

## What's News

### Business & Finance

◆ **Prosecutors plan to ask Boeing to plead guilty to deceiving air-safety regulators about a crucial aspect of the 737 MAX planes implicated in two disastrous crashes, wiping out a more-lenient agreement the company received more than three years ago. A1**

◆ **Boeing clinched a deal to buy Spirit AeroSystems, a troubled fuselage maker it split off two decades ago, for \$4.7 billion as the jet manufacturer grapples with production problems. B1**

◆ **China's manufacturing sector stayed in contraction for a second consecutive month in June, underscoring the difficulties the world's second-largest economy faced after Beijing's efforts to resuscitate its property sector. A7**

◆ **Amazon's future growth from its position as a \$2 trillion company will likely be determined by the billions of dollars it has designated to fund its artificial-intelligence ambitions. B1**

◆ **WestJet Airlines, Canada's No. 2 carrier, said it canceled 393 flights from Thursday through Sunday and warned that number could grow after a union representing maintenance engineers went on strike. B3**

◆ **Reynolds American entered a regulatory gray area with the launch of its Sensa no-nicotine vaping devices, which resemble the disposable e-cigarettes popular among U.S. teenagers. B3**

◆ **The cyberattack on software company CDK Global that hobbled U.S. car dealerships highlighted the risks to industries that rely on just a single vendor. B4**



Marine Le Pen celebrates her far-right National Rally party's victory in the first round of French parliamentary elections.

## Far Right Wins First Round Of French Parliament Election

BY NOEMIE BISSEBEE AND STACY MEICHTRY

PARIS—Marine Le Pen's National Rally notched a victory in the first round of parliamentary elections across France on Sunday, according to projections that showed her far-right party moving a step closer to its goal of winning control of the National Assembly and taking the reins of government.

A projection by polling firm Elabe said National Rally and its allies won 33% while the New Popular Front, a coalition

of leftist parties, garnered 29% of ballots. President Emmanuel Macron's pro-business party and its allies were heading for a third-place finish with 22% of the vote, Elabe said.

National Rally is on track to score an unprecedented haul of parliamentary seats when voters return to the ballot box for the July 7 runoff, marking a watershed moment in the history of France's modern Fifth Republic. If National Rally wins a majority in the National Assembly, Macron would face the possibility of sharing power

with the first far-right government since Vichy France during World War II. Macron's presidential term ends in 2027, and he said he won't resign.

Macron placed a massive bet when he called the snap elections, expecting to edge out leftist parties in the first round and force their voters to rally around his party for the runoff as they had in previous national elections. The election, Macron said, would provide France with a means of "clarification" after her forces trounced his in European elec-

tions at the start of June. Now Macron's calculation appears to have backfired, ushering Le Pen and her allies within striking distance of a 289-seat majority in the National Assembly. That would compel Macron to select a prime minister from Le Pen's ranks as Paris is just weeks away from hosting the Summer Olympics.

On Sunday, Le Pen reveled in the thought of her protégé, 28-year-old Jordan Bardella, running the next government. Please turn to page A6

## Biden's Top Allies Urge Party To Stick With Him

Show of support contrasts with private worry after debate performance

WASHINGTON—Top Democratic leaders and donors urged the party on Sunday to stick with President Biden as their nominee, aiming to quell calls for him to step aside as new polling showed voters wary

By Ken Thomas, Siobhan Hughes, Natalie Andrews and Gregory Zuckerman

about his ability to lead after a shaky debate performance last week.

The public show of support for Biden contrasted sharply with private worries among Democratic lawmakers and activists who remain concerned about the president's ability to defeat former President Donald Trump and his ability to serve at age 81. Just over four months from Election Day, Democrats are acknowledging Biden's difficulties while also struggling to formulate any sort of plausible backup plan.

The president, who is 3½ years older than Trump, spent Sunday at Camp David, the presidential retreat in Maryland. Please turn to page A4

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### World-Wide

◆ **Top Democratic leaders and donors urged the party to stick with Biden as their nominee, aiming to quell calls for him to step aside as new polling showed voters wary about his ability to lead after a shaky debate performance last week. A1**

◆ **Nikki Haley, the runner-up to Trump in this year's GOP nomination race, said Democrats need to drop Biden as their presumptive nominee as she reiterated her calls for cognitive testing of all federal candidates. A4**

◆ **Marine Le Pen's National Rally notched a victory in the first round of parliamentary elections across France, according to projections that showed her far-right party moving a step closer to its goal of winning control of the National Assembly and taking the reins of government. A1**

◆ **Thousands of ultra-Orthodox Jewish men protested in the streets of Jerusalem against mandatory military conscription, part of a rekindled debate now roiling the country after Israel's top court ruled that the military must start drafting religious students. A6**

◆ **Some of the Biden administration's top domestic priorities, from cracking down on power-plant pollution to bringing back net neutrality, are on shakier legal footing after a Supreme Court decision shifted power away from federal agencies. A3**

◆ **The monthlong celebration of LGBTQ Pride reached a grand finale, bringing rainbow-laden revelers to the streets for marquee parades in venues that included New York, Chicago and San Francisco. A2**

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## DOJ Seeks Boeing Guilty Plea Connected To Crashes

BY DAVE MICHAELS AND SHARON TERLEP

Prosecutors plan to ask Boeing to plead guilty to deceiving air-safety regulators about a crucial aspect of the 737 MAX planes implicated in two disastrous crashes, wiping out a more lenient agreement the company received more than three years ago.

The company will have until the end of the week to accept the guilty plea or opt to fight the fraud-conspiracy charge in court, according to people familiar with the matter. The government isn't willing to negotiate with Boeing and accept a settlement weaker than the terms it proposed, the people said.

Under the guilty-plea agreement outlined Sunday to families of the crash victims, Boeing would have to agree to hire an outside consultant to monitor its compliance with safety regulations. The company also would pay an additional corporate penalty of about \$243 million.

A guilty plea would seal a legal odyssey that had appeared to be resolved in January 2021, when the company admitted two former employees misled the Federal Aviation Administration and prosecutors gave Boeing a form of corporate probation. That earlier deal was upended in May, when prosecutors said Boeing had violated its requirements, exposing itself to the possibility of a criminal trial on a fraud-conspiracy charge.

Boeing has said it followed the terms of the 2021 agreement.

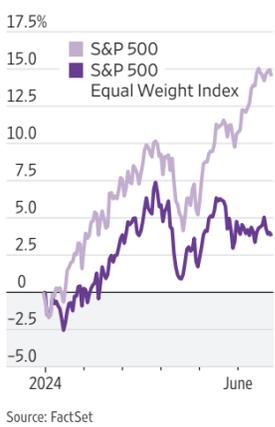
A guilty plea would push Boeing to a legal brink that few

◆ **Boeing set to acquire Spirit for \$4.7 billion..... B1**

## AI Spurs Gap In S&P 500

A handful of big tech stocks are responsible for most of the index's gains. B1

### Index performance



Source: FactSet

## Behind Glitter of Davos, Staff Saw a Toxic Workplace

World Economic Forum faced claims of harassment and bias

BY SHALINI RAMACHANDRAN AND KHADEEJA SAFFAR

A few years ago Klaus Schwab, the octogenarian founder of the World Economic Forum, decided the organization needed a youthful makeover.

So he singled out a group of employees over 50 years old and instructed his human-resources chief to get rid of them all, according to people familiar with the matter. This, he explained, would lower the average age of the workforce. The HR chief, a seasoned former World Bank executive named Paolo Gallo, declined, pointing out that there has to be a reasonable explanation for firing somebody, such as poor performance. Not

long after, Schwab fired Gallo. It wasn't the only example of Schwab engaging in behavior that would violate standard workplace policies of the Forum's leading corporate partners. One episode still making the rounds among staffers is the time in 2017 he tapped a young woman to lead an initiative for startups. She had discovered she was pregnant, and during her first few days on the job went into Schwab's office in Geneva to tell him.

Schwab grew upset that she wouldn't be able to continue working at the same pace, people familiar with the incident said, and told her she wasn't suited for her new lead-

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## Social Media Led Tractor Supply to Exit DEI

BY SARAH NASSAUER

The beginning of the end of Tractor Supply's diversity efforts started on June 6.

That afternoon, Robby Starbuck, a former Hollywood director turned conservative activist, posted a message on the social-media platform X saying, "It's time to expose Tractor Supply."

He laid out a string of complaints about stances taken by the company and its leaders, from a warehouse displaying pride flags to the CEO promoting the Covid-19 vaccine.

The company has conservative shoppers who don't agree, he said. "Let's start buying what we can at other places," said Starbuck, who has about half a million followers on X.

The post spread quickly, and within hours executives began discussing how to quash criticism before the controversy was seized on by conservative media.

Three weeks later, Tractor Supply delivered its decision: Diversity, equity and inclusion at the rural chain were over, including related job roles, and so were some of its environ-

mental initiatives and other causes frequently championed by social progressives.

Starbuck, in an interview, said "we definitely proved a model" of blitzing a company with a primarily conservative customer base.

He intends to target other companies soon, he said.

The effectiveness of Star-

Please turn to page A8

## This Man Traveled 32,000 Miles To Deliver 20 Postcards

Inspired by a 200-year-old tradition, he tracks down recipients. Next stop: Iceland.

BY CLARE ANSBERRY

Jonny Beardmore, a naturally friendly guy, has a novel way to meet more people.

Earlier this year, he loaded up a carry-on bag, left his London home and embarked on a yearlong journey across seven continents with the goal of hand-delivering 50 postcards to their intended recipients. One

was to Steve in Belize from Denise, professing her love. Unfortunately, by the time Beardmore arrived, the couple had broken up.

"We had a grand time though," he says of spending an afternoon and evening with the now-split couple who remain friends.

Beardmore, a consultant, was inspired by a

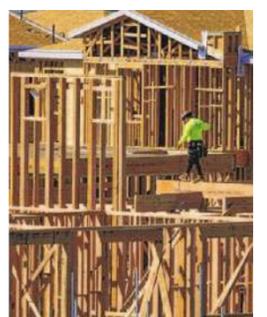


Galapagos mailbox

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Lumber prices have tumbled, flashing a caution signal for the housing market. B1

# U.S. NEWS

THE OUTLOOK | By Nick Timiraos

## Job Market Cools Painlessly, for Now



The pandemic left the U.S. labor market badly overheated. Reopening businesses panicked at labor shortages, paying big raises to hire. As prices shot higher, fears rose of a wage-price spiral.

Recently, though, the labor market has cooled, and indeed, looks like something close to normal. Unemployment has crept up from a half-century low of 3.4% a year ago to 4% in May, consistent with what economists consider full employment. The Labor Department releases June data Friday.

The question now is whether the labor market is in a sustainable equilibrium where unemployment settles out around 4% or keeps softening, resulting in recession—as historically has occurred when unemployment rises much more than it already has.

“This is what the economy looks like when it is at a sustainable simmer,” said Ernie Tedeschi, a former Biden administration economist who is now at Yale University’s Budget Lab. “But because we spend very little time in our economic history close to or at full employment, there is a lot more uncertainty.”

For the Federal Reserve, which of these scenarios prevails is critical. Inflation fell to 2.6% in May, according to the Fed’s preferred gauge, down from 4% one year earlier but still above its 2% goal. It should fall further as the lagged effect of earlier housing-cost increases diminish, but that isn’t guaranteed. Fed officials say they can take their time to cut interest rates so

long as the labor market stays healthy.

On the other hand, there are signs consumer spending has slowed. And if the labor market keeps loosening, it might be hard to stop, which weighs in favor of cutting rates sooner.

“They’re watching a slowdown and at some point, you’re going to want to stop the slowdown from slowing further,” said Jonathan Pingle, chief U.S. economist at UBS.

While it is rare for the labor market to cool without a recession, that is actually what Fed officials said might be possible when they began jacking up interest rates two years ago at the fastest pace in decades to combat high inflation.

Several Fed officials said the labor market was so out of balance, companies might respond to higher rates by scrapping unfilled vacancies rather than laying off employees.

So far, that is what has unfolded. In March 2022, when the Fed began raising interest rates, there were a record two vacancies for every unemployed worker. By April, that had fallen to 1.2, the pre-pandemic rate. This happened almost entirely through falling vacancies rather than rising unemployment. Wage growth and inflation eased at the same time.

The same Fed analysis that predicted this relatively painless inflation slowdown also warned that at some point, it could turn painful. It said unemployment could begin to move up more significantly once the job-vacancy rate fell below 4.5%. In April it was 4.8%, down from 7.4% in March 2022.

The net share of respondents who say jobs are plentiful less those who say jobs are hard to get



Ratio of job openings to unemployed workers



Private-sector workers hired or laid off as a share of total employed, difference from January 2017, seasonally adjusted



Sources: Conference Board (Jobs plentiful vs. hard to get); Labor Department (job vacancies to unemployed worker ratio, private-sector workers hired or laid-off ratio)

“We argued this couldn’t go on forever,” said Fed governor Christopher Waller in January.

Job hiring and quitting rates are back to levels seen 10 and seven years ago, respectively, a sign fewer workers see the opportunity to jump to new, higher-paying jobs. Yet lay-off rates remain low, meaning employers aren’t trying to shed labor.

That makes insured unemployment benefits the best early warning siren for a downturn. Initial claims

have ticked up in recent weeks but are still below their year-earlier levels. If claims rise, the case for a rate cut could come together quickly.

Some say concerns about a slowdown are misplaced because much of the uncertainty that accompanied rising interest rates has dissipated. Recession fears led employers to pull back on hiring and investing, but recent surveys suggest they are more confident in their future revenues, which could support hiring.

“The labor market is coming out of the storm, and

employers are finally able to take a breath and think strategically about the long term,” said Julia Pollak, chief economist at online-employment marketplace ZipRecruiter. “In 2023, they were in a bit of a protective crouch, very worried about over-hiring ahead of a potential recession.”

That said, economists at Goldman Sachs see hints of weakness. A lower share of new entrants to the workforce are finding jobs. Permanent, as opposed to temporary, layoffs are on the rise.

Employment staffing companies report their clients are searching less intensively for workers. “A job opening... a year ago would have been accompanied by a much more active process,” said Julia Coronado, founder of economic-advisory firm MacroPolicy Perspectives.

The Labor Department’s monthly jobs report is based on two surveys that are now sending conflicting messages. Its survey of payrolls of employers shows payrolls have grown by 2.8 million jobs over the past year, 248,000 jobs a month this year. The second, a survey of households used to calculate the unemployment rate, shows unemployment up 216,000 over the past year when jobs are defined similarly.

Historically, once the unemployment rate has drifted up by a half-point from its recent low over the past year, it has gone on to rise a lot more, and the economy is in recession.

Such a rise is typically concentrated initially in industries such as manufacturing and construction that are especially sensitive to the business cycle and interest rates. But the recent increase was broad-based across industries, according to Goldman, and might reflect over-hiring in 2022 after the pandemic.

“This time really may be different. The unemployment rate may be drifting higher because it is settling into its natural rate,” said Tedeschi. By the same token, “the Fed needs to take seriously that while the labor market isn’t deteriorating quickly, it’s not as robust as it might seem on paper.”

### U.S. WATCH



Sunday’s 2024 NYC Pride March wrapped up the celebration of LGBTQ Pride month.

#### NEW YORK Parades Top Off Pride Celebrations

The monthlong celebration of LGBTQ Pride reached its exuberant grand finale on Sunday, bringing rainbow-laden revelers to the streets for marquee parades in New York, Chicago, San Francisco and elsewhere.

The festivities function as both parties and political protests, as participants recognize the community’s gains while also calling attention to recent anti-LGBTQ laws, such as bans on transgender healthcare, passed by some Republican-led states.

This year, tensions over the Israel-Hamas war in Gaza are exposing divisions within a community that is often aligned on political issues.

The first pride march was held in New York City in 1970 to commemorate the one-year anniversary of the Stonewall Inn uprising, a riot that began with a police raid on a Manhattan gay bar.

Additional parades were scheduled in Minneapolis and Seattle.

—Associated Press

#### NEW YORK Teen With Replica Gun Killed by Police

Video released late Saturday showed an officer in upstate New York fatally shooting a 13-year-old boy who had been tackled to the ground after he ran from police and pointed a replica handgun at them.

The teen was killed a little after 10 p.m. on Friday in Utica after officers stopped two youths in connection with an armed robbery investigation, police said.

“During a ground struggle” with the teen, one of the officers fired a single shot that struck the boy in the chest, Utica Police Chief Mark Williams said. The other youth was detained in the back of a police vehicle and wasn’t involved in the shooting.

The youths matched the descriptions of the robbery suspects, police said.

The police department is conducting an internal investigation. The state attorney general will open its own case to determine if the shooting was justified.

—Associated Press

#### ARIZONA Fire Evacuation Orders Are Lifted

Evacuation orders in Arizona have been lifted for some residents of northeast Scottsdale, days after they were forced from their homes by a wildfire, authorities said Sunday.

The Boulder View Fire was 19% contained on Sunday after charring nearly 6 square miles on the cusp of the Boulder Heights subdivision since Thursday. About 60 homes were evacuated Friday. No injuries have been reported and no structures have been damaged. The cause of the fire remains under investigation, authorities said.

Maricopa County Department of Emergency Management officials said evacuations were lowered from “GO” to “SET” status Saturday evening for some displaced residents.

Tiffany Davila, a spokesperson for the Arizona Department of Forestry and Fire Management, said nearly 270 firefighters were battling the wildfire in triple-digit heat on Sunday.

—Associated Press

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## DOJ Seeks Boeing Guilty Plea

Continued from Page One

major public companies have faced: the risk of being convicted of a felony crime, which could hurt its ability to win contracting work for the federal government. Companies with felony convictions face the prospect of being suspended or barred as defense contractors, but they can seek a waiver from that consequence.

Some family members of the crash victims are deeply disappointed in the terms outlined by prosecutors Sunday and want Boeing to face manslaughter charges, said Mark Lindquist, an attorney who represented 47 families of people killed in the October 2018 Lion Air crash.

They were also upset that Boeing gets to propose the firm that would be its compliance monitor, although prosecutors can reject the pick.

“Many family members feel

like it’s a sweetheart deal, but it’s a serious step up in accountability from the original” settlement, Lindquist said.

The families have fought the earlier settlement prosecutors gave Boeing in 2021, when it obtained a form of corporate probation that was supposed to last three years. The families said they should have been told in advance of that deal because they were representatives of crime victims. A federal judge who presided over the settlement agreed with them in 2022 but declined to reopen the settlement.

The Justice Department said Boeing violated its earlier settlement by failing to maintain a compliance program designed to detect violations of the antifraud laws. Prosecutors haven’t disclosed what other illegal conduct Boeing should have detected and prevented or how its compliance programs otherwise fell short.

But in January, just as Boeing’s original three-year deal was about to end, a fuselage panel blew off an Alaska Airlines 737 MAX, the same type of jet involved in the earlier accidents. The accident triggered a new criminal investigation and sparked fresh wor-

ries about the safety culture that Boeing was supposed to have fixed.

The company also recently told regulators that its employees might have skipped some inspections on 787 Dreamliner jets and falsified records.

Paul Cassell, an attorney and law professor at the University of Utah who represents relatives of 737 MAX crash victims, said that his clients

would “strenuously object to this plea deal.” Cassell has worked on a pro bono basis to help the families challenge the original settlement, which they argued was too weak and struck in the final days of the Trump administration.

The admissions that Boeing made in 2021 over its employees’ misconduct were carefully negotiated with prosecutors, Cassell said. That charging document didn’t pin responsi-

bility for the crashes on Boeing. Instead, it said that two former employees had misled the FAA about aspects of the 737 MAX that played a role in the two crashes.

“The families wanted Boeing to be held accountable for the killing of their loved ones and this deal by design avoids that responsibility being pinned on Boeing,” he said.

Javier de Luis, whose sister died in the second MAX crash in Ethiopia, said the plea described to families on Sunday would have no more of an impact on Boeing than the original one. “We are disgusted by the DOJ today,” said de Luis.

De Luis, who was part of an independent panel that conducted a review of the company’s safety practices, also said the financial penalty is far too low. The fine that Boeing is being asked to pay is tied to the original finding that its management wasn’t involved in the wrongdoing.

“It’s a totally ridiculous number for a company that pays their failed CEOs tens of millions of dollars to go away,” he said.

—Andrew Tangel contributed to this article.



A conviction of a felony crime could hurt Boeing’s ability to win contracting work from the federal government.

**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, N.Y. 10036  
Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, N.Y., and other mailing offices. Regular one-year U.S. subscription rates: print/digital edition Monday-Saturday: \$714.87; Weekend: \$532.87.  
Postmaster: Send address changes to The Wall Street Journal, 200 Burnetts Rd., Chicago, IL 60620.  
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U.S. NEWS



# Men Step Up, Join Battle for Abortion Rights

Pro-choice women get help in Florida, where the issue is on November ballot

By SCOTT CALVERT

ORLANDO, Fla.—A push to boost the ranks of men fighting for abortion rights picked up a fresh recruit in a driveway here the other day, some four months before Florida voters will decide whether to add abortion rights to their constitution and effectively scrap the state’s six-week ban.

The pitch came from Ethan Temple, an earnest 20-year-old promoting the amendment in shirt-soaking humidity. More guys need to get “off the sidelines,” such as by knocking on doors and rallying in support of bodily autonomy, he told Jordan Gulbranson, a web designer returning from a bagel run.

Gulbranson, 29, said he was keen to step up. The self-described pro-choice Democrat has wanted to become involved in local politics since moving to town with his wife last year. With abortion access on the line, he said, “the stakes are incredibly high.”

Nationwide there are signs that abortion, long seen primarily as a women’s issue, has growing importance in how men vote since the Supreme Court, overturning *Roe v. Wade*, ended a federal right to the procedure in 2022, prompting strict limits in over a dozen states.

Temple’s group, Men4Choice, seeks to parlay that support into activism in Florida and elsewhere.

A February Wall Street Journal poll found 55% of male U.S. voters think abortion should be legal in all cases or with some restrictions, up from 51% in March 2022. Women’s support rose from 58% to 66%.

Though the change in male voter attitudes is within the margin of error at a 95% confidence level, Democratic pollster Michael Bocian said men regularly cite abortion rights as a defining issue.

“I see this in focus groups all the time,” said Bocian, who conducts Journal surveys with Republican David Lee. “You’ll have a couple men saying, ‘I don’t believe government should be telling women what to do with their bodies.’ That never came up before *Dobbs*.”

## Wider implications

The trend has implications for the presidential election and ballot measures in several states. Florida’s proposed amendment would protect abortion access until fetal viability—around 23 weeks—or when medically necessary. Before the six-week ban took effect in May, Florida law barred most abortions after 15 weeks.

Bocian said while voters typically list abortion as a midtier concern, a March Journal survey of voters in seven battleground states found 14% of men said they wouldn’t vote for a candidate who disagreed

with them on the issue.

Nate Maier of Waukesha, Wis., is one such voter. The libertarian-minded centrist said abortion is his top concern due to his wife’s elevated risk of ectopic pregnancy, which could require surgery to end the pregnancy. Abortion is accessible in Wisconsin but has been in legal flux in recent years. Maier fears his wife having to leave the state for care.

“That is not a place I’d ever want to be in,” said Maier, 31, a father of two who works in finance. Before Thursday’s debate, he said he would vote for President Biden because former President Donald Trump’s Supreme Court picks helped

overturn *Roe*, though he saw both men as “bad options.” Now, he says, he hopes to see Biden replaced on the ticket but would still vote Democratic if the election were tomorrow.

In Florida, changing the state constitution requires a 60% supermajority. “We need men, plain and simple,” said Natasha Sutherland of Floridians Protecting Freedom, the coalition leading “Yes on 4.”

The group works alongside Men4Choice, which calls Florida its No. 1 priority this year and collected petitions before a University of Miami football game to help put the measure on the ballot. Temple is among 100 young men in Florida who

have completed a 10-week training that involves engaging male peers in “deep conversation,” says Men4Choice, founded in Illinois.

## Get guys to show up

“The whole point of our organization is to get guys who are passively pro-choice but would not speak up, show up, donate—to get them to do those things,” said Florida-based Deputy Executive Director Aaron Bos-Lun. “It isn’t the role of men to be dictating when it comes to reproductive freedom.”

Referendum opponent Jim Radloff, a lawyer and board

member of the Women’s Help Center in Jacksonville, said Men4Choice is “mansplaining” to women about “what’s best” for them.

“Our campaign is focused on informing ALL Floridians that Amendment 4 is deceptive and extreme,” said Taryn Fenske of Florida Voters Against Extremism, a key opponent to the measure. She cited wording she said would enable non-physician clinical staff to approve later abortions, and eliminate a parental-consent requirement for minors.

Sutherland rejects that, saying Amendment 4 would empower patient-doctor decisions. She pointed to amendment language she said preserved parental rights.

One recent Saturday, Yes on 4 campaigners held events statewide. In Orlando, about 30 volunteers gathered at a church east of downtown before door-knocking likely supporters. A key aim: ensure voters knew the proposed amendment is on the ballot.

Men present included Temple and another college student in blue Men4Choice shirts, along with Gabriel Gomez, youth organizer for the pro-amendment campaign. Gomez, 25, traces his support for abortion rights to being the son of Mexican immigrants and seeing disparate treatment of certain groups in America.

“We’re giving men the information and the language they need to help advocate to other men,” Gomez said.

# Supreme Court Puts Some Biden Priorities on Shakier Ground

By JAN WOLFE

WASHINGTON—Some of the Biden administration’s top domestic priorities, from cracking down on power-plant pollution to bringing back net neutrality, are on shakier legal footing after a Supreme Court decision on Friday shifted power away from federal agencies.

“It’s hard to overstate the impact that this ruling could have on the regulatory landscape in the United States going forward,” said Leah Malone, a lawyer at Simpson Thacher & Bartlett. “This could really bind U.S. agencies in their efforts to write new rules.”

In a 6-3 decision written by Chief Justice John Roberts, the court abandoned a legal doctrine called *Chevron* deference, which has long helped federal agencies defend their regulations in court when challenged by industry groups.

The doctrine, created by the high court in a 1984 case, stood for the idea that judges should defer to executive-branch agencies when it comes to interpreting gaps and ambiguities in laws they implement, so long as those interpretations are reasonable. Roberts said time has shown that approach was “fundamentally misguided,” and he instructed lower courts to “exercise their independent judgment in deciding whether an agency has acted within its statutory authority.”

The ruling was widely expected by many in the legal community, including regulators, who in recent years have relied less on *Chevron* deference to defend their policies. But the decision still marks a



Demonstrators in favor of so-called net-neutrality provisions protested in Boston in late 2017.

turning point, said Daniel Jarcho, a lawyer at Alston & Bird.

“The court’s decision will unquestionably lead to more litigation challenging federal agency actions, and more losses for federal agencies,” Jarcho said.

## Net neutrality

Now that *Chevron* deference is gone, the Federal Communications Commission is expected to have a harder time reviving net neutrality—a set of policies barring internet-ser-

vice providers from assigning priority to certain web traffic.

Net-neutrality provisions introduced during the Obama administration were scrapped during the Trump presidency. But in April the Biden administration said they were coming back.

To do that, the FCC reclassified internet providers as public utilities under the Communications Act. There are pending court cases challenging the FCC’s reinterpretation of that 1934 law, and the demise of *Chevron* deference in-

creases the likelihood of the agency losing in court, some legal experts said.

