Too Old Too Young
Too Pretty Too Ugly
Too White Too Black
Too Queer Too Straight
Too Bossy Too Needy
Too Dumb Too Smart
Too Poor Too Rich
Too Manly Too Girly
Too Weak Too Strong
A new generation of productivity. Orchestrated by CDW.

Organizations need to stay ahead. But outdated devices running old operating systems can slow workers down, while tying up IT with costly maintenance and downtime. By upgrading to devices powered by Windows 10 Pro, you get the security and speed to keep pace with daily demands. And when those devices come preconfigured by the experts at CDW, you can hit the ground running with productivity that pays. It’s more than technology. It’s IT Orchestration by CDW.™

CDW.com/costofdoingnothing
Old devices are costing your business in more ways than one.

In a world where speed and efficiency matter more than ever, every PC older than four years could be costing you $1,700 a year in maintenance, repairs and lost productivity. They’re also more vulnerable to cyberattacks. Organizations need to keep their workforces productive by modernizing their IT with solutions that keep business humming and costs low.

Efficiency. Powered by the right Windows 10 Pro devices.

New Windows 10 Pro powered devices help organizations modernize operations and stay at peak performance, with up to 25% more time efficiency, 28% faster startup and a battery life that lasts up to three times longer than outdated devices. With the Dell Latitude™ 5290, HP Elitebook X360 and Lenovo ThinkPad® X1 Yoga™, you can stay ahead of changing demands, work more efficiently and free valuable IT resources from ongoing maintenance requests.

Get the most out of your technology.

At CDW, we can help you modernize your IT every step of the way. From understanding your current needs and choosing the right products, to implementing new technology across your organization, we’ll make sure your solution works. And when CDW preconfigures your devices with Windows 10 Pro and all your applications and settings, you’ll have exactly what you need from day one.

CDW.com/digitalworkspace
Gold Metal™
Mastercard® Gold Card™
24K-Gold-Plated Metal Card

Apply now at luxurycard.com or call 844.LUX.CARD.
You could scour the Internet for valuable trade research. But you know better.

FREE THIRD-PARTY INTEL BUILT INTO YOUR PLATFORM.

![Trading Platform Screenshot]

PLUS 500 commission-free online trades for two years

Schwab is the better place for traders.

Enroll in the offer and make a qualifying net deposit of $100,000 to earn 500 commission-free online trades. Limited to one account per client. Trades are good for two years and include only base equity, ETF, and options commissions and option per contract fees up to 20 contracts. Restrictions apply. See schwab.com/trading or call us for terms and conditions. Offer may be changed or terminated at any time without notice.

©2018 Charles Schwab & Co., Inc. All rights reserved. Member SIPC. (1017-70FG)
Clockwise from far left: Tina Tchen, Angel Onuoha, Kelly Dermody, Ray Ko

SPECIAL ISSUE

The Business of Equality

44 Cristina Chen-Oster’s 13-year battle with Goldman Sachs just got real
50 Think age discrimination dominates U.S. tech? You should see China
54 Laws can promote it, but true gender equality is a long way off
56 The Harvard undergrad trying to diversify Wall Street
60 Designing an open office employees actually like
62 White guys tend to fund white guys. But if a robot called the shots...
68 Game Changer: Tina Tchen of the Time’s Up Legal Defense Fund
How to Contact Bloomberg Businessweek

Editorial
212 617-8120

Ad Sales
212 617-2900
731 Lexington Ave., New York, NY 10022

Email
bwreader@bloomberg.net

Fax
212 617-9065

Subscription Customer Service URL
businessweekmag.com/service

Reprints/Permissions
800 290-5460 x100 or email businessweekreprints@theygsgroup.com

Letters to the Editor can be sent by email, fax, or regular mail. They should include the sender’s address, phone number(s), and email address if available. Connections with the subject of the letter should be disclosed. We reserve the right to edit for sense, style, and space.

Follow us on social media

Facebook
facebook.com/bloombergbusinessweek

Twitter
@BW

Instagram
@bloombergbusinessweek

CORRECTION
“An Ever-Expanding, Never-Ending, Time-Sucking Rabbit Hole of a Problem That Starts With YouTube” (Features, April 30) suggested that a company blog post told readers YouTube planned to appoint 10,000 moderators. The post made clear that the total included moderators for Google.
Noisy attacks aren’t hard to find...

But could you catch the silent attacker lurking beneath the surface?

Using artificial intelligence, Darktrace finds the quiet cyber-threats inside your organization, no matter how they got in.

From stealthy attackers and insider threats, to hacks of connected objects or industrial networks, Darktrace detects it and fights back in real time.

Find out how at darktrace.com
VIVATECHNOLOGY
3 DAYS TO ACCELERATE YOUR FUTURE
MAY 24-25-26
PARIS FRANCE
Get your pass now on VIVATECHNOLOGY.COM
Marathon Petroleum agreed to buy Andeavor for $23.3b
The combined companies would become America's largest oil refiner.

T-Mobile US agreed to buy Sprint in a stock swap valuing the latter at $26b
The tieup, if approved, would combine the No. 3 and No. 4 U.S. carriers, creating a web of redundant stores and cell towers.

Of the 100 or so Central Americans whose caravan arrived in Tijuana, Mexico, in late April, only 28 have been accepted for processing by the U.S. Typically, fewer than 1 in 4 Central Americans receive asylum.

Karyopharm Therapeutics may be closing in on a cancer breakthrough. The company said on April 30 that it would seek FDA approval for selinexor, a drug to treat multiple myeloma, later this year, after better-than-expected results in clinical trials. The company’s shares surged 15 percent on the news.

Karyopharm Therapeutics may be closing in on a cancer breakthrough. The company said on April 30 that it would seek FDA approval for selinexor, a drug to treat multiple myeloma, later this year, after better-than-expected results in clinical trials. The company’s shares surged 15 percent on the news.

President Nicolás Maduro decreed an increase in Venezuela's monthly minimum wage, from 393,000 bolivars to 1,000,000 bolivars ($14.96). The country is struggling to keep up with runaway inflation, which will soar to 13,000% by yearend, the International Monetary Fund estimates.

“We’re in the money.”
J Sainsbury CEO Mike Coupe was caught on a mic singing before a TV interview. The U.K.'s No. 2 grocer had just closed a deal to buy rival Asda, Walmart's British brand, for about £7.3 billion ($10 billion).

Apple reported $9.2 billion in second-quarter services revenue, proving it can survive lackluster iPhone sales.

President Trump met with Nigerian President Muhammadu Buhari on April 30 at the White House. Among the topics the pair discussed was the sale of U.S. helicopters and other military equipment to the sub-Saharan nation.

T-Mobile US agreed to buy Sprint in a stock swap valuing the latter at $26b
The tieup, if approved, would combine the No. 3 and No. 4 U.S. carriers, creating a web of redundant stores and cell towers.

Xerox CEO Jeff Jacobson, Chairman Robert Keegan, and five other board members agreed to step down under pressure from Carl Icahn. The resignations will settle a lawsuit by the activist investor to stop Fujifilm's planned $6.1 billion takeover of the company.

“We’re in the money.”
J Sainsbury CEO Mike Coupe was caught on a mic singing before a TV interview. The U.K.’s No. 2 grocer had just closed a deal to buy rival Asda, Walmart’s British brand, for about £7.3 billion ($10 billion).

Apple reported $9.2 billion in second-quarter services revenue, proving it can survive lackluster iPhone sales.

Trump lawyer Ty Cobb is being replaced by Emmet Flood, who represented Bill Clinton during his impeachment.

Cardinal George Pell, the No. 3 Vatican official, will stand trial in Australia for allegedly sexually abusing children.

Gibson Brands filed for bankruptcy on May 1, after an ill-fated expansion into consumer electronics stretched the fabled guitar manufacturer's resources too thin.

The company's factories in Memphis, Nashville, and Bozeman, Mont., still crank out 170,000 guitars a year. "Lucy," the unique red guitar Eric Clapton gave George Harrison in 1968, is a Gibson Les Paul.

“Lucy,” the unique red guitar Eric Clapton gave George Harrison in 1968, is a Gibson Les Paul.

Apple reported $9.2 billion in second-quarter services revenue, proving it can survive lackluster iPhone sales.

Trump lawyer Ty Cobb is being replaced by Emmet Flood, who represented Bill Clinton during his impeachment.

Cardinal George Pell, the No. 3 Vatican official, will stand trial in Australia for allegedly sexually abusing children.
AGENDA

Mickey Feels the Force

Walt Disney reports second-quarter earnings on May 8. Its movie business is bório—Star Wars: The Last Jedi was the top-grossing film of 2017, and Black Panther made $689 million in the first three months of 2018—but its TV channels are struggling as more viewers cut the cord.

Don’t Pick On Tourists!

Making it harder for travelers to visit the U.S. hurts the economy and drains American soft power

Donald Trump has made clear his view that the U.S. doesn’t need any more immigrants. The mystery is: Why would a veteran of the hospitality business be so inhospitable to tourists, traveling executives, students, and other visitors?

Consider the U.S. Department of State’s ill-advised plan to impose new screening requirements on the roughly 14 million people who apply each year for a temporary visa. It would require every visa seeker to disclose five years’ worth of social media profiles, travel histories, email addresses, phone numbers, and other information.

This would do nothing to make the U.S. more secure. Post-Sept. 11 vetting procedures have greatly reduced the risk of a terrorist getting a visa, and U.S. officials can request additional information from an applicant as needed. From 2002 to 2016, the rate for terrorists getting through was 1 in every 379 million visa or status approvals, according to one analysis. The overwhelming majority of American terrorists were born, raised, and radicalized domestically; those who weren’t have mostly been extradited by law enforcement.

Meanwhile, temporary visitors are a wellspring of economic strength. In 2016 more than 70 million arrivals spent almost $250 billion, supporting several million jobs and generating 11 percent of exports. Foreign visitors spend far more than their domestic counterparts do: In Trump’s hometown of New York City, they account for just one-fifth of visitors but spend four times as much as Americans.

What these foreigners take home with them is also critically important: firsthand exposure to all that makes America great—tourism is the most cost-effective way to amplify U.S. soft power. Sadly, Trump doesn’t recognize this. His administration has repeatedly made life harder for visa seekers, who represent 40 percent of overseas visitors. (Citizens from 38 mostly wealthy countries can travel to the U.S. on the Visa Waiver Program.) In addition to his travel restrictions on a group of mostly Muslim countries, Trump has rescinded programs that made it easier for travelers to return—forcing Argentines and Brazilians, for instance, to revisit U.S. Consulates for interviews.

It’s true that total international visits to the U.S. increased last year (except from the Middle East and Africa). Yet the U.S. share of the global travel market is declining. Whether for tourists, trade show attendees, or would-be students, the U.S. faces growing competition. During the 2016-17 school year, new foreign student enrollment dropped 3 percent—a decline that’s projected to double this year. Trump’s new requirements shrink the U.S. welcome mat by overloading visitors with bureaucracy and needlessly invading their privacy.

Worse yet, they target the foreigners for whom the U.S. should be a beacon—citizens from emerging markets, democracies seeking solidarity and inspiration, and would-be allies in the fight against terror.

For more commentary, go to bloomberg.com/opinion
Market volatility shouldn’t be top of mind.

Pursuing your passions should.

As you head into retirement, some market volatility shouldn’t distract you from the things you’re passionate about. A Shield™ annuity from Brighthouse Financial allows you to take advantage of growth opportunities in up markets — while maintaining a level of protection in down markets. So you can concentrate on what’s important to you, like discovering new culinary worlds.

Learn more at brighthousefinancial.com
On April 28, I spent an interesting evening not sitting next to Donald Trump. Normally, the president comes to the annual White House Correspondents’ Association dinner—and sits beside the editor-in-chief of the organization whose reporter is the association’s chair. That honor would have been mine, but sadly Trump, for the second year in a row, declined, making clear his disdain for the established media.

I spent most of the evening looking down from the dais at the ranks of American journalism, gathered around their pennanted tables like a slightly drunken medieval army. A 2006 cover of the *Economist* came to mind. It appeared shortly after I became that magazine’s editor and used fonts from familiar mastheads to spell out, like a ransom demand, “Who killed the newspaper?” For better or worse, the cover rapidly became a staple of PowerPoints at journalism conferences, alongside predictions that “old media” would be swept away by newcomers like the Huffington Post, BuzzFeed, and Business Insider. The cover seemed prophetic, with papers giving up print production (the Independent), going into bankruptcy (Los Angeles Times’ parent Tribune Publishing), or laying off journalists (everybody), as advertising disappeared to Google and Facebook. The year 2006 also saw the start of what, in effect, would become the largest newspaper on the planet: Twitter.

Thanks in part to the election of the world’s most famous tweeter, journalism’s economic crisis has broadened into one of relevance and efficacy, centered on “fake news.” The leader of the free world has no need for us, preferring instead to speak to his voters directly in 280-character bursts. Vladimir Putin takes open pleasure in hoodwinking us; if Robert Mueller is correct, Russia had as much influence on America’s last election as the established media, at a cost of a little over $1 million a month. Meanwhile liberal opinion howls about the quality press’s failure to hold Trump to account and to prevent Brexit.

As if to prove the doubters right, the president’s non-appearance at the WHCA dinner was soon overtaken by a media squabble about the performance of the person whom I did indeed sit next to: Michelle Wolf. The comic delivered a savage roasting of the president (and his staff) that even some Trump-haters think went too far. Trump tweeted his pleasure that the dinner had bombed, while some members of the press said Wolf’s speech should have been vetted—an odd position for defenders of the First Amendment.

But is journalism really in such a parlous state? Look closer. News is an industry in transition, not in decline. It is reemerging as something more digital, more personalized, more automated, more paid for—and (eventually) less fake. In many ways history is repeating itself, with the main surprise being the survival of so many established names. And good journalism still does have the power to change lives.
The quality press has staged a remarkable resurrection, thanks to the introduction of metered paywalls that charge regular readers but still leave their websites open to much larger audiences of occasional visitors who can see advertisements. The New York Times, which already has almost 2 million digital subscribers, is aiming for 10 million; about 100 million people still visit its website each month. The Wall Street Journal, the Washington Post, the Financial Times, and the Economist all make most of their money by charging people for their content; old advertising-first fiefdoms, like Condé Nast and the Los Angeles Times, are also now building paid circulation quickly. Even Le Monde—hardly most people’s idea of capitalism—is now apparently profitable, thanks to a paywall.

This week, we at Bloomberg joined the trend—with our own consumer subscription business. We already have perhaps the most profitable professional paywall, through the Bloomberg terminal; now we’re expanding a version of the Businessweek paywall we erected last year to cover all of Bloomberg.com. There are rumblings from Facebook and Google that they will start paying old media for content. Even the Guardian, the most fervent advocate of the idea of free news, now asks, very respectfully, for you to make a donation. Its begging letter has attracted 800,000 supporters.

The reason for this transition? It’s partly negative. No news provider has maintained much of a profit out of advertising, no matter how big its audience. But there’s also a positive reason: Consumers will pay. Back in 2006 they were used to the web being free—with just a few outliers (including the Economist). But in the age of Netflix and Spotify, people are coming around to paying for content again. They live in a knowledge economy where ideas and information matter and where news is still relatively cheap: You can buy most of the products listed above for the price of a cappuccino a week.

Some who have benefited from this shift have come from the new economy—notably Jeff Bezos, who, when he bought the Washington Post in 2013, invested in good journalism and put up a paywall. Now, most of the cool new—and free—media brands of 2006 are rounding up subscribers in some way.

For those who care about journalistic independence, this is generally a good thing. Relying on readers for your income presents fewer ethical dilemmas to editors than chasing advertisers. It cannot be coincidental that coverage of Google and Facebook has sharpened now that newspapers no longer rely on them so much.

So problem solved? Not entirely. First, paywalls don’t work for everybody. There are still big holes in local journalism. In the U.S., many city papers cut back on investigative work and covering politics as they lost the monopoly on classified ads. Democracy may not be dying in darkness, but many parts of local government are badly lit.
Second, the product underpinning that economic model will not stay the same. News is changing shape—with technology revolutionizing the way stories are produced. One change is automation. When I arrived at Bloomberg in 2015, I found a team of “Speed” reporters who leapt on company earnings and sent out headlines across the terminal, their triumphs measured in seconds against Reuters, our ancestral rival. Another reporter would then write a fuller “wrap,” say 10 minutes later, bringing the numbers together, saying how the market reacted, and perhaps adding an analyst’s quote.

Nowadays, journalists increasingly prep their story templates to be filled in by a computer system called Cyborg that dissects a company’s earnings the moment they appear and produces not just instant headlines but, in a matter of seconds, what is in effect a mini-wrap with all the numbers and a lot of context. All this is in competition not just with Reuters but with specialist news-scraping sites that serve hedge funds looking for microseconds of advantage. An arms race has developed, with the battleground moving to secondary data—like the number of iPhones sold in China—that can often move a share price more than the profit numbers. Today, a quarter of the content produced by Bloomberg has some degree of automation.

It’s not just the financial press. The Washington Post, for example, uses automation to cover high school sports. News organizations that used to first hear about news from local reporters now use banks of computers to find news, trawling through reams of social data for words like “explosion,” “resignation,” or even “Kardashian.”

Before anyone panics about robots replacing humans, you still need a lot of humans not just to write clever templates but also to look for discrepancies. Raw news is immensely valuable—you can watch shares worth billions of dollars change hands when it’s disclosed—but the period of time when this is really news is ever shorter. With facts so rapidly established, journalists whose core responsibility used to be saying what happened now have to answer questions like why and what’s next. It also gives even greater value to people who can uncover news that computers cannot reach—the fact that two companies are in takeover talks or the corruption of a politician. In a world where the facts are known, commentary will become ever more important: For better or worse, you cannot digitize Matt Levine’s brain.

If automation is one trend, another is personalization. Old media has used new technology to become really good at targeting what its readers want to know. Wherever I am, the BBC will happily tell me what the weather is in Rutland or whether Leicester City has scored. The financial press is finding value in delivering the right information to people who have more money than time. You can deliver news pegged not just to financiers’ portfolios but also to their “player types”; a fund manager will see a different news feed from someone selling equities. There’s a natural limit to this, not because it’s hard to segment news but because the people who can afford these products not only prize their privacy and individuality but also want the serendipity of being able to see other stories—which is a strength of print.

That points to the final series of changes: the multiplicity of formats. The standard print news story is being broken up, split among explainers, videographics, podcasts, and so on. Editorship is increasingly a matter of choosing the best way to deliver information to a time-starved consumer. News is likely to get shorter, quicker, and more graphical. But if you need to understand Syria or cryptocurrencies, you may save time reading one long story in Businessweek or the New Yorker rather than endless small ones.

