Grocery store margins are notoriously narrow even when inflation is under control. If the retail giant fears the FTC will fine it for raising prices to keep up with costs, expect some economic consequences. Store shelves would thin out as Kroger decides not to stock items that politicians are targeting for scrutiny. Or perhaps you’ll wait longer in the checkout line as the chain cuts back on labor costs.

The Democratic proposal is in one sense hard to take seriously because price controls are so obviously dumb. President Nixon froze beef prices during the inflation run of 1973, and ranchers responded exactly as you’d guess: by withholding supply. Nixon also tried wage and price controls across the entire economy. This produced so many distortions that Nixon had to repeal the controls, and prices soared again.

More recently, price controls were the crown jewel of a Venezuelan economic plan that made basic goods disappear while doing little to curb overall inflation. Even that country’s socialist dictator, Nicolás Maduro, was obliged to loosen the price controls.

But Ms. Warren’s bad ideas have a way of influencing President Biden’s policies. Think student loan forgiveness. The danger is that the idea of price controls spreads beyond the Senate’s Venezuelan caucus and into the Treasury and White House. It’s the definition of economic insanity, which means in this Administration it is all too possible.

## Biden’s Dance With a Dictator

Is the Biden Administration preparing to ease sanctions on Venezuela to increase the global supply of oil? The State Department denies it, but this is a potentially damaging U.S. policy shift that bears watching in Congress.

Mexican President Andrés Manuel López Obrador returned from a visit to Havana this month and announced the next day that the U.S. had agreed with Caracas to buy one million barrels of Venezuelan crude daily. This would require lifting U.S. sanctions that are designed to squeeze the dictatorship of Nicolás Maduro and help return the country to democracy.

A State Department official told us last week that the “current Venezuela-related sanctions remain in effect” and that “there are no changes or new agreements.” But Mr. López Obrador knows that U.S. engagement with Venezuela—and with Cuba—is a goal of many Democrats in Washington. He also knows that companies like Chevron are lobbying to ease sanctions so they can resume operating in Venezuela.

In March, Team Biden sent three representatives to Caracas to talk to Mr. Maduro. Venezuela later released two of more than a half-dozen American hostages it has been holding. The regime used the meeting to spread a propaganda message that Washington now recognizes its legitimacy. Rumors persist that back-channel talks continue.

Pressure to ease sanctions is also coming from the political left on Capitol Hill. Last week 18 Democrats wrote to President Biden, asking him to do away with sanctions they call “one

of the leading causes” of Venezuelan suffering. But the real leading cause is Mr. Maduro’s socialist policies that have generated hyperinflation, poverty, corruption and widespread malnutrition and produced millions of Venezuelan refugees.

The letter also notes that providing sanctions relief to the police state should be done “without hindering or delaying the urgent action needed to transition the U.S. economy off of fossil fuels.” That would be a neat trick, since Venezuela’s oil industry is a notorious polluter.

Mr. Maduro and predecessor Hugo Chávez destroyed the nation’s oil infrastructure and looted the national oil monopoly. Even if U.S. investors are allowed to begin pumping oil again, Venezuelan supply wouldn’t make much of a dent in global oil prices. But it is revealing that American progressives apparently put appeasing the Latin left above their climate-change principles.

Meantime, the Maduro regime still murders dissidents and holds hundreds of political prisoners. There have been no free and honest elections in Venezuela in two decades. The regime supports the Cuban dictatorship with oil shipments, while Havana remains the most destabilizing, antidemocratic actor in the Western Hemisphere. Both are allies of Russia.

The Biden Administration’s sanctions dance with the dictator is taking place even as it acts at every turn to restrict U.S. oil and production. The contradiction is hard to fathom other than as the triumph of ideology over reason.

## Ted Cruz, the Supreme Court and \$10,000

Imagine a successful small-business owner who wants to run for Congress. To jumpstart his campaign, he might lend it some money. Once fundraising gets going, it can pay him back. But the law says donations arriving after Election Day may repay only \$250,000 of candidate debt. If the businessman loans his campaign more than that amount, he’s taking a real financial risk.

That was true until Monday, when the Supreme Court ruled 6-3 in *FEC v. Cruz* that the repayment cap, passed as part of the McCain-Feingold mess of 2002, is unconstitutional. Sen. Ted Cruz advanced his 2018 campaign \$260,000, leaving him \$10,000 short after Election Day. As Chief Justice John Roberts writes for the Court’s majority, this restriction “inhibits candidates from loaning money to their campaigns in the first place, burdening core speech.”

It’s more than a theoretical worry: More than 90% of campaign debt is candidate loans, per the Federal Election Commission. Since 2002, Chief Justice Roberts says, “the percentage of loans by Senate candidates for exactly \$250,000 has increased tenfold,” which suggests that people are trying to stay under the cap. Political competition is in the public interest, and the Chief adds that self-funding is “especially important for new candidates and challengers.”

Justice Elena Kagan, writing in dissent for the Court’s three liberals, defends the law’s merits. “Political contributions that will line a candidate’s own pockets, given after his elec-

## The Justices strike down a cap on campaigns that repay personal loans.

tion to office, pose a special danger of corruption,” she says. “The candidate has a more-than-usual interest in obtaining the money (to replenish his personal finances), and is now in a position to give something in return.” She also argues that the repayment limitation doesn’t affect Mr. Cruz’s ability to self-fund, only his opportunity

to get money back from donors. Yet Chief Justice Roberts replies that the government “is unable to identify a single case of *quid pro quo* corruption in this context.” Individual donations are “capped at \$2,900 per election,” and meaningful sums are publicly reported. The Chief quotes incumbent Senators who originally debated the repayment limit, saying high-minded things such as: “I would like to be able to have a level playing field so I could stay in the ball game.”

Justice Kagan’s view of perceived corruption in politics is expansive. She cites a YouGov poll, commissioned by the government, in which 81% of Americans said they believed that post-election donors would likely expect political favors in return. OK, but would the public feel the same way about regular pre-election donors? The survey didn’t ask.

The Chief’s opinion is a logical extension of the Court’s many precedents on free speech and campaign finance. But the Court’s liberals can’t seem to acknowledge this as a matter of *stare decisis*. It’s clear they’re willing to overturn those precedents as soon as they get the chance, which we hope for the sake of political free speech will be a long way off.

## LETTERS TO THE EDITOR

## Secret Ballot for Me, but Card Check for Thee

Mary Vought astutely explained the “absurdity” of House Democrats’ plan to authorize collective bargaining for congressional staffers (“Nancy Pelosi’s Unionization Folly,” op-ed, May 10). Still, at least by passing the resolution, which the House did last week along party lines, Democrats are on the record supporting secret-ballot unionization elections.

Big Labor’s legislative priority remains the Protecting the Right to Organize Act. The PRO Act is a wish list focused on boosting union membership by undermining employees’ right to vote on unionization in secret-ballot elections, such as have been recently occurring at Amazon facilities and Starbucks branches around the country.

Instead, unions want to organize employees via “card check,” a coercive process whereby organizers confront employees individually and relentlessly, at work and at home, until they sign a petition card. If the union can

collect cards from half of the workforce, it gets certified without a vote.

Though it passed the House last year, the PRO Act stalled in the Senate, prompting President Biden’s nominees to the National Labor Relations Board to attempt to implement as many of its policies as possible by reinterpreting existing law. NLRB General Counsel Jennifer Abruzzo recently launched a legal broadside that could effectively end secret-ballot union elections for private-sector workers.

By contrast, the union rules adopted by the House for its staff expressly provide that “all elections will be by secret ballot.”

If congressional staffers get the right to vote on whether to unionize in a secret-ballot election, shouldn’t all American workers deserve the same protection?

MAXFORD NELSEN  
Freedom Foundation  
Olympia, Wash.

## There Is No Such Thing as Good Mob Rule

Regarding Daniel Henninger’s “A Fence for the Supreme Court?” (Wonder Land, May 12): The spate of political violence in recent years has been exacerbated by the idea that my mob is good and your mob is evil.

While some conservative media and politicians have condemned the Jan. 6, 2021, mob assault on the Capital, many have fenced off President Donald Trump’s role in inciting those actions or, at a minimum, failed to condemn his woeful inaction as the assault developed. This cognitive dissonance sometimes helps to excuse the actions of the mob itself.

The bulk of mainstream media and Democratic politicians have not condemned the violent, illegal and uncivil actions of “their mob”—BLM, antifa, the current mob actions in the wake of the Supreme Court leak, and so on. Instead, they have striven to justify these mobs with the false tropes of “largely peaceful protest,”

“legitimate anger and fear,” “unelected judges putting their hands on our bodies” and other such inapplicable nonsense.

No mob is a good mob. It is time that those in responsible positions call out mob rule as unacceptable, to be policed and criminally punished as per our laws, rather than continuing to use mobs as indirect shock troops for their own ends.

JAMES GOTTSCHALK  
Tequesta, Fla.

Mr. Henninger is correct that Americans have “become unhinged from what once were considered normal restraints on behavior.” Too many citizens have no respect for human life other than their own. Perhaps there is a connection with the 1973 *Roe v. Wade* decision. People may deny that the fetus is a human life, but that does not make it so.

IRENE EGGERS  
Wheat Ridge, Colo.

## ‘ESG’ Is About Information, Not Imposition

Regarding Marlo Oaks’s op-ed “S&P Hits U.S. States With Politicized Credit Scores” (May 9): The integration of environmental, social and governance (ESG) investment practices is not left-wing or right-wing. It is an apolitical practice geared toward delivering transparency so that investors can make informed decisions.

Mr. Oaks states that ESG is a “qualitative view” that “depends entirely on the beliefs of whoever constructs it,” but the opposite is true. For example, recent proposals by the Securities and Exchange Commission to bolster ESG disclosure requirements have fairness at their core, with the simple goal of generating consistent and comparable information on material ESG issues for all investors. Enhanced disclosure provides the transparency that allows investors—both asset owners and managers—to make informed comparisons between issuers.

## Lincoln, Abortion and How We Think About Liberty

Jason Riley opens readers’ eyes on the inordinate numbers of abortions suffered by black Americans (“Why Won’t the Left Talk About Racial Disparities in Abortion?” Upward Mobility, May 11). For further elaboration, I recommend the brief Abraham Lincoln speech quoted in Justice Samuel Alito’s leaked draft opinion: “We all declare for Liberty; but in using the same word we do not all mean the same thing” (April 18, 1864). Lincoln’s remarks in the throes of war prodded Americans then to value black soldiers’ lives as equal to white soldiers’. His reflections on what liberty is and who should have it should frame our discussion of abortion today.

KEN MASUGI  
Center for American Greatness  
Rockville, Md.

## New York’s Pitch Is Wobbly

Kathy Hochul’s op-ed “New York Promises Your Employees Freedom” (May 13) could have been much shorter. All she needed to say was: “Come to New York,” where you can pay the second-highest tax rate in the country and live with rising, near-record crime rates. In exchange, we will ignore the crime problem, take that tax money and fund abortion with it. Gov. Hochul, do you believe this is a winning message? It is truly a mystery why your state had the third-highest exodus rate in 2021.

BRANDON LAYMAN  
Fort Myers, Fla.

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

## Pepper ... And Salt

THE WALL STREET JOURNAL



“Your results came back—your symptoms got 319 Likes on Facebook.”

## OPINION

## This Is No Time to Go Wobbly on Russia

By Garry Kasparov

Vladimir Putin's war on Ukraine has again been scaled back amid courageous Ukrainian resistance and international support in the form of weapons, financial aid and sanctions against Russia, Mr. Putin and his oligarch mafia.

As pleased as I am by this, it's hard not to be wistful about what might have been—and how many lives would have been saved—had such actions been taken to deter Mr. Putin years ago.

**Appeasing Putin has cost the free world dearly. We have an opportunity to rediscover our values.**

Instead, we have a conflict with global ripples affecting everything from Europe's dependence on Russian oil and gas to the food supply of several African nations. This is the high price we must pay to stop Mr. Putin now to avoid an even higher price later—the eternal lesson of appeasement.

There are still signs that some Western leaders haven't yet learned that isolating Mr. Putin and responding to him with strength is the only way to make lasting progress. French President Emmanuel Macron spoke last week about the need to negotiate with Mr. Putin, to give him face-saving off-ramps. Defense Secretary Lloyd Austin called his Russian counterpart Friday to urge a cease-fire, potentially leading to the sort of "frozen conflict" Mr. Putin loves because he simply ignores the restrictions while consolidating and rearming.

I've long said that Mr. Putin is a Russian problem and must be removed by Russians. But the West

needs to stop helping him. Every phone call that legitimizes his authority, every cubic meter of gas and every barrel of oil imported from Russia is a lifeline to a dictatorship that is shaking for the first time.

If the goal is to save Ukrainian lives, as Western leaders say, then the only way to do it is to arm Ukraine with every weapon President Volodymyr Zelensky wants as quickly as possible. A cease-fire that leaves Russian forces on Ukrainian soil would only allow Mr. Putin to continue his genocide and mass deportations under cover, as he's been doing since he first invaded in 2014.

There are also those who openly take Mr. Putin's side even now. Hungary's Prime Minister Viktor Orbán is blocking a European Union ban on Russian oil imports, a supply that is putting tens of billions of dollars every month into Mr. Putin's war machine. Turkey's Recep Tayyip Erdoğan is threatening to disrupt Finland's and Sweden's accession into the North Atlantic Treaty Organization, although it's likely he's looking to gain something for himself, as usual. In the U.S., Sen. Rand Paul has held up a new emergency financial-aid package to Ukraine—money, by the way, that would mostly be spent with American suppliers.

On May 9, President Biden signed the first lend-lease bill since World War II to speed aid and armaments to Ukraine. It was perfectly timed for Russia's Victory Day, the annual celebration of the Nazis' defeat, which has been turned into a perversion of patriotism that frames anyone or any nation that opposes Mr. Putin as a "fascist." The real fascism is in the mirror as hundreds of thousands



Vladimir Putin

Mr. Putin was emboldened enough to cast off any democratic trappings in Russia, invade Ukraine, and 2016, when he interfered in British and U.S. elections. In Europe, German Chancellor Angela Merkel pushed ahead with the Nord Stream 2 pipeline project, increasing dependence on Russian energy when the opposite was needed. Now it's being done abruptly and painfully. Perhaps Mr. Obama and Ms. Merkel could tour Kyiv together to see the damage they helped cause and to apologize to the Ukrainian people.

Mr. Putin's corrupt and incompetent military is good only at brutality and massacring civilians, but has had eight years to entrench in the occupied east that Ukraine's forces are now approaching. We will

of Russians fleeing for the exits realize.

As for the 144 million Russians remaining in Mr. Putin's police state bombarded with increasingly toxic propaganda for more than two decades, they have hard choices to make as Mr. Putin's facade of stability crumbles and defeat in Ukraine looms. A dozen recent attacks on Russian military-recruiting offices are an indication of what might be coming.