“*Chevron*’s thumb on the scale in favor of the agencies was crucial to their chances of success,” said Geoffrey Manne, president of the International Center for Law and Economics. “Now that that’s gone, their claims are significantly weaker.”

## Noncompete deals

The Federal Trade Commission, for its part, might struggle

to defend its ambitious ban on noncompete contracts in court. That rule, which would take effect in September, prevents employers from using noncompete agreements to prevent workers from joining rival firms.

There are unsettled questions about whether the FTC Act—the law from 1914 creating the agency—gave it the authority to issue such broad competition rules. For much of its history, the FTC chose not to claim that it was granted such power by Congress.

“The Supreme Court’s decision overruling *Chevron* makes it more likely that courts could curtail the FTC’s recent attempts to expand its authority to regulate and bring enforcement actions against ‘unfair methods of competition,’” said Ryan Quillian, a former FTC lawyer now at the firm Covington & Burling.

## Clean-energy rule

The ruling also spells trouble for the Environmental Protection Agency, which has been trying to reduce pollution from coal-powered plants.

In 2022, an EPA plan to cap power-plant emissions was struck down by the Supreme Court. That decision said the EPA lacked authority to mandate a national shift to clean energy sources but left open the door to other regulatory approaches.

Undeterred, the agency completed new rules in April—known as the Clean Power Plan 2.0. The agency has said it is confident its new approach, which mandates emission reductions at individual power plants, is on solid legal ground.

But that is far from a sure thing now that *Chevron* deference is gone, said Michael Drysdale, an environmental lawyer at Dorsey & Whitney.

A coalition of 25 Republican-led states filed a lawsuit in May to block the latest Biden plan from going into effect. That case is pending before a federal court.

“The plan was already going to be facing some uphill challenges, given the history of that litigation,” Drysdale said.

U.S. NEWS

# Biden Allies Show Their Support

Continued from Page One  
land, where he was joined by first lady Jill Biden and family members who frequently counsel him on consequential political decisions. Members of Biden's family urged him to keep going with his re-election campaign during informal discussions at a gathering Sunday, according to people familiar with the conversations. One of the people said the family offered a united front and there was a strong consensus for him to continue on.

New Jersey Gov. Phil Murphy, a Democrat who hosted Biden at a fundraiser at his home this weekend, said in an interview Sunday that the president was "very forthright" that he had a bad debate in their one-on-one conversation. But he said there was "no evidence at all that they are going anywhere."

Biden, the nation's oldest president, has said he is staying in the race. He was backed in televised interviews Sunday by prominent Democratic figures including former House Speaker Nancy Pelosi of California, Sen. Raphael Warnock of Georgia and Gov. Wes Moore of Maryland.

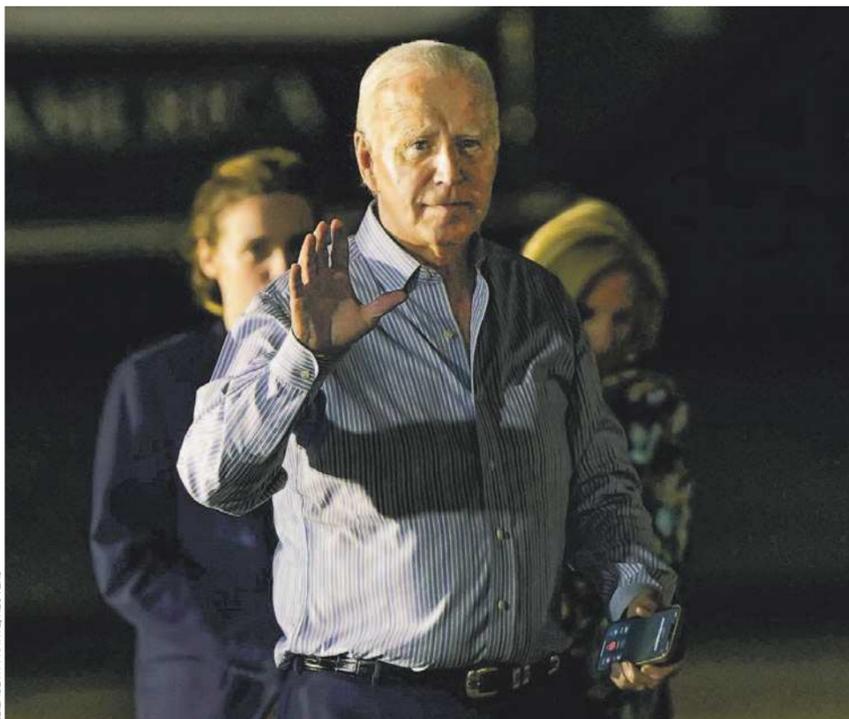
Pelosi said Biden had a bad night but that he remains sharp and his record paints a contrast with a potential second Trump term.

"We see Joe Biden up close. We know how attuned he is to the issues, how informed he is," she said on CNN.

## Donors staying firm

Over the weekend, some of the biggest Democratic donors in the financial world sent word to the Biden campaign that they would continue to back the president, and that they had little appetite to explore alternative candidates.

More than 200 people attended a fundraising event on Saturday at the East Hampton, N.Y., home of Barry Rosenstein, the founder of New York hedge fund Jana Partners. In an email, Rosenstein said 80 to



President Biden with family members on Saturday in Burlington County, N.J.

100 people originally were expected at the event, and that it "exceeded all of the campaign's fundraising goals at every donor level."

"Donors are not leaving Biden," said Anthony Scaramucci, the financier and former Trump adviser who now supports Biden and attended the event.

"I understand the concern about the debate—I get it," Biden said at the Rosenstein event. "I didn't have a great night," he said, but added: "Voters had a different reaction than the pundits."

Biden's campaign said it had raised more than \$33 million since Thursday, including \$26 million from grassroots donations.

Behind the scenes, party officials continued to assess the fallout of Biden's debate performance and what it might mean for the November election. Democrats are competing in a difficult Senate map and face long odds in defending their majority, while the party has been bullish on recapturing the House from Republicans. But a weakened Biden could put all of those plans into doubt.

## Frantic talks

Democratic senators were in frantic conversations, with

some trying to figure out who—or whether anyone—from their ranks could intervene to persuade Biden to drop out of the race, according to people familiar with the matter. The names that circulated most frequently were Sen. Chris Coons (D., Del.), a confidant of Biden, and former Sen. Ted Kaufman, who served as Biden's chief of staff in the Senate and was appointed to his seat after Biden became vice president.

The delegates won by Biden during the Democratic primaries are pledged to him at the party's August convention in Chicago. Party rules say those delegates should support Biden unless he drops out and releases them—something Biden has shown no indication of doing. His campaign has said he isn't dropping out.

But any Biden exit also comes with political peril. A collapse at the top of the ticket could filter down to the roughly half-dozen races in which Democratic-held seats—and thus control of the Senate—were at risk of falling into Republican hands.

A second concern was whether a change in the party's presidential nominee would cripple Democrats' hopes of defeating Trump, and the ques-

tion of whether to back Vice President Kamala Harris as an alternative.

Democrats are mindful of Harris's poor poll numbers but also have deep worries about alienating a key part of their coalition if they passed over a Black woman who has the full-throated support of the Congressional Black Caucus.

## Poll shows doubts

A poll released Sunday showed growing doubts among voters about Biden's candidacy. The poll, conducted by CBS News and YouGov on Friday and Saturday following the debate, found that 28% of registered voters said Biden should be running for president, while 72% said he should not. Those numbers showed a deterioration from February, when a CBS News poll found that 37% said he should run.

Among Democratic registered voters, 54% said Biden should be running for president, and 46% said he should not.

The poll also found that only 27% of registered voters said Biden had the mental and cognitive health to serve as president, while 72% said he doesn't. By contrast, 50% said Trump had the mental and

cognitive health to serve, while 49% said he didn't.

Asked about the CBS poll's findings, Molly Murphy, a Biden campaign pollster, said Biden could "absolutely" win the race despite those numbers.

"What we also see is that on the most consequential question that we ask voters, who are you going to vote for between Joe Biden and Donald Trump, that is where you continue to see voters saying they are supporting the president," Murphy said on MSNBC.

Top House Democrats huddled on Friday to discuss their concerns about Biden's debate and how it could affect House races, according to three people familiar with the meeting. The meeting included Democratic Leader Hakeem Jeffries of New York, Whip Katherine Clark of Massachusetts, Caucus Chair Pete Aguilar of California and Suzan DelBene of Washington, the head of the House Democrats' campaign arm.

Separately, Rep. Jim Clyburn (D., S.C.), who was in leadership until earlier this year and was instrumental in getting Biden elected in 2020, has also expressed concern about the debate performance and how it could affect the election, people familiar with the matter said.

In public, he expressed full support for Biden, saying on CNN that the president "should stay in this race. He should demonstrate going forward his capacity to lead the country."

Jeffries, on MSNBC, said the debate was a setback for Biden but added, "I believe a setback is nothing more than a setup for a comeback."

James Zogby, who has been on the Democratic National Committee for three decades, said he believed the party should open up its nominating process to find a new candidate. As head of the Arab-American Institute, Zogby has been critical of Biden's stance on the war in Gaza.

"We have to have some sense of—some imagination, some courage," he said. "If Joe Biden were to step down and we were to put in place a process that was open and transparent—and that would energize delegates—he would be seen as the gracious warrior."

—Alan Cullison and Jimmy Vielkind contributed to this article.

# Haley Calls For New Democratic Candidate

By JOHN MCCORMICK

Nikki Haley, the runner-up to Donald Trump in this year's GOP nomination race, said Democrats need to dump President Biden as their presumptive nominee following his halting debate performance as she reiterated her calls for cognitive testing of all federal candidates.

But the former South Carolina governor, in a Wall Street Journal interview, said Republicans shouldn't assume replacing Biden would inherently help Trump.

"They are going to be smart about it: They're going to bring somebody younger, they're going to bring somebody vibrant, they're going to bring somebody tested," she said. "This is a time for Republicans to prepare and get ready for what's to come because there is no way that there will be a surviving Democratic Party if they allow Joe Biden to continue to be the candidate."

Haley also said she spoke about a week ago with Trump



Nikki Haley

for the first time since she left the race in early March.

The two had a highly combative relationship during the first two months of the year, but Haley said she reached out to Trump to personally offer her support after stating during a public appearance in late May that she would vote for him.

She described it as a "good conversation" but said there was no discussion of a campaign role for her or participation in next month's Republican National Convention in Milwaukee. When she exited the race, she had urged Trump to be more welcoming to the millions of people who voted for her.

Haley, who served as Trump's first United Nations ambassador, said Biden's presence in the White House presents risk for the nation following his debate appearance because his performance projected weakness. "Our enemies just saw that they have between now and Jan. 20 to do whatever it is they want to do," she said in a reference to next year's Inauguration Day.

Biden's campaign didn't directly respond to Haley's comments, but issued a statement seeking to embrace her supporters.

"To the millions of Nikki Haley supporters who are tired of Donald Trump and his MAGA allies constantly attacking them, running moderates and independents out of the party, and repeatedly refusing to commit to accepting the 2024 election results, you have a home in President Biden's coalition," said a campaign spokesman, Ammar Moussa.

When Haley announced her presidential bid in February 2023, she called for congressional term limits and "mandatory mental competency tests for politicians over 75 years old." It was a topic she brought up at virtually every campaign stop for more than a year.

Haley, 52 years old, has in the past questioned Trump's mental vitality. In January, while campaigning in New Hampshire, she suggested he has experienced mental "decline," highlighting how he had mixed her up with former House Speaker Nancy Pelosi. Trump, 78, has taken a cognitive test in the past. He has also called for Biden, 81, to release results from such testing. Polls show Biden has experienced more wariness about his age and mental sharpness among voters than Trump.



People watched the presidential debate Thursday at Shaw's Tavern in Washington, D.C.

# 'Old and Frail': Voters Sound Alarm Over Debate

Voters with an outsize say in deciding elections are feeling a mix of frustration and concern after the first presidential debate of the 2024 election, with some concluding that President Biden's unsteady performance raised serious questions about whether he is capable of serving another term.

By Owen Tucker-Smith, Andrew Restuccia and Aaron Zitner

In interviews, Americans in battleground states who weren't yet committed to a candidate expressed alarm, to varying degrees, over Biden's performance. Some said they were withholding judgment about whether he would get their vote until the next debate. Others have written Biden off completely, arguing that he must stand aside and allow another Democrat to run for president in his place. Even those who said they still planned to vote for Biden added that his showing at the

debate had rattled them.

At the same time, voters faulted former President Donald Trump for not directly answering moderators' questions and for peppering his answers with falsehoods.

It could take months to understand the full implications of the debate, which has kicked off hand-wringing in the Democratic Party. Here's a sampling of the interviews:

## George Almodovar

**Age:** 47  
**Occupation:** Ophthalmologist  
**Residence:** Atlanta  
**Political affiliation:** Republican  
**2020 vote:** Biden

Almodovar, who supported Nikki Haley in the Republican primary, left Thursday night's debate feeling uneasy. He had been leaning toward supporting Biden. Even though he is a Republican, Almodovar felt uncertain about Trump after the Jan. 6, 2021, riot at the U.S. Capitol, and he opposed the former president's efforts

to overturn his 2020 loss.

But after watching Biden's lackluster performance, his thinking shifted.

"He's been training for a week," Almodovar said. "I was just expecting him to sound better, to be a little bit more sharp."

## Lauren Floyd

**Age:** 38  
**Occupation:** Accounting  
**Residence:** Cobb County, Ga.  
**Political affiliation:** Republican, but often votes for Democrats  
**2020 vote:** Biden  
**2024 vote:** Leaning Biden

While Floyd says she would never vote for Trump, sitting down for Thursday's debate gave her "immediate PTSD."

"Biden really dropped the ball," Floyd said. "He had so many opportunities to respond, and address the lies that Trump was spouting, and he could not do it."

Floyd had gone into the debate already feeling wary of Biden, due to his age and his

position on the war in Gaza. But last night, she said, was "a whole other feeling I don't even know how to describe."

Floyd said she was particularly bothered by Biden's inability to push back on Trump's false claims on abortion.

## Vincent Langoehr

**Age:** 22  
**Occupation:** College student  
**Residence:** Milwaukee  
**Political affiliation:** liberal  
**2020 vote:** Biden  
**2024 vote:** Biden

"Biden looked old and frail, especially in the beginning," Langoehr said. He thought the president improved as the debate went on, but still performed poorly overall. "As for Trump, he was completely vapid when it came to policy, and he again showed his lack of knowledge and his infantile view of complex issues. And he lied constantly, as usual," Langoehr said.

"Biden had more substance, but it was harder to under-

stand what he was saying," he added.

## Marvin Shulman

**Age:** 77  
**Occupation:** Retired ophthalmologist  
**Residence:** West Bloomfield, Mich.  
**Political affiliation:** Not given  
**2020 vote:** Biden  
**2024 vote:** Leaning Trump

Shulman is among a small group of voters who haven't made up their minds about which candidate to support. But after watching parts of the debate Thursday evening, he is leaning toward Trump despite significant reservations about his character.

"Biden looked like a deer in headlights," Shulman said, expressing doubts about the president's fitness for office. "I'm 77 years old, and I know what it feels like some days." Shulman said he would vote for a Democrat for president in November if they came up with a better candidate.

## U.S. NEWS

# Down-Ballot Democrats Fret That Debate Could Cost Them

Democrats who worried about President Biden's re-election prospects even before his uneven debate Thursday had been pointing to a bright spot in this year's campaign:

By Aaron Zitner,  
Siobhan Hughes  
and Natalie Andrews

The party's Senate candidates, and some vulnerable House candidates, generally poll better than the president.

Now, those Democratic candidates and their aides are trying to sort through whether Biden's halting performance and sometimes dazed appearance have sapped the party's goals of retaining the Senate and flipping the House. The stakes for Democrats are stark: If former President Donald Trump wins and has full control of Congress, his second-term agenda would be much more far-reaching.

"I'm still processing what happened [Thursday] night," said Rep. Angie Craig (D., Minn.), who represents a competitive district in the Minneapolis suburbs. "It was a terrible debate. We all have to acknowledge that."

Asked if she was worried that Biden's debate could harm her chances of winning, Craig declined to answer and turned to local issues, saying she was focused on flooding in southern Minnesota.

Rep. Marcy Kaptur (D., Ohio), whose re-election race is considered a tossup, said she wanted to wait before deciding whether Biden needed to step aside. "I want to go back and read the answers of both candidates to the questions that were asked. I just want to read the transcript," she said.

Democrats facing tough races have long known that Biden could drag down their own support, party strategists said, and some candidates have been working to separate themselves from the president. His debate performance risks amplifying voter concerns that he is too old to serve and is doing a poor job in office, the strategists said, potentially offsetting the work that down-ballot Democrats have done to try to win despite Biden's historically low approval ratings.

Take Rep. Marie Gluesenkamp Perez (D., Wash.), whose district is seen as a pickup opportunity by Republicans.

She has run a TV ad recently touting her record in Congress as "taking on the Biden administration and working with Republicans to secure the Southern border." Trump is expected to win her district this fall, as he did in 2020.

With voters becoming more polarized by party, candidates have been increasingly judged in recent years by their party affiliation more than on their individual merits.

Only five senators come from parties that don't match their home state's preference in the most recent presidential election, excluding the chamber's independents.

Before Biden's debate performance, there were signs voters might be willing to make a distinction between their local candidates and the president. In Pennsylvania, for example, recent polling for the nonpartisan Cook Political Report found Trump leading Biden by 3 points, but Democratic Sen. Bob Casey ahead of his GOP opponent by 8 points.

Trump led Biden by 9 points in Nevada in the survey, but Democratic Sen. Jacky Rosen held a 7-point advantage in her race for re-election. Democrats were also showing more strength than Biden in Wisconsin, and more narrowly in Arizona and Michigan.

Still, the prospect loomed that a candidate who could outperform Biden by a few points would now have to do so by a few points more. Democratic turnout could also fall if the party's voters are unenthusiastic about the top of the ticket.

Rep. Matt Cartwright, a Pennsylvania Democrat running in a vulnerable district,

took a long pause when asked if Biden's debate performance would make it harder for him to win. "They know who I am, and they know I'm not the same guy as whoever's in the White House," he said of voters in his district.

Amy Walter, editor and publisher of the Cook Political Report, said support for Democratic House and Senate candidates could actually grow if voters want a check on a Trump presidency they see as likely.

In Maryland, by contrast, that dynamic could create a tougher path for Republican Larry Hogan, a centrist and former governor seeking a Senate seat. If voters there think Trump is destined to win, Walter said, "voters could say, 'I don't feel confident having more Republicans in the Senate.'"

At a Biden rally Friday, the president's debate went unmentioned by Gov. Roy Cooper of North Carolina and Attorney General Josh Stein, who is run-

ning to succeed Cooper.

The omission signaled the tough environment Democrats might face in battleground states and how the party will keep its focus on Trump as a way of motivating voters.

"I know that our tensions are high right now," Cooper told the audience of about 2,000 people. "But this election is not just about what kind of president we want to have. This election is about what kind of country we want to be."



Rep. Marcy Kaptur of Ohio, left, spoke with President Biden after his State of the Union address in February 2023.

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## WORLD NEWS

## A Summer of Slog Is Expected in Ukraine

Thousands are likely to die as forces from both sides probe for openings in the war

By JAMES MARSON  
AND DANIEL MICHAELS

KHARKIV, Ukraine—As Russia's invasion of Ukraine enters a third summer, the 700-mile front line is the site of a bloody chess match, each side moving pieces in search of an advantage without conceding ground elsewhere.

Ukraine's army, which recently blunted a dangerous Russian offensive that ran short on troops, is counterattacking in villages on its northeastern border.

Meanwhile, 200 miles to the southeast, Russian forces are squeezing toward a crucial road that helps sustain Ukraine's defense of besieged cities.

The war here is settling in for a brutal season during which thousands will likely die on both sides, but neither appears poised to muster a decisive breakthrough.

For Ukraine, after last summer's failed counteroffensive, the task for now is to use fresh Western weapons to hold positions. As for Russia, it appears likely to continue sacrificing large numbers of troops for small gains, a senior Ukrainian security official said.

"They don't have enough troops" for a major advance in Kharkiv, the official said.

With the front line largely static, both sides are trying to



Ukrainian troops in the Kharkiv area rested up before returning to the front in June.

use deep strikes to gain an advantage ahead of winter. Russia has knocked out half of Ukraine's power-generation capacity and pummeled Ukrainian defensive positions. Ukraine is using long-range missiles provided by the U.S. and its allies in an effort to cut off Crimea, the peninsula that Russia seized in 2014.

"While Russia still makes some incremental battlefield gains, the sense is that the Ukrainians have been pretty strategic in some of their strikes and movements, and are holding their own," a senior U.S. Defense Department official said.

Russia's thrust across the border into the Kharkiv region at the end of May, appears to

have caught Ukrainian forces off guard. But Ukraine rushed in reinforcements and soon halted the Russians' progress. Russia said it was seeking to create a buffer zone. After the Biden administration allowed Ukraine to use U.S.-supplied weapons to target positions inside Russia that Moscow was using to launch attacks, the buffer zone's value to Russia declined, a senior Western intelligence official said.

Ukrainian officials and military analysts said Russia also wanted to draw in Ukrainian units from elsewhere and bring Kharkiv, Ukraine's second city, into range of Russia's artillery guns. Now Russia is struggling to field enough troops to advance farther.

Drone teams like one dubbed "Yasni Ochi," or Clear Eyes, have employed drones—from small explosive craft the size of a dinner plate to larger vehicles that can carry bombs weighing several pounds—to hit Russian positions with precision. Sent to the Kharkiv region recently to reinforce defenses, the team set up a system to observe and strike Russian infantry and vehicles.

"We are holding well," said Heorhiy Volkov, the unit's commander. "Our system holds it."

Some Ukrainian soldiers and opposition politicians had complained that defensive lines in the area were poorly constructed or nonexistent before Russia's incursion, but

## Ukrainian front line

— Russian forces as of Dec. 31  
— Russian forces as of June 26



Source: Institute for the Study of War and AEI's Critical Threats Project

the attack appears to have sped up preparations.

Reinforced Ukrainian defenses with infantry trenches protected by explosive drone teams, and artillery guns soon to be boosted by additional ammunition approved by the U.S., are sapping Russian strength. Russia has been able to replace its losses through recruitment, the officials said, but the heavy attrition has made any advances plodding and predictable.

Still, Russians are edging forward in the eastern Donetsk region, a priority of Russian President Vladimir Putin. Its forces in June infiltrated the eastern edge of the city of Chasiv Yar, a high point in the area. They are pushing northwest from the city of Avdiivka, Moscow's only major conquest this year, toward a road that supplies Chasiv Yar.

The gains are devouring re-

sources. Moscow suffered roughly 1,500 casualties on May 14, its worst day of the war, according to a Western assessment of Ukrainian and other intelligence.

Whether Russia will attempt a large-scale assault during the summer remains a vexing question for Ukrainian strategists and their Western advisers. Kyiv can spot Russian forces massing for a potential attack, the intelligence official said, but "taking strategic intent from that can be quite difficult."

Ukraine has been able to replace losses and some reserves, the security official said, but would need several times more to launch a major offensive. With little prospect of achieving much more than holding the front line in the coming months, Ukraine is targeting Crimea with long-range missiles provided by the U.S. In recent weeks it has destroyed launchers and radars of several advanced air-defense systems and two Russian ferries that transport military hardware.

Russian officials said five people on a beach were killed last week by shrapnel from a long-range U.S. missile. The Kremlin blamed the U.S. and threatened unspecified consequences. Open-source intelligence analysts said debris appeared to be from Russian interceptors.

Mykhailo Podolyak, a Ukrainian presidential adviser, said Crimea is "a large military camp and warehouse," making attacks there legitimate.

## Ultra-Orthodox Israeli Men Protest Military Draft Order

By SHAN LI  
AND CARRIE KELLER-LYNN

JERUSALEM—Thousands of ultra-Orthodox Jewish men poured into the streets of Jerusalem on Sunday night to protest mandatory military conscription, as a rekindled debate roils the country since Israel's top court ruled that the military must start drafting religious students.

Many black-clad demonstrators gathered outside a yeshiva, or religious school, to hear rabbis exhorting the community in Yiddish—rather than Hebrew—to stand strong against pressures to enlist. Some carried banners and stuck posters with anti-draft slogans on street lamps and bus stops.

"We all declare to the court: We'll die, we won't enlist," read one poster. A bike was plastered with dozens of stickers declaring "To jail and not to the army."

One young Haredi—as the ultra-Orthodox call themselves—threw into the air flippers bearing a hotline number and a message: Call if you see "any attempted kidnapping of a Haredi boy into the army."

Last week's ruling that there is no legal basis for exempting ultra-Orthodox religious scholars struck at a core issue for the community, which has long argued that it contributes to the state by preserving Jewish traditions and providing divine protection through prayer.

The decision raises the political stakes for the two ultra-Orthodox parties upon which



Israel's ultra-Orthodox argue they contribute to the state by preserving traditions and providing divine protection through prayer.

Prime Minister Benjamin Netanyahu's thin parliamentary coalition rests. Carving out military-service exemptions and protecting full-time, life-long Torah study is one of their key political goals. Without that their religious leaders say they have no reason to be in the government, experts say. But the parties also know they are vulnerable if they leave the government and open the door to new elections.

They would prefer to pass fresh legislation to establish

broad-based military exemptions for religious study, but the effort is hampered by pushback from within Netanyahu's own Likud party. Many secular politicians are less willing to swallow a political compromise that they feel unequally distributes the burden of military service.

The court ruling also threatened the financial backbone of the ultra-Orthodox community by blocking government funding for religious students without a valid mili-

tary exemption. Ultra-Orthodox young people have been exempt from a broad-based mandatory national draft since the state's 1948 founding. The controversial policy has long been a point of contention, but Israel's war against Hamas has renewed the controversy as hundreds of thousands of reservists are called up for multiple tours of duty. Many mainstream Israelis feel like they are shouldering unequal burdens and risks. Experts said that the chief

concern among the ultra-Orthodox community is that the army will be a slippery slope leading its men to join secular society. Israel's military has long had a social role alongside its national-defense mission.

"The army today is a melting pot for Western culture," whereas Haredi communities maintain themselves through isolation, said Israel Cohen, a political commentator for ultra-Orthodox radio station Kol Barama. "This is the big fear." Many protesters said they

planned to devote their lives to studying the Torah.

"The Torah is the beginning," said Neria Revivo, 28, a full-time student who said he was unsure whether he would ever take a paid job.

The protesters were all male, ranging from toddlers to the elderly. Two young boys walked along clutching banners on wooden sticks, one reading: "Israel's Army is a Zionist brainwashing cult."

The Haredi groups organizing Sunday's protest and various others since last week's ruling are among the community's most extreme. Many in the groups refuse to vote or participate in formal politics.

Mainstream ultra-Orthodox communities are committed to preserving military exemptions for Torah scholars, community insiders said, but might be open to sending some men who aren't serious religious scholars.

However, the military has still not come up with a feasible plan, said Shlomit Ravitsky Tur-Paz, an expert on ultra-Orthodox issues for the Israel Democracy Institute. Expected changes would enable Haredi men to maintain their gender-segregated, strictly kosher, and Sabbath- and prayer-friendly lifestyles, and to emerge from service without mainstreaming into Israel's secular culture.