What about fake news in this brave new world? There has always been fake news. As Lewis Lapham has pointed out, the Trojan horse was fake news. The word “canard” comes from libelous French pamphlets—one of which doomed the reputation of Marie Antoinette. More recently, the “yellow journalism” struggle between the Hearst and Pulitzer empires helped tip the U.S. into the Spanish-American War.

Bursts of fake news often seem to be tied to technology. After the steam-powered press increased productivity tenfold in 1814, cheap newspapers, many scandalously inaccurate or racist, sprawled everywhere. In 1835, New York’s the Sun, which sold for a penny, reported confidently that half-bat, half-human mutants were living on the moon. And yet, the industry smartened up for two reasons. Advertisers decided they did not want to promote their brands alongside obvious rubbish, and readers began to pay for better content.

My guess is something similar is happening now. The people who flock to Twitter do so increasingly with one question: Is this true? (We’ve tried to answer that question by launching TicToc by Bloomberg, a news network on Twitter that tries to verify what’s real.) Pushed by consumers, Facebook and Google are struggling to clean up their act. Advertisers are also getting more choosy: JPMorgan Chase & Co. used to have ads on 400,000 sites; now it limits them to 5,000.

Serious journalism does matter. The New York Times’ story on Harvey Weinstein may have been full of salacious details of towel-dropping and groping, but it’s changed the behavior of men toward women in offices and factories (and newsrooms) around the world in a profound way. Or take the person sitting on my other side at the WHCA dinner: Aya Hijazi, an Egyptian charity worker who languished in prison until reporting about her prompted Trump to intercede with Egypt’s president, Abdel-Fattah el-Sisi.

Trump is often right to skewer the media’s hypocrisy. Some journalists, under the cover of objectivity, are indeed out to get him. But many more are simply doing their jobs and trying to establish the truth. The money that Bezos and others have pushed into investigative journalism is good for America.

The newspaper has not so much died as transmuted. News is in a state of transition—and what’s emerging is molded by both new technology and old verities. As journalists, we have to work harder to keep our audiences. But I’m still optimistic—not least about fake news. It won’t go away; it never has. But it will play a smaller role. And the big winner will be you, the consumer. Even if you have to pay a little more for it.
SHOW YOUR CLIENTS THE POWER OF WEALTH + HEALTH

Yes, you have the ability to help your clients appreciate what it means to live longer — and better. Remind them that living well tomorrow starts with the fitness and financial habits formed today.

Discover the Wealth + Health connection at Transamerica.com/longevity

©2018 Transamerica Corporation. All Rights Reserved. 26299_ADBRP0418
22-23 May
Station F
Paris, France

BE READY FOR THE IMMINENTLY POSSIBLE.

Attend Sooner Than You Think, Bloomberg's premier technology event in Paris. Learn how A.I., the Internet of Things, and Cybersecurity are reshaping the very near future.

ATTEND THE EVENT
bloomberglive.com

Proudly sponsored by:
What Will Be Left of HNA?

After a global acquisition binge, the Chinese conglomerate found that its earnings didn’t cover its hefty debt payments.
As HNA Group Co. rose from provincial obscurity to becoming perhaps China’s most acquisitive global company, its executives made no secret of their desire to play in the big leagues. It appears they got their wish—just not in the way they wanted.

An annual report released in late April revealed that HNA spent more on interest than any nonfinancial company in Asia last year, a $5 billion bill that represented a more than 50 percent increase from the year before. A sprawling conglomerate with roots in a middling regional airline that was founded on China’s sleepy, tropical Hainan Island, HNA carried a total of $94 billion in debt at the end of 2017, a hangover from a dizzying global acquisition spree that made it the proud owner of a huge trove of trophy real estate and blue-chip corporate stakes.

The figures are a stark illustration of the potential peril faced by HNA, which as recently as a year ago was feeling confident enough to fete its co-founder Chen Feng with a birthday bash at Paris’s Petit Palais—just after becoming the largest shareholder in Deutsche Bank AG, with a stake then worth €3.4 billion ($4.1 billion). While a series of successful asset sales this year has given it breathing room, HNA still needs to unwind some of its splashiest purchases to reach a sustainable financial footing—a humiliating retreat for a company once eager to be seen on the grandest of stages.

“At the end of the day, it’s a cash-flow issue,” says Victor Shih, a professor of political economy at the University of California at San Diego, who studies the Chinese financial sector. “HNA actually had higher interest payments than net profit, which is very dangerous.”

An HNA representative says the company continues to manage its operations in line with its strategic and financial needs, as it stays focused on the core areas of tourism, logistics, and financial services.

Still, the company’s difficulties have led to some rapid reversals in strategy. Bloomberg reported in late April that HNA was in talks with SL Green Realty Corp. to sell at least part of 245 Park Ave., the prestige Manhattan skyscraper it bought for $2.21 billion in 2017—believed to be among the richest prices ever paid for a New York tower. Since the beginning of this year, the Chinese company has reversed a commitment to maintain its Deutsche Bank stake, exited a $6.5 billion investment in the Hilton Hotels & Resorts chain (cashing out for $8.5 billion), and sold off what was to be a showpiece development on the site of Hong Kong’s decommissioned Kai Tak Airport. The distress is playing out in much smaller ways, too: Employees have been told to limit stationery expenses to 20 yuan ($3.16) a month, and its airlines earlier this year fell behind on fuel bills.

Throughout its breakneck growth, HNA explicitly presented itself as the new face of Chinese capitalism, a symbol of the country’s rising economic might that would harmoniously combine Asian capital with Western businesses. HNA’s sudden retrenchment risks making the company a symbol of something else instead: the fact that Chinese companies remain much less predictable than their counterparts in Europe and North America.

“China’s apparently strong economic growth seems unable to shake these uncertainties,” says Jan Chong, an associate professor of political science at the National University of Singapore. “The thing about China, and Chinese firms like HNA, is that no one is entirely sure what will come next.”

The woes began last summer, when Chinese regulators asked banks to disclose exposures to HNA and four other highly acquisitive companies including Anbang Insurance Group Co., which has since been seized by the government. The requests to lenders signaled decreasing tolerance in Beijing for unfettered dealmaking. Some state-owned Chinese banks stopped extending loans to HNA, while global giants including HSBC Holdings Plc and Bank of America Corp. began steering clear of the group.

Although HNA isn’t publicly traded, the annual report it just released contains selective financial information that reveals how overstretched the banks’ pullback has left the company. Overall debt rose 21 percent in 2017, according to the report, with short-term borrowing climbing by 25 percent, to about $30.3 billion. Total debt amounted to about 20 times HNA’s earnings before interest and taxes, a ratio far worse than most global nonfinancial companies of comparable size.

Nonetheless, HNA, which Chen co-founded in the 1990s, counting George Soros among its early investors, isn’t at risk of immediate catastrophe. At the start of 2018, according to people familiar with the matter, it told creditors it would sell about $16 billion in assets in the first half to lighten its balance sheet. Happily for the banks that financed its rise, HNA is already nearing that goal, thanks largely to the Hilton sale.

“It’s too early to say what will ultimately happen to HNA and whether it will survive in some much smaller form,” says Nigel Stevenson, an analyst in Hong Kong at GMT Research Ltd. While initial asset sales have yielded decent prices, he says, “the easiest to sell will be disposed of first.”

What sets HNA apart from the countless companies that have overextended themselves is its opaque ownership structure. Officially HNA is controlled by its employees and a pair of charities named for Cihang, a mythical Chinese deity—one based in
China and the other in New York. Yet the company has been dogged for years by rumors of financial ties to senior Communist Party leaders, in particular Wang Qishan, who became China’s vice president in March. (HNA denies this and has sued the exiled Chinese businessman making this claim.)

Questions about ownership have caused other problems. In December, Ness Technologies SARL sued two HNA units, claiming HNA provided “false and inconsistent information about its ownership” to the Committee on Foreign Investment in the United States, a federal body that vets acquisitions by non-U.S. companies for security concerns.

As a result, Ness claimed, a planned $325 million acquisition by HNA’s Pactera unit of a company Ness controlled fell apart. HNA, which denies providing false information, is contesting the suit. The deal was one of several HNA acquisitions that have foundered in the CFIUS process. The Chinese company’s acquisition of SkyBridge Capital, the New York investment firm founded by Anthony Scaramucci, was called off on April 30 after months awaiting CFIUS approval.

And there are indications some companies find it perplexing to be in HNA’s orbit. A member of Deutsche Bank’s managing board, who asked not to be identified discussing a private matter, says the bank has found the experience of having HNA as a big shareholder confusing. The HNA representatives delegated to deal with the bank change frequently, the executive says, leaving it unsure who it’s dealing with, who stands behind them, or what the ultimate goal is for the stake. HNA controls about 8 percent of the bank’s shares, down from just under 10 percent. Deutsche Bank declined to comment. HNA says it has a strong relationship with the bank’s board.

HNA has never claimed to be a typical company. New employees receive a list of 10 values that they’re expected to espouse, inspired by Buddhist ideals, including humility, benevolence, and perseverance. As a reminder of the first, a photo of Chen serving coffee and tea on one of the first lights of Hainan Airlines is displayed prominently at HNA headquarters. Employees are asked for total commitment; as the company grew, it encouraged staff to put their savings into HNA-backed investment products.

Nowhere is the scale of HNA’s ambition, and the risks of its collapse, more apparent than on Hainan, which might as well be called HNA Island. The company operates three of the province’s airports, and Hainan Airlines carries about half of visitors to what local officials pitch as China’s answer to Hawaii. In the center of Haikou, the provincial capital, is an HNA-owned shopping complex consisting of 12 gleaming buildings, each named for a sign of the zodiac, atop an underground mall. Across the street is HNA’s headquarters, a 31-story building that resembles a seated Buddha.

Nearby, HNA is developing a pair of hotel and condominium towers, one rising 94 stories. They’ll rival skyscrapers in Shanghai and Hong Kong, with work continuing despite the company’s high-wire act. The buildings are the centerpiece of a project to convert an old airstrip into a business district half the size of New York’s Central Park and are designed to resemble another Buddhist symbol, the lotus flower, when viewed from above—say, through the window of a Hainan Airlines 787. There’s just one problem: The project is almost certainly too big for the slimmed down HNA, and it’s bringing in new backers. —Matthew Campbell and Prudence Ho, with Dong Lyu and Christian Baumgaertel

THE BOTTOM LINE HNA had $94 billion in debt at the end of 2017. Its annual payments on the borrowings—the largest among nonfinancial companies in Asia—may have worried regulators.

---

**The Greening of Throwaway Stuff**

- Retailers are developing textiles to reduce the environmental cost of fast fashion

In a factory the size of an airport terminal, laser cutters zip across long sheets of cotton, slicing out sleeves for Zara jackets. Until last year, the scraps that spill out into wire baskets were repurposed into stuffing for furniture or hauled off to a landfill near the plant in the northern Spanish town of Arteixo. Now they’re chemically reduced to cellulose, which is mixed with wood fibers and spun into a textile called Refibra that’s used in more than a dozen items such as T-shirts, trousers, and tops.

The initiative by Inditex SA, the company that owns Zara and seven other brands, highlights a shift in an industry known for churning out supercheap stuff that fills closets for just a few months before being tossed into the used-clothing bin. Gap Inc. promises that by 2021 it will take cotton only from organic farms or other producers it deems sustainable. Japan’s Fast Retailing Co., owner of Uniqlo Co., is experimenting with lasers to create distressed jeans using less water and chemicals. And Swedish retail giant Hennes & Mauritz AB is
funding startups developing recycling technologies and fabrics made from unconventional materials such as mushroom roots. “One of the biggest challenges is how to continue to provide fashion for a growing population while improving the impact on the environment,” says Karl-Johan Persson, chief executive officer of H&M. “We need to speed the shift toward waste-free models.”

The $3 trillion fashion industry consumes vast amounts of cotton, water, and power to make 100 billion accessories and garments annually—three-fifths of which are thrown away within a year, according to McKinsey & Co. And less than 1 percent of that is recycled into new clothes, says Rob Opsomer, a researcher at the Ellen MacArthur Foundation, an environmental research group in England. “The equivalent of a dump truck filled with textiles gets landfilled or incinerated every single second,” he says.

Inditex in 2016 made 1.4 billion garments, a scale that’s helped its stock price almost quintuple over the past decade. But the industry’s growth is slowing as millennials increasingly understand fast fashion’s impact on the environment and exhibit a preference for spending on experiences rather than goods. Inditex and H&M have missed analysts’ revenue expectations in recent quarters, and shares in both companies have lost about a third of their value since last summer. “Their business model is fundamentally unsustainable,” says Edwin Keh, CEO of the Hong Kong Research Institute of Textiles and Apparel. “We all have enough stuff.”

That creates an opening for companies to use sustainability to differentiate their brands. With growing concern over the waste, retailers have placed recycling bins prominently in many stores. Highlighting such initiatives in tandem with efforts to use greener materials can help win customers, says Jill Standish, a retailing consultant at Accenture Plc. A “bag that’s made with grapes or a dress made of orange peels tells a story,” she says.

To tap into this trend, H&M is seeking to make all its products from recycled and sustainable materials by 2030, up from 35 percent today. Since 2015 it’s sponsored an annual contest in which startups developing technologies to make fashion greener compete for a piece of a €1 million ($1.2 million) grant. One of this year’s five winners was Smart Stitch, a company that’s developed a thread that dissolves at high temperatures, which could simplify recycling by making it easier to remove zippers and buttons. Another is Crop-A-Porter, which spins yarn out of field waste from flax, banana, and pineapple plantations. A third is working on separating fibers from blended fabrics, and others make textiles from mushrooms and algae. If any of those initiatives “succeed at a commercial scale, it would be pretty disruptive,” says Vikram Widge, head of climate policy at International Finance Corp. and a former judge for H&M’s competition. “Anything anyone can do is critical.”

Inditex last winter started disassembling old clothing to spin into yarns for fashions it markets as “garments with a past.” The company has grouped many of its sustainability efforts—clothes made from organic cotton, Refibra, and other repurposed fabrics—into a subbrand called Join Life. While the line grew 50 percent last year, it still accounts for fewer than 1 in 10 garments Inditex sells. To boost the share of greener textiles in its mix, the company is funding research programs at the Massachusetts Institute of Technology and universities in Spain. One initiative is seeking to use 3D printing to make textiles using byproducts from timber operations. Another is looking for ways to separate cotton from polyester in blended fabrics. “We’re trying to find a more sustainable version of all materials,” says Germán García Ibáñez, who manages Inditex’s push to reuse old clothing and textiles. Today’s recycled jeans, he says, are typically only about 15 percent repurposed cotton, because the fiber “gets worn down and we have to mix with new.”

Inditex and H&M say that for now they’re absorbing the extra costs of using recycled or
reconstituted textiles. The Join Life line is priced competitively with other items in Zara stores, with T-shirts going for less than $10 and some jeans under $40. H&M likewise says it plans to keep a lid on prices of its greener materials, expecting the cost to fall as production increases. “We take it as a long-term investment instead of charging it to our customers,” says Anna Gedda, who oversees H&M’s efforts to clean up its operations. “We believe sustainable fashion should be affordable for all.” —Anna Hirtenstein, with Daniela Wei

THE BOTTOM LINE With their share prices falling, Inditex and H&M are working on materials that are easier to recycle or made from garments tossed into used-clothing bins.

Sprint and T-Mobile’s Wedding Bell Blues

While merging the No. 3 and No. 4 mobile carriers might make sense, investors are wary

When T-Mobile US Inc. and Sprint Corp. announced on April 29 their $26.5 billion plan to merge, they argued that the combined entity could create a more formidable rival to the biggest wireless providers: Verizon Communications Inc. and AT&T Inc. Indeed, the merged pair would be able to pool their research and development spending and wireless spectrum rights to more quickly offer customers 5G service, the next generation of superhigh-speed wireless communications. Trouble is, few seem to believe this marriage of convenience will bear fruit.

The day after the announcement, shares of Sprint—the target of the all-stock offer—suffered their worst drop in a year, falling 14 percent. T-Mobile stock also got hammered, declining 6.2 percent, as investors feared regulators would nix the deal.

Investors have reason to be skeptical. Almost four years ago, a previous attempt to unite Sprint and T-Mobile was rejected by the U.S. Department of Justice and the Federal Communications Commission. At the time, both agencies said that competition could be harmed if the number of national carriers shrank from four to three.

But Sprint and T-Mobile say the industry landscape has changed since then. With cable companies Comcast Corp. and Charter Communications Inc. pushing into wireless—primarily by leasing space on the networks of larger rivals such as Verizon rather than building their own—the mobile service market has gotten more competitive, they say. And with countries including South Korea and China racing to gain a foothold in 5G, the betrothed telecommunications companies are already suggesting that the U.S. should do everything in its power to encourage the development of stronger wireless carriers in America. (Sprint is controlled by Japan’s SoftBank Group Corp. and T-Mobile is owned by Germany’s Deutsche Telekom AG, but those are just details.)

“We are going to drag the rest of the players kicking and screaming to the prize, which is American leadership” in fifth-generation wireless networks, says T-Mobile Chief Executive Officer John Legere.

Flag waving will only go so far, however. Expect plenty of heated arguments in the coming months over whether the looming deal would make the industry more or less competitive. Or whether consumers will be adversely affected.

Kevin Roe of Roe Equity Research LLC notes that in four-player markets in other countries, the smaller companies cut prices to gain customers. But, he says, “that dynamic goes away” with mergers among the top wireless carriers. In Germany, Telefonica Deutschland Holding AG in 2014 won approval to acquire the country’s No. 4 wireless carrier, Royal KPN NV’s E-Plus service. The elimination of E-Plus, which had been a leader on price cutting, reduced the field to three top players. “Three-player mobile markets with fairly equal market share are better able to maximize revenue and profit through price increases,” Roe says. That would have a negative impact on consumers.

Sprint and T-Mobile’s ability to challenge such thinking could determine whether their future together is a long and lucrative one, or whether their love is simply star-crossed. —Scott Moritz

THE BOTTOM LINE A merger of T-Mobile and Sprint would yield a wireless titan. But reducing the market from four to three major players almost ensures close antitrust scrutiny of the deal.

Corporate Marriage in the Age of Donald Trump

The largest pending or completed deals for U.S. companies by total value, including assumed debt, announced since Trump took office

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Target</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CVS Health</td>
<td>Aetna</td>
<td>$68.7b</td>
</tr>
<tr>
<td>Cigna</td>
<td>Express Scripts</td>
<td>$68.4b</td>
</tr>
<tr>
<td>Walt Disney</td>
<td>21st Century Fox</td>
<td>$65.9b</td>
</tr>
<tr>
<td>T-Mobile US</td>
<td>Sprint</td>
<td>$57.8b</td>
</tr>
<tr>
<td>Marathon Petroleum</td>
<td>Andeavor</td>
<td>$30.9b</td>
</tr>
<tr>
<td>United Technologies</td>
<td>Rockwell Collins</td>
<td>$30.2b</td>
</tr>
<tr>
<td>Brookfield Property</td>
<td>GGP</td>
<td>$27.8b</td>
</tr>
<tr>
<td>Becton Dickinson</td>
<td>C.R. Bard</td>
<td>$24.1b</td>
</tr>
</tbody>
</table>
Trade options like you went to school for it.