The original Lend-Lease Act of 1941 allowed the Soviet Union to fend off Hitler's invasion. Now the army boot is on the other foot if the U.S. reclaims its honorable heritage as the arsenal of the free world to help Ukraine defeat Mr. Putin's invasion.

The bill is also a sign that Mr. Biden is finally shaking off the legacy of his days as vice president, the crucial period when Mr. Putin went from aspiring autocrat to full-blown dictator as the free world sat

on its collective hands. When Mr. Putin invaded Georgia in 2008, Western leaders said it was better to maintain economic and political ties rather than punish him. This is the engagement policy we were told would eventually liberalize Russia—and China—by tying it to the free world.

Barack Obama epitomized the trend. As a candidate, under pressure from John McCain's campaign, he condemned Mr. Putin's incursion into Georgia. But President Obama was quick to make clear to Mr. Putin and other dictators that America would be leading any remaining freedom agenda from behind. The now-infamous "reset" renewed Mr. Putin's credentials as he cracked down on the vestiges of Russian civil society. In a 2012 debate, Mr. Obama's mocked Republican challenger Mitt Romney for stating, accurately, that Russia was America's top geopolitical foe.

This attitude led to 2014, when

see how committed Ukraine's allies really are as the war moves into a new phase in which defense is not enough. Will they help Ukraine win, to destroy Mr. Putin's war machine, and to restore all Ukrainian territory? Will they keep sanctions in place to increase domestic pressure on Mr. Putin and to let his mafia know that there is no way back to the civilized world for them and their families while Mr. Putin is in power?

The free world that won the Cold War is remembering how to fight and rediscovering the values that give meaning to the fight. That's bad news for Mr. Putin and the other dictators watching closely, from Beijing to Tehran to Caracas. Ukrainians are fighting for their lives and their nation, and for the free world. Let it not be as a proxy, but as a partner.

*Mr. Kasparov is chairman of the Renew Democracy Initiative.*

## The Search for a Sober Populism Will Continue After Pennsylvania



**FREE EXPRESSION**  
By Gerard Baker

Republican voters in Pennsylvania on Tuesday face a choice not between the pre- and post-Trump GOP or between competing ideological visions in an age of rapidly advancing political opportunity for conservatives. Yet it is still an important choice.

In the state that Mitt Romney, John McCain and George W. Bush all easily won in presidential primaries, there's no serious candidate for U.S. Senate offering to return the party to what now seems like the anachronistic consensus those three nominees represented.

As in neighboring Ohio two weeks ago, the Keystone State's Republican foot soldiers are set to trample into the dust that milder, more inclusive but definitely less robust model of ancien régime conservatism, salt the earth, and march the GOP army on to the commanding heights of MAGAdom.

The three main candidates vying for the Pennsylvania nomination are all firmly in the populist mold. But

they still offer a choice with important implications for the wider Republican Party.

The question for the state's primary voters is: How do you like your populism? Do you want it raw and true, instinctive and gut-sourced, warts and all? Or do you want it meticulously manufactured, recently acquired and worn like a neat-fitting suit? Do you want authenticity in your next senator—and your party—however deranged it may sound at times? Or do you want a convincing salesman, a neophyte with pitch-perfect recall, able to recite on demand the full lexicon of Trumpian populism while registering only the merest blip on the lie detector?

The choice arises as a result of the sudden rise to contention of conservative commentator and military veteran Kathy Barnette. Her surge in the polls is a reminder of how much some voters crave something genuine. Outspent some 25 to 1 by her well-heeled opponents—television physician Mehmet Oz and hedge-fund manager and former Bush administration official David McCormick—she is nonetheless close in the polls.

On the one hand: a pair of super-educated, newly minted MAGA men; on the other, a black woman with an

astonishing personal story and a consistent record of speaking up for frustrated conservatives—but also an unsettling history of alarming remarks (she once said pedophilia is a "cornerstone" of Islam, among other things).

Mr. Oz, who enjoys the imprimatur of the former president, was until recently another talented member of the media elite. As recently as

**The GOP has a winning political formula—if only it can find a leader who seems reasonable.**

2020, he was using his massive platform to spout usual progressive pieties about "systemic racism" and other issues.

Mr. McCormick is equally talented. He served his country as a Treasury undersecretary, and unlike Mr. Oz has spent solid time tilling the Republican fields to good effect. But if he's a genuine populist, I'm the patriarch of Constantinople.

When I edited the Journal's news pages a few years ago, I had many encounters with Mr. McCormick in

his capacity as second in command of the world's largest hedge fund. He was always an avid and creative defender of his employer, which has played a vital role in helping communist China become the economic powerhouse it is today.

Both men have traveled a long way; it's no wonder voters have started to look elsewhere. Now those voters have to ponder: Do they take a risk with a woman who has valid populist credentials but a history of such verbal caution that she makes Donald Trump look like Calvin Coolidge? Or do they take a risk with men who say all the right things but whose grasp of conservative ideas is so recent that it still seems switched to factory settings?

This is the wider problem for the GOP.

Next door in Ohio, Senate nominee J.D. Vance was until 2016—a year of some significance—a successful lawyer with a great story (told that year in his book, "Hillbilly Elegy: A Memoir of a Family and Culture in Crisis") and a record of fiercely criticizing Mr. Trump. It could even be said that the biggest phony of the lot is Mr. Trump himself, former ally of the Clintons and other unreliable causes.

At root of all this is a larger truth

about the party. As commentator John Ellis points out in his News Items Substack blog, Ms. Barnette is a reminder that Trumpism came before Mr. Trump announced his presidential candidacy in 2015. "Trump didn't create the 'base,'" Mr. Ellis writes. "The base created him."

It was Republican primary voters in 2016, tired of and angry at the unheeding futility of their previous leaders, who chose Mr. Trump.

It has been obvious for some time that if the GOP can find a genuine standard-bearer for this ascendant conservative populism, shorn of the vulgar narcissism of the former president, the lunatic extremism of the QAnon crowd, and the transparent implausibility of neophyte MAGA types, it would have a winning formula. If it could find someone who hadn't conveniently recently discovered the damage from globalization, the tragedies of a hyperactive foreign policy, the injustice of soft-border immigration policy, and the erosion of the traditional values of American life without sounding like an anticonstitutional conspiracy theorist, that candidate would be a sure—and authentic—winner.

Something tells me that after the Pennsylvania primary, the search will continue.

## Swooning Markets Will Crush Government Budgets

By Red Jahncke

Investors are painfully aware of the plunge in stock and bond markets so far in 2022. Are federal and state officials aware of the damage plunging markets will soon do to public budgets and finances? Tax revenue from capital gains looks set to fall off a cliff.

The Monthly Treasury Statement for April indicates that capital-gains tax revenue reached record levels in 2021. The markets are telling us capital gains will shrink dramatically in 2022. If what the statement and the markets are signaling is correct, the reversal of fortune for

federal tax revenue could be as large as \$250 billion. In New York, Connecticut and other states that are heavily reliant on individual income taxes for revenue, the reversal could be devastating.

The last time the markets crashed this severely was during the 2007-09 financial crisis, when the tax rate on long-term capital gains was 15%, well below today's 23.8% rate. Federal capital-gains tax revenue plummeted 75% in two years, from about \$140 billion in 2007 to \$35 billion in 2009.

Income-tax data for 2021 isn't available yet, nor is capital-gains tax data. There is a rough proxy,

however, that can give us a picture of where things stand. The Treasury Statement shows federal fiscal year-to-date individual income-tax receipts, split between income tax "withheld"—that is taxes on income earned from salaries and wages—and "other" tax payments, including taxes on all forms of investment income. The latest statement shows a gusher of \$776 billion of "other" income-tax revenue for the first seven months of the current federal fiscal year. This includes April, which is obviously the biggest month of the year for tax filings. That's \$325 billion more than the next-highest seven-month federal fiscal year total of \$451 billion in 2019.

Historically, the seven-month "other" income figure has averaged a remarkably stable 70% of its full-year total, apart from the disruption in 2020-21 when the market plunged and recovered but with gains that were mostly short-term. Typically, investors don't sell short-term positions. They wait and hold their gains for at least a year, so that they qualify for advantageous long-term capital-gains tax treatment when sold.

If the \$776 billion in "other" income turns out to be 70% of the full-year figure, then we could be looking at a record \$1.1 trillion in "other" income for federal fiscal year 2022. Even if receipts trail off in the last five months as the 2022 market plunge takes effect, it will

still be a record year.

"Other" income tax receipts include many types of investment income, some of which may hold up despite a stock and bond market debacle. Real estate, for example, has been very strong.

It's possible to isolate the capital gains component from overall "other" income by looking at Internal Revenue Service data. Capital-gains tax revenue averaged about 30% of "other" individual income-tax payments from 2013-19, a period when the capital-gains tax rate was consistently about 25%. Ac-

**Tax revenue from capital gains is about to dry up. Are federal and state officials ready for it?**

cordingly, capital-gains tax revenue for 2021 could be as much as \$330 billion.

The collapse from the 2021 peak could be as bad or worse than the 2008-09 plunge.

Two factors could extend and exacerbate a market swoon and plunging capital-gains tax revenue. First, interest rates on bonds in 2008 were much higher than they are now. This allowed for a post-crash resumption of the decades-long bull market in bonds that

continued right up to the pandemic. Substantial capital gains were available in bonds throughout this period. After the superlow interest rates that prevailed during the pandemic, there is nowhere for interest rates to go but up. Falling bond prices will leave little potential for capital gains on sales.

Second, in 2009, inflation wasn't a concern; in 2022 it's at a 40-year high. The Federal Reserve is expected to raise interest rates significantly in 2022—and keep them high until the current inflation is tamed. This isn't a promising economic and financial outlook for capital gains.

We'll know better where we stand by mid-July, when the Monthly Treasury Statement will show income tax receipts through June. It will include "other" income tax receipts including June quarterly estimated income-tax filings with updated capital gains estimates for 2022. A weak quarterly number for "other" will spell doom for capital-gains tax revenue.

Federal and state officials be warned: If you wait until July or later for confirmation that a major source of tax revenue has dried up, you may have waited too long to begin to make necessary budget adjustments.

*Mr. Jahncke is president of the Connecticut-based Townsend Group International LLC.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES &amp; COMPANY

Rupert Murdoch  
Executive Chairman, News Corp

Matt Murray  
Editor in Chief

Robert Thomson  
Chief Executive Officer, News Corp

Almar Latour  
Chief Executive Officer and Publisher

DOW JONES MANAGEMENT:  
Daniel Bernard, Chief Experience Officer;  
Bae M. Cheng, SVP, Barron's Group; David Cho,  
Marron's Editor in Chief; Jason P. Conti, General  
Counsel, Chief Compliance Officer; Dianne DeSevo,  
Chief People Officer; Frank Filippo, EVP, Business  
Information & Services; Robert Hayes, Chief  
Business Officer, New Ventures;  
Aaron Kissel, EVP & General Manager, WSJ;  
Josh Stinchcomb, EVP & Chief Revenue Officer,  
WSJ | Barron's Group; Jennifer Thurman, Chief  
Communications Officer

EDITORIAL AND CORPORATE  
HEADQUARTERS:  
1211 Avenue of the Americas, New York, N.Y., 10036  
Telephone 1-800-DOWJONES

## WORLD NEWS

## China's Economic Distress Grows

Consumer spending, factory output fall due to lockdowns; jobless rate at two-year high

BY STELLA YIFAN XIE

HONG KONG—China's economy descended deeper into a Covid-19-induced doldrums last month, raising questions about whether Beijing's planned stimulus measures can prevent a prolonged downturn.

Consumer spending and factory output tumbled in April, while growth in infrastructure investment—which Beijing has been counting on to prop up growth this year—slowed sharply, China's National Bureau of Statistics reported Monday.

China's headline jobless rate, meantime, surged to a two-year high of 6.1%, further evidence of the economic damage unleashed by the country's strictest pandemic containment measures in more than two years.

While activity could snap back if lockdowns are ultimately lifted, the damage from China's commitment to stamping out outbreaks of Covid-19 is rippling through the economy and lingering. The question now is whether policy makers in the world's second-largest economy will be able to soften the blow with fiscal and monetary policy tools.

China's stimulus measures since the pandemic first exploded have focused on the supply side. Beijing's reluctance to support households directly and its continuing Covid-19 restrictions have sapped the power of consumer



China retail sales in April were down 11.1% from a year earlier, the second straight monthly decline and the biggest contraction since March 2020. Above, shopping at a Wuhan market.

demand to boost the economy, economists say.

Infrastructure spending, another favored tool of Beijing's policy makers that leader Xi Jinping has promoted in recent weeks, may not work as well as it has in the past, owing in part to current debt levels, said Stephen Roach, an economist and Yale University lecturer.

"[China] is facing some extraordinary headwinds that I think its leadership is not responding to effectively," said Mr. Roach, a former chairman of Morgan Stanley Asia.

The hardest-hit sector of China's economy, according to Monday's data, was consumer spending. Retail sales in April were down 11.1% from a year earlier, the second straight monthly decline and the biggest contraction since March 2020.

In Shanghai, the citywide lockdown meant not a single car was sold last month, the Shanghai Automobile Sales Association said Monday.

Covid-19 restrictions could

## 6.1%

Country's headline jobless rate, a two-year high

also be felt in China's manufacturing sector, where struggles to get workers on factory floors, combined with softening overseas demand for Chinese goods, crippled output and disrupted supply chains. Industrial production in April

was down 2.9% from a year earlier, after a 5% gain in March. Output in the automotive sector plunged 43.5% by volume as Covid-19 swept through key production centers in and around Shanghai and in northeastern Jilin province, overcoming efforts by makers including Tesla Inc.—whose Shanghai factory is its largest globally—to keep operations going by having workers live on-site.

Year-over-year growth in fixed-asset investment, including infrastructure and real-estate projects, slowed to 6.8% for the first four months of the year from 9.3% for the first quarter.

The surveyed urban unemployment rate, China's headline measure of joblessness, exceeded the official 5.5% target for the second consecutive month in April, climbing to

6.1%—the highest since February 2020's 6.2%. Joblessness among those ages 16 to 24 rose to 18.2%, the highest level since before the pandemic.

Fu Linghui, an official at China's statistics bureau, said the challenges facing the economy have exceeded expectations, though he expressed optimism that the difficulties would prove to be short-term.

On Monday, Citigroup cut its year-over-year gross domestic product growth forecast for the second quarter to 1.7% from 4.7%, and its full-year forecast to 4.2% from 5.1%.

As the outlook deteriorates, a number of Chinese economists and scholars, speaking at a forum in Beijing on Saturday, called for a more aggressive policy response.