Israel's Attorney General's Office, however, is pushing the issue, advising the military to prepare to draft some 3,000 new Haredi soldiers starting in July.

## Far Right Grabs Edge In France

Continued from Page One  
Bardella has placed immigration and the rising cost of living at the center of his campaign, hammering the president over inflation and promising to turn the page on seven years of "macronisme."

"We need an absolute majority so that Jordan Bardella will be appointed prime minister in eight days by Emmanuel Macron," Le Pen said in a speech before a crowd of supporters waving tricolor flags. Bardella said on Sunday that the runoff vote will be "one of the most decisive in the history of the Fifth Republic."

Based on Sunday's vote, Elabe estimated that National

Rally and its allies will win between 255 and 295 seats. The New Popular Front—which includes socialists, greens, and the far-left party France Unbowed—was expected to win between 120 and 140 seats, and Macron's party and its allies could win 90 to 125 seats, the polling firm said.

Whatever the final tally, Sunday's vote provided a strong signal that Parliament is headed for a political realignment. Macron's party finished with 245 seats in the previous parliamentary election in 2022. Le Pen had 89.

The weak showing of Macron's party marked a humbling moment. The third-place finish means many of his candidates might miss runoff races around the country. Candidates need to win support from 12.5% of registered voters on Sunday to qualify for the final round.

For decades, France's two-round system of voting has functioned as a bulwark against parties from the far ends of the

political spectrum, encouraging voters to blow off steam in the first round and then coalesce around an establishment candidate in the final one.

Candidates finishing third on Sunday came under immediate pressure to drop out of the runoff. That would allow voters who supported the leftist coalition and Macron's ranks in the first round to unite behind a single candidate in a "republican front" to block National Rally. Elabe estimated that up to 320 districts could have three-way races if no one drops out.

"In the face of National Rally, the time has come for a broad, clearly democratic and republican coalition for the second round," Macron said on Sunday evening.

Raphaël Glucksmann, a

prominent socialist, called on parties that finished third to drop out of the race and form a blockade against National Rally, adding: "We have seven days for France to avoid a catastrophe."

## The vote results suggest Parliament is headed for a realignment.

The push for unity, however, is complicated by the presence of France Unbowed within the leftist coalition. The founder of the biggest party within the alliance—Jean-Luc Mélenchon—has faced accusations of antisemitism, which he has denied, over his criticism of Israel and the Gaza war.

On Sunday, Mélenchon called on France Unbowed candidates who finished third in districts where National Rally is leading to drop out of the runoff. Protesters poured

into Place de la République to protest against the far right.

Sunday's results are a measure of how National Rally's anti-immigrant stance has moved into France's political mainstream. The party campaigned on restricting the rights of foreign residents living legally in France and tightening access to citizenship, welfare and housing. The party aims to rewrite parts of the French constitution, abolishing the right to citizenship for the children of foreigners who are born in France.

The party also wants to bar women from wearing Muslim headscarves in any public space, though Bardella has recently said the stance won't be a priority.

Le Pen has spent years attempting to distance her party from its controversial founders, including her father and Pierre Bousquet, who was a member of the French division of the Waffen-SS during World War II. Then called the

National Front, the party was ostracized by mainstream French politics as the country grappled with its role in deporting tens of thousands of French Jews to Nazi death camps during World War II.

The party's isolation deepened when Jean-Marie Le Pen described the Nazi gas chambers as a mere "detail" of history in the 1980s. He repeated the stance in 2015, prompting his daughter to throw him out of the party. Le Pen changed the party's name to National Rally after losing the presidential election to Macron in 2017.

Today, National Rally is animated by widespread anxiety that France's Muslim minority, one of the largest in Europe, is encroaching on the secular values of the French republic.

On Sunday, Le Pen sought to assuage widespread concerns that the arrival of National Rally in the halls of government will herald an era of illiberalism.

—Matthew Dalton  
contributed to this article.

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## Organizer of Davos Faces Complaints

Continued from Page One  
ership role. She was pushed out after what the Forum said was a brief trial period.

The World Economic Forum, the organization behind the annual Davos gathering of world leaders and chief executives, says its mission is no less than to improve the state of the world.

But under Schwab's decadeslong oversight, the Forum has allowed to fester an atmosphere hostile to women and Black people in its own workplace, according to internal complaints, email exchanges and interviews with dozens of current and former Forum employees and other people familiar with the Forum's practices.

At least six female staffers were pushed out or otherwise saw their careers suffer when they were pregnant or returning from maternity leave. Another half dozen described sexual harassment they experienced at the hands of senior managers, some of whom remain at the Forum. Two said they were sexually harassed years ago by VIPs at Forum gatherings, including at Davos, where female staff were expected to be at the delegates' beck and call.

### The N-word

In two more recent incidents, employees registered internal complaints after white Forum managers used the N-word around Black employees. Black employees also raised formal complaints to Forum leaders about being passed over for promotions or left out of Davos.

The Forum declined to make Schwab available for an interview. Forum spokesman Yann Zopf said in a statement that this article would "mischaracterize our organization, culture and colleagues, including our founder."

In written responses to the Journal, the Forum said it holds itself and its employees to a high set of values, with confidential reporting channels and a thorough investigation process. It said Schwab never created an age limit for employees and that he collaborated with the HR chief to make it possible for people to work beyond the normal retirement age.

### Zero tolerance

It disputed the Journal's characterization of events and said the organization has zero tolerance for harassment or discrimination and has responded appropriately to any complaints received. It said there have been three reported allegations of racial discrimination since 2020 and that each has been thoroughly investigated and appropriate action was taken.

The Forum added that many of the episodes described by the Journal, including those alleging pregnancy discrimination, involved former employees who had been dismissed for performance reasons or as part of restructurings. A Forum spokesman said women don't face a higher rate of turnover after parental leave and that at least 150 employees returned from leave



World Economic Forum founder Klaus Schwab attracts world leaders, billionaires and celebrities to the annual Davos event.

to the same or a better job during an eight-year span.

In a memo to staff on May 21, Schwab announced that he planned to step aside as executive chairman, which he indicated was part of a long-planned transition. He said he will stay on as non-executive chairman of the board of trustees. The announcement came after Schwab sent a letter to the Journal's publisher and editor in chief to share concerns about the reporting for this article.

The Forum's workplace culture is particularly distressing to many employees because of the organization's public stances promoting gender equality. It publishes an annual "Global Gender Gap Report" that details various countries' progress toward gender parity. Some of the allegations of mistreatment came from former members of the very team that put it together.

### 'WEFugees'

"That was the most disappointing thing, to see the distance between what the Forum aspires to and what happens behind the scenes," said Cheryl Martin, a former U.S. Energy Department official who served as a top Forum executive.

The Journal interviewed more than 80 current and former employees ranging in tenure from as far back as the 1980s through the present day. Some of them have bonded over what they describe as shared trauma in a WhatsApp group called "WEFugees" that has hundreds of former employees.

"It was distressing to witness colleagues visibly withdraw from themselves with the onslaught of harassment at the hands of high-level staff, going from social and cheerful to self-isolating, avoiding eye contact, sharing nightmares for years after," said Farid Ben Amor, a former media executive who worked at the Forum for more than a year before resigning in 2019. "It's particularly distressing when contrasted with the eagerness and earnestness with which many of us joined the Forum."

### The Boss

Schwab was a young German academic when he created the first Davos conference in 1971. He has built the event into a global summit that convenes world leaders, billionaires and celebrities.

(Dow Jones, publisher of The Wall Street Journal, is a Forum partner and has a high-profile presence at the annual event in Davos.)

Over five decades as its leader, Schwab has also grown the Forum from a small nonprofit into a sprawling organization generating more than \$400 million in annual revenue, with about 1,000 employees in Geneva, New York and other cities. Many of them came in as young professionals eager to change the world. Some said they benefited from their time at the Forum, met intellectual colleagues and had benevolent bosses.



Others painted a darker picture, saying that women were routinely sexualized and objectified, a tone they said was set at the very top of the organization. Since the Forum's earliest years, staffers say women received warnings about Schwab: If you find yourself alone with him, he may make uncomfortable comments about your appearance. They describe his behavior as more awkward than menacing, but inappropriate for a leader. Schwab has been married to his wife Hilde, his former assistant, since 1971.

Barbara Erskine, a former Forum communications executive, said that Schwab

told a board member to tell her that she needed to lose weight. Schwab told other executives that she had no charm, said Erskine, who spent a decade at the Forum and left in 2000.

Three women who worked in Geneva closely with Schwab—a receptionist, a personal assistant, and a European staffer—told the Journal that the boss over several decades made suggestive comments to them that made them uncomfortable. Several other co-workers said they were aware of Schwab's behavior with each of the women.

The receptionist who

*'That was the most disappointing thing, to see the distance between what the Forum aspires to and what happens behind the scenes.'*

Cheryl Martin, a former Forum official, said she sought internal changes

worked for Schwab said he asked her to private dinners and excursions. She said she had to be really clear with him more than once "what kind of relationship I wanted: professional and nothing sexual."

Myriam Boussina, who worked at the Forum in the 1990s as Schwab's personal assistant and in a role handling partner companies, said Schwab complimented her attire, haircut and body in a way that was inappropriate for a workplace and made her uncomfortable.

"I knew he liked me and I knew he found me pretty," Boussina said. "Every man with a lot of power, they

think that they can get any woman and they are not ashamed."

She said there was no real human-resources department at the time she could notify. "You could not go and complain, it was impossible," she said.

The Forum said Schwab has never made sexual advances toward an employee and the women's allegations were vague and false. "Mr. Schwab does not and has never engaged in the vulgar behaviors you describe," a Forum spokesman said.

The European staffer, who worked in Geneva in the 2000s, said Schwab never crossed the line to physical contact with her, but that his pattern of suggestive remarks and behavior was "a horrible thing as a woman to go through." Once, she said, he propped his leg up on her desk with his crotch in front of her face and told her he wished she was Hawaiian because he'd like to see her in a Hawaiian costume.

"I need to find you a man, and if I were not married, I would put myself on the top of that list," Schwab told her more than once, she said.

A former senior Forum executive confirmed that the European staffer told him about some of Schwab's flirtatious comments to her not long after.

He and another Forum staffer said they witnessed Schwab strike the crotch pose in front of the European staffer and other women.

The Forum said Schwab never did such a thing. "This is disgusting and incorrect," the Forum spokesman said, adding that Schwab wasn't familiar with Hawaiian costumes.

The Forum is an international organization but it is also a family affair. Schwab's two children hold senior roles at the Forum, and his wife is co-chair of the Schwab Foundation for Social Entrepreneurship, which is a sister organization of the Forum.

The Forum's bylaws say that Schwab or at least one member of his immediate family must be on the Board of Trustees. The bylaws add: "The Founder himself designates his successor in the Board."

The Board of Trustees consists of about 30 members from various sectors of life, including cellist Yo-Yo Ma, Queen Rania Al Abdullah of Jordan and the heads of the World Bank and International Monetary Fund, according to the Forum's website.

Old timers at the Forum said Schwab liked to hire attractive people, who typically staffed the annual event at Davos. Former Forum executives said the situation was ripe for sexual harassment and that several staffers complained to them about inappropriate behavior by partners. There was even a term for sexual contact between VIPs and Forum staffers, said a former employee: "white on blue action," for the color of badges worn by the two parties.

The Forum said it has a zero-tolerance policy of harassment at its events, and that reports of any such incidents would be immediately investigated and appropriate action taken. It said it wasn't familiar with the term "white on blue action."

### Propositioned

Female staffers said their colleagues—especially male ones—would often remark on their appearance. "There was a lot of pressure to be good-looking and wear tight dresses," said one woman who worked there in the 2010s. "Never in my career have I experienced looks being such an important topic as in the Forum."

She said it was common for young staffers to be propositioned by Forum event attendees. At a WEF Africa summit, she recalls a CEO asking if she wanted to come back to his room and have a special Japanese whisky with him. She said no.

Another woman, who joined the Forum in 2006, said she would receive texts from Forum partners saying, "You look pretty today" and asking to get a drink after the day's events. She said she had to fend off one government minister who called her with a supposed problem in his hotel room.

"Our male colleagues received different kinds of messages from constituents, like do you know if there are any girls to go out with this evening," she said. "We never really felt protected."

### Code of conduct

Martin, the former Energy Department official, said she sought internal changes to address the harassment issue during her time on the Forum's managing board. She said she pushed to strengthen the code of conduct at Davos and encourage employees to report any harassment at the event.

She said Schwab and other managing board members viewed her advocacy as overreacting. In 2018, she said, Schwab changed her role in a way that stripped her of responsibilities, staff and budget resources. He never told her why. Martin resigned later that year. The Forum said she was given new responsibilities before she decided to leave.

"I changed what I could, and when I realized that I was really not able to do any more, I resigned," she said. "You lifted the rocks you could."

The Forum kept on—and, in some cases, promoted—

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## Campaign Led Retailer To Exit DEI

Continued from Page One  
buck's campaign—and Tractor Supply's swift and decisive reversal—show how the tide has turned against efforts to promote diversity and inclusion in U.S. corporations.

Four years ago many companies saw it as a necessity to support these policies. Today some of them see it as too much of a risk.

Brentwood, Tenn.-based Tractor Supply was so concerned, its leaders decided a partial rollback wouldn't be enough, people familiar with the decision said. It sent a firm

message to the marketplace that its support for such policies was over.

The retailer was particularly vulnerable to the attacks. The chain, known for selling workwear and animal feed, boasts a customer base that executives say skews more male and rural than other major retailers. Its shoppers tend to support conservative political candidates, they said.

When Starbuck's attacks began to amass support on social media, company executives watched for signs that the message was resonating with the chain's most loyal customers, the people said.

After Starbuck's June 6 post, company executives saw a swift uptick in online criticism. At first, some executives hoped it would follow the pattern of other viral issues, with interest jumping briefly, then quickly dying out.

Instead, they saw attention build as Starbuck published a stream of posts about a week after the first one criticizing new aspects of Tractor Supply's corporate donations and goals. Eventually, complaints from shoppers and some workers poured in.

The company concluded he wasn't going away, one person familiar with the matter said. "Tractor Supply" trended as a term on X late last week.

The facts Starbuck cited were mostly pulled from publicly available videos and documents that describe company activities, such as pictures of executives and their apparent political affiliations, and company videos about Tractor Supply's efforts to promote voting. A June 24 post from Starbuck included a video of Chief Executive Hal Lawton talking about the importance of diversity and inclusion at the retailer.

Two days later Starbuck posted screen grabs of a pair of 2022 LinkedIn posts from Tractor Supply's head of human resources. One highlighted a \$10,000 donation from the company to the LGBTQ+ program at a youth center in Nashville, Tenn., and the other recognized the anniversary of the Stonewall Uprising, often cited as the start of the modern gay-rights movement. Starbuck wrote: "Is this how you want your \$\$ used?"

It remains to be seen if Tractor Supply is a special case. A range of companies have come under similar criticism and largely kept their DEI and other initiatives in place. Around 70% of companies plan to expand their DEI programs, according to a 2023 survey from executive-recruitment firm Bridge Partners.

Some companies have made subtle shifts, such as changing

the way they describe diversity programs or criteria for eligibility, to head off legal challenges by people and groups who say it is discriminatory to include race and gender as factors in hiring and other decisions.

Starbuck, 35 years old, said a tipster focused him and his small team of researchers on Tractor Supply.

What made the campaign work was choosing one company and releasing criticism every few days, not in one post, as well as targeting a company with a generally conservative customer base, he said. "If I started a boycott against Starbuck's right now, I know that it wouldn't get anywhere near the same result," he said.

"A massive victory and a massive turning point in the fight to end wokeness in the workplace," Starbuck posted on X Thursday after Tractor Sup-

ply shared its policy reversals on the platform.

In recent years, Tractor Supply ramped up its internal focus on DEI and carbon-emission efforts, in line with wider trends that had become mainstream at U.S. companies.

Early last week, executives saw that criticism wasn't decelerating and decided that they couldn't let the topic jump to more mainstream conservative media, the people said. Because of the chain's customer base, they decided to be more definitive in their tone than companies that have responded to similar controversies.

Tractor Supply didn't want to "fire" its shoppers, one of the people said, and its shoppers "are in red states and red counties."

"We have heard from customers that we have disappointed them," Tractor Supply said in a statement.

Jeremy Jurgens, a managing director of the Forum.



PERSONAL JOURNAL.



Record numbers of travelers are pouring into airports ahead of the Fourth of July holiday, which is translating into longer lines, including at Atlanta's airport, left.

# How Early Should You Arrive At the Airport? We Do the Math

Here are factors to consider, including when and how you're getting there, down to the minute

By JACOB PASSY

**H**ow early should you arrive at the airport for busy air-travel days?

Eight of the busiest travel days have all taken place in recent weeks, fueled by strong leisure and business-travel demand. The Transportation Security Administration is warning it expects those records to continue to be broken. A record number—just under three million travelers—passed through airport checkpoints on June 23, and the agency sees bigger numbers ahead.

Airports and airlines generally recommend two hours for domestic departures and three hours for international flights. But with so many people taking to the skies, these standard guidelines might not apply.

To determine how much of a buffer you should give yourself, The Wall Street Journal asked travel experts which factors would add or reduce how much time travelers need at the airport before a flight. Note: These recommendations are rough estimates—you'll probably never need to arrive at 7 a.m. for a noon flight. And you can't account

for factors like weather.

**The baseline: 90 minutes**  
About 99% of travelers wait 30 minutes or less in the standard screening lanes at security checkpoints, TSA says. Boarding generally begins around 30 minutes before the scheduled domestic departures.

People traveling with only carry-on items need at bare minimum a 90-minute buffer before their flight, including the time it takes to walk to their gate.

**Got your mobile boarding pass? Subtract 20 minutes**

Preparation pays off. Try to check in for your flight before you leave for the airport. Getting your mobile boarding pass (or printing out a copy at home) lets you skip the wait for a check-in kiosk.

**Traveling at a peak time? Add 30 minutes**

Airports naturally see crunches in mornings and late afternoons. Likewise, weekends are busier than Wednesdays. And yes, the Starbucks in your terminal will have a line in the morning. Pro tip: Place a mobile order before going through security.

**Flying out of a major airport? Add 20 minutes**

The top factor determining how much of a buffer travelers need is airport size, says Jen Campbell Boles, founder of Explore More Family Travel, a North Carolina-based travel agency.

More people and larger terminals often equal longer lines and walks. At New York's John F. Kennedy International Airport, some

gates are located at least a 15-minute walk from security.

**Parking or dropping off a rental car? Add 20 minutes**

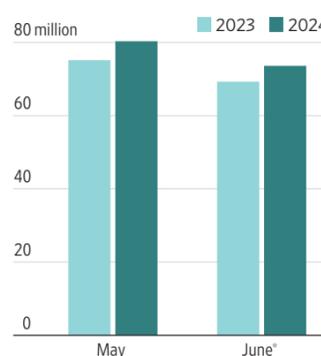
The process of returning a rental car is easier these days than it used to be, travel advisers say. The trouble is getting from the rental agency to the terminal, potentially lugging bags on a bus or tram. Caroline Quinn, a travel specialist with the luxury travel agency Black Tomato, warns that at some airports, the car drop-off might be far off premises.

If you're taking your own car to the airport, prepare for crowded parking lots. Reserve your parking spot in advance if you can—otherwise you might need to park in a more remote overflow lot.

**Checking bags or flying with a pet? Add 30 to 45 minutes**

Even when you can tag your own bags, travel advisers caution that checking a bag can take time. You can wait to print out luggage tags at a kiosk, then wait to weigh bags and drop them on the conveyor belt. Plus, most airlines require bags to be checked at least 30 to 45 minutes before departure. Check your airline's website

Air passengers passing through security in U.S. airports



\*As of June 27 for both years  
Source: Transportation Security Administration

for its rules.

If you need to check anything oversized or unusual—such as golf clubs or skis—budget even more time, says Henley Vazquez, co-founder of the travel agency Fora. And if you plan to travel with Whiskers or Fido, err on the earlier side. Airlines generally must approve your pet to fly, which requires an agent's help.

**Flying internationally? Add 30 minutes**

Going abroad is a more involved process. An agent will need to verify that you have a valid passport and other relevant travel documents. International flights often set earlier deadlines for checked luggage and begin boarding earlier.

**Have TSA PreCheck or Clear? Subtract 20 minutes**

A TSA spokesman says that 99% of people who have TSA PreCheck wait 10 minutes or less to go through security. And the screening itself is smoother, since you don't need to empty your bag of electronics or remove shoes. (Some airports offer the ability to reserve a time for your traveling party's security screening for free.)

These services might save less time than they used to because so many people now have access to them, travel advisers warn. And not all airports have Clear or dedicated PreCheck lanes.

**Have elite travel status? Subtract 20 minutes**

People with elevated frequent-flyer status generally have access to dedicated check-in lines. At some airports, people who shelled out more for premium fares or those with elite status might have their own security lanes.

**Traveling with young kids? Add 60 minutes**

Escorting young kids through the airport and security checkpoints can require Herculean efforts and inherently takes more time. Small children might need to go through separate metal detectors. Parents traveling with baby food, breast milk or formula in excess of liquid limits must have those items specially screened.

Then there is the meltdown factor. A stressful travel day is the perfect recipe for a time-sucking temper tantrum.

**Need a wheelchair? Add 90 minutes**

Those who can't handle lengthy walks across the terminal might need a wheelchair to navigate the airport. That takes a lot longer, says Lauren Doyle, president of the Travel Mechanic, a North Carolina-based agency. "You're relying on someone else," she says. On busy travel days, wheelchair attendants have their hands full, so allot plenty of extra time. (Also, if you need a wheelchair, make sure to reserve it in advance with the airline.)

# Saving 6% Is New Standard for 401(k) Plans

By ANNE TERGESEN

**NEW HIRES ARE PUTTING** more of each paycheck into their 401(k). Not necessarily by choice.

Nearly a third of companies that use automatic 401(k) enrollment now start workers saving at 6% of their salaries or higher, about double the share of organizations that did so a decade ago, according to Vanguard Group.

A default 6% contribution rate was once considered too onerous for younger workers and too paternalistic by those who favor leaving decisions to individuals.

"Initially, many companies defaulted people into the 401(k) at 2% or 3% of pay, and that's where many stayed," said Dave Stinnett, head of strategic retirement consulting at Vanguard. "Now, companies are trying to get workers into the plan and saving as aggressively as possible."

The share of companies that auto-enroll workers at a 3% contribution rate has fallen to 33%. It was 56% in 2007.

Higher savings rates help ensure people take greater advantage of matching employer contributions—free money workers often leave on the table, companies say. It also boosts employees' total savings rates closer to the 12% to 15% of annual income financial advisers often recommend for a secure retirement.

**Auto-enroll boosts savings**

Automatic enrollment has helped make the 401(k) more effective, especially for millennial and Gen Z workers, a large share of whom

have been opted in from day one.

About 60% of companies automatically enroll new hires, bringing 401(k) participation rates to 82% of eligible workers, up from 66% in 2007, according to Vanguard, which administers 401(k)-type accounts for nearly five million people.

Last year, the average employee with a 401(k) account at Vanguard saved 11.7% of pay, including matching contributions, an all-time high.

The jump to 6% automatic savings is a big reason for the rise in those savings rates.

People tend to take the path of least resistance when it comes to their finances, behavior that nudges such as automatic enrollment capitalize on. Few people opt out.

Participants in plans with automatic enrollment saved 12.7% in 2023, on average. In 401(k) plans that require workers to sign up, savings rates averaged 10.3% last year.

Many plans further boost savings rates by automatically increasing contributions, typically by 1 percentage point a year until reaching around 10% of pay.

**Starting too low**

Companies originally gravitated to auto-enrolling at 3% in part due to concern that a higher percentage might cause workers to opt out or generate more costly employer matching contributions, said Mark Iwry, a former Treasury Department official who oversaw national retirement policy.

A 2007 study by researchers at institutions including Harvard Uni-



versity found that workers defaulted into a 401(k) plan at 6% didn't opt out in significantly greater numbers than those putting away 3%.

Still, having a higher default contribution might result in some workers taking on debt to make ends meet, studies have found.

Workers didn't blink when Verizon Communications doubled the starting savings rate for new hires to 6% in 2022, said Kevin Cammarata, vice president of benefits. Opt-

out rates remained roughly the same as before.

Verizon wanted to help more employees take advantage of the company's match of 100% of employee contributions up to 6% of pay, Cammarata said.

When the default savings rate was 3%, about 15% of participants didn't increase their savings percentage.

"It was good we got them into the plan, but they were not optimiz-

ing the match," said Cammarata.

Today 91% of the Verizon plan's 68,000 participants are saving 6% or more and receive the full match, up from 78% in 2020, before the switch, he said.

**Nudging harder**

Some companies have even bigger nudges. Boston Consulting Group automatically enrolls eligible new hires at 10% of pay, an arrangement in place since around 2010.

When combined with the company contribution of 5% or more, depending on factors including tenure, the 10% automatic enrollment rate helps participants reach the 15% savings rate advisers recommend, said chief human resources officer Susan Grimbilas.

Smaller companies have also embraced the strategy. Consulting firm Rose City Philanthropy in Portland, Ore., has been automatically enrolling new hires at 6% of pay since starting a 401(k) plan in 2020. Its four employees are all saving 6% or more, said senior partner Jeri Alcock.

Alcock said she spent years in the nonprofit world and was "stunned to see people spend their lives helping other people and face retirement in poverty." Too much was left for employees to figure out on their own, she said.

Caryl Zenker, 63 years old, a consultant who joined Rose City in 2022, said the benefits package, including the 401(k) plan, was one attraction. She didn't realize she had been automatically enrolled.

Thanks to the automatic savings rate, Zenker said she was able to capture the company's 4% matching contribution immediately after becoming eligible for the plan. She now saves 14%, including the match.

## OPINION

## The Tyranny of Today's Tipping



INSIDE VIEW  
By Andy Kessler

The screen reads: "Add a tip: 18%. 20%. 25%." For a takeout sack of burgers and soggy fries? C'mon. It takes extra taps to change it to 10% or zero.

Instead, we sheepishly tip and feel resentful. Using Internal Revenue Service data, I extrapolate that tipping has almost doubled since 2013, when San Francisco-based Square turned iPads into cash registers with suggested tips.

It's the American way to show gratitude for a job well done, but tipping has gotten out of hand. It's become expected. Even required. A Mountain View, Calif., restaurant had a line on its bills: "For parties of 1 or larger, a 18% gratuity is applied automatically."

Now tips have turned political. Donald Trump recently declared in Nevada: "When I get to office, we are going to not charge taxes on tips." In 2018 the IRS noted \$38 billion in reported tips. Will insurance agents now insist on their pay in tips? Lawyers? Doctors? I'd certainly like my pay as tax-free gratuities.

Nearly five million Americans work for tips. Almost 70% of them are women. But according to a 2023 Bankrate survey, two-thirds of Ameri-

cans have a negative view of tipping, probably because we've been inundated.

Why do we tip? London taverns in the 17th century suggested tipping "To Insure Promptitude." Now it's the cheeky "To insure prompt service." Tipping spread to the U.S. in the 19th century. In 1899 the New York Times called it the "vilest of imported vices." Probably so. The Pullman Company hired former slaves as porters at low wages. They mainly worked for tips. Wealthy Americans obliged.

