Bloomberg Businessweek

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THE EQUALITY ISSUE

Russia's Brain Drain

The country's best and brightest are trying to outrun Putin's war

8

Bloomberg Businessweek

March 21, 2022

◀ Robert Morin in the casino he once ran on Canada's Enoch Cree Reserve. He's chairman of an Indigenous-led group trying to buy the Trans Mountain oil pipeline

PHOTOGRAPH BY JASON FRANSON FOR BLOOMBERG BUSINESSWEEK

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■ COVER TRAIL

How the cover gets made

1

"This week we're talking about the exodus of Russians from Russia on account of Putin's invasion of Ukraine."

"Another case of brain drain."

"Exactly. Maybe something like… people falling out of Putin's brain or something?"

"That would be… cool? I think I have a better idea that might feel more real and moving."

"That is better. War and wit don't play so well together."

Cover: Photograph by MA8/ Alamy

ECONOMICS: PHOTOGRAPH BY NATE SMALLWOOD FOR BLOOMBERG BUSINESSWEEK


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THE RISE OF BENGAL TIGER

The Magic of Connectivity:

THE NEW ERA OF TRADE IN BANGLADESH

Maritime transport shaped the course of human history. Facilitating the flow of goods and ideas by sea, trading nations drove economic growth, created wealth and increased access to everything from food and medicine to technology. Nearly five millennia after the first major trade routes formed along the Arabian Sea, maritime transport remains the backbone of the global economy.

Today, maritime transport accounts for over 80% of global trading volume. Nearly every good that we own or consume was loaded onto a cargo ship at some point and traveled thousands of miles of ocean before making its way into our lives. In turn, investments in port services and infrastructure are vital for economic growth.

Nine of the world's 10 busiest ports are now in Asia. The region continues to dominate global maritime trade, with a 41% share of total goods loaded in 2020. While maritime powerhouses China and Singapore lead the way, the construction of the Matarbari Port—Bangladesh's first deep seaport—promises new opportunities in South Asia that could reshape regional trade flows in the decades ahead.

9 OF 10
OF THE WORLD'S BUSIEST PORTS ARE NOW IN ASIA

Taking Trade to New Depths

Located in Cox's Bazar District, the Matarbari Port addresses the key challenge that Bangladesh's existing ports face: depth. The Chittagong port, which currently handles around 90% of the country's imports and exports, has a shallow channel. Large ships must transfer their cargo to feeder vessels in Singapore and Sri Lanka to bring goods into Bangladesh and vice versa.

With a depth of 16.3 meters, the Matarbari Port will be able to accommodate cargo vessels, accelerating the flow of goods and reducing costs. Initially, the port will accommodate 8,500 TEU post-Panamax vessels. Following the second phase of construction, it will be able to handle 2.8 million TEUs per year. Upon completion, it will handle 4.8 million TEUs and 16-38 million tonnes of bulk cargo annually.

On land, rail connectivity through Dohazari-Cox's Bazaar line, and road connectivity with a national highway will further facilitate the flow of goods in and out of Bangladesh. Once operating at its full potential, the port could boost GDP by up to 3%, according the secretary of Bangladesh's Shipping Ministry.

Anchors Down

In December 2020, the Venus Triumph became the first commercial ship to reach the Matarbari port with the help of a tugboat. As of now, ships are anchoring at the jetties built for the Matarbari Power Plant—another mega infrastructure project that will power growth across the region. In 2021, a total of 53 ships anchored at the power plant jetties, saving an estimated $3.58 million through lower vessel fares and shorter waiting times.

MATARBARI PORT COULD BOOST GDP BY UP TO
3%

While the Matarbari Port is not scheduled to open until late 2026, some vessels are already reaping the benefits. As more follow in the years ahead, the port will become a vital trading artery, propelling Bangladesh towards its vision of high-income status by 2041.

Bangladesh Securities and Exchange Commission

● Volodymyr Zelenskiy spoke by video to a joint session of the U.S. Congress on March 16.

The Ukrainian president invoked Pearl Harbor and Sept. 11 as he again called for a no-fly zone over his country and asked for more powerful air-defense weapons. The day before, the Czech, Polish, and Slovenian prime ministers had made a surprise visit to Zelenskiy in Kyiv, which Russia continues to shell.

● On March 14 protesters opposing the invasion of Ukraine occupied the London mansion owned by the family of sanctioned Russian billionaire Oleg Deripaska. Police in riot gear later broke down the front door to end the standoff. ▷ 8

● Worldwide, there have now been more than

463m

coronavirus cases, almost 6.1 million people have died, and 11.1 billion vaccine doses have been administered. Amid its worst outbreak since the early days of the pandemic, China has instituted lockdowns in hard-hit cities, forcing more than 45 million people to stay home.

● "He is a war criminal."

President Joe Biden, speaking to reporters at the White House about Vladimir Putin on March 16, after Zelenskiy's congressional address.

● The Hang Seng China Enterprises Index gained

12.5%

on March 16, its best session since October 2008, after authorities vowed to ensure stability in financial markets. Chinese stocks have been in a yearlong slump; a selloff on March 13 had sent the index down 7.2%.

● The Federal Reserve raised its key interest rate by a quarter point, to a target range of 0.25% to 0.5%.

The March 16 hike, the first increase since 2018, is likely one of several to come this year. The Fed said it "anticipates that ongoing increases in the target range will be appropriate."

● Nickel trading resumed on March 16, a week after a short squeeze led to an unprecedented price spike and trade cancellations.

The reopening on the London Metals Exchange quickly turned messy with a glitch halting electronic trading for several hours. By the close, the price had fallen by the market's limit, to $45,590 a ton. ▷ 26

● Howard Schultz, who turned Starbucks from a local Seattle coffee roaster into a global java sensation, is coming back. He's returning as interim CEO to succeed Kevin Johnson, who's retiring next month after 13 years.

● Citigroup says it will start covering travel costs for workers seeking abortions in states such as Texas—where the bank has more than 8,500 workers—that have all but banned the procedure.

● The Senate confirmed Shalanda Young as director of the White House Office of Management and Budget on March 15.

She's the first Black woman to lead the office, which is responsible for laying out the president's budget requests to Congress.

LONDON: JASON ALDEN/BLOOMBERG. BIDEN: NICHOLAS KAMM/GETTY IMAGES. CUP: COURTESY STARBUCKS. YOUNG: BONNIE CASH/BLOOMBERG

U.S. Engagement With Venezuela Is A Risk Worth Taking

In a bid to ease pressure on global energy supplies, the U.S. has opened talks with the government of Venezuelan President Nicolás Maduro, which could lead to the lifting of some sanctions against his regime. Such an outcome would be a blow to Venezuela's opposition and its desire to see Maduro removed from power. The U.S. should move forward anyway.

Reestablishing diplomatic ties is a necessary step toward harnessing Venezuela's immense energy-producing potential. It could also drive a wedge between Venezuela and its chief patron, Russia. Steps toward easing U.S. sanctions against Caracas will face stiff resistance from lawmakers of both parties, who've already criticized President Joe Biden for engaging with Maduro. Nevertheless, a realistic policy that emphasizes gradual political reform, rather than the illusory hope of regime change, would advance not just U.S. strategic interests but also the aspirations of Venezuelans themselves.

Biden's opening to Caracas represents a significant reversal. Since accusing Maduro of stealing the 2018 presidential election, the U.S. has recognized opposition leader Juan Guaidó as the country's leader. Then-President Donald Trump placed sanctions on Maduro, his family, and much of his inner circle and blocked purchases from Venezuela's state-owned oil company, Petróleos de Venezuela SA. Those sanctions, government corruption, and the pandemic have exacerbated a humanitarian crisis that's caused 6 million Venezuelans to flee.

Yet there are few signs this "maximum pressure" campaign has weakened Maduro's grip. He has exploited splits within the opposition to consolidate control over the country's judiciary, security services, and electoral system. He's also pursued a strategic partnership with Russia, which has provided the regime with military hardware, proceeds from oil sales, and investments in the energy sector—in exchange for allowing Russia to deploy nuclear-capable warships to Venezuelan ports.

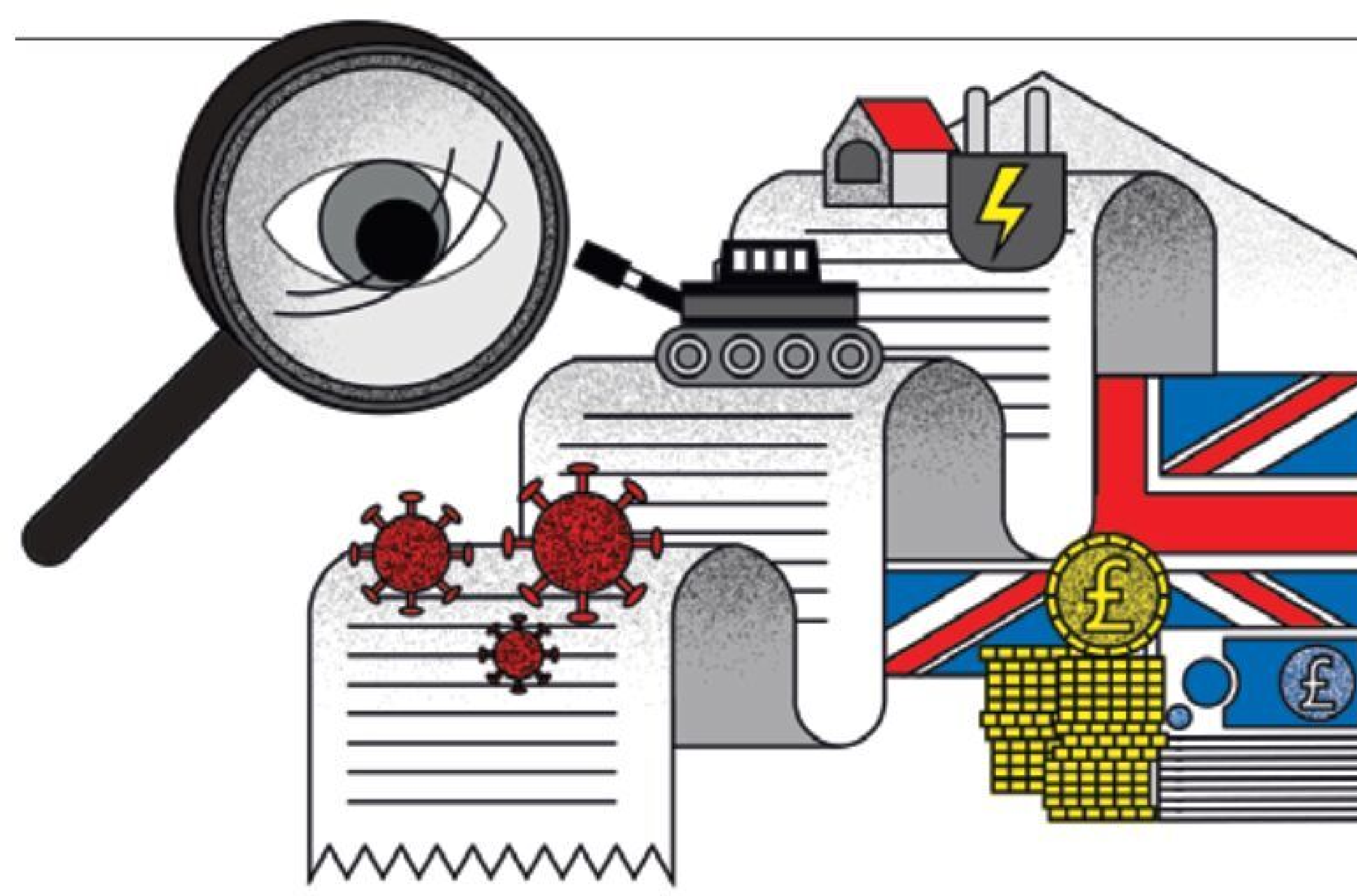
That bargain may now be in jeopardy: Western sanctions imposed on the Kremlin for its invasion of Ukraine have left the Maduro government without access to funds held in Russian banks. That provides an opening for the U.S.

In return for Venezuela's halting military cooperation with Russia, the Biden administration should waive some sanctions against Caracas to allow the country to import equipment for upgrading production facilities and to resume selling oil to the U.S. In the short run, the added Venezuelan supply will have a negligible impact on global crude prices. On optimistic assumptions, Venezuela could increase production to 1.5 million barrels a day by yearend if restrictions are eased, almost double its current output. Even a more modest pickup in supply would help U.S. refiners make up for the loss of Russian oil imports and potentially limit short-term spikes in consumer gasoline prices.

Biden should remain cleareyed about the moral hazard of doing business with an authoritarian like Maduro. Further steps toward normalization should be conditioned on Venezuela's willingness to accelerate market-oriented economic reforms and continue negotiations with the opposition to allow greater political freedoms.

Ousting Maduro was a defensible goal at a time of relative stability—but the strategic environment has changed. However distasteful, engagement with the Venezuelan regime is critical to protecting core U.S. interests and containing Russian influence in the Western Hemisphere. Biden should aim for a policy that balances economic and security needs with a commitment to democratic values. *For more commentary, go to bloomberg.com/opinion*

■ AGENDA



► No Spring in His Step

U.K. Chancellor Rishi Sunak delivers his so-called spring budget on March 23, with a focus on helping companies and households cope with sharply rising bills for energy and food.

► EU leaders gather on March 24-25 in Brussels. The bloc has been unusually unified in its determination to penalize Russia over its invasion of Ukraine.

► Nike reports earnings on March 21. Investors will look for clues to how the company's retreat from Russia and continued supply constraints from Asia are affecting business.

► Tencent reports earnings on March 23. The Chinese internet giant has seen its stock slump as regulators look to rein in technology companies' rapid growth.

► The annual Rainbow PUSH Wall Street Project summit, on March 21-22 in New York, aims to provide access to financing for minority- and women-owned companies.

► The BIS Innovation Summit virtually gathers policymakers, finance and technology leaders, and academics on March 22-23 to discuss payment systems and green initiatives.

► If Ariana DeBose wins an Oscar on March 27 for her portrayal of Anita in *West Side Story*, she'll follow in the footsteps of her co-star Rita Moreno, who won for the same role in 1961.

ILLUSTRATION BY JIYUN JEONG

Russia's New Brain Drain

● Putin's actions have the country's best and brightest heading for any exit they can find

● By Leonid Bershidsky

In Kyrgyzstan, a member of parliament urgently called on the government to start creating jobs and setting up temporary housing for the information technology professionals now arriving daily from Russia. Even a poor Central Asian nation that exports cheap migrant labor for Russian construction sites and fast-food restaurants looks like a safe haven to thousands of educated Russians fleeing the cataclysm Vladimir Putin created by invading Ukraine.

This can no longer be described as brain drain: It's a stampede for the exits. Konstantin Sonin, an economist at the University of Chicago, has estimated that some 200,000 Russians fled in the first 10 days of the invasion—to Kyrgyzstan, Armenia, Georgia, Kazakhstan, Turkey, Israel—any country that admits Russians visa-free. That's a small number compared with the 2.8 million refugees who've left Ukraine, but then Russians, as citizens of the aggressor nation, don't need to run for their lives.

These are mostly people with lots to lose: homes, cars, comfortable incomes, and savings that are difficult to extricate from Russian banks because of tight capital controls. They are leaving everything behind, most of them because they want nothing to do with Putin's sham-imperial project and don't want to be associated with his war crimes; others because they cannot imagine living under the Soviet-style autarky to which Western sanctions have doomed Russia.

The panicked departures crown an upward trend in emigration that's developed in recent years. According to Russia's flawed official statistics, which chronically underestimate the number of émigrés compared with destination countries' data, Russia lost 1.2 million people in 1992 and 1993, years immediately following the Soviet collapse that were marked by conflict and hyperinflation. Many of them were academics and professionals who would go on to transform entire scientific fields and approaches to education in the countries where they settled.

Emigration eventually slowed, reaching a nadir around 2011, toward the end of Dmitry Medvedev's relatively hopeful presidency and before the stolen parliamentary election that year sent tens of thousands into the streets in protest. After the demonstrations faded and Putin began tightening the screws again, the outflow of Russians—again, mostly educated, middle-class professionals—regained speed. In 2014, with the annexation of Crimea, one could again speak of an exodus. It didn't register in official statistics, because many of those departing kept their Russian homes and passports. But German data, for example, show 23,352 new residents from Russia in 2014—including myself, my wife, and our two daughters—up from fewer than 20,000 in 2011.

In 2019 a report compiled by the Atlantic Council, a think-tank in Washington, D.C., estimated the size of the "Putin

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exodus" since 2000 at between 1.6 million and 2 million people. More than half settled in the West via work contracts and student exchanges, while a sizable number received political asylum.

These men and women didn't leave Russia in search of a more comfortable lifestyle but rather in the hope of finding freedom and intellectual opportunity, having had a tantalizing taste of it at home. I call this wave—our wave—the emigration of disappointment. For about 15 short but eventful years, it looked to us as if Russia could be a new country, one that looks to the future, not the past, one that uses its enormous store of talent for progress, not destruction. It turned out to be an illusion. Putin hacked away at that vision year after year, as repression increased in direct proportion to resentment of the official ideology.

Vladimir Sorokin, whose mid-2000s dystopian dilogy, *Day of the Oprichnik* and *Sugar Kremlin*, predicted with frightening accuracy where Putin's policies would land Russia, now is a fellow Berliner. Grigori Chkhartishvili, whose stylish mysteries and popular historical works written under the pen name Boris Akunin harked back to the pro-Western, progress-oriented early 20th century roots of post-Soviet Russia, now calls London home.

The Ukraine invasion of 2022 laid waste to any remnant of hope. It's too late to speak of disappointment today. Stronger words are needed. "My Russia has given birth to bona-fide fascism," Mikhail Khodorkovsky, the ex-oligarch who chose exile over captivity around the time I left Russia, tweeted recently.

The new fugitives I speak to are stricken, disoriented, and often ashamed—ashamed to call Ukrainian friends or volunteer to help Ukrainian refugees because it would mean looking them in the face. Some of these émigrés actually welcomed the almost-bloodless Crimea annexation eight years ago. Polls at that time showed that an overwhelming number of Russians supported the move and didn't see it as illegal. But Russian bombs raining on the heads of Ukrainian civilians turned out to be too much even for them.

"A true Russian is never ashamed of being Russian," Putin's spokesman Dmitry Peskov said recently. "If somebody says they are, they are not Russian, and we have nothing to say to them."

Yet there's nothing the new émigrés can do about being Russian. As they start looking for new homes and jobs—as software developers, teachers, researchers—they can't hide their names, accents, and passports. Along with earlier arrivals, they're already feeling the anti-Russian sentiment that Putin has inflamed. Somebody set the gym of a German-Russian school in Berlin on fire the other day. In the U.S., Representative Eric Swalwell (D-Calif.) has argued for "kicking every Russian student out of the United States," and British lawmaker Roger Gale says all Russians living in the country should be "sent home." Unlike those in the previous waves of emigration, the Russians who come now are often seen as being complicit with the Putin regime. They've waited too long to leave.

Still, like their predecessors, these Russians, too, will integrate into their new homelands. They'll write code and essays, play music, staff labs. They'll apply the skills, which Putin has traded for a moth-eaten imperial dream, to the betterment of other societies just when Russia faces perhaps the most unorthodox challenge in 100 years: To build a viable, almost completely self-sufficient economy as the world's most sanctioned nation.

Even Putin appears to understand what negative selection can do to his grand projects. In mid-February, the invasion plans ripening in his head, he ordered his ministers and agency heads to find ways to lure foreign academics to state research institutions. Russian intellectuals greeted the undertaking with derision even then. That idea looks preposterous now.

Smart people have been voting with their feet all these years, because Putin's vision of greatness has insulted their intelligence. Paradoxically, even his flawed vision requires brains to be minimally viable. The invasion has been marked by grievous failures of strategy, tactics, and preparation. The Putin regime's intellectual poverty has been laid bare. Fear and violence are not conducive to clear thinking. Even if Russia still has plenty of smart people left—thousands of graduates of the country's best universities who've signed anti-war petitions haven't emigrated yet—the brains aren't available to the regime. The analytical capabilities of its government-sponsored think tanks, ministries, and the intelligence community are afflicted by something akin to institutional stupidity.

As someone who remembers the Soviet Union's demise, I know this isn't a sustainable situation. I am almost certain that I'll see the brain drain reversed in my lifetime, once the Putin edifice falls apart. Then it will be time for another attempt to bring Russia to its senses. Eventually, one of these attempts will take hold. Ⓑ

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Quitting Russia Won't Be Easy

The rapid withdrawal means companies may not recoup the value of their abandoned operations

When the Soviet Union collapsed in 1991, companies rushed to plant their flag in Russian soil. Icons of capitalism—including Apple, McDonald's, and Adidas—went on to build profitable businesses in the ensuing years as consumers clamored for a slice of Western lifestyle. Now, in just a few short weeks, those long-standing ties have unraveled.

Russian President Vladimir Putin's invasion of Ukraine on Feb. 24, set off a mass corporate exodus, starting with BP Plc and quickly gathering pace as dozens of global brands followed. The chaotic unwinding has left companies wondering how they'll compensate workers and pay for assets left behind, and if they can recoup the value of their abandoned businesses in what has suddenly become the world's most sanctioned nation.

With the legal status of the assets in doubt—Russia has said it might nationalize businesses left behind—it could take years for companies to return, if ever. Preparing for a second act in Russia comes with huge unknowns, including how long sanctions might remain in place, the logistical and financial challenges of rebuilding an operation, and the consumer backlash, both by Russians who might feel abandoned by their cherished brands and by those who don't want to be complicit in financing Putin's war machine. Andrew Forrest, the chairman of Australian iron ore producer Fortescue Metals Group Ltd., put it bluntly: "If you're making a dollar from Russia right now, I'd call it blood money."

Some businesses have sought to challenge that perception. French dairy giant Danone SA, with almost 9,000 workers in Russia, defended maintaining its operations by arguing that Russian parents still should be able to purchase products including infant formula. French home-improvement retailer Leroy Merlin SA, with 45,000 employees in Russia, has also remained open. And Paris-based ride-sharing app BlaBlaCar, which has about 30 million users in Russia, says it's staying put to avoid having to lay off its 100 Russian employees overnight. Still, the company will stop all new investments in the country.

At first, Asian companies were generally slower to react, though eventually Fast Retailing Co., the Japanese owner of the Uniqlo apparel chain, and Japan Tobacco Inc., Russia's leading cigarette maker, joined in, shuttering their Russian operations or suspending investment there.

But packing up has proven hard for some companies with established Russian ties. Renault SA, partially owned by the French government, is the only major global automaker that hasn't pulled back either on trade with Russia or from ▶

Edited by James E. Ellis and Benedikt Kammel

ILLUSTRATION BY 731

◀ production at local factories. Renault owns 68% of AvtoVaz, the maker of the Lada brand, and relies on Russia for about 10% of its revenue, more than other major car manufacturers. But it's definitely an industry outlier: On March 15 tiremaker Michelin joined Ford Motor, General Motors, Stellantis, and Toyota Motor in suspending some Russian operations.

Few businesses departed after Russia's 2014 annexation of Crimea, says Lou Naumovski, a Canadian former diplomat and businessman with 40 years of experience linking Western businesses to Russia and the Soviet Union. This time the question is whether the Kremlin's actions have "poisoned the business climate irreparably," he says.

Leaving Russia will be complicated for many global companies. BP, which announced it would sell its stake in Kremlin-backed oil giant Rosneft Oil Co., is likely to lose $25 billion in the process. Goldman Sachs Group Inc. became the first Wall Street bank to wind down its operations in the country after moving some of its Moscow staff to Dubai. And Denmark-based Carlsberg AS, Russia's largest beermaker, says it's reviewing all options for its seven plants, which employ 8,400 workers and account for about 10% of its sales.

In the near term, companies that have shut stores or idled plants but are keeping workers employed will face the challenge of paying them. They're no longer generating significant local sales, and sanctions may make transferring money from abroad difficult or impossible. About 6.5% of Russia's workforce is employed by organizations that are foreign-owned or have joint Russian and foreign ownership, according to statistics agency Rosstat. Foreign companies employing at least 150,000 in the country have announced a suspension of operations, store closures, a moratorium on investment, or other measures since the invasion, according to Bloomberg calculations. The number affected may be far higher, because not every company has disclosed such steps or its head count.

Closing shop can be costly. For McDonald's Corp., which has shuttered its 850 stores in Russia but says it will continue to pay its 62,000 local employees there, those wages, along with lease payments and supply chain expenses, will cost about $50 million a month.

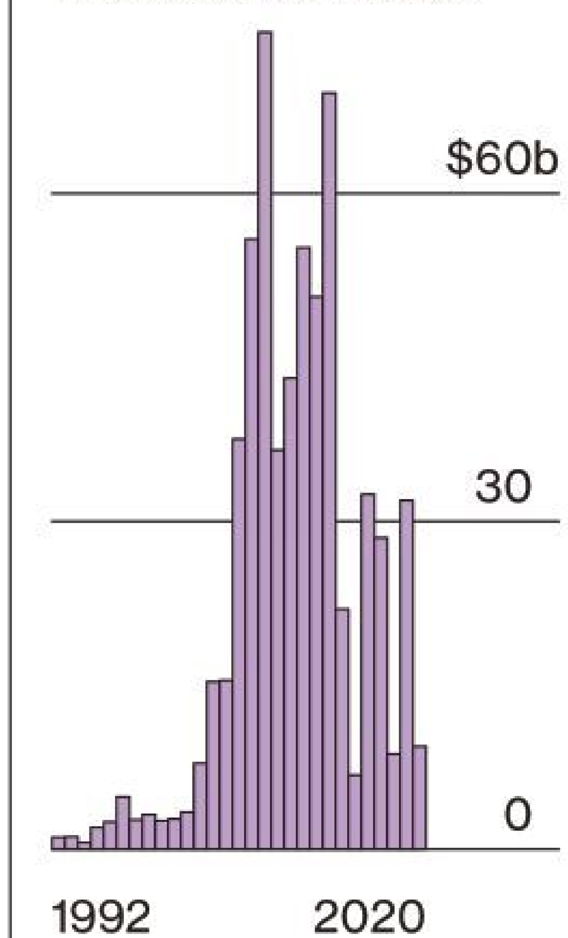
Adidas AG, with 7,000 employees in Russia and neighboring states, wired funds to Russia as tensions with Ukraine heated up. Executives didn't say how long the reserves might last but expressed optimism about resuming operations later this year. "Hopefully the situation is going to normalize," Chief Executive Officer Kasper Rorsted says. "When that situation will normalize, neither you nor I would know."

Publicly traded companies have been more likely to act because they want to avoid being shunned by capital markets as a result of reputational risk, says George Voloshin, a director at risk consulting company Aperio Intelligence. "Privately, CEOs have probably been telling one another they would prefer to stay if possible, but given the pressure being put on them and the brands in general, it's difficult to do that," he says.

At this stage, it seems inconceivable that many major Western businesses will start coming back before an end to the war. So with the possibility of a truce unclear and Putin escalating his military campaign, Russia's image as a place to do business seems set to take a lingering hit. "The chilling effect will be long-lasting," says Maria Shagina, visiting senior research fellow at the Finnish Institute of International Affairs, who's studied Western sanctions against Russia. "It will take a lot of time to whitewash the image of Russia." —*Thomas Buckley and Daniela Sirtori-Cortina, with Tim Loh, Deirdre Hipwell, Leslie Patton, Thomas Seal, and Benoit Berthelot*

THE BOTTOM LINE As global brands from Apple to McDonald's to Michelin pull back from business in Russia, the country's future appeal for foreign investment could be at risk for years to come.

▼ Net foreign direct investment in Russia

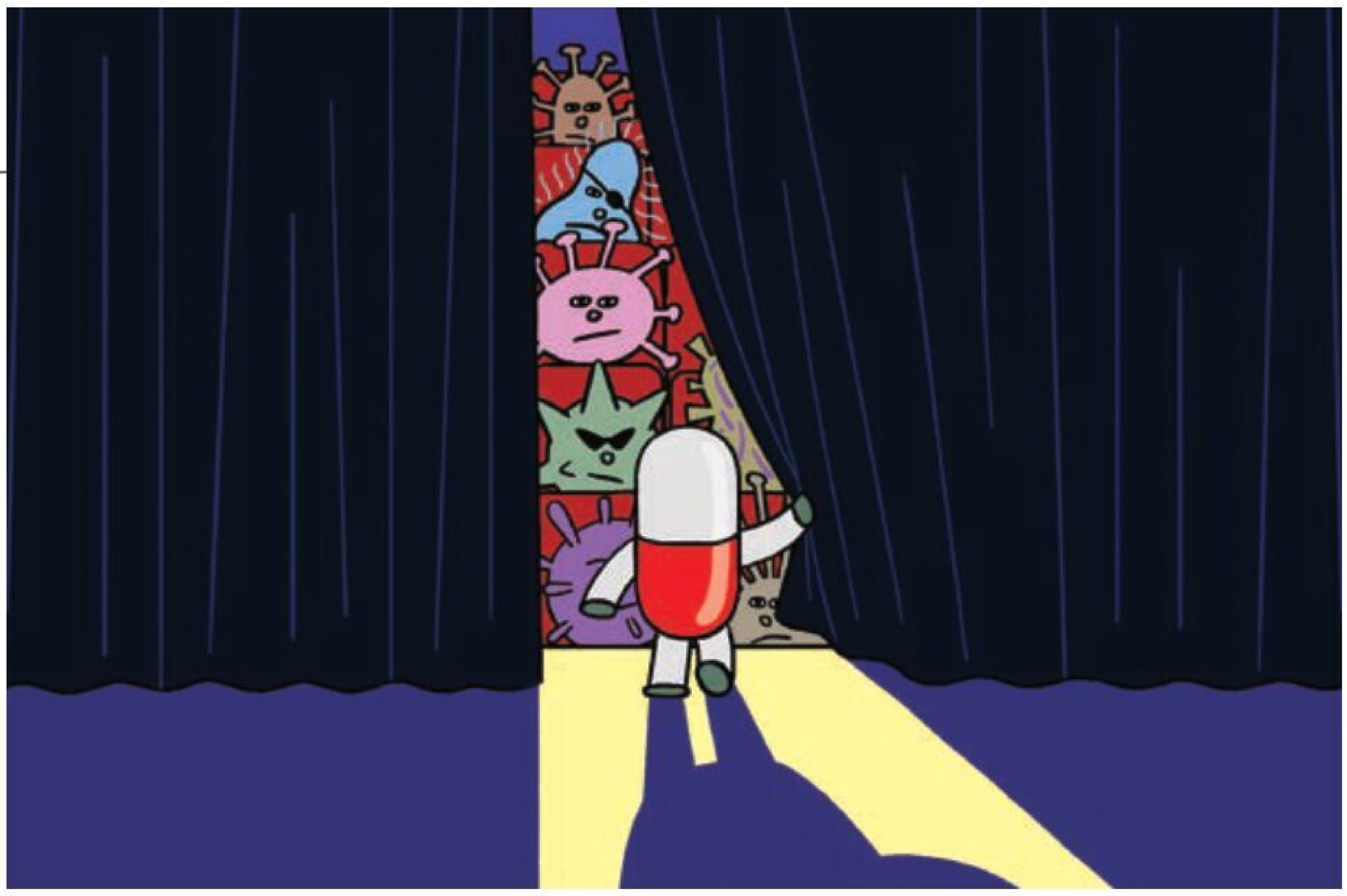


DATA: WORLD BANK

Will This Covid Star Get a Second Act?

● Vir scored with monoclonal antibodies in the pandemic's early days. Now it needs more

Vir Biotechnology Inc. started five years ago with an unconventional plan to tackle infectious diseases, for which pharmaceutical companies had shown little interest in researching new medicines. The emergence of Covid-19 presented the San Francisco-based biotech with an opportunity to make good on its promise. It rapidly designed a monoclonal antibody therapy that worked after other new drugs failed. At one point, Vir's treatment was the only one of its kind that was effective against the heavily mutated omicron variant, helping fuel the sale of almost 2 million doses of its drug to date.



That success may not last, though. Vir's own research suggests its Covid drug, sotrovimab, isn't as potent against the newest mutation of omicron, known as BA.2. The arrival of pills from Pfizer Inc. and Merck & Co. to treat Covid means the medical community may migrate away from antibodies such as Vir's anyway. Sotrovimab is difficult to administer because it must be given by infusion in a medical center. And cases of Covid are dwindling, cutting into the market for any new antivirals.

After an impressive drug development debut that led Vir to a $3 billion market valuation, its management must prove the company can live up to its hype and churn out blockbusters for some of the world's other most prevalent illnesses, including hepatitis B, HIV, and influenza. It has been difficult to devise drugs against them in part because the viruses that cause them mutate rapidly.

Vir's managers want to harness immunology, the science of mobilizing the body's immune system to fight disease, in new ways. That approach has led to drugs such as the multibillion-dollar cancer immunotherapies Keytruda and Opdivo.

Vir's earliest financial backer, Robert Nelsen, a prolific biotech investor and co-founder of Arch Venture Partners, envisioned the company using breakthroughs in immunology to come up with drugs and cures for long-neglected infectious diseases and in 2016 approached former Biogen Inc. Chief Executive Officer George Scangos to join Vir's board. Scangos was so intrigued by the prospect, he decided to be CEO instead. The pharma veteran was drawn to the large impact Vir could have if it were to succeed: HIV, the virus that causes AIDS, infected 1.5 million people globally in 2020, the most recent year data are available, according to the Joint United Nations Programme on HIV and AIDS (UNAIDS). The World Health Organization estimates 300 million people live with chronic hepatitis B infection. The flu causes 290,000 to 650,000 deaths a year, according to a WHO estimate. A "potent and safe therapy" that works against flu or hepatitis B could generate more than $1 billion in annual sales, Cowen analyst Phil Nadeau says.

Still, it was a challenge to get investors on board. "If you had to list the places people thought were the least trendy and the hardest to make money, it would be infectious disease," Nelsen says. But two years into the pandemic, he adds, people "don't tend to ask that question anymore."

Nelsen started raising money for Vir pre-Covid and relied on the Bill and Melinda Gates Foundation, one of the biggest public-health investors, and others as early supporters. The pandemic jolted the business plan. When reports of a mysterious pneumonia-like illness in China reached the U.S. in January 2020, Vir's top scientist told Scangos to pay attention. "This is going to be the big event of our lifetime. We need to work on this," Scangos remembers Chief Scientific Officer Skip Virgin saying during a call that month.

Vir's scientists quickly started developing a monoclonal antibody, a treatment that prevents a foreign invader such as the coronavirus from infecting cells. These types of drugs bind to the spike protein, a part of the virus that mutates over time as it seeks to evade the human immune system. Vir knew Covid could mutate to render its drug less effective, so it designed its therapy specifically to withstand those changes.