"We've reached a point where we should use policies to save the economy at all costs," said Huang Yiping, an economics professor at Peking University and a former central-bank adviser, according to an official transcript.

Zhaopeng Xing, senior China strategist at investment bank ANZ, said China's economy faces two challenges: The room for monetary easing is narrowing and business and consumer sentiment is deteriorating. A rapid rebound similar to the one that followed Wuhan's lockdown in 2020 is nearly impossible, he said, given the higher transmissibility of the Omicron variant of the coronavirus.

The worsening economic picture wasn't enough to prompt China's central bank to cut its lending rates on Monday, as many economists had expected.

—Grace Zhu and Bingyan Wang contributed to this article.

## U.S. Will Redeploy Troops To Somalia

BY GORDON LUBOLD

WASHINGTON—The U.S. is sending hundreds of troops back to Somalia to combat a growing terrorism threat in the region, U.S. officials said, less than a year and a half after then-President Donald Trump withdrew them from the Horn of Africa nation in one of his last acts before leaving office.

U.S. military officials had requested that the Biden administration redeploy to Somalia the roughly 700 Army Green Berets, Navy SEALs and Marine raiders who left in January 2021, after seeing the threat posed by an al Qaeda affiliate, al-Shabaab, grow.

After months of consideration, White House officials on Monday said that they would redeploy hundreds of troops back into the country on a more or less permanent basis. As before, those troops will train and assist Somali forces to develop intelligence for operations against al-Shabaab.

U.S. forces aren't expected to engage in direct combat with al-Shabaab, though they will defend themselves if necessary, officials said. An official declined to say how many troops would return but said it would be fewer than 500.

U.S. military officials believe a more persistent presence in the country could blunt the growing influence of al-Shabaab, whose capabilities U.S. officials believe have become stronger in the past year or so, and that include brazen attacks inside the country.

On Sunday, Somalia elected a new president, Hassan Sheikh Mohamud, who has served as president in the past. There are hopes that his tenure can help to end some of the political instability that has empowered al-Shabaab.

After Mr. Trump's decision to withdraw U.S. troops, the U.S. forces were sent to Djibouti and Kenya and had made periodic training visits to Somalia. But the limited support to the Somali forces made operations there more perilous, a senior administration official said Monday, and ultimately prompted President Biden to redeploy them directly to the country. The U.S. has quietly been training Somalis to fight al-Shabaab since 2007. The military had opposed Mr. Trump's order to have the troops leave at the time.

A senior U.S. intelligence official said earlier this year that the U.S. had seen a rise in al-Shabaab activities.

## Yellen Lobbies Poland on Global Tax Deal

BY ANDREW DUEHREN

WARSAW—Treasury Secretary Janet Yellen pushed Poland to advance the European Union's implementation of a global minimum tax in a series of meetings Monday, saying that the two sides discussed potentially linking the minimum tax to an overhaul of international taxation authority.

Ms. Yellen met with Polish Prime Minister Mateusz Morawiecki and Finance Minister Magdalena Rzeczkowska as she attempted to unlock Polish support for approving the 15% minimum tax on large multinational corporations. Poland is the one holdout in the 27-member EU for approving the implementation of the deal, which more than 130 countries created in talks last year.

Ms. Yellen said she advised the Polish officials that they would benefit under the plan to set a minimum tax on companies for each country in which they operate.

"We strongly believe it is in the interest of Poland to be part of this. So we've had very good frank discussions," she said, adding that there were "some technical issues that we'll continue to talk to them about, work through."

Poland has pushed for negotiators to first make more progress on a parallel pillar of the international talks: shifting taxation authority away from countries that host multinational companies' headquarters and intellectual property and toward the countries where the companies have customers. Negotiations on that part of the deal are con-



Treasury Secretary Janet Yellen told Polish Prime Minister Mateusz Morawiecki his country would benefit from the tax plan.

tinuing, and votes in Congress likely wouldn't happen until 2023. Meanwhile, the U.S. and many EU countries have pushed to first approve the global minimum tax.

Ms. Yellen said she was open to the possibility of linking the two portions of the deal. Pillar 1 of the deal is the reassignment of taxing authority, and pillar 2 is the global

minimum tax.

A Treasury official said the U.S. doesn't support a legal link between the two deals but is committed to both measures.

"They have wanted to link pillars 1 and 2 in some way, which we're open to discussing but don't think it is practical to have any type of strong link between them," Ms. Yellen said.

Because the minimum-tax agreement would empower nations to collect additional taxes from companies operating in countries that haven't put in place the 15% minimum rate, European approval of the deal could give U.S. lawmakers more assurance of progress and put more pressure on the U.S. to pass its portion into law. Otherwise U.S. companies could be faced with higher taxes, while not generating any revenue for the U.S. government.

## WORLD WATCH

FRANCE

## Macron Appoints New Prime Minister

President Emmanuel Macron of France appointed Elisabeth Borne as prime minister, elevating the first woman in decades to helm a French government and lead his party's charge in the coming parliamentary elections.

The choice of Ms. Borne—a 61-year-old technocrat who previously served as Mr. Macron's labor minister—shows the pro-business president is tacking leftward before voters head to the polls in mid-June to elect members of the National Assembly.

Ms. Borne is the second woman to become prime minister of France after Edith Cresson, who briefly held the office in the early 1990s during the presidency of Socialist leader François Mitterrand. She takes over from Jean Castex, a former member of France's conservative party, who resigned Monday.

"Nothing should hinder the fight for women's place in our society," Ms. Borne said in a short speech.

Five years of pro-business policies—from Mr. Macron's loosening of labor rules to his reduction of unemployment benefits and taxes—have helped the French president secure strong support among conservative voters and the urban elite. But they have alienated middle- and working-class voters who mainly cast ballots for far-left firebrand Jean-Luc Mélenchon and far-right leader Marine Le Pen in the first round of France's presidential elections.

—Noemie Bisserbe



CELEBRATION: Buddhists and tourists release a lantern in Magelang, Central Java, Indonesia, to mark Vesak Day. The holy day celebrates the birth, the enlightenment to nirvana, and the passing of Gautama Buddha, the founder of the religion.

NORTH KOREA

## Fever Cases Surge Amid Covid Outbreak

North Korea reported its biggest daily surge in fever cases during a nationwide outbreak of Covid-19 but didn't respond to a South Korean offer of vaccines even as the North's leader Kim Jong Un berated officials for failing to contain the disease.

At the inter-Korean border, people could be seen walking around villages on the northern

side Monday without face masks and working in groups in fields during the rice planting season, showing how unvaccinated North Korea is far from a strict lockdown that some nations have used to stop the spread of Covid.

Over 390,000 people came down with fever in the 24 hours through Sunday evening, Pyongyang's state media said, bringing the official total to more than 12 million since the first fever cases were reported a week ago. North Korea, which lacks Covid testing equipment, has only confirmed

one person tested positive for the Omicron variant of the virus.

Health experts say that without vaccines and testing capacity, North Korea risks being overwhelmed by a health crisis not seen since the country suffered a famine that killed over a million people in the 1990s. North Korea rejected offers of vaccines before the current outbreak and its population is particularly vulnerable because of widespread malnutrition and the decrepit state of the medical system.

The scale of the outbreak in

North Korea is almost certainly larger than that reported by the country's state media, health experts say. The official death toll among those reporting fever was 50 as of Monday.

At a Politburo meeting on Sunday, Mr. Kim mobilized the military to help ensure basic medical supplies are provided in the capital city. Mr. Kim "strongly criticized the cabinet and public-health sector for their irresponsible work attitude," at the meeting, according to state media.

—Alastair Gale

LEBANON

## Hezbollah, Allies Suffer Losses in Vote

Lebanon's militant Hezbollah group and its allies suffered losses in this weekend's parliamentary elections, with preliminary results Monday showing some vocal opponents picking up more seats and several traditional partners routed out of the legislature.

The biggest winner appeared to be the nationalist Christian Lebanese Forces party led by Samir Geagea, overtaking the Free Patriotic Movement founded by President Michel Aoun as the largest Christian bloc in Parliament. The Lebanese Forces is a strong critic of Iran-backed Hezbollah and has received funding from Saudi Arabia, Iran's regional foe.

FPM, a Hezbollah ally since 2006, suffered a setback, losing several seats.

Meanwhile, independents and newcomers, including those from the 2019 protest movement, scooped up at least 10 seats. That was a major achievement considering they went into the vote fragmented and facing intimidation and threats by entrenched mainstream parties.

Despite the apparent setback, Hezbollah and its main Shiite ally, the Amal group of Parliament Speaker Nabih Berri, are likely to retain the 27 seats allocated to the sect. It wasn't clear, however, whether the Iran-backed group and its allies would hang on to the majority they have held since 2018, when they grabbed 71 of the 128 seats in parliament.

—Associated Press

# BUSINESS & FINANCE

© 2022 Dow Jones & Company. All Rights Reserved.

\*\*\*\*\*

THE WALL STREET JOURNAL.

Tuesday, May 17, 2022 | B1

S&P 4008.01 ▼ 0.39% S&P FIN ▼ 0.78% S&P IT ▼ 0.91% DJ TRANS ▼ 0.84% WSJ \$IDX ▼ 0.18% 2-YR. TREAS. yield 2.568% NIKKEI (Midday) 26601.03 ▲ 0.20% See more at WSJ.com/Markets

## Buffett Buys Stocks as Markets Fall

By AKANE OTANI

The stock market's selloff has been bad news for most investors.

Not for Warren Buffett and his team.

Mr. Buffett's Berkshire Hathaway Inc. has used the slump as an opportunity to increase spending on stocks, deploying tens of billions of dollars the past couple of months after ending 2021 with a near-record cash pile.

The Omaha, Neb., company bought 901,768 shares of Occidental Petroleum Corp. last week, according to a regulatory filing. The move makes Occidental, in which Berkshire began buying shares in late February, one of its 10 biggest holdings.

In the past few months, Berkshire has also boosted its stake in Chevron Corp., placed a merger-arbitrage bet on Activision Blizzard Inc. bought shares of HP Inc., Citigroup Inc. and Ally Financial Inc., and continued adding to its position in Apple Inc., which remained its biggest stockholding.

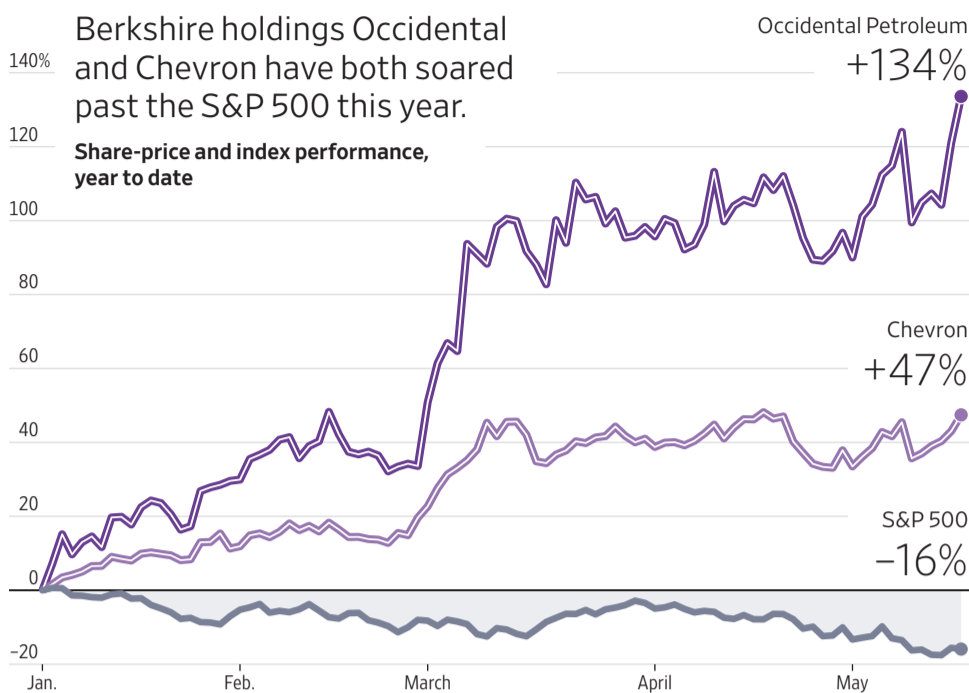
Meanwhile, it exited from its position in Wells Fargo & Co., formerly one of its top stock holdings and a part of the Berkshire portfolio since 1989.

Investors got a look at what Berkshire has been buying and selling when it filed what is known as Form 13-F with the Securities and Exchange Commission on Monday. The SEC requires all institutional investors that manage more than \$100 million to file the form within 45 days of the end of each quarter. Because institutions must disclose their equity holdings on the form, as well as the size and market value of each position, investors often use 13-Fs to gauge how large money managers are playing the stock market.

Mr. Buffett, an adherent of value investing, has long advised that investors "be greedy when others are fearful." That philosophy was likely difficult to practice for much of the past two years, during which investors' mood largely seemed anything but fearful. Now, that the market is slumping, Berkshire is in a prime position to add to its mammoth stock portfolio, investors say.

"Cash is dry powder, and he has a lot of it," said Rupal Bhansali, chief investment officer for global equities at Ariel Investments, of Mr. Buffett. Ms. Bhansali manages Ariel's global mutual

Please turn to page B2



### Berkshire Hathaway's biggest holdings, ranked by market value\*

Apple	\$155.6B	Bank of America	\$41.6B
American Express	\$28.4B	Chevron	\$25.9B

\*Data are as of first quarter 2022

Sources: FactSet (performance); the company (holdings)

## Crypto's Plunge Punishes Alternative Portfolios

By GREGORY ZUCKERMAN

Cryptocurrency prices are moving in lockstep with stocks and bonds like never before, punishing those who bought bitcoin and other digital assets in part to diversify their investment holdings.

The three-month correlation between the cryptocurrencies bitcoin and ether and the major U.S. stock indexes hit its highest level on record last week, according to Dow Jones Market Data. That level, between 0.67 and 0.78, is more than triple the average correlation between crypto and the S&P 500 from 2019 to 2021. A correlation of 1 suggests the markets are moving in lockstep, while 0 says they aren't related. The one- and two-month correlations are at record levels.

The day of that record correlation, bitcoin dropped 10% and the Nasdaq Composite Index fell more than 4%, marking its steepest three-day point decline on record. Though bitcoin and other digital assets have long been viewed as among the riskiest investments in markets, analysts and portfolio managers say the depth of crypto declines this year and their tendency to echo other riskier assets such as stocks potentially could limit their adoption by mainstream investors.

Crypto has "become part of the mainstream financial system, and that's not good for its viability as an alternative asset class," said Richard Craib, who runs a quant hedge fund in San Francisco called Numerai. "It's not serving its original purpose as an uncorrelated asset."