One study reveals that we tip because it's a "social norm," to "show gratitude," and to "avoid feeling guilty." Those answers ring true, but reasons also include the expectation of "poor future service if I don't tip," and that "the waiter may yell at me." Those feel even truer.

My uncle Wilbur was getting bad service in Florida. He flagged down the waiter, "Excuse me, are you expecting a tip?" "Well, yes sir. Yes I am," the waiter replied. "Well then hurry up and get my wife another vodka and tonic that I've been trying to order for the past 15 minutes." The waiter scrambled. If only it worked that way every time. I have a friend who, after terrible service, would write on the credit card receipt's tip line, "Bare wires cause fires." Helpful tip, actually.

One of my first jobs, at 16,

was as a carhop (no roller skates) at Stewart's Root Beer delivering trays to car windows with food and root beer. No tip? We called that getting "zapped." Minimum wage was \$2.10 an hour, but we got paid \$1 an hour, plus tips (some weekends we could make \$8 or more an hour.) So I always tip, although these days more often reluctantly.

### When did it become expected to shell out a 25% gratuity for soggy takeout fries?

Under the Fair Labor Standards Act, employers receive a tip credit between \$2.13 per hour and the federal minimum wage of \$7.25. So yes, your tip pays part of workers' base salaries.

California doesn't allow tip credits. Workers receive a minimum wage of at least \$16 plus all tips. No wonder prices are so high. And California restaurants sneak on fees, like the 6% "SF Health Care Security Ordinance" surcharge. I've heard diners tipping 14% instead of 20%. A more honest approach would be to increase prices by 6%. On Monday, S.B. 478 goes into effect, prohibiting drip pricing, meaning prices that are only a portion of what someone actually pays because of

fees. Uber Eats and DoorDash are exempt—they can keep larding on fees. New York and Seattle now mandate food-delivery pay increases, and orders are dropping. No surprise. Price, including tips, matters.

Does Donald Trump tip? In 2019 he was photographed boarding Air Force One with \$20 bills hanging out of his pants pocket. He explained, "I do like leaving tips at the hotel. You know, I like to carry a little something." He recently signed one of his bills in Philadelphia for a boy with a blond wig dressed as him.

Celebrities need to be careful tippers. Basketball superstar Michael Jordan reportedly got heat for tipping a Las Vegas waitress only a \$5 chip for a drink at a poker table. Hockey legend Wayne Gretzky allegedly grabbed a \$100 chip from Mr. Jordan's stack and put it on the waitress's tray, saying, "That's how we tip in Las Vegas."

I recently hailed a Waymo car in San Francisco and didn't tip the driver—because there wasn't one, a gentle reminder that automation often solves pricing problems. Americans don't hate tipping. We hate that it's expected, that you're labeled a tightwad if you don't tip. How do we get back to tipping being optional? For great service. For promptitude. Not for soggy takeout fries.

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

BOOKSHELF | By Eric Felten

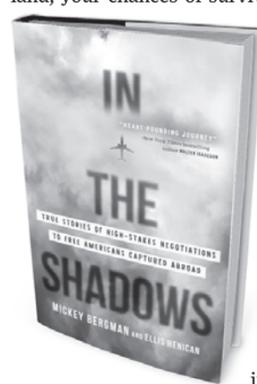
## The Hostage Bargainer

In the Shadows

By Mickey Bergman and Ellis Henican  
Center Street, 320 pages, \$30

Mickey Bergman calls himself a fringe diplomat. His mentor, Bill Richardson, the former governor of New Mexico, had a more straightforward description of the type of work they did together: "I get people out of prison."

"In the Shadows" is a memoir of Mr. Bergman's time as a freelance international political negotiator, bargaining for prisoner releases in Iran, North Korea and Russia—among other hot spots. He touts the successes possible when tense international negotiations are handled informally and out of the limelight. He argues—not unpersuasively—that if you should find yourself locked up in an inhospitable foreign land, your chances of survival might be better if the negoti-



ators bargaining on your behalf are guys in jeans and T-shirts and not the State Department's striped-trouser types. Unofficial, backchannel negotiators can be nimble dealmakers, free to explore solutions anathema to Foggy Bottom bureaucrats.

Mr. Bergman emphasizes that he and his colleagues "do not negotiate on behalf of the U.S. government." Instead, they represent the falsely imprisoned and their families. That doesn't mean their efforts are independent of partisan politics.

Having begun his Washington career raising money for the Clinton Global Initiative, Mr. Bergman has the kind of connections typical in Washington. He knows Secretary of State Antony Blinken personally, for example, having played with "Tony" in the same soccer league. With the election of President Joe Biden, Mr. Bergman expected that working with the White House would be much easier, after four years of trying to coordinate with the Trump administration: "We were dealing now with people we knew, familiar faces from the Democratic side of the foreign-policy establishment," Mr. Bergman writes. He would now be interacting with "well-credentialed professionals" with whom he had worked for years.

Those credentials were no guarantee of success, however, as in the State Department's stumbling effort to free Brittney Griner, the WNBA player arrested in Russia for possession of cannabis oil. Behind the scenes, we learn, Mr. Blinken nearly derailed the whole effort when he proposed trading one Russian prisoner for two Americans. "Two for one?" Mr. Bergman's Russian contacts scoffed. "That's an insult."

To help them negotiate with the Russians, Mr. Bergman and Richardson, who died in September, looked to Ara Abramyan, "a wealthy Armenian Russian entrepreneur and a United Nations goodwill ambassador" with apparent ties "to people at the highest levels of the Kremlin, including Russian president Vladimir Putin." When Moscow made a counteroffer, it involved trading two Americans—one of whom was Ms. Griner—for two Russians, including Vadim Krasnikov, a former FSB colonel and professional killer serving a life sentence in Germany. Mr. Abramyan thought the asymmetry of trading a basketball player for a hit man was a terrific joke. "That was just a f— you for Blinken for his f— you to us, when he said he wanted two for one."

Among the foreign service's constraints, it has to consider the universe of consequences—most of them bad—that may follow from strategically dubious dealmaking. It must maintain coherent policies and anticipate (and catastrophize) how deals made today are likely to shape the sorts of deals that will be possible tomorrow. By contrast, the independent fringe negotiator is at liberty to focus on today's crisis without being overly concerned about tomorrow's.

### Backchannel hostage negotiators can be nimble dealmakers, free to explore solutions anathema to Foggy Bottom bureaucrats.

Consider the effort to free Gilad Shalit, the young Israeli soldier captured in 2006 by Hamas. Working to secure Mr. Shalit's release was one of Mr. Bergman's first efforts as a freelance diplomat; the negotiations would take five years and involve multiple independents pursuing secret backchannel communications with Hamas.

Ehud Olmert, Israel's prime minister at the time, initially refused any sort of prisoner swap, in no small part out of fear that such a concession would encourage Hamas to grab more hostages. But Mr. Bergman reports that he presented the Israelis with Hamas's proposal anyway—that it would free Mr. Shalit in exchange for some 1,100 Palestinians incarcerated by Israel. The government responded that it would release 20 prisoners; Hamas countered with its original offer: 1,100 Palestinian prisoners for Mr. Shalit. "The Israelis kept bringing their number up," Mr. Bergman writes. "To seventy-five. Then to one hundred. Then to two hundred." Hamas, by contrast, never budged. "In the end," Mr. Bergman tells us, "the deal was made almost exactly as we had structured it"—which is to say, the way Hamas wanted it.

Was that a good deal? In his role as a fringe negotiator, Mr. Bergman says it isn't his job to have any opinions about the demands being made. "We just needed to get the two sides engaged." However, he notes that it is "interesting" that "one of those released prisoners, Yahya Sinwar, would go on to head Hamas in Gaza." Under Mr. Sinwar, Hamas launched the Oct. 7 attack that included taking hundreds of hostages, many of whom remain in captivity.

Among the hostages seized were American citizens. It's uncertain how many are still alive. Unclear also is how many people would have been taken if Hamas wasn't convinced that hostages are their aces in the hole.

Back channels, in Mr. Bergman's telling, are often less about reaching a deal on policy than about reaching a deal on who will take credit and who will accept blame, who will look strong and who will look weak, who will look smart and who will look stupid. These are no small matters to career diplomats and politicians. The State Department isn't about to let the fringe players announce a deal that has worked out well. It swoops in "at the eleventh hour" and grabs up all the credit, Mr. Bergman tells us. "People in politics and government care a lot about credit, I have learned."

Mr. Felten is a writer in Washington, D.C., where, as a broadcaster for Voice of America, he participated in U.S. public diplomacy.

## Who Framed Filipe Martins?



AMERICAS  
By Mary Anastasia O'Grady

Filipe Martins, who was a senior adviser to former Brazilian President Jair Bolsonaro, didn't fly from Brazil to Orlando, Fla., on Dec. 30, 2022. Yet for months Customs and Border Protection, an agency of the U.S. Department of Homeland Security, has been claiming he did. Brazilian Supreme Court Justice Alexandre de Moraes is using that CBP assertion to declare Mr. Martins a "flight risk" and hold him in prison.

The legal record of entry into the U.S. is the I-94 form, which travelers fill out at ports of entry. CBP has removed the one that had been posted on its website for a Dec. 30, 2022, Martins entry, implicitly admitting that something was amiss. Yet Justice de Moraes continues to rely on a separate, yet-to-be-corrected "Get Travel History" section of the CBP's I-94 website, which lists the trip.

What the heck is going on at CBP in Orlando? Its mishandling of the travel record is being used to violate Mr. Martins's civil liberties in Brazil. No one at CBP can explain how, why or when the false I-94, conveniently supplying the necessary narrative for imprisonment, was created.

The timeline of events is curious, to say the least. Justice

de Moraes presides over an investigation of an alleged conspiracy by Mr. Bolsonaro's inner circle against President Luiz Inácio "Lula" da Silva, inaugurated Jan. 1, 2023. Mr. Martins was carted off to prison on Feb. 8. Two days later, his lawyers learned that an outdated passenger list for the Bolsonaro presidential plane to Orlando on Dec. 30, 2022, was used to support the claim that Mr. Martins had illegally fled the country. Mr. Martins's lawyers in Brazil obtained the official passenger list for the Bolsonaro flight, arriving around 10 p.m., and his name was not on it. Latam Airlines provided a declaration that Mr. Martins was on a domestic flight in Brazil the next day between Brasilia and Curitiba.

None of that mattered to Justice de Moraes, who wants his suspect behind bars but has found no crime. So to hold him, the justice turned to the "flight risk" allegation, pointing to the CBP's "travel history" webpage.

The CBP says on its website that the "travel history" can't be used for legal purposes. Ana Bárbara Schaffert, an immigration specialist based in Florida and one of Mr. Martins' lawyers, told me in a phone interview last week that she wrote to Orlando CBP on April 11 "because there was no I-94 under his passport number and his name" and she wanted the travel history corrected. "They confirmed there was no record of his entry in Orlando in De-

ember 2022 and that their records showed his last entry into the U.S. was September 2022 at JFK in New York." If that was true, Mr. Martins broke no Brazilian law because Brazilian authorities were notified of that trip.

Ms. Schaffert says she was satisfied that the correct legal record was established. But Justice de Moraes didn't budge. So on May 1, Ms. Schaffert reached out to CBP at JFK

### A Brazilian judge is using a fraudulent U.S. entry record to keep him behind bars.

to get a copy of the September 2022 I-94. That's when an official told her that a Martins I-94 for Dec. 30, 2022, at Orlando was showing on her screen. The arrival time was around the time of the president's plane. But his first name was misspelled, the document number was from a lost or stolen passport that had been canceled in 2021, and it listed the wrong visa type.

A stunned Ms. Schaffert contacted Orlando CBP to point out the false information on its website and request a correction. But instead of removing the bad record, Orlando immediately fixed the spelling error and later replaced the canceled passport number with Mr. Martins's current one.

Ms. Schaffert says she contacted a supervisor in Orlando and sent him the documentation showing CBP's earlier confirmation that there was no such record. A week later the supervisor told her that there was nothing he could do. She asked a series of questions, including the date that the fake I-94 had been created. She says he wouldn't even explain the investigation process.

Ms. Schaffert says she wrote to CBP's Traveler Redress Inquiry Program, attaching the evidence and asking for a correction, and DHS issued a letter on June 5 to say that the case was closed. Going to the I-94 website, she found the false entry had been removed. At her request, CBP at JFK sent her the most recent I-94, from September 2022. To correct the "travel history," CBP told her to open a Freedom of Information Act request. Ms. Schaffert did so on June 10 and is still awaiting a response. Meantime, on Friday Ms. Schaffert told me that the case on the redress website has been reopened without explanation. A CBP spokeswoman declined to comment, saying the agency doesn't discuss individual cases.

As of Monday, Mr. Martins will have been unjustly jailed for 144 days based on false claims on the CBP website. It would be nice to know how that happened and why the agency is so reluctant to make matters right.

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

## Sorry, Democrats, Biden Is Your Man

By Taylor Budowich

President Biden's disastrous debate performance on Thursday had Democrats in a panic, speculating about how to replace him as their nominee. But by Friday many were backing off and reiterating their support for him. Even Barack Obama weighed in to support Mr. Biden, trying to reassure Democrats by tweeting: "Bad debate nights happen. Trust me, I know."

Why the change of heart? Because Democrats quickly realized that replacing their nominee would be impossible to execute and tantamount to throwing in the towel.

Mr. Biden has earned enough delegates to secure renomination—which the Democratic National Committee has maneuvered to give to him at a virtual roll call, to be conducted weeks before the convention in Chicago. This means the only way Mr. Biden goes anywhere is by his own choice. After the debate, he rejected calls to drop out.

Yet that's the easiest part of the equation. Even if he

withdraws, he is sitting on more than \$200 million in hard campaign dollars that he can't transfer to a replacement candidate. He accumulated this money over years, and a new nominee would start from zero with little more than four months to go.

No doubt the DNC would press every advantage and stretch every rule to prop up the replacement candidate,

### They can't convince him to withdraw—and if they do, then comes the hard part.

but that candidate would be faced with the prospect of raising hundreds of millions of dollars to pay for the existing national campaign staff plus aides and advisers, charter flights and hotels, and direct-to-camera TV advertising, among numerous other expenses. And the candidate would have to raise those hundreds of millions \$3,300 at a time.

Then, maybe the most

complicated question: Who is that replacement? The idea that Kamala Harris, Gavin Newsom, Hillary Clinton, Elizabeth Warren and whatever other vultures are circling will simply coalesce around a single candidate without an epic political brawl is absurd.

And those are only the career politicians. We've seen just recently that ultra-wealthy Democrats will light fire to billions of dollars to finance their own futile campaigns. Tom Steyer and Michael Bloomberg tried it. When your party's back is against the wall, money talks.

There's no easy answer here. It's actually excruciatingly difficult, and without the benefit of time, it's flat out impractical. Especially when you cap it all off with the stark reality that the Democratic Party's entire nominating process and convention rules are controlled by progressive delegates, who have little understanding of the real diversity of our country or what it takes to win a national election. They are ill-tempered and unprepared to serve up a legiti-

mate alternative to a nominating process that allows actual voters to weigh their options.

At the end of the day, for Democrats, the only thing worse than going into Election Day with Joe Biden on the ticket is having Joe Biden leave the ticket and watching helplessly as their party is consumed by the cannibalistic chaos that would surely ensue. It is for this reason that Republicans should stay focused.

At the end of it all, President Trump delivered his most disciplined, clever and devastatingly precise debate performance yet. There's no Democrat waiting in the wings who could have stood in Mr. Biden's place on that stage Thursday and measured up to Mr. Trump. So, regardless of the Democrats' choice in a lose-lose proposition, it's Mr. Trump's message of prosperity and American greatness that will ultimately be decisive in November.

Mr. Budowich is CEO of Make America Great Again, the primary super PAC supporting Donald Trump.

## OPINION

## REVIEW &amp; OUTLOOK

## The Mess Democrats Have Made

When the Democratic media complex decides on a political question, the unified choreography is something to behold. So it is with the new establishment chorus after Thursday's debate that President Biden should withdraw his candidacy for a second term. Suddenly, the columnists and editorial pages that denied the truth are sounding like these columns.

The problem is that Democrats are now left with a likely nominee who is in obvious mental decline, and a Vice President in Kamala Harris who is even less popular than Mr. Biden. Finding a better nominee will be messy, no matter how desirable, but keep in mind how Democrats and their media allies got themselves and the country into this mess.

One reason is that they happily covered for White House deceptions. The Democratic press barely questioned Mr. Biden's limited workday, his reliance on a teleprompter, and his rare unscripted media interviews. "Eighty is the new 40," press secretary Karine Jean-Pierre said last year. "Didn't you hear?" Ms. Jean-Pierre said in 2022 that Mr. Biden displays such stamina that she, not yet age 50, "can't even keep up with him." Conservatives mocked this but the press laughed it off.

When reporters noticed Mr. Biden had started pairing his business suits with dark tennis shoes rather than traditional dress shoes, the speculation was that the footwear was meant to keep him from falling. Deputy press secretary Andrew Bates spun it as a fitness thing. "I know y'all aren't partial to presidents who exercise," he told the New York Post, "but don't worry—you'll get used to it."

The Journal's news pages received similar treatment in June when they carried a story, based on 45 interviews, about Mr. Biden slipping. Gene Sperling, an economic adviser, told reporters it was standard practice for presidents to read from note cards in meetings. Mr. Bates said the story was a "smear" full of politically motivated "false claims," and that Mr. Biden is a "savvy and effective leader."

The press rallied around the White House and called the story irresponsible, saying the Journal had fallen for a right-wing, Fox News trope. The folks at Morning Joe on MSNBC were outraged, calling the news article a "false, biased story," and a "Trump hit piece."

The New York Times published a long story blaming concerns about Mr. Biden's frailties on a "distorted, online version of himself, a product

of often misleading videos that play into and reinforce voters' longstanding concerns about his age and abilities."

### Imagine if Biden had chosen a VP for competence rather than identity politics.

Elected Democrats at least have the excuse that they risk their careers if they tell the truth about Mr. Biden. Exhibit A: Dean Phillips. But there's no excuse for a press corps to deny what two-thirds of the public said they saw with their own eyes. Now, with the looming prospect of defeat to Donald Trump, the liberal media establishment has turned to admit what it can no longer deny.

The path out of this nightmare might be easier if not for another problem the press refused to recognize—that Kamala Harris wasn't remotely qualified to be Vice President when Mr. Biden chose her. He had promised to pick a woman as his Vice President, and Mr. Biden selected Ms. Harris because she was a woman of color, not because of her qualifications.

Ms. Harris had bombed as a presidential candidate, washing out after she couldn't defend her own Medicare plan at a primary debate. She had risen to the Senate based on patronage. Yet she was hailed by Democrats and the press as the first woman of color on a national ticket, as if this were more important than someone who could do the job. Criticism of her failures on immigration, or of her frequent word salads, was said to be racist or sexist.

Imagine if the Vice President now were someone like Gerald Ford, a pair of safe hands as President after Richard Nixon's resignation in 1974. The press is now reporting that one reason Mr. Biden chose to run for re-election was fear that Ms. Harris couldn't defeat Mr. Trump.

It's an apt worry. But if Mr. Biden had bowed out last year, Democrats could have had a normal primary fight for the nomination. Ms. Harris would have had to show she deserved it in her own right by defeating competitors. Now Democrats run the risk of appearing to bypass the first minority woman Vice President in a backroom coup. This is what happens when a party puts identity politics above governing experience and political skill.

A Biden withdrawal and an open August convention are still desirable—in the best interests of the country as much as those of the Democratic Party. Mr. Biden's frailties are an invitation to adversaries to exploit in a second term, and Ms. Harris doesn't appear up to the job. An open convention carries risks, but it's the best way Democrats and their media allies can clean up the mess they've made.

## A House Lawsuit for the Biden-Hur Tapes

Speaker Mike Johnson said Friday that House Republicans will file a lawsuit this week asking the courts to force Attorney General Merrick Garland to hand over the audio of President Biden's five-hour interview with special counsel Robert Hur. After Mr. Biden's debate performance last week, who isn't curious about these tapes?

"Merrick Garland has refused to turn over something that we are entitled to receive," Mr. Johnson said, and he's correct. Mr. Garland released a transcript of the interview, but Mr. Biden claims executive privilege over the audio. "After last night's debate, I think we all understand very clearly why that is," Mr. Johnson said. "He will very likely sound exactly on that tape as he did on the stage last night, and that's embarrassing to the President."

Mr. Johnson continued: "We're sorry about

that. We're not trying to embarrass the President. We're trying to get down to the facts." He said the House's oversight function includes ensuring that the official transcription is a close match to the underlying audio.

In a late May court filing, Associate Deputy Attorney General Bradley Weinsheimer said the transcript is accurate "except for minor instances such as the use of filler words (such as 'um' or 'uh') or 'when words may have been repeated when spoken (such as 'I, I' or 'and, and.')." In more than 40 places, the transcript says the audio is "indiscernible," and Mr. Weinsheimer agreed that was true.

But the House doesn't have to take his word for it. And given Mr. Hur's assessment that Mr. Biden presented himself in the interview as "a sympathetic, well-meaning, elderly man," his demeanor on the tape is also a public concern.

cluding nursing staff and security.

However, as Justice Gorsuch explains, "the Cruel and Unusual Punishments Clause focuses on the question what 'method or kind of punishment' a government may impose after a criminal conviction, not on the question whether a government may criminalize particular behavior in the first place or how it may go about securing a conviction for that offense."

The three liberal Justices pointed in dissent to the Court's anomalous *Robinson* (1962) decision, which blocked a state law that criminalized drug addiction. The Court in that case held that states can't criminalize the "status" of being an addict, but said that they could punish drug use by those suffering from addiction.

Anti-camping laws don't criminalize status. They prohibit certain actions. The plaintiffs in Grants Pass sought to extend the *Robinson* "rule beyond laws addressing 'mere status' to laws addressing actions that, even if undertaken with the requisite *mens rea*, might 'in some sense' qualify as 'involuntary,'" Justice Gorsuch writes.

Addressing homelessness is complex, and if people don't like their leaders' policies, they can vote them out. Not so federal judges, who Justice Gorsuch writes cannot "begin to 'match' the collective wisdom the American people possess in deciding 'how best to handle' a pressing social question like homelessness."

The Court's ruling is a boon for constitutional federalism, especially for cities in California struggling to contain the crime, drug use and disorder that come with homelessness. Gov. Gavin Newsom supported the Grants Pass appeal, and he should be grateful.

## LETTERS TO THE EDITOR

## Even If It Isn't Watergate, It's Still a Story

In her column "The Purpose of Journalism Is to Get the Story" (Declarations, June 22), Peggy Noonan rightly cites the Washington Post's Watergate story as the gold standard of shoe-leather reporting. But to my mind, it also marked a turning point in the practice of journalism. Ever since the scandal made celebrities of Bob Woodward and Carl Bernstein, too many journalists have treated their craft as a means to an end—namely, to change the world. Not content to tell the story, they want to be the story.

In a world that rarely offers Watergate-size scoops, these would-be history makers settle for ideological and political evangelizing.

MICHAEL SMITH  
Georgetown, Ky.

Ms. Noonan's critique of modern journalism seems to reflect a shift from old-school journalists trying to get "the truth" to today's journalists focusing instead on "my truth." In a "my truth" world, there is no objective, factual story to get. All that matters is who is telling a story and how a story advances the bias-laden narrative of the storyteller. The writer's identity and nar-

rative have supplanted the facts.

Of course, media companies are discovering that "my truth" journalism has a very limited market value and that journalistic credibility, once lost, is quite difficult to restore.

DANA R. HERMANSON  
Marietta, Ga.

Decades ago I took Journalism 101 in college and I still remember the difference between a reporter and a commentator. A reporter gathers information in as balanced and unbiased manner as possible. The reader does not learn the reporter's feelings. Though a commentator abides by the same information gathering rules, he or she is not only free but expected to express his or her own opinion.

RAYMOND J. TERMINI  
Dallas

"It all feels presumptuous," Ms. Noonan writes. She should have added the words: sanctimonious, self-righteous, smug, hypocritical, deceptive, elitist, pompous, egotistical, snobbish, arrogant, pretentious and vain. But I digress.

HAROLD GILBERT  
Tampa, Fla.

## Debt and Prices Drag Down U.S. Sentiment

I take a different approach than Alan Blinder to understand people's views on the economy ("The Economy Is Good. Why Don't People Know It?" op-ed, June 26). I talk to them directly. I make dozens of presentations annually in North Carolina, including to professional organizations, civic groups and residents. There is no doubt their main concern about today's economy is inflation. More specifically, people are worried about two prices they regularly see: food and gas. Many, particularly younger people, are also upset about interest rates on loans.

These concerns are valid. Since early 2021, food prices are up 21%, gas prices are 55% higher, credit-card interest rates have risen almost 7 percentage points and 30-year fixed mortgage interest rates have jumped 4 percentage points. In contrast, av-

erage weekly earnings have increased only about 15%.

People react to what they directly experience. To know what people experience, you must talk to them one on one. After listening to them, it's clear to me why Americans are still concerned about the economy.

EM. PROF. MICHAEL L. WALDEN  
North Carolina State University  
Raleigh, N.C.

Mr. Blinder puzzles over why people have such grim views about the country's economic condition. Rather than blame it on the negativity bias of the media, he ought to turn back a page in The Wall Street Journal and read William Galston's column, "The National Debt Crisis is Coming." It may better answer his question.

JAY BRODY  
Potomac, Md.

## Believe Democrats' Promise of Tax Catastrophe

Regarding "The 2025 'Tax Armageddon'" (Review & Outlook, June 24): I hope people are paying attention to what Democrats are saying about raising taxes and take it seriously. They aren't kidding. Democrats have to find revenue to pay for their spending blowout.

Expect it to affect you. There aren't enough rich people out there to finance Democrats' spending with levies on them alone. And corporate taxes going up means less growth. Businesses are in the business of providing jobs for people and mak-

ing money. When you tax more, you get less.

Armageddon is an understatement.

MATINA KANTZAVELOS  
Morton Grove, Ill.

Sen. Elizabeth Warren believes that the nation would be better off if Elon Musk and Jeff Bezos were to cede 2% of their wealth annually to her control. She wants us to believe that, somehow, she'll spend it more productively than they would.

This makes as much sense as believing that the Kansas City Chiefs' offensive productivity would benefit from giving her 2% of Patrick Mahomes's allotted snaps from center. Stay in your lane, Ms. Warren.

JEFF SOURBEER  
Belleair, Fla.

## California Pipe Dream

Regarding your editorial "California Says Don't Keep on Truckin'" (June 18): California, if prudent, would require a beta test of its requirement for locomotives to be battery powered. May I suggest testing the prototype on the small, completed section of the state's promised high-speed rail line. There it should stay awaiting the fulfillment of another pipe dream.

FREDERIC SEITZ  
Franklin, Wisc.

There is an alternative to diesel locomotives that's been used in Europe for years: Electric locomotives powered by overhead wires or electrified third rails. No batteries required.

MICHAEL BACZKOWSKI  
Buffalo, N.Y.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"The most obvious side effect of having a chip implanted in my brain is a constant craving for onion dip."

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

## OPINION

## Margaret Chase Smith for President

By Lance Morrow

Americans have a myth, an expectation embedded in folklore, that they choose their presidents based on merit: The most qualified American of all is the one who will go to the White House. It isn't true, and everyone knows it. No doubt it ought to be true. Instead, every president is a complex accident, the product of what might be called stochastic democracy: a convergence of random variables.