The company looked for antibodies in a blood sample from a patient who'd recovered from SARS-CoV, which emerged in 2003. They found sotrovimab, which also worked against Covid-19, the latest iteration of SARS. Having previously led a global drugmaker, Scangos knew Vir would need help from a larger company if it wanted its drug to be widely distributed. He found a partner in GlaxoSmithKline Plc, and the pair raced to introduce sotrovimab, securing emergency authorization in the U.S. in May 2021. Since then, the companies have won the right to sell the treatment in more than 40 countries.

But Covid did what everyone expected it to: It mutated and mutated again. Although Vir's drug managed to outshine rivals and work against a number of variants, BA.2 may finally outsmart the drug. Vir's own analysis of 10 experiments found the antibody is sixteenfold less effective against the subvariant. It's not entirely clear how those findings, which come from lab studies, will translate into patients in the real world, says Ashley Brown, an antivirals expert at the University of Florida College of Medicine. But a Covid treatment advisory panel of experts from the National Institutes of Health recommends using Pfizer's ▶

● Vir Biotechnology's sales in 2021, up from $76.4 million in 2020

$1.1b

"If you had to list the places people thought were the least trendy and the hardest to make money, it would be infectious disease"

ILLUSTRATION BY SUJIN KIM

◀ Paxlovid antiviral pill before sotrovimab.

Vir scrambled to keep its other programs alive during the Covid crisis. It designed an antibody to prevent serious illness from every strain of influenza A identified since the 1918 pandemic. Ideally, if it worked in trials, the treatment would be given to people who are at high risk of serious complications from the flu, such as older adults. But that research stalled during the Covid crisis because social distancing and masking halted the spread of the flu, making it impossible to conduct a clinical trial in people infected with the virus.

Vir has also continued to seek a functional cure for hepatitis B. (A functional cure stops an illness even though the virus may still be detected in a person's bloodstream.) The company is testing a handful of approaches, including combining an antibody with gene-silencing technology. Vir is also developing a vaccine for HIV.

Jumping into the race to introduce Covid treatments may have divided the company's attention, but it gave Vir something most young biotech companies wish they had: cash, and lots of it. Vir recorded $1.1 billion in sales in 2021, up from only $76.4 million in 2020. Even in the face of questions about sotrovimab's effectiveness against the latest Covid mutation, the company could still sign more multibillion-dollar contracts for the drug this year, says Joel Beatty, a Robert W. Baird & Co. analyst, though he views that as unlikely.

"If Covid went away tomorrow and we just had the pipeline, it would be a superexciting company," Nelsen says. He envisions building upon Vir's early Covid success to make pan-viral drugs that work against coronaviruses, flu, and the contagious respiratory syncytial virus. "That's like the holy grail drug," Nelsen says. "We have a whole program looking for those kinds of drugs." *—Angelica Peebles*

THE BOTTOM LINE Vir Biotechnology's monoclonal antibody has proven less effective against the latest omicron subvariant. Vir is turning its focus toward medicines for other infectious diseases.

This Satellite Race May Crowd the Heavens

● Billionaires including Elon Musk and Jeff Bezos are launching low-orbiting networks for broadband service

As the U.S. and its allies provide Ukraine with aid, President Volodymyr Zelenskiy's government is also getting assistance from a less likely source: Elon Musk. Soon after Russian President Vladimir Putin started the war and Ukraine publicly pleaded for help, Musk's SpaceX enabled its Starlink satellite broadband service in Ukraine and began shipping additional dishes. Those dishes are especially valuable now that Russia's military is targeting Ukrainian infrastructure. "Received the second shipment of Starlink stations!" Mykhailo Fedorov, Ukraine's minister of digital transformation, tweeted on March 9. "@elonmusk keeps his word!"

The dishes Musk has provided to Ukraine and to Tonga following its January tsunami have cast a spotlight on low-Earth-orbit (LEO) satellites, a new generation of spacecraft that can circle the globe in just 90 minutes and connect users to the internet. They're small and inexpensive: A Starlink satellite weighs 260 kilograms (573 pounds) and costs from $250,000 to $500,000, while an Inmarsat Group Holdings Ltd. geostationary satellite can clock in at 4 metric tons and sell for $130 million.

The satellite networks will be able to provide broadband access to tens of millions of people ▶

◀ A SpaceX rocket carrying 49 Starlink satellites launches from the Kennedy Space Center in Cape Canaveral, Fla., on Feb. 2

PAUL HENNESSY/GETTY IMAGES

◀ in places such as rural India that otherwise lack access to more traditional mobile and fixed-line networks. "There is a large opportunity to bridge the digital divide in remote areas where the cost of terrestrial communication is high, and hence both voice and broadband communication have not been set up," says Anil Bhatt, director general of the Indian Space Association.

On March 9, Musk boasted that SpaceX had sent 48 more satellites into orbit, adding to its over 2,000 already circling the Earth. But Musk has rivals with their own LEO satellite ambitions. They include fellow space billionaire Jeff Bezos. Amazon.com Inc.'s Kuiper Systems wants to launch more than 7,000 satellites. On March 5 a Chinese rocket launched six LEO satellites for Beijing-based GalaxySpace, which plans a constellation with as many as 1,000. The European Union in February announced a plan for a constellation that would cost about €6 billion ($6.6 billion). And Indian billionaire Sunil Mittal's Bharti Global, along with the British government, is an investor in OneWeb Ltd., which plans to begin operating its LEO constellation of 648 satellites this year. It intended to launch its latest group of satellites on March 5 aboard a Russian rocket, but canceled after the Kremlin's space agency demanded that the U.K. sell its stake. OneWeb is looking for alternative services for six future launches.

Unlike more established operators, which have a relatively small number of satellites in fixed locations about 36,000 kilometers (22,369 miles) above sea level, companies launching LEO satellites place them at heights of 550 to 1,200 kilometers. That makes it easier for the satellites to provide speedy services than those higher in space, says Marco Caceres, an analyst with Teal Group, an aerospace and defense market analysis firm. "They're going to make a lot of these traditional systems dinosaurs overnight," he says, adding that Starlink alone is likely to have 4,500 satellites in operation by the middle of the decade. "They're moving at lightning speed."

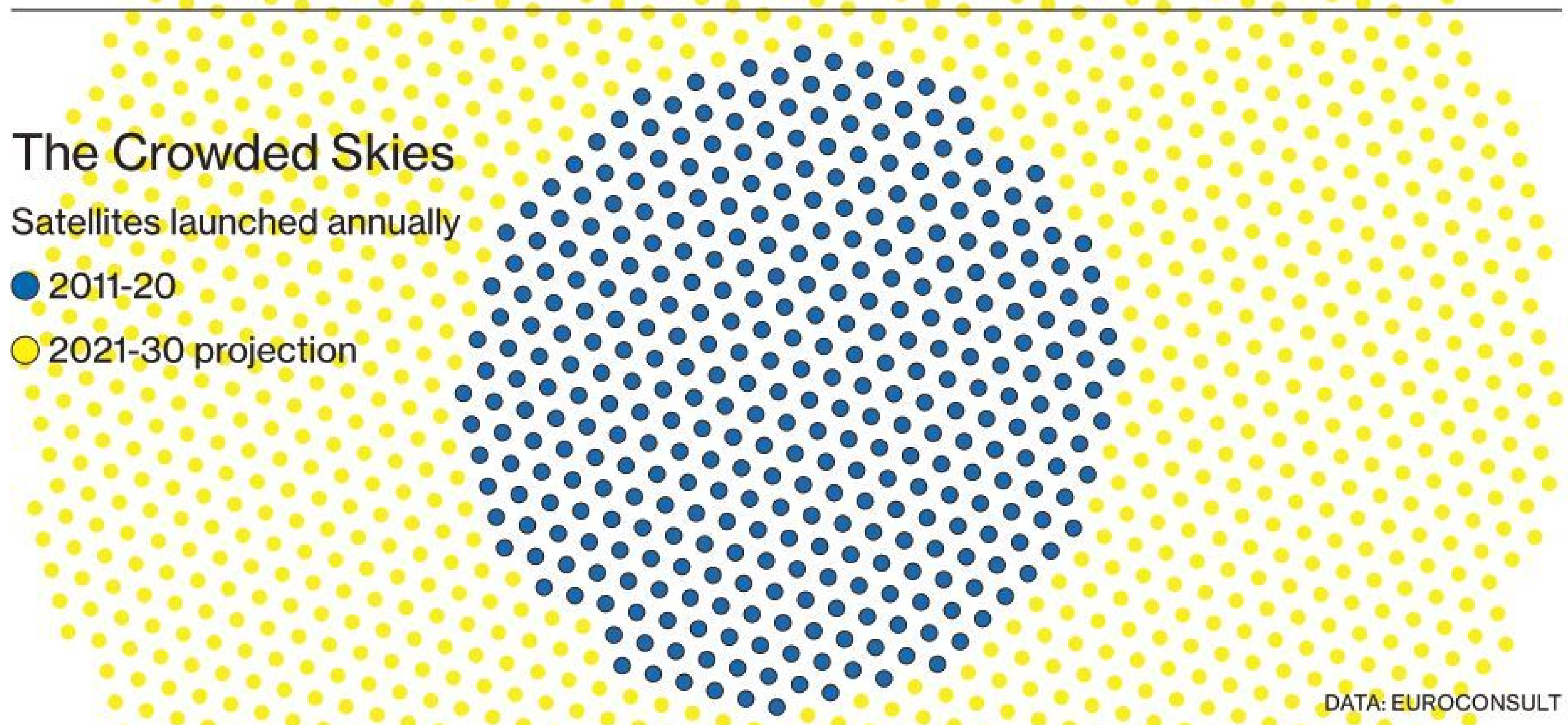
In some cases, maybe too fast. SpaceX began signing up customers in India in 2021 even though it didn't have a license to offer Starlink service there. India's government in January demanded the company return money from would-be customers. As SpaceX works out its entry strategy for India, Reliance Jio Infocomm Ltd.—the telecommunications operator controlled by Mukesh Ambani, India's richest person—in February formed a joint venture with Luxembourg-based satellite operator SES SA to provide internet access via satellites in geostationary and medium-Earth orbits.

While the new satellite companies boast of their ability to reach underserved communities, many will struggle to make their equipment affordable for some target markets, says Bloomberg Intelligence analyst Matthew Bloxham. According to BI, a standard Starlink plan costs $499 for the hardware, plus a monthly fee of $99. But there are other reasons governments are likely to provide financial support for internet via satellite, Bloxham says: "It provides resilience in case of a cyberattack that takes out the regular internet that we know today."

Still, critics say Musk and others aren't considering the risks of having too many satellites in a relatively narrow band above Earth. "What's going on now is there's a race to put up as many as possible for the rights that are implied by having those satellites, even if it's not economically justified, or safe, or sustainable," says Mark Dankberg, chairman of Viasat Inc., a California-based satellite operator of geostationary satellites, which in November agreed to buy rival Inmarsat for $4 billion. As operators attempted to bulk up in response to the challenge from newcomers, M&A deal volume for the satellite industry in 2021 reached its highest level since 2007, according to data compiled by Bloomberg, with companies signing 60 deals worth $18 billion.

The Crowded Skies

Satellites launched annually



China in December said two of Starlink's satellites came dangerously close to its space station. The U.S. said there had been no "significant probability" of a Starlink collision with the Chinese station, but some experts worry that the situation was a sign of what's to come. International agreements governing space date to the 1960s and '70s, when billionaires didn't have their own space programs. "We have so many of these new actors coming on board, and we don't have sufficiently strong international law," says Maria Pozza, a director at Gravity Lawyers in Christchurch, New Zealand, who advises clients on space law and regulation. "We've got a little bit of a mess." —*Bruce Einhorn, Ragini Saxena, and Thomas Seal*

THE BOTTOM LINE Upstarts are betting that smaller, cheaper low-Earth-orbit satellites can bring broadband and mobile service to remote areas of India and embattled countries such as Ukraine.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Facebook's Top Politician

● Nick Clegg has joined the innermost circle at Meta. What, if anything, does that change?

Shortly after Russian troops invaded his country in February, Ukrainian President Volodymyr Zelenskiy sent separate letters to Meta Platforms Inc. Chief Executive Officer Mark Zuckerberg and Chief Operating Officer Sheryl Sandberg. He wanted them to block Russia's state-backed media outlets from posting to Facebook in Ukraine; he also asked that they cut off Facebook and Instagram in Russia itself.

Neither Zuckerberg nor Sandberg responded. Instead, Zelenskiy heard from Nick Clegg, Britain's former deputy prime minister, who's worked the past three years as a high-ranking executive at Meta. Clegg, who spent his political career as a Liberal Democrat, had talked to Zelenskiy several months earlier, on a video chat in which the Ukrainian president pitched him and Sandberg on opening an office in the country. Now, Clegg told Zelenskiy that Meta would block Russian media in Ukraine but would not stop operating in Russia, arguing its services helped people there organize protests and get reliable information.

Clegg was also talking to Russian officials, who demanded that Facebook stop fact-checking posts from state-backed media accounts. When he refused, they first throttled, then blocked the social network from operating in the country, partially doing for Zelenskiy what Clegg wouldn't.

He's remained in contact with Zelenskiy and his staff by email, sending them regular updates on Meta's efforts to protect Ukrainian users from Russian reprisals—with such features as the ability to lock their accounts or hide their friends list—and on the company's decision to block ads from Russian businesses.

Clegg's relationship with Russian President Vladimir Putin's government has been far less cooperative. As the fighting continued, Meta changed its policy temporarily to allow users in Ukraine to call for violence against Russian soldiers in the context of the war, or to make nonspecific calls for Putin's death. Several days later, Clegg clarified that its rules didn't allow for calls to kill any heads of state. Nonetheless, Russia responded by banning Instagram within its borders.

Meta hired Clegg in 2018 to handle high-stakes negotiations with government officials, though it was mostly thinking about lobbying, not wartime maneuvers. Since then he's established himself as one of the company's most influential executives, playing a central role both in its policy decisions and in how it communicates them publicly, according to more than two dozen people familiar with the company, many of whom requested anonymity to discuss private interactions. Just before the war began, Zuckerberg announced he was promoting Clegg to president of global affairs, describing him as the point person on all policy matters and saying he was now "at the level of" himself and Sandberg atop the company.

To a certain extent, this just acknowledged a division of labor that was already in place. But it also formally added a third person to the leadership of an institution that's long been dominated by its top two executives. The role comes with an elevated paycheck: Clegg was awarded a stock package worth about $12.3 million earlier this year, getting almost as many shares as he'd been granted during his first three years at the company combined, according to someone familiar with the arrangement.

In his first interview since the promotion, Clegg describes the structure as a way to smooth out Meta's operations, saying he's making many high-level policy decisions autonomously, while keeping Zuckerberg informed. "It certainly made for efficient decision-making," he says of the first days of the war. "Dare I say I think we moved a little more quickly than we might have done on other occasions."

By making Clegg the public face of the company's policy operation, Meta is effectively admitting that its other top leaders don't want to serve in that role anymore—and that they haven't been so good at it lately. People close to Zuckerberg and ▶

Edited by Joshua Brustein

PHOTOGRAPH BY JESSICA CHOU FOR BLOOMBERG BUSINESSWEEK

◀ Sandberg acknowledge that the public's often negative view of Meta's leaders can undermine the company's messaging. Zuckerberg, in particular, is primarily interested in burnishing his reputation as an innovator, they say, and feels that talking about controversial topics is undermining that image.

"The baton is passing for a very good reason," says Richard Allan, a former member of Parliament in the U.K. who spent a decade as a policy executive with Meta in Europe before leaving in 2019. "Almost the worst bit of the job is making decisions about policy stuff where whatever decision you make you're going to get attacked. Now they have somebody who quite enjoys making policy decisions. That's what Nick's done all his life."

Meta's critics called the announcement little more than a public-relations move, arguing that Clegg is already tainted by his role in years of questionable moves the company has made since his arrival. "He's been there over three years, and really nothing has changed," says Michael Connor, executive director of Open MIC, an advocacy group that works with investors to push for social changes at tech companies. "It's pretty clear that Mark Zuckerberg has burned his bridges with some critical constituencies, including legislators in the U.S. and Europe, so they had to put a new person forward."

Clegg disagrees, of course, saying he wouldn't have taken a job that consisted of "soaking up the flak externally" without any real influence on company decisions. He says Meta has made big changes on misinformation and other issues during his tenure. But even people who've worked with him question whether he's spent too much time apologizing for Zuckerberg without pushing the CEO to make different policy decisions than the ones he would've made anyway. Clegg is popular within the company and has tried to make his mark, says Katie Harbath, a Republican strategist who left her role as Facebook's public-policy director in February 2021 and now leads her own consulting firm. But "it still very much has felt like he's executing on what Mark ultimately decides."

Meta's hiring of Clegg was notable for being the first time a U.S. tech company had hired such a high-ranking European politician. The move had some obvious logic at a time when pressure from European regulators was ramping up. The company was reeling from a series of crises at home as well, mostly over the Cambridge Analytica scandal and the fallout from the 2016 U.S. presidential election. At the least, Meta was getting an executive who would be a credible name, could speak five languages, and could bring gravitas and a non-American perspective to the senior ranks.

Why Clegg would want the job was another question. He'd have to move from Europe to work from Meta's headquarters in Menlo Park, Calif., and would report to a famously controlling CEO who'd have the ultimate say on any important decisions. "He needed to meet Mark and understand where Mark was coming from," says Allan. In the end, the chance to manage the chaos surrounding Meta appealed to Clegg, according to Jonny Oates, his former chief of staff from his time as deputy prime minister. "After you've been in government, it's quite difficult to find jobs that are fulfilling," he says.

During the interview process, Clegg sent Sandberg a memo describing Facebook's main policy challenges. Among his suggested solutions, according to a person who saw the memo, was asking governments and other outside groups to help regulate online speech, relieving Meta of the need to make all those decisions on its own. Clegg then joined her and Zuckerberg at the CEO's home for a dinner that left all three feeling good about working together. Three years later the chemistry seems to persist. "He's a straight shooter," Sandberg says. "I deeply respect him." She describes Clegg as a friend, and she and her fiancé took him and his wife to a Brad Paisley show in October.

Clegg has spent much of his time at Meta navigating its role in policing user speech. Soon after starting, he oversaw the creation of Facebook's Oversight Board, an independent group of experts meant to review some of the company's decisions on content moderation. The following year he was one of the forces behind Facebook's decision to take a hands-off approach on political content, according to two people familiar with the matter. Clegg was the first Meta executive to explain the approach publicly, saying in a September 2019 speech that the company wouldn't fact-check posts from politicians, because their statements were considered newsworthy. The move enraged civil rights leaders, who complained to Sandberg about the policy two days later, according to a person familiar with the matter. Clegg later joined a dinner with some of those leaders at Zuckerberg's house in which Meta tried, mostly unsuccessfully, to placate them.

In May 2020, Joe Biden's campaign complained to Zuckerberg that Meta had "fallen well short" of policing election-related misinformation. Clegg responded, assuring the campaign that combating misinformation was a priority, while defending Meta's approach and offering no changes, according to a copy of the letter *Bloomberg Businessweek* reviewed. Clegg did successfully push for a ban ▶

"Now they have somebody who quite enjoys making policy decisions. That's what Nick's done all his life"

◀ on new political advertisements in the final week of the election, mirroring ad blackouts in the U.K., according to a person familiar with his thinking.

Clegg also played a critical role in what was arguably the single most significant policy decision Meta has ever made: removing Donald Trump from its platforms. After Facebook suspended Trump's account for 24 hours on the evening of Jan. 6, 2021, Clegg worked late into the night assembling a case to make the move indefinite, according to someone familiar with the matter. The following morning he outlined his rationale in a video call with Zuckerberg and Sandberg. They took Clegg's advice, with Zuckerberg announcing the decision later that day in a blog post Clegg helped write.

It was also Clegg's idea to ask the Oversight Board to review the matter. After months of deliberating, the board, which is funded by Meta but operates independently, agreed with Meta's decision but said that suspending Trump "indefinitely" was outside the company's existing policies.

Once again, Clegg was tasked with coming up with an answer. After holding multiple meetings with senior staff, his group decided on a two-year suspension. He presented the decision to Meta's board of directors before it was publicly announced, according to a person familiar with the process.

The controversies over Trump and Meta's role in U.S. politics are far from settled. There are midterm elections this year, which are almost certain to provoke contention over social media. Trump's suspension will also end just as the next presidential race heats up. If he's a candidate, Trump is likely to push the boundaries of Meta's content moderation rules again, reviving to at least some degree its dilemmas from the 2020 election and its aftermath.

Compared with the difficult—and, to many, unsatisfying—decisions Meta has made around U.S. politics, its moves since the start of the war in Ukraine have been relatively easy. Putin faces almost universal condemnation for his military action, and U.S. companies have moved rigorously to cut off the Russian economy. Meta will still have to make uncomfortable calls, though. Its messaging platform WhatsApp remains operating in Russia, and the company could yet face pressure to block it or do something that causes Russia to ban it. Eventually, Meta will also presumably have to decide what it's willing to do to offer Facebook and Instagram in the country again. "We are seeing in recent years Russia moving more in the direction of restricting access to content," says Joshua Tucker, a professor at New York University who runs the school's Center for the Advanced Study of Russia. "My guess is that this [war] will only accelerate it."

Clegg worries that problems arising from the invasion of Ukraine could spill over to internet freedom issues elsewhere. "If Europe and America can't get their act together to come up with new rules of the internet together, what hope have we got to prevent the kind of Russo-Chinese view of the internet—the Balkanized, controlled internet—to become the direction of the future?" he asks.

Meta is already dealing with this issue in India, its biggest market and a country whose approach to internet policy is still evolving. India last February introduced so-called intermediary rules that govern social media entities. These would force tech companies to trace a message's origin, essentially killing encrypted messaging. Meta's WhatsApp service, which has more than 500 million users in India, uses encryption as a core part of its app; it's been an important privacy feature promoted by Meta executives. WhatsApp has challenged the tracing requirements in a lawsuit.

◀ Clegg meets with Zuckerberg and Sandberg at the CEO's California home just before he joined Facebook in 2018

COURTESY OF META

In March, Clegg is making his first official work trip to Europe since the beginning of the pandemic. He plans to meet French and German ministers and European Union regulators in Brussels, among others. Meta is still likely to inspire deep skepticism in Europe. In the U.S. it faces a lawsuit from the Federal Trade Commission, and it's attempting to sell users and policymakers on its vision for the metaverse, its idea for the next generation of computing. The company's public standing may be worse now than it was when Clegg first joined, and he's expecting the end of the era in which governments have taken a largely hands-off approach to social media companies. "In five years' time we will be a far, far more heavily regulated entity," he says. "There are things we'll get wrong. But I do think we're getting a lot more right than many of our critics assume." *—Kurt Wagner and Naomi Nix, with Brad Stone*

THE BOTTOM LINE Meta's new president of global affairs was launched immediately into his first big crisis with the invasion of Ukraine.

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Beijing Nudges Delivery Giants to Help Restaurants

● The country's biggest platforms lower fees for eateries hit hardest by Covid

It's a tough time to run a restaurant in China, as the pandemic enters its third year of holding back the economy. The government has tapped an unlikely source of potential relief, compelling the country's biggest food delivery platforms to cut fees as a sign of willingness to share the pain. But it remains uncertain if the move will even help restaurants and how much it could harm the tech companies.

Meituan, China's biggest food delivery platform, said on March 1 that it would reduce its technology service fee by 50%, capping it at 1 yuan, or 16¢, for merchants in pandemic-hit regions if their daily average user transaction volume has fallen more than 30%. Alibaba Group Holding Ltd.'s Ele.me, the second-largest platform, said on March 2 that it would cut or waive commissions for merchants in areas hit by Covid for at least 15 days.

Their moves are a recent illustration of the impact of Chinese President Xi Jinping's push to get private businesses to contribute to "common prosperity." On Feb. 18 his government issued a plan to aid the ailing service industry, including guidelines for food delivery platforms to cut their fees. In a speech at the opening of an annual legislative session on March 5, Premier Li Keqiang also stressed that the country will "encourage large platform enterprises to lower service fees and lighten the burden on small and medium businesses." The government sees the platforms as "part of its toolkit when trying to absorb the social costs of its zero Covid campaign—and broader macro weakness," wrote Bernstein analyst Robin Zhu in a recent research report.

Investors worry about whether the platforms can do this without undermining their own economic prospects. Like many food delivery companies worldwide, Meituan has grown rapidly but remains unprofitable. On the day the government released its guidelines, investors wiped $26 billion from its market value, and its share price hasn't recovered. Representatives for Meituan and Ele.me did not respond to requests for comment.

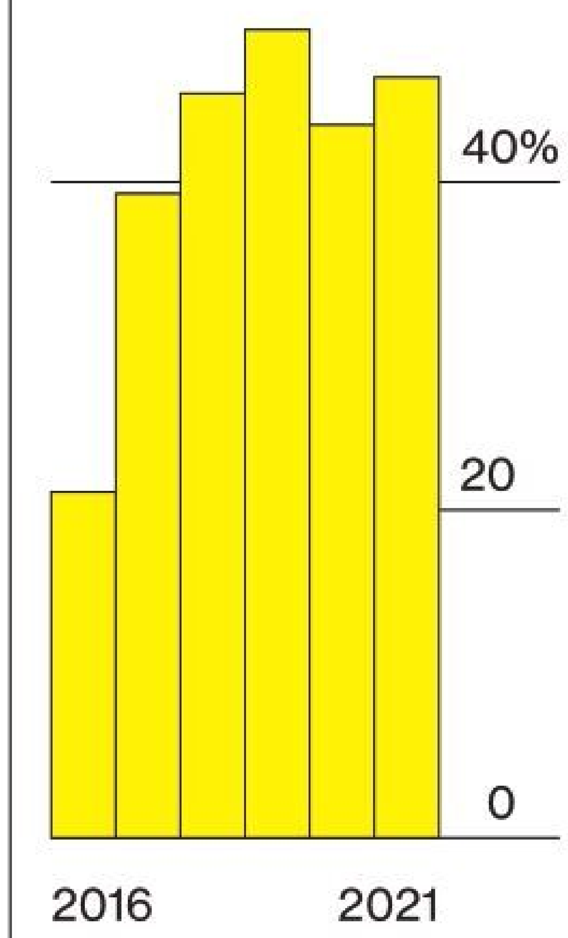
For Meituan, the guidelines are the latest twist after years of scrutiny over its market power, the welfare of its delivery riders, and its impact on the restaurant industry. The company has been accused of exploiting merchants by charging high commissions and forcing them to sign exclusive contracts. It disputes such criticism but began to make changes when China's top market regulator made it the target of an antitrust investigation in April 2021.

The month after the investigation started, Meituan rolled out pilot reforms to make its fees more transparent. It now says that 70% of merchants on the platform can see the breakdown of its fees, which include charges for its technology service and, for those using its delivery services, labor costs based on order value, distance, and time of delivery.

The antitrust investigation resulted in a $530 million fine in October 2021, with the government citing monopolistic behaviors such as the exclusivity requirements. Meituan's reforms haven't gone far enough for some restaurant owners. "We want Meituan to lower the fees, not just make it more transparent," says Sam Wang, a milk tea shop owner in Chengdu. He complains he pays 21% of his order value in fees, which he has trouble avoiding because 40% of his shop's total orders are now delivered.

The latest reductions are unlikely to satisfy critics in the restaurant industry. Aside from being temporary, they only apply to relatively small areas where the economic impact of the pandemic has been the most severe. Liu Hui, who runs a hot pot restaurant in Shenzhen, isn't eligible for the fee reduction. He's aware of how little leverage he has to work out a better deal in the absence of government action. "Meituan never negotiated with us," he says. "Love it or not, the platform is not short of merchants."
—Vicky Feng and Jane Zhang, with Coco Liu

▼ Share of internet users in China who order meals online



▲ A restaurant dispatches a Meituan delivery

THE BOTTOM LINE Guidelines to get food delivery platforms to lighten the burden on restaurants are putting the already unprofitable tech companies in a difficult spot.

YANG HUAFENG/CHINA NEWS SERVICE/GETTY IMAGES. DATA: CHINA INTERNET NETWORK INFORMATION CENTER, AS OF JUNE OF EACH YEAR

The Great London Nickel Melt-Up

● Eighteen minutes of chaos sent prices for a key commodity soaring—and nearly ruined many of its traders

It was 5:42 a.m. on March 8 in London when the nickel market broke. At that time of day, bleary-eyed traders are typically just glancing at prices as they swig coffee on their way to the office.

On this day, however, metal traders across the city were glued to a screen, watching the price action on the electronic market, which was already open to accommodate Asian trading. Nickel prices usually move a few hundred dollars per ton in a day. For most of the past decade, they'd traded between $10,000 and $20,000.

Yet the day before, the market had started to unravel, with prices rising a stunning 66%, to $48,078. Now the traders watched with a mixture of horror and grim fascination as the price went vertical. Already at an all-time high by 5:42 a.m., it lurched higher in stomach-churning leaps, soaring $30,000 in a matter of minutes. Just after 6 a.m., the price of nickel passed $100,000 a ton.

For participants in commodities exchanges, a price rally is not necessarily good news. Miners, traders, and manufacturers often use the market to make short bets—that is, to make money when prices fall. And when those wagers move violently in the opposite direction, they can be hit with huge margin calls, or requests to put down more cash to back their trades. The head of one London metals brokerage recalls feeling sick as he watched the moves, realizing what the spike would mean for his company, the market, and the global metals industry. "Those 18 minutes will haunt me," says the executive, who wasn't authorized to speak publicly.

Nickel's 250% rise in little more than 24 hours plunged the industry into chaos and led the London Metal Exchange to suspend trading for the first time

Edited by Pat Regnier

PHOTO ILLUSTRATION BY 731; PHOTO: BLOOMBERG. DATA: COMPILED BY BLOOMBERG. TIMES IN GMT in three decades—nickel didn't trade again until March 16, with new daily limits on how far prices could move. It marked the first major market failure since Russia's invasion of Ukraine, showing the ripple effects of the removal of one of the world's largest exporters of resources from the financial system.

The spike was driven in large part by a short squeeze centered on Chinese tycoon Xiang Guangda, who'd amassed a big wager that nickel prices would fall through his company Tsingshan Holding Group Co. In a squeeze, rising prices put traders betting on a drop in an ever-tougher financial position, forcing them or brokers and banks doing business on their behalf to buy the asset, a trade known as short covering that can drive prices even higher. Others in the market may also push up prices in anticipation of that short covering. The wild rise of nickel drew comparisons to the short squeezes in meme stocks such as GameStop Corp. that gripped retail investors for much of last year.

The difference is that nickel is a commodity that touches the entire global economy. The metal is found in all our homes as a key ingredient of stainless steel. It's also one of the most important raw materials in making batteries for electric vehicles. "This was the most disorderly move in a metal I've seen in my career," says Mark Hansen, chief executive officer of trading house Concord Resources Ltd. "We had a frenzy based on speculation that accelerated on Monday and Tuesday. People forgot that this isn't a video game retailer; it's an important physical commodity."

The seeds of the epic short squeeze were sown last year, when nickel, like all commodities, was rallying from its Covid-era low. Xiang didn't believe the rally would last. He started increasing his short position on the London Metal Exchange. The LME's history dates back to the early 19th century, when metal traders drew a circle in the sawdust on the floor of the Jerusalem Coffee House in the City of London. Today, in addition to its electronic market, it's one of the last exchanges where brokers still gather in person to yell orders at one another for part of the day. Its participants are a mix of industrial metals companies, which tap the market to offset their price risks, and hedge funds, which use it to speculate. Still, contracts on the LME are backed by metal in a network of warehouses around the world, a direct link with the real-world industry.

Xiang isn't just a financial trader making paper bets on prices. He's in the physical nickel business. Born in 1958, he started out making frames for car doors and windows in Wenzhou, in eastern China. He went on to pioneer methods for producing nickel and stainless steel that upended the markets and made his Tsingshan the world's largest producer of both. People who know Xiang, who's nicknamed "Big Shot" in Chinese commodity circles, say he doesn't hesitate to bet big on his visions for the future. (This account of events in the market is based on dozens of interviews with people involved, many of whom requested anonymity discussing private matters.)

Why bet against nickel when you have a nickel business? Xiang wanted to raise Tsingshan's production dramatically by producing so-called nickel matte for electric vehicle batteries. The company had plans to produce 850,000 tons of nickel in 2022, an increase of 40% in a year, according to a person briefed on them. While few observers believed Xiang could reach that level, he was confident. But the obvious consequence of so much nickel hitting the market, he believed, would be a fall in its price.

Not everyone shared his pessimism about prices. Some hedge funds were buying nickel contracts in a bet on the electric vehicle boom. The giant commodity trader Glencore Plc also had a position on the LME that would benefit from rising prices. By early this year, it had taken ownership of more than half of the available nickel in LME warehouses.

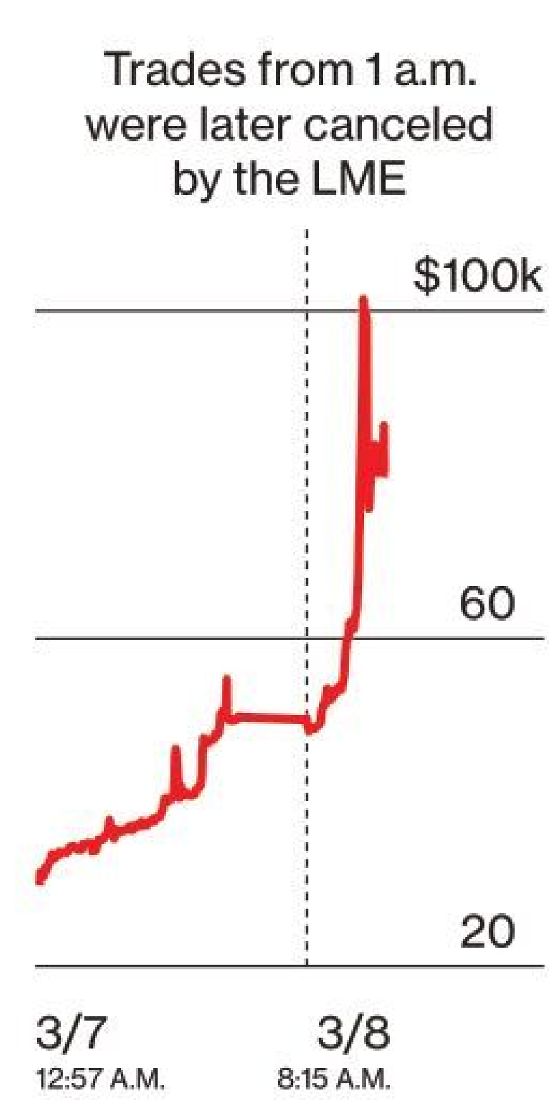
Everything changed when Russia invaded Ukraine. Russia is the world's third-largest producer of nickel and its largest exporter of refined nickel metal—the type deliverable on the LME. While Russia's nickel exports haven't been targeted by sanctions, U.S. and European buyers have sought alternatives to Russian sources.

Nickel's price moved sharply higher in the week after Russia's invasion. For Xiang's big short position, that was painful—and would have triggered margin calls. It's not clear to what extent Xiang saw his short position as merely a hedge of Tsingshan's physical nickel inventories or as a speculative bet. The annals of commodity markets are full of tales of producers and traders that blurred the lines between hedging and speculation and ended with billion of dollars in losses.

