

# Bloomberg Businessweek

April 11, 2022

David McCormick's Senate campaign shows Republicans aren't close to moving on from Trump 34

- A Black-owned banking app 40
- Like a crystal ball for tech 18
- Where Russians are missed 10



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◀ Senate candidate David McCormick, the former CEO of Bridgewater, at a rally in Pittsburgh on March 30



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**FEATURES**

- 34 **Less Romney, More Trump**  
Running for the Senate, a hedge funder morphs into MAGA Man
- 40 **Can a Fintech Startup Undo 400 Years of Racism?**  
Greenwood bets its arsenal of celebs and activists can kick-start Black banking
- 46 **Facebook and the French Far Right**  
Social media normalizes fringe candidates. Will it help bring them to power?

■ IN BRIEF	5	Kyiv atrocities shock the world ● Zelenskiy shames the UN
■ OPINION	6	Africa needs the U.S.'s help adapting to climate change
■ AGENDA	6	The ECB sets rates ● Bank earnings ● Coachella
■ REMARKS	8	Amazon workers vote to unionize on Staten Island, giving new energy to America's labor movement
<b>1</b> BUSINESS	10	Vietnam's and Thailand's beaches miss Russian tourists...
	12	... but Russia's airlines have it even worse
<b>2</b> TECHNOLOGY	14	Apple helps you work at home. Unless you work for Apple
	16	Grocery delivery apps approach their sell-by date
	18	What's next for tech? Let's ask techies!
<b>3</b> FINANCE	20	Listening in on the tax attorneys of the 0.1%
	22	A \$1.6 trillion bummer: When student loan payments return
<b>4</b> ECONOMICS	25	The Indiana county with a 1.5% unemployment rate
	27	China sets the rebar on infrastructure investment
	28	▼ Do we <i>really</i> need all those licenses and certifications?
<b>+</b> SOLUTIONS / FUTURE OF WORK	30	"Workweek" doesn't mean what you think it does
	32	How to get more women to the top
	33	Hybrid meetings don't have to zzzzzzzz...
■ PURSUITS	51	Meet the mall rats of Palm Beach
	54	It turns out, raincoats don't need all those nasty chemicals
	56	Eggspert insights for a better breakfast
	58	You've been had, wine lovers—one kind of glass is fine...
	59	...but you might want to spring for a glass rinser
■ LAST THING	60	What's Elon up to at Twitter?



CORRECTION "The V-6 Roars Again at Ferrari" (Pursuits, March 14) referred to the LaFerrari as an electric vehicle. It's a hybrid.

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■ COVER TRAIL

How the cover gets made

1

"This week we've got a story about David McCormick—former Bridgewater CEO, current Senate candidate in Pennsylvania."

"Oh, yeah! It's him vs. Dr. Oz, right? I love a good tussle."

"Well, McCormick was a wrestler!"

"Can we photograph?"

"Yes! Already lined up."

2



"WOW. On the left, is that..."

"Sarah Huckabee Sanders? Yep!"

"Yes! Maybe we can get more of that?"

3



"Love this. But maybe there's something else that really captures a certain *joie de MAGA*?"

"Coming right up!"



Cover: Photograph by Ross Mantle for *Bloomberg Businessweek*

# What if →



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Worldwide, coronavirus cases have passed 495 million, almost

**6.2m**

have died, and about 11.5 billion vaccine doses have been given. In Shanghai daily cases topped 13,000 on April 5, as mass testing uncovered extensive spread of the very infectious omicron variant.

The Biden administration extended a pause on student loan repayments through Aug. 31.

This is the second extension of the pause, which first went into effect in 2020, at the height of the pandemic. Some Democrats are still frustrated that Biden hasn't fulfilled his campaign promise to forgive at least \$10,000 in student debt per borrower. ▷ 22

JetBlue offered **\$3.6b** to buy Spirit Airlines on April 5. The surprise overture potentially spoils a competing bid by rival Frontier Group and would reshape the landscape for ultralow-cost air travel.



## War in Ukraine

Ukraine says Russian troops committed war crimes in the towns they just retreated from near Kyiv. Photos showed dead civilians lying in the streets, some with hands bound behind their back.

At the request of the U.S., Spain confiscated the *Tango*, a €90 million (\$98 million) yacht owned by Russian billionaire Viktor Vekselberg, on April 4.

On April 5 the U.S. Treasury halted dollar debt payments from Russia's accounts at U.S. banks. The next day, the U.S. put sanctions on two big Russian banks and Putin's daughters.

The ruble has regained the losses suffered in the days after the invasion began, mainly because countries are still buying Russian oil and gas.



After Russian troops left the Kyiv suburb of Bucha, Ukrainians returned to a town destroyed. Traumatized survivors told of rapes, mass killings, and other atrocities.



Ukrainian President Volodymyr Zelenskyy speaking to the UN on April 5. He urged it to strip Russia of its veto. The Security Council should either stop Russia, "so it cannot block decisions about its own aggression—its own war—and then do all that's possible to renew peace," or it should "dissolve" itself.

"Did hundreds of our people really have to die in agony to make some European leaders understand that Russia deserves the harshest pressure?"

Ali Sabry quit as Sri Lanka's finance minister on April 5, one day after being sworn in.

The departure deepens a political crisis engulfing President Gotabaya Rajapaksa, who faces growing opposition for mismanaging the economy. Soaring living costs have already set off street protests.

Elon Musk disclosed on April 4 that he'd acquired a **9.2%** passive stake in Twitter. The Tesla CEO wasted little time to put his mark on the social media platform, asking his 80 million followers the next day if they'd want an edit button for messages. ▷ 60



Rodrigo Chaves won Costa Rica's presidential election on April 4. The former World Bank economist has pledged to cut the deficit, attract foreign investment, and focus more on tourism.



# A Greener Africa Would Help the U.S. Meet Security Goals

Focused on war in Europe, the administration of President Joe Biden has paid comparatively little attention to U.S. relations with Africa. Yet deeper engagement with the planet's most youthful and fastest-growing continent is essential to global stability. Biden can both meet Africa's needs and advance U.S. security interests by focusing on the biggest threat to Africa's future: climate change.

Biden took office pledging to make Africa a bigger foreign policy priority. He addressed the African Union shortly after his inauguration and dispatched Secretary of State Antony Blinken on a five-day trip to sub-Saharan Africa last November. The administration's actions, however, have fallen short of its rhetoric. The continent accounts for little more than 1% of U.S. bilateral trade and a sliver of its overall foreign direct investment. U.S. efforts lag China's, whose bilateral trade with Africa was roughly 4% of its total last year, or more than \$250 billion. Russia has also expanded its presence in Africa, forging military assistance partnerships with at least 30 governments on the continent worth \$12 billion.

The response of African leaders to the war in Ukraine underscores the costs of U.S. inattention. Almost half of the continent's 54 countries declined to endorse the United Nations resolution condemning Russia's invasion. The risk of social and political unrest caused by rising food and fuel prices may further erode support for tougher sanctions against Russia.

The lack of a U.S. strategy for Africa is a missed opportunity—not only to check Chinese and Russian influence, but also to advance climate and security goals. Helping Africa's population of more than 1 billion mitigate and adapt to global warming would reduce the likelihood of conflicts over dwindling natural resources. In advance of a summit with African leaders later this year, Biden should lay out a climate-focused agenda that enlists governments and the African diaspora to help take full advantage of the continent's abundant resources.

First, that means supporting clean energy on a continent that has the world's richest solar potential but only 1% of global solar capacity. Financing from the U.S. International Development Finance Corp. should be expanded to boost power generation, storage, and transmission. Through the U.S. Agency for International Development, State Department, and Department of Energy, the U.S. should provide technical assistance to African governments to improve energy efficiency and establish renewable-friendly regulatory policies.

The U.S. can also do more to develop Africa's role in the green economy supply chain, which would help catalyze the transition from fossil fuels. The continent is an important repository of raw materials such as copper and cobalt, key

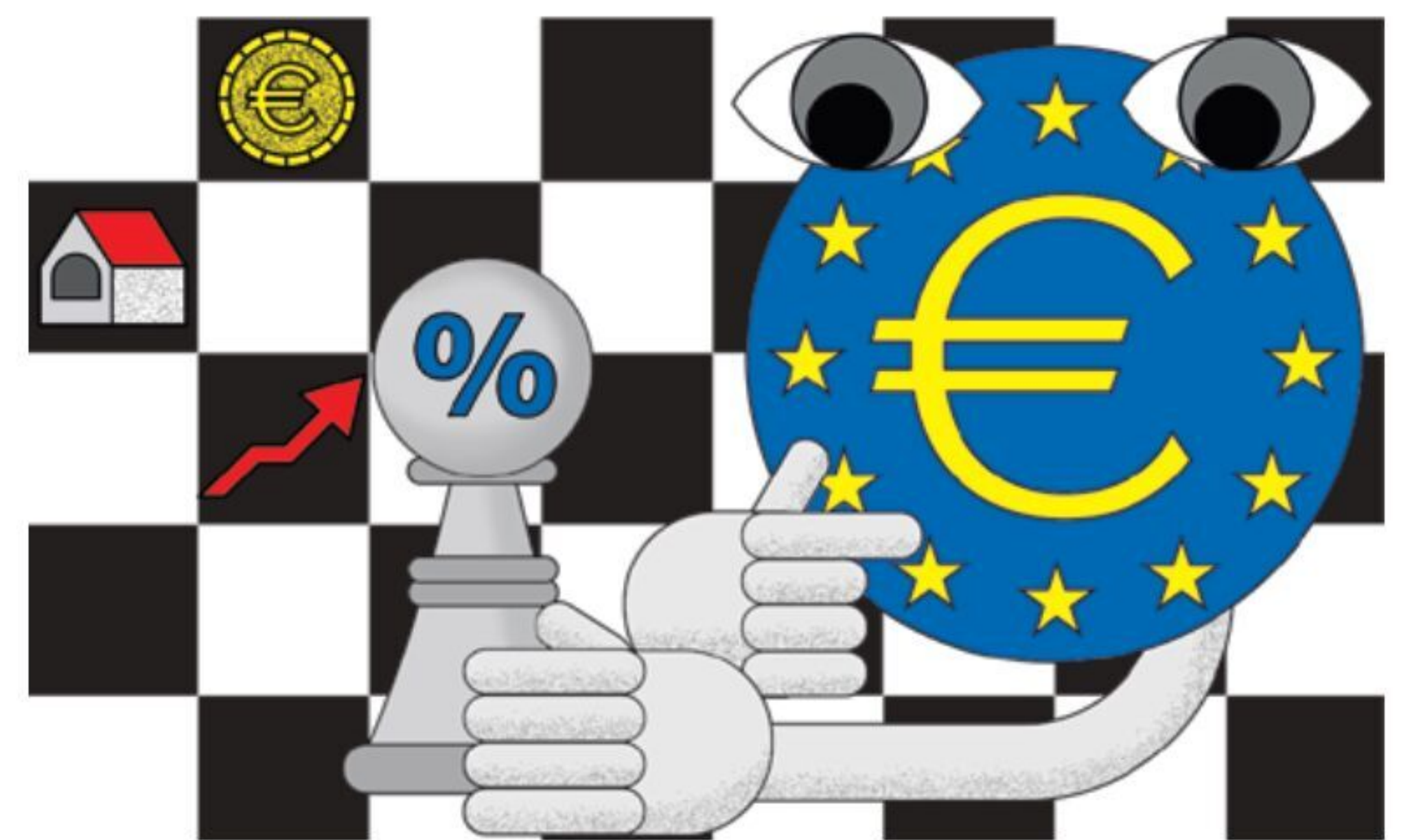
ingredients for clean-energy technologies. The next step is to jump-start entrepreneurship. Building on plans to reduce China's grip on crucial ingredients, the administration should encourage investment by U.S. companies in mineral processing and green tech manufacturing through the African Growth and Opportunity Act, the cornerstone of U.S. commercial engagement with Africa.

Finally, Washington should take more aggressive action to help African societies adapt to climate change. Extreme weather costs African countries an estimated \$7 billion to \$15 billion annually. Investment in coastal defenses, drought-resilient crops, and better water harvesting is critical.

The challenges facing Africa are vast, but so are the opportunities. By making climate the guiding principle of its Africa strategy, the U.S. can help Africans build a more stable, prosperous future for themselves and the planet as a whole. **B**

*For more commentary, go to [bloomberg.com/opinion](https://www.bloomberg.com/opinion)*

## ■ AGENDA



### ► A High-Stakes Rate Decision

The European Central Bank meets on April 14 to set interest rates. Economists predict two quarter-point hikes by yearend and another two before March 2023, but rising inflation may change that schedule.

► Boeing announces first-quarter deliveries on April 12 for its commercial and defense operations, providing a sense of demand as the travel industry emerges from the pandemic.

► On April 13, JPMorgan Chase kicks off a busy week of first-quarter earnings for U.S. banks, followed a day later by Wells Fargo, Citigroup, Goldman Sachs, and Morgan Stanley.

► Apple says corporate staff must return to the office starting on April 11, working there three days a week by May 23. The move is unpopular; its employees are now used to telecommuting. ▷ 14

► The EU Foreign Affairs Council meets on April 11. With outrage over Russia's war in Ukraine growing, the group will consider ways to intensify the sanctions against Vladimir Putin.

► The joint spring meetings of the World Bank and the IMF start on April 18. The organizations are focused on rising prices and the pandemic's continuing fallout.

► The Coachella Valley Music and Arts Festival begins in Indio, Calif., on April 15. Headline acts include Billie Eilish and Harry Styles, while Kanye West has backed out of performing.





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RESTRICTIONS APPLY





# Redefining What's Possible for Labor

● The new Amazon union may inspire organizing efforts at companies that have long repelled them

● By Josh Eidelson

Two years ago, on the day Christian Smalls led a walkout demanding better Covid-19 safety protections at his Amazon.com Inc. warehouse in New York City, the company fired him, saying he himself violated safety rules. There were some copycat protests scattered around the country shortly afterward, and the company's public relations took a hit, but Amazon's grip on its labor relations appeared very much intact. For longtime labor advocates, Smalls's firing

seemed like one more example of a targeted dismissal that achieves its goal of scaring other workers away from organizing, even if it gets reversed.

When Smalls announced that he was going to try to create a new union and that he was trying to organize the thousands of employees at his old workplace on Staten Island, that, too, seemed destined for a familiar outcome. Over the past few decades, such efforts at the most prominent non-union companies in America have almost always ended in defeat. Instead, Smalls pulled off a shocking triumph. On April 1, when the National Labor Relations Board finished counting the ballots, his Amazon Labor Union had won 55% of the vote.

Inside the hearing room, Smalls pumped his fist. "We want to thank Jeff Bezos for going to space, because while he was up there, we were signing people up," he told a crowd of supporters and reporters outside the agency's Brooklyn office, shortly before popping a bottle of Champagne.

Few had imagined an ALU win. It's a stunning upset that's already upending received wisdom about what's possible in this moment in America and just what sort of moment that might be. If Amazon, the consummate on-top-of-things company, can get bested after spending \$4 million last year on labor relations consultants, then other companies may be more vulnerable to organizing than they've long seemed. On the flip side, this achievement by the ALU, which had far less money and no track record compared with old-school union leaders, means leaders of the nation's long-shrinking labor movement have some soul-searching to do.

“The workers are ahead of us, and we’ve got to run to catch up to them,” says Sara Nelson, president of the Communications Workers of America’s Association of Flight Attendants. Her campaign to unionize Delta Air Lines Inc. had already been buoyed by an influx of activists inspired by the efforts at Amazon and Starbucks Corp., where workers at several cafes have now won their own unexpected victories.

The new Amazon union still has a daunting road ahead. Unions that win NLRB elections typically spend more than a year in negotiations with the employer before they reach a collective bargaining agreement. U.S. law requires companies to negotiate in good faith with newly certified unions, but the penalties for dragging out things—and putting more pressure on workers who need paychecks—tend to be weak. Most often the worst penalty a company can expect for not bargaining in good faith is being told by the government that it should bargain in good faith. Yearslong delays, combined with rapid turnover and petitions to decertify the organization, can prove enough to kill a nascent union before it ever does anything.

And the stakes are extra high. Executives at Amazon, like those at Starbucks, know that a generous deal with the fledgling union would simply serve as a beacon for more organizing at other locations.

If Amazon thinks it will have a better shot at stymieing the union in court, it could start a legal battle over the election’s legitimacy that could forestall negotiations from even beginning for a very long time. Within hours of the vote count, the company issued a statement saying it was considering “filing objections based on the inappropriate influence by the NLRB,” suggesting that the labor board unfairly tilted the election toward the workers. Even if the board rejects those claims, Amazon could still refuse to negotiate with the ALU, forcing the NLRB to file a complaint that the company could appeal all the way to the Supreme Court. In its statement, Amazon also said it was “disappointed” in the vote “because we believe having a direct relationship with the company is best for our employees.”

No matter Amazon’s next move, though, the ALU has already gotten closer than anyone else in the U.S. toward collective bargaining with the company. It did so in part through classic organizing practices. A committee of dozens of employees spent months asking co-workers during shifts and breaks what they wanted to change about their job and whether they really trusted human resources to make it happen. The committee members spent another 20 hours or 30 hours a week talking to colleagues outside the building, at bus stops, and at their home, says Connor Spence, a warehouse worker who’s ALU’s vice president for membership.

The activists emphasized the DIY, worker-led nature of their group, and they seized opportunities to stage confrontations with management, such as showing up to anti-union meetings to which they hadn’t been invited. “We had a union already before the election even happened,” Spence says. “The election process was just about kind of formalizing it.”