The process isn't entirely random, but as voters have noticed this year, it need not take merit into consideration. An election only approximately expresses the country's desire. In the case of MAGA, loyalties have magnetized themselves around a unique personality. No comparable cult of personality has formed around Joe Biden.

Sometimes things turn out all right and the country gets lucky. Sometimes not. Some say that America elects the president it deserves. It's shaming to think of what the country must have done to deserve this year's choice.

**True, she'd be 126 years old, but she was smarter, fairer and more principled than Trump or Biden.**

To be fair, one should allow for the Habit of Perennial Dissatisfaction. George Washington was the country's ideal. In the 228 years since he retired, probably the majority of American voters have been unhappy going to the polls. I have voted in 16 presidential elections, starting with John Kennedy vs. Richard Nixon in 1960, when I came of voting age. In the approach to almost every one of those decisions, I felt that neither candidate was wor-



Sen. Margaret Chase Smith (R., Maine) in 1963.

thy of the office. In 1960 I thought Nixon was a weasel and that Kennedy was merely the inexperienced dreamboat son of a millionaire who made a practice of buying elections for his boy.

Four years later, Lyndon Johnson seemed promising though cornpone, but unworthy to succeed Camelot's assassinated dreamboat, who had become a saint and a myth. Johnson's Republican opponent, Barry Goldwater of Arizona, talked like a desert primitive, an amateur not ready for the political big time. People said Goldwater was nuke-happy, yet it was LBJ, the peace candidate, who mired America in Vietnam.

Things got worse: In 1968, we had Nixon vs. Hubert Humphrey, the gabby liberal who, as vice president, had been sadistically broken by Johnson. I wanted Bobby Kennedy, but he got shot.

On and on. Who could say that Nixon and South Dakota's George McGovern were the two Americans best qualified for the presidency in 1972? Nixon won by a landslide but resigned in disgrace less than two years later because of Watergate.

Nineteen-eighty pitted one of the unluckiest American presidents, Jimmy Carter, against one of the luckiest and, as things turned out, more visionary—Ronald Reagan. I voted for Reagan—twice.

Beyond the Phenomenon of Chronic Inadequacy lies the Certainty of the Unexpected. History works in mysterious ways. On Inauguration Day 1929, Herbert Hoover seemed an American paragon: able, principled. Yet the country came to ruin on his watch—the economy wrecked and the president all but helpless. His successor, Franklin D. Roosevelt, didn't seem promising either—at first. Walter Lippmann called him a lightweight and a “feather duster.” After Roosevelt had been in office awhile, his enemies claimed he had become an autocrat who meant to impose the sort of dictatorship for life that the left keeps saying Mr. Trump intends to organize for himself. Conservatives hated Roosevelt almost as enthusiastically as progressives hate Mr. Trump today. Roosevelt said, “I welcome their hatred.” Mr. Trump's sentiments exactly.

In the 2024 election, Americans feel not only dissatisfaction but, in many quarters, disgust that morphs into civic despair. Both candidates are running for a second term, which redoubles the falsehood of the myth that the presidency always goes to the best American. Whoever wins, second terms have a discouraging history. They tend to be tired, unhappy. It was true of Dwight Eisenhower's second term. Ike was only 70 when he retired to his Gettysburg, Pa., farm. A President Trump, if elected in 2024, would be 82 when he left office; President Biden would be 86.

Suppose that the folklore were true. Who would the best American be? I worked the summers of 1953 and '54 as a Senate page. The figure who impressed me—more than the three future presidents who were present in the chamber (Johnson, Kennedy and Nixon, presiding over the Senate in his role as vice president)—was Margaret Chase Smith of Maine, the only female senator at that time.

Smith was a moderate Republican, a discredited breed these days. She was an elegant figure with wavy gray-white hair who wore pearls and—every day, pinned over her heart—a fresh red rose. She was one of the first to denounce Joe McCarthy.

Tailgunner Joe smelled of last night's whiskey when you got on a Senate elevator with him. Smith was as radiantly couth as any American politician can be. She had intelligence, courage, sanity, balance—ingredients that have mostly vanished from American public life. She would have made a superb president, I think. If Margaret Chase Smith were alive, she would be 126; age would definitely be an issue in the race. I would vote for her in a second.

*Mr. Morrow is a senior fellow at the Ethics and Public Policy Center and author of “The Noise of Typewriters: Remembering Journalism.”*

## Would Gavin Newsom Beat Trump? Don't Bet on It

LIFE SCIENCE  
By Allysia Finley

Gavin Newsom's yacht may be coming in after President Biden fundered last week in his debate with Donald Trump. Some Democrats are calling to replace the incumbent, and betting markets put Mr. Newsom as the favorite alternative.

But would the slicker-than-palm-oil governor stand any better shot of defeating Mr. Trump? Hard to believe. It's telling that Californians have a lower opinion of their governor than of their stumbling president, in large part because Mr. Newsom's ham-handed policies are making the state unlivable. The French Laundry liberal also oozes disdain for commoners who disagree with him.

His high-handed insistence on imposing his supposedly superior values on everyone else—from transgender lessons in kindergarten to electric-vehicle mandates—would likely repel more voters in swing states than Mr. Trump's boorish bombast.

Consider Mr. Newsom's State of the State speech last week. He compared the current moment with 1939, when the “world was on edge as fascism spread its hate and destruction through Europe.” He isn't worried about the rise in antisemitism or geopolitical threats on multiple fronts including Russia, Iran and China. He's alarmed by conservatives who criticize his policies.

“We face another extraordinary moment in history—for California, for the country, and for the world. We are presented with a choice between a society that embraces our values and a world darkened by division and discrimination,” he proclaimed. “The California way of life is under attack. For conservatives and delusional California bashers, their success depends on our failure. They want to impeach the very things that have made us successful, as a tactic to turn America toward a darker fu-

ture. They do so in the name of ‘liberty’ and ‘freedom.’ ”

In Mr. Newsom's view, the gravest threat to democracy comes from Americans who want the freedom to buy gasoline-powered cars, walk their dogs without worrying about being assaulted by vagrants, have some input into what their kids learn in school, keep more of their tax dollars, and not be forced to join a union. What malevolent people.

**Winning is easy in a one-party state. In a national race, he'd have to answer for his terrible record.**

“They want to roll back social progress, social justice, racial justice, economic justice, clean air, clean water and basic fundamental fairness,” Mr. Newsom continued. “They would cleave America from the principles of freedom and the rule of law. And in the process, throw our economy and, in many respects, society as we've known it, into chaos.”

The speech was far more divisive than any Mr. Trump has given. It isn't a sign of strength. Demonizing political opponents is a common tactic of insecure leaders. Mr. Newsom is desperately trying to deflect attention from California's manifest problems, including crime, homelessness, high taxes and a slowing economy.

He claimed in his speech that California's rich pay less of their income in taxes than Texas' poor. Not true.

He said California has a lower homicide rate than most states, including Florida and Texas. Partially true. Florida's homicide rate is lower than California's, but Texas' is higher. Regardless, homicides make up a very small number of violent crimes. California's violent-crime rate is about 30% higher than the national average and double Florida's—and the difference has been increasing in recent years.

He said “no state has done as much as California in addressing the

pernicious problem of homelessness.” It's true no state has spent as much. The state auditor in April reported that California spent \$24 billion on some 30 programs over the past five years addressing vagrancy while homelessness increased by about 30,000.

Mr. Newsom called California the “tentpole of the American economy.” It's wobbling. Employment in California has declined by 113,471 over the past year and is 403,665 lower than before the pandemic. Blame Mr. Newsom's excessive Covid lockdowns, \$16-an-hour minimum wage (\$20 for fast-food employees) and energy policies.

Mr. Newsom handily won re-election two years ago and beat back a 2021 recall. Not because he has any particular political skill but because California is a one-party state—and is becoming more so as its policies drive off people who don't want to live under them. New Internal Revenue Service data show that in 2022 more than 300,000 Californians on

net moved to other states—mostly Texas, Florida, Arizona and Nevada—taking \$23.8 billion in income with them.

People generally don't flee flourishing democracies for fascist dictatorships. The folks Mr. Newsom is driving to other states are also the voters Democrats need to win in November. But Mr. Newsom doesn't realize this because he ascended California's political ranks thanks mainly to the support of well-heeled family friends such as the Gettys.

He has never had to appeal to voters outside his progressive bubble. As the Los Angeles Times explained in a 2018 profile, “Gavin Newsom wasn't born rich, but he was born connected—and those alliances have paid handsome dividends throughout his career. A coterie of San Francisco's wealthiest families has backed him at every step of his political rise.”

Messrs. Biden and Newsom both live in oblivion, but the California governor's delusion is by choice.

## Biden Should Withdraw, And So Should Trump

By Ted Van Dyk

President Biden showed his age, confusion and diminishing faculties in last week's debate. But he had done that before, so I was surprised when establishment media and other Democrats said that Mr. Biden should renounce his reelection plans.

I have known Mr. Biden since he came to Washington in 1973 as a freshman senator after a family tragedy—the death of his wife and baby daughter in a December 1972 car accident. He commuted daily by rail from Wilmington, Del. I remember seeing him in the Senate dining room, eating ice cream with his two young boys, who survived the crash.

Later he waged unsuccessful candidacies for the 1988 and 2008 Democratic presidential nomination. President Obama revived his career by making him vice president, but it seemed to be ending in 2020, when he trailed other candidates until older black voters rescued him in the South Carolina primary. Many Democrats, including me, assumed that he would serve only one term.

When he challenged Donald Trump to an early debate, I thought his advisers either had confidence in his faculties or were making a huge tactical misjudgment. It turned out to be the latter.

Journalists and some Democratic leaders have urged him to withdraw. He is fighting back by scheduling appearances where he can demonstrate vigor and command. But in time the calls for withdrawal will be hard to resist. One would think Jill Biden

and his family would be urging him to drop out and come home to a stress-free retirement. That would almost certainly end investigations into Hunter Biden and related family enterprises. In the meantime, Vice President Kamala Harris seems to be stepping up her activity.

Another factor is at work and thus far overlooked—the effect of a Biden withdrawal on Mr. Trump's fortunes. Recent polls show him ahead of Mr. Biden. But would those leads hold up over a Democratic candidate who appeals to both Democrats and independents—say, Gretchen Whitmer or Amy Klobuchar?

I believe Mr. Biden will withdraw. When he does, voters inevitably will ask: If he is withdrawing, why not Mr. Trump?

Right now Mr. Trump seems wholly focused and determined in his campaign. That could change if key media and Republican leaders suggest that with Mr. Biden gone, there is no practical need for Mr. Trump to run. Polling consistently has shown in recent months that a majority of Democratic and Republican voters would favor other nominees for their parties. The country needs a fresh start after years of anger and polarization. New presidential candidates this fall—how does that sound?

*Mr. Van Dyk coordinated primary and general-election debate preparation for several Democratic presidential candidates between 1968 and 1992. He is author of “Heroes, Hacks and Fools.”*

## Immigration Is Behind the Strong U.S. Economy

By Jason Furman

The most economically important part of the presidential debate was a leitmotif—and at times, a heavy motif—throughout the evening: immigration. While Donald Trump made many false remarks throughout the debate, he spoke a grain of truth when he said of his opponent that “the only jobs he created are for illegal immigrants and bounce-back jobs that bounced back from the Covid.” The employment level for native-born workers is indeed below its pre-pandemic level, while foreign-born workers have accounted for all employment gains. But contrary to Mr. Trump's contention, that's a strong argument for, rather than against, immigration.

**We'd be a poorer, weaker country without it. Too bad Biden couldn't make that point at the debate.**

The U.S. population is aging, and millions of baby boomers retire each year. We can expect that absent immigration, we would have a decreasing working-age population and shrinking employment for decades to come—especially considering the low fertility rate. This is already happening in Japan and will soon happen in many European countries.

Meantime, millions of jobs have been added for foreign-born workers since 2019. The majority of these immigrants were in the U.S. prior to Covid, but another roughly 10 million have arrived since then, according to the Congressional Budget Office. These newly arrived immigrants are the main reason the U.S. economy has defied pessimistic forecasts, with 200,000 jobs added a month, real growth in gross domestic product at 3% in the past year, and an inflation rate that has fallen dramatically in the past few years. The biggest factor behind this strong economic performance is immigration.

But aren't immigrants taking jobs from native-born workers? The answer is no, as a simple statistic—the employment rate for native-born workers 25 to 54—demonstrates. These workers are in what economists call their “prime age.” Data from the Bureau of Labor Statistics show that in 2019, before the pandemic, the employment rate for prime-age workers was 82%. Today, that rate is even higher, at 83%. Focusing on this age group is an effective way to control for demographic shifts. Even if the employment rate goes up for every age group, it can still go down overall if the share of older workers, whose employment rates are lower, grows. And that's what is happening with the native population.

Immigrants aren't merely workers competing for a fixed number of jobs. They're also consumers who generate demand and the need for more jobs. Historically, when the U.S. economy faces structural changes as a result of variations in the labor supply—whether through a surge in immigrants, women entering the workforce or other demographic changes—supply and demand increase roughly in tandem, raising or lowering the economy's potential growth rate without triggering changes to the unemployment rate or inflation.

Moreover, immigrants help the economy in a few other ways. First, immigrants are more likely to be of working age than their U.S.-born counterparts, so they can help support American retirees through their labor and taxes. Second, immigrants bring innovation that helps the economy grow. Finally, research shows that native-born workers may even become more productive and innovative when they work with immigrants—something I experience every day at Harvard.

In the debate, Mr. Biden never defended immigration for enabling him to preside over strong economic and job growth. That's unsurprising given the mixed feelings Americans have about immigration. But the reality is that we'd be a poorer and weaker country without it—doomed to having a shrinking number of workers paying higher taxes to support a growing number of retirees.

*Mr. Furman, a professor of the practice of economic policy at Harvard, was chairman of the White House Council of Economic Advisers, 2013-17.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES &amp; COMPANY

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## Nvidia Made Its Mark on Quarter

Enthusiasm for the stock grew while the S&P saw large performance gap

By CHARLEY GRANT

In this year's bull market, there are artificial-intelligence plays like Nvidia—and then there's everything else. As the second half of the year begins, investors are wondering whether something has to give. Enthusiasm for the chip maker, whose products are seen as essential to powering AI technology, kept building through the second quarter. Nvidia reported sales and profits in May that blew past Wall Street expectations for the fifth consecutive quarter. The stock rose 37% in the second quarter

and is up 149% for the year.

Much of the rest of the index languished. The average stock within the S&P 500 is up 4.1% this year, while the broad index is up 14.5%. That is the largest underperformance since at least 1990, according to Dow Jones Market Data. Six of the 11 sectors in the index declined in the second quarter, including financials, energy and industrials.

The divergence has some value investors throwing up their hands. "We can't keep up because we don't own Nvidia," said Max Wasserman, co-founder and senior portfolio manager at Miramar Capital.

"If you don't own that one stock, it really hurts. Every day feels like a root canal without novocaine."

Investors are bracing for volatility in the second half of the year. They continue to expect the Federal Reserve will move to cut interest rates before the end of 2024, and stocks could fall if that hope proves premature. The presidential election means government policy is uncertain in key categories like taxes and en-

ergy. President Biden's debate performance last week could further muddy the waters. And analysts expect strong corporate earnings growth, which

might not materialize.

Nvidia was the largest gainer within the S&P 500 last year and has more than tripled in value over the past 12 months. Its market value hit \$3 trillion in June, less than four months after it reached the \$2 trillion mark.

The group of big technology stocks known as the Magnificent Seven—Nvidia, Microsoft, Apple, Amazon.com, Meta Platforms, Alphabet and Tesla—is responsible for 60% of the index's total return this year through Wednesday, according to S&P Dow Jones Indices.

Investors flocked to big tech stocks in part because they are increasing their earnings more quickly than the rest of the market.

"It makes sense to me that we are packed into a lot of

these AI plays because that's where people feel like there's secular growth," said Julie Biel, chief market strategist at Kayne Anderson Rudnick. "Even if you do a great job in the rest of the portfolio, if you're not overweight in the same place, you're just toast."

Wall Street analysts project companies in the S&P 500's information-technology sector will increase earnings by 16% in the second quarter from a year earlier, according to FactSet, while earnings in the communication-services group—home to the likes of Alphabet and Meta—are forecast to grow by 19%. Analysts project less than 9% overall growth for the S&P 500.

A foggy economic outlook is

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**Six of the 11 sectors in the S&P declined in the second quarter.**

## Home-Building Season Fails to Lift Lumber

By RYAN DEZEMBER

Lumber prices have tumbled into building season, a sign that residential construction and home-improvement markets are buckling under high borrowing costs.

The price of two-by-fours, which skyrocketed during the pandemic, is a reliable leading indicator for the housing market. Lately it is flashing caution.

Lumber futures shed 3% Friday to end at \$452.50 per thousand board feet, down 27% since mid-March. Wood has piled up in the market and pushed cash prices even lower.

Trade publication and pricing service Random Lengths said its framing-lumber composite price, which tracks on-the-spot sales, fell this past week to \$366, the lowest since May 2020. Southern yellow pine, favored for fences and decks, also has dropped to its lowest prices since the depths of the Covid market crash. Random Lengths' Southern yellow pine composite price declined to \$335 this past week.

"The spring rally never happened," said Russ Taylor, a Vancouver wood-market consultant. "No one is making much money at these prices."

From labor to logs, sawyers' expenses have risen a lot since 2020. Many mills are losing money at today's prices, executives and traders say. Mills afraid of losing skilled workers are in standoffs with competitors to see who will shut down or cut shifts first.

**PotlatchDeltic** Chief Executive Eric Cremers told investors at a recent conference in New York that the timberland owner's lumber mills narrowly avoided losses during the first quarter after making \$800



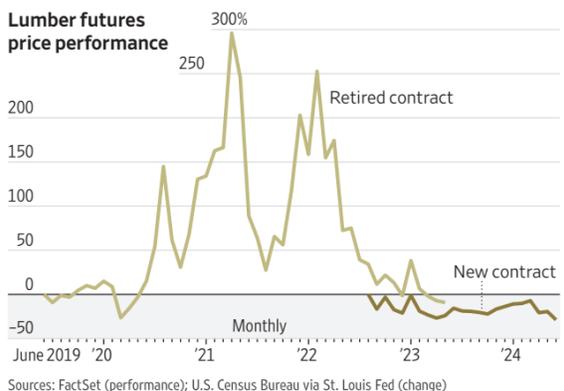
Housing starts declined 17% between February and May, to a seasonally adjusted annual rate of 1.28 million.

million cumulatively over the previous three years.

"To think we've got \$700 million, \$800 million worth of assets breaking even is not fun," he said.

Just a couple of years ago, sawmills were producing mountains of cash. Wood prices soared after the initial shock of lockdown. Bored-at-home Americans remodeled all at once, and suburban home sales surged. Lumber futures shot to nearly three times the prepandemic record.

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Sources: FactSet (performance); U.S. Census Bureau via St. Louis Fed (change)

## Boeing Set to Acquire Spirit for \$4.7 Billion

By SHARON TERLEP

**Boeing** clinched a deal to buy **Spirit AeroSystems**, taking back a troubled fuselage maker that it split off two decades ago as the jet manufacturer grapples with production problems.

Spirit has been at the center of quality issues affecting 737 MAX jets. Boeing has been negotiating a deal for months, and its executives have said they believe taking control of Spirit's operations will improve the safety and quality of its manufacturing.

In recent weeks, the two sides have discussed a deal that would have had Boeing paying more than \$4 billion for roughly two-thirds of Spirit's business. Boeing on Monday said it agreed to acquire Spirit for \$37.25 a share in an all-stock transaction valued at approximately \$4.7 billion.

As part of the deal, Spirit is expected to shed factories, including in Europe, that make parts for Boeing rival Airbus.

It is one of the biggest moves by departing Chief Executive David Calhoun to address Boeing's manufacturing woes in the wake of a near midair tragedy on Jan. 5. The aircraft maker has also announced a shake-up of its executive ranks and said it is searching for Calhoun's replacement.

Spirit, which makes 737 fuselages and other airframe components, was created when Boeing sold some of its factories in 2005 in a push to focus on final assembly.

Last year, Spirit had about 20,000 workers and \$6 billion in revenue but it has been losing money.

Boeing in April agreed to make \$425 million in advance payments to cover costs tied to its quality-improvement efforts.

Spirit has been run since October by Pat Shanahan, a 30-year Boeing veteran who left the company in 2017 to serve in the Department of Defense

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## Mexico Battles Americans On What Makes True Tequila

By SAABIRA CHAUDHURI

Grover Sanschagrin and Scarlet Sanschagrin, founders of an app called Tequila Matchmaker, were at dinner on New York City's Upper West Side when their phones began to vibrate.

A maintenance worker had sent photos of their house in Tlaquepaque, Mexico, showing the doors barricaded, windows smashed and chains around the property.

"He was really scared," recalls Scarlet, a former journalist and native of Monterey, Calif. "He didn't know what had happened, and the neighbors were saying dead bodies had been found."

The rumors of bodies were baseless, but the drama was otherwise real. The photos showed the aftermath of a search conducted by Mexican authorities based on a criminal complaint by the country's tequila regulator.

The March raid punctuated a fracas that has affected one



Scarlet and Grover Sanschagrin founded Tequila Matchmaker.

of Mexico's biggest industries: What makes a true tequila?

The Sanschagrins are known on both sides of the border for a program that certifies tequilas as being free of additives. They say Mexico's regulator, Consejo Regulador de Tequila, filed the complaint—which alleged they were illegally making and distributing fake tequila and adul-

terating drinks—only to stop them from continuing to high-light additive-free tequilas.

The CRT, which oversees an industry that is a core part of Mexico's cultural identity, denies this. But it is vocal about its objections to the couple's program, which it says is based on shaky science and hurts tequila's reputation.

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## Amazon To Invest Billions To Pursue AI Future

By SEBASTIAN HERRERA

**Amazon** built a \$2 trillion company through years of aggressive spending on its retail and logistics businesses. Its future gains will likely be determined by the billions of dollars designated to fund its artificial-intelligence push.

Amazon plans to spend more than \$100 billion over the next decade on data centers, an impressive level of investment even for a company known for its spending. The Seattle company is now devoting more investment money to its cloud computing and AI infrastructure than to its sprawling network of e-commerce warehouses.

Amazon Web Services, the arm that manages Amazon's cloud business, has opened data centers for years, but executives said there is a surge in investment now to meet demand triggered by the excitement around AI.

"We have to dive in. We have to figure it out," said John Felton, who took over as AWS's chief financial officer this year after spending most of his career in Amazon's retail-fulfillment operations.

The company's financial commitment reflects the importance and high costs of AI. Felton said building for AI today feels like building that massive delivery network in years past. "It's a little uncertain," he said. AWS is expanding in Virginia, Ohio and elsewhere.

The company's overall capital expenditures decreased last year primarily because it reined in fulfillment and transportation spending, but the share of that spending on infrastructure mostly for AWS has surged. The increase represents a new era of expansion for Amazon, in which investing in cutting-edge cloud equipment is more critical to its growth than developing its network of retail warehouses.

Amazon's spending on data-center capital expenses, including leases, compared with total capital expenditures hit a decade high last year of 53%, according to market-research firm Dell'Oro Group. Amazon expects AWS infrastructure spending to remain high this year, and the company has announced many AWS investments in recent months.

Amazon's cloud business has long been the company's profit engine, and AI is expected to catapult demand for cloud computing to new

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## 'A Quiet Place' Prequel Is No. 2



The third film in the series earned \$53 million this weekend.

### Estimated Box-Office Figures, Through Sunday

Film	Distributor	Sales, In Millions		
		Weekend*	Cumulative	% Change
1. <b>Inside Out 2</b>	Disney	\$57.4	\$469.3	-43
2. <b>A Quiet Place: Day One</b>	Paramount	\$53.0	\$53.0	—
3. <b>Horizon: An American Saga Chapter 1</b>	Warner Bros.	\$11.0	\$11.0	—
4. <b>Bad Boys: Ride or Die</b>	Sony	\$10.3	\$165.3	-45
5. <b>Kalki 2898 AD**</b>	Prathyangira Cinemas	\$5.4	\$11.0	—

\*Friday, Saturday and Sunday in North American theaters. \*\*Opened on Thursday. Source: Comscore

## Amazon Spends Big On AI

Continued from page B1

Executives aim to take advantage of the AI boom, which relies on cloud services because of the intensive computing resources required. Amazon expects tens of billions of dollars in revenue from AI in the next several years.

"We're just keeping our heads down and focusing on delivering that capacity right now," said Kevin Miller, AWS vice president of global data centers.

Amazon's shift represents the changing needs of a company that, despite having the world's leading cloud-computing business and years of experimenting with AI, is seen by some experts as trailing in AI behind its big tech peers. Amazon has said it isn't falling behind others in AI and its AI capabilities at AWS have been well-received.

Amazon has a history of spending big to stay ahead. It had years of heavy capital investment in its delivery infrastructure to establish its e-commerce dominance and then to meet explosive demand during the Covid-19 pandemic.

That heavy investment contributed to Amazon this past week becoming the fifth U.S. company ever to reach the milestone of \$2 trillion in market value.

Amazon's increased focus on data centers is also reflected in the company's se-

nior leadership, which has increasingly become stocked with people with connections to the cloud business.

Andy Jassy served as the AWS chief executive for more than two decades before becoming Amazon's chief executive in 2021.

"There is a natural tendency to invest more in AWS and technology for the folks left behind because that's what they grew and built," said Cayce Roy, chief executive at e-commerce fulfillment company Standvax and a former vice president at Amazon.

Amazon plans to add at least 216 new data-center buildings in the next several years, said Marc Wulfrat, president at logistics consultant MWPVL International. Amazon's retail capital expenditures probably won't grow much through 2025, he said, in part because Amazon has extra capacity in that segment after overbuilding during the pandemic.

With high demand for AI infrastructure, Amazon and other tech companies have struggled to get the parts, property and power that data centers with supercomputers require.

Amazon and other big tech companies have sought nuclear power to feed their energy needs. The company's fulfillment build-out took many years to accomplish and didn't require the same technical equipment that data centers do.

Jassy has reoriented Amazon to focus on AI products throughout its various businesses. He has said generative AI could be a critical element of its next pillar of growth in addition to its online retail business, Amazon Prime and AWS.



Clockwise, a security camera captured footage of the couple's house being raided in March; brands confirmed as additive free under their program get a label they can attach to their bottles; Bacardi was forced to pull its additive-free tag.

## Tequila Battle Rages

Continued from page B1

"They saw a business in this additive-free," said Martín Muñoz Sánchez, the regulator's technical commissioner. "They created a negative environment for tequila with this certification."

Additives have long been widely used across the spirits industry, adding flavor, color and texture to everything from cognac to whiskey. If under 1% of a tequila by weight, the additives don't need to be disclosed under Mexican law. Even critics like the Sanschagrins say there are no known health risks.

But as the use of additives becomes more widespread, the couple say tequila drinkers have a right to know which brands are produced using only the traditional ingredients of agave, yeast and water, and which are supplemented with glycerin, corn syrup and other additives.

The issue is becoming a big deal in a fast-growing industry that has many of the world's largest alcohol companies jockeying for dominance.

At its core, the fight is between those who want to protect traditional methods of tequila production favored by many family-owned companies, and some of the industry's giants, which have adopted more-modern methods.