In late February and early March, Tsingshan, which had sales of 352 billion yuan ($55 billion) last year, paid its margin calls on time. Then, on March 7, nickel's price began its parabolic ascent. LME brokers and their clients were hit with margin call after margin call. Several large brokers got margin calls of close to $1 billion each.

Tsingshan's were even larger, numbering roughly $3 billion, according to a Bloomberg calculation based on the company's total short position—which, even after Xiang had closed out a portion of the bet in previous weeks, was over 150,000 tons. The company paid at least some of its margin calls early ▶

▼ Nickel, price per metric ton



◀ on March 7, according to a person familiar with the matter. But its obligations dwarfed its available cash and bank credit. As the price rose in London the day after offices in Asia had closed, Tsingshan started struggling to pay, the people say.

That put Tsingshan's banks and brokers in a bind. They had offset their deals with Tsingshan by placing their own short positions on the LME. Now they had to pay big margin calls on the exchange while receiving no margin from their client. Some started hurrying to buy back nickel contracts, sending the price of the metal spiraling ever higher. It was a classic short squeeze, as the pain for Tsingshan, its brokers, and other shorts created a self-reinforcing cycle.

Matthew Chamberlain, the LME's CEO, stayed up to watch the market open at 1 a.m. on Tuesday, March 8. Things seemed calm at first, and he went to bed. He was awakened by a phone call at 5:30 a.m. The nickel market was anything but calm. The LME convened its "special committee" at about 6 a.m. and decided to suspend trading. At 8:15 a.m., the screens stopped flashing, hours before the in-person pit trading session was even set to begin. The price was frozen, below the record high but still at $80,000 a ton. Chamberlain and other executives at the exchange soon began receiving frantic phone calls from LME brokers.

By now, Tsingshan wasn't the only nickel company that was struggling—just the biggest. Many producers, traders, and users of nickel were facing margin calls many times larger than they were prepared for. "When it was flying towards $100,000, you could feel the damage, and you knew companies were fighting for their existence," says John Browning, founding partner of brokerage Bands Financial Ltd. and a former LME board member.

At nickel's current price, the brokers themselves wouldn't be able to pay their margin calls, they told the LME. Four or five of the brokerages that are LME members would have failed, a shock that could have ravaged the global metals industry. The March 8 price move "created a systemic risk to the market," the LME said two days later. Still, Chamberlain told Bloomberg Television on March 9 that the LME's solvency was never in doubt.

The LME made a near-unprecedented decision. It would cancel all the trades that took place on Tuesday morning—$3.9 billion of them, according to a Bloomberg calculation. Exchanges sometimes cancel trades when technology glitches or "fat fingers" cause one-off mistakes. It's extremely unusual for an exchange to cancel whole sessions after the fact. Crucially, the decision meant traders wouldn't need to pay margin calls on the basis of the $80,000 nickel price. Effectively, it rewound the market to the moment when prices closed on Monday at $48,078.

The fallout was immediate. Investors who'd booked trades during the chaotic session in the early hours of Tuesday were furious. Among them were some of the biggest names on Wall Street. Executives from Goldman Sachs Group Inc. voiced their displeasure at the decision on a call with Chamberlain. Others took to social media. "For the LME to cancel nickel trades between willing buyers and sellers is unforgiveable. UNFORGIVEABLE," tweeted Mark Thompson, a former trader at Trafigura and Apollo Global Management. The LME's Chamberlain defended canceling the trades. "The prices that were being seen during that Asian session were becoming disconnected from, I believe, physical reality," he told Bloomberg Television.

Most market participants expect prices to come back down once the crisis around Xiang's position has been resolved. On March 14, a week after trading had been suspended, Tsingshan announced a standstill agreement from JPMorgan Chase & Co. and other banks that would allow it to maintain its short bet. Prices tumbled by the maximum allowed on the first, glitchy day of trading. Ironically, if Xiang weathers the storm, Tsingshan's nickel-producing assets stand to benefit if prices stay high, offsetting losses from the short.

"When it was flying towards $100,000, you could feel the damage"

The LME has seen trouble before, from a 1985 crisis in the tin market to an incident when a trader at Sumitomo hid more than $2 billion in losses. Those messes forced reforms on the exchange. Now, people familiar with the matter say, the exchange is likely to introduce such measures as position limits and greater transparency. But the effects of the short squeeze are likely to be felt in other ways. Some aggrieved traders are already preparing to take legal action. Some are also making plans to abandon the LME nickel contract, a move that would reduce market liquidity, making it harder for everyone from miners to car companies to manage their exposure to prices and gain access to financing.

Concord Resources' Hansen argues that financial investors who traded nickel last week should have been prepared for the LME to step in. He draws a comparison with "Silver Thursday," the day in 1980 when an attempt by the Hunt brothers to corner the silver market came unstuck. A key factor then was the intervention of the exchange. "The LME at the end of the day is a physical metal market," he says. "Anyone using the LME needs to understand that. It's not just a casino." —*Jack Farchy, Alfred Cang, and Mark Burton*

THE BOTTOM LINE After a short squeeze caused nickel prices to go vertical, the exchange chose to cancel trades to keep some market participants from going under.

Inside the Secretive Firm That Makes Markets

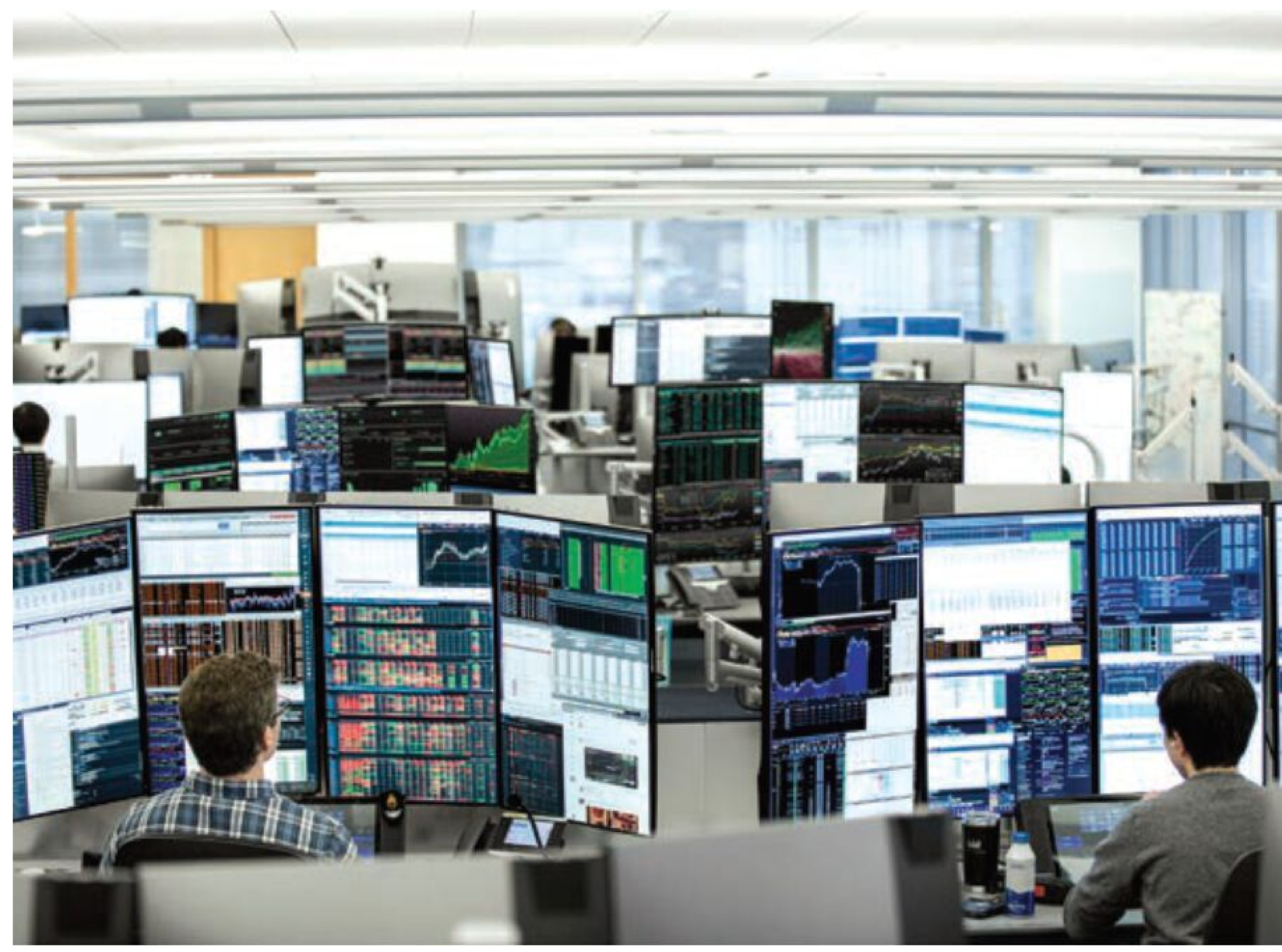
● Citadel Securities, which handles about 40% of U.S. retail trades, just had a banner year. Not everyone is applauding

Citadel Securities LP was thrust into the spotlight in 2021, with day traders, lawmakers, and regulators all scrutinizing the firm at the center of one of the U.S. stock market's wildest periods. They're about to learn that amid the uproar, the financial giant had its best year ever.

Billionaire Ken Griffin's stock-trading powerhouse posted record revenue of $7 billion as frenzied bouts of volatility helped drive up earnings. The figure, disclosed by people familiar with the matter who declined to be named discussing private information, topped the firm's previous record of $6.7 billion in 2020, when the pandemic upended global markets. Inside Citadel Securities, the haul is reason to celebrate. But it also highlights an emerging problem that senior executives seem acutely aware of: The bigger it gets, the bigger the target on its back.

With ambitions to grow even more, the company is starting to crack open its previously sealed doors to respond to its critics. In interviews, managers addressed concerns that the firm is too dominant, discussed rumors of an initial public offering, and hinted at plans to expand into businesses that Wall Street banks have long controlled. "You get to a point where staying under the radar is no longer an option," says Chief Executive Officer Peng Zhao. "We want to be able to tell our own story, rather than having the story told about us."

Many are seeking to frame the Citadel Securities narrative. U.S. Securities and Exchange Commission Chair Gary Gensler has questioned whether retail investors are being disadvantaged because equities trading is so concentrated among Citadel Securities and a few similar companies. After the firm's starring role in last year's meme stock frenzy, Griffin was hauled in front of Congress, where one lawmaker likened Citadel Securities to a casino and another called it a "shark." Just this month, Jon Stewart threw some jabs at the company on his new streaming show.



▲ Citadel Securities' Chicago headquarters

As a market maker, Citadel Securities is one of the behind-the-scenes companies that actually fill the orders of brokerage customers and institutional investors. It facilitates trading by stepping in as a buyer or seller, earning tiny profits on price differences, often within milliseconds. The business Griffin built from a small group adjacent to his hedge fund, also called Citadel, has expanded into one of the biggest trading houses in the world, handling about 40% of all U.S. retail trading volume and one in every four U.S. equities trades.

But even that isn't enough for the ultra-ambitious Griffin, who is said to frequently check that Citadel Securities remains atop a ranking of market-making rivals such as Virtu Financial Inc. and Susquehanna International Group. Griffin, with a net worth topping $30 billion, has a reputation for driving an intense, competitive culture. Zhao recalls how he was in his second year at the firm as a low-level quant in 2007 when Griffin drafted him to help build out models of mortgages. What Zhao thought would be a few hours of work turned into a three-month sprint, ▶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◀ with Griffin physically moving into Zhao's office.

"For many weeks Ken was looking over my shoulder, hovering above my keyboard, putting out statistical analysis, models, and graphs," says Zhao, 40, who has a Ph.D. in statistics from the University of California at Berkeley, speaking in his first-ever in-person interview with a news organization.

Now the company plans to add business in Europe and Asia. It also wants to be a major liquidity provider in the exploding cryptocurrency market, a goal underscored by the $1.15 billion it recently received from two prominent Silicon Valley investors. That deal, valuing the firm at $22 billion, could also herald an IPO—propelling it into the very stock markets where it's such a dominant player.

Citadel Securities executives don't dismiss an IPO, but they say a listing isn't on its immediate agenda. Still, the step would help it build on its expansion, particularly with institutional clients who typically route their orders through Wall Street banks, Chief Operating Officer Matt Culek says. The firm has already signed 250 clients to the institutional equity options business it launched in 2020 under former Deutsche Bank AG executives Dave Silber and Jason Roelke. Customer volumes in the group soared 90% in the fourth quarter from a year earlier.

That has investment banks worried. After ceding retail market-making share to Citadel Securities, unable to compete on technology and hamstrung by rules from after the financial crisis, they're staring at a fresh threat to the business they typically handle from such clients as hedge funds and pension investors. The firm is also unsettling Wall Street's efforts to retain its best talent.

Citadel Securities hired a top trader from Citigroup Inc. in January, and Goldman Sachs Group Inc. executives identified the company as a bigger threat than its long-established European rivals at an internal trading division meeting last year. "They have won so profoundly," says Paul Rowady, director of research at Alphacution Research Conservatory, a market structure research and advisory company. "Banks and smaller rivals have not been able to compete at the cutting edge of technology and attracting talent—that train has already left the station."

Expansion is bound to draw more scrutiny to the firm. Its market presence is so critical it could pose a threat to financial stability if its systems falter, some say. Much of the meme stock controversy centered around market makers' practice of paying brokerages to have trades directed their way for execution, known as payment for order flow (PFOF). This money has allowed brokers like Robinhood Markets Inc. to cut commissions down to zero and helped fuel the popularity of trading apps among small investors. That's why some see PFOF as a key ingredient of last year's frenetic, Reddit-inflamed trading.

This market setup has drawn critics, including Massachusetts Senator Elizabeth Warren, who has said the company profits at the expense of customers during periods of extreme market turmoil. Gensler alluded to the possibility of banning PFOF, saying it puts investors at an information disadvantage and may not get them the best price on trades. Griffin has defended the practice, saying it helps democratize finance and that it's actually a "cost" to the firm.

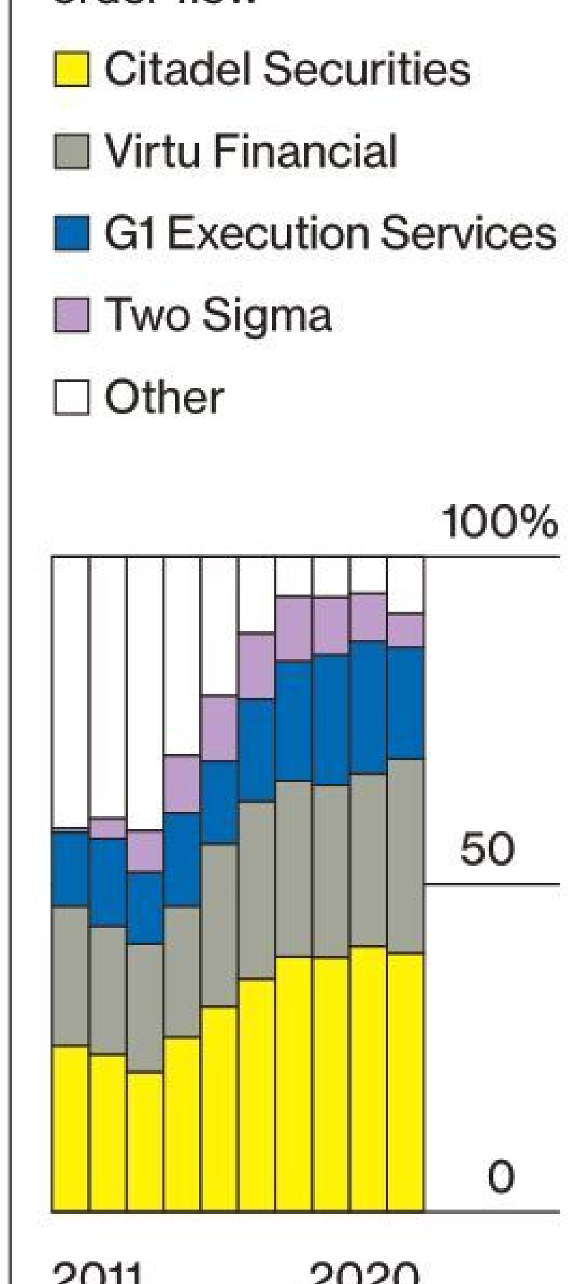
When asked about the controversy, Citadel Securities executives zoom out from some of the thornier issues. They echo Griffin's comments on the benefits of PFOF. Joe Mecane, head of execution services, says retail investors get better prices because of the way the market works now. Executives also speak of misconceptions about the firm. "All of a sudden we find our name on venues and getting mentioned in places we weren't mentioned before—it's something we weren't planning for," said Zhao, when pressed about the meme stock craze. "We are focused on making the best decisions, regardless of whether our name is being mentioned or not."

At its offices on the 37th floor of the Citadel Center in downtown Chicago, display cases exhibit artifacts dating from long before the algorithmic trading era Citadel Securities helped drive: ticker tape from the Wall Street crash of 1929; a green jacket dating to the 1980s, when traders endured the boisterous pits of the Chicago Board of Trade. From its original focus on equities and options, the company has expanded, including into interest-rate swaps and Treasuries, two businesses that were largely dominated by banks, COO Culek says.

On those trades, the firm has winnowed down the speed of liquidity—how long it takes to get trade prices back to clients—to one-tenth of a second. Executives say there's more to come. "There is still a very large percentage of the world's asset classes that don't trade electronically," says Jamil Nazarali, head of business development. "Most of our growth is ahead of us." —*Katherine Doherty*

THE BOTTOM LINE The meme stock craze thrust behind-the-scenes trading giant Citadel Securities into an unaccustomed spotlight. It has ambitions to expand its reach in more markets.

▼ Share of U.S. retail equity market making, based on payment for order flow



DATA: ALPHACUTION, BLOOMBERG, U.S. SECURITIES AND EXCHANGE COMMISSION, COMPANY DATA. MEASURES WHOLESALE EQUITY MARKET MAKERS

Where Does It Hurt?

● It's difficult to get a read on the impact of sanctions on Russia's economy

In a televised address on March 16, Russian President Vladimir Putin said Western powers have subjected his country to an "economic blitzkrieg" of sanctions. But for Russia watchers attempting to get a read on the scale of the damage, there's not much to go on yet.

At the start of the pandemic, many analysts turned to unconventional indicators such as mobility and traffic-congestion figures provided by the likes of Google and TomTom NV—the Dutch GPS maker—to gauge the economic impact of Covid-19 in real time. But for Russia they need a new playbook, because these so-called high-frequency datasets aren't proving as useful.

"It's not so much about movement restrictions," says Natalia Gurushina, chief economist for emerging-markets fixed-income strategy at Van Eck Associates Corp. in New York. Rather, "it's about adjusting spending patterns" as the value of the Russian ruble collapses (it's down almost 30% against the U.S. dollar since January); foreign-owned chains including Ikea, McDonald's, and Starbucks close their doors; and the flow of imported goods dries up.

So far, what little data are available suggest a sharp increase in consumer prices and a surge in spending as households attempt to stockpile imported goods that may soon be in short supply. One indicator: weekly numbers on consumer transactions from Sberbank, Russia's largest lender. They show spending increased 20% in the week through March 12, compared with a year earlier, which was double the rate in the week before the Ukraine invasion. The jump was especially pronounced in several categories of goods likely to be imported from elsewhere, such as auto parts, consumer electronics, furniture, and medicines.

"What we've seen in Russia during previous crises, like in February 2020 and in November and December 2014, is household spending tends to rise quite sharply, because households try to beat the big drop in the currency," says Liam Peach, an economist covering emerging markets at Capital Economics in London.

As in most countries, many of the economic indicators that the Russian government maintains

Edited by Cristina Lindblad

ILLUSTRATION BY DEREK ZHENG. DATA: SBERBANK, RUSSIA FEDERAL STATE STATISTICS SERVICE are published with at least a one-month lag. This means official statistics like imports and exports for the month of March, or first-quarter gross domestic product, won't be available until mid-May.

A Bloomberg Economics "nowcast" of Russian GDP suggests that, as of March 10, the economy had already contracted 2%. The model relies on daily financial-market data such as oil prices, corporate bond yields, the exchange rate, and stock prices to get a read on economic activity. But even there, data availability presents a problem, because the Russian stock market has been closed since the sanctions were imposed.

In the meantime, analysts are turning to whatever numbers they can get their hands on, especially if they speak to Russia's rapidly changing relationship with the global economy. The country's nonfood retail market relies heavily on imported goods, which made up 75% of the total in 2020, according to a report in November by the Higher School of Economics in Moscow. Finding ways to keep a close eye on the physical movement of goods—especially oil and gas exports, which have so far escaped sanctions—has become critical for understanding what's happening there. "People are using satellite data. They're tracking shipping movements," Gurushina says. "If you want to look at real-time data, that would probably be a pretty good indicator of supply shocks hitting the economy."

The impact on employment may be the hardest to determine. Some companies have said they're halting production in Russia and have sent employees home, but they'll continue paying salaries for now. In the pandemic and other crises, "the prevalence of state-owned enterprises damped the spike in unemployment," says Scott Johnson, who covers Russia for Bloomberg Economics. "Russian companies have tended to retain head count, either voluntarily or under political pressure. We see a bigger impact on hours worked, and inconveniently the data on hours can come out months after the main employment figures. We may not get a full sense of that adjustment until the worst is long over."

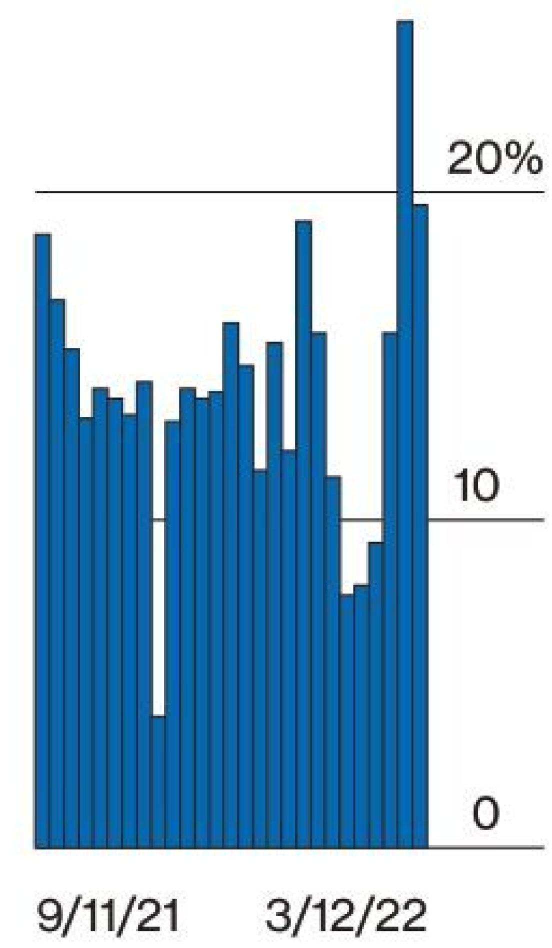
One official statistic is more timely: the consumer price index. Russia's Federal State Statistics Service publishes weekly CPI data, and the first read on prices post-sanctions—covering the week through March 4—showed a 2.2% increase, marking the biggest one-week jump in prices on record, in data dating to 2008. A second week's worth of data, through March 11, indicated an additional 2.1% rise in prices, bringing total post-invasion inflation to 4.4%.

Another is daily banking system liquidity published by Russia's central bank. It showed $14 billion of withdrawals in a single day when the invasion began, followed by continued outflows in the days thereafter. But since March 9, cash balances have been rising again. That's "pointing to some respite in relation to the initial shock to the financial system," Ivan Tchakarov, an economist at Citigroup Inc., said in a March 15 report.

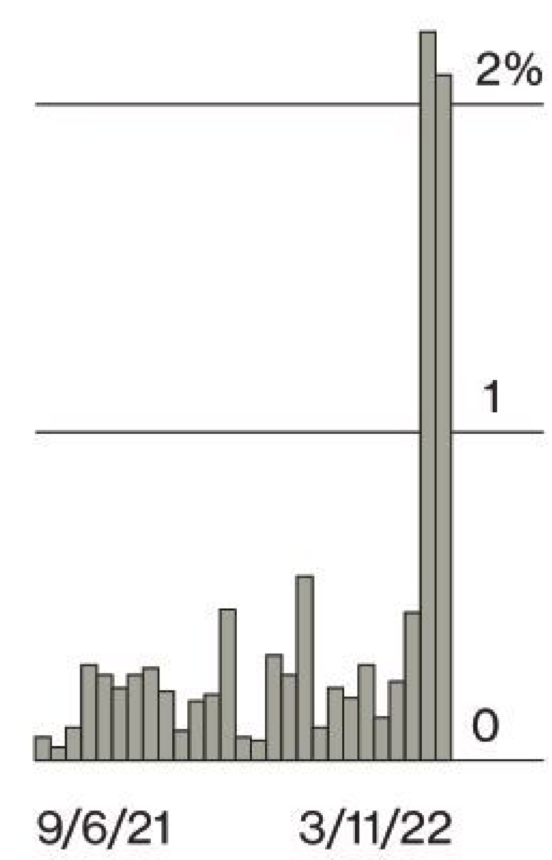
Peach says GDP will probably fall 12% as a result of the sanctions, and he expects inflation to rise to about 20% by midyear. "The fall in the ruble has been very sharp, and that seems to be feeding through to inflation very quickly as well," he says. "We are likely to see in the coming months a clear impact on consumer confidence and household spending, because of these goods shortages and the rise in prices." —*Matthew Boesler*

THE BOTTOM LINE Economists are prospecting for high-frequency datasets to gauge how economic activity is being affected by attempts to cut off Russia from the rest of the world.

▼ Weekly consumer spending in Russia, year-over-year change



▼ Russia consumer price index, weekly change



China's Lockdowns Threaten Global Growth

● More than 45 million of the country's citizens are now prohibited from leaving their homes

The global economy—already struggling with war in Ukraine and the resulting turmoil in oil and other commodities markets—is bracing for greater disruption as China scrambles to contain its worst outbreak of Covid-19 in the two years since the pandemic began.

The country has demonstrated remarkable success in bringing spikes in infections under control. Now the geographic spread of cases and higher transmissibility of the omicron variant is challenging its zero-tolerance strategy of aggressive testing and locking down whole cities or provinces.

If China fails to contain omicron's spread, further movement restrictions would derail ▶

◀ the economy's promising start to the year, weakening a key pillar of global growth. "The outbreaks impose downside risk to China's economy at least in the next few months," says Zhiwei Zhang, chief economist at Pinpoint Asset Management in Hong Kong. "A China slowdown would exacerbate the risk of stagflation and global supply chain problems."

Any disruptions in China's exports could fan inflation internationally, adding to the challenge for the Federal Reserve and other central banks that are attempting to tame inflation with interest-rate hikes without tipping their economies into recession.

In a March survey of fund managers by Bank of America Corp., 62% of respondents said they expected to see stagflation in 2022, up from 30% in the previous month's poll. "You take all these little paper cuts and you start to add them up, and you could be looking at a potential significant slowing of the global economy," says Jay Bryson, chief economist at Wells Fargo & Co.

Much depends on how quickly China can contain the virus. The nation reported more than 5,000 new infections on March 14—the highest since the early days of the pandemic. While a small outbreak by global standards, it's prompting officials to lock down additional cities: More than 45 million Chinese are presently restricted from leaving their homes.

Shenzhen's 17.5 million residents were put into lockdown on March 13. The city is located in Guangdong province, a manufacturing powerhouse with a gross domestic product of $1.96 trillion, about equal to that of Spain and South Korea. Guangdong's exports of $795 billion in 2021 accounted for 23% of China's overall shipments that year, the most of any province.

Bloomberg Economics warns that the restrictions in Shenzhen could inflict the heaviest coronavirus-related blow to China's growth since a nationwide lockdown in 2020. "This lockdown will hit output in key industries such as tech and machinery that feed into global supply chains," says Chang Shu, chief economist for Asia.

On March 14 residents in northeastern Jilin province were instructed not to travel. The region of 24 million people is home to Changchun, an industrial hub of some 9 million that accounted for about 11% of China's annual car output in 2020.

Beijing has vowed to make virus controls more targeted and shorter. Shenzhen's lockdown is supposed to last only a week, during which time the entire population will be tested three times. And in the export hub of Dongguan, officials have said factories outside the highest-risk districts can continue operating if they keep staff in a bubble with regular testing.

▲ Shenzhen residents queue up for Covid tests

In Shanghai, China's main financial hub, Deputy Secretary General Gu Honghui told reporters on March 14 that "there's no need to lock down the city" at the moment. Instead, workers in the Pudong district—home to the country's main stock exchange—have been instructed to work from home. Intercity bus service has been suspended, and about 100 international flights will be diverted away from the city starting on March 21 to ease pressure on quarantine hotels and isolation facilities.

Nonetheless, manufacturers are taking a hit. Apple Inc. supplier Hon Hai Precision Industry Co., also known as Foxconn, announced it was halting production at its sites in Shenzhen, while automakers Volkswagen AG and Toyota Motor

IMAGINECHINA

Corp. have temporarily idled some production lines in Jilin.

Recently released data on household spending and investment by state-owned companies indicated China's economy was off to a strong start in 2022. But economists cautioned that those readings are already in the rearview mirror given developments since the end of February. Morgan Stanley cut its growth forecast for the year to 5.1%, below the government's target of about 5.5%.

Reports that congestion is starting to build at some Chinese ports come just as U.S. West Coast ports are beginning to process some of the pandemic backlog, helped by a lull after the Chinese New Year holidays. About 20% of the cargo coming into the busiest container gateways in the U.S. is estimated to be from the Shenzhen region, according to a spokesman for the Port of Los Angeles.

The global impact of Covid-related shutdowns in China could be similar to the blockage that roiled supply chains when a container ship blocked the Suez Canal last year, according to Stephanie Loomis, vice president for international procurement at freight forwarder CargoTrans Inc. "If they don't let any of these guys go to factories and produce goods, then nothing will move," she says. "It'll just stop." *—Enda Curran and Tom Hancock, with Katia Dmitrieva, Laura Curtis, and Reade Pickert*

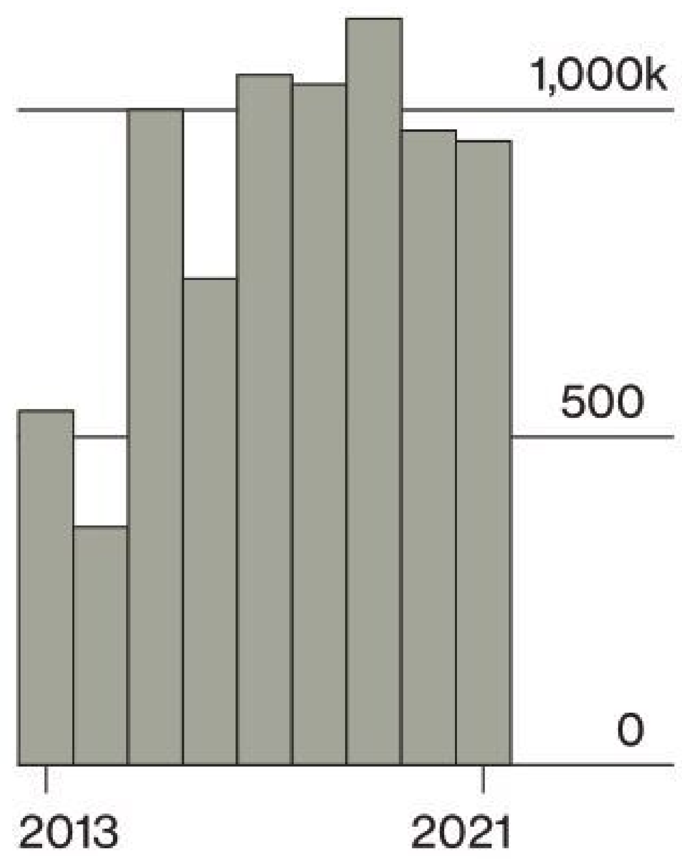
THE BOTTOM LINE Supply chain kinks caused by lockdowns in Chinese manufacturing hubs could make it more difficult for central banks to tame inflation without inducing recessions.

Falling Off The Work-Permit Cliff

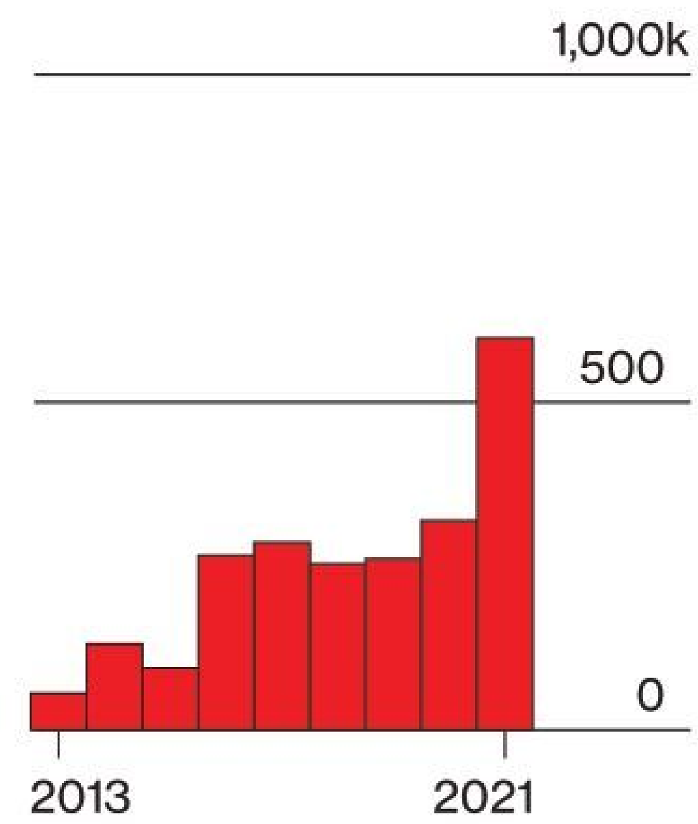
● Delays in processing renewals are costing some foreign-born workers their jobs

A Snowball Effect

Work-permit renewal applications processed annually



Cumulative backlog of renewal applications since 2013



Estimated processing times on work-permit forms for green-card applicants

Office	Months
California	20-21.5
Nebraska	12-14.5
Potomac*	10.5-12
Vermont	9-12.5

*FOR ASYLUM APPLICANTS. PROCESSING TIMES ARE AS OF MARCH 16. DATA: U.S. CITIZENSHIP AND IMMIGRATION SERVICES

Every 15 days, Naina Arora checks a U.S. federal government website to see when she'll be allowed to work again.

Arora, the wife of an H-1B visa holder, has been on unpaid leave from her job in the operations department of a major health insurance provider in Pasadena, Calif., since October, when her work permit expired. She'd applied for a renewal in advance, assuming it would take something similar to the three months it had taken her to get her first one in 2019.