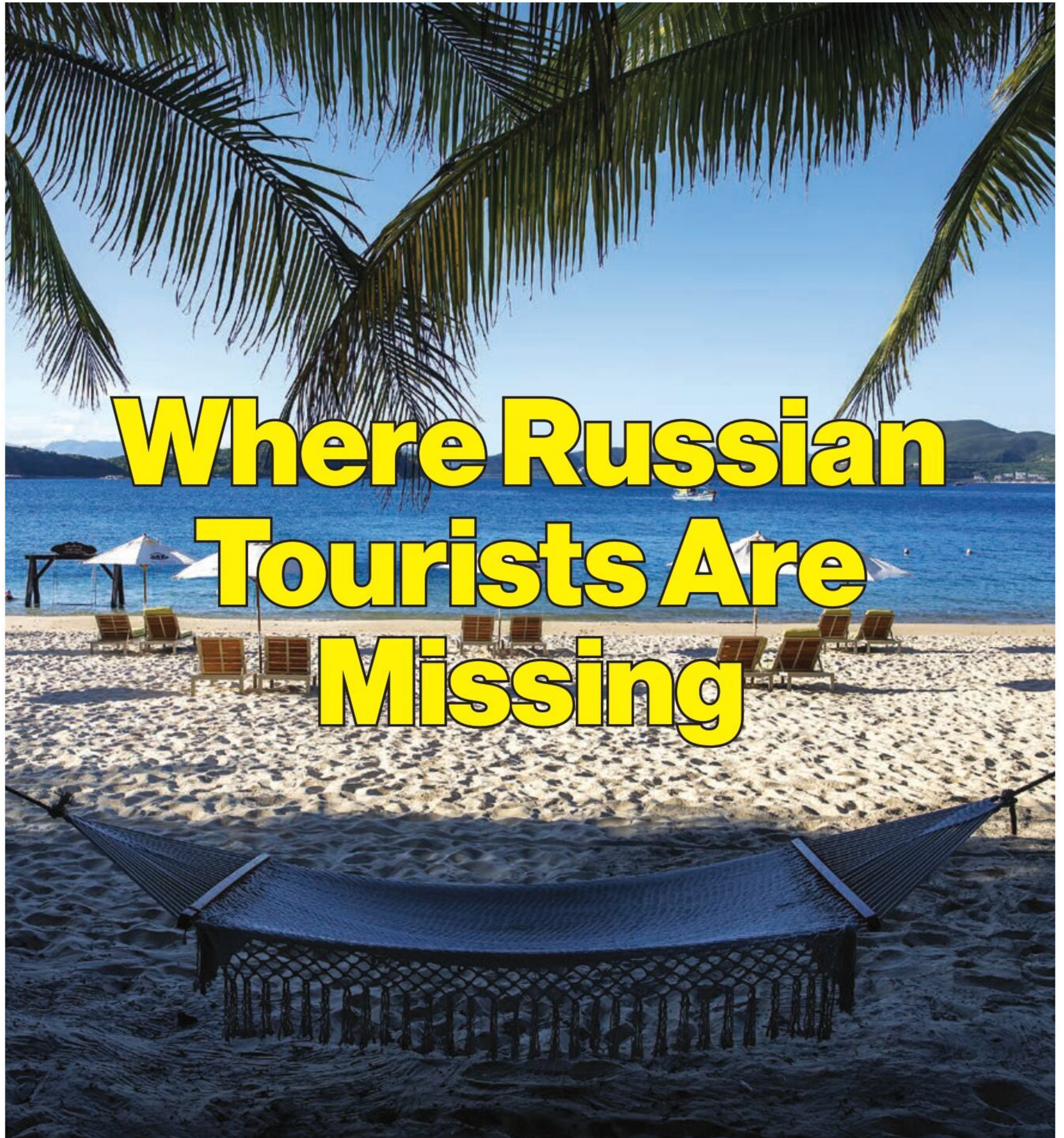
Spence says the campaign was boosted by management’s recent missteps, such as calling the police when Smalls came to drop off food for workers in the parking lot and announcing that the dress code would be tightened so workers would have to start wearing approved safety shoes from the Amazon subsidiary Zappos.com. The effort was also buoyed by a number of newer employees who specifically got hired at the warehouse in the hope of helping the union win.

But a key part of the ALU’s strategy, one that had seemed dubious, was to request an NLRB vote as soon as it got petition signatures from the bare-minimum 30% of the workforce. They needed more than 50% of the votes to win, and veteran organizers tend to hold out for a significant level of support (say, 70%) before seeking a vote, to have a cushion against management’s efforts to erode support. U.S. law allows employers to force workers to attend lectures about how bad a union will be for them, and it’s unusual for the final votes in favor of unionization to match the initial petition numbers, let alone exceed them.

“We took a lot more risks than you would probably expect in a normal campaign, but they were calculated risks,” Spence says. Amazon’s turnover made this strategy necessary, he says: With supporters leaving the company as quickly as they could sign up new ones, aiming for a supermajority would’ve taken forever. Once an election date is set, there’s a cutoff date after which new employees don’t join the voter pool, so victory was no longer a moving target.

Whether similar gambles will pay off elsewhere depends in part on how much the Staten Island victory embodies, or emboldens, a broader shift in U.S. workers’ willingness to fight together. Historically the size of U.S. organized labor grows only in waves. That is, it tends to gradually decline, except for the rare moments when it dramatically swells. One stunning victory at Amazon is no guarantee of such an upsurge, but it’s the sort of thing you’d expect to see if we were in one, says Gabriel Winant, an assistant professor of U.S. history at the University of Chicago. Among workers who experienced the brunt of the pandemic’s stresses and now see strong demand for their labor, Winant says, the ALU’s win “suggests that there’s just more appetite out there for organization than there has been in a long time.”

The ALU could still fail to get any further with Amazon, and the company could prevail in the rematch slated to occur at a second Staten Island warehouse later in April. Overall U.S. unionization declined last year, despite 2021’s wave of prominent strike authorizations, mass resignations, and other organizing efforts. But Smalls’s win signals that there’s an opening for workers, one that many others are now more likely to explore. “The psychological and symbolic importance of a win can’t be overstated,” says Sharon Block, a former Obama administration Department of Labor policy chief who now directs Harvard Law School’s Labor and Worklife Program. “The wonderful thing about the beginning of a wave is that you don’t know that it’s a wave.” **B** — *With Michael Tobin and Matt Day*



## ● The Ukraine invasion's travel curbs are hurting businesses from Thailand to the Maldives

Nha Trang, a beach-blessed resort town on Vietnam's east coast, is often dubbed by travel blogs as "Little Russia"—a tribute to high-spending Russians who used to splurge on vodka and borscht while staying in premium properties overlooking the warm sea. A few weeks ago, staff at the picturesque MerPerle Hon Tam Resort were in full swing, preparing to welcome more Russians in March after receiving virtually no foreign travelers for the past two years because of pandemic restrictions.

"Then the war came," says Tran Bao Doan, the resort's general manager.

It was a huge blow. MerPerle Hon Tam, which also offers mud bathing and parasailing, had spent almost 1 billion dong (\$44,000) upgrading facilities, buying more mud, planting trees, and expanding its restaurant menu. But as the war in Ukraine disrupted flights and countries imposed sanctions that left Russian-issued credit cards useless, many Russians canceled their trips.

"This is something no tourism manager can anticipate," says Doan, who estimates about half the resort's visitors before the pandemic were Russians. "Such a decrease in revenue affects our ability to pay staff and maintenance fees."

MerPerle Hon Tam's predicament is being

replicated in Russian tourist hot spots from Thailand to the Maldives to Cuba. For many, it's come as a double whammy. Resorts, hotels, bars, and restaurants were already suffering from a dearth of Chinese tourists, who have effectively been locked in by the nation's Covid-zero policies. Now Russia's invasion of Ukraine has destroyed any hopes of a near-term recovery.

As most of the world outside of China began to get on with living with the virus, Russians were fast becoming a common sight once more on the sun-soaked beaches of the Maldives and the holiday resorts in Varadero on the northern tip of Cuba. Typically among the biggest spenders anyway, they let loose after two lean years, staying for weeks at a time and saying "yes" to such extras as private dinners on the beach and tours of local cultural sites.

About 1.5 million Russians visited Thailand in 2019 and spent \$3.3 billion, the Southeast Asian nation's third-highest source of tourism revenue after China and Malaysia. Sri Lanka, itself struggling to avert a default amid a foreign exchange crisis, this year received about one-third of its visitors from Russia, Belarus, Poland, and Ukraine.

"The Russian invasion triggered a collapse in the market for Russian outbound travel," says Jennifer Iduh, head of research and development at the European Travel Commission. "The economic turmoil caused by sanctions is likely to have a significant effect on the appeal of overseas travel."

Away from Asia, Russian visitors had become a lifeline for Cuba's tourism industry, accounting for 41% of total visitors last year, according to the country's National Office of Statistics and Information. That was a departure from previous years, when Canadian tourists dominated international arrivals.

The beaches of Varadero were particularly popular, and the absence of Russian visitors can clearly be seen. One-third of the 900 guests staying at the Hotel Sol Palmeras in late February were Russians,



▲ Boats near the dock in Nha Trang, Vietnam

according to Diana Martin, a customer service representative at the resort. "The Russians were popular here because they would always bring medicine, chocolate, and gifts for the staff," she says. "Most of them came in families and were very relaxed and laid-back." With the cancellation of Russian flights and European airspace bans, many of the hotel's Russian guests had to take charter flights home.

Along with Turkey—another traditional favorite of Russian tourists—top destinations included Greece, Spain, and the United Arab Emirates, based on forward bookings for the three months ending in May, data from travel analyst ForwardKeys show. Russian domestic travel could benefit from the fallout, but that depends on sanctions' impact to the local economy, the European Travel Commission says.

A big obstacle for travel abroad is airspace closures and the inability of many airlines to fly over Russia and Ukraine, adding significant hours to flight times. Some die-hard tourists are using Dubai and other Gulf hubs to transit, and those spots remain a popular exit strategy for thousands of stranded Russians trying to get back from Thailand.

Seat capacity between Russia and Serbia also surged about 50% in the first week of March over prewar levels, reflecting the number of Russians using Belgrade's neutral stance regarding the conflict to engineer their trips.

The Maldives' tourism ministry has consulted with the finance ministry and other stakeholders to assess the impact of the war, according to Malaka Abdul Hameed, the ministry's director of security and crisis management. Russia was the Maldives' second-biggest source of tourists in 2021, after India.

Thailand, and particularly the island of Phuket, is another leading destination for Russian tourists. Signs in Russian are common around such towns ►

▼ Top destinations of Russian tourists, first half of 2019

1	Turkey	2.7m
2	Finland	1.7m
3	Kazakhstan	1.4m
4	China	1.1m
5	Ukraine	1.1m
6	Estonia	874k
7	Thailand	654k
8	Georgia	630k
9	Germany	628k
10	Italy	594k

◀ Signs in Nha Trang are written in Vietnamese, English, Russian, and Chinese

◀ as Karon on Phuket's west coast, where Russians flock from November to March to escape the winter. Although Thailand only recently reopened to tourists, almost 153,000 foreigners came in February, with Russians the largest single group, at around 18,000. As the war stretches into a second month, keeping them coming will be a challenge.

Laguna Resorts & Hotels Pcl, which runs a chain of high-end villas and lodgings in Phuket, has had to drop its prices and lay off staff due to the pandemic, Chief Executive Officer Ravi Chandran says. "We're concerned, and it's a big unknown," says Chandran, whose publicly listed company is majority-owned by Banyan Tree Holdings Ltd. of Singapore. "We have to work on the premise that Russians won't be coming back and have a backup plan."

Chandran says the company is shifting to bring in more guests from countries including Germany and the U.K., as well as other places in Asia Pacific, such as Australia and India. He plans to hire off-site sales teams in those markets to attract tourists there within the next few months.

Nantida Atiset, owner of the Karon-based Katathani Collection, a group of eight properties, says occupancy rates at her resorts are expected to drop to 30% in the upcoming low season, from as high as 90% pre-pandemic, when Chinese tourists propped up the low season. "It will be very difficult for some hotels," says Atiset. "We're all competing for fewer tourists."

As of mid-March, about 2,000 Russians were still stuck in Phuket, says Kongsak Kooongsakorn, president of the southern chapter of the Thai Hotels Association. Many have seen their return plans disrupted because of canceled airline service to and from Russia, while some have elected to prolong their stays in Thailand as the current situation plays itself out. There are challenges for those staying put: With American Express, Mastercard, and Visa blocking Russian banks from their payment networks, many are paying in cash or using China's UnionPay platform. Some money-changers also now accept Bitcoin, according to Kooongsakorn.

The uncertainty has left local tourism operators wondering how they'll fare without one of their most important tourist groups. "Some think the Russians will never come back and the Chinese aren't coming," says Bill Barnett, managing director of hospitality consultant C9 Hotelworks. "It's a bit of a void." —Anurag Kotoky, K. Oanh Ha, and Nguyen Xuan Quynh, with Kamlesh Bhuckory and Jim Wyss

**THE BOTTOM LINE** Millions of Russian tourists used to flock to sunny locales like Vietnam or Thailand every year. Airspace restrictions and a possible recession threaten that lucrative trade.

## Russia's Elon Musk Gets Grounded

● The aviation mogul's S7, the nation's largest private airline, faces uncertainty after lease terms were violated during the Ukraine war

Less than two months ago, S7 Airlines was heralded as a Russian success story. Operating a modern fleet of Airbus SE and Boeing Co. planes, the carrier connected the country to western Europe, Central Asia, and even Thailand. A member of the Oneworld global aviation alliance that also includes British Airways and American Airlines, S7 boasted a solid safety record, paid its bills on time, and had a charismatic leader in Vladislav Filev—an amateur pilot who created the nation's largest private carrier—to represent its growth ambitions.

But following Russia's attack on Ukraine on Feb. 24, Filev and the airline he built are left stuck between international sanctions that have prompted



leasing firms to reclaim their aircraft and a Russian government determined to keep its aviation industry aloft. The airline, which once boasted service to 35 nations, is cut off from both its overseas destinations and the flow of aircraft maintenance essentials that are key to keeping a modern airline running, from cockpit software upgrades to spare parts.

S7 has continued to operate most of its 105 planes—the vast majority owned by foreign lessors who have demanded their return. But it has had to cut the number of routes it planned to serve

this summer in half, to 125, according to aviation data specialist Routes Online. With the European Union blocking Russian airlines from its airspace and S7 risking repossessions of its planes should they land outside Russian borders, flying has been restricted to domestic destinations.

“S7 have a major problem on their hands,” says James Healy-Pratt, an aviation lawyer and partner at Keystone Law in London. “There’ll be a downward spiral of their operations and dwindling utilization of their fleet without access to maintenance and service facilities.”

Healy-Pratt says S7 also risks being on the hook with insurers looking to make good on claims made by lessors over the planes’ confiscation and their loss of value because maintenance can no longer be verified. The airline said Filev wasn’t available to comment for this story.

Because of sanctions instituted in late February by the U.S., the EU, and their allies, the Russian aviation market—much like the rest of the country’s economy—has been effectively cut off from global participation. Leasing firms terminated contracts, while aircraft manufacturers, maintenance providers, and parts suppliers suspended business.

To keep its commercial fleet from vanishing, Russia prevented its airlines from returning leased planes to their owners without government permission and allowed airlines to re-register the aircraft at home. These moves violate international aviation rules, including those that ban double listings. While the Russian government has offered to provide compensation for seized planes, including their outright purchase, foreign lessors can’t entertain such a deal because it would be a clear breach of sanctions.

Russia is looking for alternative means to keep aircraft operational and maintain connectivity over the vast landmass spanning its 11 time zones. It has said it will follow the example of Iran, which has held together an aging fleet for decades by relying on an opaque secondary market for used planes and spare parts it can’t legally obtain. President Vladimir Putin has pledged financial aid to domestic carriers to compensate for the fallout from sanctions, while subsidizing domestic flights.

For the 58-year-old Filev, a graduate of the A.F. Mozhaysky Military-Space Academy whose dabbling in space operations led some to call him Russia’s Elon Musk, the sudden confrontation with his former international business partners risks destroying his corporate legacy. Together with his late wife, Natalia, who died in a single-engine aircraft crash in Germany in 2019, Filev took over the carrier in the 1990s.

The couple found success after dumping the antiquated Soviet fleet and adopting western jetliners that they painted bright green. As Russia’s middle class advanced, so did S7, making the Filevs one of Russia’s richest couples. Coming out of the coronavirus doldrums, the company had big plans for 2022, including launching a new low-cost carrier this summer and restoring service to vacation markets such as Italy, Spain, and Thailand. The airline also was set to initiate an aggressive push into Germany.

Instead, S7 has grounded all its international operations and is focusing entirely on its home market and steering clear of foreign territory to prevent confiscation of the planes.

The sudden fall is particularly hard for a company that until recently was a preferred partner. Even as war loomed, business remained brisk. As recently as February, Aviation Capital Group, a unit of Tokyo Century Corp., announced the delivery of a brand-new Airbus A321neo jet to S7. At the time, ACG said it was “thrilled with yet another delivery to S7, a reliable partner and one of ACG’s largest customers.”

Last month, Air Lease Corp., one of the world’s largest lessors, based in Los Angeles, said there had been “a great deal of cooperation” from private Russian airlines in its effort to recover aircraft. But in fact, S7 has kept operating 8 of its 10 aircraft from the company despite the sanctions.