Tequila production has boomed, rising 164% between 2013 and 2023, according to CRT data. The growth is in part due to surging demand from the U.S. for sugary margaritas and shots but also more recently to higher-end tequilas intended to be sipped or drunk with soda. Celebrities from George Clooney to Kendall Jenner have piled into the category, and tequila is forecast to overtake vodka and U.S. whiskey to become the most valuable spirit in the U.S. this year, according to the industry tracker IWSR.

The demand boom has spurred a supply scramble, with many producers choosing to harvest agave plants well before they reach maturity. Traditional production equipment such as brick ovens can extract only some sugar from such young plants. By contrast, modern equipment can extract far more and make for a process that is both cheaper and quicker. The accelerated process, which avoids cooking, often necessitates that producers use additives to create the flavors in the final product.

The Sanschagrins see additives as an outgrowth of the



industry's recent mass industrialization. They say the trend hurts mostly small brands and that many multinationals are deceptively marketing their tequilas as traditional.

The regulator says as long as distillers abide by the law, the production methods they choose are their own business. "The different ways to produce tequila according to the equipment, the personal recipe you have, will give you thousands of different profiles," the CRT's Sánchez said. "That is the magic of tequila."

Diageo, which owns the Don Julio and Casamigos tequila brands—neither of which is on the Sanschagrins' additive-free list—said consumers should be encouraged to try different tequila profiles.

"The misconception that there is only one process for making great tequila has been a marketing angle that has not been constructive for the tequila industry and consumers," says Sophie Kelly, Diageo's head of tequila.

While reliable data on the subcategory are scarce, industry watchers say there is clearly consumer demand, with big retailers such as Total Wine featuring sections promoting additive-free offerings.

"Additive-free is the biggest trend in tequila right now," says Ivy Mix, head bartender at the Leyenda bar in Brooklyn. Scarlet introduced Grover to tequila soon after they met 18 years ago in San Francisco. Trying different bottles quickly became a point of connection in their relationship. When the couple married in 2009, they had a tequila-themed wedding in Tlaquepaque.

In 2012, they founded the Tequila Matchmaker app, which lists, rates and allows

consumers to review the burgeoning number of brands available. It now has 328,000 users.

In 2017, the couple—who by then were living in Tlaquepaque—began noticing that some of the most popular tequilas contained nontraditional flavors.

"Certain brands started coming out tasting like vanilla or very sweet cake-icing batter," said Grover. "We said, 'OK, this is enough.'"

The Sanschagrins added a check box on the Tequila Matchmaker app indicating whether a tequila was additive-free.

They say master distillers trained them to detect additives through smell and taste. They performed the checks during distillery visits, and eventually through testing done by a third-party lab. There were no industrywide standards on how to test for additives, which remains the case today.

Mostly small brands, eager to set themselves apart from their bigger rivals, welcomed them. So did Patrón, now owned by Bacardi, which said its tequila contains no additives.

In July 2020, the couple turned their informal list into an additive-free tequila "verification program."

After the first year, brands were asked to pay \$1,000 toward the program to help cover its costs, although Scarlet said those that didn't weren't kicked off the list.

Following the program's launch, the CRT accused the Sanschagrins of acting as shadow regulators and asked them to end their program.

The regulator told them—and later reiterated to The Wall Street Journal—that thousands of additives can be

used to make tequila and that identifying all of them would be impossible.

The regulator said it has evidence from an accredited American lab that several of the 120 brands on the Sanschagrins' additive-free list in fact contain additives.

Grover said trace amounts of additives can make their way into tequilas unintentionally through cross-contamination when brands made by contractors share bottling lines.

The regulator has since cracked down on other additive-free claims as well.

In October, Patrón put out a press release announcing a new additive-free seal it said had been endorsed by the CRT. Hours later, the brand pulled the announcement and deleted all social-media posts about it after the regulator fielded objections from a number of tequila makers including Diageo.

The regulator then published an industry circular that said it didn't offer an additive-free seal and slammed brands that used the designation in their marketing.

"We never permit an attack on the industry of tequila," Sánchez said.

Patrón has since sued the CRT over the episode. Mauricio Vergara, Patrón's president and chief operating officer, says the company wants to work with the regulator and the industry on the best way to conclude whether a tequila is additive-free.

"More than a debate about whether additives are good or bad, it's one about transparency," he says. "Consumers increasingly care about how products are being made."

The regulator says it found that the Americans were illegally making alcohol in their home. They saw distillation equipment Grover used to make a spirit he named Lotecit and which they say he passed off as tequila. The Sanschagrins deny the allegations.

## Boeing To Acquire Spirit

Continued from page B1

during the Trump administration. The 62-year-old has held discussions about taking over the Boeing chief-executive job, but the talks were largely on hold as the two companies negotiated the deal.

Spirit's factory in Wichita, Kan., made the fuselage involved in the Alaska Airlines door-plug blowout in January. The fuselage had defective

rivets, or fasteners, and investigators believe workers at a Boeing plant in Renton, Wash., failed to put back bolts needed to secure the door plug when they opened it to make the repair.

Problem parts from Spirit have been an issue for Boeing for years as production snafus and quality lapses at the supplier slowed production at Boeing and left it short of jets it promised to deliver to airlines.

More recently, Boeing has slowed its factories and is delivering less than half as many jets as it was at the end of 2023.

That pace has put strains on several of its suppliers, including Spirit. In May, Spirit said it was cutting hundreds of jobs in the Wichita plant.

## Watch a Video: 7-Eleven Turns to Japanese Strategies to Redefine Its Business—Again



U.S. 7-Elevens have long trailed their Japanese counterparts in prepared foods. Scan this code for how they are now trying to catch up by marketing an expanded menu that goes beyond Slurpees and pizza.



CLOCKWISE FROM FAR LEFT: MICHELLE BRUZESE FOR WSJ (2); BACARDI

GARETH GATRELL/PARAMOUNT/EVERETT COLLECTION

JIMIN KIM/SOPA IMAGES/ZUMA PRESS

## BUSINESS NEWS

# Reynolds Adds Nicotine-Free Vapes

Tobacco giant enters a regulatory gray area with its new fruity brand

By JENNIFER MALONEY

Do nicotine-free vaping products pose a risk to young people?

**Reynolds American** is prompting the question with a new line of vaping devices closely resembling the disposable e-cigarettes that have flooded the U.S. market and gained popularity among teenagers. The tobacco giant's new vaping brand boasts one big difference: It has no nicotine.

With this new brand, called **Sensa**, Reynolds is entering a regulatory gray area. It is unclear whether nicotine-free vaping products are subject to federal oversight the way regular e-cigarettes are.

It also is unclear how many adults might be interested in a vaping device that doesn't deliver a kick of nicotine, the addictive chemical in tobacco. Nicotine-free vaping products could help some smokers quit cigarettes, but they aren't as effective as those that contain nicotine, public-health experts say.

Sensa goes on sale Monday. It comes in six flavors, includ-

ing watermelon frost, passion-fruit frost and berry fusion. Reynolds says **Sensa** is intended for adults ages 21 and older who use tobacco or vaping products. The company says it will market **Sensa** with the same restrictions that apply to its **Vuse** e-cigarette brand, such as using models ages 35 and older and advertising on age-restricted social-media channels. Reynolds says it will require its retailers to sell **Sensa** only to people ages 21 or older, though the retailers might not be required to do so by law. In stores, **Sensa** will be shelved alongside age-restricted tobacco products, Reynolds says.

**Sensa's** packaging also includes a warning label that Reynolds warned: "Zero nicotine" does not mean this product is safe.

The maker of **Newport** and **Camel** cigarettes likens **Sensa** to nonalcoholic beer or decaffeinated coffee. The brand's purpose, Reynolds says, is to give adults an option for moments when they want to vape but don't want to consume nicotine. "We don't want our products in the hands of youth, period," said Shay Mustafa, senior vice president for business communications and sustainability at Reynolds. "For us, it's not gray. It's very clear: We want to be responsible."



The product is meant for adults ages 21 and older.

Federal authorization is required before any new nicotine-containing e-cigarette can go on the market. Manufacturers must demonstrate to the Food and Drug Administration that their vaping products are less harmful than cigarettes and that their benefit in helping adult cigarette smokers switch to a less-risky alternative outweighs their risk to young people.

The FDA has authorized e-cigarettes only in tobacco and menthol flavors. However, fruity, disposable Chinese imports have taken the U.S. by storm without that clearance, and U.S. authorities have struggled to halt their sales. Reyn-

olds and other tobacco companies have complained about the government's slowness to clear the market of these illegal products.

Reynolds says it doesn't intend to seek federal clearance for **Sensa**. Because the devices contain no nicotine and aren't compatible with any other tobacco products, they don't fall under the jurisdiction of the FDA's Center for Tobacco Products, Reynolds says. The FDA, in response to questions from *The Wall Street Journal*, declined to say whether zero-nicotine vaping products like **Sensa** fall under the regulator's purview.

"Whether and how a product may be regulated by the

FDA, and under which authorities, depends on a number of factors," an agency spokesman said.

Typical e-cigarettes contain propylene glycol, vegetable glycerin, nicotine and flavoring agents. Manufacturers seeking FDA authorization for vaping products must submit evidence on the health risks of their ingredients. E-cigarettes are far safer than cigarettes, but some flavor ingredients could pose health risks, public-health experts say. Reynolds said it would soon list **Sensa's** ingredients on the brand's website.

Teen e-cigarette use has fallen from its peak in 2018, following a federal law that raised the minimum tobacco purchase age to 21 and other measures to curb teen vaping. The FDA has ordered scores of flavored e-cigarettes off the market, but many disposable brands have ignored the regulator. In a federal survey last year, about 10% of U.S. high-school students said they had used e-cigarettes at least once during the past 30 days. The most commonly reported brands included fruity disposables such as **Elfbar**.

**Elfbar** manufacturer **IMiracle Shenzhen Technology** has said that the FDA's enforcement actions against **Elfbar** were designed to sow fear around vaping.

# BlackRock To Acquire U.K. Data Provider Preqin

By SHERRY QIN

**BlackRock**, the world's largest asset-management firm, plans to acquire U.K. data provider **Preqin** to bolster its data capabilities.

The New York-based company has agreed to acquire private-markets data provider **Preqin** for £2.55 billion, the equivalent of \$3.22 billion, in cash, it said Sunday in a statement.

The deal is expected to close before year-end.

The acquisition adds a complementary data business to **BlackRock's** investment technology and enhances its offerings in the private-markets data business.

"Together with **Preqin**, we can make private markets investing easier and more accessible while building a better-connected platform for investors and fund managers," said Sudhir Nair, global head of **Aladdin**, **BlackRock's** proprietary software that helps investors manage portfolios.

# Canada's WestJet Cancels Flights After Mechanics Strike

By PAUL VIEIRA

OTTAWA—Canada's No. 2 carrier, **WestJet Airlines**, said on Saturday that it canceled 393 flights from Thursday through Sunday, and warned that number could grow, after a union representing maintenance engineers went on strike despite a government order to stop a walkout.

The strike by the Aircraft Mechanics Fraternal Association, or **AMFA**, and subsequent flight cancellations, come on one of the busiest travel weekends of the year, as the country celebrates its birthday on Monday with a national holiday.

Canadian government efforts to stop a strike fell short, even though the Labor Minister **Seamus O'Regan** deployed rarely used powers last week to order binding arbitration between the two sides to resolve differences.

The surprise strike "will unnecessarily harm tens of thou-

sands of Canadians along with the entire economic ecosystem that depends on our critical air service," said **Diederik Pen**, president of **WestJet**. The carrier is owned by Toronto-based buyout firm **Onex**, which is publicly traded on Toronto's main stock exchange.

**Pen** said over a quarter-million passengers were scheduled to fly on **WestJet** aircraft this weekend.

The airline also canceled 11 flights scheduled for Monday and three for Tuesday.

In a post on social media, **O'Regan** said he would be meeting with the union and airline on Saturday. He initially said the federal labor board didn't implement his order as expected, but later clarified that he respects the board's independence and authority.

A spokesman for the labor board declined to comment.

In issuing his binding-arbitration order, **O'Regan** said that tensions between the airline and union had escalated, as



Canada's labor minister last week deployed rarely used powers to order binding arbitration between the two sides.

they disagreed over compensation and company plans to outsource some maintenance work.

In a statement late Friday, the union said the country's labor-relations board, while imposing binding arbitration, didn't forbid the union from taking strike action. As a result, it ordered members late Friday to cease all work.

Union negotiators are

"standing by to continue discussions with the company," **AMFA** said.

On Saturday, **WestJet** Chief Executive **Alexis von Hoensbroech** told reporters the strike was "absurd," as the matter is headed for final binding arbitration. **Von Hoensbroech** added **WestJet's** offer to the union would position the company's mechanics as among the best paid in the Canadian

airline sector, with a 12.5% wage increase in the first year of the agreement. He said the union is demanding "industry-changing" contract terms, "and that's obviously divorced from reality... And that's where the whole process broke down."

A union spokesman didn't respond to request for comment. Previously, the union alleged that **WestJet** was engaged in "bad-faith

bargaining," and "creating unnecessary conflict."

The **WestJet** strike represents another blow to Canadian tourism. Overall spending on tourism in Canada has yet to return to prepandemic levels, as inflation and higher rates curb domestic spending. Also, fewer foreigners are visiting the country, according to a recent report by **Royal Bank of Canada**.

# Shareholders Focus on Fees as Profits From Deals Leap for Asset Managers

By LUIS GARCIA

A recent study estimated that five U.S. publicly traded private-equity firms earned nearly \$100 billion between them in carried interest, or shares of deal profits, over more than two decades, even as their shareholders pay more attention to the billions of dollars those firms also generate in management fees.

Private-capital firms typically lay claim to a portion, often 20%, of the profits generated by their fund investments, in addition to management fees they charge fund investors. By the end of last year, **Blackstone**, ranked as the world's largest private-equity firm, had earned \$33.63 billion in such carried interest across 57 funds with various investment strategies that the New York firm started deploying from 2000 to 2019, the study showed.

**Blackstone's** carry topped amounts collected by more than 3,200 firms analyzed for the study by **Ludovic Phalippou**, a longtime industry researcher and professor of financial economics at the University of Oxford's **Saïd Business School**. **Washington-based Carlyle Group** followed with \$19.8 billion across 66 funds, while rivals **KKR & Co.**, **TPG** and **Apollo Global Man-**

agement also placed among the top dozen firms in terms of carried interest.

The 10,827 funds included in the study, spanning investment strategies such as buyouts, growth, real assets and infrastructure, invested \$7.69 trillion and produced roughly \$5 trillion in returns net of fees while also generating \$1.04 trillion in carry for their sponsors during the study period. The firms managing the funds have collected 73%, or \$758.17 billion, of the total carry amassed through their funds, the study estimates, basing its figures on fund performance and terms of fee structures from data provider **Preqin**.

An extrapolation for firms for which data wasn't available put total estimated carry across the industry during the study period at \$1.7 trillion, or roughly the size of Australia's economy. **Phalippou** said he was surprised by the "magnitude" of the gains.

"People always say you can make a lot of money in private equity, but how much?" **Phalippou** said. "\$1 trillion,

wow! Sit down for a second and think of what it means."

Privately held fund managers, which represented the large majority of firms in the study, typically don't disclose their carry earnings, while publicly traded asset managers are required to in periodic financial reports. What those public firms have found is that their stockholders are far more interested in profits generated through fees than through gains from deals, according to research analysts.

Rising levels of assets under management have lifted fee-related earnings over the past years. **Blackstone**, **Carlyle**, **KKR**, **TPG** and **Apollo** reported **FRE** totaling \$9.97 billion last year alone, 74% more than in 2022. In contrast, it took the firms more than two decades to amass \$95.16 billion in carried interest, according to the study.

"Public investors value fee-related earnings highly because they are predictable," said **Keneth Worthington**, a senior analyst at **JPMorgan Chase** who covers asset managers.

Because carried interest de-

pends on asset sales, it is more sensitive to the ups and downs of markets compared with the more stable fees from managing a fund, analysts said. That unevenness has been on display since interest rates began rising in 2022.

"Carried interest or performance fees are valued at much lower levels because they are unpredictable and they are challenging to model in any given quarter," **Worthington** said.

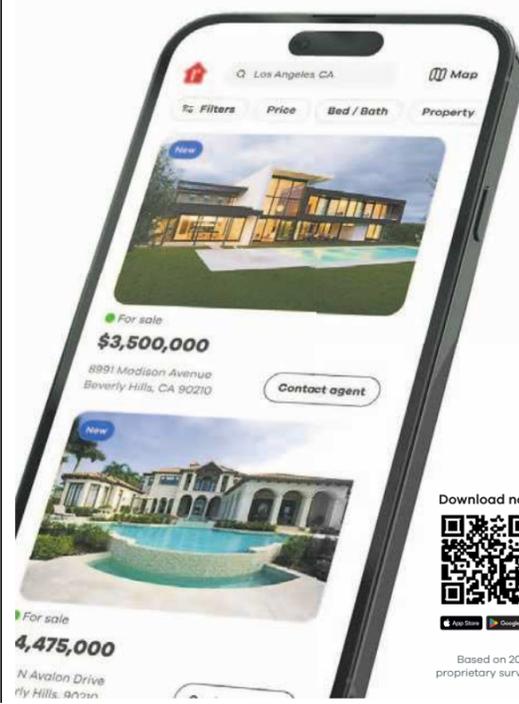
The investor focus on fee-related earnings has helped drive **Apollo** to change its compensation methods to more closely tie their investment professionals' pay to deal profits and less to management fees, leaving more revenue for inclusion in fee-related earnings reported to stockholders. Last year, **Apollo** said it would pay several top executives more in stock and less in principal investing income, or **PII**, and share a larger portion of those deal profits with other employees.

"Our goal over time is to pay our people more **PII** and less **FRE** and **SRE**," **Marc Rowan**, **Apollo's** chief executive, said during an earnings call in November, referring to fee-related earnings and spread-related earnings generated by the firm's insurance business. "That is the trend we are on."

**Rising levels of assets under management have lifted fee-related earnings.**

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TECHNOLOGY



TIM HIGGINS

# ‘Star Wars’ Critique Reveals Musk Vision

Elon Musk sees a dark force—like a Sith Lord—hanging over the “Star Wars” universe.

He resumed his public criticisms of the franchise, suggesting Disney’s embrace of diversity, equity and inclusion efforts has hurt the quality of movies and shows based on the sci-fi hit.

But more than complaints about DEI, Musk’s specific critiques raise questions about whether he is too set in his ways to accept a new generation’s imagination for a future that doesn’t resemble what he grew up envisioning.

His recent comments inject himself into a debate—trending on his X this past week—about the direction of the fabled “Star Wars” franchise under Disney’s ownership, with a segment of supposed fans vocally unhappy about the latest offering, “The Acolyte.” On Rotten Tomatoes, 14% of the average audience score rated the show positively while it did much higher with critics.

For Disney, Musk and his influence represent the challenge of trying to appeal to core fans while expanding their universe with new ideas.

A lifelong fan of science fiction, Musk said he has drawn inspirations from such works, helping fuel his life’s work. His rocket-maker SpaceX is all about space exploration. His AI company’s first chatbot Grok shares a name with a term coined by the late Robert Heinlein, author of the 1961 novel “Stranger in a Strange Land” and other classic sci-fi tales. And Musk’s Tesla envisions a world of humanoid robots like the character C-3PO in the “Star Wars” franchise.

In public, Musk has identified with more classical sci-fi authors such as Heinlein and Isaac Asimov, who



GamerGate, which targeted the likes of game developer Brianna Wu with threats.

“I do think there is a reactionary audience that assumes any time a white guy isn’t the main character it’s political,” Wu, a sci-fi fan, told me. “I know Musk is also a big Heinlein fan like I am, so I would encourage him to remember how many of his characters were different in ways far more politically explicit than ‘Star Wars.’”

Musk is no stranger to criticism himself. One of his latest creative efforts, the Tesla Cybertruck, has attracted mixed reviews for the pickup’s unusual angular looks.

Musk injected himself into a debate about the direction of the franchise, the latest offering of which is ‘The Acolyte.’

came of age during the golden age of sci-fi writing and who were heavily influenced by the hard science of the time and imagining how such breakthroughs could influence the future.

Whereas the debut of “Star Wars” in 1977—when Musk was almost 6 years old—ushered in a more fantastical style of sci-fi, one seen as having a soft-science focus and dealing with allegories involving societal and cultural matters. The movies have long trafficked in progressive subtext and were seen by some as commentary on the Vietnam and Iraq wars.

In 2021, Harvard University’s Prof. Jill Lepore released a podcast series called “Elon Musk: The Evening Rocket” that explored how sci-fi influenced Musk’s visions for the future.

“Those visions come from a future first imagined in science fiction long, long ago, decades, sometime more than a century ago,” she concluded. “A future whose long-dead authors very often pictured a world where the poor and the pow-

erless and the robots know their place and it is to serve the powerful.”

In recent days, Musk personally attacked Kathleen Kennedy, the president of Lucasfilm, the Disney studio behind the “Star Wars” franchise. He joined critics in comparing her stewardship of the property to the planet-killing weapon in the original movie.

“She’s more deadly than the Death Star!” Musk tweeted. In another post, he called Kennedy “super bigoted against men.”

His criticisms against Disney aren’t limited to “Star Wars” and are part of a broader fight against what he calls the “woke mind virus,” shorthand for liberal progressive ideals.

Musk has essentially accused Disney of trying to squash free speech by withholding ad dollars from his social-media platform X, after he amplified a tweet with antisemitic vitriol among other controversies with the platform. That was followed by Disney CEO Bob Iger saying he didn’t want “the association” with those dramas and with Musk and X, as they were “not neces-

sarily a positive one for us.”

Before that row, Musk amplified a “South Park” episode that lampooned Kennedy. In that episode, a cartoon version of Kennedy repeatedly gave the programming advice of, “Put a chick in it and make her lame and gay!”

In June, Disney’s “The Acolyte” series made its debut on its streaming platform, created by a female showrunner. It is a mystery about a crime spree in the “Star Wars” universe pitting the Jedi against an evil force, and focuses on a set of twins—daughters of two mothers, who are witches.

The 43-year-old showrunner, Leslye Headland, has defended her artistic work against critics, telling the Hollywood Reporter she hadn’t “created queer, with a capital Q, content.”

“I’m proud of being a gay woman who’s accomplished this feat, and certainly, if my content is called queer, I don’t want to disown whatever queerness is in the show,” Headland said. “I would be proud to create something that inspired queer people.”

Criticism is a natural part of art, of course, and Star Wars has long attracted its fervent fans. Each new generation of movies and shows seems to rile older fans who might remember from their formative years a young Luke Skywalker of the original movies as their pinnacle or a young Obi-Wan Kenobi of the prequels as their favorite.

Since Disney acquired Lucasfilm in 2012, newer offerings have prominently featured female characters in hero roles, attracting young girls dressing up as Rey but also sparking debates online—sometimes seen as misogynist and racist—among a fandom that is largely male.

Kennedy said in an interview with the New York Times this year that some women who have become part of “Star Wars” have struggled with their reception online that can feel personal. But she held fast: “My belief is that storytelling does need to be representative of all people.”

The latest attacks seem even more extreme to close observers, carrying echoes of the similar online harassment a decade ago of female videogame makers, known as

## Hack Shows Risk of an Industry Being Dominated by One Vendor

By Belle Lin

The cyberattack on software firm CDK Global that forced car dealerships to break out pen and paper to do business is putting a spotlight on other sectors critically reliant on a handful of vendors.

Airlines, banks and healthcare providers all use a handful of niche software providers—many of which have been dominant for decades—for key functions such as booking flights, processing payments and managing patient data.

The arrangements reflect the highly specialized fields they serve, as well as a hesitancy among customers to shift critical operations away from industry-specific software.

There are no easy fixes: Adding more software suppliers to the mix can introduce new avenues for cyberattacks.

Though the auto-dealer industry is unique in relying heavily on one supplier, it is common for software makers in the airline, banking and healthcare sectors to each control about one-third of the market.

“There’s a huge risk that somebody, a core processor, their core system might get compromised,” said Carlos Naudon, chief executive of New York-based Ponce Bank. “Then how do you protect, how do you isolate that core that got nailed, with all of the other systems?”

Dealerships resorted to workarounds to keep track of sales, repairs and orders last week after CDK said it was hit by two cyberattacks.

CDK said Thursday it continued to bring some dealers back online, including one large publicly traded group, according to an update sent to retailers. The company said earlier that it doesn’t expect to restore all dealership systems before June 30. Nearly 15,000 dealers use its software, according to CDK’s website. The company’s software is essential for all functions inside a dealership—from managing websites to tracking inventory and customer data.



The CDK attack hurt car dealerships across the country.

CDK controls nearly 50% of the dealership-software market in the U.S., by some estimates.

The vendor concentration that allowed such a catastrophic event to happen was years in the making, according to Gartner auto-technology analyst Mike Ramsey.

Founded 50 years ago, CDK was spun-out of the human resources software firm ADP in 2014 and acquired by Brookfield Business Partners in 2022. It was one of the first to offer car dealers software to manage operations, Ramsey said, and automakers pushed dealers to use CDK because its software was designed to meet their specifications.

That first-mover advantage has been hard to crack. Microsoft attempted to enter the market by introducing a product in 2006, but it never really found its footing, he added.

Similar scenarios could be playing out in other industries.

### Banking

The “Big Three” core payment-processing providers in the U.S.—Fiserv, Jack Henry and FIS—together hold over 70% of the market, according to a 2022 survey of banks by the American Bankers Association. Ponce Bank has 62 systems that link to its payments processor, making a disruption that technology is potentially disastrous event, Naudon said. It spends over \$1 million each year on cybersecurity measures

to secure not only its transaction processing technology, but its associated systems and corporate devices, he added.

Most banks have been working with the same core technology provider for over 10 years, according to the ABA survey. Those systems tend to become the source of truth for all transactional data, so a disruption could easily bring down any system that relies on the banking data, analysts say. Core technology providers are anticipating continued ransomware threats, and the need for strong vendor management practices, the ABA found.

### Healthcare

The industry has been working to map the cybersecurity risks inherent in having a single technology supplier dominate a particular aspect of the market, a threat known as a single point of failure.

A February cyberattack on UnitedHealth Group’s Change Healthcare unit caused cascading effects on health claims, freezing millions of dollars in payments. The industry is still sorting through the fallout, which affected claims management, payment services, appointment scheduling, billing, data exchanges and other tasks.

Change Healthcare handles around 44% of all funds processed in the country’s healthcare system, according to the American Hospital Association. Other areas of risk include

### Airlines

In the industry, the Big Three software providers—Amadeus, Sabre and Travelport—together hold nearly 100% of the global distribution system market, according to analyst estimates. The backend systems connect customers and service providers, including hotels, airlines and car rental agencies.

In other areas of airline information technology, like ground operations management, the market is more fragmented, but still led by the major suppliers. Alex Mans, founder and chief executive of AI-powered travel and transportation platform Flyr, is competing against the Big Three. The larger companies sell closed, proprietary systems that are hard to integrate with, he said, adding to an airline’s difficulty in switching to a startup or another technology.

In 2017, an Amadeus software outage caused flight delays worldwide. In 2013, Sabre’s platform went down for several hours, causing what it described as “significant problems” for customers.