Instead, the average processing time listed on the website for cases such as hers continues to increase—from 5½ months, to 7½, to 12½. After countless calls to the U.S. Citizenship and Immigration Services (USCIS) case hotline, she finally reached an employee. As she recalls, this is the response she got: "I'm so sorry, it's just bad luck, and we cannot do anything about it. Just wait and pray."

Unprecedented delays in approving work-permit renewals are routinely leaving Arora and other immigrants in limbo. The government doesn't keep statistics on how many people have had their permits expire while waiting for a renewal, but officials estimate that, at its worst in January and February, hundreds per day were losing permission to work.

Work permits, which generally last two years, are automatically extended for 180 days once holders have applied for a renewal. That safeguard, put in place in 2017—at a time when it took an average of five months to process work permits—was supposed to avoid exactly this sort of problem. But it's often now insufficient.

The lucky ones, such as Arora, are placed on unpaid leave, losing their income and also their driver's license. The less fortunate ones are fired and must resort to working off the books to make ends meet. "I was working an under-the-table job, because I didn't have any valid documentation," says one home health aide, who requested anonymity. "So this waiting period has caused us to become illegal employees."

The people most affected by the work-permit cliff are immigrants waiting for decisions on their applications for asylum or green cards—for which ▶

◀ there are also long delays. "We inherited a ship with a bunch of holes punched through the hull," says a USCIS official, who requested anonymity to speak candidly. "Now we've patched up those holes, and we're doggedly bailing out water so we can truly right the ship for the long haul."

USCIS found itself on the verge of fiscal collapse in the summer of 2020; its budget is largely funded by application fees, but applications had plummeted because of the Covid-19 pandemic and Trump-era restrictions on immigration. While the agency avoided widespread furloughs, it instituted a hiring freeze that wasn't lifted until well into 2021.

At the same time, the shutting down of in-person offices for months in 2020 prolonged already-growing processing times. Then, in the summer of that year, the Trump administration created a regulation that turned the two-page work-permit application (which the agency claimed took about 12 minutes to complete) into a seven-page one.

The renewal backlog almost doubled in the fiscal year ended Sept. 30, 2021. The government processed only half the work-permit renewals it received from green-card applicants and asylum-seekers.

The only information immigrants have about how long it may take until they get their new work permit is the USCIS website, which lists ranges of processing times for various forms at various offices. In early March an asylum-seeker could expect to wait 10½ to 11½ months for a work-permit renewal from the Potomac Service Center in Virginia; a green-card applicant waiting for one from Nebraska could expect to wait 11½ to 13½ months.

Immigrants aren't allowed to formally inquire about delays in their case until the posted wait times have lapsed. And when they do attempt to contact the agency, they struggle to get a real person on the line. "When you call the immigration office, no human will talk to you. Only robot," says Naib Aliyev, who called USCIS repeatedly before his work permit expired in February, forcing him to leave his job at a mall cellphone-repair store in Pittsburgh.

Aliyev, like others, considered asking USCIS to expedite his renewal request. But the government refuses to expedite cases simply because someone will lose a job if they don't. The agency's website warning: "The need to obtain employment authorization by itself, without evidence of other compelling factors, does not warrant expedited treatment."

In December, USCIS announced it would start expediting renewals for health-care workers, but employers say they're still facing problems. Harold Sterling, chief executive officer of nurse staffing company Westways Staffing Services Inc., in Orange, Calif., says that his requests for faster processing were denied and that he's short 200 nurses because of work-permit delays.

Officials at USCIS maintain fewer people are falling off the work-permit cliff now than were at the beginning of 2022. They've extended the validity of some work permits, though not for asylum-seekers or green-card applicants.

◀ Eran

A court ruling in February that struck down some Trump-era regulations may force the agency back to the two-page form. Some advocates even argue that the regulations reinstated by the court require asylum-seekers' renewals to be processed within 90 days. Most simply, they could increase the length of the auto-extension once immigrants apply for renewals—which is what advocates and some within the government are pushing for.

Unable to work, many immigrants are forced to spend down their savings, max out their credit cards, or borrow money from friends to get by. One thing they can't do is return to their home country: Leaving the U.S. while an immigration application is pending counts as abandoning the application.

"My home is a jail for me right now," says Maria Eran, who's been on unpaid leave from her job at a Santander Bank branch near Boston since January. She and her husband are trying to close on a new home in the Boston area, but her unemployment could throw the sale into jeopardy. Since her work permit expired, Eran is also not allowed to drive. "I can't go out, and I have no income. I've been a helpful, useful person. Now I'm doing nothing, and that hurts me a lot." —*Dara Lind*

THE BOTTOM LINE Processing times on work-permit renewals at U.S. Citizenship and Immigration Services almost doubled in fiscal year 2021, from an average of five months in 2017.

PHOTOGRAPH BY M. SCOTT BRAUER FOR BLOOMBERG BUSINESSWEEK

Good Business

Building a Better Berry

After successfully growing salad greens and herbs in warehouses, Bowery Farming is tackling the strawberry

On a cold winter day, chef José Andrés steps into a warehouse in the shadow of Newark airport. After donning a Tyvek suit and hairnet, he passes through a code-protected door and is ushered into a narrow, high-ceilinged room that smells... well... like a strawberry patch on a sunny June day.

The warehouse, in Kearny, N.J., is owned by Bowery Farming Inc., a seven-year-old company that's grown into the largest vertical farming operation in the U.S. Like most others in the business, Bowery specializes in salad greens and herbs, which require relatively little space and time to grow. But Bowery is adding a splash of crimson to all that green: shiny red strawberries. And Andrés, the founder of World Central Kitchen—a nonprofit that brings food to disaster-stricken communities—as well as an investor in Bowery, has come to sample the crop. "The smell is as good as you can find," Andrés says after biting into a juicy red berry. "And so is the taste."

The berry project is the latest initiative by Bowery founder Irving Fain, who's raised about $650 million from investors. Fain is an evangelist for vertical farming, which he says is far more efficient than growing crops in fields. By precisely controlling variables such

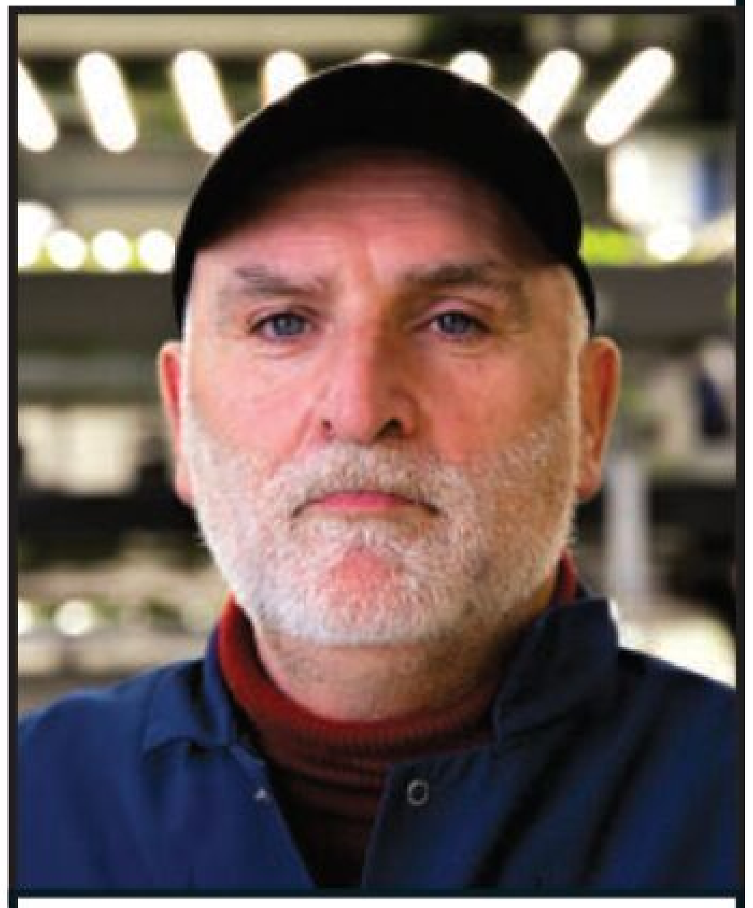
March 21, 2022

Edited by David Rocks and Rebecca Penty

as water, light, and nutrients, Bowery says it can deliver high-quality produce to local consumers with less waste and without concerns over fickle weather in the age of global warming. "We've always understood that the market opportunity for what we're doing is certainly much larger than just leafy greens and herbs," Fain says.

Bowery today has two warehouse-farms, the Kearny facility and another outside Baltimore, and it's building three more. In February the company announced the acquisition of Traptic Inc., which makes artificial-intelligence-enabled robotic arms that pick strawberries. The goal is to develop the technology to work with a wide variety of crops and push the envelope of what a vertical farm can produce. "Tomatoes, other berries, peppers, cucumbers," Fain says. "Crops that grow differently from the lettuces that we grow today."

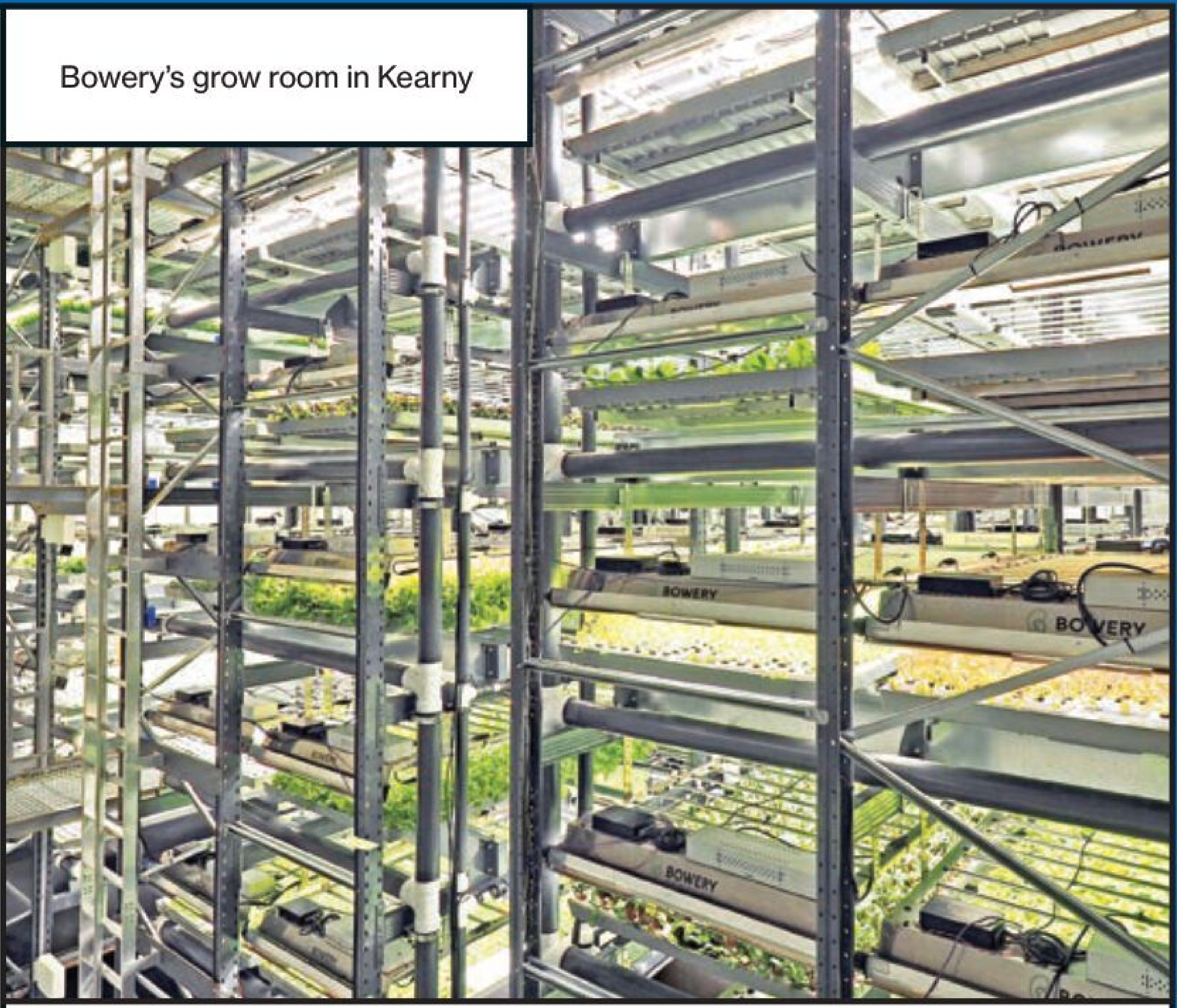
One reason Bowery is focused on strawberries, Fain says, is to make them more eco-friendly. Because of the vast quantities of pesticides typically needed to protect the berries from bugs, consumer advocates say, they're among the least-sustainable crops. And because their season is short but consumers clamor for them year-round, they're frequently shipped hundreds or even thousands of miles before reaching the produce aisle. "The biggest concern strawberry growers have is, 'How do I transport my berries long distances to make sure that they look good on the store shelf, and how do I make sure they can resist the environmental conditions and the pest conditions as they're growing?'" Fain says. "These aren't issues that we face."


Andrés

Bowery isn't the first vertical farm to grow strawberries. It's not even the first in Kearny. Oishii, a rival indoor agriculture startup, has been growing the fruit there since 2018 and is looking to add melons, peppers, and tomatoes. The company supplies chefs and consumers with succulent strawberries called Omakase, re-created from samples that co-founder Hiroki Koga brought from the Japanese Alps in a suitcase. "I anticipate there will be multiple companies that will follow our trail," Koga says. "The good thing is that we are growing a special Japanese varietal that will continue to differentiate us."

Vertical farms shouldn't replace traditional farming, Andrés says, but they can be a complement that can help underserved communities in places such as Haiti and India. He says building these kind of facilities in disaster-prone areas will make them more resilient in the event of a hurricane, earthquake, or other calamity, helping amplify the efforts of groups such as World

Bowery's grow room in Kearny



Central Kitchen. "This gives me the opportunity to really understand the possibilities that we have in the years ahead to give food to the world," Andrés says. "We're going to see facilities like this in every major city across the world, period."

It's unlikely that those farms will be providing strawberries to impoverished communities unless Bowery can bring down the cost. The company will sell two varieties—garden and "wild"—in 8-ounce packages for $15, though that's a bargain compared with Oishii's, which run $50 for a box of eight. Initially, Bowery's berries will be available in limited release in New York at posh retailers such as Eataly and high-end restaurants like Craft from *Top Chef* star Tom Colicchio.

For now, Andrés is more interested in the berries' flavor and consistency. The garden variety, large and a lush red, looks like the winner of the strawberry beauty contest: firm and with a sweet perfumy flavor. And the wild berries? Grown hydroponically, behind locked doors with no natural sunlight and pollinated by bees brought in for the job, they're about as wild as zoo animals. They're also a more uniform red and about 10 times bigger than true wild ones—which are typically about the size of a blueberry if you're lucky enough to come across a bush on a sun-dappled meadow. In fact, Bowery's wild version looks a lot like a regular strawberry but has the concentrated jamlike sweetness of forest-grown fruit. "We have this romanticism, which is good to have, of strawberries and sun in the middle of the summer. And there's plenty of space for that," Andrés says. "But now this one comes from a place that looks like a factory. It is very tech, but it's real, too." —*Kate Krader*

THE BOTTOM LINE Bowery has raised about $650 million from investors betting that by controlling water, light, and soil, indoor farming can be more efficient than growing crops in fields.

COURTESY BOWERY FARMING (2); JOSE ANDRES: ADAM GIESE/BLOOMBERG

Tackling Poverty Through Play

Brown Toy Box educational kits introduce Black children to high-paying industries

The Dadisi Crew is an eclectic bunch. Dre is athletic and passionate about astronomy, Maya is adventurous and loves to code, and Amara is a budding environmental scientist who encourages her friends to recycle. A couple of things bind the group together: Each member is fascinated with a cutting-edge discipline, and they're all Black characters.

Bradley

The fictional clique and their circle of friends are the creation of Terri-Nichelle Bradley, a Black mom of four who's determined to inspire Black kids to pursue well-paying careers in STEAM—science, technology, engineering, arts, and math. The characters are at the heart of her company, Brown Toy Box, which makes educational play kits featuring fields such as chemistry, museum arts, and robotics.

"My dream is for a child to walk up to me 10 years from now, 20 years from now, and say, 'You know what? I decided to take up marine biology as a major because of Brown Toy Box. And now I am one of the most sought-after marine biologists in the country, in the world,'" Bradley says in an interview from her warehouse near Atlanta. "What we're really trying to do on a bigger level is disrupt generational poverty."

Black households in the U.S. have just a fraction of the wealth of White ones, and part of the problem is underrepresentation in lucrative jobs. While Black people account for about 12% of the U.S. population, just 7% of workers in the computer science industry are Black, as are only 15 of the more than 350 NASA astronauts who've traveled to space.

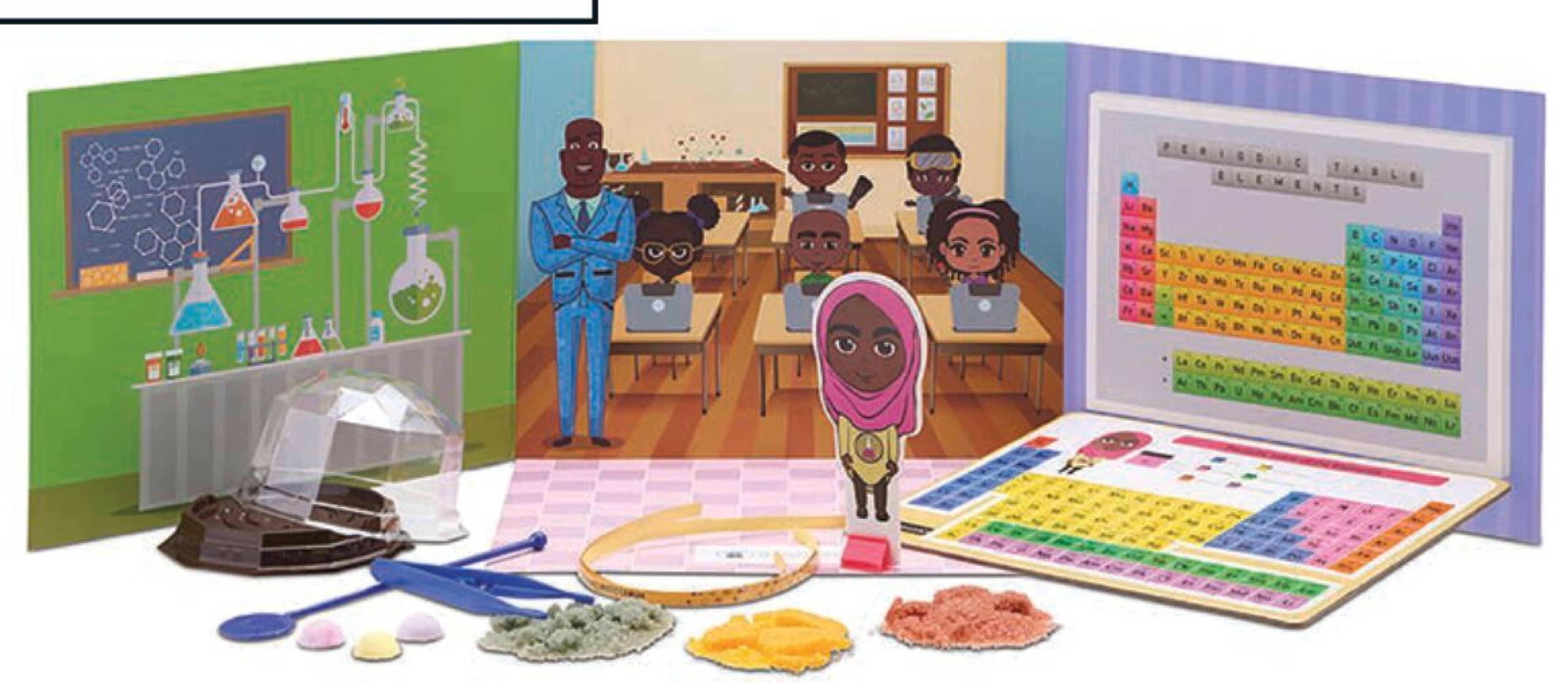
Each of the boxes Bradley sells contains an activity book, a hands-on project, and a figurine of a character that looks like the kids she's trying to reach, with cultural references woven in. In one kit, Maya, wearing a purple sweater with matching bows for her Afro puffs, shows off the basics of writing in computer code. In another, Dre, who loves to rap, guides kids through making their own telescope, dressed in a space suit. The company's name is meant to reflect the brown skin of its characters, whose group is called Dadisi after the Swahili word for "curious."

Bradley started her company in 2017, putting kits together with items from other toymakers and selling them through subscriptions, but more cash was going out than coming in. Early in the pandemic, she sent a note to subscribers to tell them she was rethinking her business model.

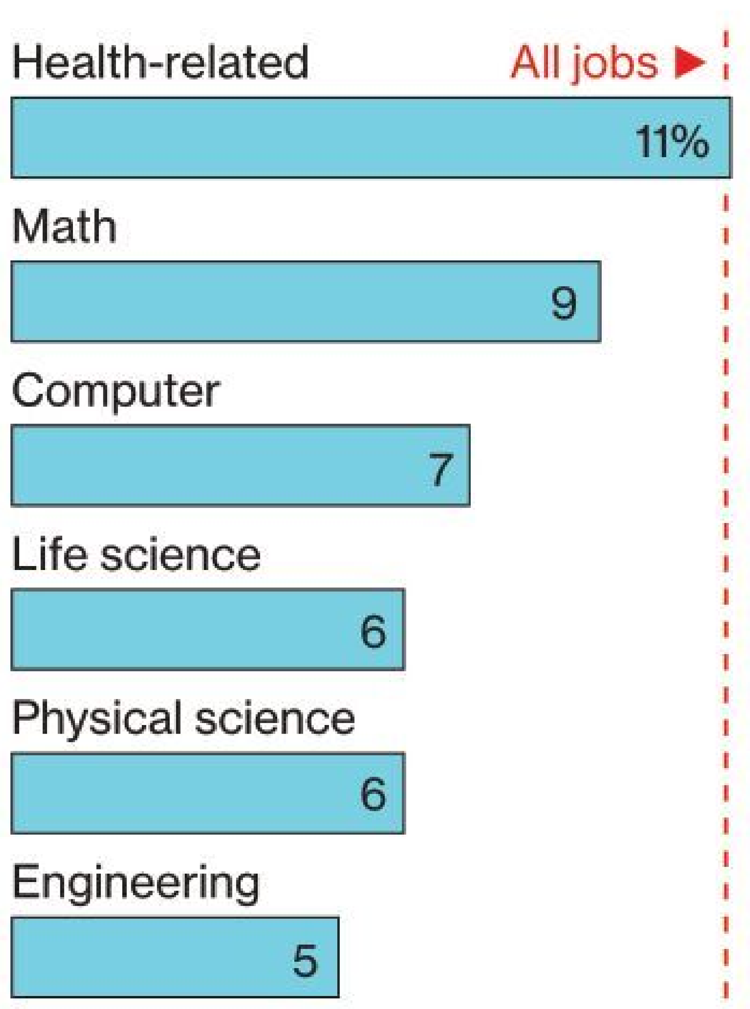
She sought out mentors for advice on running the business, a departure from her earlier career in crisis management and communications. She also consumed reams of content on startups and applied for incubators and accelerators for Black-owned businesses. In 2020 the Google for Startups Black Founders Fund awarded Brown Toy Box $50,000 in cash, which gave Bradley some breathing room.

She ultimately did away with the subscription model

The Amara Chemistry STEAM kit



Share of Black workers in U.S. STEM jobs



and designed kits of her own. By late 2021 she'd landed a key merchant: Target Corp. started selling her toys in its stores and on its website. The kits are also available through the Brown Toy Box website and at such places as the Village Retail, a Georgia shopping collective focused on promoting Black-owned brands.

The supply chain chaos wrought by the pandemic derailed Brown Toy Box's path to profitability last year, when the price to ship a large container to the U.S. from China jumped from $2,000 to $20,000, Bradley says; she shipped about 20 such containers in late 2021. Still, she's optimistic about growth prospects. New retailers are regularly being added, and corporate partners are increasingly funding orders of Brown Toy Box kits for schools in low-income communities. The company, which Bradley expects to be profitable this year, projects around $3.5 million in sales in 2022, up from about $1 million in 2021 and $220,000 in 2020.

Bradley has maintained 100% of the equity in the business, and she's focused on working with other Black-owned businesses to spread the wealth. "For me, Brown Toy Box is an economic driver," she says, "just as much as it's a tool for educating and disrupting generational poverty." —*Kelsey Butler*

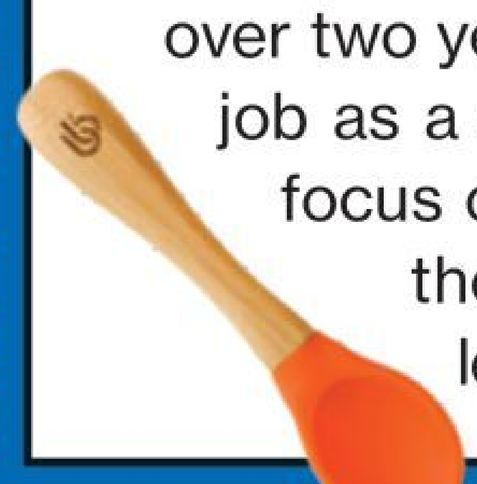
THE BOTTOM LINE Black Americans are underrepresented in cutting-edge fields. Brown Toy Box is using play to inspire Black kids to go after lucrative careers.

Stopping the Mess

How Bamboo Bamboo's eco-friendly tableware for babies took off

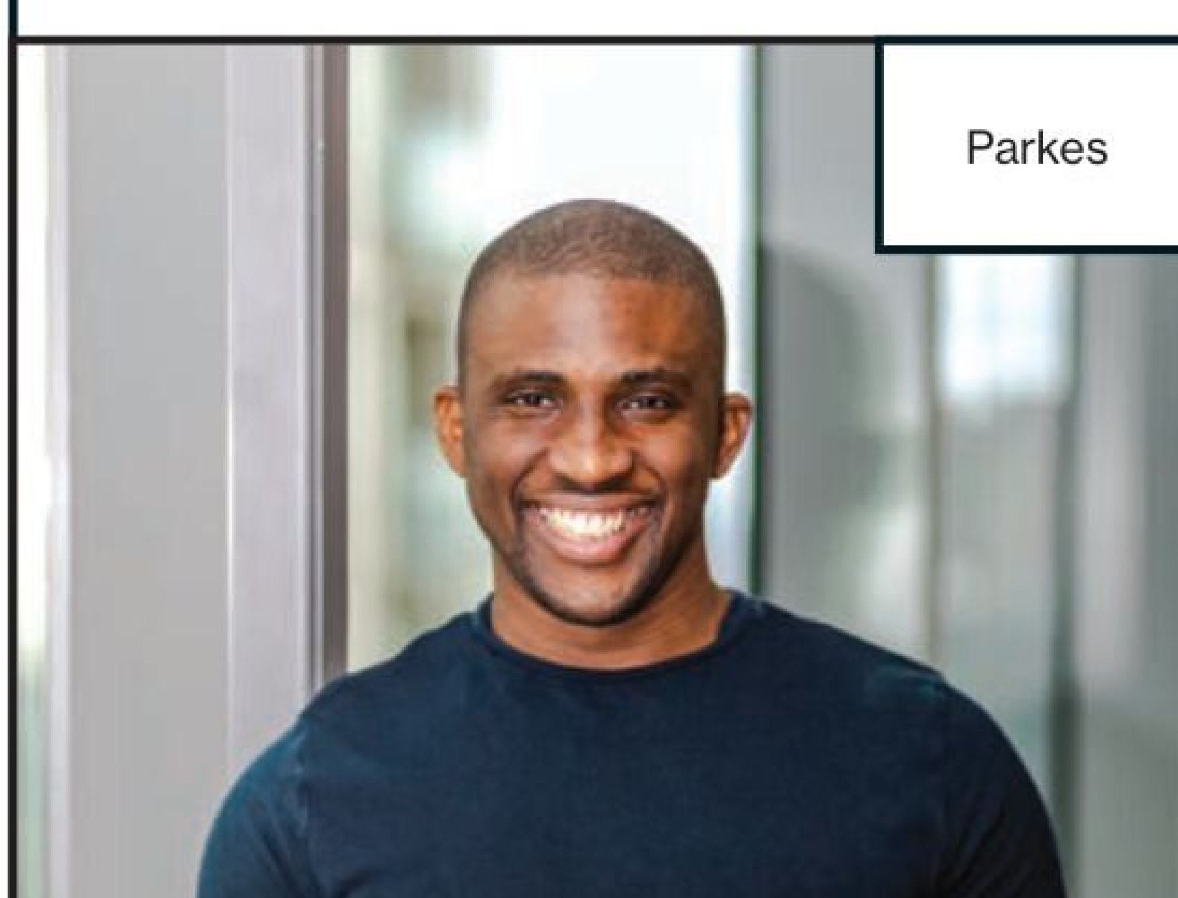
With one swipe of a chubby little hand, a baby sends breakfast flying, plastering nearby surfaces with bits of blueberry porridge. It's a scene Joel Remy Parkes, a father of four, is on a mission to prevent. In 2015, when his youngest child was starting on solids, Parkes grew tired of the food-stained patch on his kitchen floor. That prompted him to think about making sustainable plates and bowls, with suction cups on the bottom to stop dishes from toppling.

Parkes soon introduced a line of plastic-free, nontoxic tableware in animal shapes made of bamboo and silicone, appropriately called Bamboo Bamboo. The brand took off, thanks to social media posts from influencers and parents. In 2018, just over two years in, Parkes quit his job as a software sales rep to focus on the business. Here, the 40-year-old shares lessons from his journey.



How are you managing Bamboo Bamboo's growth?

We grew very quickly and finished 2021 with around £5 million ($6.6 million) of revenue. But what it will take to get to eight figures is new hires, expertise, and growing new muscles in different places. That's been the biggest lesson for me.



Parkes

When did you realize you needed to bring in help?

I was a major blockage in growth. My first hire was a year and a half ago. We sometimes ran out of stock because I didn't have an inventory manager, and I realized I was feeding the competition. It's common among entrepreneurs to be hesitant to truly believe your business is a success.

Are your kids involved?

They are the original product testers. My daughter loves unicorns so much that I thought, "I have to have a unicorn plate." They look at products that are similar to ours and say, "Hey, these guys are trying to copy you," or "This looks good." They live and breathe it, which I absolutely love.

What's next?

We are available in the U.K., Europe, U.S., Australia, and Singapore. The next step is to double down on those markets. Germany is huge and we have lots of customers there, but we haven't done anything specific for the market—not even translation. We can become more local and partner with like-minded brands. Amazon.com recently reached out about its Climate Pledge Friendly initiative, and our products are perfect for that. How much plastic have we helped parents avoid? I'd love to have that validated. —*Rebecca Penty. Edited for length and clarity*

COURTESY BROWN TOY BOX (2); COURTESY BAMBOO BAMBOO (4). DATA: PEW RESEARCH CENTER

THE EQUALITY ISSUE

What happens after a reckoning? The 2020 murder of George Floyd and the global protests that followed had almost every corner of society—from Wall Street to publishing to, yes, the knitting community—assessing how it perpetuated racial inequality. Since then, the problem has been effectively diagnosed: Black people, along with other minorities and women, have been systematically shut out of the centers of power and money.

For the fifth *Bloomberg Businessweek* Equality issue, we wanted to show what's come of this accounting, so we found stories about people whose policy proposals, companies, and coalitions are aiming to build a more equal world. Economist and reparations activist Darrick Hamilton is seeing a longtime dream to close the racial wealth gap become a reality in statehouses (page 46), while defenders of overweight people are close to bringing workplace protections to millions of Americans (page 54). Some who've set out on quests for equality are learning hard lessons: One former Morgan Stanley banker is finding that it takes more than money and connections to overcome systemic racism (page 62). And Canada's Indigenous people are striving to finance an oil pipeline purchase while sorting out who should share in the profits (page 70).

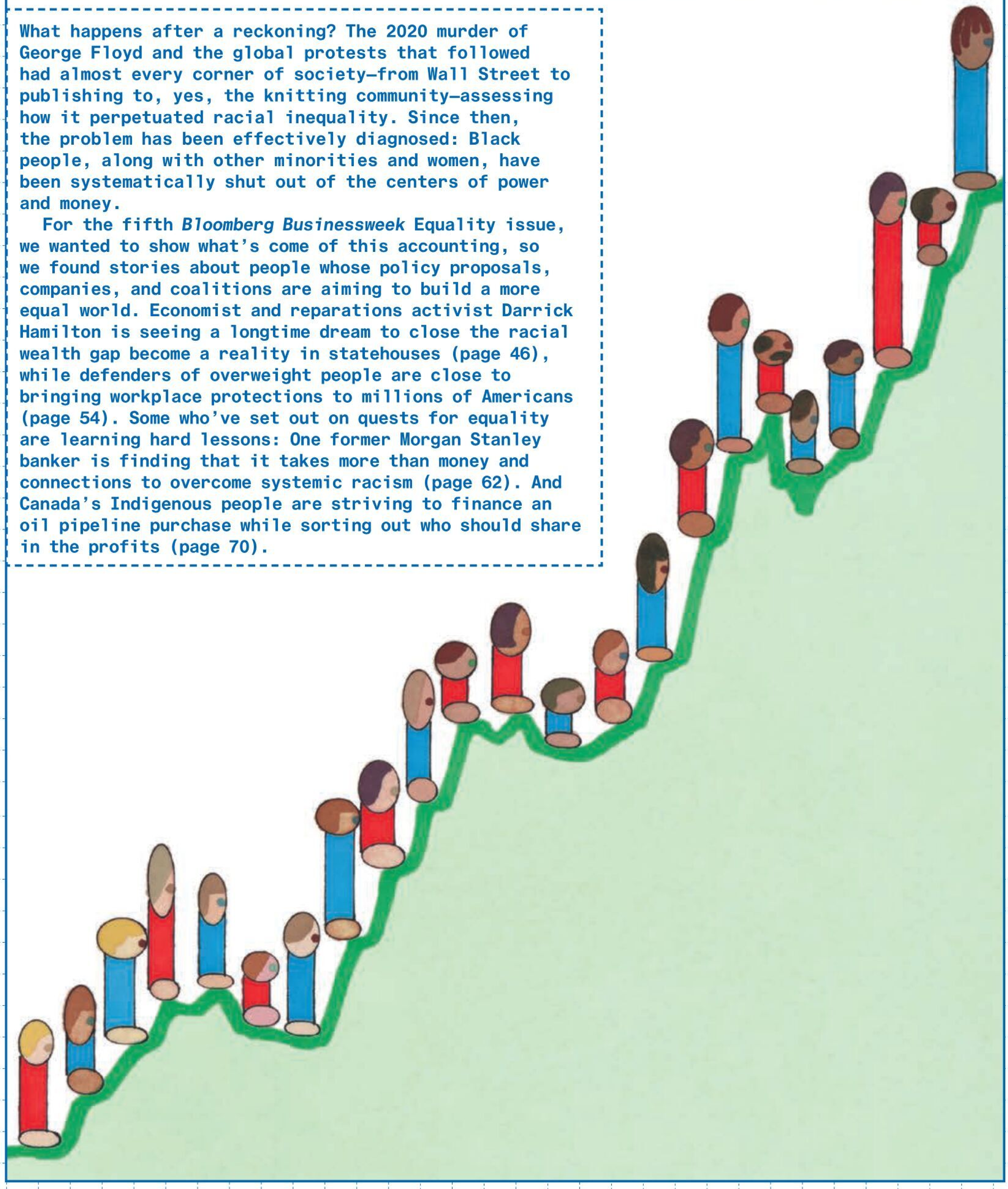


ILLUSTRATION BY SAEHAN PARC

The Intellectual Father Of Baby Bonds

Governments across the U.S. are trying Darrick Hamilton's big idea for closing the wealth gap

By Ben Steverman

Photographs by Myesha Evon Gardner

WEALTH

Darrick Hamilton grew up shuttling between two worlds. Each morning during the 1970s and '80s he and his sister would travel three miles to Brooklyn Friends, the elite private Quaker school that their parents had scrimped, saved, and sacrificed to afford. Then the kids would return from downtown Brooklyn to Bedford-Stuyvesant, which was overwhelmingly Black, largely poor, and one of New York's most dangerous neighborhoods.