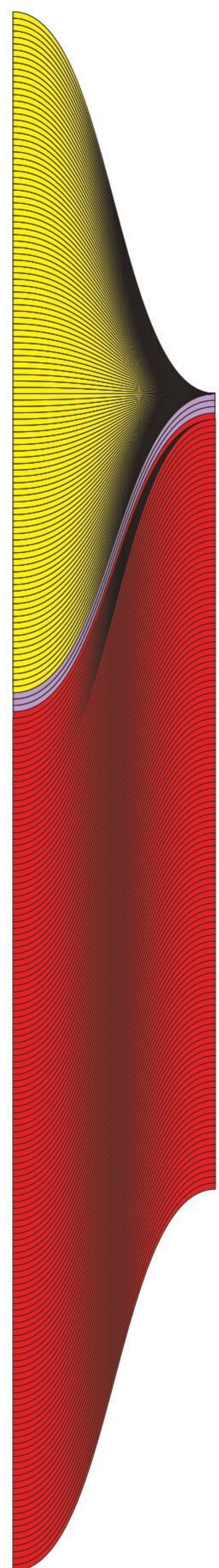
AerCap Holdings NV, the world’s biggest airplane lessor, has 43 of its planes placed with S7, while second-ranked Avolon Holdings Ltd. and SMBC Aviation Capital, the No. 3, also supply aircraft to its fleet, according to data from aircraft tracking specialist FlightRadar24. The war in Ukraine and ensuing sanctions have put aircraft lessors in a difficult spot, being forced to cancel contracts under an EU directive but having no way of repossessing the aircraft after Russia moved to keep them within its borders. The aircraft financiers stand to lose as much as \$10 billion as the value of their Russian fleet across various airlines declines.

“If Russia decides to end the war and the situation eases, it will still take a lot of effort to untangle the mess,” says Volodymyr Bilotkach, an associate professor of air transport management at the Singapore Institute of Technology. “I don’t see Western lessors, insurers, and financiers returning to the Russian market for decades.”  
—*Siddharth Philip*

**THE BOTTOM LINE** Russia’s S7 prospered after jettisoning Soviet-era aircraft in favor of modern jets from western makers. The nation’s seizure of leased planes could hurt S7 for years.

▼ Routes S7 planned for July 2022

- International
- Russia/Crimea
- Domestic Russia



Planned as of 2/14

Planned as of 3/28



## ● Apple makes it easy to work from home—unless you work for Apple

Last month, Apple published a promotional video titled *Escape From the Office*. The heroes of the almost 9-minute ad are a group of employees at a fictional company called Arca who respond to the requirement that they return to a physical office by quitting and launching their own startup. Using Apple’s iPads, MacBook Pros, and software, they then build their own office-less business.

A week before its tribute to remote work, Apple Inc. gave its own workers a timeline by which they’d have to return to their offices. To some, including 7,500 of the company’s 165,000 employees who belong to a Slack room dedicated to advocating for remote work, it was bruising. “They are trolling us, right?” one wrote. Others called the ad “distasteful” and “insulting.” The underlying message: Apple knows that corporate employees—using its products as tools—can capably work from home. So why can’t its own staff? Apple has been primarily a remote company since the beginning of the Covid-19 pandemic. It recorded several blockbuster quarters and shipped dozens of new products while its employees

worked from their garages and spare bedrooms; in the last holiday quarter alone, the company generated about \$124 billion in revenue, an increase of more than 25% from what it had made in the same period before the virus.

Tim Cook, Apple’s chief executive officer, has said the growth of remote work drove new demand for such products as iPads and was “very critical” to the company’s financial success. The previous version of office culture may never return, he predicted. “Normal will become something different,” he told investors in October 2020.

Despite that, Apple wants its own staff to start coming back to its multibillion-dollar suite of global offices, including its estimated \$5 billion main hub in Cupertino, Calif. Employees are required back in the office at least once a week by April 11, twice a week by the end of that month, and on Mondays, Tuesdays, and Thursdays by May 23. All of them are eligible for an extra month of remote work annually. “We have an opportunity to combine the best of what we have learned about working remotely with the irreplaceable benefits of in-person collaboration,” Cook told employees when announcing the return date in early March.

Not everyone saw the shift as positive. “Everything happened with us working from home all day, and now we have to go back to the office, sit





# Back!

in traffic for two hours, and hire people to take care of kids at home,” says a former Apple employee who left the company in part because of its stringent return-to-the-office policy and who asked for anonymity to avoid hurting future employment prospects. “Working from home has so many perks. Why would we want to go back?”

The Apple employees demanding to work remotely are a minority; many engineers began returning to the office before the April 11 deadline. The company declined to comment but pointed to previous remarks from Cook in which he said that the return to the office may be an “unsettling change” and that Apple is dedicated to giving employees support and flexibility.

The company’s remote work policy is in a pilot phase, and it could be either the beginning of a new normal or a step toward a return to pre-pandemic expectations. For now, its policy is less flexible than those of some of its biggest rivals. Meta Platforms Inc. is allowing permanent remote work for those not engineering hardware. Amazon.com Inc. says it’s leaving the decision to individual divisions. “We are intentionally not prescribing how many days or which days,” Amazon CEO Andy Jassy said in a message to employees. Microsoft Corp. is allowing most employees to work remotely half the time, but it requires approval from a manager for any more

than that. Alphabet Inc.’s Google, which has begun to require employees to report to the office three days a week, is approving remote work on a case-by-case basis. It says it’s approved 85% of requests to relocate or work remotely.

There’s disagreement about how long a more permissive approach to remote work will last. While it’s not hard to find predictions of a permanent shift, former Google human-resources head Laszlo Bock forecasts that things will gradually revert to normal over the next three to five years. In part, workers will realize that physical proximity is helpful to landing promotions and plum assignments. Bock also says companies will likely “boil the frog” by making small shifts toward more stringent policies as workers reacclimate to getting dressed and showing up five days a week. “There will be some gamesmanship driving them back to the office,” he says.

Certain Apple divisions are becoming more flexible in allowing employees to work outside of Silicon Valley, so long as there’s another Apple office they can join. The company’s chip team is scattered across Florida and Texas and in San Diego, in addition to Cupertino. Apple Pay is setting up shop in Raleigh, N.C., Southern California, and New York City. AI teams have taken over offices in Seattle, and media teams are working out of Los Angeles, New York, and Nashville. ▶

▲ Apple Park

◀ The majority of Apple corporate jobs, from hardware engineering and design to marketing to software development, still require a Bay Area address. This partially reflects the specific needs of a company that is, at its core, a hardware designer. Despite the two-plus years of the pandemic, the company hasn't shipped a major new product category developed remotely. An Apple Car is still at least three years away, and the company's long-in-development mixed-reality headset has seen multiple delays and may not ship until 2023.

Apple is also pushing for at-office work to protect its culture of secrecy, which is easier to maintain when everyone is in the same physical space. It was a hallmark of the culture developed by Steve Jobs, whose name marks the on-campus auditorium where the company introduces products. He heralded the circular-shaped Apple Park design as a way to spark random conversations and ideas.

Some employees say bringing workers back to the office won't produce the returns on productivity that some executives may be expecting. Employees argue that the pandemic is still not over, with a variant of omicron actively spreading. People are worried about catching the virus at the office and bringing it back to unvaccinated kids or high-risk family members. While Apple provides shuttle buses, some employees spend up to two hours a day driving their cars to and from work, an activity that some say undermines both their own productivity and Apple's environmental goals. "We're trying to save the planet, but now our employees are driving two hours so we can justify our multibillion-dollar headquarters," says one employee who asked to remain anonymous discussing their employer.

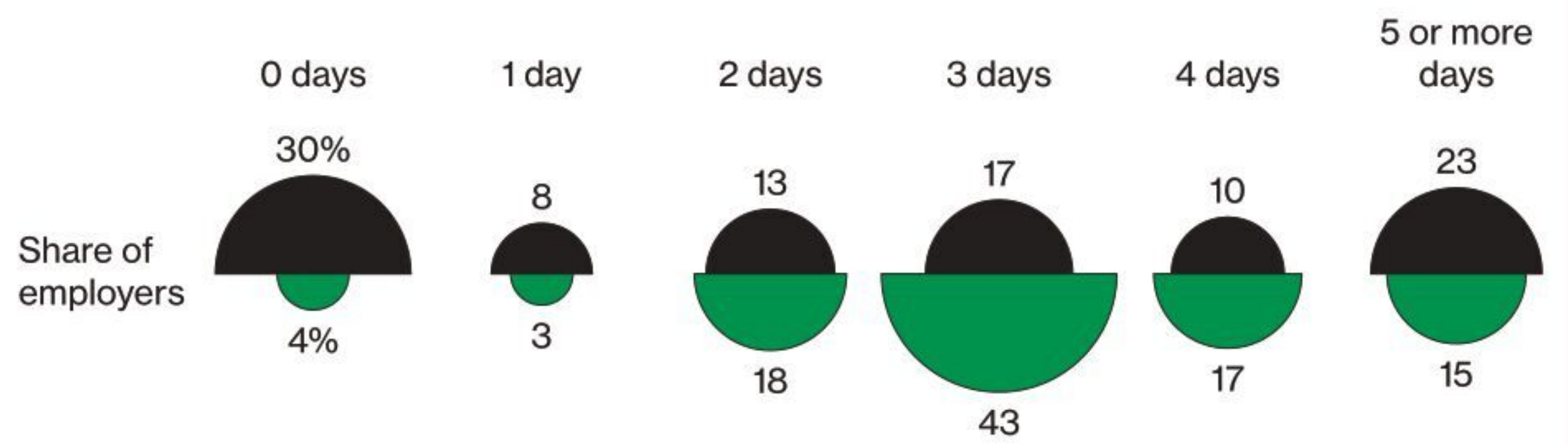
Software engineers, marketing employees, and sales teams could make a stronger argument to work from home than those involved in hardware development. For months, retail employees lamented that they were expected to be in the stores while corporate workers stayed home. In 2020, Apple launched a remote Retail at Home program that let retail employees split their time between being at the store and being at home, assisting with online sales and technical support. That program is now ending.

Apple already knows the benefits of remote work in certain cases. For years, the company has selectively allowed a small number of engineers to work remotely under certain circumstances, employees say. It's also had a program allowing technical support staff to work from home. This has resulted in people working in Idaho and the most distant parts of Texas. Remote workers had to remain within a few hundred miles of an Apple office and visit from

### Return to Your Desks

Estimated number of days per week a typical employee is expected to be in the workplace

■ Current ■ After the pandemic ends



DATA: BAY AREA COUNCIL, FEBRUARY SURVEY OF 156 EMPLOYERS IN THE BAY AREA

time to time. Those people will continue to work from home after Apple's return deadline, irking some engineers who have to go back to the office.

While the takeaway of *Escape From the Office* is supposed to be the revolutionary potential of Apple devices, there's another one: If you don't like your job's approach to remote work, you should quit. The message may be getting through. With the perception that Apple's policies on remote work aren't as good as those of its competitors, its recruiters are expecting some people to leave, and preparing to find replacements. —Mark Gurman, with Mark Bergen

**THE BOTTOM LINE** Apple is telling its office workers that the two-year experiment in mostly remote work is coming to an end. By late May, most everyone is expected to be back three days a week.

# Your 15 Minutes Are Up

● Reality descends on the ultrafast grocery delivery industry

One beneficiary of New York City's recent boom in grocery delivery apps has been Giovanna Antoniazzi, a 27-year-old student at Columbia's School of International and Public Affairs. Cashing in on promotions of \$25 in credit and referring friends for \$30 off an order, Antoniazzi and her roommates realized that they could drive their food costs close to zero. "I'm a broke grad student," she says. "I'm not going to say no to free groceries."

The companies offering these deals—and racing to deliver orders with improbable speed—found many customers as receptive as Antoniazzi. Fridge No More Inc., one Brooklyn-based startup she ordered from, generated a record \$3.2 million in revenue in February and projected a 1,600% annual increase from the year before, according to

an investor presentation from that month viewed by *Bloomberg Businessweek*.

Yet the very next month, Fridge No More went out of business, leaving its 671 employees without jobs. The failure came less than four months after the collapse of another delivery startup, 1520, and a week before the implosion of Buyk Corp., a company with Russian ties that filed for bankruptcy after it became impossible for it to raise money following the invasion of Ukraine. Venture capitalists poured \$9.7 billion into rapid-delivery companies globally in 2021, according to PitchBook. A few months into 2022, that optimism seems like a distant memory.

Delivery companies have mainly competed for customers in two ways: being faster and offering the biggest discounts. In February, data from researcher YipitData showed that three of the biggest startups were offering French customers discounts more than half the time. Istanbul-based Getir discounted 86% of its orders in France. Philadelphia-based Gopuff knocked down the price on 70% of its orders in that market, while Berlin-based Gorillas Technologies GmbH discounted 51% of the time there. In the U.S., 31% of Gopuff's orders were done at a discount, according to YipitData.

Even more than price, the companies have tried to distinguish themselves based on speed, often advertising 15-minute delivery windows. New York-based Jokr, which operates in the U.S., Latin America, and Europe, has said customers order more and stick around longer if it guarantees delivery times of 15 minutes or less. "Speed is our currency," Getir said in a 2021 yearend presentation to investors viewed by *Businessweek*.

Fulfilling these promises has been expensive. The rapid-delivery model requires companies to lease and maintain small distribution centers to keep inventory close to customers. Unlike many ride-hailing and restaurant-delivery companies, the delivery startups employ workers directly, a strategy for increasing speed that also drives up labor costs.

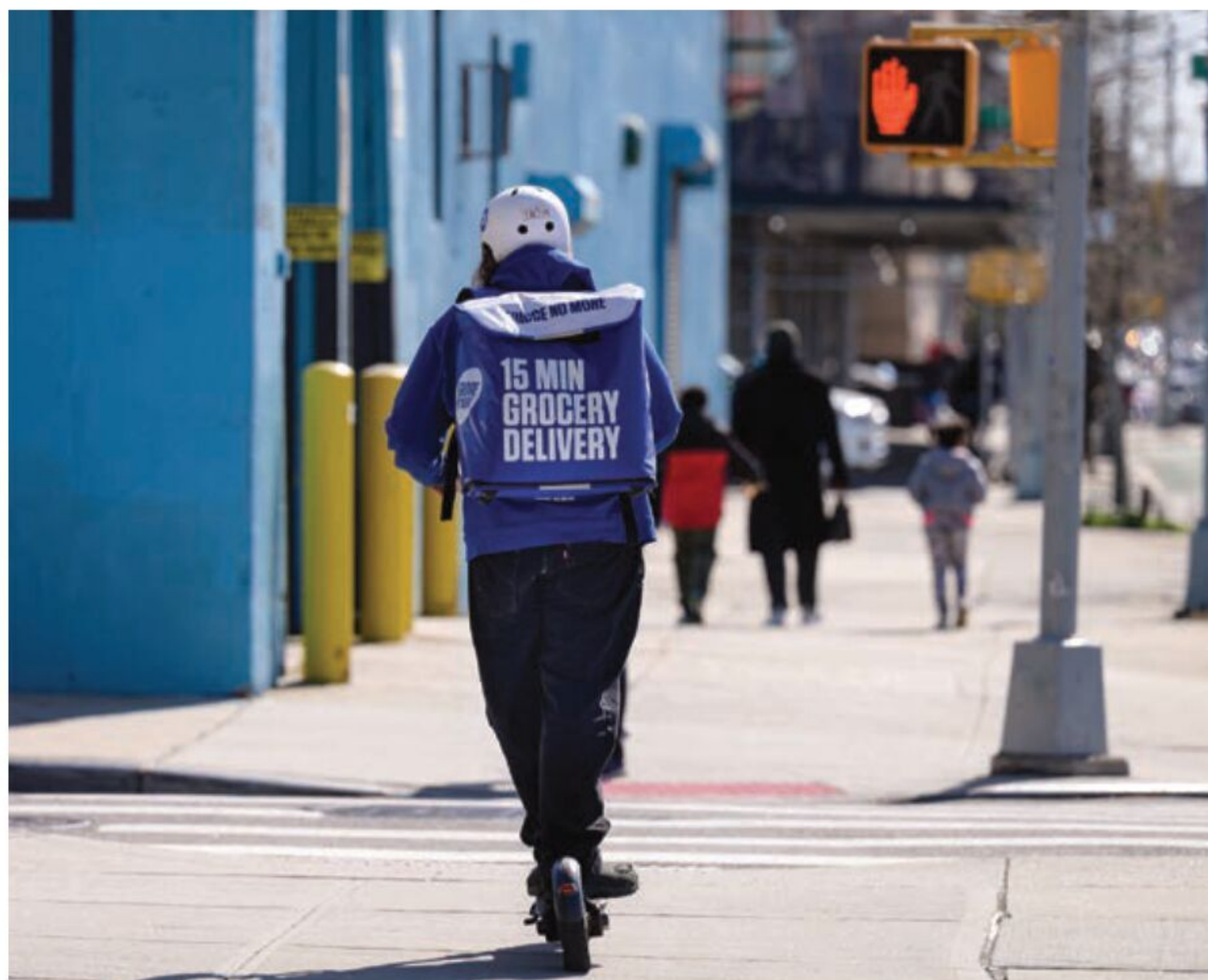
The 15-minute delivery promise has begun to draw scrutiny from lawmakers. New York's City Council is considering prohibiting the companies from advertising 15-minute delivery times, with backers of the measure arguing the guarantees incentivize unsafe behavior from people making the deliveries.

In an industry where losing money is the standard, access to capital has become a critical distinguishing factor. Investor enthusiasm has waned in part because of the dismal stock market performance of delivery companies like Deliveroo, Just Eat Takeaway.com, Delivery Hero, and DoorDash. Getir raised \$800 million in March after trying to

drum up \$1 billion, and Gopuff, which recently laid off hundreds of workers, is trying to raise \$1 billion in convertible debt. Gopuff, whose official name is GoBrands Inc., had been in talks with investment banks about a potential initial public offering for late 2022. Now it has no plans to go public, according to a person familiar with its finances who asked not to be named discussing private business information.