Options trading doesn’t have to be intimidating. TD Ameritrade provides educational courses, expert trading support, and online coaching to help you learn to trade with confidence.

Get up to $600 when you open and fund an account.

Visit tdameritrade.com/tradeoptions to learn more.

Options trading is subject to significant risks and is not suitable for all investors. Options trading privileges subject to TD Ameritrade review and approval. Before trading options, carefully read Characteristics and Risks of Standardized Options. Contact TD Ameritrade at 800-669-3900 for a copy.

See tdameritrade.com/600offer for offer details and restrictions. This is not an offer or solicitation in any jurisdiction where we are not authorized to do business. TD Ameritrade, Inc., member FINRA/SIPC. © 2017 TD Ameritrade.
In December, Sheila Schuler and her husband, David, were ecstatic to rent a home at the Domain, a cluster of well-kept pastel apartments in Kissimmee, Fla. The gated community’s palm trees and crystalline, cabana-lined pool felt like an oasis next to the nearby chaos of Walt Disney World, where Sheila works. Three months after signing a yearlong lease, the Schulers discovered Airbnb Inc. had co-opted their slice of paradise and that they would have to share their refuge with a potentially huge rotating cast of new faces. This summer the Domain will become the online booking giant’s first branded apartment complex, renting to tourists for short stays much the same way a hotel does. “We’ve been blindsided,” says David, who found out about the change from the building’s unofficial Facebook page. “We didn’t agree to live in a hotel.”

It’s easy to see why vacationers headed for Kissimmee, which welcomes about 10 million visitors a year, would book the Domain. Along with Disney, the building is moments away from Universal Studios and Jimmy Buffett’s developing Margaritaville resort project, making it ideal for Airbnb’s grand hybrid experiment. But when that influx of tourists is happening next door, people tend to balk. The Schulers are among a dozen residents frustrated with the 324-unit complex, some of whom spoke to Bloomberg on condition of anonymity for fear building management would retaliate.

Those who live at the Domain full time will be encouraged to sublet their spaces online when they’re gone for extended periods, and Airbnb’s guests will have access to amenities commonly found in hotels, including maid service, luggage storage, and digital keypads. Miami-based Newgard Development Group is overseeing the project through its Niido Powered by Airbnb brand. They, alongside the condo’s managers, are pressuring residents into an “Airbnb time-share operation,” says Domain renter Amanda Crane, who also works in the tourism industry. “I did
not agree to this setup when I signed a lease.”

Airbnb declined to comment. The Domain complex is designed to be a primary residence, says Cindy Diffenderfer, co-founder and chief marketing officer for Niido Powered by Airbnb. “We’re not trying to be sneaky,” she says. “We’re embracing a travel trend that we’re seeing in our properties.”

The backlash from tenants doesn’t bode well for Airbnb; at least two of Domain’s residents say they’ve consulted with lawyers about their options. In December, Niido said it plans to open as many as six Airbnb-branded complexes in Florida like the one in Kissimmee. Airbnb, now valued at $31 billion, has an eye on expansion, announcing plans in October to team up with more real estate developers and facility managers. That should appease landlords, who have argued that Airbnb helps renters illegally sublet their apartments. But if the Florida project is any indication, Airbnb will face more complaints that it’s ruining the neighborhood feel by letting hordes of tourists run rampant on renters’ home turf.

Expanding to branded apartment buildings is critical for Airbnb to win over luxury-craving customers, which would help justify its valuation, says Ivan Feinseth, chief investment officer and director of research for Tigress Financial Partners LLC, an investment banking firm. “Partnering with large landlords is the best way to get more consistency and control to offer a hotel-like experience but at a lower price,” Feinseth says. To broaden its appeal, Airbnb is adding listings for hotels as well as fancier digs under the label Airbnb Plus. Those sites get regular visits from an inspector to confirm the towels are fresh and the appliances are working.

Airbnb’s branded buildings promise management companies 5 percent to 15 percent of the profit hosts generate. At Domain, residents who rent through Airbnb would pay Niido 25 percent of their home-sharing income. In exchange, Diffenderfer says, residents will have access to the same hotel-style amenities visitors will receive.

Niido didn’t tell residents about the Airbnb arrangement until April 19, after a Bloomberg reporter began asking questions about the venture. Some Domain residents say they suspected Airbnb was setting up a home-sharing operation after the complex manager, Dan Maggard, informed them their apartment locks would be changed to a digital system—but not why. He declined to comment. “I’m outraged. I’m beyond upset,” says Wilma Colon, who moved into the Domain complex about eight months ago. “My son uses the business center to study—now they’re making it into a lounge space for transient people who have no investment in our community.”

Diffenderfer confirmed the Domain’s common spaces are undergoing renovations, which include the creation of a room designed for cooking classes and wine tastings sponsored by local restaurants. The business center will morph into a more collaborative space with co-working tables, she says.

Improving the building’s facilities and making its aesthetic more chic is good for everyone, not just Airbnb users, and the cost of the remodeling and upkeep is already built into long-term residents’ fees, Diffenderfer says. “With a better understanding of Niido, I think residents will be really happy with what we’ve come up with,” she says. According to Niido, tenants don’t have a choice; objection to Airbnb’s presence isn’t valid grounds for them to break their leases.

At least a few are happy to welcome more visitors into the neighborhood, if not their own homes. “I am a traveler at heart, so the idea of having other travelers around is exciting to me,” says Christian Matarazzo, who works for a nearby hotel company. “I think people will come around to the Airbnb partnership because it’s a great opportunity.” But for others, blurring the lines between home and hotel poses the biggest problem. “I work all day in the tourism industry,” Crane says. “I don’t want to come home to the tourism industry.” —Olivia Zaleski

“We’re not trying to be sneaky. We’re embracing a travel trend that we’re seeing in our properties”

From Apparent Ruin to IPO

Xiaomi, China’s onetime smartphone king, is betting on India and super-profitable apps

On the lower floors of Beijing’s Rainbow City mall, hundreds of people are shopping, dining with their families, and generally reveling in their Saturday night. Fifteen floors up, the headquarters of Chinese smartphone maker Xiaomi Corp. is all business. Beneath piercing fluorescent lights, employees with bright orange badges shuffle in and out of turnstiles, the weekend irrelevant. Hunched over a black wooden table in his modestly sized
This March evening marks Lei’s first time in the office in a month. His regular trips to India on hold for the moment, he’s spent the last weeks traveling throughout China and Hong Kong, where bankers are prepping his eight-year-old startup for what’s expected to be the world’s biggest initial public offering this year. Xiaomi (pronounced she-yo-mee) filed IPO paperwork in Hong Kong in early May. The company didn’t disclose how much it plans to raise, but it could go public at a value of as much as $100 billion, which would make it the largest since Alibaba Group Holding Ltd. woke the world to China’s tech ambitions in 2014. Xiaomi booked 114.6 billion yuan ($18 billion) in sales last year, a 67 percent increase from 2016, and $1.9 billion in operating profits. That’s a long way from its dire standing just a few years ago, when the one-time Chinese smartphone leader was watching its market share tank.

Lei founded Xiaomi after running software maker Kingsoft Corp. and selling e-commerce startup Joyo.com to Amazon.com Inc. He says the money Xiaomi stands to make doesn’t interest him in and of itself; those in his orbit say it’s more what the money represents—the company joining the ranks of China’s so-called national champions, the likes of Jack Ma’s Alibaba, Pony Ma’s Tencent Holdings Ltd., and Robin Li’s Baidu Inc. “I wanted to lead a Chinese company,” the 48-year-old says, “to become No. 1 in the world.”

The finicky CEO has turned things around by micromanaging operations at a level Jeff Bezos might envy. Lei obsesses over pixel sizes on his phones’ screens and the rainbow colors of Xiaomi’s AA batteries. He hates seeing empty water bottles cluttering office desks, and his co-founders are used to him tweaking font sizes on their PowerPoint presentations. “Eight of us may be called co-founders, but the structure is really one plus seven,” says design chief Liu De. With Liu, Lei also contributed to the planning for Xiaomi’s new headquarters, down to choosing the urinals in the men’s bathrooms.

That campus, a 10-minute drive from the mall, will be Xiaomi’s home later this year. The glass-and-steel fortress is a testament to Lei’s ambitions and his battle to keep the comeback going. He has come close to building a Chinese internet giant that could put him on the same plane as Jack Ma, and he’s determined not to come up short, says Xiaomi investor Robin Chan. “Lei Jun felt he was just as smart, more experienced, and worked twice as hard,” Chan says. “Still, he was never considered one of them. At age 40, Lei Jun considered Xiaomi his best shot.”

Early on, Xiaomi distinguished itself by selling smartphones with the latest processors and features at half the price of competing devices. Relying on online flash sales and buzz from fans—no brick or mortar required—Lei’s company dominated China in a mere four years and became the world’s No. 3 phone maker after Apple Inc. and Samsung Electronics Co.

Xiaomi then pitched itself as a Google-style advertising and services company, rather than an Apple-esque hardware play, and was valued at $46 billion in 2014, when it raised $1.1 billion in venture capital. Seemingly out of nowhere, Xiaomi had become the world’s most valuable startup. (Uber later stole that crown.)

“That valuation number ended up being a curse,” Lei says, lamenting how the funding made Xiaomi a target. Local brands Oppo, Vivo, and Huawei
flooded physical stores—where 85 percent of China’s smartphones were sold—with models about as cheap as Xiaomi’s. Online, Huawei Technologies Co.’s Honor brand copied Xiaomi’s sales model. Meanwhile, by 2016, Xiaomi was struggling to manufacture phones on schedule. Frustrated customers defected. Early that year, as China’s number of first-time phone buyers peaked, Xiaomi fell to fifth place in the local market and seventh globally, according to International Data Corp. “Our supply chain hadn’t been designed to handle that kind of growth,” says co-founder Li Wanqiang. “Small problems suddenly became big problems.”

In May 2016, Lei asked another co-founder to step aside as supply chain chief and took over the role himself. Lei, who with employees owns 60 percent of Xiaomi, personally negotiated with Foxconn Electronics Inc., Samsung, and other suppliers to make sure Xiaomi wouldn’t have to wait on components, and stabilized production.

Throughout 2016, Li says, late nights turned into all-nighters punctuated with breaks for beer, barbecue skewers, and cigarettes. It’s tough to overstate how much analysts turned on the company, and Xiaomi ran its operations on loans rather than seek more venture capital, which might have risked cutting its value. “I prayed for Xiaomi,” says Richard Ji, who led Xiaomi’s 2014 funding round as the chief investment officer of All-Stars Investment. “I still had faith, but no one could have envisioned such a step down in growth.” To fix its problems, Xiaomi had to “go big or go home,” Lei says. “We went big.”

Xiaomi began selling much more than phones. Through its venture capital arm, Xiaomi took stakes in hundreds of startups. Thousands of its engineers created music, video, and browser apps preloaded on its custom Android operating system, MIUI. There are Xiaomi-branded scooters, chargers, air purifiers, and suitcases, as well as video streaming apps and cloud storage. The company sells more than 500 products and services to 190 million monthly users in 70 countries.

Xiaomi built hundreds of physical stores to hawk all that new stuff, and its phones, mostly in China and India. The company scaled back operations elsewhere to focus on India, targeting the country’s first-time phone buyers by tailoring phones to their needs. Fifty miles from Bengaluru, for example, Lei and India chief Manu Jain visited a rural village to survey customers and retailers and learned that it could be difficult to predict which carrier offered a faster internet on a given day. They built their next phones with two SIM card slots so customers could switch from one provider to another.

Xiaomi also poured cash into the Mi MIX, the first phone it considered high-end enough to rival the latest from Apple, Samsung, and Huawei. In late 2016, Lei decided to set the price at 3,999 yuan ($630), one-third below what competitors suggested the company could charge. He made the decision early on the morning of the phone’s release, after rehearsing each of his PowerPoint slides 5 to 10 times. Although the Mi MIX wasn’t a huge seller, it convinced critics that Xiaomi had the technical chops to do battle with its bigger competitors.

Xiaomi executives compare their company’s approach to that of U.S. retailer Costco Wholesale Corp., which sells ketchup and Diet Coke at a discount, forgoing profits to acquire customers. Costco makes money by charging for membership and selling travel packages and other services. Seventy percent of Xiaomi’s sales are phones, on which it makes a profit of about $2 apiece, according to analyst Counterpoint Research. (Apple earns $250 per phone; Samsung, $19.) An additional 20 percent of Xiaomi’s business comes from such gadgets as air purifiers, scooters, and rice cookers, and in April, Xiaomi said it would forever cap profits from its phones and gadgets at 5 percent. But the preloaded apps and services that make up the last tenth of Xiaomi’s sales have net profit margins of 45 percent to 60 percent, people familiar with the business say. Based on those numbers, the company’s margins are at least in the same ballpark as Samsung’s.

Together, these moves helped Xiaomi’s growth rebound. “Our recovery follows a year of setbacks that collectively signify the most challenging period in our company history,” Lei wrote in a July 2017 letter to employees, who cheered in the cafeteria when the sales figures arrived. By the end of 2017, Xiaomi topped Samsung to lead sales charts in India, which had surpassed America to become the world’s second-largest smartphone market after China. With stress levels falling around the office, Lei quit smoking, cold turkey, as part of a New Year’s resolution.
Xiaomi is now the No. 4 global phone maker. (Huawei is third.) In February, during a company celebration that featured employee skits, giveaways, and a magician, Lei pledged that Xiaomi would become No. 1 in China within 10 quarters. But two and a half years is a long time in China’s tech industry. Lei will need more than tricks as price wars and marketing bonanzas intensify the fight for market share.

Lei’s company hasn’t been able to shake its dependence on China, which accounts for 58 percent of its phone sales, according to Jia Mo, an analyst at researcher Canalys. That’s a serious problem, as the domestic market is getting saturated: Smartphone sales shrank last year for the first time. While Xiaomi’s low prices still grant it cachet with first-time phone buyers, customers upgrading to their third or fourth phones are switching to upscale Apples or Huaweis. Xiaomi hasn’t been able to prove that its branded scooters and the like are helping draw customers back to its phones and profit-rich online services. “If Xiaomi can’t keep up growth in China, there will be huge risks for funding and global expansion,” Jia says.

Jain, Xiaomi’s India chief, acknowledges that his team has a ways to go before his new customers are using those internet services, too. With MIUI users generating $1.9 billion in revenue worldwide, Xiaomi collects $10 per customer annually, compared with $100 a year at Netflix Inc. and $32 a year at Spotify Technology SA. Xiaomi declined to comment on its average revenue per user.

China’s government has boosted Xiaomi’s apps by blocking Google’s, but other markets remain tougher to crack, says Counterpoint Research analyst Neil Shah. He also points to Xiaomi’s increasing intellectual-property costs as it ventures into the U.S. and Europe. Xiaomi says it’s investing heavily on intellectual property.

This is also a lousy moment for Chinese companies to try to push westward. In January the U.S. blocked Huawei’s partnership with AT&T Inc., citing the company’s links to the Chinese military as evidence that the tieup would pose a threat to American national security. In April the federal government banned technology sales to Chinese phone maker ZTE Corp. for seven years.

“I’m confident no country will reject Xiaomi’s products,” Lei says, as he darts across his office. He’s right to protest that Xiaomi doesn’t share many of Huawei’s or ZTE’s biggest problems in the U.S. It doesn’t have any sensitive telecom equipment to pitch to the Pentagon, for example. But Xiaomi lacks relationships with American carriers and the country’s Apple-loving customer base, so roiling trade tension with China is bad news for a phone company whose mascot is a bunny wearing a hat with a red, five-pointed Communist star. Even though it’s a cute bunny.

Lei, tired of talking about sensitive issues, steers the conversation back to another thing he can sell: ballpoint pens. He grabs two white boxes filled with Xiaomi-designed pens and urges two reporters to trade in the writing implements they’re carrying. Like a shopkeeper peddling his wares, he launches into an aggressive diatribe about shoddy pens and says Xiaomi’s are only 9.90 yuan and fit perfectly in a person’s hand. This is his segue to the real pitch, for the Mi MIX 2S phone.

At the phone’s unveiling a week earlier, in a Shanghai basketball stadium with blasting pop music, Lei took the stage with slicked black hair, bright white sneakers, and pressed blue jeans. His sales pitch didn’t extol Xiaomi as much as it ripped on Apple. With 23 iPhone X comparisons peppered in his two-hour presentation, he told the roarin crowd of 3,000: “We not only crushed the iPhone X, we bulldozed over it.”

Lei says he’s hoping to anchor Xiaomi’s global image “to the very best” rather than try to distinguish it from the Oppos and Vivos of his home market. “If I can do better than Apple, then Xiaomi should be worth $1 trillion in market capitalization,” he says. And after that? As the sun sets and lights come on in nearby buildings, Lei says that someday he’d like to spend more time skiing or drinking coffee with friends. His gaze wanders for just a moment before jolting back to reality.

—Shelly Banjo and Yuan Gao

THE BOTTOM LINE Lei still dreams of Apple-level crossover success in America after Xiaomi’s retail- and India-driven comeback, but the company remains a long way from that.
Beating Goliath

A small college’s endowment manager outdoes Harvard with a simple weapon: Index funds.
From his home office in Charlotte, one of the most successful investors in higher education plies his trade in blissful obscurity. Bill Abt employs no stable of hotshot bond traders. He doesn’t tangle in the fanciest Silicon Valley venture capital funds, hedge funds, or the latest computer-driven brainchildren of Ivy League physicists and mathematicians.

Yet Abt, on behalf of Carthage College, in Kenosha, Wis., has returns that beat Harvard’s $37 billion endowment and most others. In the 10 years through the most recent college fiscal year, ended on June 30, 2017, the former beer company executive racked up a 6.2 percent average annual return, according to the school. That performance is better than 90 percent of his peers, based on data from the National Association of College and University Business Officers. Harvard’s endowment, the nation’s largest, averaged just 4.4 percent a year in the same period, in part because of heavy losses on investments in timber and farmland.

At Carthage, Abt’s approach was more pedestrian: mostly low-cost, market-tracking index funds from Vanguard Group Inc., the same funds used by legions of do-it-yourself individual investors. Why isn’t reliance on indexing more common among those who oversee the nation’s half a trillion dollars in college endowments? “Maybe it’s too simple,” Abt says.