Last week, Mr. Craib sold \$2.5 million of ether, his entire holding of the cryptocurrency, partly because ether has been trading too much like stocks and bonds. He first bought the cryptocurrency in 2014.

For several years, propo-

Please turn to page B5

## Law Mandating Female Directors Blocked

By THEO FRANCIS

A state judge struck down a California law requiring companies in the state appoint female directors, the second legal setback in as many months for efforts to mandate board diversity.

Judge Maureen Duffy-Lewis of the Superior Court of California in Los Angeles ruled that the 2018 law was unconstitutional because it violated the equal-protection clause of the state's constitution, according

to a copy of the verdict.

The California law mandated that public companies with headquarters in the state have at least two or three women on their boards by 2021, depending on the size of the board. Those that didn't faced financial penalties.

The lawsuit challenging the mandate was brought by conservative legal group Judicial Watch on behalf of three California residents. The case, Robin Crest et al. v. Alex Padilla, was defended by the state

attorney general's office. The two sides squared off in front of Judge Duffy-Lewis for the nonjury trial, which concluded in February.

"The plaintiff's evidence is compelling," Judge Duffy-Lewis wrote in her 23-page verdict. She rejected the state's argument that the lawsuit was premature because the government hadn't implemented penalties or threatened prosecution.

The judge agreed with plaintiffs that the law treats similar

board candidates differently based on gender, leaving it to the state to prove that the law meets a compelling public interest, is necessary and is narrowly tailored. "Defendant has not met its burden," she wrote. "The court eviscerated California's unconstitutional gender quota mandate," Judicial Watch President Tom Fitton said.

A spokesman for the office of California Secretary of State Shirley Weber said its counsel was reviewing the verdict.

Last month, another judge in

the same state court struck down a law that required public companies in California to have at least one racially, ethnically or otherwise diverse director by 2021. Judge Terry Green said that law improperly mandated heterogeneous boards and must protect the right of individuals to equal treatment. That lawsuit was also backed by Judicial Watch.

Other litigation challenges a Nasdaq listing requirement approved by the Securities and

Please turn to page B2

## Power Companies Push Older Plants Hard

By KATHERINE BLUNT

As parts of the U.S. face potential electricity shortages this year, power-grid operators around the country are moving to keep old coal- and gas-fired power plants running longer and harder.

The extra mileage being put on these power-plant versions of old clunkers, some of which were set for retirement, has raised concerns that some could break down when needed most. It has also led to complaints from power-plant owners that they should be paid more to ensure that the aging facilities are properly staffed and maintained if they

Please turn to page B2

### INSIDE



#### AVIATION

Ryanair's CEO slams Boeing's sales team and delivery schedule. **B3**

#### HEARD ON THE STREET

Signs of an earnings recession are starting to appear. **B12**

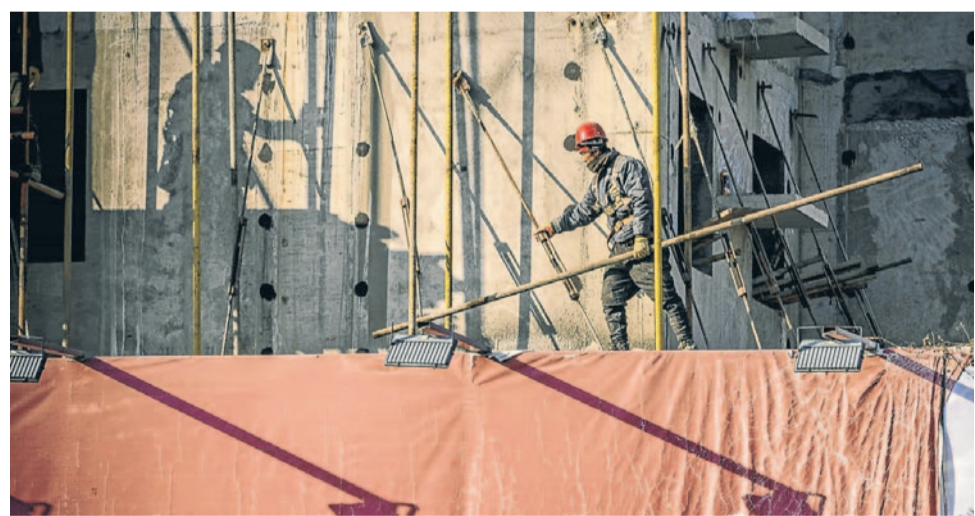
## Asia's Market for Junk Bonds Dries Up

By SERENA NG

Once the place to be for yield-seeking global investors, Asia's junk-bond market has shrunk drastically and new debt issuance has slowed to a trickle.

Less than 18 months ago, the dollar-bond market for non-investment-grade companies from China to Indonesia was booming. It neared \$300 billion in size, thanks in large part to numerous bond sales by Chinese property developers such as China Evergrande Group.

Since then, a spate of defaults and a massive selloff have resulted in big losses for investors, erasing more than \$100 billion in value from one widely watched bond index. The total market value of Asian high-yield bonds—excluding defaulted debt—is now about \$184 billion, according



Developers such as China Evergrande went from boom to default. An Evergrande project in Beijing.

to data from Bloomberg and Barclays Research.

"This is completely unprecedented, especially for Asia credit markets," said Avanti Save, managing director of Asia

credit strategy at Barclays.

Ms. Save said the entire high-yield Chinese property sector was trading as if it were in financial distress; 60% of the bonds of developers

that haven't defaulted are trading at under 40 cents on the dollar.

While investors have recoiled from all manner of risk-

Please turn to page B2

interlake  
MECALUX

MAXIMIZE  
WAREHOUSE  
PRODUCTIVITY  
WITH AUTOMATION

interlakemecalux.com | (877) 632-2589



INDEX TO BUSINESSES

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

Index to Businesses table with columns A-F and P-X listing companies like Abbott Laboratories, Activision Blizzard, Adani, Airbus, etc.

Asian Junk Market Dries Up

Continued from page B1
ier assets this year, including fast-growing technology stocks and U.S. junk bonds, the problems in Asian's high-yield market are distinct and longer-running.

The market's comedown followed years of rapid growth. Chinese corporate borrowers, including real-estate companies such as Evergrande and Kaisa Group, took advantage of low interest rates and funds flowing into the region to raise large amounts of dollar funding.

Money managers including BlackRock Inc., Pacific Investment Management Co. and UBS Asset Management had also promoted the merits of investing in Asian high-yield bonds, favoring the assets for their attractive returns and low historical default rates relative to junk bonds in the U.S. and other parts of the world.

That all changed after Chinese regulators imposed limits on developers' leverage, which forced Evergrande and some of its peers to curb their borrowing activities. Housing sales began to dry up too, and a funding crunch ensued.

Evergrande and Kaisa defaulted on their dollar debt in December, the two largest among more than two dozen Asian high-yield issuers that have defaulted on their international debt since the start of 2021, according to Goldman Sachs data.

Diversity Mandate Is Blocked

Continued from page B1
Exchange Commission in August 2021.

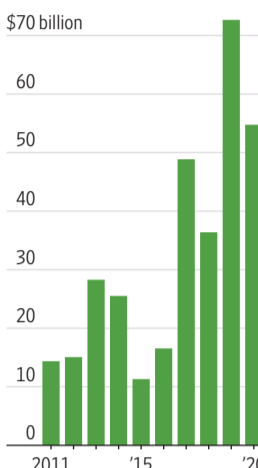
That provision requires companies to disclose board-diversity details and, starting in August, include on their boards at least one director who identifies as female, and starting in

BUSINESS & FINANCE

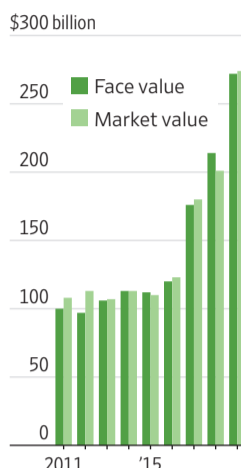


Chinese companies' share of high-yield debt in Asia has fallen off. An Evergrande stadium project.

Asia's corporate high-yield bond issuance\*



Size of Asia's high-yield dollar bond market†



Extra yields that junk bonds offer compared to risk-free debt



\*Excludes Japan; 2022 data is through May 5
†Shows Barclays Emerging Markets Asia USD High Yield Bond Index, which excludes defaulted bonds; 2022 data is as of May 11
‡Data as of May 13

Sources: Dealogic (issuance); Bloomberg, Barclays Research (face and market value); ICE Data Services (spread)

for a similar index for Chinese companies. The broader universe also includes junk-rated sovereign bonds from countries such as Pakistan and Sri Lanka, as well as bonds issued by Asian energy companies and Macau casino operators.

China's junk-bond market a year ago. Now, it makes up a much smaller proportion of the Asia high-yield market. "It's hard to replicate the contribution that China property had," said Sandra Chow, co-head of Asia-Pacific research at debt-research firm CreditSights. She added that more defaults could occur

INDEX TO PEOPLE

Index to People table with columns A-F and G-W listing individuals like Adani, Gautam, Gardner, Mac, Haas, Alesia, etc.

Buffett Buys Amid Selloff

Continued from page B1
fund, which owns Berkshire shares.

Ms. Bhansali, among others, also believes that Berkshire's investments in Chevron and Occidental might reflect a bet that commodities prices will stay elevated for some time.

Energy stocks have been by far the best-performing group in the S&P 500 this year, benefiting from a surge in commodities prices that began after Russia's invasion of Ukraine raised concerns about disruptions to oil and gas supply lines.

"They're clearly owning companies that are likely to be an inflation hedge," Ms. Bhansali said.

Energy stocks also offer

two characteristics that Mr. Buffett has traditionally gravitated toward: low valuations as well as shareholder returns in buybacks and dividends, said Jim Shanahan, senior equity research analyst at Edward Jones.

Dividend-paying stocks have outperformed the S&P 500 this year, in part as investors whipsawed by market volatility have sought out stocks that can offer steady cash returns. "It fits the profile," Mr. Shanahan said of Berkshire's Chevron and Occidental share purchases.

Berkshire also ramped up its purchases of bank stocks, which also tend to trade at relatively low valuations and offer dividends. The company bought 55 million shares of Citigroup in the first quarter, a stake valued at about \$3 billion. The move marks a reversal of sorts for Berkshire: It unloaded much of its bank stocks in 2020, selling Goldman Sachs Group Inc., JP Morgan Chase & Co. and much of its Wells Fargo stake, only to miss out on the financial sector's remarkable rally in the second half of the year and 2021.

"They faced a lot of criticism for not having done more in March and April 2020," Mr. Shanahan said of Berkshire. "But they defended it by saying back then they didn't know how bad it was going to get. It was a different environment."

Watch a Video



Power Companies Push Plants

Continued from page B1
are pressed into service for longer than anticipated.

Grid operators across the country have lately warned that demand for power may soon exceed supply, in part because traditional power plants are retiring more quickly than they can be replaced by renewable energy.

Many fossil-fuel plants are being phased out in states that have adopted aggressive targets to reduce emissions, while others are voluntarily being shut down by their owners because they have struggled to compete against newer facilities and may only be able to sell their output part of the time.

The shortfalls in power generation could lead to rolling blackouts during peak periods such as heat waves, the grid officials say. The threat has led the grid operators to push to keep certain plants online as last-resort measures meant to ensure there are adequate electricity supplies.

Texas grid officials warned on Friday that a tight supply situation was getting tighter going into the weekend, after six power-generating facilities totaling 2,900 megawatts of capacity "tripped offline"



A winter storm in 2021 caused a power outage in Texas.

amid high temperatures. They asked Texans to turn up their thermostats to 78 degrees and avoid using large appliances such as dishwashers between 3 p.m. and 8 p.m. to reduce the strain on the system.

The prospect of supply shortages comes as the U.S. power grid transitions from conventional power plants fueled by coal and natural gas to wind and solar farms, which are among the cleanest and cheapest forms of generation. Replacing conventional plants, which can produce power on demand, presents challenges in part because wind and solar farms generally need large batteries to store their output for use when their production declines.

The difficulty of managing the transition has lately been

worse by extreme heat, wildfires or delays in bringing new power sources online.

The California Independent System Operator, which operates the state's power grid, last year moved to keep several gas-fired power plants from retiring with contracts mandating their availability during times of need. Historically, the grid operator occasionally used such contracts to address local supply needs, but some of the latest ones were meant to help the entire system.

Caiso Chief Operating Officer Mark Rothleder said the grid operator faces challenges in deciding whether to keep relying on older plants, some of which have become less reliable because of their age.

"Some of those resources are frankly just near the end of life," Mr. Rothleder said. "They should be replaced with clean, flexible capacity that you can rely upon, but until then, there is the need to maintain them a bit longer."

Starwood Energy Group, a private-equity firm that funds and develops energy projects, had requested to retire a gas-fired power plant north of Sacramento by the end 2019, but Caiso instead required the company to keep it online. The plant is operating under a one-year contract set to expire at year-end, unless the grid operator moves to extend it.

Himanshu Saxena, the company's chief executive, said it is challenging to plan and fund maintenance work necessary to keep older plants operating.

Advocates for board diversity mandates say they are sometimes the best way to make significant progress in expanding representation among key corporate decision makers.

With or without mandates, companies have been increasing the number of women on their boards in recent years.

Nearly 86% of California-based publicly traded companies had two or more women on their boards at the end of 2021, while 1% included no women on their boards, according to corporate-leadership data provider Equilar.

Among S&P 500 companies nationally, every board included at least one female director, and 96% included two or more, up from 58% a decade earlier, recruiting firm Spencer Stuart found last year in its annual report on corporate boards.

For the most part, companies have increased board gender diversity as they fill vacancies or by adding additional seats.

Women made up 43% of new nonemployee directors last year, Spencer Stuart found. Overall, about 30% of S&P 500 directors were women.

Advertisement for ManhattanLife Medicare Supplement, featuring the Statue of Liberty and the slogan 'Standing By You. Since 1850.'



BUSINESS NEWS

# Boeing Gets Slammed by Ryanair's CEO

Airline executive takes aim at jet maker's sales team and 737 MAX delivery delays

By Benjamin Katz

LONDON—The chief executive of Ryanair Holdings PLC, one of Boeing Co.'s biggest customers, took aim at the plane maker's sales team and its 737 MAX delivery schedule and said the company needed to reboot its commercial-aircraft division.

Michael O'Leary questioned Boeing's pending shift of its headquarters from Chicago to Virginia.

While the move "may be good for the defense side of the business, it doesn't fix the fundamental underlying problems on the civilian aircraft side in Seattle," Mr. O'Leary told analysts on a conference call after

the company's earnings release Monday. "And Seattle needs a reboot. It needs a reboot quickly."