Smaller companies are likely to face increasing pressure to find acquirers. Meanwhile, rapid-delivery companies of all sizes are looking to tweak their business models. Some are pondering a shift toward larger, less frequent orders, where speed isn't as much of an issue. More established platforms are looking to sell more advertising within their apps. Instacart is trying to sell e-commerce software and self-checkout tech to grocers on a subscription basis. Gorillas is among the companies that

**Venture capitalists poured \$9.7 billion into rapid-delivery companies worldwide in 2021**



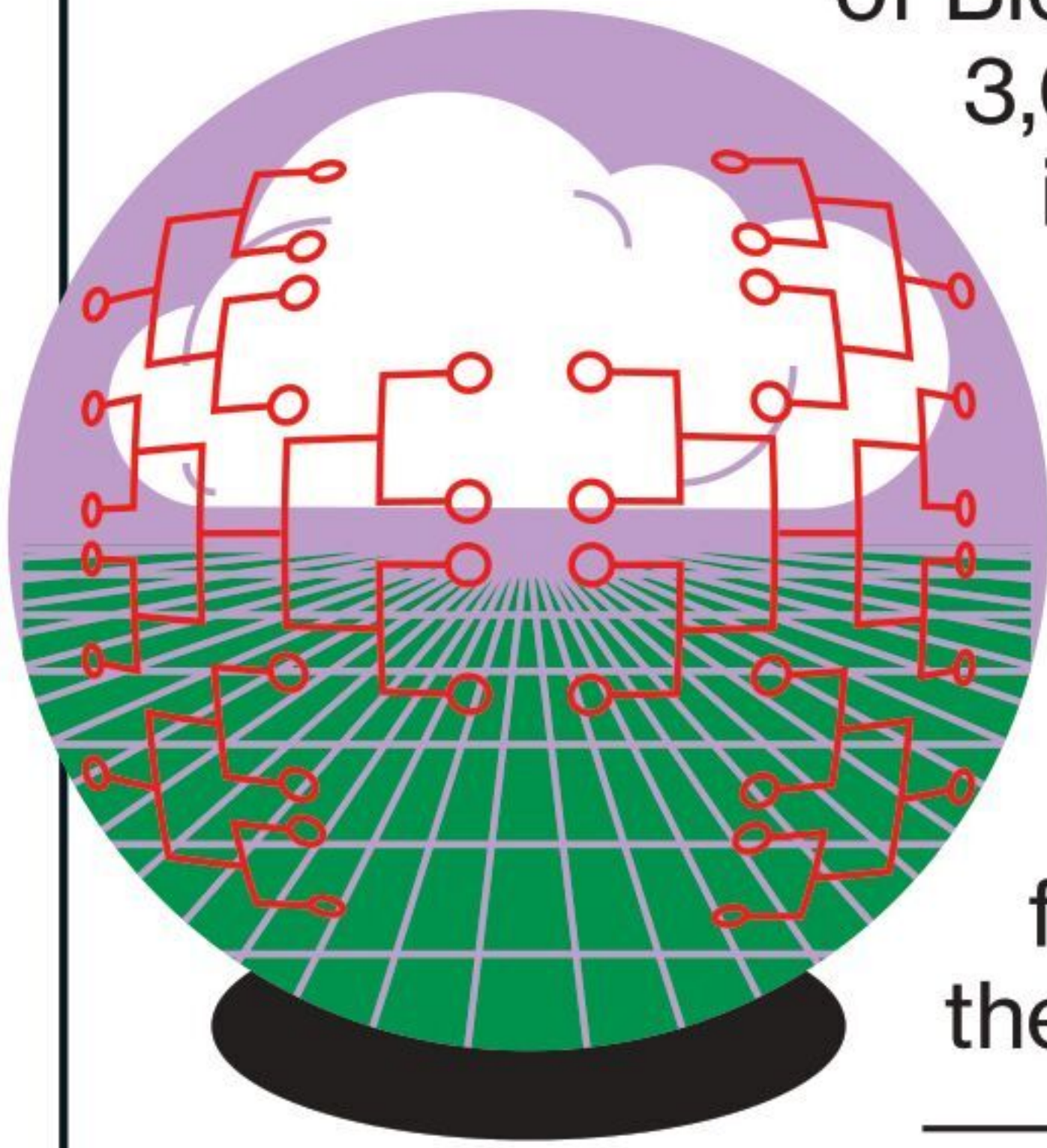
want to expand into private-label and ready-made meals, both of which offer better margins than selling an avocado or bottle of Coke.

One thing is under increasing threat as companies look for steadier ground: the 15-minute guarantee. Gorillas and Jokr are scaling back blanket assurances of ultrafast service and are adding estimates of how long orders will take. DoorDash Inc. is piloting its own 15-minute service in New York City, but Chief Operating Officer Christopher Payne said at a conference in March that 30-minute delivery has a better chance of being profitable: "I think customers will still be delighted by that." —*Jackie Davalos and Ivan Levingston*

▲ Racing to make a Fridge No More delivery in Brooklyn, N.Y., in March 2021

**THE BOTTOM LINE** Money-losing delivery startups are reassessing their business models as investors become more skeptical about their financial prospects.

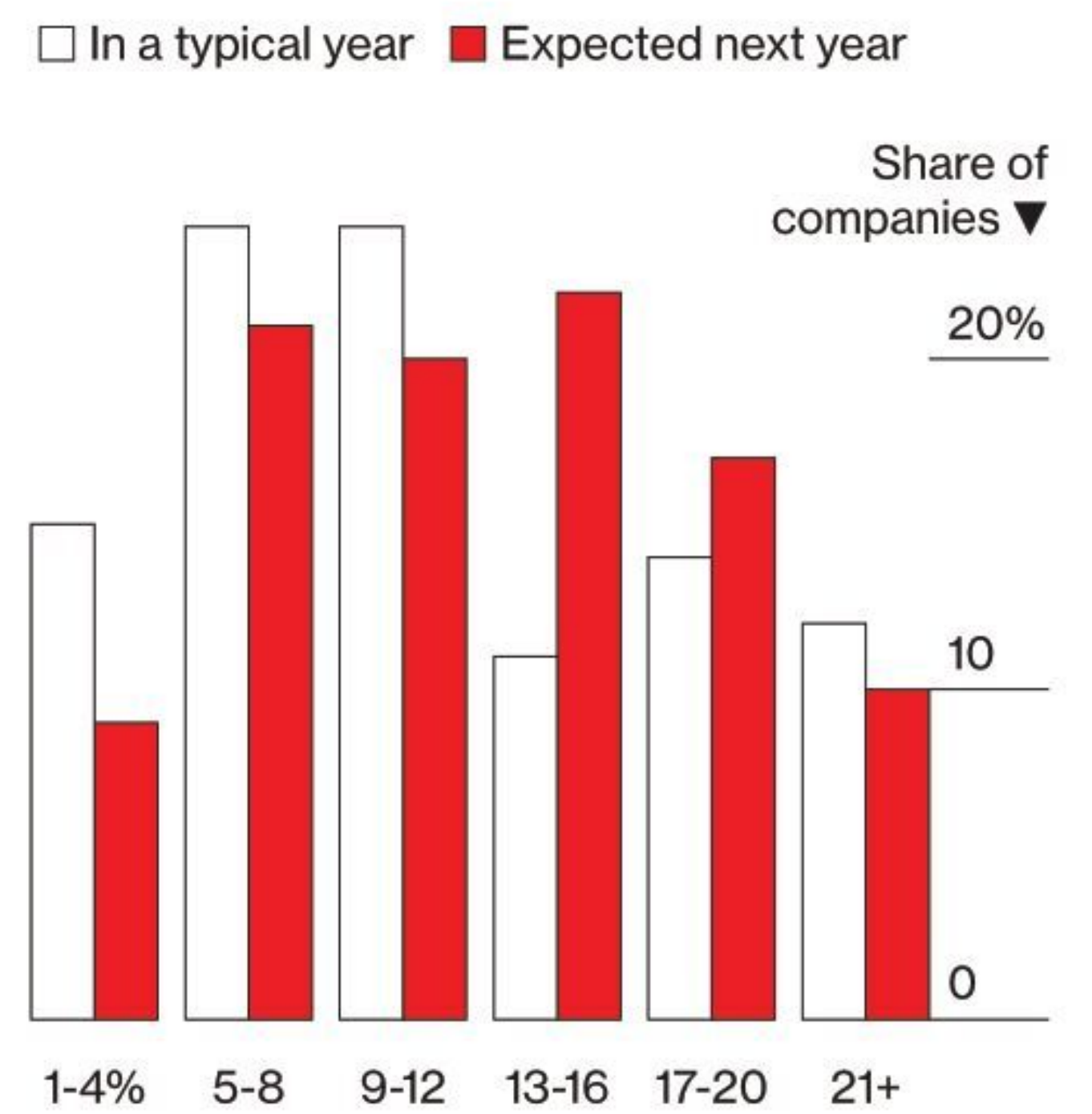
One way to anticipate the next tech revolution is to ask those spending the money: technology leaders. So *Bloomberg Businessweek* teamed with Bloomberg Intelligence, the analysis arm of Bloomberg LP, to survey 3,038 executives across



industries. Their responses, detailed in the Bloomberg Digital Economy Index powered by Infosys Ltd., show where chief technology officers at leading companies are focusing spending—and why they're making those choices.  
—Alex Webb

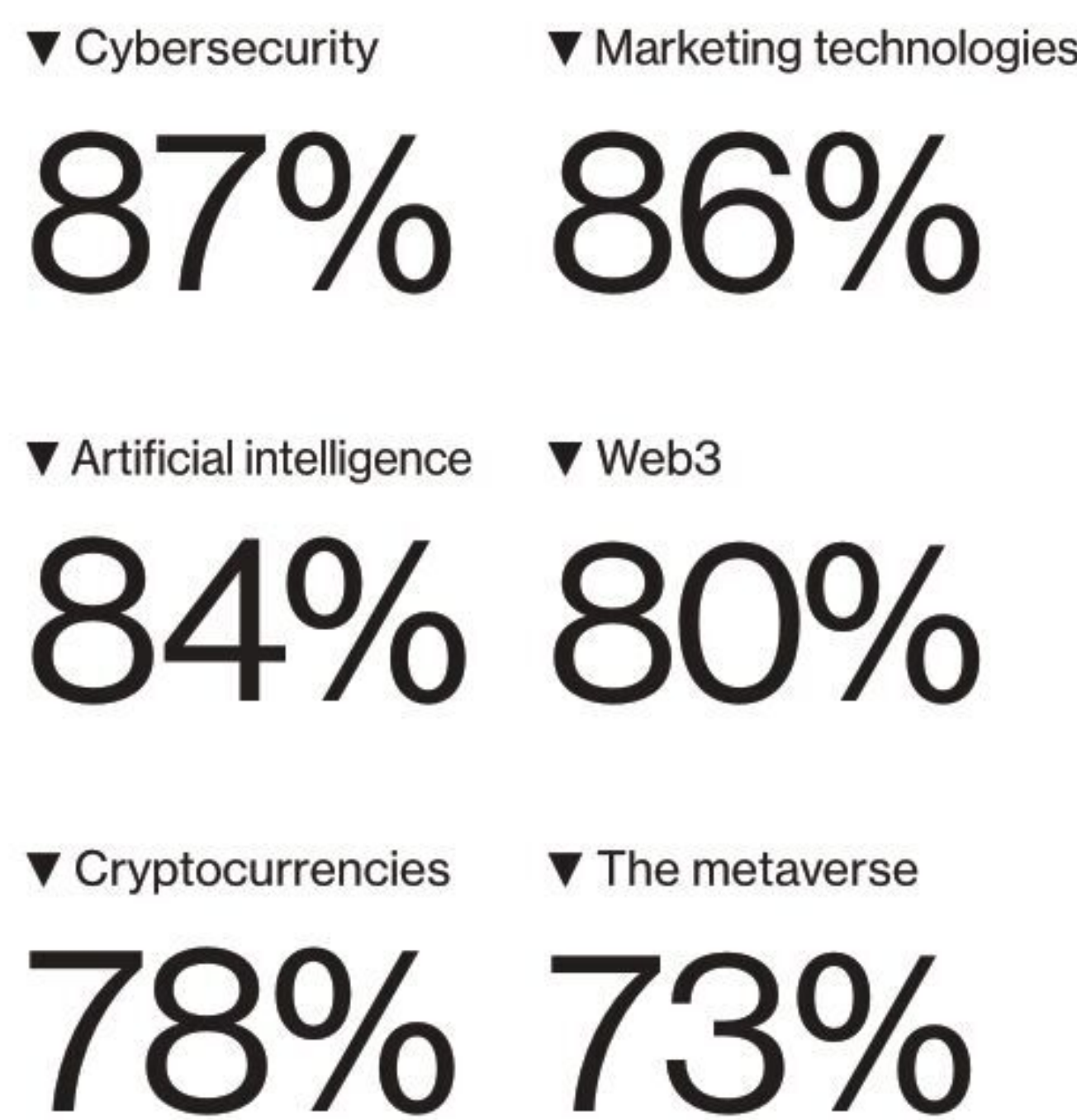
● 53% of respondents say threats to data security are higher than a year ago, with smaller companies seeing the biggest increase.

## ▼ Cybersecurity share of tech budget



● The picture that emerged from the survey is one of the most detailed analyses yet of corporate tech spending. Staying ahead on tech is a top priority: 61% of respondents say they expect to increase their tech spending. Of those, 72% will likely increase their budgets by 9% or more this year.

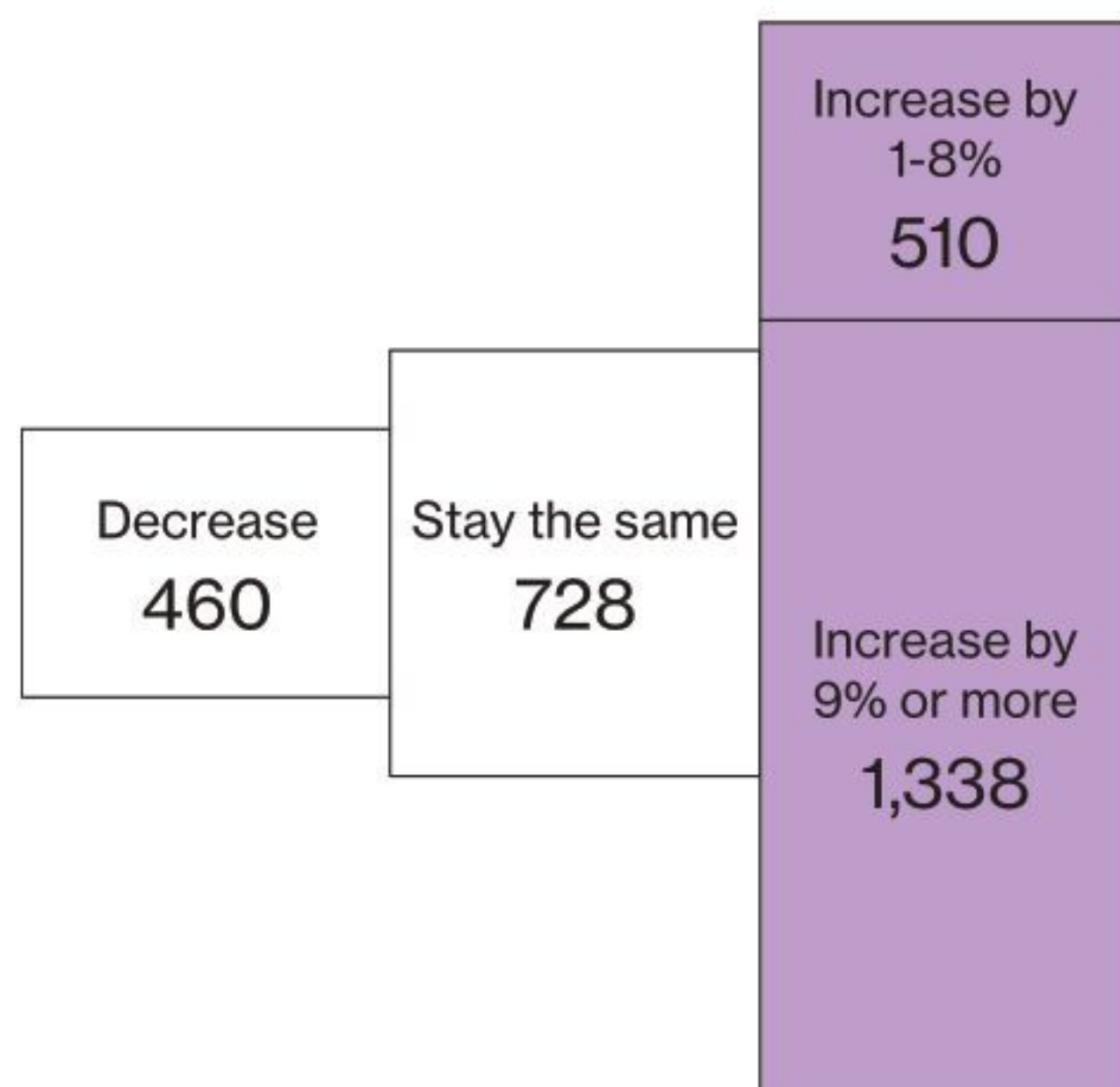
## ▼ Share of respondents who think each technology will be at least somewhat important to their business in 3-5 years



▲ When asked which area of expertise was most in demand at their company, cybersecurity was the top answer for respondents. On average, companies expect to dedicate a larger amount of their tech budget to security in the coming year. This bodes well for companies such as CrowdStrike, Microsoft, IBM, and Accenture, according to Bloomberg Intelligence analyst Anurag Rana.

## ▼ Increase in technology spending

Number of companies surveyed expecting their technology budget in the next year to...



● Respondents are bullish on tech's current crop of buzzwords, but they are even more focused on security and marketing.

● Spending on cloud computing should keep ticking upward, too. It seems unlikely that Google's cloud offering, which had sales of \$19 billion last year, will manage to break into the top two anytime soon: Companies said they'll increase investment in software from Amazon Web Services and Microsoft at a faster pace than in Google's this year.