Yet the problem isn’t that Amadeus or Sabre alone might be vulnerable to a cyberattack, it is the interconnected nature of airlines’ various scheduling and booking platforms, plus maintenance and repair systems, that could all go down for various reasons, said Samuel Engel, a senior vice president at consulting firm ICF. In other words, “the others all require the one to work,” he said.

“If you look at Sabre for airline bookings, or Epic which has all the healthcare records, those are critical to businesses being able to operate, just as in the automotive example,” said Liz Herbert, a Forrester analyst focused on software.

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The sale will be on an “as-is, where-is” basis, with no express or implied warranties, representations, statements or conditions of any kind made by the Secured Party or any person acting for or on behalf of the Secured Party with respect to the Collateral, the financial condition of the Obligors or otherwise and without any recourse whatsoever to the Secured Party or any other person acting for or on behalf of the Secured Party. The Secured Party reserves the right to exclude certain Collateral at the sale or designate bidding lots.

The Secured Party reserves the right to credit bid, set a minimum reserve price, reject any or all bids (including without limitation any bid that it deems to have been made by a bidder that is unable to satisfy the requirements imposed by the Secured Party upon prospective bidders in connection with the sale, or to whom in the Secured Party’s sole judgment a sale may not lawfully be made), purchase the Collateral and to credit the purchase price therefrom against the respective obligations owing to the Secured Party and any costs of the sale, and terminate or adjourn the sale to another time, at the sale or at any other time without further notice.

The Equity Interests of Marketing Technologies, Karamba, Product Trading and EBET Curacao (the “Equity Interests”) may be securities. The Equity Interests have not been registered for sale under any federal or state securities laws and, as such, if the Equity Interests are securities, may not be sold or otherwise transferred by a purchaser of the Equity Interests except in accordance with applicable law. Accordingly, each bidder will be required to execute an investment intent letter providing that: (a) the Equity Interests are being acquired by the bidder for investment purposes only and not with a view towards the sale or distribution thereof; (b) the bidder will be acquiring the Equity Interests only for its own account; (c) the bidder has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the risks and merits associated with purchasing and owning the Equity Interests; (d) the bidder has sufficient financial means to afford the risk associated with purchasing and owning the Equity Interests; (e) bidder acknowledges that the Equity Interests have not been registered under any federal or state securities laws and, if the Equity Interests are securities, may not be resold unless registered or, in the absence of registration, pursuant to an available exemption from registration; (f) if the Equity Interests are represented in the form of securities certificates, such certificates shall bear applicable restrictive covenants; (g) the bidder has been provided with sufficient opportunity to review and evaluate all financial information about the Equity Interests provided by Secured Party, and (h) the bidder is an “accredited investor” as defined in Rule 501 under the Securities Act of 1933, as amended.

The closing of a transaction involving the purchase or sale of the Equity Interests may require notification, review, and/or approval of governmental or regulatory bodies, including but not limited to the U.S. Securities and Exchange Commission.

The Equity Interests shall be sold for cash at such price or prices and on such other commercially reasonable terms as Secured Party may determine in its sole discretion. Secured Party is deemed to be a qualified bidder and may credit bid for the Equity Interests.

All bids (other than credit bids of the Secured Party) must be for cash, and the successful bidder must be prepared to deliver immediately available good funds within two (2) business days after the sale (unless otherwise agreed in writing by the Secured Party) and otherwise comply with the bidding requirements. Further information concerning the Collateral and the requirements for obtaining information and bidding on the Collateral can be obtained from the advisors to the Secured Party listed below. Potential bidders may email [Project+2@hilcoGLOBAL.com](mailto:Project+2@hilcoGLOBAL.com) or call Richelle Kalnit at 212-993-7214 or Stella Silverstein at 646-651-1953.

Richelle Kalnit, Chief Commercial Officer & SWP, 212.993.7214

Stella Silverstein, Analyst, 646.651.1953

DEA

**LEGAL NOTICE**  
**DEA NOTICE OF FORFEITURE**  
**NORTHERN DISTRICT OF TEXAS**  
Cash in lieu of 2001 Dodge Ram 2500 Truck, VIN: 3B7KF23771G77076. Seized from Carlos Acosta-Enriquez, on 04/03/2019, at 420 Sleepy Top Road, Glenn Heights, TX. Any person desiring to claim the above Cash in lieu of 2001 Dodge Ram 2500 Truck has 30 days from the date of first publication to file a claim with DEA at 10160 Technology Blvd. East, Dallas, TX, 75220. Attn: DEA/ARG.

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BUSINESS & FINANCE

# Undersea Power Lines Bring New Energy Era

By Ed Ballard

It is the era of importing power from faraway lands.

A grandiose project to build a nearly 2,500-mile subsea power line would connect vast wind and solar farms in Morocco to the U.K., providing a reliable supply of electricity to meet a projected boom in demand.

The plan's architect, Simon Morrish, said it is the U.K.'s best option for clean electricity.

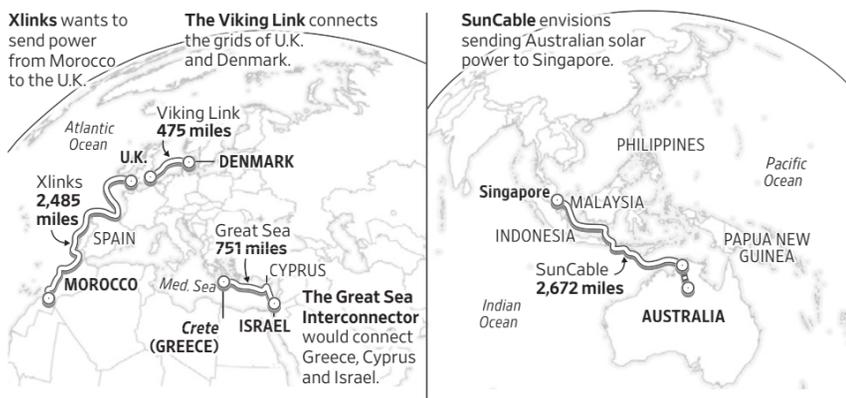
"It was like, well, why is no one doing this?" said Morrish, a former management consultant who also runs a landscaping-services company.

Morrish secured early-stage investment and hired a seasoned team, but his vision faces long odds.

He needs to coax subsidies from the U.K. government, raise tens of billions of dollars and secure crucial permits from countries that control the seabed. The plan involves building Scotland's tallest building—a giant cable factory—and a special ship to lay the lines.

The project nevertheless shows how the electricity map

Several large-scale projects to build more than 5,000 miles of subsea power lines would provide a reliable supply of electricity to meet the projected boom in demand around the world.



Note: Cable lengths are not exact. Sources: Xlinks (Morocco-U.K.); Viking Link (U.K.-Denmark); Independent Power Transmission Operator (Crete-Israel); SunCable (Singapore-Australia)

CAMILLE BRESSANGE AND EMMA BROWN/WSJ

is changing.

Since coal and gas plants can sit near the areas they serve, their transmission lines generally don't need to travel long distances.

But big empty sites with lots of wind and sunshine tend to be far from cities that need electricity.

Already, grids in Northern Europe are being connected by

subsea cables to share growing supplies of wind power. A 475-mile power line from the U.K. to Denmark, the world's longest land-and-subsea grid connection, was switched on in December.

Singapore, which lacks space for wind and solar farms, wants to import 30% of its electricity by 2035. Last year, it granted conditional ap-

provals on plans to import much of that electricity via subsea cables—some more than 600 miles long—from renewable-energy projects in Indonesia, Cambodia and Vietnam.

Connecting Morocco to the U.K. takes the idea to another level.

Few places are richer in green-energy potential than

western Morocco. The shortest day gets 10 hours of sunshine, and strong winds pick up late in the day.

Morrish's venture, **Xlinks**, wants to build enough solar farms, wind turbines and batteries in the area to meet 8% of Britain's electricity needs, or to power roughly seven million homes.

It will take nearly 10,000 miles of cable for four offshore transmission lines—far more than existing suppliers could serve up.

So Morrish started a cable-supply company to build a factory, with a tower taller than the Washington Monument, in which colossal cables will be lowered as they are coated in insulation.

The factory's construction near the Scottish village of Fairlie has been delayed several times. Locals are doubtful it will happen.

"It's a nice area, a scenic area, and you're going to build a huge factory running 24/7?" said Rita Holmes, a longtime Fairlie resident.

Transmission projects can take well over a decade to materialize.

In the U.S., the Biden ad-

ministration is pushing to ease permitting for lines that strengthen the country's grid, boosting hopes for more projects.

A 339-mile high-voltage transmission line that is under construction will bring hydro-power to New York City from Quebec. A 550-mile line will bring wind power to California and Arizona from New Mexico.

"What you need is a bit of a catalyst," said Matthieu Muzumdar, partner and deputy chief executive at infrastructure investor **Meridiam**. "Some of the federal and state programs we're seeing could be part of that."

Overseas, Meridiam is the lead investor in the first connection between the U.K. and Germany, and intends to invest in a planned 750-mile power line connecting Greece to Israel, via Cyprus.

The project will lower lengths of cable weighing as much as the Eiffel Tower to depths of around 2 miles in the Mediterranean.

Demand for cable could sputter if the growth of renewables falls short of expectations—or if big projects falter.

## Market for Lumber Struggles

Continued from page B1

Two-by-fours were among the first assets to fall from their pandemic highs when the Federal Reserve began raising interest rates in March 2022. The central bank set out to cool the red-hot housing market and slow the sort of spending that accompanies booming property values.

A strong labor market and shortage of homes for sale kept builders busy. But toward the end of last year, the highest mortgage rates in a generation began to take a toll. North American sawmill capacity fell by 2% in 2023 as closures outweighed openings and expansions, Taylor said.

That wasn't enough. North America's largest lumber producer, **West Fraser Timber**, in January closed mills in British Columbia and Florida and indefinitely curtailed production at another in Arkansas.

The British Columbia closure was the latest in the province, where mills contend with some of the continent's highest-priced logs. But sawmill closures in the U.S. South are unusual. The last time Southern mills were closing to such an extent was in the aftermath of the 2008 housing crash.

North America's sawmill operators have flocked to the South over the past decade to feast on the region's glut of pine timber.

**Teal-Jones Group**, a closely held Canadian firm with sawmills in the South, filed for bankruptcy protection in late April, blaming high costs and low lumber prices that reduced revenue and the value of its inventory.

Its assets are now for sale. Those include mills in Virginia, Oklahoma, Mississippi, Washington, British Columbia and a majority stake in a Plain Dealing, La., sawmill that is scheduled to open this summer.

Days later, **Interfor**, another big producer with mills in Canada, the Pacific Northwest and the South, said it would cut its output by 10% this summer. That represented about 0.2% of all North American output and lifted lumber prices, but only temporarily.

Prices resumed their slide as U.S. housing data pointed to sputtering sales and waning demand for wood.

Housing starts declined 17% between February and May, to a seasonally adjusted annual rate of 1.28 million, led lower by dwindling apartment construction. Meanwhile, building permits for new residential units fell in May to their lowest level since June 2020, when the pandemic boom was just revving up.

"Housing starts came out and confirmed what we were all seeing," said Stinson Dean,



Lumber futures shed 3% on Friday to end at \$452.50 per thousand board feet, down 27% since mid-March.

**'No one is making much money at these prices,' one consultant said.**

a Colorado lumber broker. "The mills haven't curtailed enough, apparently."

Forest-product executives say they expect prices to rebound once more mills close, aligning supply to the meager demand.

They also say that even modestly lower interest rates should help revive the repair and remodeling market, which consumes about 40% of lumber.

High borrowing costs have made it more expensive for Americans to borrow against the higher value of their homes, which is a major source of funding for big repairs and renovations.

"You have a lot of producers that are operating below cash flow break-even," **Weyerhaeuser** CEO Devin Stockfish said at the New York investor conference. "People will do that for some period of time, but they won't do it indefinitely."

# 4TH THEIR SAKES

## forget the fireworks on Independence Day

Fireworks frighten cats and dogs. The noise and explosions can be terrifying for them. Animal shelters report a surge in the number of companion animals admitted after loud fireworks displays because so many run away from home, terrified. Please, this Fourth of July, celebrate without fireworks.



PETA



Constellation Brands is expected to post per-share earnings of \$3.46 on Wednesday.

### THE TICKER | MARKET EVENTS COMING THIS WEEK

Monday	Wednesday	Expected	235,000	Earnings expected
<b>Construction spending</b> Apr., previous down 0.1% May, expected up 0.2%	<b>U.S. Stock markets close early at 1 p.m. and Bond markets at 2 p.m. EDT</b>	<b>Freddie Mac mortgage survey</b> Previous weekly averages 30-year fixed 6.86% 15-year fixed 6.16%		Constellation Brands Estimate/Year Ago 3.46/2.91
<b>ISM mfg. index</b> May, previous 48.7 June, expected 49.2	<b>EIA status report</b> Previous change in stocks in millions of barrels Crude-oil stocks up 3.6 Gasoline stocks up 2.7 Distillates down 0.4	<b>Mort. bankers indexes</b> Purch., previous up 1.0% Refinan., prev. unch.		<b>Thursday</b> <b>U.S. Stock and Bond markets are closed for Independence Day.</b>
<b>Tuesday</b>	<b>Factory orders</b> Apr., previous up 0.7% May, expected up 0.3%	<b>Int'l trade deficit in billions</b> Apr., previous \$74.56 May, expected \$76.0		<b>Friday</b> <b>Nonfarm payrolls</b> May, previous 272,000 June, expected 195,000
<b>Earnings expected</b> Estimate/Year Ago MSC Industrial Direct 1.34/1.74	<b>Initial jobless claims</b> Previous 233,000	<b>EIA report: natural-gas</b> Previous change in stocks in billions of cubic feet up 52		<b>Unemployment rate</b> May, previous 4.0% June, expected 4.0%

\* FactSet Estimates earnings-per-share estimates don't include extraordinary items (Losses in parentheses) ♦ Adjusted for stock split  
Note: Forecasts are from Dow Jones weekly survey of economists

# MARKETS DIGEST

## New to the Market

IPO Scorecard B7

## Public Offerings of Stock

## IPOs in the U.S. Market

None expected this week

## Lockup Expirations

None expected this week

## Public and Private Borrowing

### Treasurys

Monday, July 1	Wednesday, July 3
Auction of 13 and 26 week bills; announced on June 27; settles on July 5	Auction of 4, 8 and 17 week bills; announced on July 2; settles on July 9

## A Week in the Life of the DJIA

A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA lost 31.47 points, or 0.08%, on the week. A \$1 change in the price of any DJIA stock = 6.57-point change in the average. To date, a \$1,000 investment on Dec. 31 in each current DJIA stock component would have returned \$31,502, or a gain of 5.01%, on the \$30,000 investment, including reinvested dividends.

The Week's Action		Stock price		Point chg		\$1,000 Invested (year-end '23)	
Pct chg (%)	Stock price	Point chg	In average	Company	Symbol	Close	\$1,000
5.53	26.67	175.21		<b>UnitedHealth Group</b>	UNH	\$509.26	\$975
4.91	12.04	79.10		<b>Salesforce</b>	CRM	257.10	978
3.09	5.45	35.80		<b>Boeing</b>	BA	182.01	698
3.04	5.96	39.15		<b>JPMorgan Chase</b>	JPM	202.26	1,203
2.49	1.00	6.57		<b>Verizon</b>	VZ	41.24	1,131
2.21	4.17	27.40		<b>Amazon.com</b>	AMZN	193.25	1,272
1.60	5.26	34.56		<b>Caterpillar</b>	CAT	333.10	1,136
1.51	3.13	20.56		<b>Apple</b>	AAPL	210.62	1,097
1.40	0.88	5.78		<b>Coca-Cola</b>	KO	63.65	1,097
1.39	4.29	28.18		<b>Amgen</b>	AMGN	312.45	1,101
0.73	1.14	7.49		<b>Chevron</b>	CVX	156.42	1,070
0.51	1.17	7.69		<b>American Express</b>	AXP	231.55	1,244
0.48	2.14	14.06		<b>Goldman Sachs</b>	GS	452.32	1,288
0.47	0.22	1.45		<b>Cisco</b>	CSCO	47.51	955
0.28	0.49	3.22		<b>IBM</b>	IBM	172.95	1,078
-0.20	-0.20	-1.31		<b>3M</b>	MMM	102.19	1,144
-0.29	-0.20	-1.31		<b>Walmart</b>	WMT	67.71	1,297
-0.39	-0.12	-0.79		<b>Intel</b>	INTC	30.92	621
-0.63	-2.83	-18.59		<b>Microsoft</b>	MSFT	446.95	1,193
-0.72	-1.55	-10.18		<b>Honeywell</b>	HON	213.54	1,029
-1.74	-2.59	-17.02		<b>Johnson &amp; Johnson</b>	JNJ	146.16	947
-1.74	-0.94	-6.18		<b>Dow</b>	DOW	53.05	992
-1.75	-4.55	-29.89		<b>McDonald's</b>	MCD	254.84	870
-1.99	-3.34	-21.94		<b>Procter &amp; Gamble</b>	PG	164.92	1,140
-2.91	-2.98	-19.58		<b>Walt Disney</b>	DIS	99.29	1,100
-3.08	-6.46	-42.44		<b>Travelers</b>	TRV	203.34	1,078
-3.25	-11.56	-75.94		<b>Home Depot</b>	HD	344.24	1,006
-4.63	-12.75	-83.76		<b>Visa</b>	V	262.47	1,012
-5.29	-6.92	-45.46		<b>Merck</b>	MRK	123.80	1,150
-22.44	-21.81	-143.28		<b>Nike</b>	NKE	75.37	699

\*Based on Composite price. DJIA is calculated on primary-market price. Source: Dow Jones Market Data; FactSet.

## Currencies

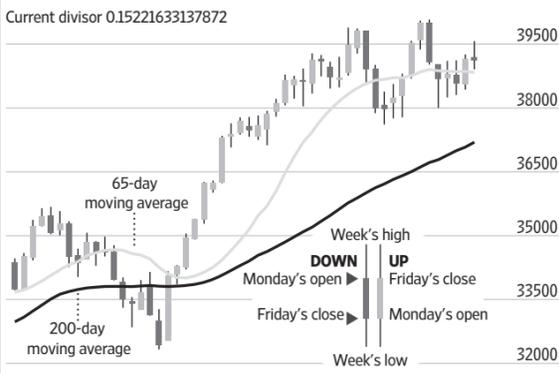
U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	Fri per US\$	YTD chg (%)	Country/currency	Fri in US\$	Fri per US\$	YTD chg (%)
<b>Americas</b>				<b>Thailand</b> baht	.02722	36.740	6.9
<b>Argentina</b> peso	.0011911	3384	12.7	<b>Vietnam</b> dong	.0003929	25455	4.9
<b>Brazil</b> real	.1788	5.5936	15.3	<b>Europe</b>			
<b>Canada</b> dollar	.7310	1.3681	3.3	<b>Czech Rep.</b> koruna	.04280	23.366	4.4
<b>Chile</b> peso	.001056	947.05	8.2	<b>Denmark</b> krone	.1437	6.9611	2.7
<b>Colombia</b> peso	.000241	4150.26	7.09	<b>Euro area</b> euro	1.0716	.9332	3.0
<b>Ecuador</b> US dollar	1	1	unch	<b>Hungary</b> forint	.002712	368.78	6.2
<b>Mexico</b> peso	.0545	18.3363	8.0	<b>Iceland</b> krona	.007206	138.78	2.0
<b>Uruguay</b> peso	.02535	39.4400	1.0	<b>Norway</b> krone	.0938	10.6629	4.8
<b>Asia-Pacific</b>				<b>Poland</b> zloty	.2485	4.0249	2.2
<b>Australia</b> dollar	.6670	1.4993	2.2	<b>Sweden</b> krona	.0943	10.5995	4.9
<b>China</b> yuan	.1376	7.2673	2.2	<b>Switzerland</b> franc	1.1127	.8987	6.8
<b>Hong Kong</b> dollar	.1281	7.8082	-0.02	<b>Turkey</b> lira	.0306	32.7173	11.0
<b>India</b> rupee	.01199	83.368	0.2	<b>Ukraine</b> hryvnia	.0247	40.5500	6.3
<b>Indonesia</b> rupiah	.0000612	16352	6.3	<b>UK</b> pound	1.2646	.7908	0.7
<b>Japan</b> yen	.006216	160.88	14.1	<b>Middle East/Africa</b>			
<b>Kazakhstan</b> tenge	.002111	473.61	4.0	<b>Bahrain</b> dinar	2.6532	.3769	-0.01
<b>Macau</b> pataca	.1243	8.0480	-0.1	<b>Egypt</b> pound	.0208	48.0264	55.3
<b>Malaysia</b> ringgit	.2120	4.7175	2.7	<b>Israel</b> shekel	.2654	3.7678	4.6
<b>New Zealand</b> dollar	.6092	1.6415	3.7	<b>Kuwait</b> dinar	3.2610	.3067	-0.2
<b>Pakistan</b> rupee	.00359	278.308	-1.0	<b>Oman</b> sul rial	2.5973	.3850	0.1
<b>Philippines</b> peso	.0171	58.490	5.6	<b>Qatar</b> rial	.2742	3.648	0.1
<b>Singapore</b> dollar	.7374	1.3561	2.8	<b>Saudi Arabia</b> riyal	.2665	3.7518	0.05
<b>South Korea</b> won	.0007239	1381.39	6.7	<b>South Africa</b> rand	.0590	18.1758	-0.7
<b>Sri Lanka</b> rupee	.0032678	306.02	-5.5				
<b>Taiwan</b> dollar	.03075	32.519	5.9	<b>WSJ Dollar Index</b>	100.49	-0.09	0.09
							4.86

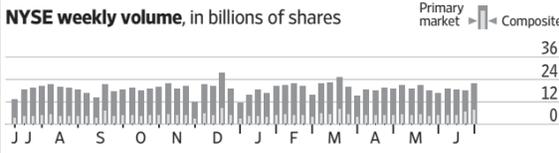
Sources: Tullett Prebon; Dow Jones Market Data

## Dow Jones Industrial Average

**39118.86** ▼31.47, or 0.08% last week  
 Trailing P/E ratio 27.11 22.35  
 P/E estimate\* 19.00 18.19  
 Dividend yield 2.16 2.15  
 All-time high 40003.59, 05/17/24



Current divisor 0.15221633137872  
 Bars measure the point change from Monday's open



\*Weekly P/E data based on as-reported earnings from Birlinyi Associates Inc.; \*Based on Nasdaq-100 Index

## Major U.S. Stock-Market Indexes

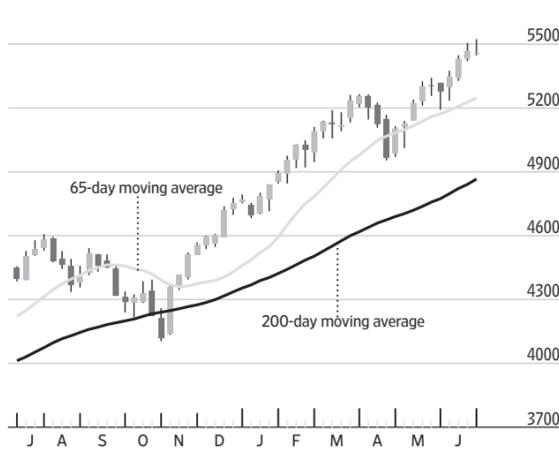
	High	Low	Close	Net chg	% chg	52-Week Close (●)	High	% chg	YTD 3-yr. ann.
<b>Dow Jones</b>									
Industrial Average	39571.23	38908.99	<b>39118.86</b>	-31.47	-0.08	32417.59	40003.59	13.7	3.8 4.5
Transportation Avg	15501.58	14965.90	<b>15415.23</b>	301.90	2.00	13556.07	16695.32	-0.7	-3.0 1.3
Utility Average	925.30	900.87	<b>906.67</b>	-2.79	-0.31	783.08	955.01	0.001	2.8 0.5
Total Stock Market	54482.07	53712.87	<b>53915.68</b>	23.63	0.04	40847.04	54090.84	21.4	12.8 6.3
Barron's 400	1296.79	1124.07	<b>1136.64</b>	6.62	0.59	907.97	1166.53	16.0	6.0 4.0
<b>Nasdaq Stock Market</b>									
Nasdaq Composite	18035.00	17494.02	<b>17732.60</b>	43.24	0.24	12595.61	17862.23	28.6	18.1 6.9
Nasdaq-100	20017.71	19472.53	<b>19682.87</b>	-17.56	-0.09	14109.57	19908.86	29.7	17.0 10.7
<b>S&amp;P</b>									
500 Index	5523.64	5446.56	<b>5460.48</b>	-4.14	-0.08	4117.37	5487.03	22.7	14.5 8.4
MidCap 400	2966.92	2903.69	<b>2930.09</b>	-1.77	-0.06	2326.82	3046.36	11.7	5.3 2.8
SmallCap 600	1301.63	1272.49	<b>1296.98</b>	14.61	1.14	1068.80	1345.71	6.6	-1.6 -1.9
<b>Other Indexes</b>									
Russell 2000	2057.28	2010.36	<b>2047.69</b>	25.66	1.27	1636.94	2124.55	8.4	1.0 -4.1
NYSE Composite	18189.42	17940.03	<b>18026.50</b>	30.80	0.17	14675.78	18388.26	13.5	7.0 2.8
Value Line	597.80	578.04	<b>584.42</b>	0.97	0.17	498.09	615.81	2.1	-1.6 -4.7
NYSE Arca Biotech	5420.41	5248.65	<b>5287.36</b>	38.72	0.74	4544.40	5511.46	1.2	-2.4 -3.7
NYSE Arca Pharma	1082.02	1060.96	<b>1062.02</b>	0.31	0.03	837.32	1078.36	21.5	16.7 12.6
KBW Bank	104.61	101.07	<b>104.50</b>	2.57	2.53	71.71	107.64	30.3	8.8 -6.0
PHLX\$ Gold/Silver	139.68	135.32	<b>137.37</b>	-0.29	-0.21	102.94	151.36	14.4	9.3 -0.7
PHLX\$ Oil Service	85.84	82.55	<b>85.39</b>	3.255	3.96	76.90	98.76	8.0	1.8 10.6
PHLX\$ Semiconductor	5583.13	5361.81	<b>5472.26</b>	-66.28	-1.20	3185.18	5765.12	49.0	31.1 18.1
Cboe Volatility	13.88	11.87	<b>12.44</b>	-0.76	-5.76	11.86	21.71	-8.5	-0.1 -7.6

\$ Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

## S&P 500 Index

**5460.48** ▼4.14, or 0.08% last week  
 Trailing P/E ratio\* 24.05 19.61  
 P/E estimate\* 22.27 19.80  
 Dividend yield\* 1.33 1.57  
 All-time high 5487.03, 06/18/24



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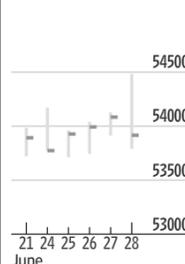
## Nasdaq Composite