At the time, pundits and politicians frequently talked of a "culture of poverty" or a "pathology" in Black "ghettos." That didn't compute for Hamilton. "I could see the vivid inequality," he says, but "I could see fundamentally people were not different." The neighbor he played football with who was later incarcerated for robbing an armored car didn't seem essentially different from the classmate who might be an investment banker today.

By the standards of Bed-Stuy, Hamilton was privileged. His family owned their home, and in Brooklyn Friends he had a place where he could thrive. A precocious and popular student, he took to heart the Quaker emphasis on social justice and morality. Most of all, he had parents who were devoted to getting their children ahead, no matter the cost.

Now 51, Hamilton is a professor at the New School in New York, a leading scholar in the emerging field of stratification economics, and a policy adviser to senators, governors, and presidential candidates. One of his cornerstone ideas, to give "baby bonds" to each child, is being embraced and implemented by governments across the U.S. He insists, though, that this success shouldn't be celebrated as a triumph over adversity. He despises the way classic rags-to-riches stories can be used to cast blame on those who can't climb out of poverty. Such narratives ignore the economic stratification that can make success possible only with extraordinary luck or inhuman levels of personal sacrifice.

Hamilton's triumph came at a traumatic cost. In 1988, a few months before he turned 18, his mother passed away after a long struggle with health issues. A month after Hamilton's birthday, his father died, too. He blames their untimely deaths on their incessant striving. "I saw their struggles and I saw their brilliance," he says. But despite their creativity and entrepreneurship, they could never achieve the same security as his classmates' parents.

Basketball became Hamilton's solace. Despite standing just 5 feet, 8 inches, he became a star at Brooklyn Friends. The school rallied around him, and he finished his senior year tuition-free. He followed some close friends to Oberlin College, where he chose economics as his major. "I didn't want to be poor," he explains. He thought the subject might be a bridge to law or business school, but, in keeping with his alma mater's Quaker ideals, he decided he could do some good in economics, with a focus on the racial disparities he'd grown up observing.

After getting a Ph.D. from the University of North Carolina, Hamilton became a leading researcher of the U.S. racial wealth gap and a font of policy proposals to address it, advocating ideas such as reparations and a federal job guarantee as part of a broader set of economic rights. In 2018 he appeared onstage at an "Inequality Town Hall" with Senators Bernie Sanders and Elizabeth Warren and filmmaker Michael Moore. Two years later, at Sanders's behest, Hamilton served on the Biden-Sanders Unity Task Force, an effort to iron out policy differences among Democrats and help shape the party's platform.

It was his advocacy of baby bonds, though, that brought his academic work off progressive wish lists and into the real world. Hamilton developed the idea a dozen years ago, proposing to give each baby born in the U.S. a trust fund established and guaranteed by the federal government. The goal is to narrow the vast inequalities that exist at the moment of birth, particularly those related to the wide and persistent ▶

◀ racial wealth gap. The bonds could give any disadvantaged 18-year-old resources to catch up to wealthier peers. "The fundamental point is providing people with capital at a key point in their life, so they can get into an asset that will passively appreciate over their lifetime," Hamilton says. And, because race correlates so closely with wealth in the U.S., the policy can be officially race-neutral while still giving a substantial boost to Black Americans who for centuries have been denied opportunities to build intergenerational wealth.

Propelled by the Black Lives Matter protests that took place after the murder of George Floyd, lawmakers in Connecticut and the District of Columbia recently established programs that will set aside money for thousands of babies. Washington state is taking steps toward a similar program that could launch in 2024. New Jersey's governor has also pushed a plan to issue them. And Massachusetts' treasurer is launching a "baby bonds task force" this spring. "There's so much happening fairly quickly and suddenly at the state level," says Shira Markoff, policy fellow at Prosperity Now, a nonprofit pushing the idea around the country.

The state initiatives depart from what Hamilton envisioned in key ways, but he argues that they're a "big giant first step" that will help recipients, demonstrate baby bonds' political appeal, and allow states to experiment with different ways of implementing them. "What these programs do is create the political infrastructure by which the federal government will act," he says.

Early in Hamilton's career, whenever someone in academic or policy circles asked him about the racial wealth gap, he would bring up the possibility of the federal government paying reparations to Black Americans for slavery and other historical wrongs. The median White family in the U.S. has eight times more wealth than the typical Black family, according to the latest Federal Reserve data, from 2019. And a 2020 study by Naomi Zewde of the City University of New York found that the median White adult has 16 times the wealth of her Black counterpart. A substantial reparations program could do a lot to close the gap, but Hamilton's listeners rarely wanted to hear it. "People [were] basically telling me to shut up," he says. "There he goes again."

Then he was asked at a forum convened by the Ford Foundation to come up with a more politically feasible way of building up Black wealth. "Give us something that can actually happen," he recalls being told. The answer would be baby bonds, laid out in a 2010 academic paper by Hamilton and his graduate adviser and then-frequent co-author William Darity Jr., who's now an economics professor at Duke University.

The basic notion of giving cash to people when they reach the age of maturity is hundreds of years old. Decades after advocating for the American Revolution, Thomas Paine published a pamphlet in England in 1797 arguing that, as compensation for unfair land distribution, every person should be granted £15 (about £2,000, or $2,600 today) at age 21. "It is a right, and not a charity, that I am pleading for," Paine wrote. The term "baby bond" eventually came to be used to refer to savings accounts for children that were seeded with small amounts of money to encourage their parents to save. Britain took a big step toward creating a government-run baby bond program, the U.K. Child Trust Fund, for each baby born after September 2002, but it stopped contributing new money in 2011 after budget cuts. And when Hillary Clinton ran for president in 2007, she briefly floated the idea of giving each American newborn a $5,000 bond.

Like these ideas, Hamilton-style baby bonds aren't technically bonds, which in finance are debt securities sold by companies or governments and traded among investors. They're really trust funds, ones Hamilton thinks should be guaranteed by the federal government, like Social Security. At age 18, kids could tap into the accounts for certain wealth-building purposes, including education, homeownership, small-business startup costs, and retirement savings. While all or most babies would get a bond, the poorest kids would get the largest stakes—as much as $60,000 each.

Hamilton, Darity, and other scholars spent decades laying the intellectual foundations for the idea, publishing research that stressed the importance of focusing on wealth and not just income or education. "Wealth provides financial agency over one's life," Hamilton told the National Economic Association in a 2017 speech. "Wealth gives you choice. It provides the economic security to take risks and shield against financial loss." With wealth, you can afford the best health care, live in the safest neighborhoods, get the best education, and hire the best lawyers to fight for your interests. Wealth lets you innovate and try new things, like opening a business. Most of all, once you have wealth, it can be invested and grow exponentially over your lifetime. And you can pass this wealth and all its advantages down to the next generation.

The racial wealth gap hasn't significantly narrowed since 1983, the year it started being consistently tracked, despite hopes that it would shrink as discriminatory laws were repealed and Black Americans made gains in income, education, and other areas. Too often, Hamilton says, Black people have been blamed for this lack of progress. But the gap can't be closed solely with hard work, better education, and saving more. Fed data for 2019 show that the median Black household with at least one college graduate had less than half the wealth of the median White household where the highest level of education is a high school diploma. And several studies suggest that Black people save more as a percentage of their incomes than White people do.

The larger problem, in Hamilton's view, is that Black families are starting from too far behind, because they inherit so much less from their parents. The goal of baby bonds is to tackle the wealth gap they and other poor families face head-on, by giving young people capital when they're on the cusp of adulthood. "Baby bonds would be almost an automatic stabilizer," Hamilton says. It's "a mechanism to redress some of the inheritable advantages or disadvantages that go along with families and life."

Hamilton finds it difficult to talk about his teenage years. His parents' deaths aren't a talking point in his frequent testimony or public appearances. Usually loquacious, he tells the story of his childhood haltingly, through tears.

His father, Charles, was a community leader, an entrepreneur who "could literally make a dollar out of fifteen cents." To earn the money that put Hamilton and his sister into private school, Charles worked as a property manager for Brooklyn landlords, often in high-crime areas. At a tenants' meeting one day, he was attacked. He took out a gun he carried for protection and shot and killed his assailant. Hamilton's mother, Norma Jean, used some money she'd come into from a medical malpractice settlement to hire a good lawyer for her husband, but he was still convicted of manslaughter and spent several years in prison.

Hamilton says his father's hard work and creativity "never put him in a place where he could remove himself from the vulnerabilities that, in my mind, led to his incarceration." With Charles in prison, the burdens of raising two children fell on Norma Jean: "She was going to make sure that we were going to get through school." They did, but not before she was diagnosed with a serious liver condition that Hamilton believes was stress-induced.

After being released from prison, Charles had trouble rebuilding his life. Drugs "became part of coping with things," Hamilton says. Charles eventually contracted HIV, but he was at his wife's bedside when she died in May 1988 following an unsuccessful liver transplant. He died of AIDS the next October. "It was quick," Hamilton says. "I didn't know about it until he got really sick."

His parents had been relatively fortunate to own their house, bought in the 1970s after his father's father drew on a veterans loan program that effectively excluded many other Black vets. But after their deaths, the family lost the home in a foreclosure. Hamilton says that if he'd received a baby bond around that time, he might have been able to save the home, which went on to multiply in value as Bed-Stuy gentrified in subsequent decades. It's easier still to imagine how the bonds might have helped his parents. His mother might have avoided the financial insecurity and stress that led up to her death. His father might have built a portfolio of properties rather than managing them for others.

"Maybe I'm naive, but if you see a problem you directly redress it"

The forces that pulled and pushed at Hamilton's parents are still keeping Black families poorer than other Americans. The broader problem, according to Hamilton and other scholars in the field of stratification economics, is that racial discrimination has staying power. Traditional economists often assume that something as irrational as racism will fade away in a capitalist economy, as market forces narrow the disparities among groups. Stratification scholars say economics needs to be more aware of the power dynamics that undergird racism, arguing that discrimination is driven by dominant groups trying to preserve or enhance their position in the social hierarchy.

Through this lens, understanding the economy means taking into account the U.S.'s extraordinarily brutal history and how it distributed wealth to some families and not others. As Hamilton frequently points out, the legacy of slavery is just one example of how the White wealth of today was created by the policies of the past. A forthcoming paper he co-authored considers agricultural policies following the post-Civil War period, when Black farmers managed to acquire millions of acres of land. Over the course of the 20th century, the research found, the U.S. Department of Agriculture worked with banks and White elites to discriminate against Black farmers seeking loans and other aid, ultimately causing them to lose almost 90% of their land. Hamilton and his co-authors put the compound value of this lost land at roughly $326 billion.

He often reminds audiences that the U.S. government also gave White families an overwhelming advantage in how it distributed free land to settlers in the 19th century, how it set up the New Deal safety net in the 1930s, and how it doled out GI Bill mortgages and education benefits to veterans. In addition to denying millions of Black Americans these wealth-building entitlements, the government at times allowed and even encouraged the theft and destruction of Black property, sometimes in acts of terror—the 1921 Tulsa Race Massacre is just one example of many.

To address the resulting disparities, Hamilton has advocated many policies that fall under the category of "inclusive economic rights," among them a guaranteed income and single-payer health insurance. He's also backed ideas, such as debt-free college and student loan forgiveness, that would benefit many White Americans. "Coming up with the policies is not as esoteric and difficult as it may seem," he says. "Maybe I'm naive, but if you see a problem you directly redress it."

Stephanie Kelton, another economist and Sanders supporter who served on the Biden-Sanders task force, says Hamilton's advantage in policy circles is that ▶

◀ "he's a very fierce advocate and at the same time a very affable person." He's also "not afraid to put big ideas on the table."

Hamilton has lately been chatting with major philanthropic foundations about baby bonds, suggesting that they try giving out grants to a group of high school seniors to test the concept. "Why wait 25 years to see if these accounts are going to work?" he asks. And for that matter, "Why should baby bonds be limited to the United States?"

Baby bonds came to wider public attention in the U.S. in 2019, when New Jersey Senator Cory Booker ran for president on a platform that featured a federal baby bonds program. Hamilton had helped craft the proposal; his tireless advocacy for the idea prompted Booker to dub him, aptly, "the intellectual father of baby bonds." But the momentum for the idea really gathered after the murder of George Floyd by police in May 2020, sparking a reckoning that saw lawmakers scrambling for policies that might address the striking disparities between Black and White Americans.

The first state to adopt a Hamilton-style baby bonds program was, by some measures, the country's richest and least equal. Connecticut can boast one of the highest average incomes in the U.S., thanks to the hedge fund billionaires and other finance professionals who live in Greenwich and other suburbs of New York City. But its cities contain pockets of deep, persistent poverty. "Connecticut is ground zero for wealth disparity as well as income disparity," says Shawn Wooden, who grew up in the impoverished North End of Hartford, the capital, and was elected state treasurer in 2018.

Wooden brought his baby bonds proposal to Connecticut's legislature in early 2021, and by July it was law. The District of Columbia moved about as quickly, beginning debate in May and passing its law in December. Wooden says the combination of widespread pressure to tackle racial disparities and Hamilton's "intellectual framework" prompted advocacy groups and legislators in Connecticut to line up swiftly behind an idea that was new to most of them. To broaden the coalition, proponents argued that baby bonds wouldn't just heal racial divisions but regional ones, helping poor, largely Black and Democratic urban neighborhoods and poor, largely White and Republican rural areas alike. Wooden tried to demonstrate to lawmakers that there were families in every one of the state's 169 towns, including Greenwich, that could qualify for baby bonds. "Part of the messaging around this is it's not race-based," he says. "This is a program that is antipoverty regardless of your race or ZIP code."

↙ Hamilton in Bed-Stuy

Governments are keeping costs down by covering only the poorest children, those eligible for Medicaid. In Connecticut, that's more than 16,000 babies a year, about half of all births in the state. They'll start with \$3,200, which could grow to more than \$10,000 by the time they're 18, depending on investment performance—the state will put the initial capital pool into a broad range of asset classes, much like a pension plan. To ensure stable funding, Connecticut will issue about $50 million in bonds annually. The District of Columbia will spend $32 million over four years on its program, with qualifying babies starting with $500 and receiving as much as $1,000 extra for each year their parents' income is below three times the poverty level.

To those wary of government spending programs, advocates argue baby bonds are inherently conservative—money set aside to meet future needs. "We're not creating debt, we are just investing," says Washington State Treasurer Mike Pellicciotti, who's championing a baby bonds program that would be called the Washington Future Fund. "This is a way to bring capital to those communities, wherever they are, that are denied capital or have had capital drain." The bill the state is debating would have it spend approximately $128 million a year for a program covering about half the babies born annually in Washington. As in Connecticut, each would have $3,200 to start, with growth dependent on investment performance.

And as in Connecticut, the sponsors of Washington's bill have been surprised by the initial enthusiasm. The state's legislature recently allocated money for a committee to develop a detailed baby bonds proposal by December. "A really bold idea in such a short time got more attention than I expected," says Monica Stonier, a Democratic representative from the western part of the state. "The goal is broadly supported, it's just a matter of how we get there." The bill also attracted a couple of GOP co-sponsors. Another Republican state representative, Mike Volz, from Spokane, sponsored a constitutional amendment that would allow baby bond funds to be invested in a wider array of assets, though he says he doesn't know what he'll do when the main bill comes up for a vote next year. "I did commend the treasurer on his creativity," he says. "It's not the worst idea ever."

The "baby" part of "baby bonds" may be what gives them uniquely broad political appeal, Hamilton says. The idea of granting a birthright to each child avoids the typical and often racially loaded debates about who's deserving and undeserving of help. It's hard to attack a baby for being lazy, he points out.

Along with not being federal, the state programs depart from Hamilton's vision by being far less generous. Only the U.S. government has the resources to give poor kids the amount of money they'd need to launch themselves into the middle class, he says. According to Zewde's 2020 study, a Hamilton-style $80 billion-per-year universal federal baby bonds program—amounting to almost 2% of the pre-pandemic federal budget—could narrow the racial wealth gap between the median White and Black young adult from a factor of 16 to a factor of 1.4.

Although the state programs are much smaller than Hamilton's original proposal, Wooden points to the intangible benefits the bonds will bring. When children know they'll be receiving baby bonds, he says, they may study a little harder, save their own money, and make plans for the future. "When you have hope, it changes everything," he says.

Some progressives worry about overselling the benefits. Darity, Hamilton's co-author on the paper that first floated the baby bonds concept, has expressed concern that even a full-scale federal program wouldn't have a significant impact on the overall racial wealth gap. Baby bonds may narrow disparities when you compare the median Black and White recipients, Darity says, but focusing on the median misses the huge amounts of wealth held by the richest White families. "It's a great idea to provide each newborn child, as a right, an asset that they can access when they come of age," he maintains. But reparations are still needed to address the damage to the wealth of Black families across generations. "From the standpoint of justice and a debt that is owed, the entire racial wealth gap needs to be erased," he says. He pegs the total cost at about $14 trillion.

Hamilton says both baby bonds and reparations are necessary, referring to them as "complements, not substitutes." But he and Darity have split on, among other things, how to calculate the cost of reparations. Hamilton says using the entire racial wealth gap as the benchmark is too simplistic. The government needs to do a detailed historical accounting of "the present value of what was lost."

His ultimate goal of a federal baby bonds program remains far away. Just 15 other senators have publicly backed Booker's baby bonds bill, also introduced in the House by Massachusetts Democratic Representative Ayanna Pressley. It was never considered as part of Biden's now-stalled economic agenda. But Hamilton remains optimistic, almost as a matter of principle. "The thing that will definitely get in the way of this occurring is pessimism," he told a group of advocates at a virtual conference on baby bonds last month. "We shouldn't wait on the federal government." By starting at the state and local level, he said, "we make them do it, we build up momentum."

Hamilton isn't religious, but he can still sound like the Quakers who educated him. "I'm for economic justice, or justice more broadly. I pursue justice as a matter of faith," he says. "I'll go back to my theology: Do it because it's the right thing to do." He doesn't want it to be as difficult for others as it was for his parents to set their child up for success. "If I had that choice, I would not have given up their life in order to have the access I had," he says. "That drives me, because I saw the pain firsthand and I don't want people to experience it. I think it's profoundly unjust." Ⓑ

How Far Have We Come?

Measuring what has and hasn't changed in just under two years

The good news: Diversity in the boardroom has ticked up, Congress is more inclusive, and, if you're at a newsstand, you're more likely to see a non-White cover model on an international fashion magazine. But on big issues, things haven't improved much, or they've gotten worse. Black and Hispanic Americans are by many measures worse off than they were at the start of the pandemic, hate crimes have surged, and the continuing health crisis has hit minority and low-income communities hard.

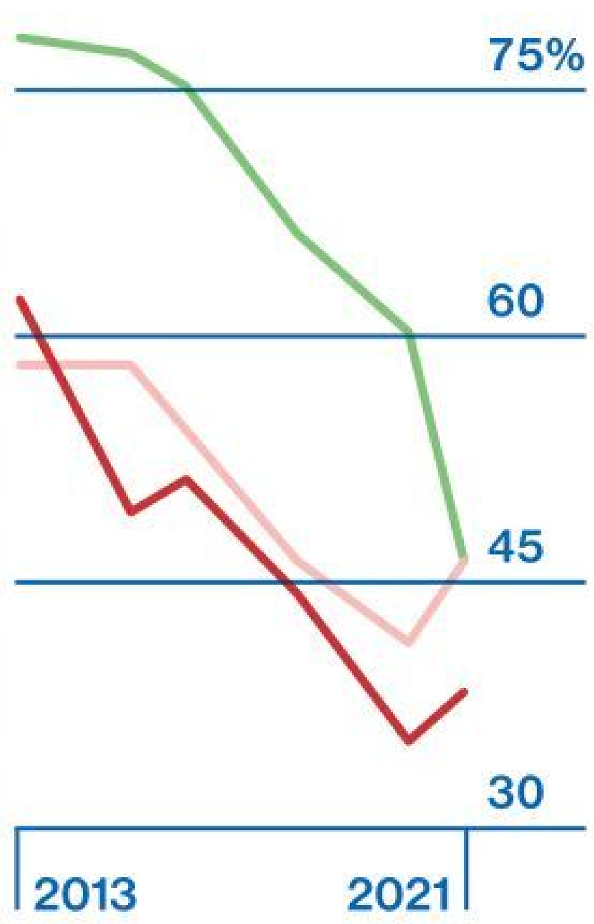
Numbers can't tell the whole story; you can't fully quantify backlash against social justice movements. Still, some of the researchers who began tracking these numbers felt called to mark a moment. For example, Todd Lawrence, an associate professor at the University of St. Thomas in St. Paul, Minn., helped start a database of street art protesting racism and police brutality. "It's a way to remember the protest and get at the feelings people were having, the emotions, the demands that people were making—and let them not disappear," he says.

And keeping tabs is progress in itself. Here's a look—by no means exhaustive—at where society stands on a range of cultural, political, and economic indicators. ——*Kelsey Butler, with Jeff Green*

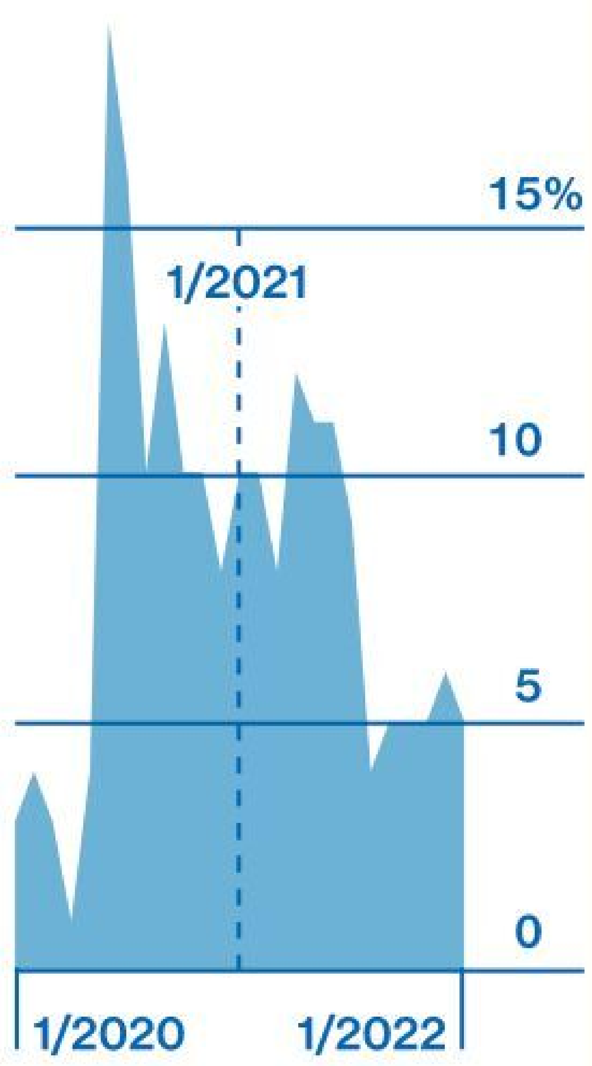
Perceptions of race

U.S. adults satisfied with how society treats people of the following races:

- Asian, Native, Hawaiian, and Pacific islander
- Black
- Hispanic



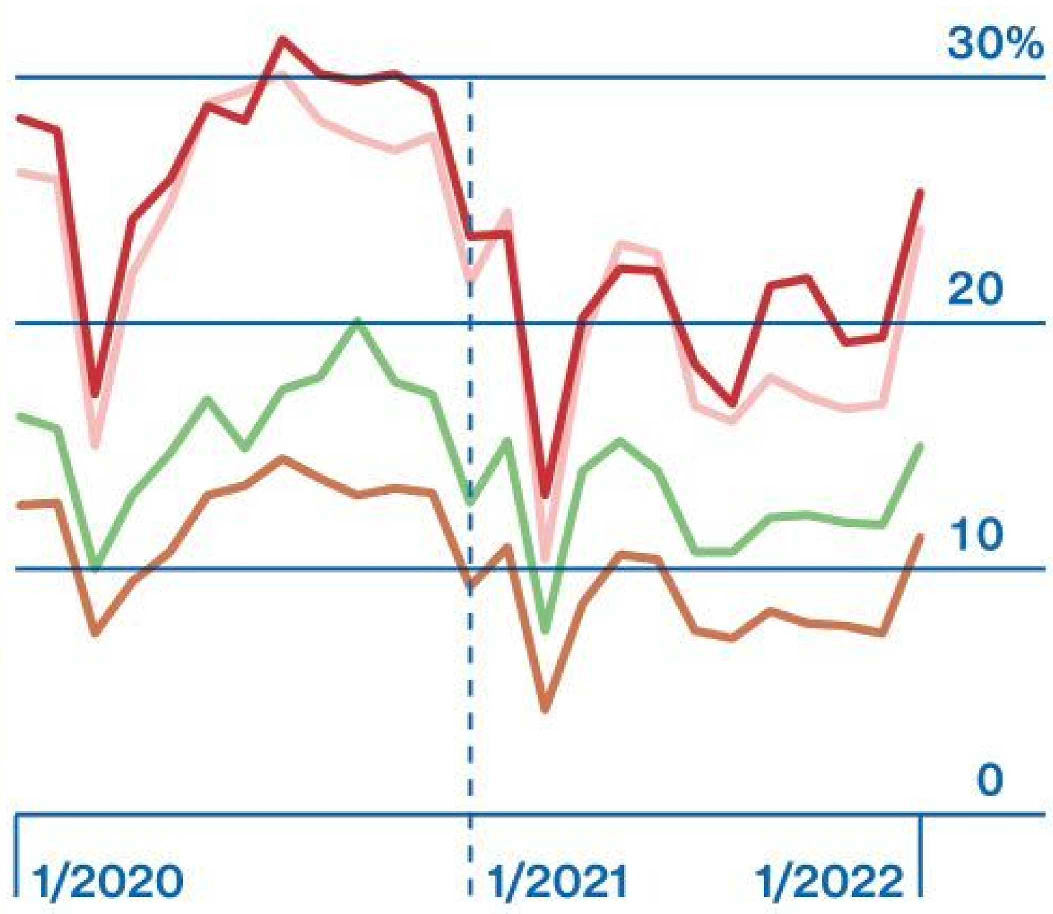
American adults mentioning race-related issues as most important problem facing the U.S.



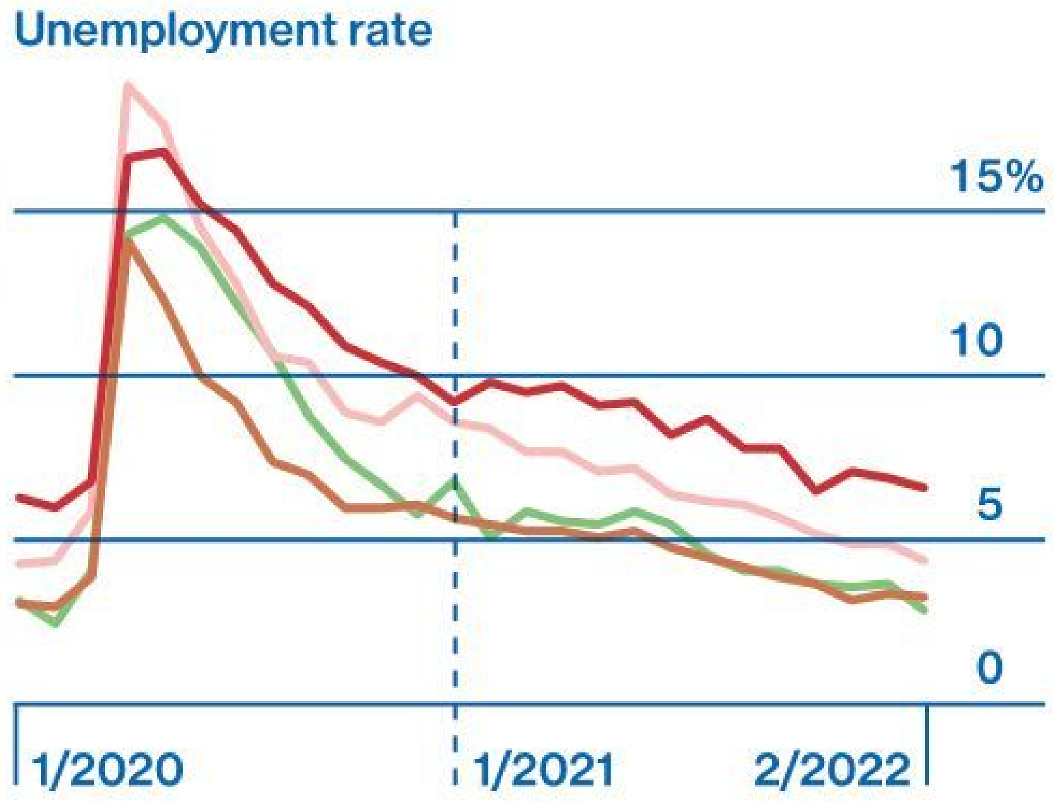
Poverty & unemployment

Asian / Black / Hispanic / White

Childhood poverty rate

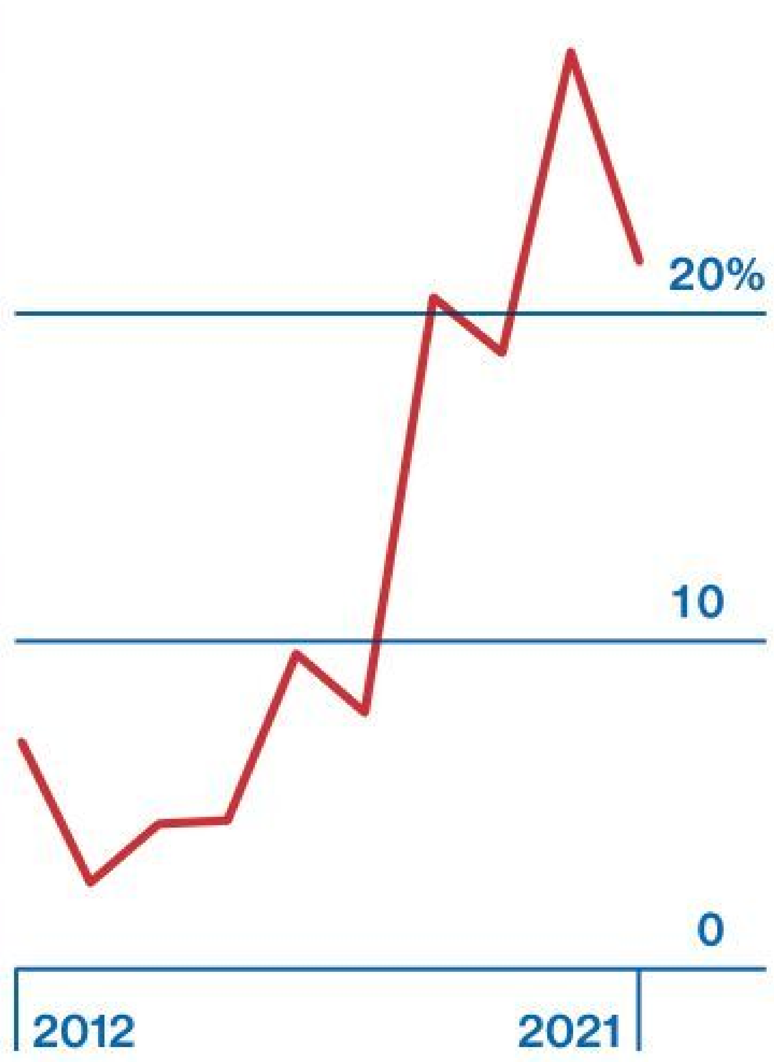


Unemployment rate



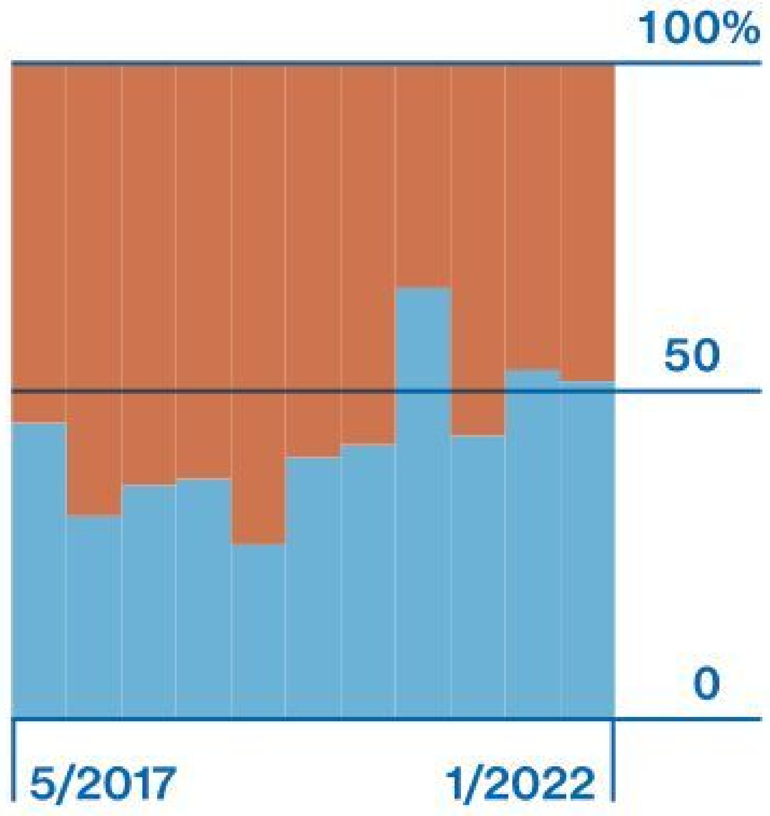
Entertainment, media & history

Children's books containing a Black main character



The Bachelor/*The Bachelorette* cast by season start date

- Person of color
- White



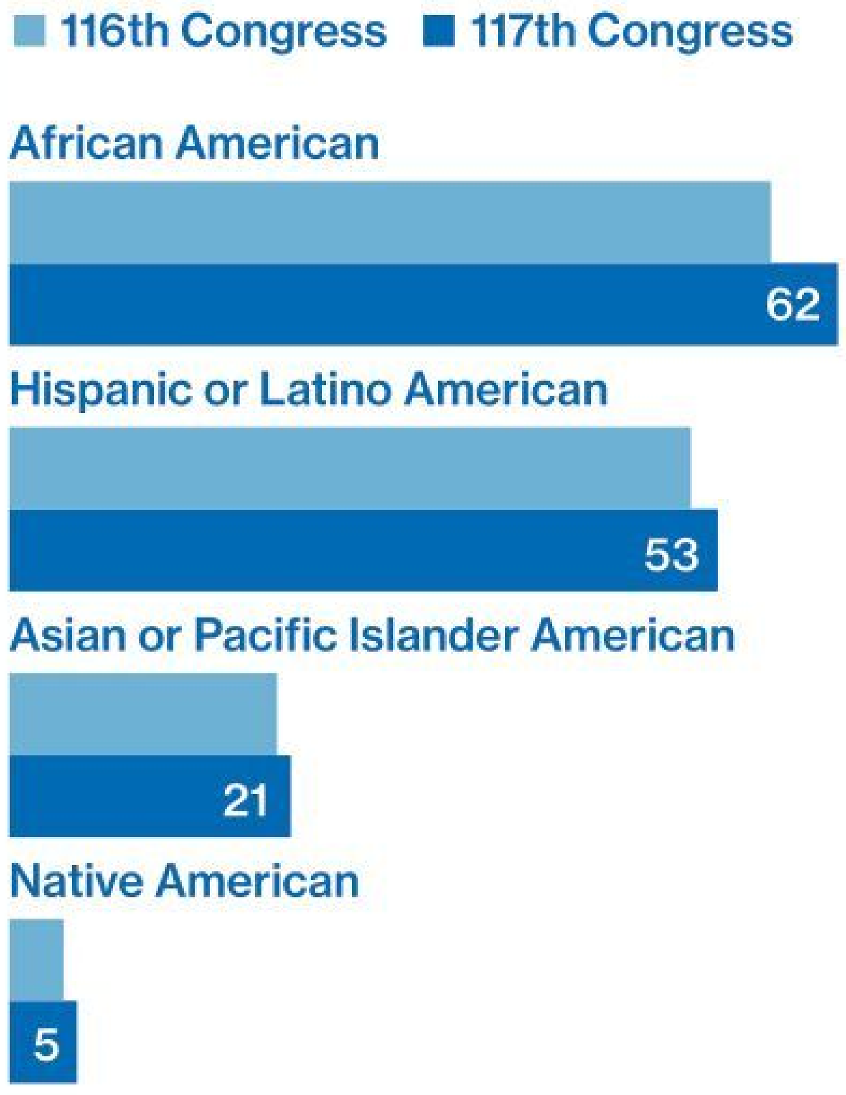
"In 2020, when the resurgence of the Black Lives Matter movement happened, the producers put out a statement committing to show more diverse love stories. Since Matt James's season [in 2021, he was *The Bachelor*'s first Black lead], we've been trying to contact as many cast members as we can to ask how they identify."