▼ Share of respondents who predict an increase in market investment at the following companies in the next year

■ Software vendors

Adobe	71%
Amazon Web Services	64
Microsoft	62
Salesforce	61
SAP	60
Google	59
Workday	59
HubSpot	58
Zoom Video Communications	58
IBM (Red Hat)	55

■ Hardware vendors

Apple	69%
Microsoft	60
Dell EMC	58
Amazon Web Services	57
Samsung Electronics	57
Cisco Systems	54
Hewlett Packard Enterprise	52
Huawei Technologies	52
Nokia	50
NetApp	49

■ IT services

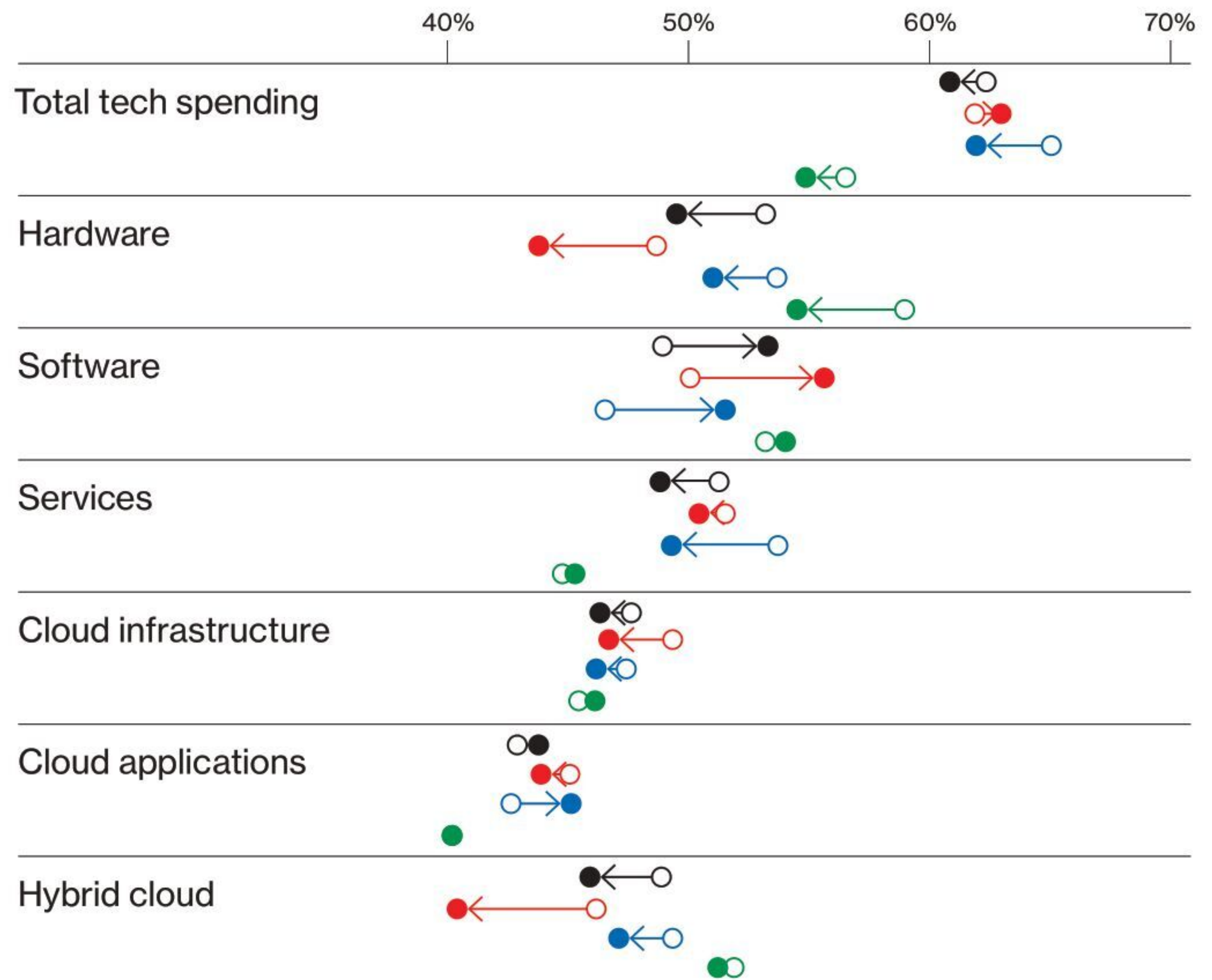
Accenture	73%
IBM	63
Wipro	56
Deloitte	54
Tech Mahindra	54
Infosys	53
Tata Consultancy Services	53
Cognizant	48
HCL Technologies	48
Atos	45

■ Semiconductor vendors

Micron Technology	71%
Texas Instruments	59
Nvidia	58
Infineon Technologies	54
Samsung Electronics	53
Advanced Micro Devices	50
TSMC	49
NXP Semiconductors	45
Qualcomm	43
Intel	37

▼ More than 8 in 10 companies expect to increase tech spending in the next 12 months or keep it steady. Health-care, life sciences, and financial companies are planning the biggest increases; consumer packaged-goods (CPG) companies predict the smallest.

Share of companies that: ○ Increased spending last year ● Are expecting an increase in the next 12 months  
Revenue: ● All ● Less than \$1b ● \$1b-\$4b ● \$4b and above

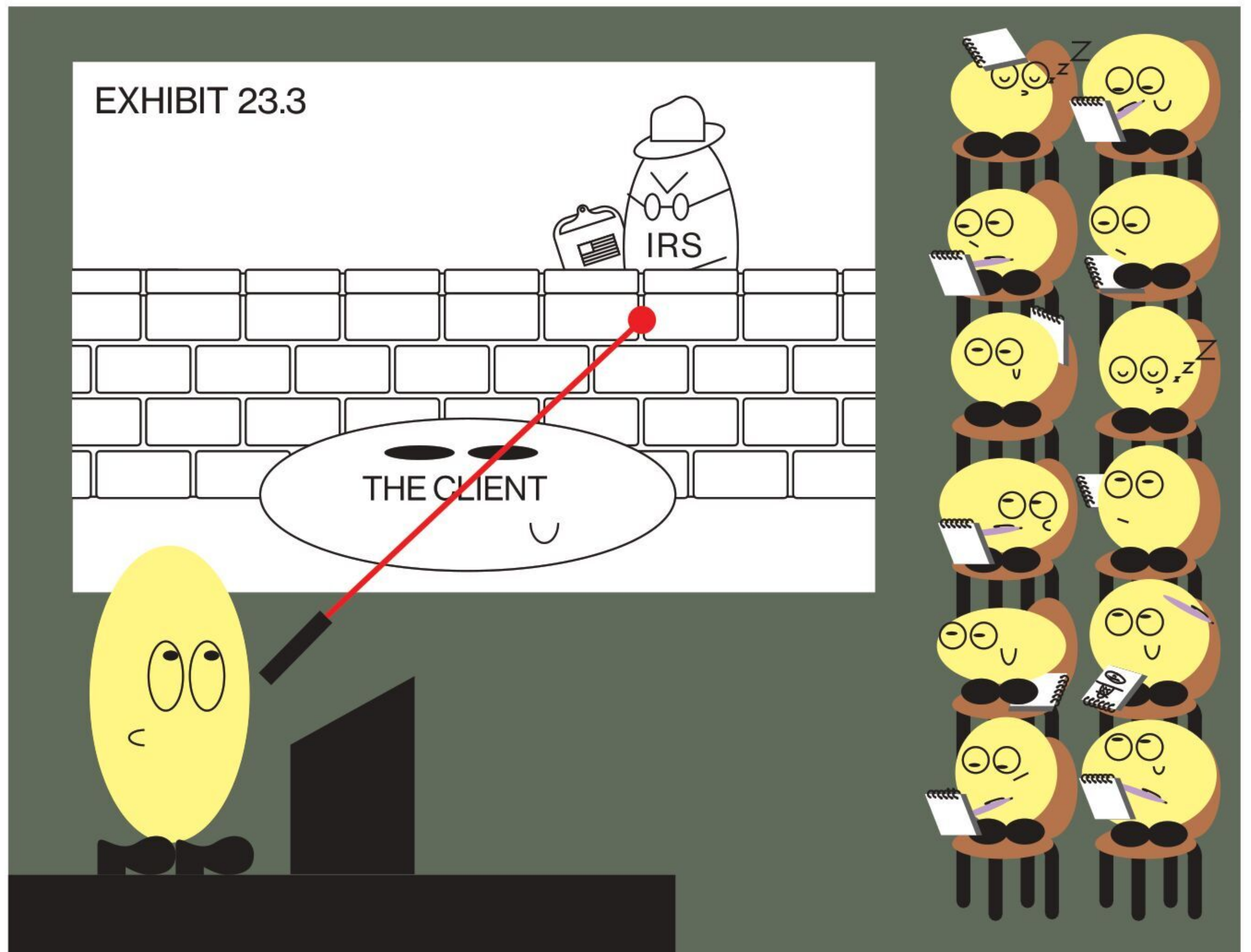


● Geopolitical changes ranked low on this survey's list of challenges, which was conducted in part before Russia's invasion of Ukraine. Yet those sentiments could change "if geopolitical and inflation concerns remain elevated," Rana says.

► Conducted quarterly, the survey will provide a running indication of how opinions on tech trends evolve, as well as which new trends emerge.

▼ Issues named by more than a third of companies as one of the top three challenges

	All	Tech	Financial services	Manufacturing	Retail	Health care	CPG	Life sciences	Insurance	Auto
Pandemic-induced challenges	●	●	●	●	●	●	●	●	●	●
Workplace management	●	●	●	●	●	●	●	●	●	●
Pace of technology change	●	●	●	●	●	●	●	●	●	●
Supply chain challenges	●	●	●	●	●	●	●	●	●	●
Environmental						●	●	●		
Economic factors			●			●				
Sociological changes			●							●
Geopolitical changes										
Regulatory										



## Among The Wealth Whisperers

● An annual conference of advisers shows how the U.S. tax code works for the top 0.1%

The elite tax attorneys were supposed to be at a sunny Orlando resort, swapping ideas for outsmarting the Internal Revenue Service. But the omicron surge had canceled January's 56th annual meeting of the Heckerling Institute on Estate Planning, put on by the University of Miami Law School. So instead more than 1,000 advisers to America's wealthiest families were stuck on Zoom, many up north in unusually cold late-March weather.

Just as the conference opened, Democrats were once again trying to get the superwealthy to pay what President Joe Biden frequently calls their "fair share." The U.S. Department of the Treasury's latest salvo was a 120-page packet of proposals that would

raise \$2.5 trillion in all. A levy dubbed the Billionaire Minimum Income Tax grabbed the headlines, but the estate lawyers soon looked past that and dived into the finer details of Biden's plans. They didn't like what they found.

"We're going to be facing another season of worry with our clients," Carlyn McCaffrey, a partner at McDermott Will & Emery in New York, said on the first day of the conference on March 28, just as the Treasury Department's "Greenbook" of revenue proposals was posted online. "I'm not much looking forward to that, but it's a path we've been down before, and I guess we're not done yet."

For advisers such as McCaffrey, last year was a scramble to get ahead of similar proposals by Biden and congressional Democrats. Anxious clients were told to open trusts and make other moves to transfer fortunes to heirs before legislation passed and loopholes closed. The rush proved unnecessary when West Virginia Senator Joe Manchin, Democrats' crucial 50th vote in the chamber, effectively killed Biden's "Build Back Better" package in December.

Many of the tax luminaries at Heckerling expect the same thing to happen with the Greenbook ideas. By the end of the conference, Ellen Harrison, a veteran attorney in McDermott's Washington office, had concluded that "the prospects for enactment are reported by my contacts to be not very great." The so-called billionaire levy—a 20% minimum income tax on households worth at least \$100 million that would include unrealized

capital gains—was immediately knocked by Manchin.

Still, the advisers at Heckerling couldn't afford to be complacent. Although the Greenbook ideas may not pass in this Congress or the next, advisers who defend dynastic fortunes are paid to think in decades. They're up against the U.S.'s century-old estate and gift tax, a 40% levy on the intergenerational transfer of the largest fortunes, currently hitting married couples with assets of more than \$24 million.

But the richest Americans, with the help of the right advisers, can avoid billions of dollars in estate taxes, along with other levies such as income taxes on capital gains and state-level taxes. That's one reason estate tax revenue has plunged to an imperceptible share of the federal budget. Year after year, Heckerling attendees learn how to do their part. Many of the conference's speakers take an almost artistic pride in drafting elegant and elaborate estate-planning documents. "Drafting is like glass blowing: a beautiful art when done right but can lead to the plan completely shattering if there's a flaw," Austin Bramwell, a partner at Milbank in New York, told the conference.

Heckerling is all about following the law, not violating it. But rich taxpayers can save much more money by exploiting the rules' many gray areas—if, that is, they and their attorneys can tolerate the risks of triggering an audit and a legal challenge.

On one end of the spectrum is famed New York City tax lawyer Jonathan Blattmachr, legendary at Heckerling for his creative and innovative tax-saving strategies. At this year's conference he talked about combining a charitable trust with a limited liability company, or LLC, to defer taxes on the inheritance of a retirement account. That gets around a new federal law that requires the pretax money to be distributed to heirs—and thus taxed—within 10 years.

Some of Blattmachr's other, bolder tax-avoidance ideas got pushback from McCaffrey and Harrison, who didn't think they'd work. But the consensus on which moves are safe can shift from year to year at Heckerling, as the IRS and, more important, the courts weigh in.

For superwealthy Americans who want an aggressive estate plan, the good news is that the IRS has been starved of funding for decades. Audit rates have plunged, and the agency struggles to hire lawyers with the sophistication to go up against the well-paid pros at Heckerling. At one session titled "A View From the Trenches," listeners learned how to defend against an audit. One suggestion: When you set up a strategy, write long memos to your clients documenting all the nontax—and thus arguably more legitimate—reasons for the plan's complexity.

Avoiding taxes isn't the only way Heckerling attendees can help the people they work for. Some clients want to set up family foundations for charitable giving. Others want to keep a business in the family, protect their assets from creditors, or make sure heirs and their spouses don't blow the fortune on frivolous spending.

The primary topic at Heckerling, though, is helping wealthy heirs inherit and enjoy their windfalls without a large tax bill. Luckily for those heirs, that doesn't necessarily require much creativity. Planners have tried-and-true tools, especially the grantor trust and its cousin—the grantor-retained annuity trust, or GRAT—that can move billions of dollars to heirs tax-free. Dynasty trusts can protect a family's assets from taxes for not just one generation but indefinitely.

These strategies were dreamed up and debated in past decades at Heckerling, named after the University of Miami professor Philip Heckerling, who founded the conference in 1967. By now they're clearly legal: GRATs went mainstream after heirs to Walmart Inc. founder Sam Walton—the world's wealthiest family—won a case against the IRS in 2000. Dynasty trusts got popular after Blattmachr and others encouraged several states, aiming to attract the wealth management industry, to change their trust laws. Congress unintentionally opened the door to grantor trusts—"the cat's meow from an estate planner's perspective," according to Blattmachr—when it was closing another loophole.

Now the Biden administration is trying again to tighten the rules. Last year's proposals were "very draconian," McCaffrey said. Most of the new provisions in the Greenbook are more subtle. Dynasty trusts wouldn't be allowed to avoid estate-and-gift taxes for more than a couple of generations. Grantor trusts and GRATs would face stricter rules.

As inequality has surged in the U.S., Democrats have wavered between two different approaches to limiting the growth of large multigenerational fortunes. The first is to come up with new taxes, like a direct tax on wealth, which Biden rejected as a candidate, or a tax on the growth in wealth, such as the minimum tax on unrealized gains. The other approach, evident in the Greenbook's plan for GRATs and the other trusts, is to change rules so it isn't so easy for the superwealthy to avoid existing taxes.

Heckerling's planners have already started to imagine what they might do if that happened. The first two days' sessions began with Paul Lee, chief tax strategist at Northern Trust Corp., speaking for a total of three hours on partnership tax rules and the possibility that a carefully constructed ►

**"We're going to be facing another season of worry with our clients"**

◀ partnership could transmit wealth in the same tax-free way that a grantor trust can now.

No matter what happens to tax laws, the Heckerling conference should thrive. The demand for sophisticated tax advice has soared along with the wealth of the top 0.1%. In the event that the wealthy face strict new rules and higher tax bills, their advisers can always return to Heckerling to commiserate and strategize. Next year they might even be able to reunite in person. —Ben Steverman

**THE BOTTOM LINE** A small army of elite tax attorneys helps wealthy families steer clear of estate taxes by using an array of complicated trusts.

## Student Loan Relief Changed Lives

● A generation defined by debt got a chance to move ahead, but it's not a permanent fix

The pandemic-era pause on student loan payments has been a financially transformative experience for many Americans, allowing them to pay down debt, improve their credit scores, and save for the first time. The forbearance period, which was extended multiple times by both the Trump and Biden administrations, was set to end on May 1, but the White House has pushed the date out again to Aug. 31. A look at the finances of those who'd been struggling under mountains of college debt helps explain why it's so hard to end the freeze.

Since the government suspended payments on federal student loans in March 2020, the average credit score among borrowers rose to 668, from 640, according to an analysis by the California Policy Lab and the Student Loan Law Initiative. (Credit scores in the U.S. range from 300 to 850, and the change means the average score went from fair to what many lenders consider good credit.) Almost half of borrowers also reduced their use of credit cards during that time, by an average of 23%.

"It's the first time in my life I'm feeling like an adult," says Jennifer Nagle, a 38-year-old in Madison Heights, Mich., who graduated from college with more than \$60,000 in student loans, two-thirds of it federal. "I have a savings account, and there's money in it. After being a broke millennial for so long, that was astounding." Before the pandemic she'd been paying about \$600 a month on her

federal loans and \$200 toward her private ones, while her husband had \$500 payments each month for his \$85,000 in federal loans.