▲ 43.24, or 0.24% last week



## DJ US TSM

▲ 23.63, or 0.04% last week



## International Stock Indexes

Region/Country	Index	Close	Latest Week % chg	Low	52-Week Range Close	High	YTD % chg
<b>World</b>	<b>MSCI ACWI</b>	802.01	0.10	629.46	805.13	10.3	
	<b>S&amp;P/ASX ex-USA</b>	329.38	0.30	276.65	338.00	4.0	
	<b>MSCI World</b>	3511.78	0.11	2731.99	3523.66	10.8	
	<b>MSCI Emerging Markets</b>	1086.25	-0.06	910.91	1101.91	6.1	
<b>Americas</b>	<b>MSCI AC Americas</b>	2049.67	0.05	1557.56	2057.71	13.0	
Canada	<b>S&amp;P/TSX Comp</b>	21875.79	1.49	18737.39	22468.16	4.4	
Latin Amer.	<b>MSCI EM Latin America</b>	2179.09	-0.21	2149.49	2675.33	-18.2	
Brazil	<b>Bovespa</b>	123906.55	2.11	112531.52	134193.72	-0.7	
Chile	<b>S&amp;P IPSA</b>	3477.21	-1.15	3048.00	3714.61	7.3	
Mexico	<b>S&amp;P/BMV IPC</b>	52440.02	-0.66	48197.88	58711.87	-8.6	
<b>EMEA</b>	<b>STOXX Europe 600</b>	511.42	-0.72	429.58	524.71	6.8	
	<b>STOXX Europe 50</b>	4491.43	-0.48	3783.73	4574.44	9.7	
Eurozone	<b>Euro STOXX</b>	501.60	-0.60	420.65	527.81	5.8	
	<b>Euro STOXX 50</b>	4894.02	-0.27	4014.36	5100.90	8.2	
Austria	<b>ATX</b>	3609.47	0.50	3020.72	3775.49	5.1	
Belgium	<b>Bel-20</b>	3887.24	-0.17	3290.68	4029.25	4.8	
France	<b>CAC 40</b>	7479.40	-1.96	6795.38	8239.99	-0.8	



# SECOND QUARTER MARKETS DIGEST

## Top 10 Rankings

### Global Mergers & Acquisitions

Deals announced in first-half of 2024

Adviser	Value \$billions	No. of Deals	Market Share%
Goldman Sachs	495.6	200	30.2
JPMorgan	402.2	187	24.5
Morgan Stanley	387.6	170	23.6
Citi	257.6	93	15.7
BofA Securities	238.5	139	14.5
Evercore	199.3	85	12.2
UBS	155.0	115	9.5
Barclays	151.8	83	9.3
Centerview Partners	136.5	48	8.3
Jefferies	136.4	134	8.3

### Global Equity Capital Markets

Deals priced in first-half of 2024

Bookrunner	Value \$billions	No. of Deals	Market Share%
JPMorgan	31.4	172	9.8
Goldman Sachs	30.1	179	9.4
Morgan Stanley	27.8	159	8.7
BofA Securities	26.4	168	8.2
Citi	21.7	138	6.8
Barclays	13.9	83	4.3
UBS	11.9	85	3.7
Jefferies	9.7	108	3.0
BNP Paribas	6.8	48	2.1
HSBC	6.7	42	2.1

### Global Debt Capital Markets

Deals priced in first-half of 2024

Bookrunner	Value \$billions	No. of Deals	Market Share%
JPMorgan	282.8	1,477	6.1
Citi	264.7	1,386	5.7
BofA Securities	258.2	1,184	5.5
Barclays	195.5	1,063	4.2
Morgan Stanley	186.1	1,121	4.0
Deutsche Bank	172.0	738	3.7
BNP Paribas	167.8	776	3.6
Goldman Sachs	155.0	1,071	3.3
Wells Fargo	127.9	907	2.7
HSBC	126.2	651	2.7

### Global Syndicated Loans

Deals credited in first-half of 2024

Bookrunner	Value \$billions	No. of Deals	Market Share%
JPMorgan	243.3	759	10.5
BofA Securities	207.6	716	8.9
Citi	146.2	447	6.3
Wells Fargo	132.0	515	5.7
Goldman Sachs	97.1	395	4.2
Mizuho	89.3	470	3.8
Barclays	79.5	353	3.4
BNP Paribas	73.3	297	3.2
MUFG	71.5	629	3.1
RBC Capital Markets	63.6	307	2.7

### U.S. Mergers & Acquisitions

Deals announced in first-half of 2024

Adviser	Value \$billions	No. of Deals	Market Share%
Goldman Sachs	334.6	112	35.2
JPMorgan	304.7	114	32.1
Morgan Stanley	257.6	77	27.1
Citi	209.6	54	22.0
BofA Securities	187.3	84	19.7
Evercore	174.4	58	18.4
Centerview Partners	119.9	41	12.6
PJT Partners	119.4	22	12.6
Barclays	104.6	40	11.0
Jefferies	102.8	91	10.8

### U.S. Initial Public Offerings

Deals priced in first-half of 2024

Bookrunner	Value \$billions	No. of Deals	Market Share%
JPMorgan	1,353	15	8.4
Morgan Stanley	1,335	17	8.3
BofA Securities	1,260	14	7.8
Wells Fargo	1,233	6	7.7
Cantor Fitzgerald	1,209	11	7.5
Citi	1,209	11	7.5
Goldman Sachs	1,177	14	7.3
Wells Fargo	849	12	5.3
UBS	820	10	5.1
Jefferies	736	10	4.6
Deutsche Bank	571	6	3.5

### U.S. Investment-Grade Bonds

Deals priced in first-half of 2024

Bookrunner	Value \$billions	No. of Deals	Market Share%
JPMorgan	99.5	623	10.7
BofA Securities	91.7	493	9.8
Citi	82.8	591	8.9
Morgan Stanley	70.9	403	7.6
Wells Fargo	63.2	352	6.8
Goldman Sachs	61.0	594	6.5
Barclays	41.0	296	4.4
Mizuho	35.6	188	3.8
Deutsche Bank	33.8	116	3.6
BNP Paribas	31.4	138	3.4

### U.S. High-Yield Bonds

Deals priced in first-half of 2024

Bookrunner	Value \$billions	No. of Deals	Market Share%
JPMorgan	13.1	132	8.0
BofA Securities	13.1	133	8.0
Goldman Sachs	10.5	102	6.4
Wells Fargo	10.1	105	6.2
Morgan Stanley	8.3	78	5.0
Citi	7.6	79	4.6
Barclays	7.2	73	4.4
RBC Capital Markets	6.4	74	3.9
Truist Financial	5.8	73	3.6
Deutsche Bank	5.2	58	3.2

### U.S. Core Leveraged Finance<sup>1</sup>

Fees paid in first-half of 2024

Bank	Revenue \$millions	2024 Mkt Shr %	2023 Mkt Shr %
JPMorgan	600.0	11.9	13.8
Goldman Sachs	439.7	8.7	7.6
BofA Securities	399.7	7.9	9.0
Barclays	296.1	5.9	5.6
Morgan Stanley	251.4	5.0	4.6
Wells Fargo	245.7	4.9	4.5
Deutsche Bank	228.5	4.5	3.7
RBC Capital Markets	213.3	4.2	4.2
Citi	208.4	4.1	3.7
UBS	177.7	3.5	3.8

### Global Investment Banking<sup>1</sup>

Fees paid for M&A, ECM, DCM and loans in first-half of 2024

Bank	Revenue \$millions	2024 Mkt Shr %	2023 Mkt Shr %
JPMorgan	3,888.2	9.4	8.2
Goldman Sachs	2,984.2	7.2	6.4
BofA Securities	2,606.1	6.3	6.0
Morgan Stanley	2,370.1	5.7	5.2
Citi	1,922.5	4.6	4.0
Barclays	1,480.8	3.6	3.4
Deutsche Bank	1,076.3	2.6	2.0
Jefferies	1,052.4	2.5	1.8
Wells Fargo	1,022.1	2.5	1.6
RBC Capital Markets	949.6	2.3	2.0

<sup>1</sup> Dealogic Revenue analytics are employed where fees aren't disclosed.

Source: Dealogic

## Who's No. 1?

Top banks in Dealogic rankings across M&A, equity capital markets (ECM), debt capital markets (DCM) and loans, in first-half of 2024

Product and Deal Type	No.1 - Ranked Bank	First-half of 2024 market share (%)	Chg in share of 2023 (pct. points)
Investment Banking			
Global IB Revenue <sup>1</sup>	JPMorgan	9.4	1.2
Global M&A Revenue <sup>1</sup>	JPMorgan	9.9	1.2
Global ECM Revenue <sup>1</sup>	JPMorgan	11.1	4.0
Global DCM Revenue <sup>1</sup>	JPMorgan	7.2	0.6
Global Loans Revenue <sup>1</sup>	JPMorgan	11.6	-1.0
Global M&A	Goldman Sachs	30.2	7.8
U.S. M&A	Goldman Sachs	35.2	0.6
Global M&A Boutique	Evercore	12.2	7.3
Equity Capital Markets			
Global ECM	JPMorgan	9.8	3.4
Global IPOs	Morgan Stanley	5.4	4.4
Global All Follow-Ons	JPMorgan	10.6	3.7
Global Convertible Bonds	JPMorgan	11.2	2.2
U.S. ECM	Goldman Sachs	12.0	1.5
U.S. IPOs	JPMorgan	8.4	0.9
U.S. Block Trades	Morgan Stanley	25.0	10.0
U.S. Non-Block Follow-Ons	Goldman Sachs	14.9	3.9
U.S. Convertible Bonds	BofA Securities	13.2	0.4
Fixed Income			
Global DCM	JPMorgan	6.1	0.3
Global Investment-Grade Bonds	JPMorgan	5.6	0.6
Global High-Yield Bonds	JPMorgan	8.3	0.5
U.S. DCM	JPMorgan	9.6	-0.3
U.S. Investment-Grade Bonds	JPMorgan	10.7	0.8
U.S. High-Yield Bonds	JPMorgan	8.0	0.4
U.S. FIG Bonds	JPMorgan	12.5	3.2
Global Loans	JPMorgan	10.5	1.0
Global Investment-Grade Loans	JPMorgan	11.5	0.5
Global Leveraged Loans	JPMorgan	8.5	1.2
U.S. Loans	JPMorgan	13.9	-0.6
U.S. Investment-Grade Loans	JPMorgan	17.8	0.6
U.S. Leveraged Loans	JPMorgan	11.4	-0.01
U.S. Total Leveraged Finance	JPMorgan	10.9	0.1
U.S. Core Leveraged Finance	JPMorgan	9.9	1.3
U.S. Core Leveraged Finance Revenue <sup>1</sup>	JPMorgan	11.9	-2.0

<sup>1</sup> Dealogic Revenue analytics are employed where fees are not disclosed

Source: Dealogic

## Market Boxscores

How the major indexes performed

	Second-quarter performance	Close 6/28/24	% chg from 6/30/23
Dow Jones Industrial Average	-1.7%	39118.86	13.7
DJ U.S. Total Stock Market	2.9%	53915.68	21.4
DJ World (excl. U.S.)	-0.1	289.07	8.8
Nasdaq Composite	8.3	17732.60	28.6
S&P 500	3.9	5460.48	22.7
NYSE American Composite	-0.9	4829.66	15.5
NYSE Composite	-1.6	18026.50	13.5
Russell 2000	-3.6	2047.69	8.4
Value Line (Geometric)	-5.1	584.42	2.1

Sources: Dow Jones Market Data; S&P Dow Jones Indices

## How the 30 Dow Jones Industrials Performed

Percentage change in the second-quarter and year-to-date

Company	2nd-qttr close	Percent Chg 2nd-qttr	2024	2nd-qttr close	Percent Chg 2nd-qttr	2024	
Apple	210.62	22.8	9.4	Cisco Systems	47.51	-4.8	-6.0
3M	102.19	15.2	11.8	Boeing	182.01	-5.7	-30.2
Walmart	67.71	12.5	28.8	Visa	262.47	-6.0	0.8
Amgen	312.45	9.9	8.5	Merck	123.80	-6.2	13.6
Goldman Sachs	452.32	8.3	17.3	Johnson & Johnson	146.16	-7.6	-6.8
Amazon	193.25	7.1	27.2	Dow	53.05	-8.4	-3.3
Microsoft	446.95	6.2	18.9	Caterpillar	333.10	-9.1	12.7
Honeywell International	213.54	4.0	1.8	IBM	172.95	-9.4	5.7
Coca-Cola	63.65	4.0	8.0	McDonald's	254.84	-9.6	-14.1
UnitedHealth Group	509.26	2.9	-3.3	Home Depot	344.24	-10.3	-0.7
American Express	231.55	1.7	23.6	Travelers	203.34	-11.6	6.7
Procter & Gamble	164.92	1.6	12.5	Salesforce.com	257.10	-14.6	-2.3
JPMorgan Chase	202.26	1.0	18.9	Walt Disney	99.29	-18.9	10.0
Chevron	156.42	-0.8	4.9	Nike	75.37	-19.8	-30.6
Verizon	41.24	-1.7	9.4	Intel	30.97	-29.9	-38.4

Source: Dow Jones Market Data

## Biggest Percentage Gainers...

Company	Symbol	Close	2nd Quarter Net chg	% chg	Low	52-Week Close(●)	High	% chg
AST SpaceMobile	ASTS	11.61	8.71	300.3	1.97	12.45	147.0	
Inseego	INSG	10.66	7.86	280.7	1.62	11.17	65.6	
Regis	RGS	23.00	15.50	206.7	3.87	28.00	3.6	
GeneDx Holdings	WGS	26.14	17.01	186.3	1.16	29.11	338.6	
Emergent Biosoltns	EBS	6.82	4.29	169.6	1.42	8.21	-7.2	
Novavax	NVAX	12.66	7.88	164.9	3.53	23.86	70.4	
Core Scientific	CORZ	9.30	5.76	162.7	2.61	10.70	...	
Eliem Therapeutics	ELYM	7.11	4.37	159.5	2.35	11.55	153.9	
Rent the Runway	RENT	17.57	10.66	154.3	4.46	41.81	-55.6	
Insmtd	INSM	67.00	39.87	147.0	19.74	70.65	217.5	
Laird Superfood	LSF	5.62	3.22	134.2	0.71	5.70	606.9	
Innodata	INOD	14.83	8.23	124.7	5.46	16.78	30.9	
NuScale Power	SMR	11.69	6.38	120.2	1.81	12.40	71.9	
ZIM Integrated Shipping	ZIM	22.17	12.05	119.1	6.39	23.82	78.9	
Ashford	AINC	4.91	2.65	117.3	1.91	10.10	-49.5	

## Biggest Percentage Losers

Company	Symbol	Close	2nd Quarter Net chg	% chg	Low	52-Week Close(●)	High	% chg
Zapata Computing Holdings	ZPTA	0.60	-13.00	-95.6	0.56	18.50	-94.4	
Lyra Therapeutics	LYRA	0.28	-5.94	-95.6	0.25	6.79	-93.3	
Aerovate Therapeutics	AVTE	1.66	-27.91	-94.4	1.25	32.42	-90.3	
Barnes & Noble Education	BNED	6.40	-66.02	-91.2	6.05	226.00	-94.9	
AEON Biopharma	AEON	1.05	-10.55	-90.9	0.92	17.17	-85.2	
GlycoMimetics	GLYC	0.28	-2.72	-90.6	0.24	3.53	-83.8	
CERo Therapeutics	CERO	0.30	-2.77	-90.3	0.27	12.80	-97.3	
NewGenIvf Group	NIVF	0.98	-8.45	-89.6	0.64	17.24	-90.7	
Holdco Nuvo Group D.G	NUVO	1.20	-8.69	-87.9	1.12	21.50	-88.6	
Marinus Pharmaceuticals	MRNS	1.17	-7.87	-87.1	1.10	11.26	-89.2	
1847 Holdings	EFSH	0.28	-1.75	-86.3	0.26	41.00	-99.3	
Thunder Power Holdings	AIEV	1.65	-9.22	-84.8	1.51	12.12	-8	

# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## The Second Quarter Split the Market

Modest stock gains and low volatility have masked some large divergences

The market drama in the second quarter of 2024 was all under the surface.

The S&P 500 index rose 3.9%. The Stoxx Europe 600 and Japanese Topix did less well, but mostly held on to gains recorded during the first half of the year. However, the unremarkable headline numbers mask some striking trends.

◆ **Beyond artificial intelligence, the S&P 500 has been unloved.**

Artificial intelligence has been the fuel propelling stocks since late 2022, and the second quarter of 2024 was no different. Within the S&P 500, companies related to the theme gained 14.7% in market value this part quarter, whereas the rest lost 1.2%. In June, chip maker **Nvidia** briefly became the world's most-valuable listed company. These aren't purely speculative moves: Massive spending on AI has boosted earnings, which means that AI-related price/earnings ratios have remained relatively stable.

Yet, in previous quarters, AI valuations moved broadly in lockstep with the wider market. At the start of April, when investors became jittery about the S&P 500's P/E ratio being too high, the selloff affected both AI and the rest.

Then something changed, and the two became disconnected: The AI corner of the market has now shot up beyond what is warranted by higher earnings forecasts, while valuations elsewhere remain below their March peak.

◆ **More S&P 500 sectors are down than up.**

This pattern of divergence shows up in sector performance, too. Tech led the way in the second quarter, followed by previously oversold telecoms and media companies—grouped as communication services. Utilities, which have become an AI play because of expectations that new data centers will stoke electricity demand, also did well. But six out of 11 sectors—healthcare, real estate, financials, energy, industrials and materials—lost market value.

It is also telling that “consumer staples,” which include must-buy household products and food brands, have outpaced the more cyclical “consumer discretionary” firms such as apparel retailers, restaurants and carmakers. Per-

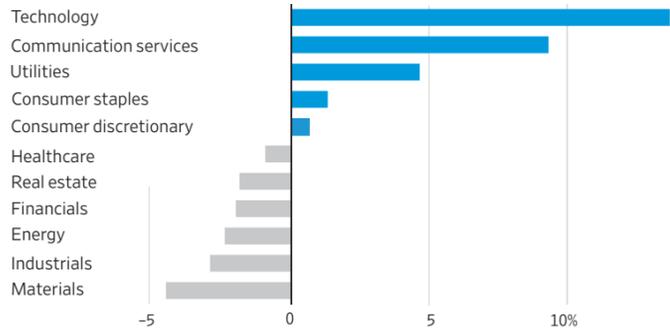
**Price/earnings ratio**



**S&P 500 excluding AI-related stocks, realized volatility†**



**S&P 500, total return in the second quarter of 2024, by sector**



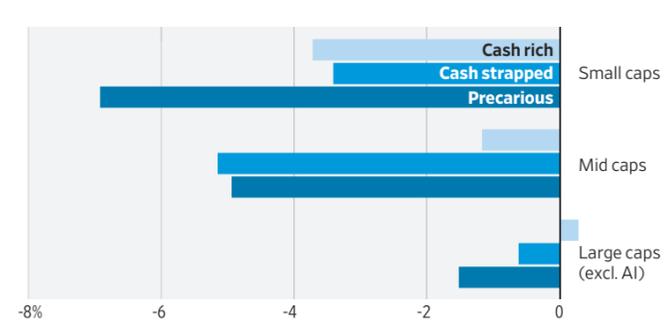
**Stock-market total returns**



**Implied market probability that U.S. interest rates will be 4.5% or lower by March 2025‡**



**U.S. stocks, change in market value during the second quarter of 2024, by cash ratio\*\***



\*Based on a basket of 50 U.S.-traded stocks. †20-day standard deviations of daily moves. ‡Using 30-day fed funds futures. \*\*Using the S&P 500, S&P MidCap 400 and S&P SmallCap 600 indexes. Cash ratios are cash and equivalents divided by current liabilities. ‘Cash rich,’ ‘cash strapped’ and ‘precarious’ defined as ratios over 1, 0.5 and below 0.5, respectively. Companies with no available data excluded. Sources: FactSet (S&P 500, S&P MidCap 400 and S&P SmallCap 600 indexes, 2Q returns by sector, total returns); WSJ calculations (P/E ratios, volatility, returns, cash ratios); Bespoke Investment Group (AI basket, AI stocks); CME Group (implied market probability on rates)

haps investors recognized that economic optimism had gotten out of hand. But they may also be becoming more cautious.

◆ **Index volatility has tumbled, but single-stock volatility hasn't.**

The low volatility of the S&P 500 points to a market without much to worry about. Daily moves have become less pronounced, with the calm close to prepan-demic levels. But there is a catch: The actual shares that underlie the S&P 500 have recorded much higher price swings, leading to an almost-unprecedented gap between index and single-stock volatility. This is true even excluding AI-related companies.

It may be a result of investors themselves betting against volatility, which has in the past kept actual volatility misleadingly low. The structured products that have become popular among Americans may be having a particularly

strong effect at the index level. Or perhaps, with most people today investing through tracker funds, top-down views on the market increasingly dominate.

◆ **“Higher for longer” rates are now priced in.**

Markets have had to accept that central banks, and especially the Federal Reserve, aren't going to embark on the rate-cutting spree that was embedded into derivatives prices over the winter. In early April, the implied expectation that borrowing costs would be 1 percentage point or more lower by March of next year fell from more than 60% to less than 20%. It has ticked up a bit since.

Higher rate expectations haven't reverberated across sectors exactly as the classic market playbook would suggest—tech hasn't suffered, nor have banks benefited. But they have still had a subtle impact.

◆ **Weaker balance sheets have been punished.**

Beyond the AI champions, investors have looked kindly on large-capitalization companies with strong balance sheets, and punished ones that are short of cash. Among U.S. medium-size firms, for example, those with current liabilities exceeding their liquid holdings lost 5% of their combined market value during the quarter, compared with a roughly 1% drop for the rest.

Smaller companies generally have fared badly, but—unlike in previous AI-focused markets—financial strength, not size, has correlated better with performance. Higher borrowing costs are clearly hitting fragile businesses. This can also be seen in the high-yield bonds issued by companies rated triple-C or lower.

◆ **France has brought political risk back to European markets.**

The Stoxx Europe 600 hasn't matched the tech-driven rally of

the S&P 500, but it has kept up while offering diversification in the form of pharma and luxury goods. In a predictable plot twist, though, political risk has returned, this time in France, where either a euroskeptical party or a tax-loving leftist alliance could win legislative elections. The CAC 40 has finished the quarter down 8.9%.

Disaster is unlikely, but this is giving overseas investors a reason to avoid buying broad baskets of European equities.

Pessimists look at this splintered market and—quite reasonably—foresee a correction once the AI rally runs out of steam.

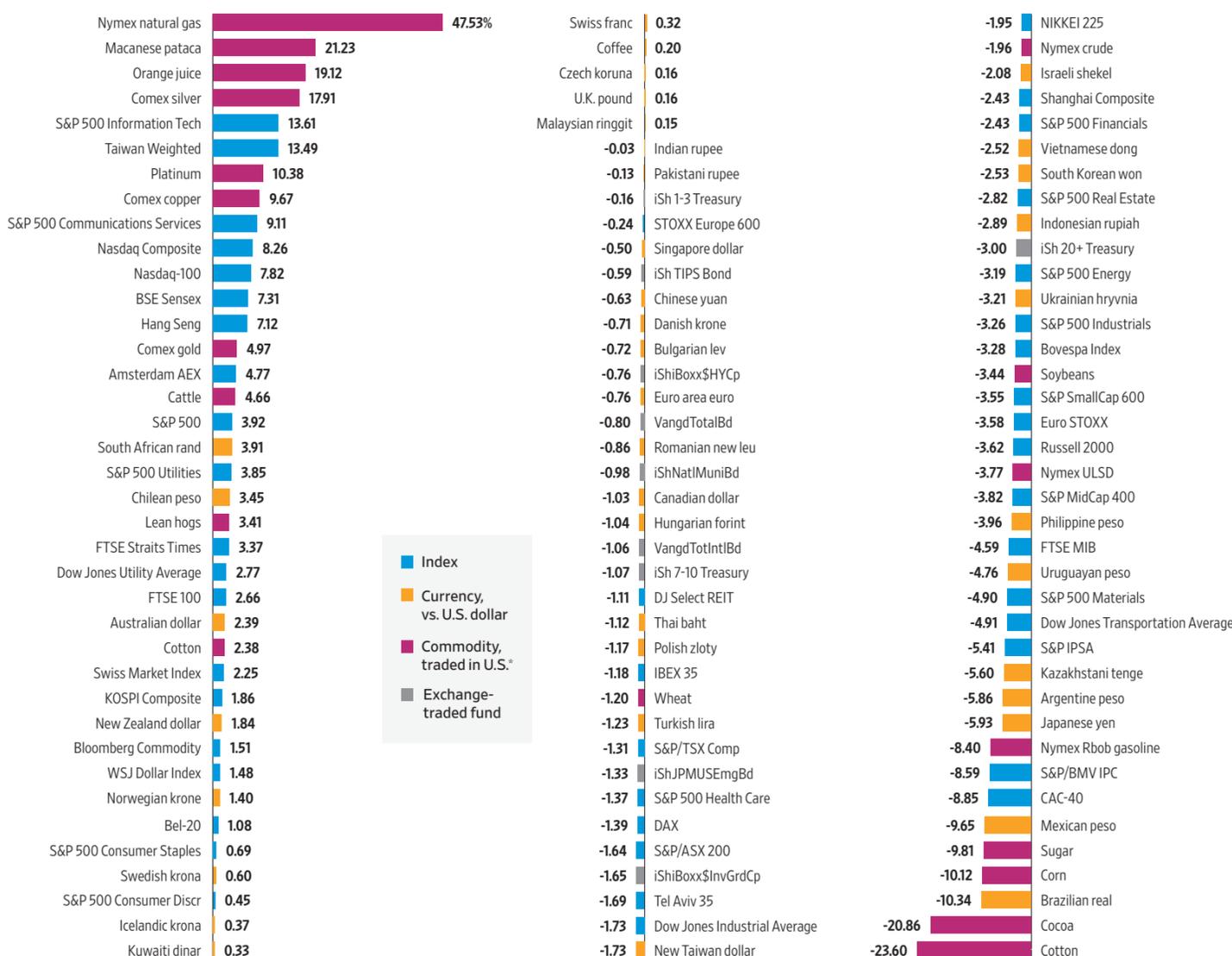
But there is also a more cheerful interpretation: Given the strength of the global economy, the fact that most stocks are cheaper than they were three months ago could lay the groundwork for broader-based gains once rates finally come down.

—Jon Sindreu

### MARKETS

**Track the Markets: Winners and Losers**

A look at how selected global stock indexes, bond ETFs, currencies and commodities performed around the world for the quarter



Sources: FactSet (indexes, bond ETFs, commodities), Tullett Prebon (currencies).

\*Continuous front-month contracts

## AI Made Its Mark On Stocks

Continued from page B1  
one reason most stocks are subdued, Biel said.

The blue-chip Dow Jones Industrial Average advanced 3.8% this year. The Dow Jones Transportation Average, which tracks 20 large U.S. companies in industries like trucking and railroads, is down 3%. The Russell 2000 index of small and midsize companies is little changed.

Inflation has been more persistent than most investors had hoped entering the year. The Fed has held interest rates steady so far this year; many on Wall Street expected the Fed to cut rates as many as six times when the year began.

But the price increased at a slower rate recently, raising hopes that the rate cuts could finally materialize.

Although Nvidia's sharp rally conjured memories of the dot-com era, some investors said there isn't a bubble forming this time around.

“There's been some differentiation from investors,” said James Hagerty, chief executive of Bartlett Wealth Management. “Some stocks got hit very hard when earnings were very good but didn't quite meet expectations.”

Nike shares fell 20% on Friday after the apparel maker cut its revenue forecast. Chip maker **Micron** fell 7.2% on Thursday after unveiling sales guidance that disappointed investors.