The Vanguard funds charge institutional investors as little as 0.035 percent of assets per year, compared with the 2 percent, plus a share of profits, levied by some private equity and hedge funds. Abt, too, is an inexpensive hire, at least by Wall Street standards. Currently his only job is chief investment officer, but when his administrative duties at Carthage also included everything from personnel to technology to athletics, his compensation was $250,000 a year. (From 2010 through 2014, Harvard paid 11 top investment managers a total of $242 million.) To call Carthage an underdog would do a disservice to little guys everywhere: The college gets by with an endowment of about $120 million, less than a single 2014 gift to Harvard from hedge fund titan and alumnus Kenneth Griffin.

It’s worth noting that Abt’s strategy has benefited from a long bull market. Through the Vanguard funds, Carthage’s endowment today is about 90 percent in publicly traded stock. The average endowment, which has half its money in alternative investments such as hedge funds, private equity, and venture capital, is more diversified. But that kind of diversification hasn’t always helped soften the blow from stock market slumps—Harvard and Yale each lost about 25 percent in fiscal 2009; Carthage lost 21 percent. Abt says his endowment, which is essentially investing in perpetuity, can wait out the swings of the market. It provides only 3 percent to 5 percent of Carthage’s annual budget, compared with more than a third at Harvard, where the endowment supports star professors, massive research operations, and some of the most generous financial aid in the U.S.

Some of the world’s sharpest investment thinkers, including Warren Buffett and Nobel laureate economist Eugene Fama, have endorsed the idea that most investors should track the market at the lowest possible cost. Another advocate is the dean of higher education investors, Yale endowment chief David Swensen. Still, Swensen makes an exception for himself and other top endowment investors who have insiders’ access to the best money managers in the world. Yale’s 10-year average annual return of 6.6 percent edges out Abt’s 6.2 percent. Over 20 years, Yale’s annual 12.1 percent still trounces a broad index of U.S. stocks, the result of early successful bets on alternative investments such as venture capital.

At Harvard, alumni from the class of 1969, fed up with poor performance, wrote a letter in February to the incoming president suggesting the school buy index funds. Its new endowment manager is doing no such thing. N.P. “Narv” Narvekar is shifting to a Yale-like strategy of searching for top managers. Harvard declined to comment.

Charles Ellis, a former Vanguard board member and onetime chair of Yale’s investment committee, says active managers once had an edge. No more. “Today, everyone knows everything at the same time,” he says. Abt came to that conclusion earlier than most. After business school at Temple University, he worked 25 years in the beer business, rising through the ranks at Joseph Schlitz Brewing Co. and its successor, Stroh Brewery Co. He left in 1999 after the brewery he managed was sold.

A beer industry colleague told him a local college could use help. Carthage was originally founded in Illinois by Lutherans and once had Abraham Lincoln as a trustee. Like many small Midwestern schools, it was struggling in a region with a shrinking college-age population. The school enrolled only 1,200 students when Abt signed on as business chief in 2000. One of his first tasks: set a strategy for its then $30 million endowment.

“That was kind of the heyday of hedge funds,” says Ed Smeds, then chairman of Carthage’s board. The former Kraft Foods executive says the board found such investments mystifying. “You could see the puzzlement on their faces,” he says. Abt and Smeds suggested indexing; since then, Carthage’s
Got Milk Futures?

More dairy farmers are turning to the markets to hedge their bets as risks rise.

Doug Block, a dairy farmer for 45 years, says he grew up in an era when the price of corn feed for cows fluctuated just 6¢ a bushel. The U.S. didn’t ship much cheese and butter overseas, and the government often bought cheese to buoy the market when prices sagged. Those days are gone. Block’s business depends on pasture conditions in New Zealand, Europe’s inventories, and China’s milk consumption. He also has to deal with wild swings in the market after the U.S. government scaled back support over the last decade.

So in the past 10 years or so, Block and others in the dairy business have increasingly been doing what corn farmers have done since at least the late 1800s. They’re hedging with futures, essentially locking in a price down the road. “More and more dairy farmers will participate, because it’s a needed form of risk management,” he says. And it’s become a booming business: Outstanding futures and options contracts for butter as well as nonfat dry milk reached a record in April, according to U.S. exchange operator CME Group.

Risks and volatility continue to mount for all farmers, especially in the dairy industry, according to Dave Kurzawski, a senior broker at INTL FCStone in Chicago. U.S. farmers are producing record amounts of milk even as Americans drink less of it. Many farmers faced losses during the first quarter, and while milk futures prices have been rising recently, that doesn’t necessarily indicate profits for this year given that feed and labor costs also are increasing, Kurzawski says.

CME initiated dairy derivatives in 1996 with contracts for milk used to make cheese. Futures for other products followed over the years, including nonfat dry milk, butter, and cheese. Still, there are fewer than 250,000 futures and options contracts on the market for all dairy products. That’s small compared with corn, at more than 1.7 million for futures alone. But the market is growing globally. New Zealand’s exchange began offering futures contracts for whole milk powder in 2010 and butter futures in 2014. Euronext’s dairy market started after the European Union abolished its milk quota system in the spring of 2015. Proprietary trading firms are stepping into dairy futures and options, increasing the number of speculators participating in the market, Kurzawski says.

Although futures can offer farmers some predictability, smaller operations are struggling to keep afloat. Low milk prices have accelerated industry consolidation. Dairies with at least 8,000 cows, once a rarity, are more common because the riskier environment favors operations with economies of scale, says Marshall Hansen, senior vice president for agribusiness finance at Farm Credit Services of America. And those big players are increasingly sophisticated about financial markets. Land O’Lakes Inc., the largest U.S. dairy cooperative, has been steadily increasing its hedging activity, says Beth Ford, a chief operating officer.

Such growth recently prompted Rabobank, the largest agricultural lender, to start its own risk-management desk for dairy. “We’ve got growing supplies and more demand. The highs are getting higher and the lows are getting lower, and costs of production aren’t going down,” says Ryan Yonkman, a broker at Rice Dairy LLC who works with farmer clients. “Every year we get new customers, and it’s for those reasons.” Milking cows, it turns out, is no work for the fainthearted. — Shruti Singh and Lydia Mulvany
Mick Mulvaney says he’s legally barred from shutting down the Consumer Financial Protection Bureau, an agency he once called a “sick” joke. But Mulvaney, the CFPB’s acting director, could move dozens of employees to the basement of its Washington headquarters. And he might try to relocate other staff members to Dallas.

Such measures are being proposed by his top aides as Mulvaney seeks to cut spending by tens of millions of dollars at the Republican-loathed watchdog, according to an internal cost-savings analysis obtained by Bloomberg News. Another budget-trimming idea: making employees share desks. “All options are on the table as we work to make the bureau more efficient and effective,” says John Czwartacki, the CFPB’s chief communications officer. He says he’s not certain whether Mulvaney has reviewed the recommendations and that no final decisions have been made. The CFPB has about 1,600 employees.

When Democratic lawmakers created the CFPB through the 2010 Dodd-Frank Act, they kept the agency out of the federal appropriations process to prevent a future GOP-controlled Congress from starving it of cash. Instead, the regulator gets its funding from the Federal Reserve, which provided $602 million for the fiscal year ended in September. Curtailing the CFPB, which is meant to protect consumers from predatory lending, is central to President Trump’s pro-Wall Street deregulatory agenda. And Mulvaney, a former Republican congressman who also serves as Trump’s budget director, has done what he can to hobble the CFPB since taking over in November.

For instance, he requested no money from the Fed in January for the second quarter of the fiscal year, stating that costs could be covered by $177.1 million in reserve funds left by Democrat Richard Cordray, who ran the agency until last year. He’s also brought on senior aides who share his views about how the CFPB should be run. Key political hires include chief of staff Kirsten Sutton and senior aide Brian Johnson. Both previously worked for House Financial Services Committee Chairman Jeb Hensarling, a Texas Republican who’s sponsored legislation that would strip the agency of much of its power.

The analysis put together by Mulvaney’s advisers lays out multiple ways to trim the budget over the next two years. Requiring CFPB staff “without a business need to work in an office” to stay home could save as much as $18.3 million, while shared desks might reduce expenditures by another $18.3 million. Adding 70 workspaces in the basement of the CFPB’s main Washington building may save $16.6 million, and relocating staff to Dallas would reduce spending by $2.4 million. Other ideas in the one-page document include moving workers to offices in Washington’s Virginia or Maryland suburbs, though doing so is estimated to increase costs.

Mulvaney’s advisers indicate that some of their proposed changes, such as shifting seating arrangements at CFPB headquarters, may not comply with agreements the agency has with the National Treasury Employees Union, which represents hundreds of its workers. “NTEU stands ready to review any workplace changes from CFPB leadership to make sure they don’t adversely affect the front-line employees who have dedicated their careers to protecting consumers,” Tony Reardon, the union’s national president, said in an emailed statement. “CFPB’s front-line employees need and deserve adequate resources and support as they work every day to make sure financial consumers are treated fairly.”

Political fights tied to the CFPB’s newly renovated headquarters, located around the corner from the White House, have been a microcosm of bigger partisan battles, with Republicans calling the building an example of government waste. When Cordray was director, GOP lawmakers often attacked him over such features as a waterfall described by architects as made of “naturally split granite.” After Trump won the election, but before he took office, his team discussed getting rid of the headquarters entirely, people familiar with the matter have said, asking to remain anonymous because the talks were private. That isn’t possible, though: The CFPB leases it from the Office of the Comptroller of the Currency, and the contract isn’t up until 2023. —Elizabeth Dexheimer

THE BOTTOM LINE Acting CFPB Director Mulvaney, who runs an agency Republicans would like to abolish, is being presented with a range of drastic cost-cutting measures.
How Markets Can Solve Inequality

A new book argues that embracing markets more fully can lift up the poor

Proposed solutions for inequality are depressingly familiar. Liberals want to raise taxes; conservatives want to cut them; populists in the Trump mold want to exclude immigrants and restrict foreign trade. The centrist business community triangulates between stale agendas. Doesn’t anybody have anything new to offer?

Actually, yes: One big new idea is to unleash the awesome power of markets and push them into parts of life where they have never operated before. And at the same time, to design mechanisms that harness markets’ power to uplift the poor. The agenda is conservative in its means, because conservatives like markets, but liberal in its ends. It’s like letting a tiger out of its cage and throwing a saddle on its back. And it just might be what the world needs now.

Taking markets more seriously is the thrust of a surprising book, Radical Markets: Uprooting Capitalism and Democracy for a Just Society, scheduled for publication on May 8. It’s by Eric Posner, a University of Chicago Law School professor, and Glen Weyl, an economist and principal researcher at Microsoft Corp. They’re smart and iconoclastic, and their book bursts with ideas like kernels of corn on a hot stove.

Certain ideas are dismissed as impossible or offensive until they’re adopted, at which point they’re mysteriously reclassified as obvious all along. The ideas in Radical Markets are still very much in the first stage: impossible, offensive, or both. Weyl claims to be untroubled by that. “Students have a very different reaction than older people,” he says. “Most of the older people are just dismissive. That reaction fuels the students’ interest. When they hear an impassioned argument for a better future, they see it as a chance to rebel.”

The authors’ first counterintuitive idea is to let people decide how much they want to pay in property taxes by setting their own valuations for their property. Every kind of property, not just real estate. Why wouldn’t people put extremely low valuations on their belongings to cut their tax bills? Because there’s a catch: You are legally required to sell each item to whoever wants it, whenever they want it, at the price you claimed it’s worth. That incentivizes honesty. To make sure people’s keepsakes aren’t snatched away from them, there could be an exclusion for heirlooms. (No fair calling your Picasso in the living room an heirloom.)

The upshot of such a system is that nobody would truly own anything. They’d effectively be renting their stuff for the amount of their annual tax bill. Echoing the radical leftist slogan “property is theft,” the authors declare that “property is monopoly”—and they don’t like monopolies.

Putting possessions essentially up for grabs would make infrastructure easier to build without resorting to seizing land by eminent domain. People whose properties are essential to a project would be required to sell at their published asking price. That’s an enticement for business. For the poor and middle class, the Radical Markets approach would shift the tax burden onto
the rich, who own most of the world’s things.

Self-assessment isn’t a brand-new idea. A time-tested way of dissolving 50-50 partnerships is to require each partner to submit a bid, after which the winner has to buy out the loser at the average of their two bids. (It’s called a “Texas shootout.”) The authors cite economists who have expanded on the idea but acknowledge that no one has pushed it as far as they have. They suggest starting small by applying the approach to public goods such as internet domain names, airwaves, and grazing rights in the American West.

There’s not enough room here to air out all the ideas in a 337-page book. But one other big one is to fix democracy by giving people a budget of votes to use as they see fit—skipping some elections to save up votes for a candidate or issue they care a lot about. You could also cast your votes against a candidate, a tactic that isn’t currently possible. The purpose is to determine “whether the intense preferences of the minority outweigh the weak preferences of the majority,” the authors write. To keep fanatics from dominating elections by spending all their votes in one place, each additional vote you cast for an issue or candidate would be worth less than the one before. In a gesture only a nerd could love, the authors call this “quadratic voting,” because voting power would increase as the square root of the number of votes cast.

Like self-assessment of property values, quadratic voting encourages people to be honest about their preferences. It also tends to help centrist candidates who don’t attract a lot of “no” votes. The authors estimate a moderate Republican probably would have won the 2016 election if it had been conducted by their method, and Donald Trump “would have come in last.” Aside from elections, quadratic voting could be used right away to improve polling and the ratings systems of companies such as Airbnb Inc. and Uber Technologies Inc., the authors write. They and two others have founded a company, Collective Decision Engines, to commercialize the approach.

To fight monopoly power, Posner and Weyl propose tying the hands of giant asset managers such as BlackRock, Vanguard, Fidelity, and State Street. They point to research showing there’s less price competition in industries such as airlines and banking where big investors own stakes in multiple competitors. A price war might help the one company that wins and gains market share, but it would harm overall industry profits, so it’s not in the interest of big investors, who can quietly influence chief executive officers to ease off. Their solution is simple: Without accusing the giant firms of wrongdoing, they say they shouldn’t be allowed to own a big share (i.e. more than 1 percent) of more than one company in a given industry. Passive holders could own as much as they wanted.

The book’s boldest idea—or at least the one that’s gotten the most people mad—is to allow each U.S. citizen to sponsor one guest worker from another country for an indefinite period. The migrant would pay the American an agreed-upon sum; the American would be fined if the migrant disappeared. The authors say the biggest beneficiaries would be the migrants, whose wages would soar vs. what they could earn back home. But Americans would profit, too, in part because of one especially controversial feature: no minimum wage.
Citizens who compete with the guest workers for jobs could suffer from the downward pressure on wages, but they could also make some money off them, which they can’t do now, Posner and Weyl write. That, they say, would be an improvement over the current situation, in which corporations and well-to-do patrons of au pairs (foreign babysitters) are the only entities that can sponsor and benefit from guest workers.

The harshest critics have compared the concept to involuntary servitude. Damon Young, editor-in-chief of the website Very Smart Brothas, said the idea would be a nominee “if there were a Pulitzer for ‘Writing While Aggressively White.’”

Responds Weyl: “If people were gaining benefits from migration, it would gradually expose them to both what’s wrong with the world and the benefits of the free flow of people.”

Posner and Weyl are used to making people angry. Posner is a prolific essayist and just as much of a free thinker as his father, Richard Posner, the recently retired federal appellate judge. Weyl is also a mold-breaker. He managed to be vali-dictorian of his class at Princeton in 2007 while simultaneously completing most of the work for a doctorate. “I don’t think I’ve ever taught a smarter student,” says New York University professor Kwame Anthony Appiah, who taught philosophy at Princeton at the time. Yet a decade later, Weyl is working for...Microsoft. (Although he’s also a visiting scholar at Yale.) In an email, Weyl writes that “pursuing the themes I have has not helped my academic career much and has not endeared me to economists.”

It’s no surprise that fellow iconoclasts are among Posner and Weyl’s biggest fans. One is Vitalik Buterin, the 24-year-old Canadian-Russian who co-founded Ethereum, the second-most-popular cryptocurrency after Bitcoin. In a scholarly essay about the book on his website in April, he agreed with the authors that markets and property rights are, in his words, “socially constructed,” not just objects found in nature, and can be designed in ways that are “potentially far better than what we have today.” He blessed a chapter in Radical Markets about how to help people gain control over their personal data through market forces, writing, “well, look what the Ethereum community is working on: markets for personal data.”

Radical Markets is likely to get a cooler reception from people who’ve been conditioned to think of markets as devices for making the rich richer and the poor poorer. But not all liberals see things that way. If you were trying to name someone who would hate the book for sure, you might think of Michael Sandel, the Harvard political philosopher whose books decry the tendency of markets to crowd out moral and civic ideals. He recently launched a video podcast based on his latest, What Money Can’t Buy: The Moral Limits of Markets. Yet Sandel finds a lot to like in the pro-market book. “Their case for taxing property and wealth rather than labor should win them a hearing among those like me who are skeptical of market solutions to all public problems,” he writes in an email.

Politically, Weyl is the more liberal of the two authors. He describes Posner as a cynic who despises “socialist crap” and whose goal is to “show how ridiculous standard worldviews are,” while calling himself an idealist who is inspired by The Internationale, a socialist anthem. He says the two handed chapters off to each other for reaction and polishing. “Both of our perspectives show up in the book. It’s stronger for that,” he says.

Radical Markets is dedicated to the memory of William Vickrey, a Canadian-born economist at Columbia University who studied how auctions could be used to solve social problems. Vickrey was “the Master Yoda of the economics profession,” the authors write, “silly, carefree, reclusive, absentminded, and a fount of often inscrutable yet world-changing insights.” He died of a heart attack in 1996 just three days after being announced as a winner of the Nobel Prize in economics. He’d been on his way to a conference in Canada when police found him slumped behind the wheel of his car 30 miles north of New York City.

Milton Friedman, the great libertarian economist and Nobel laureate who died a decade after Vickrey, inspired Posner and Weyl for another reason: his fearlessness. “Friedman was uncompro-mising,” says Weyl. “He would go after things that everybody believed. He just made the argument, even if that made problems for people. That was an incredibly persuasive style.”

To put it differently, Posner and Weyl didn’t test their messaging with PR firms or focus groups. They acknowledge that “human nature has a way of defeating the best thought-out schemes, both through stubbornness and through its occasionally extreme malleability.” But they point out that some of the ideas in Radical Markets are already seeping into daily life. For example, advertising space on the web is constantly being reallocated via the type of auction proposed by their hero, Vickrey. “Most novel concepts,” they write, “initially seem far-fetched.”

THE BOTTOM LINE Authors Eric Posner and Glen Weyl make a persuasive case that solving inequality will require more reliance on market forces, not less.
Russians Day Trade to Get By

Almost 4 in 10 households struggle to afford food and clothing

When Natalia Orlova isn’t working a $400-a-month, part-time job at a Moscow rocket factory, she’s glued to the trading app she uses to speculate on oil. The 54-year-old babushka made a small fortune recently when the price of crude jumped to its highest level in more than three years, powered in part by a new round of U.S. sanctions on Russia. “Financial markets are the one place where you can really change your life and pull yourself out of poverty,” says Orlova, who recently bought a new Infiniti and is saving for an apartment for her grandsons. “Since yesterday evening, I’m up 1.5 million rubles ($24,000).”