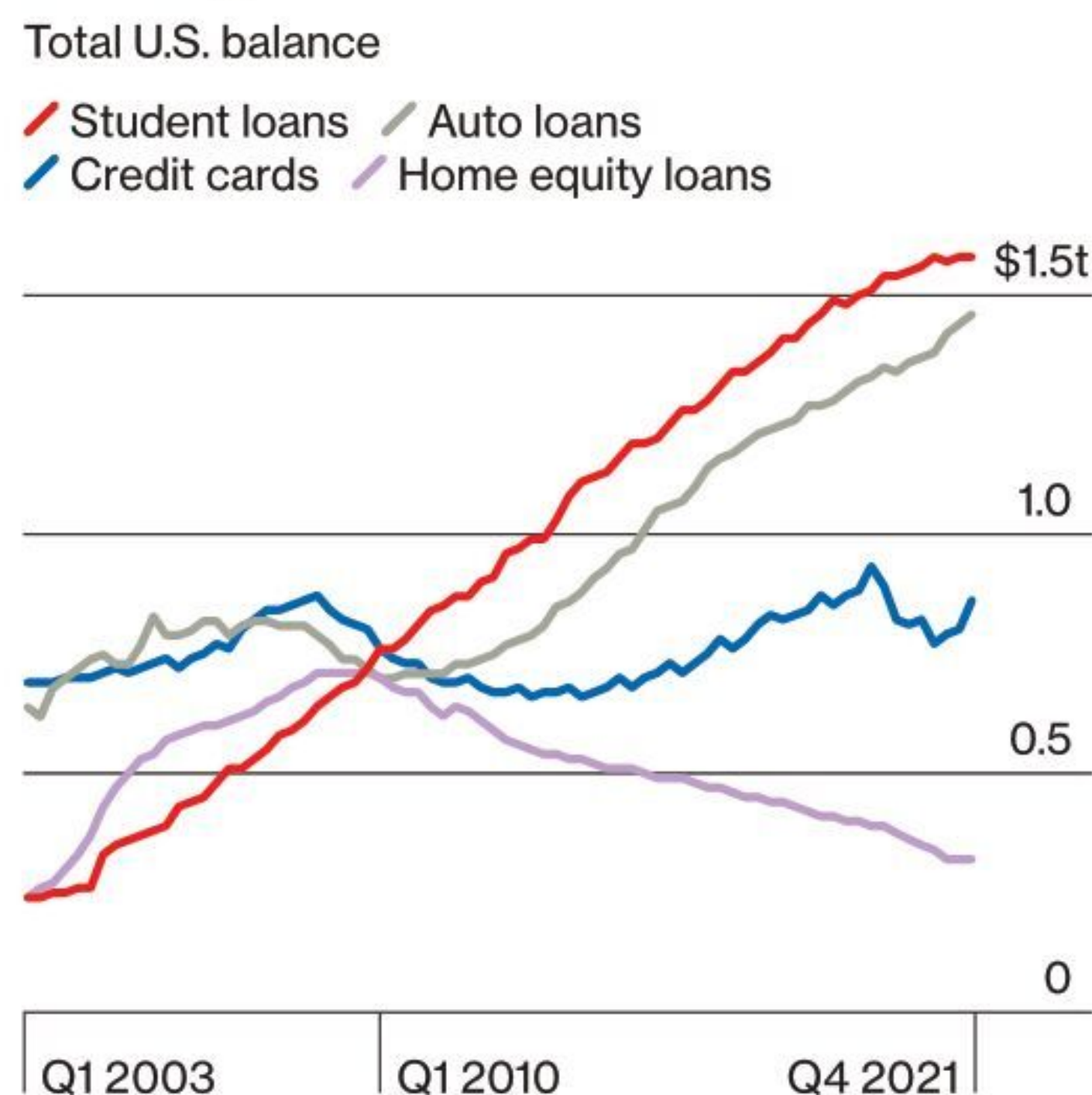
With the absence of those federal payments, and the addition of a better-paying job for Nagle, they were able to knock out \$5,000 in credit card debt and her entire \$15,000 balance in private student loans. They're also almost done paying off a \$10,000 car loan. Nagle says her credit score has risen from less than 600 to a very solid 725. "It's been life-changing," she says. "We're free of most of our debt because we could divert student loan payments to paying off debt."

A generation of younger Americans has been defined by the burden it carries for its education after decades of rising college costs. At the end of 2021 roughly 43 million Americans owed an estimated \$1.6 trillion in student debt. The forbearance saved them about \$37.8 billion in interest payments through the end of last year, according to the Bureau of Economic Analysis. And that had ripple effects across their household budgets and balance sheets.

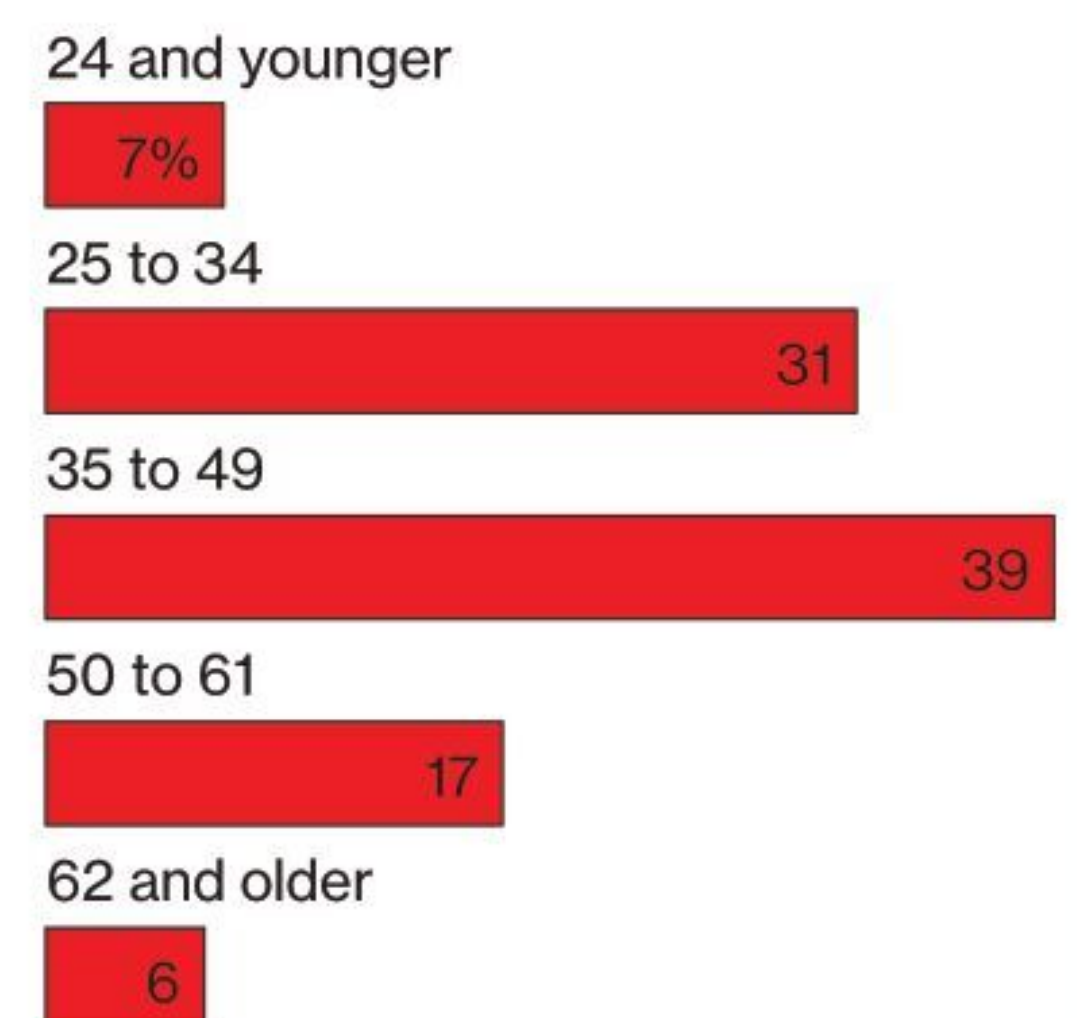
"With the student loan repayment freeze, borrowers have the ability to take the money that they're not putting toward student loans and invest it for their future," says Shelly-Ann Eweka, senior director of financial planning strategy at retirement giant TIAA. "It gave relief to those who really needed that relief, and those who happened to not need as much relief were able to take advantage of putting some of those casual savings toward other goals."

About 85% of those with federal student loans also have auto loans, mortgages, credit card debt, or student loans ineligible for the pause, the California Policy Lab and the Student Loan Law Initiative study found. The median balance for that other debt was \$19,121 as of December.

### A Rising Educational Burden



### Beneficiaries of relief for student loan interest payments, by age group



DATA: FEDERAL RESERVE BANK OF NEW YORK, BUREAU OF ECONOMIC ANALYSIS, DEPARTMENT OF EDUCATION, BLOOMBERG CALCULATIONS



Necia Murchison, a 37-year-old in Medford, Ore., graduated from college with about \$70,000 in student debt, \$15,000 of that in private loans, and had to file for bankruptcy after a medical issue—and lack of health insurance—drained her finances. The bankruptcy judge let her write off about half of her privately funded student loan debt, but after paying it down for years, she still had a balance of \$29,000 for federal loans at the beginning of 2020.

“I came from a very low-income family, and it was always the expectation that college is your own responsibility,” says Murchison, who works in administration for the state court system. “I had to really rely on student loans for everything.” After she got married and combined finances with her husband, who didn’t have any student loan debt, her income-based monthly payment rose to \$1,190 a month, from \$180. That was a significant hurdle to paying down the \$28,000 in credit card debt the couple had when the pandemic began.

During the forbearance, Murchison was able to reallocate that money to her credit card obligations and has now paid off half. Plus, she and her husband refinanced their house and paid half the price of a new electric car in cash. “Our credit scores have just skyrocketed in the past two years,” she says. “If those student loan payments had stayed in place, there’s no way we would’ve been able to do that.”

A common joke about millennials is that they spend too much on avocado toast, but in reality an unfortunate combination of economic forces has made certain financial goals much more difficult for the generation born between roughly 1981 and 1996. Even before the pandemic, 1 in 5 adults with student loans were behind on payments. At the same time, real estate prices have surged, with average home values increasing more than 20% in the past year. Although these factors have been a boon for those already in the market, they’ve pushed homeownership further out of reach for those who aren’t, even as rents continue to rise.

Anthony Portesy, a 35-year-old lawyer on New York’s Long Island, has struggled to save enough money to buy a house, with his student loan payments at more than \$700 a month. When Covid-19 first hit, his debt for law school—which cost about \$43,000 a year—had ballooned to \$50,000 more than when he graduated, thanks to an 8.5% interest rate. Without that monthly burden he’s been able to pay off his \$1,500 in credit card debt, max out contributions to his Roth IRA, and begin saving for a home. “I can start thinking about getting married and having a family,” he says. “It’s been able to make me feel like a more productive member of society.”



“The moratorium really helped households to get through the hard times,” says Yelena Shulyatyeva, senior U.S. economist for Bloomberg Intelligence. That latest extension comes at a tricky moment. Unemployment has dropped to 3.6%—close to the pre-pandemic low—but inflation is pinching household budgets, and rates on everything including mortgages and credit cards are going up.

When payments do resume, delinquency rates could surge back to previous highs with 10% or more of debt past due, according to a recent analysis from the Federal Reserve Bank of St. Louis. During the pandemic, 83% of borrowers whose balances were increasing prior to the pause didn’t make any progress on paying down their loans, the New York Fed said in a recent report. About 7.8 million people—1 in 3 borrowers—are at high risk of missing a payment, the California Policy Lab and the Student Loan Law Initiative study found.

Various proposals to cancel student loan debt have circulated in recent years, without any concrete action or bipartisan support. President Biden ran on a promise of forgiving at least \$10,000 in student debt per borrower, and proponents say that could help stimulate the economy. Critics argue that it’s unfair to those who’ve already paid their student debt in full and would create even more inequality between those who’ve attended college and those who haven’t.

Yet canceling student debt would be a godsend for people such as Joanna Woronkowicz, a 40-year-old professor in Bloomington, Ind. The pause came right when her family needed it most, when she had a baby during the pandemic and had to take leave—most of it unpaid—to care for a newborn and two other young children. “We have a lot of expenses with the little kids and the student loans,” Woronkowicz says. “It’s going to be a big deal for us when they come back.” —*Claire Ballentine*

▲ Nagle


**THE BOTTOM LINE** Forbearance on student loans has saved American borrowers about \$38 billion in interest payments and helped them pay other bills, save, and improve their credit scores.

Tune in to follow the moments that shaped  
the leaders we know and love.

# How I Got **Here** with Chris Paul

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# Surviving A Worker Drought

A 1.5% unemployment rate is forcing an Indiana county's businesses to get creative

In his 26 years as mayor of Carmel, Ind., the largest city in a county with deep Republican roots, Jim Brainard has overseen its transformation from a sleepy Indianapolis suburb into one of the fastest-growing communities in the country. The population has quintupled, to a little over 100,000, spurred by the relocation of corporate headquarters to the area and a residential construction boom that shows few signs of ending. Ask the staunch conservative what he thinks the top economic priorities should be nationally and you'll get answers that are strikingly at odds with the GOP's current agenda. The U.S., argues Brainard, needs looser immigration laws to attract more migrants

and higher wages for low-income service workers. "Those are the two biggest challenges" for the American economy, he says.

Brainard's views reflect Carmel's circumstances. Inflation running at 40-year highs may be the economic issue dominating the conversation in government offices and C-suites across much of the country, but in this city, along with the rest of Hamilton County, the chatter among businesses and local officials is more often about a labor market that Federal Reserve Chair Jerome Powell recently called "tight to an unhealthy level."

With an unemployment rate more than 2 percentage points below the national figure, Hamilton County's employers are engaged in a furious recruiting drive to fill positions ranging from chief technology officers to supermarket cake decorators. Job applicants are so scarce that manufacturers are turning to inmates on work-release from the local jail.

By many measures, Hamilton County is a charmed corner of the U.S. economy. It's home to advanced manufacturing companies, pharmaceutical startups, insurers, and IT businesses. With a median household income of \$98,880, it rates as one of the most affluent counties in the country. Residents of Carmel brag about their excellent public schools, walkable neighborhoods, and exciting new restaurants.

Hamilton County also is an example of what happens when an economic boom runs up against ▶



◀ Workers at Gaylor Electric in Hamilton County, Ind.

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◀ a labor crunch that's been years in the making and is likely to get worse, with demographic trends becoming an increasing constraint on growth.

At the SMC Corp. of America, the Indiana-based division of a Japanese industrial pneumatic components giant, president and Chief Executive Officer Kelley Stacy has seen white-collar recruits quit in the first week because they didn't like their desk or job title. "You'll hire people, and then they just don't show up," she says. "We've never experienced these types of situations ever."

To retain staff and draw applicants to its facility in Noblesville, the Hamilton County seat, SMC has been raising wages and improving benefits for its 1,600 employees. On top of free health care, tuition reimbursement, and a subsidized cafeteria where \$2.50 will buy you breakfast, the company rolled out a new leave policy on April 1 that removed any cap on vacation time or personal days.

Down the road at Metro Plastics, a family-owned injection molding company that makes parts for companies such as Firestone and Tesla, Carole Krol is struggling to fill four vacancies on the overnight shift. The company raised its starting wage from \$10 an hour last year to \$15 an hour. But temp agencies tell Krol she'll need to offer at least \$17 an hour to get anyone to bite. "It is constraining our growth," says Krol, whose parents started the business.

Metro Plastics is in a great position to benefit from the reshoring of industrial supply chains brought about by pandemic snags. The 130-person company produces the sort of plastic products that typically come from China: from bright yellow shovels destined for the food manufacturing industry to screw-on caps.

But to win orders that might otherwise have gone to factories in the Pearl River Delta, the company can't just rely on humans. On a recent Thursday, a machine nicknamed "Doc Holliday" by employees was turning out black plastic caps for a Tesla suspension assembly without any visible human involvement. An electronic eye and robot were doing initial quality checks, rejecting what looked like every other cap by pushing them into a discard box. Occasionally a human operator would come over to pack some parts and hand the box off to an autonomous vehicle that would carry it across the factory floor to shipping. The experiment in automation "is not necessarily by choice," Krol says. "It's by force. Because we can't find the workers."

Next door, at Gaylor Electric, which designs, assembles, and installs electrical systems for big commercial projects such as Amazon distribution centers, a search for talent that predates the

pandemic is now paying dividends. A few years ago the company embedded a charter school into its production floor to train high school students as electricians.