Boeing and rival Airbus SE are often taken to task publicly by their airline customers for delivery delays and quality issues. And Mr. O'Leary, the longtime CEO of the Dublin-based budget carrier, has a reputation for being outspoken in his criticism of both suppliers and regulators.

Still, his broadside against Boeing was unusual in its breadth and expletive-laced ferocity.

"We're a willing customer, but we're struggling with slow deliveries and an inability to do a deal on new aircraft," Mr. O'Leary said, adding: "You wonder what the hell their sales team [has] done for the last two years."

Mr. O'Leary has built Ryanair into Europe's biggest airline by passenger numbers

over almost three decades at the company's helm. He bet big on Boeing early in his tenure, and he has been relying on the 737 MAX to propel the discount carrier's growth as it looks to take market share from incumbent competitors still reeling from the Covid-19 pandemic.

Ryanair said on Monday that it flew 97.1 million customers last year as it continued to recover from the pandemic. The company plans to fly 165 million passengers in the current fiscal year, ahead of the 148.6 million passengers it flew in the year leading up to the pandemic.

Mr. O'Leary said its expansion plans have been impacted by Boeing's failure to deliver aircraft on time. Some aircraft that were due in April, ahead of the start of the peak summer travel season, are now only set to arrive in June, he said. Ryanair cut back its ca-



Ryanair CEO Michael O'Leary

capacity plans by about 600,000 to 800,000 seats in May and June in response to the delays, Mr. O'Leary said.

He said some planes that were built during the nearly two-year grounding of the 737

MAX were still parked, waiting to be delivered to customers. Mr. O'Leary said he recognizes the challenges Boeing currently faces in producing new planes, but added he doesn't understand why the company can't deliver aircraft it has already built and that Boeing hasn't offered any explanation for such delays.

Mr. O'Leary said he has expressed willingness to restart talks for a new order of Boeing's MAX 10, the biggest variant of the 737 family.

Ryanair broke off talks over a large purchase in September, citing price. The plane has yet to be certified, and Mr. O'Leary said there has been no progress on any follow-on deal. Boeing at the time said it was being disciplined in its negotiations and would take decisions that made sense for both the company and its customers.

Ryanair is now looking to

buy or lease 50 secondhand aircraft, Mr. O'Leary said, including considering bringing more Airbus aircraft into its fleet to facilitate growth through the rest of the decade.

"We're looking at second-hand Airbus and 737 aircraft," O'Leary said, adding the current pricing in the used aircraft market was making the option more attractive. "That's if Boeing [doesn't] step up with some additional orders. But at the moment, the Boeing management is running around like headless chickens, not able to sell aircraft."

Mr. O'Leary criticized Boeing for losing other longtime Boeing customers to Airbus, including the U.K.'s Jet2 PLC and Australia's Qantas Airways Ltd.

"They are losing market share hand over fist to Airbus and don't seem to be responding appropriately," the airline executive said.

# Weber Cuts Profit Outlook Again

By Dean Seal

Weber Inc. on Monday cut its profit outlook for the second consecutive quarter and said sales would fall for the year due to global supply-chain disruptions and slowdowns in retail traffic.

The company said the disruptions are making it hard to source products needed to assemble its grills and other products.

At the same time, in-store and online sales traffic slowed down at the beginning of this year as more customers opted to travel more. Unfavorable weather also turned people away from grilling, the company said.

Weber shares closed down less than 1% at \$7.11 after earlier falling more than double digits to a new 52-week low.

The barbecue brand, which went public last August, reported a loss of \$54.5 million, or \$1.02 a share, for the quar-



Andrew Kelly/Reuters

ter ended March 31, compared with a profit of \$69 million in the same period a year earlier.

The total cost of goods rose 8.1% to nearly \$400 million.

Net sales fell 7% to \$607 million amid product shortages. Weber sold fewer items compared with a year ago but made up for some of that decline with higher prices. The

company also took a \$20 million hit from foreign exchange due to the weaker euro, the primary currency for 30% of Weber's business.

The company said it now

Performance since Weber went public last August



Source: FactSet

The barbecue brand said it now expects revenue between \$1.65 billion and \$1.8 billion this year, down from the nearly \$2 billion it hit last year.

For the second quarter in a row, Weber cut its profit outlook as disruptions in the supply chain are driving up costs for raw materials.

It now forecasts adjusted earnings before interest, taxes, depreciation and amortization between \$140 million and \$180 million, down from its previous view of between \$275 million and \$325 million.

# KKR Deal to Yield Windfall For Door-Company Workers

By Miriam Gottfried

Private-equity giant KKR & Co. aims to make big returns for its investors when it sells a company. Its latest deal will also deliver a serious payout for a different type of investor: the company's workers.

KKR said Monday it would sell CHI Overhead Doors to steel producer Nucor Corp. for \$3 billion including debt.

The private-equity firm, which paid more than \$600 million for the garage-door maker in July 2015, is set to make 10 times the equity it put in. It will be KKR's highest-returning U.S. buyout in more than 30 years.

Meanwhile, CHI's hourly employees, including those who build and deliver its doors, will make between \$20,000 and \$800,000 apiece before taxes when the deal closes. In total, employees will get \$360 million, with a substantial majority going to those below the C-suite level.

What happened at CHI is the result of a broad-based stock-ownership program KKR put in place when it bought the business. Employees received stock on top of their regular wages and benefits. No one making less than \$100,000 was allowed to invest any of their own money.

It is a model that KKR rolled out at all of its U.S. industrial holdings and is extending across its buyout portfolio. The effort is spearheaded by Pete Stavros, the firm's co-head of private equity for the Americas. Mr. Stavros believes giving stock to lower-level employees financially elevates working families and creates better alignment among workers, management and shareholders.

He is trying to make that model the norm more broadly, recently launching a nonprofit dedicated to promoting employee ownership.

Based in Arthur, Ill., CHI makes garage doors for residential and commercial use. The company was founded in 1981 and had been through three private-equity owners



CHI Overhead Doors

CHI Overhead Doors employees learned last Wednesday that the company was being sold and they were in line for big payouts.

before KKR bought it.

With a staff of 800, it is by far the largest employer in Arthur, a village of fewer than 3,000 people about three hours south of Chicago. The company draws employees from the surrounding area and has another factory in Terre Haute, Ind.

When KKR bought the company, it told workers they were becoming owners and could make at least \$15,000 each if CHI hit its goals. The payouts would be based on seniority and tenure.

At an event last Wednesday at CHI's headquarters, Mr.

**Hourly workers will make between \$20,000 and \$800,000 each before taxes.**

Stavros stood up in front of a crowd of about 400 employees and said the company was being sold, according to a video of the event viewed by The Wall Street Journal. Employees hired since January would each get \$20,000, he said.

The room erupted in thunderous applause as those who worked at CHI for longer realized they would be receiving significantly more.

"It is life-altering," said Josh Ryan, an assembly-line supervisor at CHI's Arthur factory who has worked for the company since 2016. "I can't explain how much it's going to

change—not just people's lives here—it's going to change this entire community."

When KKR bought CHI, the company had been under private-equity ownership for more than 15 years and the firm had to find new ways to advance the business, according to KKR officials.

It set goals to improve CHI's safety record and reduce steel waste. The company implemented a more efficient manufacturing process, scheduling delivery for orders before they were manufactured and filling trucks so the first delivery was the last one loaded on.

Ownership meant everyone got more of a say. Consultants KKR brought in helped supervisors get better at soliciting and receiving feedback. Truck drivers came forward with ways to make their routes more efficient, and people in the plant recommended more cost-effective ways to buy steel.

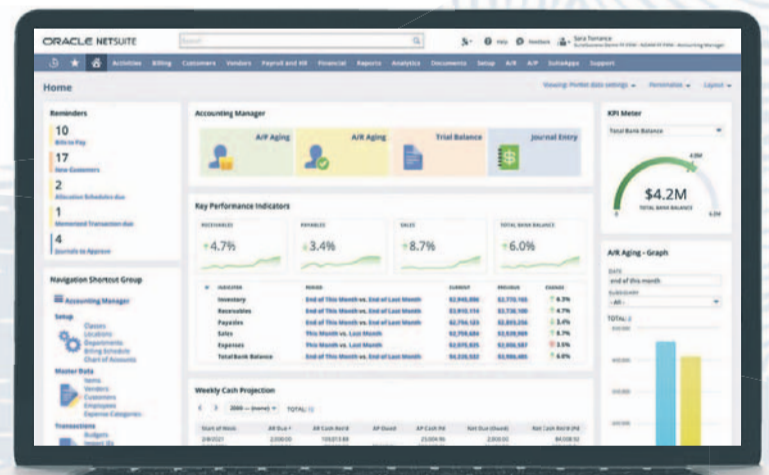
Chief Executive Dave Bangert, who will continue to lead CHI under its new ownership, kept staff abreast of performance metrics so they knew whether they were meeting their goals.

"The broad-based ownership program changed everything," said Chris Jones, a 16-year CHI veteran who serves as director of dealer relations. "Everybody knew they could benefit from their hard work."

Financial performance at CHI improved significantly, with revenue more than doubling and the company's key profit margin climbing to 35% from 21% in 2015.

ORACLE NETSUITE

Business Grows Here



What do 29,000+ of the fastest-growing companies know that you don't?

Scan to find out.



Head to NetSuite.com/WJ

## TECHNOLOGY

## Rivian, Seat Supplier in Dispute

EV maker's lawsuit could affect production of van ordered by Amazon

By RYAN FELTON

Electric-vehicle startup Rivian Automotive Inc. is suing a key supplier of seats, warning that a pricing dispute could affect production of an electric van ordered by Amazon.com Inc.

Rivian in March sued the supplier, Ohio-based Commercial Vehicle Group Inc., accusing it of violating the supply contracts for seats by nearly doubling an initially agreed-upon price per unit, according to records filed with a Michigan court.

Commercial Vehicle Group, a publicly traded auto supplier, denies the claims, saying in court filings that it wasn't contractually obligated to the lower price and raised it only after Rivian submitted multiple engineering and design changes.

Rivian specified in the lawsuit that there is no alternative supplier for the custom-designed seat packages for the electric van and it could take well over a year for it to find another vendor.

Rivian warned that if Commercial Vehicle Group stopped delivering the seats, the EV



Rivian has said it aims to fill the 100,000 electric-van order by Amazon by 2025.

maker would face an imminent shutdown of its van production, which is just launching, according to the documents filed in Wayne County Circuit Court in Detroit. Rivian has an order for 100,000 vans from Amazon, an early investor in the startup holding a roughly 18% stake.

In the lawsuit, Rivian says the parts dispute would specifically affect production of the Amazon-Rivian Prime Van, or RPV as it is known for short. Rivian has said previously it aims to fill the 100,000 van order by 2025, describing Amazon as one of its largest customers.

The legal challenge, which

hasn't been previously reported, comes at a sensitive time for the young car manufacturer as it has encountered other challenges trying to get its factory in Illinois in full swing.

A court docket shows a hearing on motions filed by the two sides is scheduled for Tuesday. An attorney for the supplier, Laura Baucus, said Monday the hearing had been canceled but declined to comment further.

In a joint statement, Rivian and Commercial Vehicle Group said the supplier has continued to provide seats to Rivian and the parties are discussing a resolution.

The California-based startup in mid-March asked a judge in Michigan for an emergency order to require Commercial Vehicle Group to keep making the seats at the lower price, the court records show.

"This is a shakedown, pure and simple," Rivian's attorneys said of the price increase in its legal filings.

Wayne County Circuit Court Judge Brian R. Sullivan granted a temporary emergency order, requiring the supplier to continue providing seats at the initial price while the matter was being litigated.

Disputes between auto mak-

ers and suppliers aren't unusual in the industry, but this legal confrontation could have broader implications for Rivian's business, because Amazon is one of its largest initial customers and the company only last fall began manufacturing vehicles. It also illustrates how quickly supply-chain complications can arise for auto startups attempting to make vehicles for the first time.

Rivian has worked with Amazon to finalize details of the van and has begun producing and delivering them, Chief Executive RJ Scaringe told analysts during a conference call last week. He declined to say how many of the 5,000 total vehicles Rivian has produced since the start of production last fall are vans for Amazon.

"The deliveries that are now happening are going to start to ramp up," he said. "You're going to start to see a lot more of them, hopefully, coming into all of our neighborhoods delivering packages."

Rivian's stock has been under pressure in recent months as executives have detailed obstacles with logistics and getting parts, leading it to a slower-than-anticipated ramp up of factory production. The car company is building two other models at the Illinois assembly plant in addition to the van: an electric pickup and battery-powered sport-utility vehicle.

## Microsoft CEO Vows To Increase Salaries

By AARON TILLEY

Microsoft Corp.'s chief executive is promising to boost employee compensation amid continued low unemployment across the U.S. and high inflation.

Satya Nadella told Microsoft employees Monday that the software maker plans to nearly double its global budget for merit-based salary raises, a person familiar with the announcement said. Mr. Nadella also said the company would increase annual stock compensation at least 25%, the person said.

Microsoft's readiness to spend more on staff follows similar moves by rivals in its core cloud-computing sector. Late last year, Alphabet Inc.'s Google announced a new cash bonus plan that lets employees receive bonuses of nearly any size for nearly any reason. In February, Amazon.com Inc. said it would double its cash-pay cap for employees.

Microsoft has also seen competition for talent elsewhere. Its augmented reality HoloLens team has experienced a large number of employees being poached by Facebook owner Meta Platforms Inc.

For employees with experience building augmented-reality hardware, Meta was willing to double salary for some Microsoft employees, people familiar with the situation said.

More recently, some companies in tech have signaled they were becoming more thrifty. Meta and Twitter Inc., have both said they were pulling back on staff additions and spending.

"This increased investment in our worldwide compensation reflects the ongoing commitment we have to providing a highly competitive experience for our employees," a Microsoft spokeswoman said.

## Marriott Puts Data to Use in Media Venture

By MEGAN GRAHAM

Marriott International Inc. is introducing a media network this month with Yahoo Inc. that will help advertisers target consumers, in part by using the hotel chain's data on its guests, to bring them ads on places such as the hotel's websites and, eventually, on the TV sets in their rooms.

Marriott Media Network comes as the marketing industry is developing new ways to reach consumers amid a wave

of privacy changes, including a plan by Alphabet Inc.'s Google to block third-party cookies in its Chrome browser. Brands and ad sellers are increasingly looking to use "first-party data"—information they collect themselves in the course of direct consumer interactions, instead of taking it from third parties—to target ads.

And a growing range of businesses are building media networks that incorporate their own data on their customers. Walmart Inc. lets ad-

A growing number of businesses are building networks that use their data.

vertisers use its data to send targeted digital ads to shoppers across the web, for example. DoorDash Inc., Kroger Co. and CVS Health Corp. have also been offering advertisers

more ways to reach consumers using retailer data.