Most Russians, like Orlova, would have to work years to earn that much. Whether they’re day trading, driving Ubers, mining Bitcoin, or seeking stardom on YouTube, more are working second jobs. As the country limps out of the longest recession of Vladimir Putin’s 18-year rule, almost 4 out of every 10 families can barely afford food and clothing, according to a survey conducted by the Higher School of Economics, one of Russia’s top universities. Last year, 1 in 5 sought additional sources of income, up from 17 percent the year before, it said.

“People are still struggling,” says Lilit Gevorgyan, a specialist on the Russian economy at IHS Markit Ltd. “In real terms, wages aren’t even close to levels they were at before the crisis.”

Despite its risks, day trading has grown in popularity among Russians, many of whom are tired of seeing the purchasing power of their wages and bank savings eaten away by inflation. The Moscow Exchange opened 250,000 day trading accounts for citizens last year, bringing the total to almost 1.4 million. Individual investors make up about 37 percent of trading volume on the exchange.

Like Orlova, many are seeking to profit from the market volatility stemming from Putin’s erratic foreign policy and his deepening rift with President Trump over the war in Syria and allegations of Russian meddling in foreign elections. On April 9, the first trading day after the U.S. updated its blacklist of Russian oligarchs and companies, the Moscow Exchange signed up 4,000 new clients, four times more than normal.

The exchange offers training and organizes competitions for day traders to help prevent amateurs from suffering big losses. Some already have. Alexander Semenyakov, a Moscow-based computer programmer who trades Russian stocks in his spare time, was caught off guard by the latest sanctions. The country’s benchmark stock index slumped 8.3 percent, and Semenyakov lost half the money he made last year. “Luckily, I don’t invest all of my savings,” he says. “The market is very harsh at the moment.”

Orlova has become used to putting everything on the line. She made her first fortune speculating on the now defunct Yukos Oil Co. Orlova bought the stock when it swooned in 2003 after one of its biggest shareholders was arrested and then sold when it bounced back. Emboldened by her success, she sold the small kitchenware stand she ran near a Moscow subway station and poured all her money into the markets. That paid off for a while—until all her savings were wiped out during the global financial crisis in 2008 and then again in Russia’s 2014 market crash. Both times she got by on the wages from her job as an administrator at the Khunichev Space Center until she built up enough savings to jump back in again.

With the mandatory female retirement age of 55 around the corner, Orlova says investing is the only way to support her daughter, a poet, and 3- and 8-year-old grandsons. Exchange data show she made 4.5 million rubles in the last quarter of 2017. “I need to leave them something, because I don’t know how they will survive without me,” Orlova says. —Natasha Doff, with Anna Andrianova

THE BOTTOM LINE Last year the Moscow Exchange opened 250,000 day trading accounts for individual investors, who now make up about 37 percent of trading volume.

Orlova tracks her portfolio while shopping for groceries

<table>
<thead>
<tr>
<th>Year</th>
<th>Trading accounts registered to individuals on the Moscow Exchange*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.6</td>
</tr>
<tr>
<td>2018</td>
<td>1.4</td>
</tr>
</tbody>
</table>

*YEAREND FIGURES, EXCEPT 2018, WHICH IS AS OF MARCH 31; DATA: MOSCOW EXCHANGE
Donald Trump will soon sit down to the most consequential negotiation of his career if, as expected, he becomes the first U.S. president to meet a North Korean leader since the devastating war on the peninsula in the 1950s. Trump, of course, wrote a book on dealmaking, only this time nuclear war and peace will hang in the balance, rather than a real estate contract. And on the evidence so far, his sparring partner Kim Jong Un has mastered The Art of the Deal, too. In fact, frequent North Korea visitor Dennis Rodman told TMZ he gave Kim a copy of the book for his birthday in 2017.

Trump offered 11 pieces of advice to budding negotiators in his 1987 book, and Kim seems to have put at least half of them to good use, starting with the first: Think Big. It was Kim who proposed a meeting with Trump earlier this year as he sought to de-escalate a spiral of threats and counterthreats over a series of nuclear and ballistic missile tests. What nobody knows, as new national security adviser John Bolton acknowledged on April 29 on CBS’s Face the Nation, is whether Kim really means to put North Korea’s complete, verifiable, and irreversible disarmament on the table.

The language on denuclearization that Kim has used isn’t new, and longtime observers of North
Korea’s seemingly endless dance with the U.S. are skeptical. His true goals may instead be to split the U.S. from its allies in South Korea and Japan, loosen the economic sanctions that are strangling his country’s economy, and string out nuclear talks until the White House has a less explosive occupant. In some of those areas, Kim has already changed the conversation while giving away very little, beyond a moratorium on nuclear tests that may no longer be needed. “He’s done this masterfully, obviously wedging and decoupling to make daylight between these alliances,” says Jonathan Berkshire Miller, a senior visiting fellow at the Japan Institute of International Affairs, a Tokyo-based think tank.

The summit alone is a public-relations coup for Kim. A one-on-one meeting with the U.S. president has been a long-held North Korean goal. The TV images beamed into North Korea will show the leader of a small totalitarian rogue nuclear state on an apparently equal footing with the leader of the free world. That already would be a significant diplomatic and domestic political win for Kim. On April 27 he also became the first leader of his country to step beyond the 38th parallel that divides the peninsula, where he grasped the hand of a smiling President Moon Jae-in of South Korea—and promptly guided him over to visit the northern side of the demarcation line, making clear he’d given nothing away. If only Kim had stepped over, it would have been interpreted as a sign of deference.

Next up among the pages Kim already seems to have torn from Trump’s dealmaking book: Know Your Market—in this case Trump. Kim appears to have recognized that the latest White House occupant would be more willing than any before (and most likely after) to ignore both North Korea’s appalling human-rights record and warnings from the U.S. foreign policy community about the risks of holding such a meeting. Quickly organized and without scripted outcomes, the summit is a high-stakes endeavor, especially given Pyongyang’s past history of double-dealing over nuclear commitments.

“I’ve been through three North-South summits,” says Daniel Sneider, a lecturer in East Asian studies at Stanford, recalling that Kim Dae-jung, a former South Korean president, won the Nobel Peace Prize after a similarly ballyhooed meeting with North Korea in 2000. “Does it lead to denuclearization? I don’t think so.”

Kim, with his odd haircut and theatrical warnings about the nuclear button on his desk, may not have needed Trump’s advice to get himself in the news by being “a little different, or a little outrageous.” But he certainly succeeded. Then there’s Use Your Leverage, a key element in Trump’s playbook that he described in The Art of the Deal as “having something the other guy wants.” Kim has used the U.S. desire for “complete, verifiable, and irreversible” nuclear disarmament to good effect. Last year he expanded that leverage by conducting a series of nuclear and ballistic missile tests that brought North Korea close to a capacity to deliver a nuclear holocaust to Los Angeles or New York.

Kim has time on his side. As an unelected dictator in his 30s (nobody outside Pyongyang is quite sure when in the 1980s he was born), he can afford to play a longer game than the 71-year-old Trump, who faces reelection in 2020 and whose party has to defend its majorities in Congress this year. But Trump has increased his leverage, too, pressuring Kim’s sole ally, China, to tighten restrictions on trade with the Hermit Kingdom.

By offering both the carrot of a possible opening and sticks in the form of sanctions and enough unpredictability to make both China and North Korea worry that U.S. military action might follow, Trump has already outplayed both of his White House predecessors, Barack Obama and George W. Bush, according to Ian Bremmer, president and founder of the New York-based Eurasia Group risk-consulting firm. “I think Trump deserves credit for taking what had been a difficult and deteriorating status quo and actually making peace a possibility,” says Bremmer.

Now that Kim has taken the ball and run with it, the U.S. is unlikely to be the biggest winner from the deal. While U.S. troop presence on the peninsula has not been put into question, the expanded joint military exercises of the past year may wind up curtailed—a key goal for both China and North Korea. South Korea, meanwhile, would enjoy the prospect of increased economic flows over the border, a lower security threat, better relations with China, and even the potential for a later reunification that could turn Korea into a nation the size of Germany. Japan, an historic rival, would have the least to celebrate at that prospect.

The chances of Kim actually giving up his nuclear deterrent would appear to be slim, given the example of Libya’s autocrat Moammar Qaddafi, who was overthrown with the help of Western air power and brutally murdered in 2011 after giving up his nuclear program. That makes an end to North Korea’s intercontinental missile development the best Trump can hope for.

It may also be difficult for Trump to keep pressure on Kim while he negotiates, as he has pledged to do. In April, just months after North Korea’s latest ballistic missile test, China’s state-backed English-language daily, the Global Times,
What started as a public-relations win for Citi and Bank of America has turned into a political headache

On April 24 a handful of Citigroup Inc. executives went to the Securities and Exchange Commission for what they thought would be a routine meeting about a boring but key part of their business: derivatives regulation. Instead, they got a stern lecture on guns. A month earlier, in the aftermath of the school shooting in Parkland, Fla., Citigroup had announced it would curtail some of the business it does with companies that sell firearms. That didn’t go over well with Michael Piwowar, one of three Republican appointees on the five-member SEC.

Shortly after the Citigroup executives arrived at his office, Piwowar, according to people familiar with the matter, began castigating them for straying into social policy. Glowering and speaking emphatically, he reminded them that Citigroup was given billions in government bailout money after the financial crisis. In what some of the executives took as a thinly veiled threat, Piwowar said he knew Citigroup wanted the SEC to ease regulations on derivatives and proprietary trading, and suggested they might have trouble finding the votes on the Republican-led commission.

The episode illustrates how fraught the gun issue has become for companies in Washington. Bank of America Corp. has faced similar blowback from GOP lawmakers for announcing it would no longer provide financing to companies that manufacture military-style guns for civilians. What started as an attempt by the two banks to respond to recent mass shootings, and maybe earn some goodwill from the public, has instead turned into a political headache.

Senate Banking Committee Chairman Mike Crapo, who worked with Piwowar when the commissioner was a Senate staffer, wrote letters to the chief executive officers of Citi and Bank of America, scolding them for using their “market power to manage social policy.” And a group of House members asked the General Services Administration to cancel a contract with Citi. “This flagrant disregard for American citizens and their God-given Second Amendment rights cannot be tolerated,” Representative Todd Rokita, a Republican from Indiana who helped lead the effort, said in a statement.

 argued in an editorial that it was time to reward Pyongyang’s change of tone by ending U.S. military drills and international sanctions.

This is where Kim has the most to gain. Sanctions have exacted a severe toll on North Korea. While no reliable official data exist for the economy—outside estimates have to be made by extrapolating from consumption of cooking oil, among other creative methods—this is undoubtedly a poor country. According to South Korea’s central bank, North Korea’s nominal gross domestic product was about $30 billion ($1,300 per capita) in 2016, compared with $1.4 trillion (more than $27,000 per capita) in the South. United Nations sanctions have played a role, driving exports down to $1.9 billion last year from as much as $3.5 billion in 2012, according to the International Monetary Fund. That’s left North Korea reliant on China for 86 percent of its exports, more than twice the share from a decade ago. The resulting squeeze on foreign currency reserves may have drawn Kim to the negotiating table, according to analysis by Bloomberg Economics.

One rule in Trump’s book that neither man seems to be following is to maximize alternatives in case things go wrong during negotiations. An acrimonious collapse of talks, between men who not long ago were deriding each other as the “Little Rocket Man” and “mentally deranged,” could leave the peninsula as close to war as if there had been no talk of a summit at all. —Marc Champion, with Kanga Kong and Isabel Reynolds

THE BOTTOM LINE  By meeting with China’s and South Korea’s leaders and raising the prospect of denuclearization, Kim has proven a shrewd tactician in the lead-up to his talks with Trump.
While both banks have big lobbying operations in D.C., they appear to have been taken aback by the extent of the backlash. “The gun issue has become the third rail of American politics, and this reaction is not surprising,” says Sam Geduldig, a Republican financial-services lobbyist at CGCN Group in Washington. He points out that the chairman of the two committees that oversee banks in the Senate and House, Idaho’s Crapo and Jeb Hensarling of Texas, are from strong pro-gun states.

Citigroup’s policy directs clients, mainly in the retail industry, to restrict the sale of firearms to customers under 21 and to those who haven’t passed a background check. It also bars the sale of bump stocks and high-capacity magazines. The policy doesn’t apply to customers who use the bank’s credit and debit cards. “I know that some will find our policy too strict while others will find it too lenient,” Citi CEO Michael Corbat wrote to employees on March 22. “We don’t have the perfect solution to supporting our Constitution while keeping our children and grandchildren safe.” Still, he added, “we shouldn’t let that stop us from doing our part.”

During a Banking Committee hearing on April 12 with the acting head of the Consumer Financial Protection Bureau, Mick Mulvaney, Republican Senator John Kennedy of Louisiana said he planned to file a complaint with the watchdog agency against the two banks for their “offensive” conduct. “Our friends at Citigroup and Bank of America apparently aren’t busy enough with their banking business,” he said. “They have decided that they are going to set policy for the Second Amendment.” (Mulvaney said he didn’t think the bureau should get involved in telling companies what to do.)

For all the furor these policies have kicked up in D.C., it’s unclear how much damage they’ve done, if any, to firearms manufacturers, or for that matter, the banks’ own bottom lines. A Bloomberg analysis of loans and bonds issued to major gunmakers found Citigroup was not a bank frequently used by the industry. Since 2012, Bank of America has arranged $273.6 million in debt for major gunmakers, putting it fourth behind Wells Fargo, Morgan Stanley, and TD Securities, none of which publicly announced changes to their banking policies.

As for SEC Commissioner Piwowar, some observers found his comments troubling because they were issued, in private, by a regulator with power over the bank. Piwowar declined to comment. There’s debate over whether he crossed any ethical lines, though some securities lawyers say his actions were at the least inappropriate. “This is outrageous and, I think, beyond his authority,” says David Lipton, director of the securities regulation program at Catholic University’s law school. SEC commissioners “have an obligation to the market and to protect investors. They don’t have an obligation to their politics.” However, G. Calvin Mackenzie, an emeritus professor at Colby College and a government ethics expert, says that as a Senate-confirmed regulator, Piwowar can make policy decisions any way he wants. “I’d have been a little surprised if I were with the bank there,” he says. “But that’s politics. That’s the game we’re playing now.”

—Robert Schmidt, with Polly Mosendz

THE BOTTOM LINE Bank of America and Citigroup have faced a backlash from Republicans in Washington over their attempts to limit the business they do with the gun industry.

**Door-Knocking For Tax Cuts**

- Koch-backed groups are spending $20 million to sell the benefits of the GOP’s reforms

Landon Porter has barely uttered the words “tax reform” before the door slams in his face. He stands on the front steps of the colonial-style home for a second. Then he checks his smartphone, finds the next address, and knocks on another door in this middle-class neighborhood in Fort Wayne, Ind.

Porter, 25, is the grass-roots director of the Indiana branch of Americans for Prosperity (AFP), a conservative public-advocacy group that’s part of the political network built and partly financed by billionaires Charles and David Koch. Although he makes no mention of the Koch brothers in his pitch, Porter’s door-knocking campaign is part of a $20 million effort by Koch-affiliated groups to boost support for the $1.5 trillion in tax cuts Congress approved last year. Republicans have so far struggled to make the party’s signature achievement this cycle a winning campaign issue. Only 39 percent of respondents viewed the tax law favorably in an April Gallup poll.

For Republicans hoping to stave off Democratic victories in November’s elections, the party will have to do a better job of selling the overhaul to the public. It won’t be easy. Tax policy is notoriously complicated. And if the responses to Porter’s efforts on a recent Saturday are any indication, “We have the unique ability to bring the message about the benefits of tax reform to people’s doorsteps.”
Only 39 percent of Americans approve of the $1.5 trillion tax cut passed by Republicans last year. So the Koch network is spending big to remind people of its benefits.

Donnelly’s vote against it hurt Hoosiers? At unanswered doors, workers leave literature highlighting Donnelly’s vote against the legislation and urging voters to “tell him to make the tax relief permanent.”

The Koch network is spending $20 million to promote the tax cut—roughly equal to what it spent on getting it passed—will be for television ads such as those AFP has run in Indiana, Missouri, and North Dakota targeting Democratic senators in states won by President Trump. But a key component will be door-to-door canvass campaigns. People are rarely eager to talk about their finances with a stranger, though as the mid-terms creep closer, and the odds of Democrats taking back the House of Representatives rise, Republican groups are beginning to mobilize around the tax cuts. “We knew how important it would be to ensure Americans understood what this meant for them and the economy,” says Tim Phillips, AFP’s president. “With our permanent grass-roots infrastructure, we have the unique ability to bring the message about the benefits of tax reform to people’s doorsteps.”

Armed with smartphones or AFP-provided iPad minis, team members use the i360 voter database the Koch network built. A few taps allow them to pull up a detailed map of each neighborhood, showing addresses, names, and ages of voters. On this day, they’re targeting independent and conservative-leaning people. “We’re calling it the American pay raise,” Porter tells Abe Schwab, a self-described independent, as children play noisily in the background. “The child deduction has doubled,” Porter points out eagerly. Schwab, an ethics professor, stops him right there. “It’s far more complicated than that,” he says. Schwab and his wife have three kids, and they earned about $100,000 last year. Under the new law, they’ll lose their personal exemptions—and a new, larger standard deduction won’t cover the loss of that benefit, he says.

Schwab, 41, tells Porter that his rough estimates suggest he’ll see a slight tax increase under the law. In a follow-up interview with Bloomberg, Schwab goes through the numbers in detail—applying its new rates and expanded child tax credits—and finds that the legislation would have actually lowered his 2017 taxes by at least $1,300. Schwab’s experience echoes the results of the April Gallup poll, which found that 56 percent of Americans weren’t sure whether they’d get an increase or decrease, though a recent independent study found that 65 percent will see their 2018 taxes shrink. Still, that doesn’t mean Schwab is sold on the changes. “It’s in my narrowly defined self-interest,” he says. “But within the broader context, I don’t think it’s in the public interest.”

An important target for Porter and his crew is Democratic Senator Joe Donnelly, viewed as one of his party’s most vulnerable senators. Three well-funded Republicans are running in a May 8 primary to win the right to challenge him in November. AFP has already run more than 4,460 TV spots this year in Indiana criticizing Donnelly’s vote against the tax overhaul, according to data from Kantar Media’s CMAG, which tracks political advertising. The group has run 2,465 spots against Senator Claire McCaskill in Missouri and 1,235 criticizing Senator Heidi Heitkamp in North Dakota.