——Suzana Somers, founder, Bachelor Data, Boston

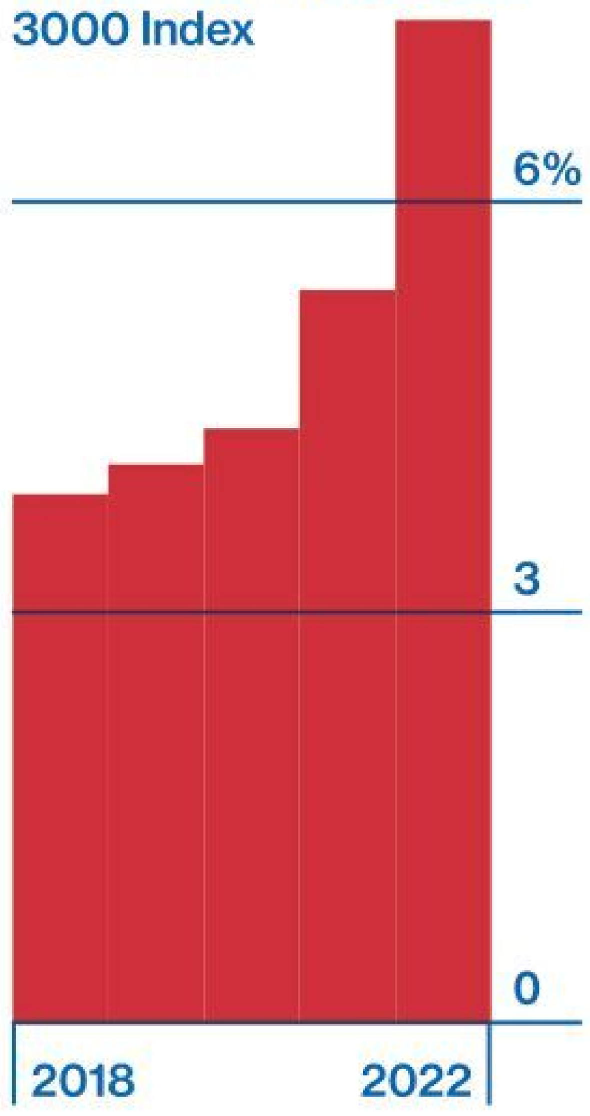
Works by Black composers performed at the Metropolitan Opera

Business, finance & politics

Number of non-White members of Congress



Black directors of companies in the Russell 3000 Index



805+

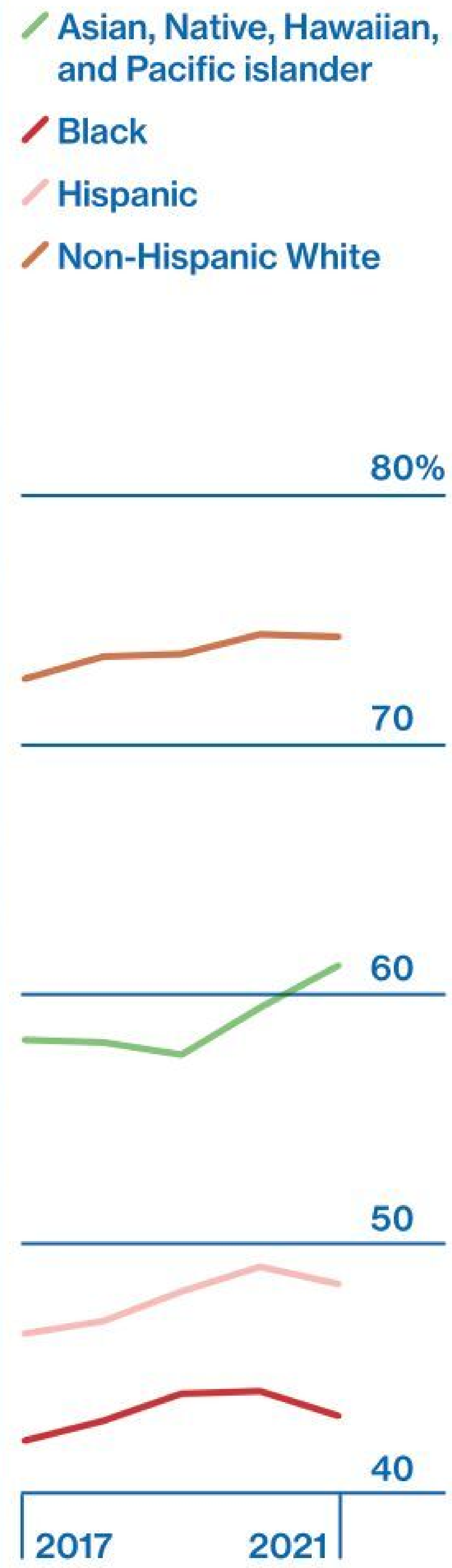
Number of companies that pledged to observe Juneteenth

“Juneteenth has always been Black Americans’ Fourth of July. Jack Dorsey came out and said [his businesses] were doing it. And there’s a bit of FOMO, with companies jumping to acknowledge this after coming to the realization they should.”

—Miles Dotson, co-founder, Hella Creative, a collective of art and tech professionals in the Bay Area

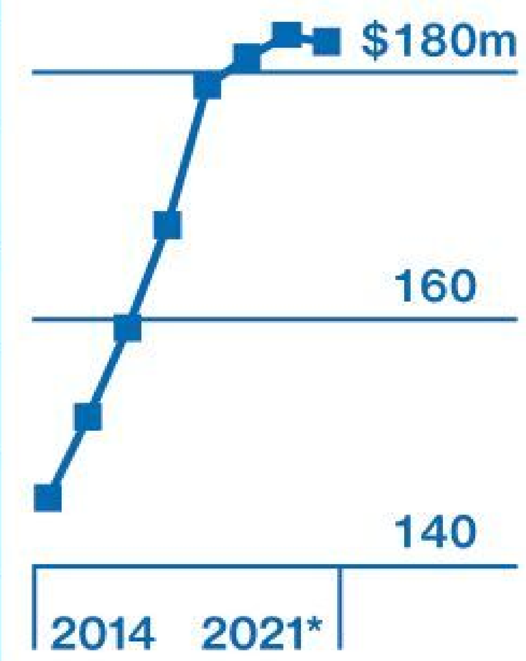
Homeownership

Rates as of fourth quarter



Police spending & hate crimes

Police spending in Minneapolis



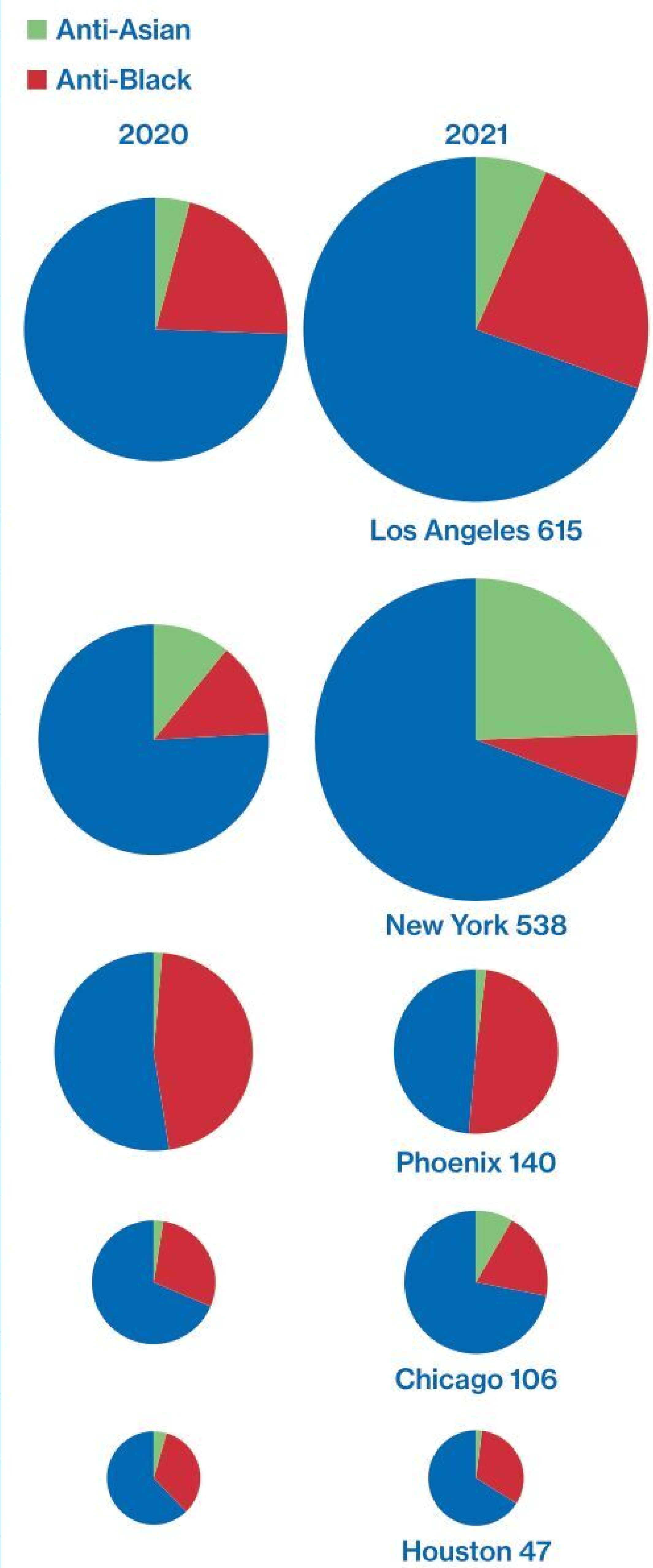
1m

Number of retweets a #StopAsianHate post from pop group BTS got in 2021, making it the most shared tweet on the platform last year

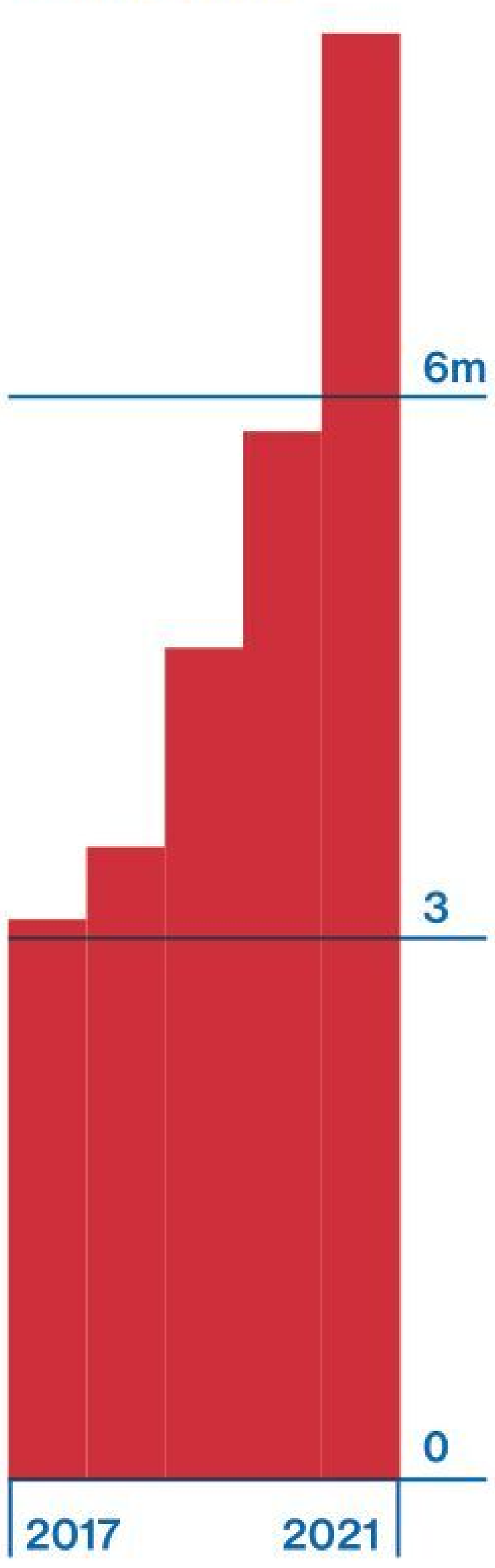
“The last two years are historic with regard to hate crimes. And remember, there are big problems and limitations with the data. Victims don’t report, or police misclassify them.”

—Brian Levin, director, Center for the Study of Hate & Extremism, San Bernardino, Calif.

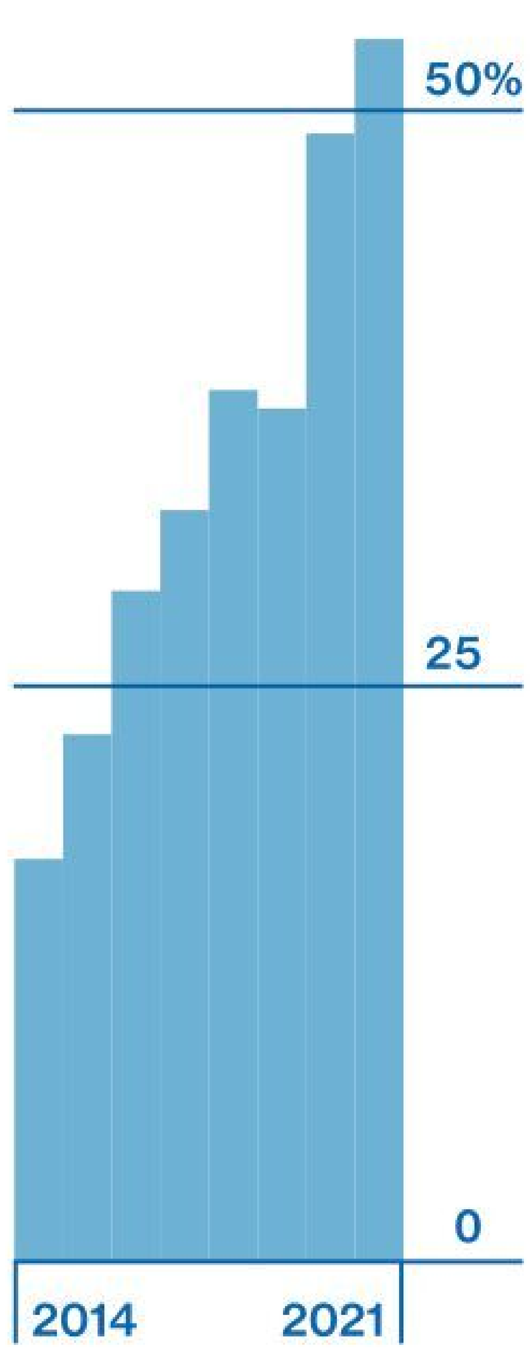
Hate crimes in U.S. cities



Black households in the U.S. that report taking camping trips



Percent of non-White cover models on top international fashion magazines



3,071

Number of photos submitted to a street art database created after George Floyd’s murder as of February

2,000+

Confederate memorials in public spaces as of February

“These memorials were not placed in the immediate aftermath of the Civil War but actually placed strategically as a way to reassert White supremacy. As more of the public becomes aware and understands the why and the how behind the symbols of the Confederacy—and why they continue to exist in public spaces—the overwhelming majority call for their removal.”

—Lecia Brooks, chief of staff and culture, Southern Poverty Law Center, Montgomery, Ala.

*2021 FIGURE REPRESENTS ADOPTED BUDGET. DATA: GALLUP (PERCEPTIONS OF RACE); COLUMBIA UNIVERSITY CENTER ON POVERTY AND SOCIAL POLICY, U.S. BUREAU OF LABOR STATISTICS (POVERTY & UNEMPLOYMENT); CONGRESSIONAL RESEARCH CENTER AS OF JAN. 20, ISS ESG, HELLACREATIVE (BUSINESS, FINANCE & POLITICS); U.S. CENSUS BUREAU (HOMEOWNERSHIP); CITY OF MINNEAPOLIS, TWITTER, CENTER FOR THE STUDY OF HATE AND EXTREMISM (POLICE SPENDING & HATE CRIMES); WORDSRATED, BACHELOR DATA, METROPOLITAN OPERA, KOA, THE FASHION SPOT, URBAN ANTI-RACIST STREET ART MAPPING, SOUTHERN POVERTY LAW CENTER (ENTERTAINMENT, MEDIA & HISTORY)

Fired for Being Fat

U.S. laws are lagging the science—and evolving attitudes—on weight. Two state-level fights could expand protections to tens of millions of people

By Josh Eidelson
Illustration by Saehan Parc
Photograph by Maegan Gindi

People who are fat face bias in every corner of life. They're more likely to be bullied in school, stigmatized by doctors, and convicted of crimes by juries. Survey respondents rate people who look overweight as lazier, weaker-willed, and less likely to win on *Jeopardy!*

When the humiliations extend to the workplace, the costs can be all the more easily measured in dollars and cents. People who are overweight are hired less, promoted less, and paid less. One study suggests that for every 6 pounds an average American woman gains, her hourly pay drops 2%. And people signing paychecks subject heavier workers to a gantlet of additional punishment, coercion, and harassment. "It is endemic," says Claudia Center, the legal director for the Disability Rights Education & Defense Fund, an advocacy group in Berkeley, Calif. One of her past clients, a cable installer, got risky weight-loss surgery after his company banned him from returning to work unless he lost about 100 pounds. His bosses thought he was too heavy to use their ladder, and they wanted to keep the ladder.

Unlike other forms of discrimination, companies can get away with such treatment because, in most places in the U.S., there's no clear law against it. Only the state of Michigan and a handful of cities, such as San Francisco; Madison, Wis.; and Urbana, Ill., ban discrimination based on weight. (In contrast, more than half of U.S. states have laws protecting people who smoke cigarettes on their own time.) In 2013 a New Jersey Superior Court judge ruled that because the state hadn't clearly outlawed weight discrimination, an Atlantic City casino was within its rights to regulate the weight of its "Borgata Babe" cocktail waitresses. "Plaintiffs cannot shed the label 'babe'; they embraced it when they went to work for the Borgata," wrote Judge Nelson Johnson, who's also the author of *Boardwalk Empire*.

Now, activists in New York and Massachusetts appear to have the best chance in decades to extend weight-based antidiscrimination protections to tens of millions of Americans. A pair of bills working their way through the states' legislatures would ban discrimination based on weight or height in housing, public accommodations such as hospitals, and employment. "My body is not a failure, nor does it need to be fixed," Janet Conroy-Quirk, who's advocating for the Massachusetts bill, wrote in testimony supporting its passage last year. "The systemic flaws and fat-phobic mentality that allow weight discrimination are the problem."

Although the federal Americans With Disabilities Act prohibits discrimination based on real or perceived physical impairments that substantially limit major life activities, judges have been hesitant to ▶


HIRING

rule that weight should be considered one of them. In rulings around the country, federal judges have written that deeming all obesity to be a disability could create a slippery slope to protecting "grossly short" people; that a firing because of a boss's belief that "fat people are essentially undisciplined and weak" would be OK because the boss wasn't suggesting the worker was physically impaired; and that a plaintiff's heaviness was akin to such unprotected traits as a "neon green mohawk."

Specific protections can spur better treatment. Michigan's law made possible a lawsuit, resolved on undisclosed terms, by a store manager for the luxury retailer Coach who alleged that the company had promoted her when she was petite, then fired her when she wasn't, after it first pressured her to take weight-loss hormones, get bariatric surgery, and eat more Lean Cuisines. (Coach declined to comment.) In San Francisco a settlement with an aerobics instructor forced Jazzercise Inc. to stop requiring its dance fitness teachers to "look leaner than the public." ("Recent studies document that it may be possible for people of varying weights to be fit," the company acknowledged.) A 2016 study found that protections in Madison and Urbana significantly increased the employment of people with obesity.

"Laws are often a reflection of cultural norms," says Jane Korn, the former dean of Gonzaga University School of Law. In the 1990s, the first time Korn submitted a paper about weight bias to journals around the country, she got a bunch of calls from law students reviewing her draft who wanted to know if she herself was overweight. In the following decade, U.S. Surgeon General Richard Carmona called obesity a "terror within" that could "dwarf 9/11." He described it as a crisis to be solved with personal discipline rather than public policy.

The truth is, Americans don't have as much control over their weight as they like to think. Research suggests that our bodies are more a product of our genes and environment than of our willpower and that major reductions in weight tend to be temporary. Studies have found that many people considered overweight are metabolically healthy and that lifestyle habits such as exercise and vegetable consumption together reveal more about a person's mortality than body mass index (BMI).

The U.S. has begun to catch up with the science, if slowly. A "Health at Every Size" movement, which promotes nutrition and exercise rather than weight loss per se, has been gaining ground among both doctors and patients. "The conversation wasn't happening 10 years ago," says Katie Sturino, whose advocacy for body acceptance has earned her an audience of 680,000 followers on Instagram and a small empire as a writer and consultant. Sturino's posts include photos of her remaking celebrity outfits in her size. She's working with Amazon.com Inc. to develop a line of size 4X and 5X clothing that will go on sale later this month. "It's not about your body being wrong," she says. "It's about the brand that doesn't make clothes that fit."

"It's not about your body being wrong. It's about the brand that doesn't make the clothes that fit"

Companies and media outlets that once operated to some degree on fat-shaming are now swinging a bit the other way. *Vogue* magazine, which over the decades has promoted a Cottage Cheese Diet, a Chinese Diet, a Champagne Diet, and a Grape Diet, in 2020 instead profiled intuitive eating: the antidiet diet of eating what you're hungry for, when you're hungry for it. *Good Housekeeping* magazine, whose turn-of-the-century cover paired a Meg Ryan profile with a Soup Diet to "Lose 10 lbs. Fast!," recently published its own Anti-Diet Culture Series, with articles about fatphobia, body acceptance, and the limited usefulness of BMI. Plus-size women now grace the *Sports Illustrated* swimsuit issue and appear in ads for Dove soap and Victoria's Secret underwear. Abercrombie & Fitch, long known for its abs-festooned catalog, now sells Curve Love jeans.

Yet for every fat-accepting corner of internet culture, there's another pushing unrealistic beauty standards, and the view of fat as a personal failing remains widespread. "People may not even know they're biased against people with obesity, people of size, but are making decisions based on it," says Patricia Nece, a recently retired attorney for the U.S. Department of Labor who chairs the 75,000-member nonprofit Obesity Action Coalition. "Employers reflect society. They're not immune to it."

Expanding civil rights protections is hard. It tends to take decades of movement-building and attitude-transforming, often combined with tough compromises and good luck. The Civil Rights Act of 1964, for example, followed a generational protest movement. It ended up including a ban on gender bias only thanks to an amendment from a segregationist congressman who hoped it would tank the entire bill. That sex discrimination clause then got read a half-century later by the U.S. Supreme Court to ban bias against LGBTQ people, types of discrimination that Congress had failed for years to outlaw specifically despite strong public support for such a move. In 1990 the Americans With Disabilities Act emerged from fierce fights in Congress with clauses that excluded pyromaniacs and "transvestites" from protection. It also required that the government review which diseases could be spread by handling food, a clause inserted to address baseless fears about letting people with HIV work in restaurants.

When judges or lawmakers weigh who's covered by existing civil rights laws or who they should be expanded to protect, a frequent concern is the question of what's called immutability, meaning whether the trait that's the subject of the discrimination is one a person can't change. That poses a challenge with weight, which many Americans see largely as a matter of individual choices and discipline. In that respect, weight is comparable to credit history or criminal records, both of which the government has been hesitant to ban employers from judging workers on, says University of Tennessee law professor Brad Areheart.

But the mutability of weight is overstated. Even the pound-shedding reality-TV gladiators of *The Biggest Loser* usually regain most of the weight they lost, National Institutes of Health researchers found. And when it comes to civil rights, the weight of immutability is overstated, too. People can choose to change their religion, but the Civil Rights Act bans bias based on religion anyway, because it isn't something most Americans think people should have to change to get a job. Disability can change over time and can stem from people's choices, whether driving a car or fighting in a war.

New York Senate Judiciary Chair Brad Hoylman says he took an interest in weight bias after his tween daughter told him just how prevalent fat-shaming and diet pressure were online. After his daughter complained that the trendy "one-size-fits-most" company Brandy Melville had no clothes that fit her larger friends, Hoylman began reading about allegations that the company discriminated against workers who were Black or overweight. (The company didn't respond to inquiries.) About the same time, Assemblyman Thomas Abinanti came across his own surprise. He read about a New York City Council member's never-passed proposal to ban weight and height bias, which he'd never realized was still legal, and figured the whole state could use such protections.

Now the two lawmakers and the Retail, Wholesale & Department Store Union have teamed up to try to pass a bill this year that would make weight and height protected categories under the state's civil rights laws. Hoylman, who represents Manhattan, says it's a fitting follow-up to other nondiscrimination bills the state passed in recent years, including measures that ban bias based on gender identity or hairstyles such as Afros. "I think we can continue to press the outer limits of protections," he says. "It just seems obvious that someone should not be body-shamed out of an employment prospect."

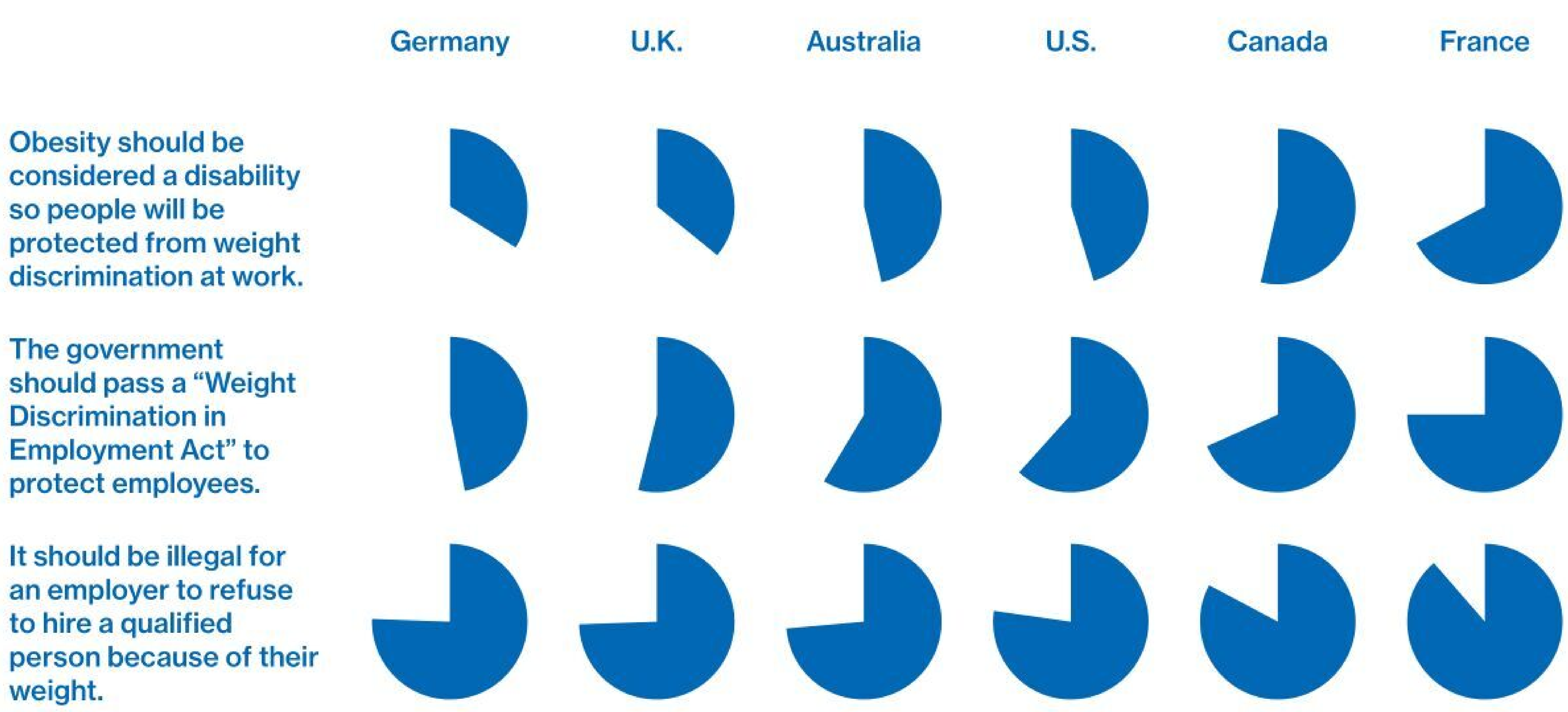
Weight bias is widespread in retail, says Eno Awotoye, an organizer for the RWDSU's Retail Action Project, which mobilizes nonunion workers to try to improve the sector. Awotoye, who spent a couple of decades working retail jobs, says that higher-end brands tell job seekers to provide a photo with their résumé and that heavier workers get passed over for promotions or stuck in the back, stocking shelves for less pay than sales reps. Some get told after gaining weight that they no longer "fit the image" the company wants, and many retailers insist that sales staff wear their own brand on the job while refusing to provide apparel that can fit larger employees.

To get the New York bill passed, the RWDSU plans to mobilize workers who've experienced or witnessed such discrimination to lobby lawmakers and testify at hearings. The union is also discussing other tactics: placing columns in neighborhood newspapers, circulating petitions from constituents, holding rallies, and setting up mock "changing rooms" where people who want to anonymously share discrimination stories can be videotaped behind a curtain.

Finding retail staff ready to publicly share their discrimination stories has been tough, says Awotoye. In part, people fear the social stigma of calling attention ▶

Facing Weight Stigmas at Work

Share of adults who agreed with the following statements in a 2020 survey of WW (formerly Weight Watchers) participants



DATA: OBESITY, A RESEARCH JOURNAL

◀ to their weight, she says. The more pressing concern is potential blacklisting by future employers, especially at the luxury brands that pay better. But that's an obstacle that can and must be overcome to get the bill enacted, she says.

The bill's backers say their state is ripe for a breakthrough. The New York state legislature's center of gravity has been shifting increasingly leftward in recent years. Democratic Governor Kathy Hochul has a business-friendly image, but she's been hustling to shore up labor support as she seeks election for a full term in November.

New York Assembly Member Linda Rosenthal, who's been introducing her own narrower bill to ban workplace weight discrimination each session since 2017, says the culture beyond Albany has shifted, too. Even a few years ago, "I don't think society was ready," she says. "I definitely think it's changed, and it's continuing to change, based on people who are discriminated against saying, 'I've had enough.'"

➔ Awotoye

In neighboring Massachusetts, the decades-long push to ban weight bias is getting new momentum. A bill passed the state legislature's Judiciary Committee in February and is now pending at the Senate Ways and Means Committee, which could tee it up for a floor vote. "This is an issue that has been discussed for a long time, and it's just now starting to get some traction," says workplace plaintiffs' attorney Shannon Liss-Riordan, who's running to become the state's attorney general. Liss-Riordan expects the weight bill to pass and says she's eager to deploy it to fight discrimination. "It just fits into our overall framework that people should be judged based on their abilities and their qualifications for a role and not based on factors that are irrelevant to how well they will perform," she says.

Massachusetts' current attorney general, Maura Healey, a Democrat who's favored in this fall's race to replace retiring Republican Governor Charles Baker, said in an emailed statement that she supports legislative efforts to protect residents from weight discrimination.