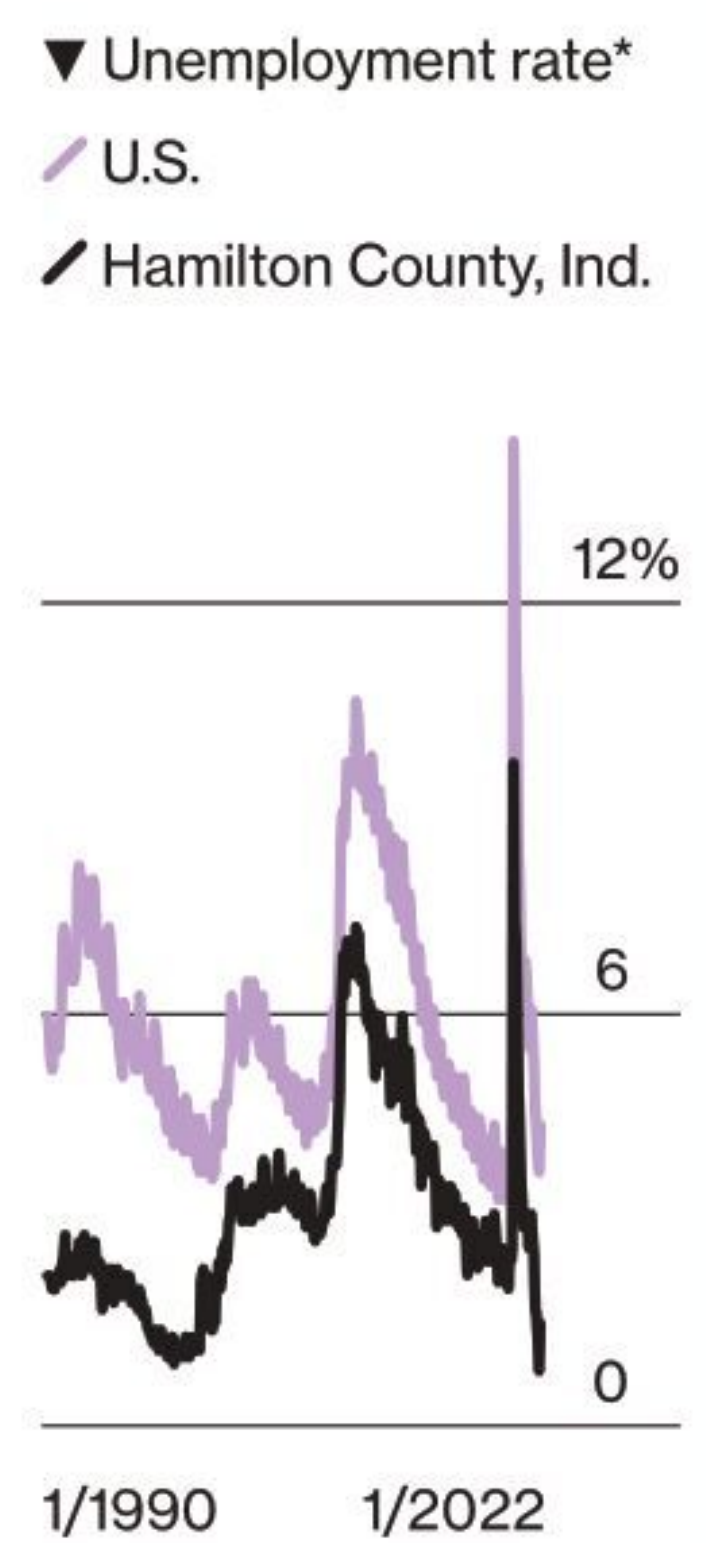
Students spend half the day in the classroom and the other half working on the floor alongside regular employees, including inmates from the local county jail. When they graduate there'll be well-paying jobs waiting for them: Journeyman electricians can start at \$60,000 a year. Although Chuck Goodrich, the company's president and CEO, says that of the 40 to 50 students who pass through each year, half or less will stay at Gaylor. "We talk more about recruiting today than I ever have," he says. "We need people" and "there's five jobs for every person."

At Vibonomics, a streaming audio advertising company in Fishers, co-founder and CEO Brent Oakley says he's done away with late-night work marathons, embraced flexible working hours and remote work, and raised salaries. He's also expanded the pool of candidates he's willing to consider. "We wouldn't even look at somebody if they didn't have a college degree," he says. "That no longer happens."

Is Hamilton County's worker deficit a pandemic blip or the harbinger of a new normal for the U.S. economy? Goldman Sachs chief economist Jan Hatzius recently declared that by the bank's own gauge the U.S. labor market is "the most overheated" it has been since the 1940s.

The coronavirus has supercharged America's demographic challenges, accelerating the exit from the workforce of baby boomers while pushing down birth rates. It doesn't help that the U.S. has been allowing fewer foreigners to settle in the country: 740,000 were granted permanent residency status in the latest fiscal year, according to data compiled by the U.S. Department of Homeland Security, compared with 1.2 million in 2016, the year Donald Trump won the presidency and began making good on his pledge to restrict immigration. Hamilton County is no bastion of diversity: 83% of its population is white, compared with 58% nationally. In Carmel, Brainard pairs his embrace of looser immigration rules with calls for inclusivity. For the area's prosperity to endure, he says, Hamilton County needs to become a place where service workers can afford to live—rather than a place where they just go to work. "Cities need to be a lot of things. But they need—to be successful—to be great places for everybody," he says.

Rachel Firestone Mohammad and Samir Mohammad landed in Noblesville from Colorado in 2020, ready to open a restaurant that would



**"You'll hire people, and then they just don't show up"**

cater to foodies like them. Instead they confronted pandemic lockdowns and a lack of staff that caused them to enlist friends so they could open once restrictions lifted. The newcomers now have seven employees, all but one part-time, but are still struggling to find a dishwasher and prep cook even offering \$15/hour plus a share of tips.

The tough labor market has shaped their workweek: They're open for dinner only four nights a week and offer a takeout dinner service on Sunday—a pandemic innovation—that features dishes like an artichoke risotto and their

house-made burrata cheese. “We’re maybe different from other businesses,” says Firestone, who grew up in nearby Lafayette and returned to be close to family. “We aren’t motivated by getting that extra night open, getting that extra income.”

The couple says they’d like to open another restaurant in town one day. But that will have to wait until the red-hot labor market cools a bit.

—Shawn Donnan

**THE BOTTOM LINE** Employers in Hamilton County, Ind., are raising pay, embracing more flexible schedules, and improving benefits to fill vacancies, while also investing in automation.

# Build, Baby, Build

● Beijing's \$2.3 trillion infrastructure plan puts Washington's to shame

With coronavirus lockdowns, a real estate downturn, and surging oil prices stemming from Russia's invasion of Ukraine, President Xi Jinping is turning to reliable allies to keep his ambitious economic growth target in reach: China's more than 50 million construction workers.

At Beijing's behest, local governments have drawn up lists of thousands of “major projects” they're under great pressure to see through. Planned investment this year amounts to at least 14.8 trillion yuan (\$2.3 trillion), according to a Bloomberg analysis. That's more than double the new spending in the infrastructure package the U.S. Congress approved last year, which totals \$1.1 trillion spread over five years.

Much of the investment, like that in Washington's plan, is slated for transportation, water, and digital infrastructure. But China already has more than twice as many miles of high-speed rail as the rest of the planet combined, as well as the world's longest expressway network, so it's shifting the composition of construction stimulus. Only about 30% of funding will go to traditional infrastructure projects such as roads and rail. More than half of these are geared to support the manufacturing and service industries: factories, industrial parks, and technology incubators. There are also some to amuse and delight, such as a Legoland theme park and a panda breeding center.

The change in emphasis reflects the government's commitment to ensuring China retains its dominant share of global manufacturing, even as it shifts into electric vehicles and batteries, renewable energy, microchips, and other more advanced areas. One project that fits the bill is a 2.2 billion yuan

expansion of Beijing's Zhongguancun Dongsheng Science and Technology Park to house a new generation of tech startups.

At the building site, cranes surround a huge pit where foundations are being laid by workers who started arriving a month ago. To avoid virus outbreaks, workers live in a bubble—shuttling between dormitories and the work site—and get tested weekly. “It's not easy to find work nowadays. I just go wherever there's work to do,” says Zhang Hongqiang, a 49-year-old member of the crew, whose home is about 400 kilometers (250 miles) away, in Shandong province. He earns 6,000 yuan a month, about a third of the average salary for all workers in Beijing.

Besides keeping people like Zhang employed, the construction push is meant to ensure the central government reaches its 5.5% growth target for 2022. China's stock market, which has been battered by a regulatory crackdown on internet-platform companies and a shakeout in the massive property sector, might also get a lift. The main index is down 13.4% year to date, but a subindex that tracks ▶

▼ Zhongguancun Science and Technology Park in Beijing is undergoing a large expansion



◀ infrastructure-related companies is off only 4.7%.

Like previous rounds of stimulus, this one has the potential to buoy the global economy as well, by boosting China's imports. Yet it could also worsen commodity inflation at a time when many countries are dealing with energy price shocks made worse by Russia's invasion of Ukraine. In the longer term—with this year's major projects needing three to five years to be completed—the global effect may in fact be disinflationary as Chinese factories ramp up production of goods such as microchips, where tight supplies have raised prices.

The construction drive represents a change of direction for China's economy. The pace of infrastructure investment has fallen gradually during the past decade, guided by policies enacted by Beijing to curb high debt levels: Growth last year amounted to just 0.4%, compared with almost 20% annually a decade ago. "The trend will be reversed," says Justin Lin, a former World Bank chief economist who's advised Xi. Goldman Sachs Group Inc. predicts infrastructure investment will rise 8% in 2022.

With this year's splurge, China is betting the projects won't turn into white elephants burdening the financial system with loans that won't be repaid. "If you use the opportunity to invest in infrastructure to ease bottlenecks, then that will increase productivity and can increase government revenue," Lin says.

It's a gamble that plays to the country's economic strengths. China's factories can pump out more than a billion tons of steel and 1.5 billion tons of cement a year while keeping the wages of its legions of construction workers low. State-owned construction companies, among the world's largest, have overseen thousands of projects from Beijing to Budapest.

Beijing is seeking to avoid the debt blowouts that accompanied previous rounds of investment stimulus. To do that, Xi has turned to a trusted lieutenant. He Lifeng, 67, was Xi's economic adviser when he was the governor of Fujian province two decades ago. Now he runs the National Development and Reform Commission, the planning agency responsible for approving all major construction projects and making them happen.

The professional stakes for He have never been higher, as he's in the running for a major promotion at this autumn's Communist Party congress, an event that's held every five years. Some analysts expect him to replace China's top economic policymaker, Liu He, who may retire soon. "He's prospects could be dented if he mishandles Beijing's public investment push," says Neil Thomas, a China analyst at Eurasia Group.

To fund the building boom, Beijing is indulging in some creative accounting, transferring trillions in

savings from rainy day funds and assets owned by the central bank and state-owned companies to local governments, which are technically responsible for footing the majority of the bill for projects.

China's top banking regulator has instructed banks to accelerate lending to manufacturing companies and infrastructure projects. Local governments have been hosting "matchmaking" meetings, bringing together officials from banks and companies assigned to complete major projects.

Provincial governments have issued a record-breaking 1.25 trillion yuan in "special" bonds in the first quarter to finance investment. Bonds sold in February had an average maturity of more than 16 years, according to China's finance ministry, making them less of a strain on cash flow than bank loans. "The issue in the past was that investment vehicles borrowed at a short term from banks to support long-term investment, and there was a maturity mismatch," Lin says. "We can increase special bonds." —*Tom Hancock, with Yujing Liu and Nicolas Bock*

THE BOTTOM LINE China is once again using construction to stimulate the economy, but with an emphasis on projects that support the manufacturing and service industries.

## Fighting Credentialism Creep

● An ultra-tight job market is forcing a rethink of burdensome job requirements

Carnissa Lucas-Smith is more than a year into what she hopes will be a long legal career. If it hadn't been for Covid-19, she would've had another hoop to jump through first.

After she graduated from New York University School of Law, the next goal for Lucas-Smith was to work as a public defender in her native King County in Seattle, where she'd interned the previous summer. Any other year, that would've required passing a two-day, 12-hour exam—after completing a \$3,000 preparatory course—to qualify for the bar.

But Washington was one of four states to waive that requirement for the pandemic-challenged class of 2020. The unprecedented, if temporary, move has triggered calls for permanent changes that can open entry paths to an elite profession for a wider group of candidates.



The Covid crisis has reignited a debate over what kind of credentials are really essential for American workers, as well as which requirements could be ditched at a time when job openings are at historic highs. It's happening in the public sector—Maryland just scrapped college-degree requirements for thousands of government jobs—and the business world, where giants such as IBM Corp. have been taking similar steps.

Some of the changes are driven by a reckoning with racial exclusion. What's sometimes called “credentialism” tends to hold back Black and Hispanic job applicants the most, according to a study released last month by the Federal Reserve Bank of Minneapolis. There's also the work-from-home revolution: Swaths of the economy have moved online in a way that cuts across state regulatory lines.

And behind all of this lies a labor shortage that's left hospitals and schools, for example, struggling to find staff—and that may persist after the coronavirus has been contained. Government projections for the coming decade show the slowest labor force growth in recent history. “The relaxation of occupational licensing requirements has really occurred in large part because of the pandemic,” says Morris Kleiner, a labor policy professor at the University of Minnesota.

It's pushing up against a trend that's played out over decades. In the 1950s about 1 in 20 Americans needed a license to work in their field, and now it's about 1 in 4. In an executive order last year to boost competition, the White House said licensing “can impede worker mobility without countervailing benefits” and encouraged the

Federal Trade Commission to ban unnecessary requirements. A Treasury report in March called for a review of licensing criteria to make more workers available.

One sector in which Kleiner—co-author of a 2018 paper that found licensing costs the economy almost \$200 billion a year in “misallocated resources”—sees change under way is medical care. More than 20 states sped up certification processes for inactive or retired physicians because of pandemic staffing gaps. A similar number waived licensing requirements for telemedicine.

Public schools are another place where labor shortages worsened during the pandemic, forcing recruiters to broaden their net. Payrolls in local education were down by more than 330,000 in March from pre-pandemic levels. Ohio has made it easier to recruit teachers with expired licenses. New York's education department is seeking to simplify certification processes. And Boston's public schools superintendent urged the U.S. Department of Education to set up a national licensing system to make it easier for teachers to move from state to state.

In the legal profession, technical challenges over administering the bar exam persuaded Washington and three other states to allow graduates of accredited law schools in 2020 to skip it. Even though the four states subsequently reintroduced the exam, efforts to get rid of it have gained new momentum. The Oregon Supreme Court in January backed a proposal that would allow graduates to opt out of the test and become licensed via work experience or supervision instead.

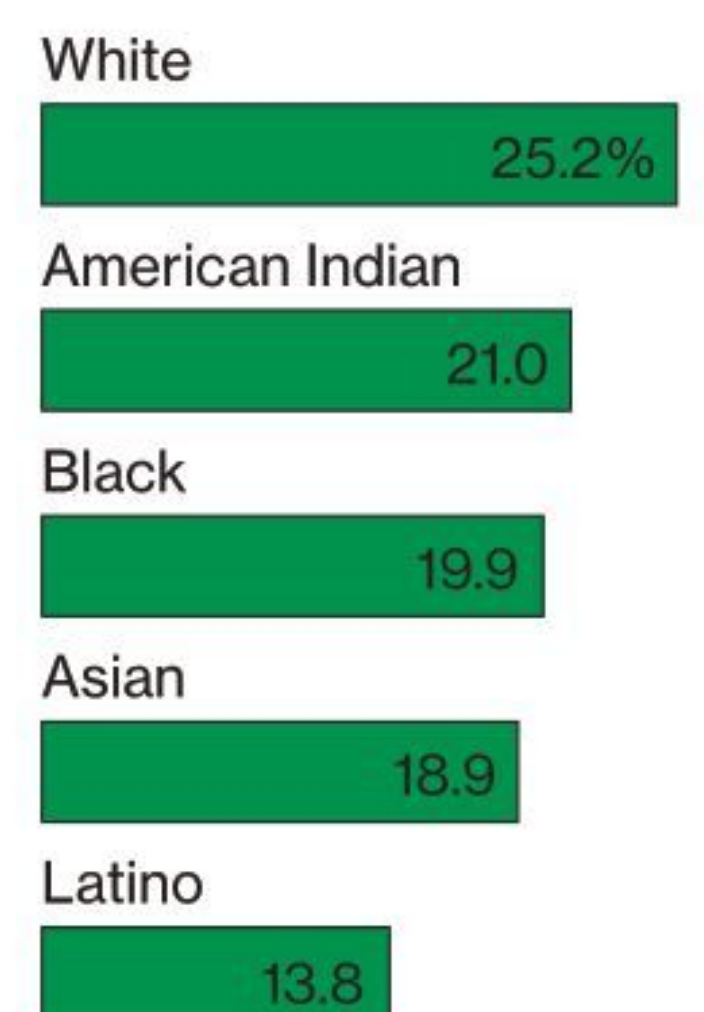
The pandemic and the social justice protests that spread across the country in 2020 “really accelerated this conversation,” says Deborah Jones Merritt, a professor at Ohio State University's Moritz College of Law. The exam would be “struck down as illegal” if it were an employment test, she says, because of the racial disparities. Data compiled by the American Bar Association show 66% of Black candidates and 76% of Hispanics passed on their first try in 2020, compared with 88% of White test-takers.

“It's not actually testing if you'll be a good lawyer,” says Lucas-Smith, who now works mostly with families in the foster-care system, and sometimes children who arrived in the U.S. as unaccompanied minors. “There's so much of the bar that I was studying that's completely inapplicable to my job,” she says. —*Jordan Yadoo*

**THE BOTTOM LINE** Employers in fields such as law and health care are reevaluating which credentials are really essential for workers, a process that could improve minority representation.