After each visit, AFP workers log answers from voters to three questions: Were you aware of the tax legislation? Do you support it? And do you think...
From AAA Bonds to Zero Coupon Swaps.

Get the smartest data and sharpest insights in the fixed income world.

bloomberg.com/thefix

TheFix

Sponsored by: Bloomberg PIMCO
Did you know that each person needs

20-50 liters

of fresh water a day to meet their basic needs for drinking, cooking and cleaning? *

By preserving and restoring essential lands upstream, we help strengthen the natural flow, filtration and regulation of watersheds that supply drinking water to people across Latin America, North America and Africa.

How can you help meet nature’s needs? Learn by visiting nature.org.

* World Water Assessment Programme (WWAP)
We’re living through a moment. The workplace, even just a year ago, felt like a very different place. Then the floodgates opened, releasing a torrent of stories that swept away a lot of the norms we took for granted. Change can be difficult and uncomfortable, but that doesn’t make it any less essential. The voices we’re finally listening to are already helping businesses grow stronger. Equality is a work in progress.

Photographs by Molly Cranna
Woman vs. Wall Street
Cristina Chen-Oster started her fight against Goldman Sachs in 2005. Thirteen years later, she’s still fighting.

By Dune Lawrence and Max Abelson
Cristina Chen-Oster was settling into her seat for a late-March Broadway matinee of Mean Girls when she remembered to check her voicemail. The day before, she'd ignored a call from an unrecognized number. Now she hit play and heard the voice of her lawyer, Kelly Dermody: “Huge congratulations!” it said. “Really, really, really, really happy for you.”

Dermody was relaying news that Chen-Oster, a former vice president at Goldman Sachs, had been awaiting for years. A federal judge in New York had ruled that she and three other women who claim there’s systematic gender discrimination at Goldman can now represent as many as 2,300 other current and former employees. Chen-Oster read through the decision right there in the theater, where she was celebrating her 47th birthday with her family. “It was wonderful to see my wish come true,” she texted Dermody.

It sounds like a perfect #MeToo triumph. But after 13 years, dozens of lawyers, and more than 580 docket entries, winning class-action status is just the end of the beginning. “Eventually the truth always comes out, it’s just a question of time,” says Chen-Oster, speaking publicly about the case for the first time. “It’s our duty and our right to shine a light.” She represents the sobering reality of what it takes to challenge Wall Street’s problem with women. In an industry adept at keeping embarrassing details quiet, with a culture that fetishizes secrecy and loyalty, the question isn’t why so few women speak up. It’s why any speak up at all.

Hollywood trains us to expect Wall Street women to be nonstop aggressive. But Chen-Oster is warm and relaxed, with a gentle voice and a big laugh. She’s also single-minded, the kind of person who tabulates real-time stats at a fourth-grade basketball game, not just for her own kids (she has two sons and a daughter) but for the entire team. “I am a little bit anal when it comes to keeping score,” she says a few days after the matinee, sitting in an office at Dermody’s law firm in Lower Manhattan. “I think about numbers. And I truly believe that the stats don’t lie.”

Chen-Oster’s family immigrated from Taiwan when she was a baby and eventually settled in a Chicago suburb. Her father worked long days as a doctor, while her mother led a tightknit household of women, including four other daughters and their grandmother. Chen-Oster skipped a grade and went to college at the Massachusetts Institute of Technology, where she majored in biology until deciding that repeatedly beheading lab rats wasn’t exactly enjoyable. She switched to economics and graduated in three years, at age 20. Afterward, she worked for banks in New York, Chicago, and Hong Kong. By 1996 she was back in New York, specializing in the sale of convertible bonds, a type of debt that can turn into equity.

Around Thanksgiving in 1996, she had a drink at the Four Seasons restaurant in Manhattan with three men who pitched her on working for Goldman. She didn’t want to look like a job hopper, so she hesitated. When her clients heard that, they told her she was insane. This was, after all, Goldman Sachs. The firm epitomized Wall Street power, reaching into almost every market, inspiring fierce loyalty, and rewarding stars with fat bonuses. It was also a place where no women or black bankers had made partner until about a decade earlier, but Chen-Oster was used to that. When she joined Goldman in 1997, she was impressed. “They were very focused on firm-wide culture,” she says, “and making sure that everyone is marching to the same drumbeat.” She got along with her colleagues. “You liked her right away,” says Mike Fahey, a trader who got to know her at another firm, then ran into her at Goldman. “She was easy to like, she was easy to be around.”

About seven months into the job, Chen-Oster’s team celebrated the promotion of one of the men who’d recruited her. The following account of what happened that night and its aftermath—much of which Goldman disputes—is derived from Bloomberg Businessweek’s interview with Chen-Oster and legal filings.

It started, she says, with dinner downtown, then moved to Scores, a strip club. She got bored and left. A co-worker insisted on walking her the few blocks to her boyfriend’s place. Upstairs, outside the apartment, he pinned her against a wall, kissing and groping her. Then, in the dry language of her complaint, he attempted to “engage in a sexual act.” She fought him off. The next morning, the co-worker pulled Chen-Oster aside, apologized, and asked her not to tell anyone. She was 26 and new to Goldman. She kept quiet.

At the end of the year, Goldman paid her more than she’d been guaranteed, because of her standout performance, she says. But her boss also took away some of her best accounts and transferred them to London colleagues. One man with a similar client base got to keep his, and another who generated less revenue was awarded more than Chen-Oster. She focused on her work.

In 1999, when she thought she’d be moving across the country for another role at Goldman, she decided it was time to tell her boss what had happened that night. His response floored her. It went like, “Oh, that was you?” she says. He’d heard about the incident, but apparently not which woman was involved. He’d even helped the man seek therapy, he told her. Now that she was speaking up, he added, he had to report the matter to Goldman’s human resources department. The boss advised her not to make a big deal of it, according to legal filings. Chen-Oster got the message: This was a formality, not justice. When HR asked for more details, she declined to provide them.

Chen-Oster says her career at Goldman went downhill anyway. Some job responsibilities were siphoned off, and a promising new market in distressed debt was handed to a man she’d trained. Her performance reviews, which helped determine her pay, were assigned to distant colleagues who couldn’t provide meaningful assessments. The man who she says assaulted her—who ranked beneath her at the time—was promoted to managing director, then partner, winning entry into one of Wall Street’s most elite, lucrative, and influential
groups. In her eight years at the firm, Chen-Oster never rose above vice president. In that time, her compensation ended up increasing 27 percent, while her alleged assailant’s more than quadrupled, according to legal filings.

It was when Chen-Oster returned from her second maternity leave, in late 2004, that she finally realized she no longer had a place at Goldman. Her team had been reorganized, and she’d been assigned a desk near a group of administrative assistants. They were all women. “It was so clear,” she says. “It was such a visceral, visual representation of how little Goldman cared about my career.” She quit in March 2005.

Gena Palumbo, who oversees employment law for Goldman, says the allegations about the incident, its aftermath, and Chen-Oster’s boss’s response are simply wrong. The way the firm sees it, Chen-Oster is far from a victim. She was her team’s second-highest-paid salesperson of her rank the year after she reported the incident, Palumbo says. She adds that the reshuffling of clients was part of a wider redistribution, and the seating assignment lasted only 10 workdays.

“We’re vigorously defending the firm against what we believe are meritless accusations,” Palumbo says. “The key issues here are that Ms. Chen-Oster significantly delayed reporting the incident to employee relations, and when she did talk to employee relations she declined to provide any detail about the incident, or to in any way cooperate in the investigation.”

Goldman isn’t the only bank that’s had problems with women. Merrill Lynch and Smith Barney settled lawsuits in the 1990s that described pervasive hostility and discrimination. Years later, Wall Street women still privately talk about being grabbed, propositioned, and humiliated.

A few months before Chen-Oster left Goldman, rival investment bank Morgan Stanley agreed to settle a sex discrimination case for $54 million. The plaintiff, Allison Schieffelin, also sold convertible bonds. Chen-Oster took note and contacted the firm that handled that case, Outten & Golden. She filed a complaint in July 2005 with the U.S. Equal Employment Opportunity Commission, which enforces federal laws against workplace discrimination. The decision wasn’t easy. “Worst-case scenario,” she says, “was that I’d leave the industry.”

Goldman responded to the EEOC that September with a letter disputing most aspects of Chen-Oster’s account. It quoted unflattering comments from her performance reviews, including “tends to sweep problems under the rug and never get them solved.” The bank retold what happened the night of the alleged assault, introducing her co-worker’s perspective. It was Chen-Oster who asked the man to escort her, according to this version, and it was she who started touching him.

The government investigation moved very, very slowly. “We did not hear from the EEOC for years,” Chen-Oster says. In 2006 she got a job at Deutsche Bank AG, and in 2010 she made managing director. That same year, the EEOC ended its investigation, dismissing her case but granting her the right to take Goldman to court.

Chen-Oster sued in September 2010. By then, Dermody and her law firm, Lief Cabraser Heimann & Bernstein, had teamed up on the case with Outten & Golden. Chen-Oster also had two additional plaintiffs: Lisa Parisi, a former Goldman managing director, and Shanna Orlich, an associate. Both had left the firm two years earlier, and all three wanted to turn their individual issues into a class action on behalf of the bank’s women.

They alleged Goldman allowed managers, almost all men, to make biased pay and promotion decisions, with the result that women were systematically denied the opportunities they deserved. They offered the bank’s own figures as evidence: Women made up 29 percent of vice presidents and only 17 percent at the powerful managing director level.
You suspect your colleagues may be making more than you, but you can’t know for sure without asking them—which you’d really rather not do

1. Ease In

Truth is, the best information comes from inside your company. If you have friends in similar roles, go to them first. “Think of it as a research project. I think a lot of people feel more comfortable with a research project than they do negotiating compensation,” says Joan Williams, founding director of the Center for WorkLife Law at the University of California Hastings College of the Law in San Francisco. Your best-case scenario is getting to ask someone who’s leaving the company and therefore no longer has any skin in the game.

Be prepared to give your number in return. That goes for the internet as well: Sites such as Glassdoor, GetRaised, and PayScale offer anonymized salary data for thousands of jobs at companies all over the world, but only if you sign up and report your salary first.

2. Share Back

At larger companies, human resources can generally give you a salary range for different job levels. If you’re in a union, your rep may also have that information. Government workers can find pay grades published with the U.S. Office of Personnel Management. Nonprofit employees can check GuideStar USA Inc., a free database of Form 990s, the disclosures that nonprofits file with the IRS, which include salaries for top positions. If all else fails, consider calling your alma mater; many universities conduct alumni surveys that include salary reports. They won’t be able to tell you any individual’s annual income, but they might be able to help you figure out the range for a particular industry or company.

3. Research

As the Goldman case got under way, the judge, Leonard Sand, delegated many of the proceedings to a magistrate, a judge who helps speed up pretrial discovery. In this case, it had the opposite effect. Time and again, when the magistrate found against the bank on an issue, Dermody says, its attorneys asked for reconsideration, or pressed the matter up to Sand for review, or pushed it to an appeals court, dragging out every motion. Palumbo says the notion that Goldman Sachs has been trying to stall “couldn’t be further from the truth.” She and her colleagues “don’t set that structure, we just operate within it.”

The most important offensive move in this kind of case is getting a class certified, which means convincing the court that, among other things, the group faces common problems. The top defensive play is to divide and conquer. Early on, Goldman tried to get two of the women removed as plaintiffs. Parisi had agreed to keep disputes with the bank out of court when she became a managing director, and the bank wanted to deal with her in private arbitration. Goldman won that fight. Chen-Oster, the bank argued, hadn’t made it clear she wanted to deal with her in private arbitration. Goldman won that one.

In the middle of all this maneuvering, the U.S. Supreme Court tore up the rules for class actions. Betty Dukes, a greeter at a Walmart store in California, had sued the big-box retailer for bias against women, hoping to represent some 1.5 million employees across the country. But the high court ruled in June 2011 that millions of decisions by individual managers about women were just that—individual decisions, and values, “that was never true.”

Chen-Oster and her co-plaintiffs wanted to force Goldman to change its policies and pay for its mistakes. Class actions allow plaintiffs to sue on behalf of larger groups, and the stakes can be high if the pools are big. Dermody helped women win an $87.5 million settlement from Home Depot Inc. over its promotion policies and worked with uninsured patients who got about $1 billion from California hospital chains for price gouging. She’s also representing women suing Microsoft Corp. “You get to use the power of the aggregated workforce data to attack the firm’s failings,” she says. “You say, ‘Look, this overwhelming trend needs an explanation at a system level.’”

Remember

Some companies try to prevent employees from sharing salary information among themselves, says Donna Ballman, an employee advocacy lawyer in Fort Lauderdale and author of Stand Up for Yourself Without Getting Fired. But unless you’re a supervisor, you’re protected against retaliation for discussing working conditions, including pay, by the National Labor Relations Act. — Mary Pilon
behavior affected women as a group. And he set the stage for Chen-Oster and Orlich to gather crucial evidence on compensation and complaints.

Goldman initially balked at providing some internal reports of unfair treatment, but a ruling in the plaintiffs’ favor expanded the range of documents they could secure. They got more data, too. In 2014, Chen-Oster’s side finally laid out its class-action case, combining anecdotal complaints from bankers inside the firm with hard pay numbers. Goldman’s female vice presidents, their statistical analysis concluded, were paid 21 percent less than men. The gap, they said, could be explained only by bias. Goldman rejects that analysis. It “is deeply flawed,” Palumbo says. “Different roles have different market values.”

In 2015 the magistrate dealt Chen-Oster and Orlich a huge setback. The women had shown enough evidence that Goldman may have held back women in a systematic way, he said, but he was still recommending they shouldn’t be certified as a class. His hands were tied, he said, by Sand’s interpretation of the Walmart decision. If Chen-Oster wanted Goldman to change, it looked like she’d have to get current bank employees to join her case.

She remembered enough about the firm’s taboos to know that might be impossible. “That kind of step would be viewed as a betrayal,” she says. “You put the firm’s interests first before your own.” But remarkably, two Goldman women did join her. The first, Mary De Luis, a vice president who had worked in the bank’s investment management division since 2010, says in the filings that she complained about unequal pay and was promised a raise but never got it. De Luis queried her supervisors again and was told she’d receive the added compensation gradually, over a couple of years, which they suggested wasn’t a problem because her male companion was a doctor with a substantial income of his own.

The second woman, Goldman trader Allison Gamba, says she quintupled earnings for her stock portfolio, winning a nod from her boss that she’d be put up for managing director. He also told her that she should adopt a child instead of getting pregnant. She mentioned this to a higher-up and didn’t get the promotion, which went to a man. Like Chen-Oster, she’d resisted making a fuss. “I had my head on straight. I did everything right, I jumped through every hoop,” Gamba says. “I did everything that should have gotten me the title that I wanted. And I didn’t get it.” (Goldman’s Palumbo calls the De Luis and Gamba allegations baseless.)

Since the case was filed, Sand had retired. Analisa Torres, appointed by President Barack Obama, took over in 2013. Then the magistrate retired; by then, Sand had died.

In 2017, as #MeToo gathered force, the women’s suit against Goldman remained in limbo. At one point, Goldman was arguing that the fact the case had gone on so long was itself grounds to make it go on even longer. The bank wanted to submit more recent data to show that things had changed. Chen-Oster was still optimistic. “You can’t change the facts,” she says. “You can’t change reality.” Dermody was confident but cautious. In the world of law, after a certain amount of time passes, “there can be this appearance that a case is damaged goods,” she says. “It’s so much easier to say, ‘I agree with the defendant[s]. Let’s get rid of this thing.’”

That’s not what Torres did. Going against Sand, she found that the women could hold Goldman to account, even as former employees. In the decision Chen-Oster would read in a Broadway theater, she ruled that Chen-Oster, Orlich, Gamba, and De Luis could represent female associates and vice presidents who have worked in three divisions at Goldman in the U.S. since September 2004 and in New York since July 2002. That makes it one of the biggest lawsuits of its kind on Wall Street.

Torres rendered her decision in memorable style. Goldman had managed to keep parts of the case sealed, but the judge quoted certain details outright in her decision. To show that the women backed up some of their claims, she quoted one Goldman employee telling a male colleague “how it made me uncomfortable how the guys were touching me,” then realizing that “his hand is on my ass.” One colleague “perpetuated a rumor that a sex tape of him with an unidentified woman was actually of him and a female co-worker.” The firm apparently decided to handle that by giving him “a strongly worded” warning.

Palumbo says these details were cited out of context. “Goldman Sachs has a robust internal complaint resolution process,” she says.

In the U.S., President Donald Trump’s administration is working to roll back rules on how businesses behave and what they have to disclose. Recently, Goldman has promised to give more opportunities to women, while also insisting that it’s already a meritocracy. But in a telling sign of where things stand for women on Wall Street, Goldman bragged that its 2016 partner class was 23 percent female, its most diverse yet. That means three out of four new partners were men. In March, days before the firm released figures showing that, on average, its female employees in the U.K. make less than half what men pull in, David Solomon emerged as the front-runner to succeed Lloyd Blankfein as chief executive officer. The group of finalists he beat out were all men.

Chen-Oster’s newly certified class action could go to trial next year. Goldman’s ferocious defense and the long arc of the case so far might seem like a warning to women considering new battles. Chen-Oster takes a sunnier view. She laughs when she recounts how a friend at a different financial firm went to compliance training that, she said, boiled down to: Do whatever it takes to avoid another Chen-Oster vs. Goldman Sachs. “It’s having a positive impact,” she says. “Just raising awareness is a big one right there.”

She wants things to be different for her daughter. When she was born, Chen-Oster gave her a gender-neutral name. “I hope that things will be fine,” she says, “by the time my daughter looks for a job.”
u Jianxin said goodbye to his wife and two young children shortly after 9 a.m. on a cold day last December. He was on his way to Chinese smartphone maker ZTE Corp.‘s Shenzhen headquarters—he’d been let go from his job as a research engineer at the company more than a week before, but management had asked to speak with him again, he said. “There are internal conflicts in our company,” he told his wife. “I’m very likely to be the victim of that.” Whether there was an actual meeting is unclear. What is clear is that some-time after he arrived, Ou went to his former office on the 26th floor of the campus’s research and development building and jumped to his death. He was 42 years old.

Four days later, Ou’s widow wrote a post on the blogging platform Meipian about her husband and the circumstances of his death. According to her account, ZTE refused to give a reason for Ou’s dismissal. Neither Ou’s widow nor representatives from ZTE responded to requests for comment, though Ou’s widow took down her post, according to the site, within two days after a reporter from Bloomberg Businessweek attempted to contact the company.