Net ad revenues for retail media advertising in the U.S. will grow to more than \$60 billion in 2024 from \$41 billion this year, according to research firm Insider Intelligence. But the space will continue to be dominated by Amazon.com Inc., which is expected to nab 77% of the spend this year.

A media network in the hotel category presents marketers with a different array of

opportunities, the companies said. On the road, travelers need things like ground transportation, personal items they forgot to pack and entertainment during their stay, said Chris Norton, senior vice president of marketing channels and optimization at Marriott International.

"It's really about connecting advertisers that will be able to fill some of those needs in our ecosystem and bring it together in one spot," Mr. Norton said.

THE WALL STREET JOURNAL.

# THE FUTURE OF EVERYTHING:

Exploring Global Innovation by Private Jet

AUGUST 4–27, 2023

888-205-5621 | [natgeoexpeditions.com/wsj](https://natgeoexpeditions.com/wsj)

## Discover What the Future Holds

Join The Wall Street Journal and National Geographic for a once-in-a-lifetime trip to see how the latest advances in science and technology are revolutionizing the global community.

Spanning 10 iconic destinations across three continents, we'll visit historic sites and meet leaders of innovative laboratories—all while traveling alongside archaeologists, editors, photographers and entrepreneurs. From the Pacific to the heart of the Silk Road to Scandinavia, this expedition will give you unprecedented insight into "the future of everything."

Seattle, Washington | Kyoto, Japan | Singapore | Seoul, South Korea | Ulaanbaatar or Gobi, Mongolia | Samarqand, Uzbekistan | Tallinn, Estonia | Helsinki And Lapland, Finland | Reykjavík, Iceland | Washington, D.C.

24 Days from \$99,995\*

Book today and learn more at [natgeoexpeditions.com/wsj](https://natgeoexpeditions.com/wsj) or call 888-205-5621



NATIONAL GEOGRAPHIC EXPEDITIONS

THE WALL STREET JOURNAL.

\* The expedition cost includes transportation by Boeing 757 jet and other conveyance, as noted in the itinerary. Airfare to Seattle, Washington and return from Boston, Massachusetts is not included in the expedition cost. Please note: This trip will be operated by National Geographic Expeditions, on flights operated by Icelandair. © 2022 Dow Jones & Co., Inc. All rights reserved. 6DJ6870



BUSINESS & FINANCE

# India's Adani Group Strikes Cement Deal

By P.R. VENKAT

Billionaire Gautam Adani is betting that India is on the cusp of a multiyear boom in housing and infrastructure construction, striking a deal of up to \$10.5 billion that will turn his conglomerate into the country's second-largest cement producer.

The businessman's **Adani Group** plans to buy control of two Indian-listed cement companies from Switzerland-based **Holcim** Ltd., and is also offering to buy stock in both targets from other shareholders, through what is known as an open offer.

India's cement sector has significant room to grow, Adani Group said in a statement late Sunday, pointing to the country's rapid urbanization.

It said Indian cement use per head, at 242 kilograms, was less than half the global average, and China's total consumption was more than seven times India's.

"Our move into the cement business is yet another validation of our belief in our nation's growth story," Mr. Adani said in the statement.

The company said the deal, if successful, would be the largest-ever takeover in India's infrastructure-and-materials sector.

Holcim said it would receive cash proceeds of about 6.43 billion Swiss francs, equivalent to \$6.42 billion, for selling stakes in its **Ambuja Cements** Ltd. and **ACC** Ltd., which is a subsidiary of Ambuja. Holcim owns 63.2% of Ambuja and a direct stake of roughly 4.5% in ACC.

India will be one of the world's fastest-growing economies this year, as the government spends billions of dollars on building infrastructure, and demand revives as the economic effects of the Covid-19 crisis recede.

# TerraUSD Creator Unveils Revamp

Price of the stablecoin pegged to dollar fell to 11 cents as rescue plan was announced

By PAUL VIGNA

The price of the stablecoin TerraUSD was down sharply on Monday as the cryptocurrency's creator unveiled a plan to rescue the project.

The price of TerraUSD, created to maintain a value equal to a dollar, was down 36% at 11 cents, according to CoinMarketCap. Trading volume over the past 24 hours was less than \$400 million, down from the more than \$5 billion in volume it saw last week.

TerraUSD's market value was down to \$1.3 billion from nearly \$19 billion earlier this year.

TerraUSD had a meltdown last week amid the market selloff, falling well below its \$1 value. The collapse put pressure on bitcoin and other crypto, and erased the value of TerraUSD's sister token, called Luna. As a so-called algorithmic stablecoin, TerraUSD used Luna to keep its value at \$1.

On Monday, Luna traded down 15% at \$0.0002, according to CoinMarketCap. Its market value was about \$1.4 billion on Monday, according to CoinMarketCap. Earlier this year, Luna crested at \$41 billion.

On Monday afternoon, Do Kwon, the token's founder, outlined what he was calling a re-

vival plan for Terra. The crux of the plan involved what is called a "fork" in software terms—basically taking the existing code and starting over with an updated version. The new version would do away with the algorithmic stablecoin, and would distribute 1 billion tokens of a new version of Luna to existing Luna and TerraUSD holders and developers.

Also on Monday, the nonprofit Luna Foundation Guard, which controlled the reserve fund that backed the stablecoin, outlined the remaining reserves left after TerraUSD's collapse. Among its assets, the group has 313 bitcoins, worth about \$9.3 million at current prices. On May 7, it had 80,400 bitcoins, worth roughly \$3.5 billion. The

foundation sold most of the bitcoins to defend the TerraUSD peg, the group said.

Overall, the group said it still had about \$106 million in assets that it will use to compensate remaining holders of TerraUSD, beginning with the smallest holders. It didn't provide specifics on how this compensation might work.

The moves didn't have much of an effect in the wider crypto markets. None of the top 20 cryptocurrencies were on the rise Monday afternoon, according to CoinDesk. Bitcoin fell 1.8% at \$29,737, and ether fell 3.1% to \$2,021.

The downdraft in crypto markets attracted scrutiny from regulators in the Biden administration, who have been

looking to develop policies to govern the asset class.

"The fact that we have this across-market meltdown because of a single stablecoin...should be a lesson for what potentially could happen," Rostin Behnam, head of the Commodity Futures Trading Commission, said in a CNBC interview Monday. He cited the potential for a "knock-on effect to the traditional assets and traditional markets."

Securities and Exchange Commission Chair Gary Gensler warned Monday that crypto markets are "a highly speculative asset class" that lack the disclosures that issuers of equities or debt provide.

—Paul Kiernan contributed to this article.

# Crypto Hits Alternative Portfolios

Continued from page B1

nents of bitcoin, ether and other cryptocurrencies argued that they could serve as "alternative" investments that help offset losses in an investment portfolio, or at least cushion any declines in stocks and bonds. Those arguments, among others, helped persuade more hedge funds and other professional investors to add bitcoin and ether to their portfolios.

Large funds, such as Cathie Wood's ARK Investment Management LLC, and companies including Elon Musk's Tesla Inc. and Michael Saylor's MicroStrategy Inc. have purchased bitcoin, moves that have helped financial markets become more aligned with crypto markets.

Meanwhile, crypto-related companies such as Coinbase Global Inc. have gone public over the past year or so, which has further connected digital trading markets with stocks

and bonds.

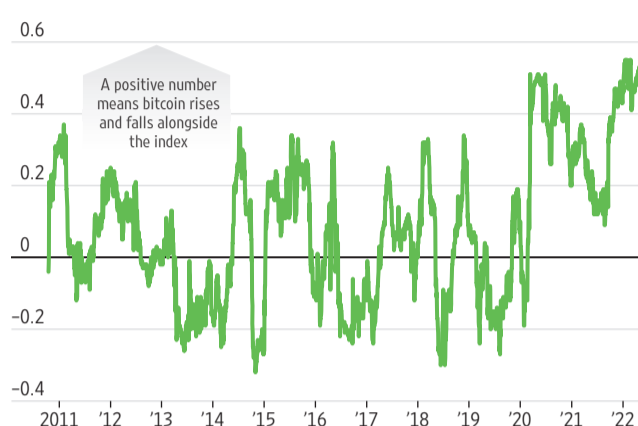
But the 2022 market rout—which has spared little other than commodities whose value has surged at a time of high inflation—has stood that logic on its head.

Traders and analysts say one reason markets are moving in tandem is because so many traditional investors have added digital currencies to their portfolios. As they have suffered from their stock and bond investments in the most recent market rout, some investors have been raising cash by selling crypto. At the same time, weakness in stocks and bonds has reduced the appetite many investors have for crypto.

Last week, Alesia Haas, chief financial officer of crypto brokerage Coinbase, said: "Nasdaq is down, bitcoin is down. And that has led to less and less dollars being put into crypto."

Jeff Dorman, chief investment officer at Arca, a digital-asset investment firm that interacts with large institutions, said digital currencies' 24-hour trading day makes it easy for hedge funds and other investors to place bearish trades as they turn pessimistic on the outlook for markets. He also said some funds have been

Three-month correlation between bitcoin and the S&P 500



Note: Data as of May 13  
Sources: FactSet (S&P 500); Coindesk (bitcoin); Dow Jones Market Data (correlation)

selling digital assets because they don't want to have to explain to more-conservative clients why they are holding these more speculative investments.

"They're selling it to 'window dress' their funds," he said.

Until recently, the institutions and other newer entrants were seen as beneficial to crypto markets. Now, as some of these same investors sell in a tumbling market, the downside to that shift is becoming more apparent, some say.

"Be careful what you wish for with regard to institutional

adoption" of digital currencies, Mr. Dorman said.

Some say the recent moves downward in so many markets are a positive sign. Investors are coming to grips with a new world of higher interest rates, a realization that is necessary for financial markets to find their footing, these analysts say.

"When assets are sold across the board, it is a sign that a large cross set of the market understands there is a larger regime shift and valuation adjustment under way," said Michael O'Rourke, chief market strategist at Jon-

esTrading.

"The market needs to get to a place of widespread acceptance that the 'there is no alternative' environment is over," he said, referencing the common claim during the stock rally of recent years that low rates mean there was no alternative to investing in shares, crypto and other investments with risk.

Until recently, many mainstream analysts ignored the ups and downs of bitcoin, ether and other digital currencies, assuming they were mostly sideshows to the economy and mainstream financial markets. Now, some wonder if troubles in the crypto world might have some impact elsewhere, perhaps as plunging prices weigh on the spending of those who made big bets on the digital currencies or encourage some to trim stockholdings to offset crypto losses.

Mr. O'Rourke argues that for now, stocks are driving cryptocurrencies, with little evidence crypto is having a wider impact on the economy or other markets.

Crypto bulls note that investments of all kinds usually exhibit closer correlations in bear markets, and that these trends usually don't last long.



## WHERE CAN YOU FIND FOOD INNOVATION WORKING TO FEED 10 BILLION PEOPLE?

In Middlesex County, NJ collaborations between local government, private businesses, and world-class academic institutions are developing solutions to some of the largest challenges facing the food industry today.

Find out how a community with one of the world's only food innovation centers, three of the top 10 flavor and fragrance companies, many state-of-the-art distribution hubs, and over 350 million consumers within 150 miles can help your food business thrive.



DiscoverMiddlesex.com/Biz

## 3 carats of diamond dazzle

A CAPTIVATING CLASSIC THAT DESERVES A SPOT IN YOUR COLLECTION

**\$1,195**  
Compare at \$1,995

Sparkling from every angle with 3.00 ct. t.w. round brilliant-cut diamonds in sterling silver, our 16" tennis necklace makes a timeless statement. This gorgeous, graduated design can be dressed up or down – it's guaranteed to make any outfit shine!

Available in 18" \$1,250 and 20" \$1,295  
Also in 18kt gold over sterling silver. Item #918869

# ROSS SIMONS

fabulous jewelry & great prices for 70 years

FREE EXPRESS SHIPPING — ORDER TODAY!

To receive this special offer, use code: **REGAL72**  
1.800.556.7376 or visit [ross-simons.com/regal](http://ross-simons.com/regal)  
Item #917778




How it's done

# Google Workspace



All the tools teams need to  connect,  create and  collaborate.

## How it's done

 81  53  46

Google Workspace takes the tools people are already familiar with — Gmail, Chat, Calendar, Drive, Docs, Sheets, Meet — and brings them together in one simple, intuitive space. So you and your team can connect effortlessly. Create brilliantly. Collaborate seamlessly. Whether you're running a multinational company or organizing weekly band practices, everything you need is always right where it should be.



## How it's done on teams of 10 and 10k

The fastest-growing, most innovative organizations in the world are already running on Google Workspace. It's how sweetgreen is putting sustainability on the menu. How Netflix is transforming Hollywood. How Ms. Kim's class is finalizing their Modernism reports. And how a startup in Des Moines is whiteboarding a thing that might just change the world. Every day, Google Workspace is being used by more than three billion users to show the world how it's done.





ne  68 with

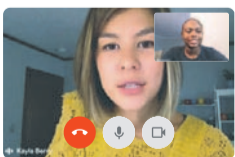
# Workspace



## How it's ~~done~~ always changing

Work is always changing. So Google Workspace has features that help you keep up, no matter how fast things are moving.

Schedule meetings and share documents quicker with intelligent suggestions. Video chat across languages with auto-translated voice captions. And while you're hard at work, we'll keep inventing, so you'll always be ready for whatever comes next.



## How it's done securely

Google Workspace runs on Google's industry-leading security infrastructure. That means your emails, docs, files and devices are safe and secure. Everything is automatically backed up. And each account comes with 2-Step Verification, single sign-on, and advanced phishing and malware protection. So whether you're creating turbine blueprints or a surprise party guest list, you can sleep soundly knowing it's secured by our world-class infrastructure.



## How it's done sustainably 26

Google Workspace runs on the cleanest cloud in the industry. Every email you send, sheet you share, doc you edit and Meet you join has zero net emissions. Businesses that switch to Google Workspace have reported reductions in IT energy use and carbon emissions up to 87% — the kind of impact you can feel good about and proudly tell the world.



## How we do it here too

All 100k+ Google employees — from engineering, to marketing, to the PhDs in the quantum lab — rely on Google Workspace every day. Our scientists leave comments in research docs, and the security team keeps our inboxes clear of spam and



viruses. Google's entire business is riding on it, just like yours. Because no matter the task at hand, when your customers are depending on you, Google Workspace is how it's done.

BIGGEST 1,000 STOCKS

Table of 1,000 largest stocks by market cap, organized by sector (A-M, N-Q, R-S). Columns include Stock, Sym, Close, and Net Chg.

Dividend Changes

Table of dividend changes for various companies, including Company, Symbol, Yld%, Amount, and Payable/Record dates.