Employers tend to oppose laws that would impose limits on their ability to fire employees. But no major business lobby is rushing to speak up for weight discrimination. A spokesperson for the Associated

Industries of Massachusetts, the state's leading business lobby, said in an email the issue "is just not one of our priorities at this point." The Partnership for New York City, a business group whose executive committee includes the chief executive officers of JPMorgan Chase, Pfizer, Macy's, and Loews, takes a similarly sanguine view. "I would be surprised if anyone were opposing this legislation," says the group's CEO, Kathryn Wylde. Companies are frustrated that legislators keep "unnecessarily inserting themselves in the employer-employee relationship," she says, but discrimination is something they already avoid.

Nationally, employers have also been pretty quiet about the issue. "We do not have an established position officially but, of course, do not support any form of discrimination," the U.S. Chamber of Commerce's communications vice president, Tim Doyle, said in an email. The lobby's Michigan chapter rarely hears from members about that state's singular weight bias ban and isn't angling to get it changed, says Wendy Block, the state Chamber's vice president for business advocacy and member engagement. "We're not necessarily saying that all states should run to add this to their laws," Block says. "Once a law is passed, you have to figure out a way to live with it, and that's what has happened in Michigan."

From $15 wage floors to antigay bias bans, workplace reforms tend to be secured in cities and states before fully forcing their way onto the national agenda. New York's and Massachusetts' legislative sessions both end this summer. Making either the first state in almost a half-century to ban weight bias would be an electrifying win for the cause.

Law and social norms both shape each other, says the Massachusetts bill's Senate sponsor, Becca Rausch. "Fatness for so long was seen as a personal failure and only as a personal failure, which is why I think it is still a legal form of discrimination," she says. "The existence of this law, as enacted, will help to further break down stigma."

Activism for the rights of overweight people has a long history in the U.S., but it hasn't yet gathered the momentum or reached the mainstreaming of some other movements that left their mark on the country's laws. Advocates say they're making headway, with help from recent scientific research and inspiration from the sea change in attitudes toward other groups such as LGBTQ Americans.

> **"In a beauty salon, maybe I'm not as surprised that I'm being treated kind of crappy. But I expect something different at, for example, an organization that serves children"**

There's a good chance that the antidiscrimination legal campaigns and Americans' changing attitudes will continue to help each other in tandem. "The cultural shifts around acceptance of fat and questioning the diet industry and the pervasiveness of diet culture, some of those things have empowered more fat people individually to think about, 'Oh, when my rights are being violated, this is not my fault,'" says Tigress Osborn, who chairs the 53-year-old, volunteer-run National Association to Advance Fat Acceptance.

Janet Conroy-Quirk, the activist now lobbying for the Massachusetts bill, has started to see changes, too, but she says the law needs to be passed to speed them up. She's spent years in social work facing regular humiliations. When she complained to her bosses at one nonprofit that certain clients kept calling her fat, they told her to suck it up. After she told her boss at another nonprofit that urging employees to join a workplace weight-loss contest was insensitive, she got dinged on her performance review. At a third nonprofit, where she applied for an outreach job, a manager looked her up and down, stared at her stomach, and asked, "Do you really think that you can represent this organization appropriately?"

Conroy-Quirk has gotten used to being misjudged and maligned because of her size. She's been harassed on the way home from church by men making pig noises, and a doctor she saw about an in-grown fingernail assumed she was diabetic. But the workplace hurdles she's endured have been particularly aggravating. "In a beauty salon, maybe I'm not as surprised that I'm being treated kind of crappy," she says. "But I expect something different at, for example, an organization that serves children."

The former social worker, who has been meeting with legislators and submitted testimony for a recent hearing, says becoming an activist has helped assuage the guilt she felt after giving up on social work. "Four years ago, I was cutting the size labels out of my coat so people on the subway couldn't see what size I was," says Conroy-Quirk, who now runs her own business, a guide to help larger customers find welcoming places to shop. Now, between her business and her activism, "I'm out there announcing what size I am to everybody." Ⓑ

Min Jin Lee Wants You to Pay Attention

The National Book Award finalist and author of *Pachinko* and *Free Food for Millionaires* wants to give a more nuanced portrait of Asian-American life, including the everyday racism communities face

By Diana Suryakusuma
Photograph by Wayne Lawrence

← Lee in her home library

Until recently, Min Jin Lee was primarily known as the bestselling author of *Pachinko*, a novel that follows a family of Korean immigrants in Japan through the 20th century. (The Apple TV+ adaptation premieres on March 25.) But over the past two years, as violence targeting people of Asian descent in the U.S. has surged, Lee, who grew up in Queens and lives in Manhattan, has turned her Twitter feed into a record of anti-Asian racism. In an interview with Diana Suryakusuma, Lee explains why and how she hopes speaking up will lead to greater equality for all. Here are edited excerpts from their conversation:

The news has been increasingly filled with horrifying stories of violence toward Asian Americans. What motivates you to speak out about anti-Asian hate?
I'm tired of people saying that an attack was random rather than race-based. I believe that when Bipoc women and men are attacked, race is always part of the consideration. It may not be the determining factor, but it's part of our consideration. I can't walk out of the house and not be Asian.

Because the problem is complicated, people keep saying the problem doesn't exist. I'm saying it does. Look at the numbers of Asian Americans being attacked, assaulted, insulted, and killed around the country. It doesn't matter how well-educated you are or how safe you think you are in your suburbs: We come from a very long history of being persecuted in this country.

"The point of awareness is to incite action"

And not all Asian Americans are high-income. Asian Americans have more income inequality than any other racial or ethnic group.
In New York City the poorest people of color are actually Asians and Asian Americans, and we make up almost 15% of the local population. We're constantly being told we don't exist, but that's not true. Then we're told that we want too much. But it turns out we don't get very much.

How did we get to this current state?
There's been a great deal of correlation between the rise of Asia and how Asian Americans are perceived. We're being questioned for our allegiances to countries in Asia with which none of us may have any relationship, and being punished for their political behavior. Like when Eileen Gu, who is Chinese American, decides to play sports for China, the level of vitriol being leveled at her is different than other Americans who have decided to play for other countries.

With the greater focus on racial equality in the U.S., how do you think Asian Americans fit in?
I don't think that it's helpful for anyone to say that this community's harm is more or less important. What's important is that when horrible things are happening to Asians and Asian Americans, we do everything that we can to get more attention on it. I think it's so critical that we start to have a more nuanced understanding of what it means to be Asian American in this country.

How do we make progress?
I love America so much. I love it with the passion of an immigrant, because I really am so hopeful for change. Things could change radically in this country if we had universal health insurance and child care. If we can think about those things, then with something like racism—which very often is a byproduct of economics as well as learned hatred—we can start to solve problems.

What do you think the characters in *Pachinko* would say about the Asian diaspora in the U.S.?
The way Korean-Japanese people of that generation feel about America is quite relevant. Many of them really do see America as this positive space in which they can feel liberated. You have this word "equity," but I think that if you ask the philosophers, "What is our real goal? Is it to be equal?" the most enlightened would say we want to be liberated from these conventions and to be free.

To live this way, you have to live in a democratic state in which you're allowed to be who you're supposed to be. And for many, many people around the world, that is embodied in this country. Whether or not that's the civic experience of every American can be quite easily disputed. That said, I am still really attached to the romance of America.

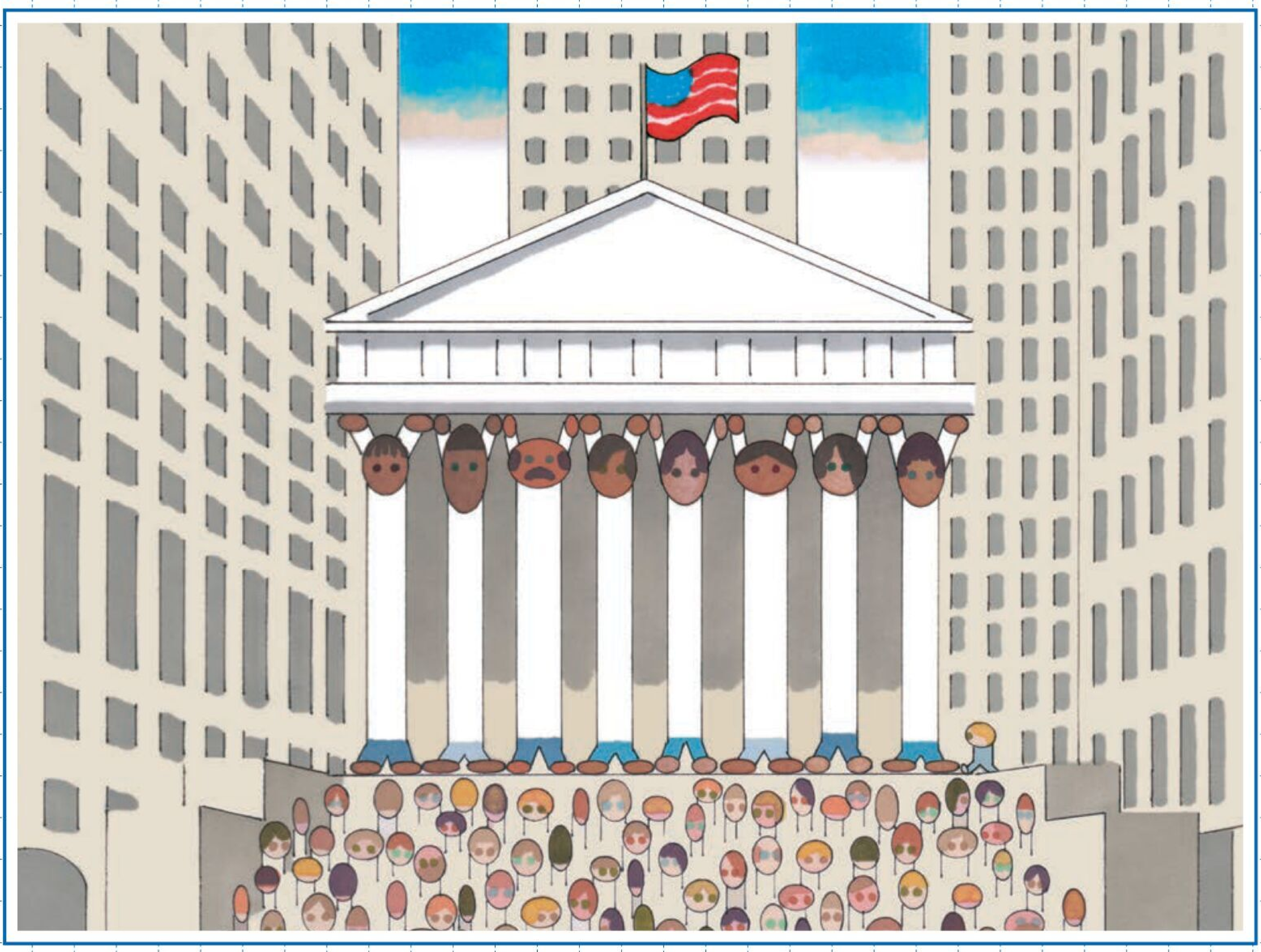
If you were writing a book about the experience of the pandemic, what would the opening line be?
"The holdouts are controlling the show."

That reminds me of the line in *Pachinko*: "Man, life's going to keep pushing you around, but you have to keep playing."
I really want to encourage millennials and Gen Zers to keep playing, to keep showing up, even if you're exhausted. Obviously rest—I really want people to rest—but I also want people to say, "I'm gonna get up now, and I'm gonna do my small thing." You'd be amazed at how much can change if you show up regularly.

We need to have hope. The point of awareness is not to give up. The point of awareness is to incite action and positive change.

If there were one law in the world that every person had to follow, what do you think it should be?
Treat people the way you wish to be treated. My father used to always say you don't want to be a wiseguy. By that he meant the person who knows more and therefore can take advantage of someone else. So even if you know more, even if you can take advantage of somebody else, avoid it, because there are things in your life where you're not the wiseguy. You're the dummy. Ⓑ

So You Want to Sta



A Wall Street lifer's quixotic quest to build a truly inclusive finance company

By Max Abelson and Jordyn Holman
Illustration by Saehan Parc
Photographs by Mohamed Sadek

It hit him before the pandemic and before the summer of protests. Alex Ehrlich, a 40-year veteran of some of the world's biggest banks, would leave his executive position at Morgan Stanley to build a financial institution that looked much different than the ones where he'd spent his career.

Anyone who's been on Wall Street that long knows something is wrong there. Things had improved since the early days of Ehrlich's career, when women and Black people were all but shut out of executive suites, but much of the industry's money and power remain in the same hands today. Black people and women talk about it, and so do some rich, White, well-connected, middle-aged executives.

rt a Nonracist Bank

Ehrlich is one of the latter. He worked at Goldman Sachs Group Inc. for decades, was a managing director at UBS AG, and was helping run the prime brokerage business at Morgan Stanley, servicing hedge funds and chairing the investment bank's diversity council, when his epiphany hit. "We'll start a bank, and we'll get it right from the beginning," he told *Bloomberg Businessweek* soon after stepping down from Morgan Stanley in January 2020. "The single most important conclusion I came to personally was that banks are really, really challenged simply by their history and their size."

Pretty much every big U.S. financial institution says it's hard at work on inclusion and its attendant network of pipelines, mentorship programs, and retention initiatives. But the way Ehrlich saw it, banks with thousands of workers are too big to remake their cultures in any reasonable time frame, even if they really want to. His imagined company would be unencumbered by its size. It would be, to the best extent possible, inclusive and nonracist in its practices and impact, even as he couldn't guarantee that he wouldn't fail or unwittingly exacerbate the problems he'd set out to solve.

Ehrlich was offering a pair of reporters a chance to see what it looked like when a finance executive starts with a blank slate and tries to leverage the privilege his position affords him to build an institution that embodies those ideals. He agreed to keep speaking to us about the challenges, as long as it didn't reveal company secrets and we didn't publish our interviews until he'd raised money. Since he set forth, things he couldn't have foreseen have happened to Wall Street, to his startup, and to him. His digital financial-services company, Percapita Group LLC, has found opportunity and crisis and has won backing from big-time investors. As its planned launch early next year draws closer, the kind of inclusion that Ehrlich and his colleagues have in mind has shifted. It's not just about culture change anymore. It's about how to bring people who've been left out of the financial system into the fold—and make some money from them in the process.

Successful Wall Street executives tend to be brash and intense. Ehrlich, who's 63, bearded, and balding, comes across as professorial and avuncular. His mom was an immigrant from Eastern Europe who occasionally spoke Yiddish in their Long Island home, and he seems to have an almost quaint commitment to the idea of the American dream. He's designed a pyramid-shaped hierarchy of leadership values, and he'll sometimes ask people to draw it out so they'll remember it.

At Morgan Stanley, Ehrlich befriended a young analyst named Drisana Hughes, whose father had once been a lawyer for the bank. The way she saw it, he really cared about her career. They stayed in touch even after she left Morgan Stanley in 2017 to work in politics. And when Ehrlich left, too, and told her about his idea to start something different, she joined him as a founding partner. "A blank sheet of paper is amazing," she told us.

Ehrlich was funding the operation, planning to spend millions of dollars of his Wall Street fortune at first. In early 2020, he outlined his vision for the company he was tentatively calling Inclusion Development Corp. For starters, it would seek to hire hardworking, creative, and self-aware people who look like the rest of the country. "If a third of our leadership is White and male, that's fine," he said—that proportion generally tracks with the U.S. population. He thought he could hire Wall Street veterans excited enough by the prospect of creating a new corporate model for finance that they'd "walk away from multimillion-dollar jobs" to try.

Their target customers would be low-paid and nonunion American workers with hourly jobs inside corporations, a niche chosen in part for moral reasons: The financial system has been known to ignore or even punish working-class Americans. But there was a practical consideration, too. Reaching people through big employers would give Ehrlich access to and information about thousands of people at once, letting him avoid huge marketing outlays. The resulting savings could help him keep fees low and avoid harsh terms. Ehrlich thought corporations and their human resources departments might give his company opportunities to offer workers a suite of services—not so they could get a cut of the profits, but because their employees might consider it a perk.

As for business lines, he and Hughes were considering Wall Street staples such as a wealth management unit, an arm for selling exchange-traded funds, and even a corporate advisory unit that did investment banking. But services like these typically cater more to rich people. To meet workers where they are, the startup decided to focus instead on consumer finance.

By May 2020, Ehrlich and Hughes had more ▶

◀ colleagues. Maripat Alpuche had been a partner at white-shoe law firm Simpson Thacher & Bartlett, specializing in huge bank mergers and co-chairing its women's committee. She'd been preparing to retire to a life at the beach when she met Ehrlich.

Alex Brunson was barely three years out of college, a hip and artistic classically trained singer. He'd dreamed of playing basketball for Duke University but stopped growing at 5-foot-6. He went to Duke anyway, majoring in economics, then worked for Chick-fil-A and American Eagle before getting hired by Morgan Stanley. Brunson was responsible for the name Percapita, tossing it out on an internal call.

The team began homing in on a concrete product, a credit card that charged two interest rates: a tiny one for necessities and a higher one for inessentials. "Groceries are a necessity; restaurants are not. Child care is a necessity; leisure travel is not," Ehrlich said. The idea had an informal quality. "None of us are credit card people," he went on. "Will people partner with us? Will consumers want this? Can we manage the data properly? And can we manage the risk properly? And can we fund it?"

They were also thinking about getting into a trillion-dollar sector riven with racial inequities: "We particularly think the student loan market is ripe for being able to do good and make money," Ehrlich said. He seemed to see the trillion-dollar pile of student loans not as a trap but a business opportunity, especially if his team could widen access to debt refinancing.

The pandemic had been wreaking havoc in the U.S. for two months. Hughes was in New York. She seemed shaken as she watched fellow twentysomethings who were carrying heavy student debt burdens lose their jobs. "To see this happen in real time has been so heartbreaking," she said. "People have no money. What are they supposed to do?"

Three days later, on May 25, police in Minneapolis murdered George Floyd.

"We have spent as a team so much more time talking about antiracism, what that means in finance, what that means for our business, what that means for raising money," Hughes said on a call a few weeks later.

"Now, instead of being ahead of the curve, we're surfing a wave," Ehrlich said. "Everybody wants to talk about it and see change." He wasn't referring only to protesters; he meant investors chasing businesses like his. "There's a wave of capital out there looking for something to do."

But at least one colleague was hesitant to move quickly. "I'm definitely Team Wait," Hughes said. "Everyone feels pressure to say now, all of a sudden, that they care about Black people."

Pledges to make profound changes were whizzing around the industry. Goldman Sachs created a $10 million Fund for Racial Equity. Morgan Stanley named two Black women to top management groups and added an inclusion commitment to a public list of the bank's core values. At Percapita, Hughes and Brunson were thinking about credit scoring, which has long been blamed for putting Black borrowers at a disadvantage. Recent research from the Brookings Institution, for example, has shown that Black people are likelier to get excluded from mainstream finance based on credit scoring.

Anyone who wants to overcome such shortcomings while issuing credit or making loans faces a conundrum. "We don't just want to use a standard model that's subject to elements of racism," Ehrlich said. "And on the other hand, to the extent we veer any distance from the standard models, it makes it really hard for us to operate."

Just as Wall Street bundles home loans into mortgage-backed securities, credit card companies lump together debts from different borrowers into bonds that they then sell to investors. Those buyers use credit scores to gauge the risk. If Percapita avoided standard ratings, the bond buyers are "just going to say we can't tap the public markets," Ehrlich said. "If we're going to invent a new model and we're going to claim it's a superior model and base our business off of that, and it turns out we're wrong, and it blows up on the people we sell the notes to, that's not a good outcome either."

"My view is we've got to try," Hughes responded. She'd been reading Mehrsa Baradaran's books on race and finance, *The Color of Money* and *How the Other Half Banks*, which call for profound shifts to the unequal credit system. "If we do this right, it could really change people's lives."

Brunson, who was giving deep thought to his Black identity, told colleagues he wanted to read Ibram X. Kendi's bestselling *How to Be an Antiracist*, which argues that policy has to produce or sustain racial equity to deserve that mantle. The company bought copies for everyone. Soon after, they read the book and discussed what it meant for them and the firm they were building.

Percapita had been founded before antiracism had entered the corporate lexicon. Alpuche didn't see how it could legitimately start using the phrase. "When you actually say, 'I'm an antiracist organization,' that just wasn't what we had set out to build," she said.

Ehrlich agreed. "Kendi talks about judging racism on the factual results of a process rather than on the intentions," he said. "If you're trying to build an organization from scratch, and you're trying to be antiracist, it imposes upon you certain standards that are really, really hard to live up to." They decided not to get hung up on adopting the label. Instead, they recommitted to the practical and capitalistic idea of reducing the cost of access to the financial system. That was how they thought they could make banking more equal, whether they called the company inclusive or antiracist or not. To them, the decision wasn't a cop-out or a moral compromise. It represented a business proposition.

In July, a few months after joining, Hughes decided to leave Percapita. "Not that I think his work isn't impactful, but I had to do more right now," she said. By the end of the month, she was working for Joe Biden's campaign. (She continues to work in politics.)

Later that year, Ehrlich got more discouraging news when he met with potential corporate partners for the credit card. "Nice idea, but you guys are off base," he said representatives from four companies told him. "Some of our employees don't have bank accounts. Some of our employees literally pick up a paycheck and go to a check-cashing store. And you want to give them a credit card?"

Percapita tabled the two-rate card idea and began asking more basic questions about how the unbanked, underbanked, and badly banked live—how workers get their money and what they do with it, how they cash their checks and send funds to family or borrow against their upcoming pay. There are already lucrative businesses built on those processes, but they've also been known to extract enormous sums from poor people.

"We can do payday loans for a couple percent," Ehrlich said, referring to the margin over the company's capital costs. This could be a substantial improvement in a sector where annual interest rates can top 600% in some states. It wouldn't forge any new paradigms, but it could help customers keep more of their paychecks and generate modest returns. "We're not working for free," he said. "This is not a not-for-profit."

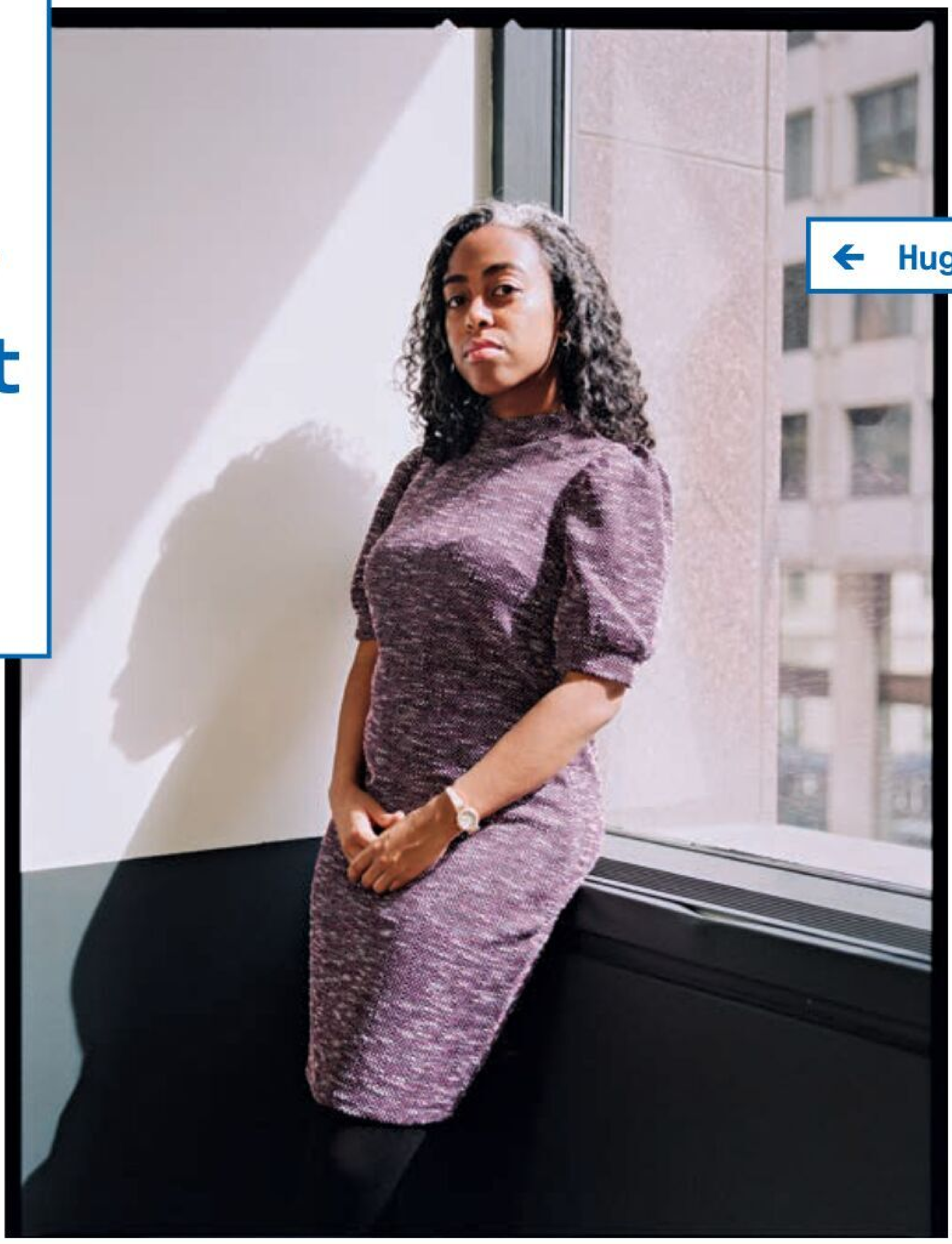
"Everyone feels pressure to say now, all of a sudden, that they care about Black people"

Ehrlich got his first solid lead near the end of 2020, when an owner and operator of McDonald's franchises in California agreed to give the Percapita team access to the kinds of workers who could become their customers. With serious market research about to get under way, the company hired Keith Mestrich, former head of Amalgamated Bank, founded for union members a century ago, and Daniela Peluso, an anthropologist who's studied Indigenous communities in the Amazon. They joined an earlier hire, Eni Asebiomo, a former SpaceX engineer.

Peluso prepped Asebiomo and Brunson for a trip to San Jose, where they would spend three weeks embedded inside McDonald's restaurants. Their mission: learn more about why some people are unbanked or dissatisfied with their bank, and about how one might gain their trust. When they arrived in March 2021, they alternated between tasks like taking drive-thru orders or making coffee and surveying workers about their experiences with money. "People aren't mad at some abstract system and debating the merits of capitalism," Brunson said afterward. "That's not really happening. People are like, 'I'm trying to be a good mom. I'm trying to make rent.' It's that simple."

Ehrlich made his own trip to San Jose in May. Driving around from one fast-food spot to another, he saw workers treating his colleagues as family. He became convinced that if his company could reach communities like this, Percapita would win customers, change the way they bank, save them from steep fees, and build a sustainable business. It just needed to figure out how to earn the trust of workers who might be coming from countries where savings had been wiped out by hyperinflation, or were undocumented, or simply suspected that banks take advantage of people who look like them.

In the past few years, when the biggest finance companies have attempted to reach the unbanked, they've tried things like pledging money to community groups and underrepresented borrowers, partnering with Black-owned banks, promoting low-cost accounts, cutting overdraft fees, and opening branches in financial deserts. Some have tried financial technology to ▶



← Hughes

↗ Alpuche, Ehrlich, Brunson, and Greene

◀ reach more people faster. It's not clear how successful those efforts will be at overcoming distrust. Percapita's view was that they had anthropology on their side—a way of seeing the problem as social as well as financial, which would help them connect with would-be customers who've ignored banks or been ignored by them.

Ehrlich was getting impatient to put this approach to the test, but he needed to bring in some outside money. Starting a financial firm is expensive, he pointed out. He wanted to raise at least $15 million, preferably twice that, by August 2021. He started with calls to a few people he knew from hedge funds. "That has evolved into a couple of offers for funding," he told us. "I believe we're going to raise money. The signs are good."

He and his colleagues were now touting a business plan and a suite of products that looked different from their options from a year earlier, emphasizing services such as checking accounts, savings accounts, debit cards, credit cards, cross-border remittances. The key to Ehrlich's pitch was cheap access to a lot of customers through corporate employers, combined with an anthropological, empathetic bent that could push him and his colleagues over the barrier of consumer suspicion. They'd have to find investors who believed they could pull it off and didn't mind that they weren't driven to wring as much money as possible from poor people.

When Ehrlich spoke on a video call toward the end of July, a few days before his self-imposed deadline, his beard was longer than usual. His mouth was turned down, and he fell into pauses. "I'm telling you it's harder, that it's been hard," he said. "We're trying to do something really ambitious, and that requires a lot of investment." He was staring into space and wiggling in his chair. "Confidence that it is a good investment requires a certain leap of faith from people, because we're not copying anybody else's business model."

By autumn, Ehrlich had lost some of his steam, if not his sense of mission. There were reasons to keep on. Percapita had landed deals with another sizable restaurant chain and a small New York manufacturer, which would provide it with access to their employees and permission to contact them. He'd hired Aliah Greene, a soft-spoken Morgan Stanley veteran from Harlem who had herself once relied on check-cashing places, to be Percapita's new chief risk officer and ultimately its chief operating officer. "Within a system that is what it is, individuals are finding the solutions that work for them, based off of what's available," she told us. "Our work here is to try to make something better available to them." Ehrlich mostly stayed offscreen on this Zoom call, his face replaced by a photo of an owl perched on a tree. He'd been working out of his country house near the Rhode Island shore, in a windowed woodshop dug into the side of a hill.

Around that time, he had a call with a billionaire that went badly. The potential investor said, nicely enough, that Ehrlich was doing it all wrong, and that he wouldn't touch Percapita because Ehrlich had said so many things that scared him–for example that, instead of focusing on technological solutions, the company was hiring expensive human beings, and anthropologists to boot. The billionaire instead talked up a different company that was selling what's called earned wage access, which gives workers paychecks when they want them, not every two weeks. Ehrlich clicked to that company's website. It was covered with the language of social justice, but it seemed to be charging people exorbitant rates to get access to their wages sooner–old-school payday lending by another name.

Not long after, Ehrlich concluded that he'd indeed been fundraising wrong, but not for the reasons the billionaire had said. He started thinking more like a banker than a founder. Rather than selling risky ownership stakes in his unproven company, he decided to issue convertible notes–debt that could be transformed later into an ownership stake. This approach would provide early investors with some protection, because they'd have a shot at getting paid back and also the eventual reward of equity on sweetened terms. "All of a sudden it started going well, and it kept going well," Ehrlich said.

His good mood held up. Hours before New Year's, Percapita closed its seed round. Ehrlich wouldn't say how much he'd raised, only that he was "delighted." The backers included S. Donald Sussman, founder of the hedge fund Paloma Partners and one of the top Democratic donors in the U.S., who described his investment to us as "significant." He and Ehrlich had bonded years earlier because of their similar values and Sussman's admiration for the system Ehrlich had helped oversee for clients who do high-frequency trading. "He himself is not a technology guy, he's not a computer scientist," Sussman said. Instead, he's "a guy who understands how this stuff needs to be done and who to hire to make it happen. Which is what he's doing again now."

Sussman is planning for Percapita to succeed, even as he doubts it will become his most lucrative investment. He noted that Walmart Inc. has a new financial technology venture, which just bought two companies as part of its plans to help customers and more than 1.5 million of its own employees manage their money. "It's a proof of concept, but it's also a competitor," Sussman said.

Percapita's other investors include an affiliate of Susquehanna International Group LLP, a key options trader and one of the biggest players in the exchange-traded fund market, and William Heard, who manages about $1 billion at Chicago-based Heard Capital. Ehrlich, Heard told us, "has the discipline of capitalism behind him."

In the more than two years since Ehrlich left Morgan Stanley, the language of diversity has become so prevalent across corporate America that it can lose meaning. Some executives who are trying to go beyond rhetoric and make comprehensive change have come to realize, especially in the wake of Floyd's murder, that being genuinely inclusive doesn't just mean diversifying offices. It means working to bring people who've been left out of the system inside it, in part by remaking the system for them.

Corporate America and Wall Street have made some progress on the first part of the vision. To take one example, Morgan Stanley named the most diverse class of managing directors in its history this January, with a U.S. group that was one-tenth Black. But the Percapita team thinks they can do better. They now have a business model that treats low-income Americans as viable customers, not people to ignore or exploit. "We will have fees," Mestrich, the former Amalgamated executive, said. "But they will pale in comparison to costs that have been extracted from them by other players." Other startups are taking similarly expansive approaches. They include CapWay, a debit card company founded by app developer Sheena Allen, and MoCaFi, a mobile bank service run by Wall Street veteran Wole Coaxum.

"Confidence that it is a good investment requires a certain leap of faith"

The work is triage, not revolution.

"Yes, the systemic things are there, and they are the cause of the issues," Greene said. "And in the meantime, someone's trying to figure out how to stretch their check."

Did Ehrlich have anything to add to that? "No, no, no, no, no, no, I don't have anything," he said. "We're trying to do what we can."

Game Changers

They say: Be the change you want to see in the world. Some people take that to heart and run with it. We spoke to three individuals about how they witnessed inequality in the world and did something about it. —*Sojourner Elleby*

Organized Labor

Michelle Eisen, Starbucks barista and union organizer

Eisen's push to organize her co-workers paid off in December, when the outlet where she works voted to form a union. The vote created a new labor foothold among the company's thousands of corporate-run U.S. stores, and today workers at more than 100 coffee shops in dozens of states have filed the paperwork to form a union. We asked Eisen how she managed to overcome management opposition, and what comes next.

Why did you think you needed a union?
Starbucks refers to its employees as partners, which can be a little bit misleading. We're granted stock, but it's been used to sort of manipulate us into feeling like we have more say than we actually have. There was no investment in long-term employees, no checking to make sure we were doing OK, no reward for good, hard work. It became a churn-and-burn kind of job. And on top of that, we were told that our company was making record profits in the middle of the pandemic.

When did you shift from feelings and ideas to action?
A co-worker asked me to get a cup of coffee after one of my shifts. I was like, OK, it's a little weird. I mean, we sell coffee. We met out behind our store, in a parking lot. And she leans in real quietly and says, "I was wondering what you would think about Starbucks unionizing?" I said, "I'm not opposed, but is it even legal? What do you think the company's reaction is going to be?" Several baristas in Buffalo had been talking, and they were as exhausted as I was and had decided things needed to change. This looked like an option. So I said, "OK, I'm on board."

Why did you think unionizing was the route to go?
We don't have any say in anything really that affects our working conditions. There are a lot of other great things about the union, like being able to negotiate better pay and better benefits. But just the ability to have some say on what my work life is like, that was enough to convince me. I was able, thankfully, to be the person who said, "We're not gonna stand for this, Starbucks. We deserve better."

What message do you hope to share?
I would tell people in the service industry: "You deserve more respect, safe working conditions, and fair wages." There's always been a stigma that comes with being a waiter or barista or bartender. I want that mentality changed.

Are you optimistic about the direction you're headed?
We're just getting stronger with every petition that's filed, with every store that tries to unionize. At some point there's going to be so many voices that the corporation is not gonna have a choice but to sit down and speak to us.