Nevertheless, Ou’s story took on a life of its own. In its four months online, the Meipian post became a viral phenomenon—the platform registered only that it had been viewed more than 100,000 times, but via media coverage and word-of-mouth, the story would have reached millions. Why ZTE let Ou go remains a mystery, as does Ou’s reason for ending his life. But to the people discussing his story online, none of that mattered. Almost immediately, readers seized on his age: At 42, he would have already been considered too old to be an engineer in China, where three-quarters of tech workers are younger than 30, according to China’s largest jobs website, Zhaopin.com. The online discussion gave vent to an anxiety that’s been building for years. Chinese internet users call it the “30+ middle-aged crisis.”

Despite her bobbed black hair, smooth complexion, and schoolgirlish appearance, Helen He, a tech recruiter in Shanghai, is well-acquainted with age-related pressures: Now 38, she’s been told by her bosses not to recruit anyone older than 35. “Most people in their 30s are married and have to take care of their family—they’re not able to focus on the high-intensity work,” she says, parroting the conventional wisdom, though she also may be talking about her own future should she find herself back on the job market. “If a 35-year-old candidate isn’t seeking to be a manager, a hiring company wouldn’t even give that CV a glance.”

The idealization of youth is in the DNA of the American tech industry. Steve Jobs, Bill Gates, and Mark Zuckerberg all famously dropped out of college to start Apple, Microsoft, and Facebook, respectively, and imbued their companies’ culture with a puckish distrust of authority. Google has ➤
高科技公司
高科技公司
How to: Confront a Colleague Who’s Offended You

Maybe they were joking, or maybe they didn’t even realize what they said could be offensive. But it was, and you want them to know it.

1. Cool down
   - Take a minute to consider your history together, says Mary Gentile, a professor at the University of Virginia Darden School of Business.
   - The goal is to put the offending moment in context. Is this an isolated incident that you can let go? Or is it part of a pattern? Deemphasizing your emotional response will help you focus on what actually happened: Did the comment just bother you, or was it actually offensive?

2. Call ahead
   - If you do decide to say something, ask for a meeting, says life coach Celestine Chua—otherwise, you risk catching the person in a distracted moment.
   - Start by giving the benefit of the doubt; use “I” statements (“I felt embarrassed when you made that comment about my mom”) to avoid accusing your colleague of offending you on purpose.
   - If you can’t reach a resolution and the comments relate to race, age, sex, national origin, religion, disability, or other areas protected by law, consult your company’s harassment policy.
   - You may decide to report the comment to human resources. If you do, put it in writing: You want to be able to prove, beyond any doubt, that things happened the way you say they did, and a paper trail helps.

3. Talk to HR
   - Be prepared for pushback. Perceived competence drops 35 percent for women when they’re seen to be outspoken, notes a study by leadership training group VitalSmarts. More than half of Latinas report facing backlash for speaking up, says Tools for Change, which promotes women in technical fields. You don’t have to let a significant offense slide, but expect fallout. —M.P.

In China the discrimination begins even younger than in the U.S. The irony is that most of the country’s famous tech companies were started by men older than 30. Lei jun founded smartphone maker Xiaomi Inc., expected to go public this year with a valuation of at least $80 billion, at age 40. Jack Ma was 34 when he opened the online shopping colossus Alibaba Group Holding Ltd., and Robin Li was 31 when he built the search engine Baidu. An exception among the current leaders is Tencent Holdings Ltd.’s Pony Ma, who was 27 when he created the company behind the popular social media app WeChat. The industry’s rising generation, however—Cheng Wei of taxi app Didi Chuxing and Zhang Yiming of news app Toutiao—established their business in their 20s.

The pressure on older workers exists across China’s industries, but it’s particularly acute in tech, where the frenzy to hire young talent reveals the extent of the country’s desire to prove itself as a global leader. China has used tech advancements to propel its economy forward for decades, but President Xi Jinping’s Made in China 2025 plan kicked activity into a higher gear. As Xi’s political power has grown, so has the urgency in the industry to carry out his ambition: to dominate the world in advanced technologies, including semiconductors and artificial intelligence.

On its face, Ou’s death bears similarities to the wave of suicides among low-wage workers at Foxconn Technology Group factories in 2010 and 2011, which were widely attributed to labor abuses. What readers responded to in his story, though, is of a different nature. In a country of 1.4 billion people, many Chinese tech companies are able to move faster than their overseas rivals by throwing people at a problem, and younger workers cost less than their more experienced colleagues.

Anxious to keep up with fierce competition, Chinese internet companies often expect their employees to work a so-called 996 schedule: 9 a.m. to 9 p.m., 6 days a week, including holidays. After age 30, tech recruiter He wrote in a post on WeChat. The industry’s rising generation, however—Cheng Wei of taxi app Didi Chuxing and Zhang Yiming of news app Toutiao—established their business in their 20s.

A search on Zhaopin.com reveals tens of thousands of job postings calling for applicants younger than 35: They include one from e-commerce retailer JD.com Inc. seeking someone with a master’s degree for a senior manager position and a sales position at travel website Ctrip for which applicants are required to be from 20 to 28. (JD.com says it strictly forbids hiring restrictions based on age or gender. Ctrip declined to comment.) A recent job posting for a front-end developer at
a Beijing tech startup explained that the company is willing to relax its requirements for educational attainment but not for age; a college degree isn’t strictly necessary, but if you’re older than 30, don’t bother applying. “Working in tech is like being a professional athlete,” says Robin Chan, an entrepreneur and angel investor in companies such as Xiaomi and Twitter Inc. “You work extremely hard from 20 to 40 years old and hope you hit it big. After that, it’s time to move on to something else and let someone younger try their hand.”

China has national laws prohibiting discrimination based on gender, religion, and disability, but declining to hire someone based on age is perfectly legal. “Age-dismissal victims rarely ask for help from lawyers,” says Lu Jun, a social activist and visiting scholar at Fordham University School of Law who fought successfully for legislation prohibiting Chinese employers from discriminating against hepatitis B carriers, formerly a common practice. With no statutory basis for a lawsuit, direct action is rare, but there are other ways to apply pressure. In 2011 the Shenzhen Stock Exchange posted a recruitment notice on its website asking for applicants younger than 28. The director of a local nonprofit wrote an open letter about the listing to the municipal bureau of human resources and social security. The media picked up the story, and after the stock exchange conducted an investigation into the listing, it was taken down.

Public entities are particularly good targets because they’re often viewed as examples by the private sector—force the government to change, Lu says, and the effects will trickle down. Last fall, shortly before Ou’s story began circulating, human-rights lawyer Zhang Keke heard from several colleagues about a job listing for a clerk’s position in the public prosecutor’s office in Shenzhen. The upper age limit was 28. “I really can’t believe that such things could happen in Shenzhen, an open city compared with other cities in China,” he says. China’s fifth-largest city, Shenzhen is considered to be the nation’s Silicon Valley—in addition to ZTE, Tencent and Huawei are headquartered there—and as such it tends to be more progressive.

Zhang is known for taking on controversial cases, including defending members of the banned Falun Gong spiritual group, and belongs to a network of public-interest lawyers created two years ago to handle discrimination cases. He sent the Shenzhen job posting around to his network and eventually assembled a group of eight lawyers to write an open letter to the Shenzhen prosecutor’s office recommending that it replace age limits with a merit-based exam. They met with textbook bureaucratic runaround: After two months with no response, the lawyers sent their complaint letter to the provincial prosecutor’s office and the city’s personnel bureau, which handles HR issues for government agencies; the bureau punted the case to another judicial agency, which didn’t respond. They then sent the letter to the head of the Shenzhen prosecutor’s office, who explained that the age limit was set by party officials. The prosecutor’s office didn’t respond to requests for comment.

Not everyone in China has responded to age-related hiring pressure by trying to fight it. There are those who say the system has taught them to work harder than their thirty-something peers. Getting downsized out of his IT job at Nokia Corp. in Chengdu “pushed me to change and improve my skills to get a better job,” says Liu Huai Yi, 33. “I don’t buy the idea that after 35 you can’t get a job. Someone in IT has to just keep learning to keep up.” After searching for eight months, he was hired in another IT position at a multinational healthcare company, which will offer more job security.

The competition for top tech talent has prompted higher salaries and relaxed age requirements for those skilled in complex fields such as AI and machine learning, which tend to require advanced degrees. If nothing else, China’s shifting age dynamics will force the issue. Forty-seven percent of China’s population is older than 40, up from 30 percent two decades ago, according to the World Bank Group. That number is projected to rise to 55 percent by 2030. Despite the end of the one-child policy, births fell last year to 17.2 million, from 18.5 million in 2016. He, the tech recruiter, remains hopeful that age discrimination will eventually disappear in China. A graying population means there will be fewer young candidates to choose from, she says. “If you have no more young employees, you will have no other choice.”

For now, He is preparing for the day she’ll be considered too old for her job. She has a second apartment in Shanghai that she rents out for extra cash, but she has also dreamed of writing a book and is banking on an encore career as an author and online influencer. She started a WeChat blog where readers can tip her if they like her articles, and along with more than a dozen fellow recruiters, she published an e-book in April on how companies can use WeChat to reach job candidates.

She advises others to follow her lead. “We worry that as we get older we might lose our jobs. How will we support our family and live a good life then?” asks He. “We have to start doing something about it now.”

“It’s very common the government doesn’t do anything about it at first,” says Lu of complaints about government agencies. Zhang is considering bringing the case to other government authorities but has no firm plan yet. “This is just an idea at the moment,” he says. One of the other people involved, Wang Le, a 31-year-old lawyer from Hunan, says that as it’s the prosecutor’s duty to uphold the law, the office should be held to a higher standard than other government agencies. “Plus, we are all lawyers over age 28.”

“Working in tech is like being a professional athlete”
Can Laws Make Us Equal?

We’ll find out. Make your way through the flowchart to see which countries have adopted your preferred approach—and how equal the World Economic Forum says it’s made them, according to its 2017 scale of women’s* economic participation and opportunity.

By Dorothy Gambrell and Natasha Rausch

Let’s start with the basics

- **Property rights**
  - Yes, women should be able to own stuff. Is that really in question?
  - We don’t need to put equal rights to own property in a law. Let’s skip that.

- **Political representation**
  - Let’s have at least 30 percent of elected officeholders be women—they should influence laws that affect them.
  - Shouldn’t we let people pick whomever they want as their leaders?

* There aren’t enough laws or enough data to assess race, sexuality, etc.
That’s right: No country scored 100 percent. Top-scoring Burundi, where women earn more than men on average, has a host of other problems, including trafficking of women and girls that persists despite a 2014 law explicitly preventing it. There’s no such thing as perfect equality—yet.
Bank of America, JPMorgan, and big-name hedge funds are trying to diversify. BLK Capital wants to make it easier for them.
One morning last June, Angel Onuoha took a train from Connecticut, where he was staying with a friend, to New York City. His summer internship at C.L. King & Associates Inc., a small investment bank, was his first real taste of the finance world outside the student financial clubs he’d joined as a Harvard freshman. It was also a reality check. After a month on the job, he says, he had yet to meet another black employee.

Onuoha knew that Wall Street lacked diversity, but on the train that morning he decided to do something about it. He remembered that his friend and fellow freshman Drew Tucker, whom he’d met through a campus organization for black men, was also interested in Wall Street—and that the two had discussed how the clubs did a poor job recruiting black students. So Onuoha texted Tucker with an idea: What if they started an investment fund that would give students hands-on experience and provide banks with a pool of talented black students to pull from?

Tucker, it turned out, had been pondering something similar. Within days the two began work on what would become BLK Capital Management Corp., a hedge fund that now has about 85 student members. They don’t manage a lot of money—so far, just $92,000—and they haven’t made any investments. But they’ve attracted funding from the likes of Goldman Sachs Group Inc. and JPMorgan Chase & Co. as part of an ambitious
How to: File a Complaint With the EEOC

There are serious issues with your workplace, and HR has been useless. It's time to look outside for help.

1. Assess

The U.S. Equal Employment Opportunity Commission was created in 1965 as part of the Civil Rights Act of 1964 to protect workers from discrimination based on race, color, national origin, or gender. How your particular case should be handled depends on what's happening. If it hasn't affected your wallet—via demotion, termination, pay cut, suspension without pay, etc.—then the EEOC determines whether there were witnesses. The official filing, called a charge of discrimination, requires an intake interview, which has to be done in person at one of 53 field offices across the country. They're often backlogged, so try to start the process immediately.

2. Act quickly

The EEOC's website has a calendar showing the time limits for filing various types of charges—typically 180 calendar days from the time the violation took place, but state or local laws may extend the deadline to as long as 300 days.

Gather any and all paperwork—that could mean emails, onboarding documents, performance reviews, letters of termination, or some of each. Be prepared to detail what happened, including dates and whether there were witnesses. The EEOC will contact both you and your employer within 10 days after you file to say it has opened an investigation. How long that investigation takes varies based on any number of factors, but if the EEOC determines the company has violated discrimination laws, it will pursue a settlement for you.

3. Get backup

Some states have more robust employment protections than the federal system, so you might want to file your complaint with a state-level agency instead—particularly if you work at a startup, because federal law governs only companies with 15 or more employees. In certain cases, a state claim automatically opens a federal claim. —M.P.

For the inexperienced student investors, $92,000 is a decent amount to handle, but for Wall Street firms their share barely registers as an expense.
For Black Employees, Little Change at the Top
Share of management positions held in financial services

![Graph showing the share of management positions held by Black, Hispanic, Asian, and Other races, with a significant portion remaining unchanged from 2007 to 2015.]

at a steep markup. With his profits, Onuoha increased his personal collection to 15 pairs worth about $3,000—that is, until the day his mom strode into his bedroom and chucked the shoes, declaring them frivolous. “Thousands of dollars down the drain,” he says. “It still doesn’t make sense.”

Onuoha moved on from sneakers, but he remained industrious. He applied to five Ivy League schools and was accepted to all of them. He wakes at 8 a.m. most days, the crack of dawn for an undergrad, to swim laps in Harvard’s pool. There are no posters on his dorm room walls because he doesn’t see the point—it’s only temporary housing, so why spend the money? Earlier this spring, he deleted social media apps from his phone so he’d have more time to read the Wall Street Journal.

BLK would have been founded earlier, but when Onuoha called legal services provider LegalZoom to find out how to start a company, he was told to wait until he was 18. The day after his birthday, on July 5, he started the paperwork process. To reach students beyond Harvard, he and Tucker brought on another friend, Menelik Graham, a Princeton student Tucker knew through a leadership program for students from low-income backgrounds. (Tucker will be a market specialist intern with Bloomberg LP this summer.) In November, the trio went to the Black Ivy League Business Conference to fill their ranks.

BLK is a nonprofit 501(c)(3), so any earnings are rolled back into the fund. This means that contributors—in addition to JPMorgan and Goldman, others include Point72 Asset Management, Bank of America, Bridgewater Associates, and Dodge & Cox—can write off the donations as charity. For the inexperienced student investors, $92,000 is a decent amount to handle, but for Wall Street firms their share barely registers as an expense. Earlier this year, Bank of America gave more money to the Civil Rights Institute Inland Southern California than all sponsors combined have given to BLK.

Still, the money provides the students with a pipeline to recruiters and an in-the-trenches financial education. Aside from a small leadership group, everyone in BLK is an equity analyst focusing on a different sector of the economy. When someone feels confident about a prospective investment, she submits a pitch to the executive board for vetting. Then Onuoha, the CEO, gets final say. Because he wanted the students to learn the fundamentals, he picked a simple long-short investing strategy. BLK takes a long position on stocks it thinks will appreciate, and short positions on equities it expects to lose value. BLK plans to invest in smaller firms that analysts cover less and therefore might be under- or overvalued, and returns will be judged using the Russell 2000 Index as a benchmark.

BLK got about 450 applicants; they accepted about one-fifth of them. Strangers messaged the co-founders on Instagram and Twitter asking to join. Serious candidates faced an intensive application process that included an interview and a case study that was adjusted for prior experience. BLK pulled heavily from the Ivies but also from schools such as Stanford and the University of Virginia. Being part of the fund takes commitment: Everyone in BLK is expected to join a two-hour conference call on Sundays. There’s also about five to seven hours of homework a week, which might include practicing, say, a discounted cash flow analysis.

On a mid-April afternoon in a wood-paneled meeting room at Harvard, eight club members gathered to discuss why they’d joined. They wore blazers and cardigans, with one sporting a Harvard Business School vest. (Asked if they normally dressed this nicely, the answer was a resounding no—Onuoha had asked them to do so.) Naomi Vickers, a freshman, said that when she joined one of Harvard’s finance clubs, she realized that out of more than 100 people at an intro meeting, she was the only black woman. It diminished her confidence: “I was like, OK, this is what I have to do. I’m going to learn finance. It’s OK if it’s a white world. I’ll get through it. Two weeks in, I’m like, I have no motivation to do this.” Now she’s BLK’s chief operating officer.

Recently, Steven Cohen’s Point72 signed a seven-year partnership with BLK. Point72 wants internship and job candidates “who generally have been historically underrepresented in our industry,” says Jonathan Jones, head of investment talent development. In the past, Point72 recruited almost exclusively from investment banks, which tend to be racially homogeneous. (The firm declined to disclose its employee diversity numbers.)

Point72 invited BLK members to its Manhattan office for an investment pitch competition in late April. Nine groups of students spent three hours trying to sell Point72 representatives on stocks they’d researched, such as Tractor Supply Co. and human resources service provider TriNet Group Inc. Afterward, the students sat quietly as a talent development executive offered them feedback. The winners, three Harvard students who’d pitched the health-care cybersecurity company CynergisTek Inc., won new iPads. Onuoha says BLK will consider CynergisTek as a possible first investment, while Point72 will consider the winners for summer internships. That would be a big deal for any college student: Point72 accepts few undergrads for its investing internship every year.

The idea that you have to be a member of an Ivy League hedge fund just to get a look as a black student isn’t lost on Onuoha. “Obviously, it’s unfair,” he says. “That’s one of the biggest adds of our organization—to develop that preprofessional aspect.” It seems to be working. This summer, Onuoha will intern at Goldman.
An air-conditioning system with multiple zones keeps everyone comfortable.

Yes, a vending machine, preferably with healthy options. Women do twice as much at-home food prep as men; having snacks available at work lightens the burden.

Big windows help prevent workers from developing vitamin D deficiency, a risk more likely for those with darker skin. Even better than big windows? An outdoor conference table.
Almost three-quarters of U.S. offices are designed with an open desk plan. Microsoft Corp. has one; so does Etsy Inc.; even the General Services Administration, the government’s landlord, is pitching a wall-free model to federal agencies.

Employers love open plans because they save money—you can cram a lot more people into a space with no walls—but employees tend to hate them. Management literature churns out study after study quantifying the ravages of open plans on morale, health, and productivity. Clutter, distractions, smells, and illnesses spread quickly in a room without partitions. Hot-desking—when employees forfeit personal workstations and have to park their laptops in whatever space is available—has all the appeal of a pay-per-hour motel.