ADVERTISEMENT

The Marketplace

To advertise: 800-366-3975 or WSJ.com/classifieds

MOPC AUCTIONS advertisement for the RD-VIAL TRUST, including contact information for Ing. Nelson Maljone.

LEGAL NOTICE advertisement for Celgene Corporation Securities Litigation, detailing the class action and pendency notice.

COMMERCIAL REAL ESTATE advertisement for Florida Investor Alert, listing various properties for sale.

BUSINESS OPPORTUNITIES advertisement for Pawn Shop For Sale in Texas.

BUSINESS OPPORTUNITIES advertisement for Business For Sale By Owner, a turnkey rental business.

BUSINESS OPPORTUNITIES advertisement for Will pay commission for a phone call with America's foremost Corporate Raider.

THE WALL STREET JOURNAL THE MARKETPLACE advertisement with contact information and a small image of the journal.

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

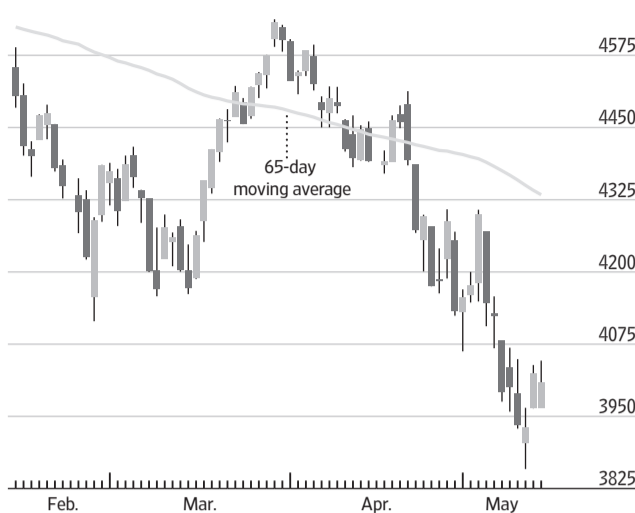
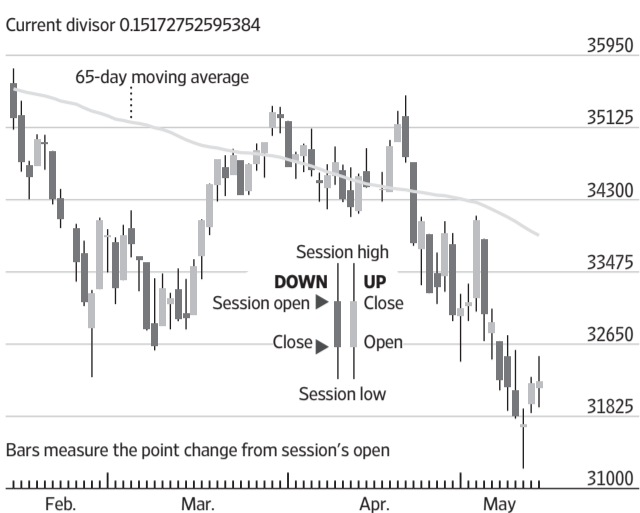
32223.42 ▲26.76, or 0.08%
Last 18.33, Year ago 29.58
Trailing P/E ratio 16.93, P/E estimate 20.63
High, low, open and close for each trading day of the past three months.

S&P 500 Index

4008.01 ▼15.88, or 0.39%
Last 20.48, Year ago 37.04
Trailing P/E ratio 17.45, P/E estimate 22.57
High, low, open and close for each trading day of the past three months.

Nasdaq Composite Index

11662.79 ▼142.21, or 1.20%
Last 26.15, Year ago 35.86
Trailing P/E ratio 22.12, P/E estimate 27.52
High, low, open and close for each trading day of the past three months.



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

Major U.S. Stock-Market Indexes

Table with columns: High, Low, Latest Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, 3-yr. ann. Includes Dow Jones, Nasdaq Stock Market, and S&P.

Table with columns: High, Low, Latest Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, 3-yr. ann. Includes Nasdaq Composite, Nasdaq-100, and S&P.

Table with columns: Index, High, Low, Latest Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, 3-yr. ann. Includes Russell 2000, NYSE Composite, and other indexes.

Sources: FactSet; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges.

Most-active issues in late trading

Table of late trading activity with columns: Company, Symbol, Volume, Last, Net chg, After-Hours % chg, High, Low.

Percentage gainers...

Table of percentage gainers with columns: Company, Symbol, Volume, Last, Net chg, After-Hours % chg, High, Low.

Percentage losers

Table of percentage losers with columns: Company, Symbol, Volume, Last, Net chg, After-Hours % chg, High, Low.

Trading Diary

Table of trading activity with columns: Volume, Advancers, Decliners, Issues traded, Advances, Declines, etc.

Volume, Advancers, Decliners

Table of volume and activity with columns: Total volume, Adv. volume, Decl. volume, etc.

\*Primary market NYSE, NYSE American NYSE Arca only. †(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling.

International Stock Indexes

Table of international stock indexes with columns: Region/Country, Index, Close, Net chg, Latest % chg, YTD % chg.

Percentage Gainers...

Table of percentage gainers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Most Active Stocks

Table of most active stocks with columns: Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

Scan this code to get real-time U.S. stock quotes and track most-active stocks, new highs/lows and mutual funds. Includes QR code and track-the-markets link.

Percentage Losers

Table of percentage losers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Volume Movers Ranked by change from 65-day average

Table of volume movers with columns: Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

CURRENCIES & COMMODITIES

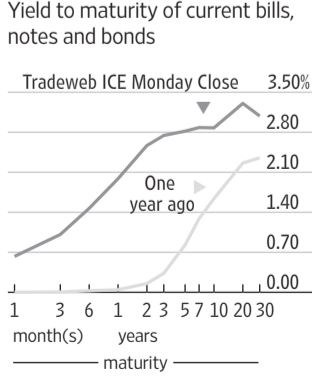
Table of currencies and commodities with columns: Country/currency, Mon YTD chg in US\$, per US\$, US\$ vs. YTD chg per US\$ (%).

CREDIT MARKETS

Consumer Rates and Returns to Investor

Table of consumer rates and returns to investor with columns: Interest rate, Last (Week ago), 52-Week Range (Low High), 3-yr chg (pct pts).

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields with columns: Bond total return index, Close, Yield (%), 52-Week High, Low, Total Return (52-wk, 3-yr).

Commodities

Table of commodities with columns: Commodity, Close, Monday Net chg, % Chg, High, 52-Week Low, % Chg, YTD % chg.

Futures Contracts

Table of futures contracts including Metal & Petroleum Futures, Copper-High (CMX), Gold (CMX), Palladium (NYM), Platinum (NYM), Gasoline-NY RBOB (NYM), Natural Gas (NYM), Agriculture Futures, Corn (CBT), Oats (CBT), Soybeans (CBT), Soybean Meal (CBT), Soybean Oil (CBT), Rough Rice (CBT), Wheat (CBT), Wheat (KC), and Cattle-Feeder (CME).

Table of futures contracts including Cattle-Live (CME), Hogs-Lean (CME), Lumber (CME), Milk (CME), May (CME), Cocoa (ICE-US), Coffee (ICE-US), Sugar-World (ICE-US), Sugar-Domestic (ICE-US), Cotton (ICE-US), Orange Juice (ICE-US), and Ultra Treasury Bonds (CBT).

Table of interest rate futures including Treasury Bonds (CBT), Treasury Notes (CBT), 5 Yr. Treasury Notes (CBT), 2 Yr. Treasury Notes (CBT), 30 Day Federal Funds (CBT), and 10 Yr. Del. Int. Rate Swaps (CBT).

Table of currency futures including Japanese Yen (CME), Canadian Dollar (CME), and Eurodollar (CME).

Cash Prices | wsj.com/market-data/commodities

Monday, May 16, 2022

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table of cash prices for various commodities including Energy, Metals, Gold, per troy oz, Silver, per troy oz, Other metals, and various agricultural products like Iron Ore, Steel, Battery/EV metals, Fibers and Textiles, Grains and Feeds, Food, and Fats and Oils.

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra,Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Sosland Publishing; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 5/13

Source: Dow Jones Market Data

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

May 16, 2022

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table of borrowing benchmarks including Inflation, Policy Rates, Overnight repurchase, U.S. government rates, Discount, Federal funds, and Prime rates.

Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

Table of key interest rates including Federal funds (effective), Commercial paper, Nonfinancial, Financial, Discount window primary credit, Treasury yields at constant maturities, and TIPS.

Notes on data: Federal-funds rate is an average for the seven days ended Wednesday, weighted according to rates on broker trades. Commercial paper rates are discounted after rates interpolated from sales by discounted averages of dealer bid rates on nationally traded certificates of deposit. Discount window primary credit rate is charged for discounts made and advances extended under the Federal Reserve's primary credit discount window program; rate is average for seven days ended Wednesday. Inflation-indexed long-term TIPS average is indexed and is based on the unweighted average bid yields for all TIPS with remaining terms to maturity of 10 years or more.

Sources: Federal Reserve; for additional information on these rate data and their derivation, please see, https://www.federalreserve.gov/datadownload/Build.aspx?rel=H15

Table of index futures including British Pound (CME), Swiss Franc (CME), Australian Dollar (CME), Mexican Peso (CME), and Index Futures (Mini DJ Industrial Average (CBT)).

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table of bond benchmarks showing return on investment and spreads over Treasuries for various bond indices like Broad Market, U.S. Corporate, High Yield, and Global Government.

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. \*\*EMBI Global Index. Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P.Morgan

Global Government Bonds: Mapping Yields

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

Table of global government bonds mapping yields across various countries and maturities, showing yield changes and spreads over U.S. Treasuries.

Source: Tullett Prebon, Tradeweb ICE U.S. Treasury Close

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table of corporate debt investment-grade spreads showing issuer, symbol, coupon, yield, maturity, and spread changes.

...And spreads that widened the most

Table of corporate debt showing issuer, symbol, coupon, yield, maturity, and spread changes for widening spreads.

High-yield issues with the biggest price increases...

Table of high-yield issues showing issuer, symbol, coupon, yield, maturity, and price changes.

...And with the biggest price decreases

Table of high-yield issues showing issuer, symbol, coupon, yield, maturity, and price changes for decreasing prices.

\*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread. Note: Data are for the most active issue of bonds with maturities of two years or more

Source: MarketAxess



MARKETS

S&P, Nasdaq Stumble, but Dow Gains

Decliners include consumer, technology, travel, casino stocks; Spirit jumps on bid

By WILL HORNER AND PAUL VIGNA

Stocks finished mostly lower, extending the market's recent selloff.

The S&P 500 fell 15.88 points, or 0.4%, to 4008.01, and the technology-heavy Nasdaq Composite Index dropped 142.21 points, or 1.2%, to 11662.79.

Even after rallying Friday, the S&P 500 has dropped for six consecutive weeks, its longest weekly losing streak since June 2011.

Among Monday's biggest decliners were shares of travel and casino companies. Expedia Group, Caesars Entertainment and Penn National Gaming all dropped more than 5%.

Investors, worried that the Federal Reserve has been too late to spot the risks from soaring inflation, fear the central bank will move to

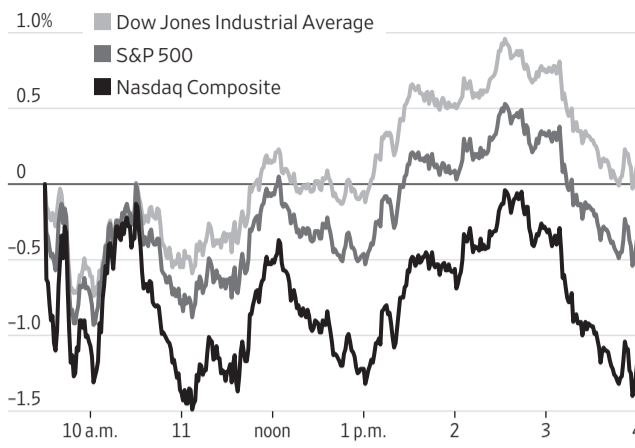
aggressively to fight it, a mistake that could cause a recession.

The resulting selloff, which has been compounded by the war in Ukraine and Covid-19 lockdowns in China, has been broad, affecting most assets from cryptocurrencies and stocks to government bonds, leaving investors unsure of where to seek safety.

"That doesn't mean we won't have counterrallies higher from day to day, but I think this is a long, drawn-out process and it is largely data-driven," he said.

Investors are grappling with so many issues—the Russia-Ukraine war, Federal Reserve policy, inflation, China's economic slowdown—it is hard for them to justify holding any assets for too long, said City Index market

Index performance Monday



Source: FactSet

analyst Fawad Razaqzada. Most fundamentally, he said, investor confidence has been shaken by the selloff.

After Friday's rally, investors hope that at least a temporary bottom has been put in, several analysts said.

From a broader perspective, the changes in monetary policy and the rise in inflation have fundamentally changed the dynamic between stocks and bonds, said Evercore ISI analyst Julian Emanuel.

Stocks can still go up, he said, but because of rising bond yields, the upside for equities will be "truncated" as opposed to "runaway."

Among individual stocks, Twitter shares fell \$3.33, or

8.2%, to \$37.39 after Elon Musk on Saturday said the company's legal team accused him of violating a nondisclosure agreement.

Mr. Musk Friday said that his \$44 billion acquisition of the social-media company was "on hold," sending the company's shares down nearly 10%.

Spirit Airlines jumped \$2.29, or 13%, to \$19.27 after The Wall Street Journal reported that JetBlue Airways plans to launch a hostile takeover of the discount carrier.

McDonald's shares slipped \$1, or 0.4%, to \$24.04 after the company said it would quit Russia and sell its busi-

ness there.

In bond markets, the yield on the benchmark 10-year U.S. Treasury note edged down to 2.877% from 2.932% on Friday.

In commodities, U.S. crude oil jumped 3.4% to \$114.20 a barrel. The U.S. national average price of regular gas at the pump rose to a high of \$4.48 a gallon, according to AAA.

One signal investors are using to gauge a possible bottom is, surprisingly, bitcoin. The cryptocurrency careened last week amid a collapse in the stablecoin TerraUSD and is down about 35% year to date. But as bitcoin has become more tightly attached to the wider capital markets, some investors are using its movement as a gauge of speculative appetite, analysts said.

Bitcoin on Monday fell 3.6% to \$29,880.45.

Overseas, the pan-European Stoxx Europe 600 rose less than 0.1%. In mainland China, major stock indexes fell after weaker-than-expected data showed the economic cost of strict lockdowns imposed to control Covid-19 outbreaks.

The CSI 300 Index, which tracks the 300 largest compa-

nies listed in Shanghai or Shenzhen, fell 0.8%, while the broader Shanghai Composite lost 0.3%. Early Tuesday, the CSI 300 was up 0.8% and Hong Kong's Hang Seng Index was up 2.1%.