What are you working on next?
Reputation is everything to this company. We need the public, communities, people in Washington to put pressure on this corporation to recognize our right to organize. Because right now they're sitting across a bargaining table with my store negotiating a contract while they're continuing to try and bust up unions in other stores, in other parts of the country. You can't be saying you're gonna negotiate a fair contract with one store while you're trying to destroy another.

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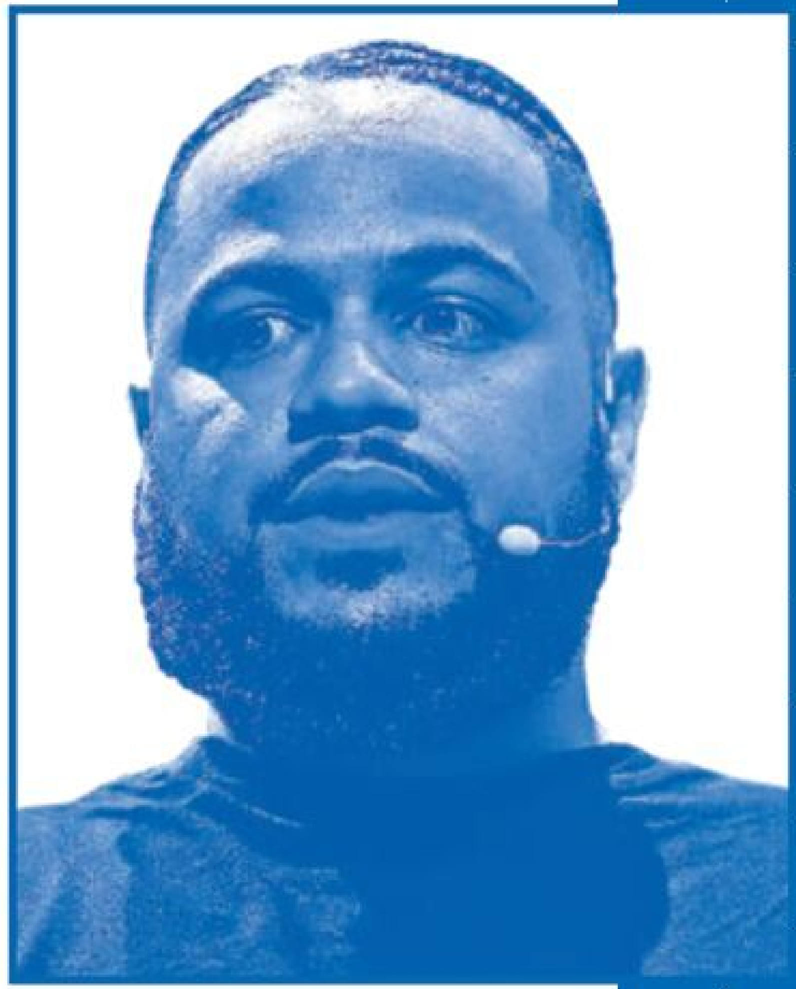
Sustainability

Donnel Baird, founder and chief executive officer, BlocPower

BlocPower's goal is the greening of 125 million buildings in the U.S.—homes, offices, schools, and more. And Baird aims to do it in an equitable and inclusive way, ensuring that poor communities get as much attention—and as many jobs—as wealthier areas.



How does BlocPower work?
We rip out the fossil fuel heating, cooling, and hot water equipment and replace it with modern electric equipment that makes buildings greener, healthier, and smarter. Buildings contribute more than 30% of U.S. greenhouse gas emissions, so even if every American were given an electric vehicle, we still wouldn't be able to reduce emissions as much as if they all decarbonized their homes.

What kind of government assistance would make that happen faster?
What we really need is inspiration. John F. Kennedy said, "We're going to put a man on the moon," and he mobilized a generation to achieve that. We're facing an extinction-level crisis in climate change. We need multiple generations of Americans to work hand in hand to address the crisis.

Where have you concentrated your efforts?
BlocPower focuses on America's urban core. We really want to get into neglected, old, hard-to-reach buildings like the brownstone in Brooklyn where I grew up. It was built a hundred years ago and didn't even have a working heating system. There are millions of buildings like that across the country—older, financially underserved, and unable to afford green engineering.

You once suggested that hiring 1,000 George Floyds could help save the planet. Can you explain what you meant?
What if George Floyd, instead of floating between jobs as a bouncer, had a career in green construction? We have to unlock the massive talent in our generation to address climate change. That talent is diverse, because genius is evenly distributed throughout the population. So of course the solutions to climate change are going to come from a diverse group.

Diversity

Jessica Heidt, features department manager, Pixar Animation Studios

Heidt's influence on the animation powerhouse goes far beyond her work on any single film. As a freelancer reading through proposed screenplays a few years back, she noted a lack of diversity among the characters, which spurred her to suggest an analysis of the studio's films. What she uncovered was dismaying—but it's resulted in a notable uptick in female-led films, including the just-released *Turning Red*.

Can you tell us how this all started?
I noticed a discrepancy between male and female characters when I was working on *Cars 3*. I was sort of feeling that this feels very uneven—it was, I believe, 90% male and only 10% female. The gap was so large that it felt like there was no way for me, personally, not to speak up.

How was the news received by the studio?
I remember being absolutely terrified when I finally was able to present this to the executives. But it was irrefutable. No one had ever counted this before, and I don't think anybody realized that there was such a gap. Overall, we were about 75% male—for speaking characters and line count. That was standard across the industry. The entire industry needed a change.

Does diversity in animation matter as much as in live-action movies?
We may see Lightning McQueen as a car, but we're still interpreting him as Owen Wilson, as a White male. We're doing math in our heads about what's being represented. We work in a world of imagination, and it's always striking to me that we can imagine talking cars but we can't imagine, say, female Nascar racers.

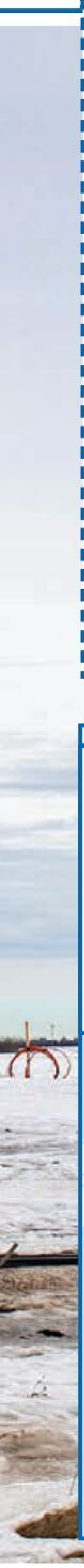
Have things changed?
Last year and this year we're finally starting to see the results of the work that got started in 2016 and 2017, when we really began paying close attention to this. Every project that's being developed has an eye toward diversity, toward representation on all sorts of levels. I am so excited about *Turning Red*. The representation of the female characters is so good—funny and flawed and just delightful. People are so used to seeing this other idea of what is normal, and we can portray on every level what the world actually looks like. We can imagine a better world than we see.

For Sale: Trudeau's Pipeline Wanted: Indigenous Buyers

The sale of Trans Mountain could help make restitution for the country's colonial past—and turn some of the oil industry's staunchest opponents into partners

By Ari Altstedter and Robert Tuttle
Photographs by Jason Franson

➘ Pipeline route near the Enoch Cree Nation reserve west of Edmonton



Strolling between the banks of glowing slot machines, Robert Morin seems very much like he's still in charge at the River Cree Resort and Casino. Security guards nod, dealers say hello, and a cocktail waitress offers a chipper "Good morning, boss." Morin reminds her he's no longer the boss, but the waitress disagrees. "He will always be the boss of this place," she says before setting off to serve patrons already gambling at 10 a.m.

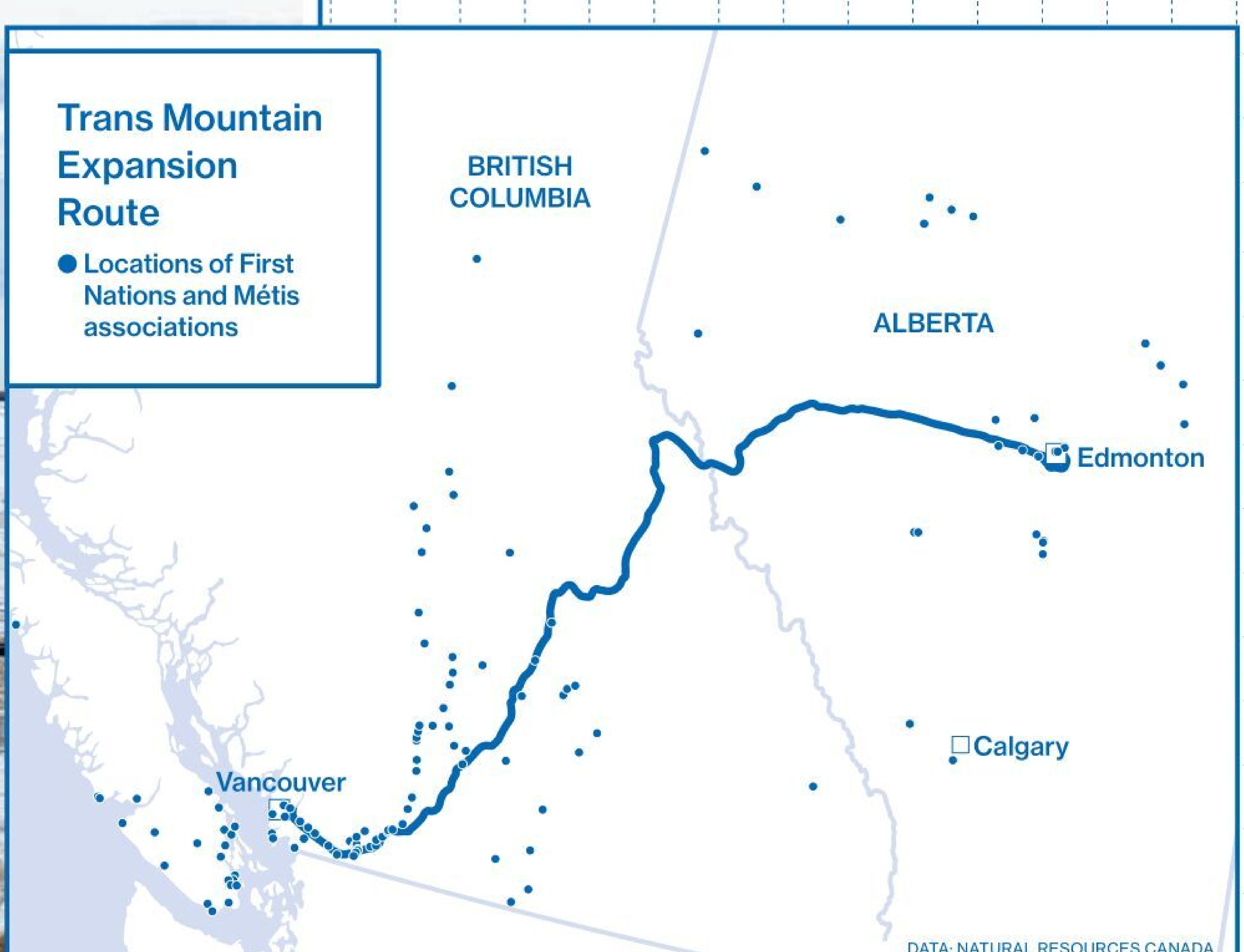
The casino, located on the Enoch Cree Nation reserve on the western outskirts of Edmonton, is the Canadian province of Alberta's largest gambling establishment. Morin is Enoch Cree himself, one of Canada's 1.67 million Indigenous people, and he spent 15 years running the place. He's proud that it helps fund housing, day care, mental health services, and adult education for the 2,566 members of the Enoch Cree Nation.

In all the years Morin spent working at the casino, though, he couldn't help but feel his people were getting a raw deal. Buried under the highway outside the casino's front door runs the Trans Mountain pipeline, which generates revenue of almost C$430 million ($340 million) each year shipping Alberta crude to the Pacific coast. Although the route lies just beyond the reserve's northern border, the highway and everything around it are part of the Enoch Cree's traditional territory—land that they depended on for their way of life before European settlers came and that they still have some legal claim to under the treaty they eventually signed with Canada. In fact, that specific tract of land was part of the reserve until 1902, when the Enoch Cree say a local politician seized it illegally to sell to settlers (a version of events the government disputes). Yet because the Trans Mountain pipeline was built long before Canadian courts began recognizing Indigenous people's claims to land outside their reserves, the only benefit the Enoch Cree have seen from the pipeline since oil began flowing through it in 1953 was some temporary jobs and rent money a few years ago when work began to expand it.

"All this land is Enoch," Morin says later, as he drives his truck through areas near the reserve where the pipeline runs. "They gave us a few million bucks, which is nothing compared to the real value. We want to change that."

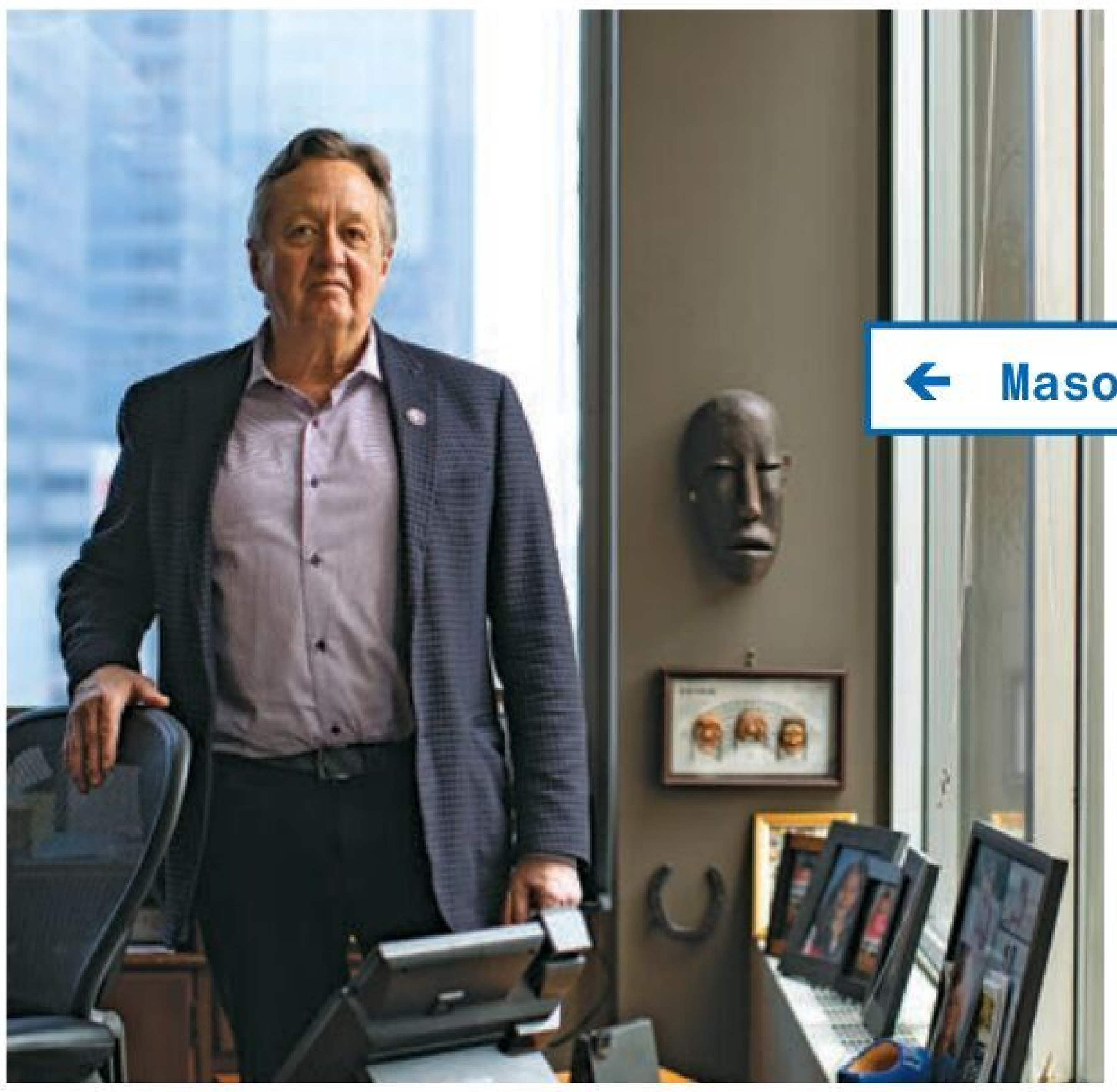
Morin is now the chairman of Project Reconciliation, one of at least four Indigenous-led groups vying to take over ownership of Trans Mountain. Project Reconciliation estimates that if its bid is successful, the pipeline could bring about C$400 million annually over the next 30 years to the dozens of Indigenous groups whose traditional territory it traverses. For the Enoch Cree that would mean about C$14 million a year. Thanks to a volatile confluence of climate change, politics, and economic necessity, the Indigenous-led groups might have the opening they need. The pipeline's proprietor is the government of Canada, and it's looking to sell.

For the past decade, opposition from environmentalists, Indigenous groups, and some provincial governments has stymied virtually all Canadian pipeline construction, forcing billions of dollars of heavy oil produced in Alberta to be sold at ▶



DATA: NATURAL RESOURCES CANADA

◀ a discount in the U.S. rather than being loaded on tankers bound for more profitable markets in Asia. Among the threatened projects was a plan to boost Trans Mountain's capacity from 300,000 barrels a day to almost 900,000—a badly needed spark for Alberta's economy. So in 2018 the government of Prime Minister Justin Trudeau bought the pipeline to make sure the expansion was completed. Now, with the project almost done, his government must decide what to do with it. A sale to Indigenous people could be the most politically expedient exit.



← Mason

Canada is in the midst of a reckoning with its colonial past. Last year the bodies of more than 200 Indigenous children were found on the grounds of one of the 139 residential schools the government ran, often with Christian churches, until the late 1990s as part of a policy of forced assimilation. More gravesites have been discovered since. The legacy of racist policies—of which forced schooling and the family separation it entailed were only two—has left many Indigenous people mired in poverty, and Trans Mountain represents a chance to give some communities a cut of the resource wealth that's made Canada rich. It could also help to neutralize what looks ever more like a political problem for Trudeau, as the cost of finishing the pipeline continues to soar, from an estimated C$5.4 billion at the outset to C$21.4 billion and counting. Last month, as the latest cost increase was revealed, the government announced it would release a plan to facilitate Indigenous people's economic participation in the project later this year, with divestment kicking off after that.

Each of the prospective Indigenous buyers has its own plans for financing the purchase, running the pipeline, and, crucially, deciding who should share in the spoils. Appeasing these divergent interests in a way that addresses egregious historical wrongs could prove even harder than getting the pipeline finished. And that's to say nothing of climate change, which poses a larger question as uncomfortable as it is inescapable: In a world transitioning to clean energy, is an oil pipeline even a sound long-term investment?

"I can really see this blowing up for the federal government," says JoAnn Jamieson, a lawyer specializing in Indigenous law and an early advocate for First Nations ownership of energy projects. If the Trudeau government gets the sale right, it could set a precedent for sharing resource wealth with Indigenous people elsewhere in Canada and around the world. Get it wrong, Jamieson says, and "it's just going to make things worse."

Not everyone pushing for Indigenous ownership of the Trans Mountain pipeline is Indigenous. Project Reconciliation's co-founder and primary funder, Steve Mason, is a banker turned oilman from Toronto. He moved to Alberta in 1978 and has been wildcatting his way around the energy industry ever since. He spent much of the aughts chasing fortune in the gas fields of Tanzania and Mozambique. He now lunches at the Calgary Petroleum Club and can reliably expect the city's top bankers and executives to return his calls.

Mason says Project Reconciliation originated with a 2016 phone call he got from Delbert Wapass, then chief of Thunderchild First Nation in neighboring Saskatchewan. A pipeline had spilled oil on Thunderchild land, and Wapass wanted Mason's advice on what to do. The two men had previously teamed up to drill some oil wells on the reserve, and Mason considers the chief "a friend and brother." He advised Wapass to give the pipeline operator the access it needed to clean up the spill—but not before it committed to making the nation one of its vendors. "That status can take months, it can take years," Mason says. "By 6:30 in the morning, [Thunderchild] had vendor status." A situation that could have forever poisoned the nation's relationship to the oil industry instead made them part of it.

By that time the idea of Indigenous ownership in energy projects had been floating around for a while. But its value began to dawn on the industry only after environmental activists perceptively identified pipelines as the energy supply chain's most vulnerable point and began campaigning against them, often in alliance with Indigenous groups. In 2015, Jamieson and another lawyer, William Laurin, presented a paper arguing that the best way to limit what the industry dryly terms "above-ground risks" was Indigenous ownership. As organized and well funded as climate activists can be, the Indigenous people living near energy infrastructure are far more dangerous from a legal point of view, particularly in Canada.

That's because over the past two decades, Canadian courts have increasingly recognized that Indigenous people still have rights on the wider territories they inhabited before European settlement. Since 2004 a series of decisions by the Supreme Court of Canada have established that the government must consult with affected parties when something might interfere with those rights. This has given Indigenous groups broad standing to delay or stop projects. Jamieson and Laurin argued that the best way for companies to fulfill their legal duty and head off such opposition was to give Indigenous people equity stakes. That way they'd have a seat at the boardroom table, where they could help manage ecological risks and take a direct share of the profits.

The idea gained momentum across the back half of the 2010s, as the alliance between climate activists and Indigenous people came to look like an existential threat to oil sands operators in northern Alberta. Indigenous people were some of the most effective activists and spokespeople during the cross-border battle that stopped the Keystone XL pipeline from being built between Alberta and Nebraska. And the world took notice when people from the Sioux Nation and their allies protesting the Dakota Access pipeline in North Dakota were pepper-sprayed and attacked by dogs.

As for Trans Mountain, environmentalists and First Nations in British Columbia helped pressure that province's left-leaning government into trying to block work on the pipeline's expansion in its territory. This was the crisis that prompted Canada to buy Trans Mountain in 2018. By then, Alberta's energy industry was in a panic. Lacking pipeline infrastructure, it was selling heavy crude at a record discount—less than $30 a barrel, compared with the benchmark U.S. price of $71. Oil sands projects were being shelved, unemployment was high, and office towers in downtown Calgary were emptying out.

At a lunch shortly after Canada bought Trans Mountain, an energy executive who'd been involved in the Thunderchild partnership asked Mason if he and Wapass could pull off something similar with the pipeline. The two started making calls, and soon they came up with a way for Indigenous groups to finance the acquisition of a 51% stake. They began pitching their plan everywhere they could, from TV news programs to conference centers to First Nations council halls.

Although the idea of Indigenous ownership found plenty of support, some asked why a White guy and a chief based hundreds of miles east of Edmonton were best positioned to lead the way. Soon the field was crowded with rival bidders offering different visions for the purchase and stewardship of the pipeline. But with sensitive questions of historical wrongs and identity at stake, along with hundreds of millions of dollars, it wasn't long before the energy industry's solution to its political problem had become heatedly political itself.

For the past two years, the argument about the best way for Indigenous people to buy and run Trans Mountain has played out in the market. Different bidders have emerged to champion different ideas. One, the Western Indigenous Pipeline Group, has advocated a relatively narrow ownership syndicate based on proximity to the pipeline's route, arguing that only those closest should benefit because their lands are most at risk from spills. It's agreed to share Trans Mountain 50-50 with an operating partner, Pembina Pipeline Corp.

Another bidder, Nesika Services, has set itself up as a nonprofit so it can maximize distributions to Indigenous owners, who it says should include all 129 groups the federal government is currently consulting. Nesika is looking to arrange a purchase of the entire pipeline on behalf of Indigenous communities, arguing that they're perfectly capable of running the show. "We don't know everything, but we know how to create a team. We know how to hire professionals," says Tony Alexis, Nesika's co-founder and the chief of the Alexis Nakota Sioux Nation, which already has an energy-services company that it's built into a reliable revenue source. John Jurrius, the Texan chief executive officer of Indigena Capital, a Calgary-based private equity firm seeking to arrange financing for Trans Mountain bids, says the money for full Indigenous ownership is there, because investors are hungry to back anything that advances social justice.

Yet another bidder, Natural Law Enterprises, is basing its pitch on traditional Indigenous models of consensus-driven decision-making. "We'd like everybody to have a say. We don't just develop by ourselves," says Travis Meguinis, CEO of Natural Law. ▶

"We know how to create a team. We know how to hire professionals"

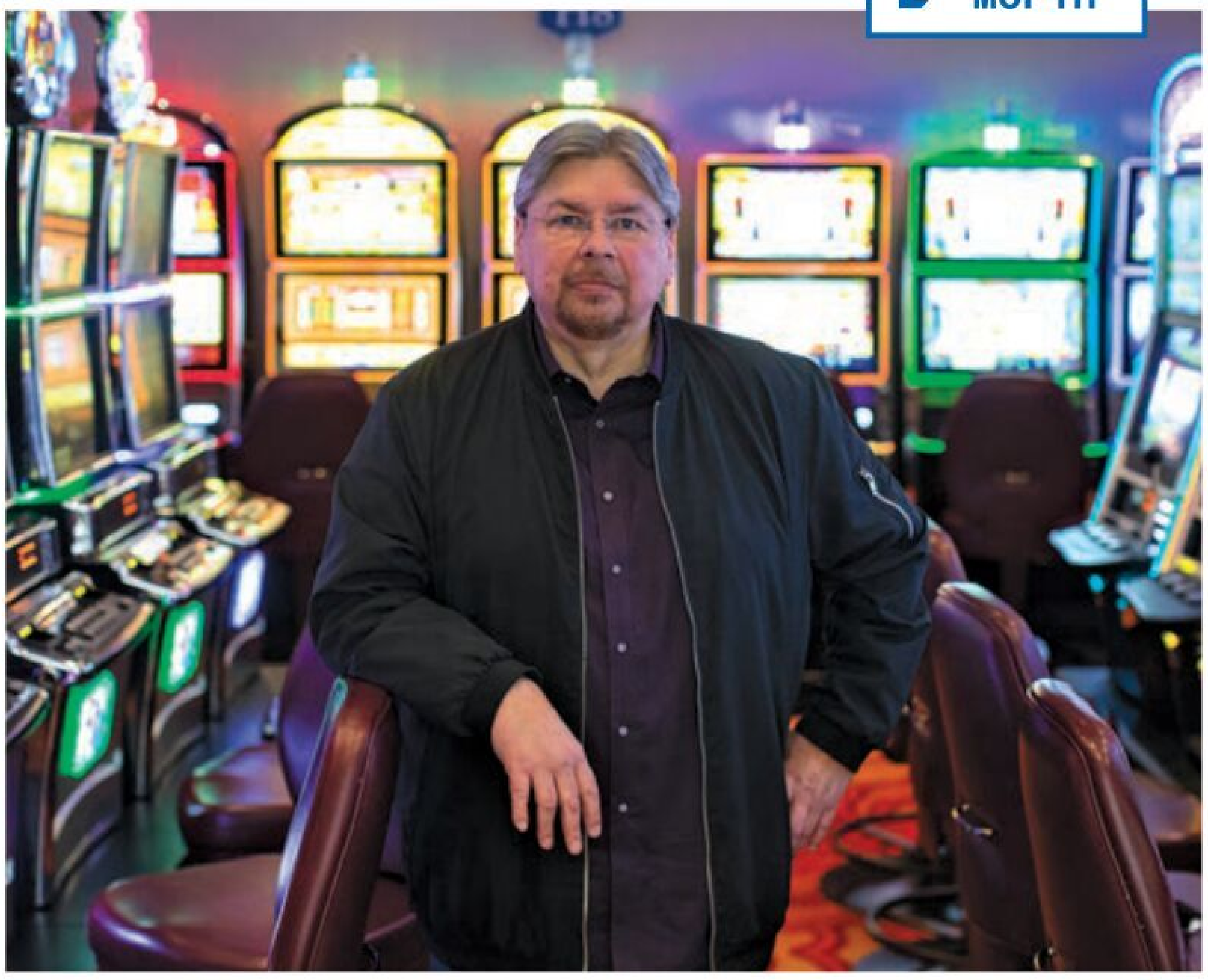
↖ Alexis

◀ "We are doing things together, and collectively, not just unilaterally."

The growing competition has caused Project Reconciliation to adjust its approach, raising its target stake to 100% and replacing Wapass with Morin as chairman to emphasize local stakeholders. Morin says he agreed to join the group, and the Enoch Cree chose to support it, because it had the most detailed proposal for coming up with the billions of dollars needed to buy the pipeline. Canada's Indigenous people get much of their revenue from the federal government. And they can't borrow large sums from the bond market as municipal governments do because they have virtually no collateral—their reserves are held in trust by the federal government, and their direct tax revenue is paltry.

The Enoch Cree got around this for the casino by promising lenders a share of their profits. Project Reconciliation is planning to do more or less the same thing. Energy companies signed contracts for Trans Mountain's expanded capacity before the first shovel hit the ground, and Project Reconciliation's plan involves borrowing against the projected revenue. After paying interest, some of the principal, and the operating costs, they would distribute the remaining money each year to the owners. And if there's a problem paying off the debt down the line, the lenders would have a claim only to the pipeline, not to the owners' other assets, so Indigenous people would be no worse off than before.

↙ Morin



None of the other groups have been so precise about their plans, but assuming Canada isn't willing to backstop the debt or hand the pipeline over for free, any serious bidder will probably have to follow a similar financing model. For all the talk of historical rights, governance, and environmental protection, the winner will probably be whoever can come up with the money. Only last month, the Trudeau government reiterated that it expects to recoup its investment and potentially to make a return when it divests. How profitable the pipeline is after that depends on how long fossil fuels remain a viable business. Trans Mountain's opponents are working to close that window as fast as they can.

Kanahus Manuel lives in a one-room cabin in a snowy valley in the interior of British Columbia. Her home, like the five around it, sits on a trailer so it can be towed and set down wherever crews are working on the Trans Mountain expansion. Manuel is a member of the Secwepemc ("sekh-WEP-emkh") people, whose traditional territory lies in British Columbia's interior, directly on the pipeline's route. The mobile cabins were conceived to remind the project's supporters, including the elected chiefs and councils of several Secwepemc bands, that not all of the area's first inhabitants have consented to the pipeline traversing their land.

Manuel and her fellow activists aren't limiting themselves to symbolic actions. With legal routes to halting the pipeline expansion exhausted, they've begun pressure campaigns against the insurance companies needed to underwrite Trans Mountain's operations. One major insurer, Chubb Ltd., has said it will no longer cover oil sands projects, and Zurich Insurance Group AG has dropped coverage of the pipeline. In 2021 its operator, Trans Mountain Corp., acknowledged seeing "significantly higher cost" after the pool of potential insurers shrank.

The pipeline's overall financial picture is also already less rosy than it once was. In February, as the latest cost overrun was disclosed, the federal government said it wouldn't spend any more public money on the expansion, meaning Trans Mountain Corp. would have to make up the shortfall with borrowing. The operator has said that could mean its customers will bear as much as 25% of the cost increase.

Nevertheless, two of the pipeline's major clients, Suncor Energy Inc. and Cenovus Energy Inc., have issued statements saying they remain committed, and the government of Canada continues to stand behind the project's long-term viability. The basic argument is that even as the world transitions to renewable energy sources, it will need to keep burning oil for the foreseeable future. The government's energy regulator

↙ The Enoch Cree Nation reserve

predicts that demand for Canadian oil won't peak until 2032, when it will hit 5.8 million barrels a day. By 2050 the figure will still be 4.8 million barrels a day. That oil will need to get to market somehow, and if somebody's going to make money from it, the argument goes, it might as well be Indigenous people.

Even so, the ballooning costs have sparked skepticism. Merle Alexander, a lawyer in Vancouver who's represented Indigenous groups on both sides of the Trans Mountain fight, says he's concerned about what will happen if oil demand disappears faster than expected, right after Indigenous people have borrowed heavily to take control of the pipeline. "Personally, I'm not convinced of the economic merits of the investment," says Alexander, who's the hereditary chief of the Kitasoo Xai'xai (kit-AH-soo hai-hai) Nation on BC's central coast. "It's almost guaranteed it will have a diminishing return, the only question is on what timeline."

Manuel voices similar concerns about Canada offloading a liability onto Indigenous people. She also says she worries about the pipeline's role in climate change and the ecological dangers of spills. But when she's asked on a video call to sum up the main reason she opposes even an Indigenous-owned Trans Mountain pipeline, she needs only three words: "It's our land."

A map of the Secwepemc traditional territory is hanging behind Manuel on a wall in her little cabin. For her, Trans Mountain's progress through that territory is a violation of her nation's sovereignty. She says the elected band chiefs and councils who support it have no legitimacy because they derive their authority from the laws of Canada, a colonial government her people, like other First Nations in British Columbia, never signed a treaty with. If Canada wants consent for Trans Mountain that Manuel views as meaningful, it would have to come out of her people's traditional forms of consensus-driven governance, she says. Until that happens, she doesn't care who owns it.

"It doesn't matter if brown businessmen purchase this pipeline, we'll continue to fight tooth and nail by any means necessary to stop it," Manuel says. "Those brown faces are still violating our rights." Ⓑ

Just One Thing

We asked experts: If you could enact a single policy or take a single action to make the world more equitable, what would it be? Here's what they said.

—As told to Kelsey Butler and Olivia Konotey-Ahulu

Close the racial pay gap

Halima Begum, chief executive officer, Runnymede Trust

There are steps we could easily take to improve the parameters by which we assess racial equity that could quickly lead to positive outcomes. This includes making ethnicity pay gap reporting mandatory at workplaces employing more than 250 staff. This really is the lowest of low-hanging fruit. Companies like Zurich Insurance have been diligently reporting the EPG within their organizations and taking the necessary steps to remedy the issue. We really commend them for that and hope that the U.K. government can follow. —*O.K.-A.*

Improve girls' education

Christen Brandt, co-founder and chief programs officer, She's the First

Almost every factor barring girls from a quality education stems from poverty. To address that root cause, we need to invest in girls. Girls' organizations receive less than 2% of philanthropic funds. Women-led organizations in the Global South have an average budget of less than $30,000 per year. Yet these are the organizations best positioned to support girls with school costs, life skills training, and local mentors to advise them on challenges along the way. We know, for example, that girls who learn about gender and power dynamics as part of their sex education programming are five times less likely to become pregnant or to contract a sexually transmitted infection. —*K.B.*

Transgender acceptance

Carrie Davis, chief community officer, the Trevor Project

Elected officials need to stop using transgender and nonbinary youth as political pawns. In the meantime, you can help by supporting the transgender and nonbinary young people in your lives. Trans youth who have accepting adults in their lives are less likely to attempt suicide. Making the world a better place for trans people must start in your home and in your community. —*K.B.*

Equal pay for women

Reshma Saujani, author of *Pay Up: The Future of Women and Work (and Why It's Different Than You Think)*

Hands down, I would ask companies to subsidize child care. For dual-income families, one parent is often basically just working to pay the babysitter, or they make less than the babysitter and it costs them money to work, so they quit. That parent is often a woman. For single parents, which are three out of 10 American families, it's not a choice, and child care can be almost half of their paycheck. Subsidizing child care can be as simple as helping parents get access to child care on Care.com; it can be about negotiating discounts at local child-care centers; it could be free or subsidized on-site child care. Most companies pay more for freezing our eggs than for child-care subsidies, and it doesn't make sense. —*K.B.*

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