Still, when it comes to emboldening employees from all ranks to interact face-to-face, open offices work better than any other configuration. “If the space is properly designed, it increases egalitarianism and opportunities for people to be constantly mingling,” says Elizabeth Von Lehe, director of strategy and concept design at Icrave, a design studio. This is particularly helpful for women, people of color, and other groups of workers who may not have had the same access to power as their white male counterparts. “What you’re doing,” says Liz York, chief sustainability officer at the Centers for Disease Control and Prevention, “is allowing them to have the opportunity to hear how the senior person handles problems and responds to questions. No one takes a class in that. You learn it from the people you’re around.”

The reason open offices are so reviled, Von Lehe says, has less to do with the concept behind them than their execution. “The pictures people use as their goal show a space that’s bright, with light-colored materials,” she says. “But you don’t hear the sound quality, you don’t see the plan and how it flows.” She recommends a combination of enclosed spaces—phone booths, conference rooms, stairwells if your office is on multiple floors—to complement shared desks and partition-free areas. York agrees. “You can’t not have ancillary private spaces,” she says. “No one wants to talk to their personal doctor in front of the entire room.”

A lactation room is a must. “It needs sound privacy. It needs separate HVAC, so when you’re disrobing, it’s warm enough,” says York, who wrote the American Institute of Architects’ best-practices guide to lactation room design. “It needs a strong door lock. You can’t compromise on that.”

The features that make an ideal space function are just about invisible, Von Lehe says, noting that the most crucial components of a well-considered interior—air quality, light, temperature, and overall comfort—are perceptible unless they’re flawed or missing. As for walls, in a good open office, they’re not gone, they’ve simply moved. As vital as it is to break down barriers, it’s equally vital to leave some of them up.
The Robot Will Hear Your Pitch Now
White male venture capitalists tend to fund white male founders.

What if an algorithm doled out money instead?

By Joshua Brustein
Ashley Carroll has a go-to story that epitomizes how grim things are for female entrepreneurs trying to raise money in Silicon Valley. Earlier this year, Carroll, a partner at the $2.5 billion venture firm Social Capital, was coaching a female startup founder ahead of a meeting with a potential investor. Let’s call the founder Jane Disruptsky and the investor John Ventureman. The pitch session seemed to go well, but afterward, while Disruptsky was waiting to hear whether the fund would back her, Carroll received a screenshot of a private text-message conversation someone else had had with Ventureman.

Ventureman began by praising Disruptsky’s startup on its merits. The gist, Carroll recalls, was: “Great business. I love everything.” Still, he was passing on the deal. The rest of the text chain read like an assessment of a blind date: “She didn’t seem warm,” for example, or, “She was just all about the business.”

Carroll laughs as she recalls the thread, without seeming particularly amused. “I was just like, ‘Says no one about a male entrepreneur, ever.’”

Early-stage tech companies raise money through a stubbornly analog process—an irony for an industry based on the conviction that computers will upend every aspect of human existence. Founders vie for personal introductions to venture capitalists, who in turn make decisions based on nebulous criteria. It’s widely understood that the decisions rely heavily on gut instinct; indeed, VCs tout their intuition when they’re out raising money from investors for their funds.

In a system like this, the people who cash the checks tend to look a lot like the people who write them. According to the National Venture Capital Association, 89 percent of partners at venture firms are male. And in 2017, data compiled by PitchBook Data Inc. showed that the industry poured $68.2 billion into companies founded by men, compared with just $1.9 billion for startups with solely female founders. Specific statistics on ethnic background are harder to come by, but the overwhelming majority of venture partners are white, and there’s little disagreement that the pool of entrepreneurs they fund isn’t very diverse, either. One obvious way to offset the clubbiness endemic to Silicon Valley’s investor class would be to replace the “guts” of white men with those of women and people of color. But another option—one that fascinates Carroll—is to eliminate gut instinct altogether.

Carroll, 35, isn’t quite an outsider. She has three degrees from Stanford and a career that includes stints at Amazon.com Inc. and two unicorn-tier startups. She joined Social Capital’s Palo Alto office in 2015, and last year she began building an automated system that would allow the fund to invest in startups that its partners had never met. The companies would upload data about themselves; if the algorithms liked what they saw, the venture fund would back them. The process, in theory, would keep bias from entering the equation.

Within the firm, the system is known as Capital as a Service, or CaaS for short.

Similar tactics have brought promising results in other competitive fields. The most famous example comes from the 1970s, when five major orchestras began requiring musicians to stand behind a screen while auditioning. According to a study by researchers at Harvard, the proportion of women performing in those orchestras increased more than threefold from 1970 to 1993. Technologists have lauded automated decision-making as a way to further reduce human fallacy. But the optimism around supposedly objective algorithms has been challenged in recent years by evidence that some automated systems amplify bias because they’re trained on data reflecting historical inequities.

Social Capital kicked off a trial of Carroll’s model last year with a referral program of sorts—the fund asked other venture capital firms to direct promising early-stage companies to apply through the system. Most of the hopefuls came from outside the standard VC stomping grounds of the Bay Area and New York, and many were based overseas. The fund has since assessed 5,000 startups and invested in 60. Eighteen of the companies are run by women, and about 80 percent have nonwhite founders. The checks Social Capital is writing are small by its standards, from $50,000 to $250,000. But the firm plans to throw open the doors to anyone with a company and a few spreadsheets of operational data by the spring of 2019. Its official goal is to make 1,000 investments in 2018 and 10,000 next year. Chamath Palihapitiya, Social Capital’s chief executive, admits those levels are unattainable—that many investments would quickly add up to billions of dollars—and says they’re more of a message to the people building CaaS that the firm is serious. “It forces them to build something that can be mission-grade,” he says. “If I said, ‘Fund 10 companies,’ they could manually jury-rig some system. When I say 10,000, you can’t.”

Palihapitiya has a penchant for dramatic claims—some of which pan out. The snappily dressed former Facebook Inc. executive, who co-founded Social Capital in 2011, made early bets on bitcoin, started a hedge fund, and raised $600 million to help startups go public through an unconventional vehicle known as a SPAC, or special purpose acquisition company. (The startups have yet to be chosen.)

Not everyone has wanted to come along on Palihapitiya’s adventures. His two co-founders, Mamoon Hamid and Ted Maidenberg, left the firm last year. But to Palihapitiya, the more he breaks the mold, the better. He describes the job of a venture capitalist with some disdain. “This isn’t meant to be pejorative, but you’re a classic middleman,” he says. In Palihapitiya’s view, the fate of middlemen is to reap an enormous profit until the market inevitably finds a way around them. “Venture capital,” he says, “will be no different.”

There’s an economic logic behind CaaS. Evaluating and backing startups is a labor-intensive process, significantly limiting the number of deals a firm can do. By using software
to assess tens of thousands of companies annually, a firm can do each individual deal more cheaply. This makes modest successes worth its time, getting the firm around the need to bet only on companies that could be worth billions. It also eliminates the personal blind spots of its partners.

Palihapitiya doesn’t mind positioning himself as enlightened—the name of his firm is Social Capital, after all. But he insists he’s making a profit-maximizing move here. When asked how CaaS might help underrepresented groups, he winces, downplaying diversity as simply a “positive byproduct.” He adds, “Look, at the end of the day, our job is to get the most capable people to the starting line. Let’s say [that with] CaaS, it turned out it was all white dudes who got funded. That’d be OK, too.”

The initiative dovetails with work Palihapitiya did at Facebook, where he ran the growth team during a period of eye-popping expansion. His outfit was responsible for an approach that’s now seen as a core aspect of Facebook’s culture: shunning intuitive decision-making in favor of quantitative measurement, then relentlessly choosing whatever option drives the most engagement. Several of Palihapitiya’s Facebook colleagues have taken on key roles at Social Capital.

From the start, the firm sought to mathematically isolate the objective factors responsible for a startup’s success. Investors in publicly traded companies do this by poring over financial statements. But such data are often not available for startups, and when they are, they can be useless. At the stage when a company is seeking venture capital, it’s often intentionally bleeding money to gain a market foothold. Recognizing this, the Facebook veterans began building models that primarily compared how startups attract and retain users.

“Our job is to get the most capable people to the starting line”
You won a harassment settlement from your employer on the condition that you sign a nondisclosure agreement. But the problem has persisted, and now you want to go public

1. **Read the fine print**

   Take a look at the agreement you signed—what’s covered and the consequences of breaking it can vary widely. In practice, many companies are reluctant to commit the time and resources to going after NDA violators, because doing so risks bringing even more attention to an unseemly workplace issue. “It’s kind of a game of chicken,” says Robert Ottinger, an employment attorney in New York. “You’re saying to a company, ‘Do you really want to sue this victim of harassment?’”

   In the hundreds of workplace misconduct cases Ottinger has handled in the past 20 years, not one has involved an employer suing someone for breaking an NDA to talk about harassment, he says.

2. **Prove a pattern**

   Even if you haven’t signed an NDA as the result of a settlement, you may want to consult a lawyer before you take your story to the press. If you’re bound by an agreement not to disclose trade secrets, there’s a chance the language could be construed to cover any public statements about goings-on in the workplace, though it’s not yet clear whether that argument would hold up in court.

3. **Lawyer up**

   College of Law. Knowing that others will have your back can make it easier to go public. Support from an organization such as the Time’s Up Legal Defense Fund, which is backed by the National Women’s Law Center, can also offer protection if the company decides to take action against you.

Remember

At least three states—California, New York, and Pennsylvania—are considering legislation that would exempt sexual harassment claims from NDAs. “Sexual harassment was seen as an individual harm to that person,” Short says. What she calls the “toxic public harm” of workplace harassment is now, finally, being acknowledged. —M.P.

In 2015 one of Social Capital’s partners visited the offices of SurveyMonkey Inc., the online poll service, and learned that one of its former employees had designed a series of impressively elegant experiments to determine product pricing in different countries. The ex-employee was Carroll, and Social Capital quickly recruited her. As a numbers-first type, she clicked with the firm’s data scientists. Even Carroll’s primary personal activity, distance running, is basically an exercise in obsessive performance measurement and squeezing out tiny improvements in efficiency. At her peak, Carroll ran the marathon in under 2 hours and 45 minutes, which was fast enough to qualify her for the 2011 Olympic Trials. (She finished in the middle of the pack.)

Carroll became a partner at Social Capital in 2015 and settled into the standard investor’s life: visiting founders, sitting on a handful of boards, leading three investments. One way she evaluated companies was a tool Social Capital’s analysts had built called the Magic 8-Ball. The model examined common metrics such as user growth and engagement, as well as more bespoke things like “quality of revenue” by putting more weight on money from loyal customers. Carroll thought the firm wasn’t making the most of the Magic 8-Ball’s power, as it was implementing the tool relatively late in a process vulnerable to traditional biases. “It was used as validation,” she says. “One of us investors would get an intro, and then go have coffee, and then judge them ourselves, and then have another partner meet them, and then after all those steps do the Magic 8-Ball thing.”

Last spring, Carroll spent two weekends throwing together a prototype that linked the Magic 8-Ball to a single online form that companies could fill out on their own. It was a kludgy program involving two spreadsheet applications, a Google bot, and a service called If This, Then That that creates rudimentary scripts. “It was this totally duct-taped-together product I was pretty ashamed of,” Carroll says. Still, she sent the link to a handful of investors Social Capital had worked with, asking them to share it with companies that might be interested in having their businesses evaluated by software rather than people. She was immediately deluged with applications.

It would be an exaggeration to say CaaS is making purely automated investments. Entrepreneurs apply by going to Social Capital’s website, where they’re greeted by the motto “Raise capital based on the merits of your business, not your network.” A form asks them to choose their business model from a drop-down menu. Then they must disclose information such as how much they spend to acquire users, each customer’s lifetime value, and how much cash they have on hand. Finally, they upload spreadsheets detailing their revenue and engagement metrics.

About half the time, companies get through the process unassisted, and Carroll receives an automated email analyzing their promise. The rest of the time, companies will
Companies upload their data. Algorithms spit out a funding verdict. In theory, no bias is involved.

get in touch to argue that they don’t fit neatly into the provided categories or that their data is formatted incorrectly. Then personal attention is required. In cases where the algorithm recommends funding, Social Capital still has humans do things such as legal vetting and other back-office tasks.

Social Capital has three people working full time to build out CaaS. About a half dozen employees show up at a recent progress meeting in the glass cube that serves as the main conference room in the firm’s Palo Alto office. Someone rolls up a whiteboard to take notes. One employee begins a discussion on a seemingly metaphysical question: “When does a company truly exist?” (Knowing this helps to determine when to apply growth models.) Then the group puzzles over a company that raised a $4 million round from a rival firm shortly after the CaaS system had determined it was unfit for investment.

The idea of automated seed-stage investing isn’t entirely new. Many firms claim to use data-centric analysis, and a handful have adopted strategies based on making lots of small investments without face-to-face meetings. Dave Lambert, who for the last eight years has run Right Side Capital Management LLC, a small San Francisco-based fund, uses a largely automated system to review thousands of companies annually. He’s written about 2,000 checks in amounts up to $100,000. Unlike Social Capital, Lambert doesn’t claim to gain an edge through superior algorithms. “The hardest part is the psychology,” he says. “It’s so easy to make exceptions.”

Neither Palihapitiya nor Carroll aspires to cut humans completely out of the loop. Palihapitiya sees his firm’s overall operations as akin to those of a bank, which can process a credit card application with software but needs people to underwrite million-dollar mortgages. By handing out thousands and thousands of credit cards and small loans, these companies have been able to improve their own risk models. As they’re more confident about who’s likely to be good for the money, banks and credit card networks can make automated decisions on higher and higher dollar amounts. Palihapitiya thinks the same thing will happen at Social Capital. He says its computers could one day be writing multimillion-dollar checks.

“We’re Diners Club in the 1950s,” he says, referring to the original credit card network, “and aspiring to be American Express in 2018.”

In November, Palihapitiya caused a stir when he told the audience at a Stanford Graduate School of Business event that he felt “tremendous guilt” about his time at Facebook. “The short-term, dopamine-driven feedback loops that we have created are destroying how society works,” he said.

Repentance aside, Palihapitiya’s experience at Facebook clearly continues to influence Social Capital. He marvels that the dominant global technology platforms all arrived at their current positions by gathering enormous amounts of data and using it to predict people’s behavior. Palihapitiya figures that if it works for social network users and online shoppers, it should work for startups, too.

Social Capital’s staff acknowledges that Facebook’s comeuppance is a cautionary tale about unintended consequences. “Certainly putting an application form out in the wild that says, ‘Enter data, get money!’ has all sorts of negative possibilities,” says Jonathan Hsu, Social Capital’s head of quantitative investing.

Among those possibilities is that automated investment decisions could actually aggravate the inequities of today’s venture capital system. Automated tools developed for criminal sentencing and policing, for instance, have given old wrongs new life by using flawed data to create their models, resulting in a propensity to overstate the dangerousness of black people. “There’s clearly a growing awareness of these problems in the technical community,” says Solon Barocas, an assistant professor at Cornell who studies ethical and policy issues related to artificial intelligence.

In all automated systems, the challenge in dealing with bias is that it’s hopelessly entangled with other factors. At Social Capital, that problem has manifested primarily in an internal debate over whether to try to model not only which businesses will succeed but which entrepreneurs will. Ray Ko, a partner who leads the firm’s tech development, is intrigued by the idea of pulling in information about founders that could serve as proxies for technical expertise, such as their histories in coding communities like GitHub Inc. and Stack Overflow, and seeing if that correlates with success.

The CaaS form already asks applicants for some personal information, such as LinkedIn profiles and educational background. Carroll is resistant to the idea of using such data to glean insights about businesses. Because well-educated white men have the easiest time raising money today, any model using demographics to predict success would favor them—the opposite of her intention. Still, Social Capital is experimenting with building personalized models anyway, though it hasn’t implemented any yet. Despite its high-minded name, the fund’s overriding objective is to achieve the biggest return on its portfolio companies. A more diverse set of CEOs atop those startups would be ideal. But for now—to use Palihapitiya’s words—they’re just a positive byproduct.
In its early days, #MeToo looked like mostly a celebrity movement. Tina Tchen, head of the Chicago office of white-shoe law firm Buckley Sandler LLP, wanted to expand it beyond Hollywood. “When people were first coming forward with their stories, they were getting threatened with legal action,” she says. “And the fastest way to make sure that someone isn’t getting bullied by a lawyer for someone rich and powerful is to make sure that person has a lawyer, too.”

Tchen visited Michelle Kydd Lee, chief of innovation at Creative Artists Agency, who was already involved with what would become Time’s Up, the anti-harassment movement with starry backers such as Oprah Winfrey and Reese Witherspoon. After brainstorming with Lee, Tchen pitched the National Women’s Law Center on the idea of administering a pool of money to help victims defray legal expenses. And that was that: The Time’s Up Legal Defense Fund (TULDF), the group’s flagship initiative, was born.

Tchen demurs on her role—“It all just kind of came together,” she insists—which doesn’t surprise NWLC Chief Executive Officer Fatima Goss Graves. “That’s what’s so great about her,” Graves says. “She’s really a collaborative leader.” Tchen is also arguably the most well-connected person working in women’s rights today, thanks to her six years as an assistant to President Barack Obama and as first lady Michelle Obama’s chief of staff.

As executive director of the White House Council on Women and Girls, Tchen was also deeply involved in addressing issues of gender in the professional sphere. “What’s important to emphasize is that sexual harassment is a symptom of more fundamental issues around workplaces that aren’t equitable, aren’t truly diverse, and aren’t providing safe workplaces for employees,” she says. “The real solution here is to address the many structural barriers that keep women and minorities from advancing.”

Employment law is particularly treacherous for the nonwealthy: Many attorneys who represent victims in harassment disputes are at small firms and can’t afford to work pro bono. And the cases often generate little, if any, settlement money.

With 600 lawyers signed up and $21.7 million raised, the TULDF has more than 2,000 potential clients seeking legal counsel and representation as well as PR advice. “Public relations can be as much a minefield to navigate through as legal processes,” Tchen says, pointing out that some victims have been outed against their wishes.

She also wants to remind Bloomberg Businessweek readers: “We still need more lawyers and PR professionals to volunteer. We still need more resources at the GoFundMe page, because though $21.7 million is an impressive amount of money, anybody who has dealt with legal bills knows it’s not going to be nearly enough.”
As the world becomes dependent on the Internet of Everything, there’s one state that’s developing innovative solutions for protecting the security of both systems and people. Michigan. Home to two world-class cybersecurity testing ranges, we’re one of the few states that actively trains and cultivates cyber talent. Which gives cybersecurity businesses in Michigan a solid lock on the future of the industry.
At U.S. Bank, we base every decision on how it will affect our customers, our employees and our shareholders. The reason is simple: Doing the right thing for them is the right thing for the bank. Putting people first is just one way we help power human potential.

usbank.com/newsroom