"The April economic numbers have confirmed investors' concerns about a China slowdown," said Tai Hui, chief market strategist for Asia at J.P. Morgan Asset Management in Hong Kong.

Still, U.S. markets have already sold off markedly in recent weeks, partly on concerns about Chinese supply-chain disruptions, so the weak data were unlikely to have much impact on broader global markets, he said.

At midday in Tokyo, Japan's Nikkei 225 was up 0.2%. S&P 500 futures were up 0.2%.

—Rebecca Feng

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

Table with columns: Applications, Accepted bids, \* noncomp, \*\* foreign noncomp, Auction price (rate), and columns for 13-Week and 26-Week Treasury bills.

Both issues are dated May 19, 2022. The 13-week bills mature on Aug. 18, 2022; the 26-week bills mature on Nov. 17, 2022.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG—Daily percentage change from the previous trading session.

Table with columns: Stock, 52-Wk % High/Low/Chg, and 52-Wk % Low. Lists various stocks like ANZ, Adara, and AGNC.

Table with columns: Stock, 52-Wk % High/Low/Chg, and 52-Wk % Low. Lists various stocks like Bluebird, Bluescape, and Bredel.

Table with columns: Stock, 52-Wk % High/Low/Chg, and 52-Wk % Low. Lists various stocks like Quotient, RBB Bancorp, and RYB.

Biggest 1,000 Stocks | WSJ.com/stocks

Table with columns: Stock, Net Change, and Stock, Sym, Close, Net Change. Lists top performing stocks like TexasPacLand, Trex, and UnionPacific.

Exchange-Traded Portfolios | WSJ.com/ETFResearch

Table with columns: ETF, Symbol, Closing Price, Chg, YTD, and ETF, Symbol, Closing Price, Chg, YTD. Lists various ETFs like iShares Core S&P 500 and iShares Core Divd Growth.

Mutual Funds

Table with columns: Fund, Net YTD, and Fund, Net YTD. Lists various mutual funds like American Century Ultra and American Funds CI A.

# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## An Earnings Recession Looms

Economic downturns are rare, but periods in which corporate profits fall for at least two consecutive quarters are not

It is too early to start worrying about a recession. Worrying about an earnings recession is a different matter.

Economic recessions don't occur all that often. Since 1948 there have only been a dozen of them, according to the National Bureau of Economic Research's business cycle dating committee (the accepted arbiter of U.S. economic expansions and contractions), and in recent decades they have become less frequent. This isn't to say that the country won't experience another recession eventually, but with the Federal Reserve only recently moving to start tightening policy, and with the job market strong and household balance sheets in good shape, it might not come soon.

Earnings recessions, usually defined as two quarters in a row of corporate profits below their year-earlier level, happen a lot more frequently than economic recessions. By the Commerce Department's measure of after-tax profits, there have been 19 earnings recessions since 1948. Put those profit figures into real, or inflation-adjusted, terms and the num-

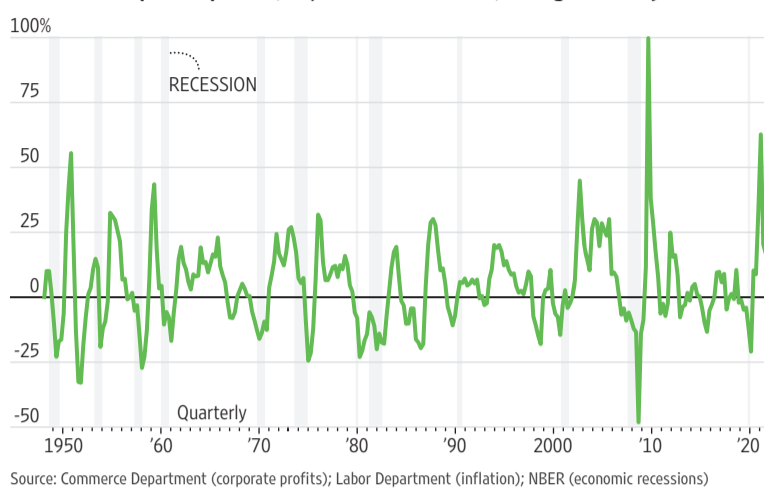
ber of earnings recessions bumps up to 22. Unsurprisingly, many of those earnings recessions were associated with poor stock-market performance.

Analysts think the second quarter will be a rough patch for earnings, but the setback will be only temporary. For companies in the S&P 500, they estimate second-quarter earnings per share will be 5.7% above their year-earlier level, according to Refinitiv. That would probably leave them down in inflation-adjusted terms. Then they expect growth to rebound, with earnings up 10.8% in the third quarter and 10.7% in the fourth.

But considering the environment the S&P 500's constituents are operating in, the earnings outlook might be far worse than analysts expect.

For starters, there is the fact that the economy is slowing from last year's heady pace. In figures released Friday, economists surveyed by the Federal Reserve Bank of Philadelphia forecast real gross domestic product will grow at a 2.4% annual rate through the final three quarters of this year, which is decent but still a big step down

After-tax corporate profits, adjusted for inflation, change from a year earlier



Source: Commerce Department (corporate profits); Labor Department (inflation); NBER (economic recessions)

from last year, when it grew 5.5% per quarter. That is essentially akin to saying that U.S. companies' domestic sales will slow—a development that in conjunction with a tight job market that is increasing companies' labor costs could put pressure on profit margins.

Compounding the problem, the composition of the U.S. economy is changing. The pandemic spurred heady demand for goods—a shift

that played right into the stock market's sweet spot, since far more of the companies in the S&P 500 are in the business of manufacturing and selling goods than in the economy at large.

Companies such as Netflix benefited from consumers hunkering down at home. But now with Covid-19 fears easing, consumption is moving away from many pandemic categories and back toward

services, such as dining out, that are underrepresented in the stock market.

Meanwhile, the economic outlook in many of the countries where U.S. multinationals derive sales is looking even iffier. Russia's invasion of Ukraine is weighing heavily on the economies of many European countries. The big slowdown in China, where Beijing's zero-tolerance strategy for controlling Covid-19 has badly dented growth, is causing ripple effects across Asia and beyond.

What is more, a strengthening dollar could further erode U.S. companies' overseas earnings, since they translate into fewer dollars than before. Versus the currencies of other advanced economies, the dollar is up 12.6% from a year earlier; it was down from year-earlier levels through much of 2021.

An earnings recession wouldn't be nearly as bad as an actual recession, but for investors it wouldn't be much fun—especially if the Fed keeps raising rates. Until it is clear that earnings can really start growing again, the stock market might not be a happy place. —Justin Lahart

## Renault Revamp Is Just Beginning

After years of crisis, French car maker finally has bold responses

Renault has had a terrible few years, culminating in the costly exit from Russia announced Monday. But if this latest crisis finally forces the French car maker—and its backseat-driving government shareholder—to rethink its capital allocation, all might be forgiven.

Renault on Monday said it would sell its roughly 68% stake in AvtoVAZ, Russia's largest auto maker, to a Moscow-backed research center, as well as a wholly owned factory in Moscow to the local government. It will get a symbolic ruble for each asset, The Wall Street Journal reported. It has the option of buying back its AvtoVAZ shares within six years.

The company bet big on Russia under former Chief Executive Officer Carlos Ghosn amid a focus on emerging markets. It ended up taking a controlling stake in AvtoVAZ, maker of the Lada brand, as part of a 2016 bailout when the Russian economy was reeling from low oil prices and a previous round of sanctions. After years of losses, the investment was finally paying off—AvtoVAZ generated about 15% of Renault's total operating profit in 2021—when Russia's invasion of Ukraine made it politically untenable.

Many of Renault's previous problems stemmed from tensions with its global alliance partner Nissan. When Mr. Ghosn was arrested in Japan in 2018, the ties between the two companies that he ran frayed. It still isn't clear exactly what Renault gets from its substantial but noncontrolling 43% stake in Nissan. In some instances, such as the aborted merger with Fiat Chrysler in 2019, the Nissan link has appeared to be a brake on bold thinking.



Renault is valued at a bigger discount to the sum of its parts than most car makers.

Investors therefore value Renault at an even bigger discount to the sum of its parts than they do most car makers. Stripping out the Nissan stake at market value, Renault shares are currently worth \$615 million.

The good news is the company under new Chief Executive Luca de Meo finally seems motivated to address the problem. Last month, Bloomberg reported Renault was considering selling part of its Nissan stake to help fund the transition to electric vehicles. And last week, the company said it was studying the potential for creating new entities for EV and software activities on the one hand and non-French engine and transmission assets on the other. Each of these businesses would have about 10,000 employees out of a Renault total of roughly 110,000 after its exit from Russia.

Plenty of questions remain about how far these deals will go, what purpose they would serve and how they will fit within the al-

liance with Nissan. The Japanese company last week told reporters it needed to better understand the plan. Renault also still seems to be heavily steered by the French government, which owns a 15% stake. Among the few details disclosed were the fact that the EV business (that is, the future) would be in France while the traditional powertrain business (the past) would involve assets outside France.

For all the uncertainty, it is clear Mr. de Meo is serious about shaking up Renault. The main objective would be to prepare the company for a very different future. Whether or not that works, portfolio moves could help to unearth the value buried in the company's rock-bottom stock-market valuation. Mr. de Meo has said he would share more in a strategy day this fall.

Renault has drifted toward irrelevance for investors in recent years, but it might be a good time to start paying closer attention.

—Stephen Wilmot

## India Can't Hang Up On Chinese Smartphones

India and China are in a standoff again, but it isn't at the border. India is investigating Chinese smartphone maker Xiaomi's local subsidiary for alleged illegal royalty payments to foreign entities. Xiaomi denied any wrongdoing and complained to the courts that India's financial crime-fighting agency used threats of physical violence to extract confessions, according to Reuters.

But the high drama conceals significant bilateral dependency on both sides—particularly in the cellphone sector. This latest spat is unlikely to derail a mutually beneficial relationship unless Indian courts take a nakedly political stance against Xiaomi.

The accusations of intimidation, which India's Enforcement Directorate denies, prompted China to come out publicly in support of Xiaomi. China's foreign ministry last week said it hoped India will provide a nondiscriminatory business environment to its companies, carry out investigations in compliance with the law and enhance international investor confidence. The case is pending before the Indian courts.

The latest flare-up in tensions recalls 2020, when the relationship between the two countries deteriorated after a bloody border clash. Since then, India banned more than 300 Chinese apps—including TikTok—and tightened standards for Chinese companies investing in India. But this highly public spat aside, India and Chinese smartphone makers need each other.

Chinese smartphone players have been gaining market share in the country for years, according to Counterpoint data. Despite the Indian government's rhetoric on self-reliance, the border clashes and

recent component shortages, Chinese smartphone companies' share of the Indian market rose to 76% in 2021 from 60% in 2018. Of the top five bestselling smartphone brands in India, four of them are Chinese with Xiaomi being the market leader, holding a 24.9% market share. Samsung is the only non-Chinese brand in the top tier.

Shilpi Jain, a research analyst at Counterpoint, notes that while there was substantial anti-China sentiment in the country in 2020 following the pandemic and the border dispute, Indians slowly returned to Chinese smartphones due to a dearth of affordable alternatives. Samsung, Nokia and some Indian brands lost market share in India over the years to Chinese smartphone makers.

Counterpoint data shows almost all Chinese smartphones sold in India are made in India—a fillip to the Modi's government's goal of fashioning India as an electronics manufacturing hub. Only 0.6% of the 127 million Chinese smartphones sold in India in 2021 were imported.

To be sure, the dependence isn't one way. India is the second-largest smartphone market in the world and much of the potential remains untapped.

India accounted for 17% of global Chinese smartphone shipments in 2021 according to Counterpoint, behind 31% from mainland China. Other Asia-Pacific countries altogether comprised 14% of global shipments for Chinese brands.

Business relations between two countries who have fought a war in the past won't always be easy. But when it comes to smartphones, India and China can't hang up on each other just yet.

—Megha Mandavia

## Largest Company Is a Second-Class Stock

High oil prices are profitable for Saudi Aramco—and even more so for the Saudi government.

The conflicting incentives that kept most international shareholders away from the 2019 initial public offering of Saudi Arabian Oil Co. were on full display in Sunday's strong financial results. Minority shareholders are right to worry that their interests come second to those of the majority-holding state.

Global oil prices at around \$100 a barrel helped Aramco generate \$39.5 billion profit and a 27.2% return on average capital employed in the first quarter. Like its international rivals, it paid dividends, chipped away at debt and offered shareholders a little bonus. Unlike peers, it will significantly increase capital spending—to between \$40 billion and \$50 billion this year from \$31.9 billion last year.

For Aramco's minority shareholders, a Brent price just under

\$100 a barrel represents a sweet spot. The royalty Aramco pays the state on the value of its oil production increases as Brent rises: 15% when oil is under \$70 a barrel, 45% on the marginal value above \$70 and below \$100, and 80% on anything over \$100. So most of the value over \$100 a barrel goes to the Saudi government. Expensive crude increases the risk that users cut back or switch to substitutes, permanently reducing long-term demand.

The financial interest of Saudi's controlling shareholder in keeping prices high may help explain the company's behavior during the energy crisis caused by Russia's invasion of Ukraine. Oil prices have risen and remain twitchy amid fears that the world could lose Russia's substantial exports. As the global swing producer, Aramco can bring benchmarks down, but hasn't. It has a maximum sustain-

able capacity of 12 million barrels a day but produced 10.3 million barrels a day in March, according to Joint Organizations Data Initiative.

Aramco might need time to open the taps, but its 2.7% increase in oil production during the first quarter seems meager. The company increased production to 12 million barrels a day in April 2020 from 9.7 million barrels a day in March 2020 during a standoff with Russia that sent crude prices briefly below zero. Western officials have been lobbying Riyadh to produce more, but Saudi stuck to existing OPEC plans to increase production only slowly. There is a valid risk that Chinese Covid-19 lockdowns reduce global oil demand. However, Aramco's decision keeps prices high, filling the state coffers and avoiding upsetting Moscow, a key partner in maintaining cooperation and discipline within the Organization of the Pe-

Brent crude-oil futures price, continuous contract



Sources: FactSet (futures); Joint Organization Data Initiative database (production)

Saudi Arabia's average oil production, monthly



troleum Exporting Countries.

Aramco shares are up nearly one-third this year, restoring the Saudi company's position as the world's largest public company by market value but trailing the performance of Shell, Exxon Mobil and Chevron. The stock is still relatively expensive, trading at an enterprise value of around eight

times earnings before interest, tax, depreciation and amortization. U.S. rivals change hands for around five times and Europeans for around three times.

Operationally Aramco may be a well-oiled machine, but for any investor other than the Saudi state it remains a slippery prospect.

—Rochelle Toplensky