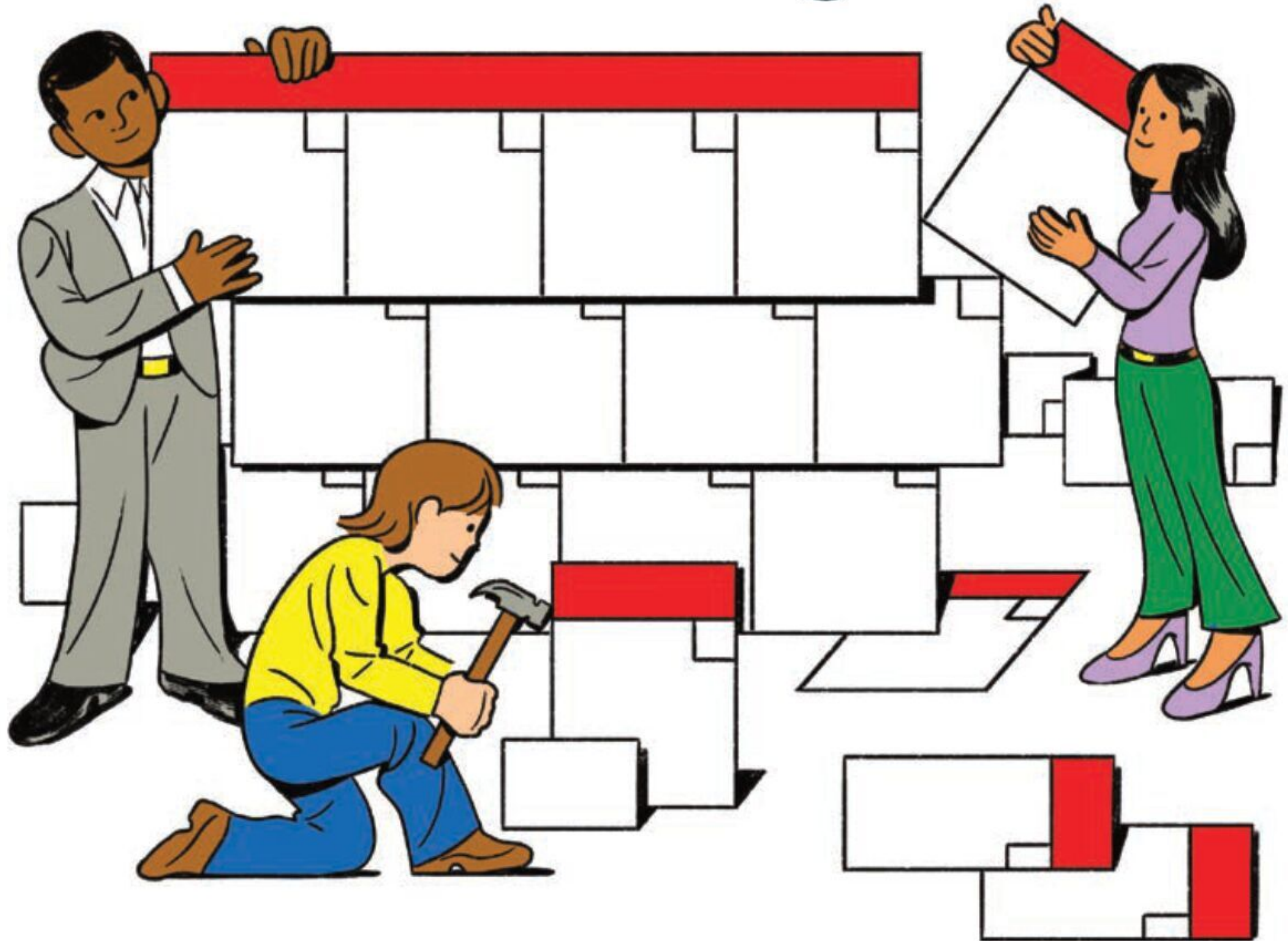
◀ Lucas-Smith

▼ Share of workers who are licensed



# Future of Work

## Doing the Four-Day Week Right



For starters, don't try to fit in five days of meetings

Back in pre-pandemic times, when a company wanted to switch to a four-day week, it did the obvious: delete a day and see what happens. This meant cramming five days of meetings into four, inevitably jeopardizing focused work time. But amid all the lockdowns and isolation of the past two years, businesses have done a lot of experimenting, and their ideas are starting to better reflect the intent behind the concept: improved work-life balance. “Four-day workweek” now means a condensed schedule, stripped of inefficiencies, says Brian Gorman, a principal at Do-Be Associates, a consulting company that helps businesses transition to fewer hours. “It’s a metaphor for flexibility,” he says.

Common variations are parents who work Monday to Friday but only on six-hour shifts, or coders who do three 11-hour days. The overarching goal should be 100% pay and 100% of the effort in 80% of the hours, says Charlotte Lockhart, co-founder of 4 Day Week Global, a nonprofit that’s helping more than 100 organizations in six countries pilot shorter schedules. “At its core,” she says, “this is about changing a business’s productivity culture so that the business doesn’t lose any revenue, but its people are able to take time off without losing pay.”

Do-Be sees so much promise in a condensed schedule that it trademarked the term

April 11, 2022

Edited by  
Rebecca Penty and  
David Rocks



“4-Day Work Week” in the U.S. Transitioning normally takes six months, Gorman says. “It’s worth going through the process even if you decide not to switch the work schedule,” he says, “because what you’re doing is rooting out all the inefficiencies and nonvalue activities.” Here are the general steps:

**1 WHY ARE WE DOING THIS?**

This is an organizational assessment. “It’s really a pre-mortem,” says Gorman, who suggests considering fundamental questions in conversations with workers, rather than drawing on surveys. What’s the objective? What do employees want? Why consider the shift? What are the company’s business, productivity, and output goals? “This is an opportunity to not only assess employees and their processes but understand what feeds their souls and hearts and minds,” Gorman says.

**2 WHERE ARE THE INEFFICIENCIES?**

Shortening hours requires eliminating inefficiencies. What processes and procedures really work? Which don’t? What teams or departments duplicate each other’s work? “You have to figure out how to make decisions more quickly and distribute information in an asynchronous way,” says Meghan Keaney Anderson, chief marketing officer at Wanderlust, an outdoor adventure booking platform. Wanderlust transitioned to a Tuesday-to-Friday schedule in 2020. “It puts a lot of very sharp choices around what meetings are actually necessary and what decisions can get made without convening people, yet still being inclusive,” says Anderson, who also serves as a coach for the 4 Day Week Global pilots.

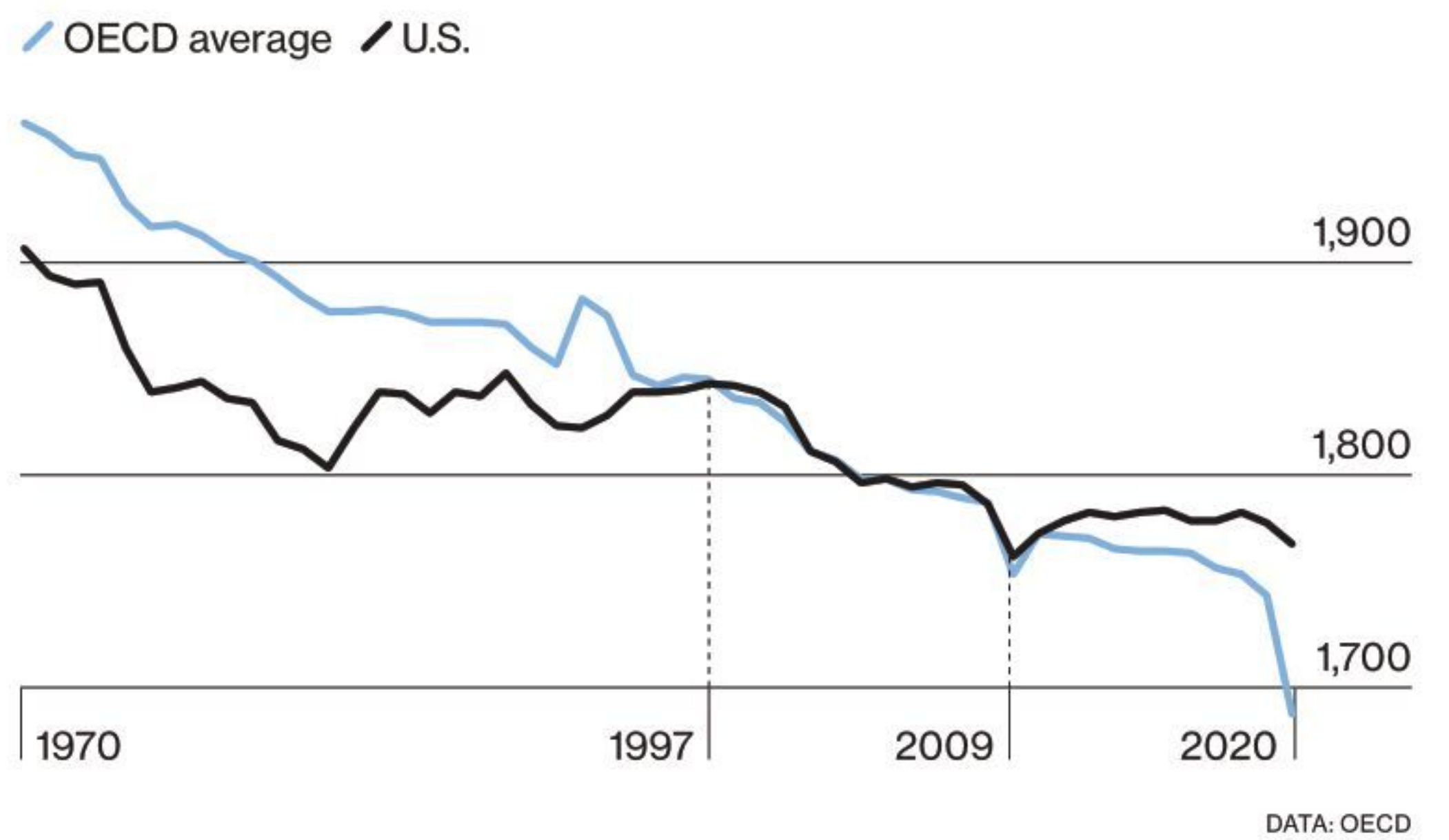
Spoiler alert: Meetings land on the chopping block of almost every company. Wanderlust culled a third of its meetings with various measures. If a meeting has no agenda, it’s canceled. The company encourages employees to reschedule meetings when they’re unprepared. Some organizations shorten default meeting lengths, sometimes to just 15 minutes.

**3 LET’S DO THIS.**

Belief in the project starts with the C-suite, “but everyone has to buy in, and it’s the employees who make it happen,” says Tony Carnesi, a principal at Do-Be. Here’s a critical consideration: “That profit and loss statement needs to not be affected.” He suggests that each team help create its own benchmarks, timelines, schedules, and ways to hold individuals accountable. Common benchmarks include not just productivity and profit, but also engagement, mental health, and burnout.

How workers use their time off varies. At Wanderlust, many staffers spend three-day weekends in nature; others, often caregivers, use their extra day for errands and appointments. “I use it to be alone, which is

Annual Hours Worked, By Worker



amazing,” says Anderson, who’s the mother of a 5-year-old.

Having a Monday off is better for centering before the workweek; a Friday off tends to be consumed by the weekend. Where possible, Anderson suggests that team members all have the same day off, to avoid emails and Slacks flying five days a week.

**4 HOW’S IT GOING?**

In the early months, iteration and adjustment are essential. Policies, schedules, and workloads will change. “You need to have constant communication back and forth between management and employees,” Gorman says. Keep in mind that these adjustments likely involve upskilling for managers, who’ve never before done things like explain to customers that the company now works only 32 hours, or transitioning already heavily loaded employees onto even shorter time scales.

Organizational growth creates particular challenges, as it takes only a few people shooting out too many meeting invitations or off-hours emails to spiral the efforts of hundreds of employees. New employees need to be trained on how to handle the four-day week, and there needs to be ongoing analysis of, say, when emails are being sent and what’s preventing people from reaching goals. Someone is also required to oversee how the company is addressing these challenges.

Anderson says she may never leave Wanderlust, which is attracting more job applications since it condensed its schedule: 2,000 people applied to work there in 2021, about 20 times the submissions in the prior year. “I would work for a five-day company again,” she says. “I’m more driven by the role and the purpose of the company than the schedule. But it’s certainly going to be a while before I look, because this has revolutionized the way that I live my life outside work.” —*Arianne Cohen*

**THE BOTTOM LINE** Shifting to a four-day workweek is more complex than removing a day. Advocates say the effort is worth the reward: more time off without a productivity hit.

# The Way to More Women Bosses

To narrow the gender gap, don't ask people if they want a promotion



As you may have noticed, despite decades of training efforts, recruitment drives, and mentoring programs aimed at getting more women into the executive suite, most corporate bosses are still men. Three economists in Australia—all women—say that's because initiatives encouraging women to be more confident and less risk-averse aren't the best way to address the leadership gender gap. "The premise of those activities is to get women to change," says Lata Gangadharan, a professor of economics at Australia's Monash University. Gangadharan, her Monash colleague Erte Xiao, and Nisvan Erkal of the University of Melbourne put forth an alternative in April's issue of *Leadership Quarterly*: To narrow the gap, we should rethink the way people get promoted.

The trio came to this hypothesis because, well, they live it. "Economics departments are not very good when it comes to having female leaders," says Gangadharan. This is understatement. About 15% of tenured economists are female. The three have regularly received staff emails announcing job vacancies. "Lots of my male colleagues apply," says Xiao, who studies incentives and social norms. But she never did until her department head said, "Erte, you're ready for promotion."

The problem, she says, is simple: Getting a promotion or taking a leadership role requires putting yourself forward, even though raising one's hand has little bearing on capability. "It selects people who are confident and think they're so good—and don't mind sending a signal of competitiveness," Xiao says.

Women often undervalue their own skills. Some come from cultures that teach them not to be assertive; others fear seeming aggressive; and busy caretakers frequently lack the bandwidth to apply. Just as significant, many women, when envisioning a leader, still see a man. "That stereotype of male leadership is very hard to break through," says Gangadharan, noting that women tend to work more years than men do before applying for a promotion. "They basically need to feel super ready."

The economists decided to flip the model: What if all qualified applicants were in the running for leadership roles with the option to pull out if they chose? This

so-called opt-out mechanism has fueled the uptake of U.S. 401(k) retirement plans that automatically enroll employees unless they take specific steps to indicate they don't want to participate.

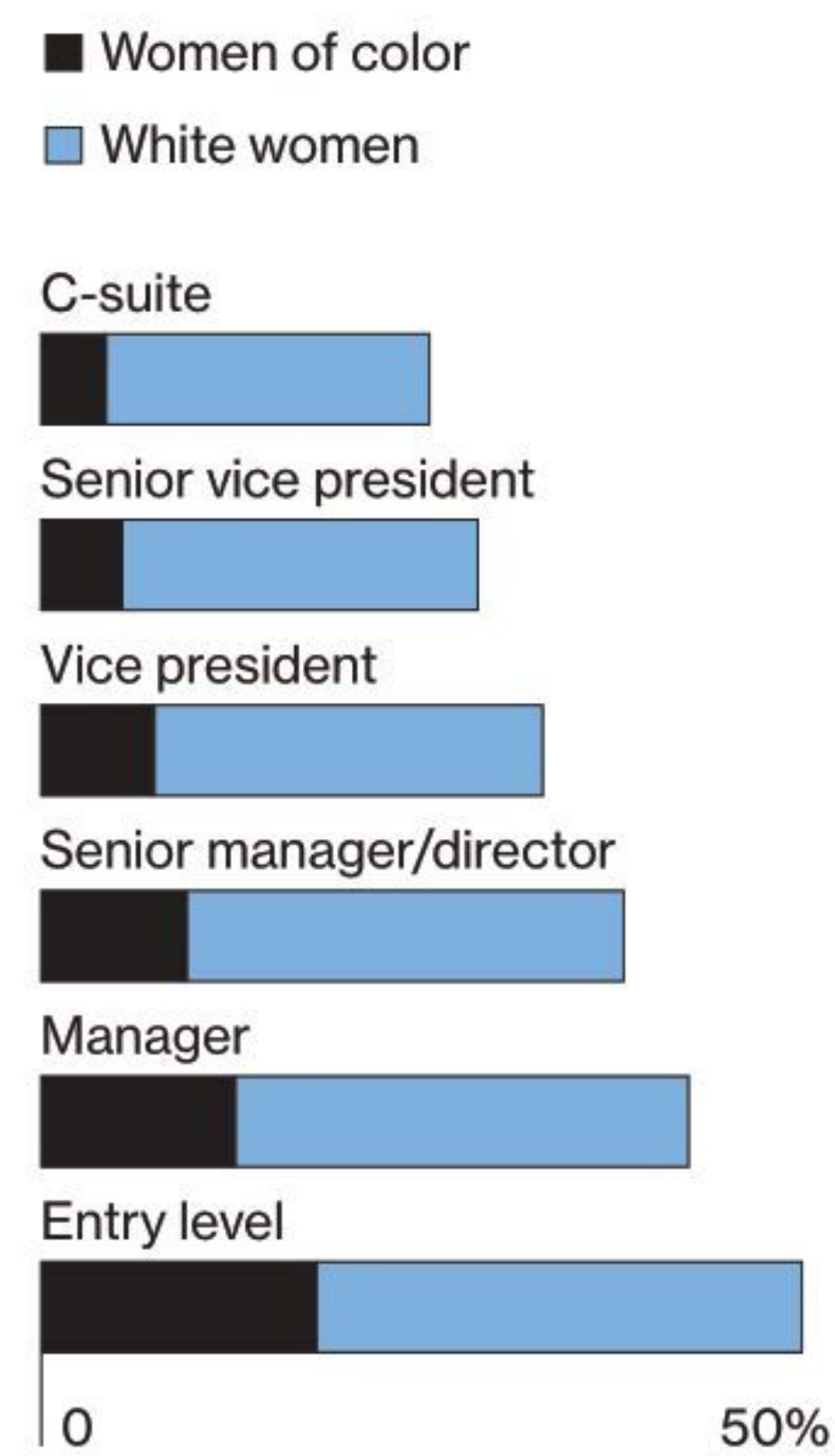
The trio tested the idea in the lab, because in a real workplace a woman might not apply for a job if she's, say, about to have a baby or if the boss is a slimeball—factors that would skew the data. In a series of experiments, more than 1,000 women and men worked in teams on a variety of tasks. The participants were evaluated on the quality of their work, and the highest performers automatically became bosses unless they actively opted out. Surprise: The management gender gap narrowed.

In another group whose participants needed to opt in to be considered for a leadership role, the gender imbalance continued, even when women knew they were top performers and would definitely become the boss if they applied. The implication is that all those corporate efforts to support equity have little effect unless women are in the candidate pool by default. "This work provides an easily implementable approach for improving the representation of women in leadership," says Daniel Houser, chair of the

economics department at George Mason University, who wasn't involved in the research.

The suggested fix won't always work. Screening additional applicants is expensive, rejections can lower morale, and discrimination can arise later in the process. But once you start seeing opt-in models, they're everywhere: in investment opportunities, special assignments, and raises. "Being aware of the problem and then finding ways to change the default is really important," says Xiao. If

Share of women by corporate role, 2021

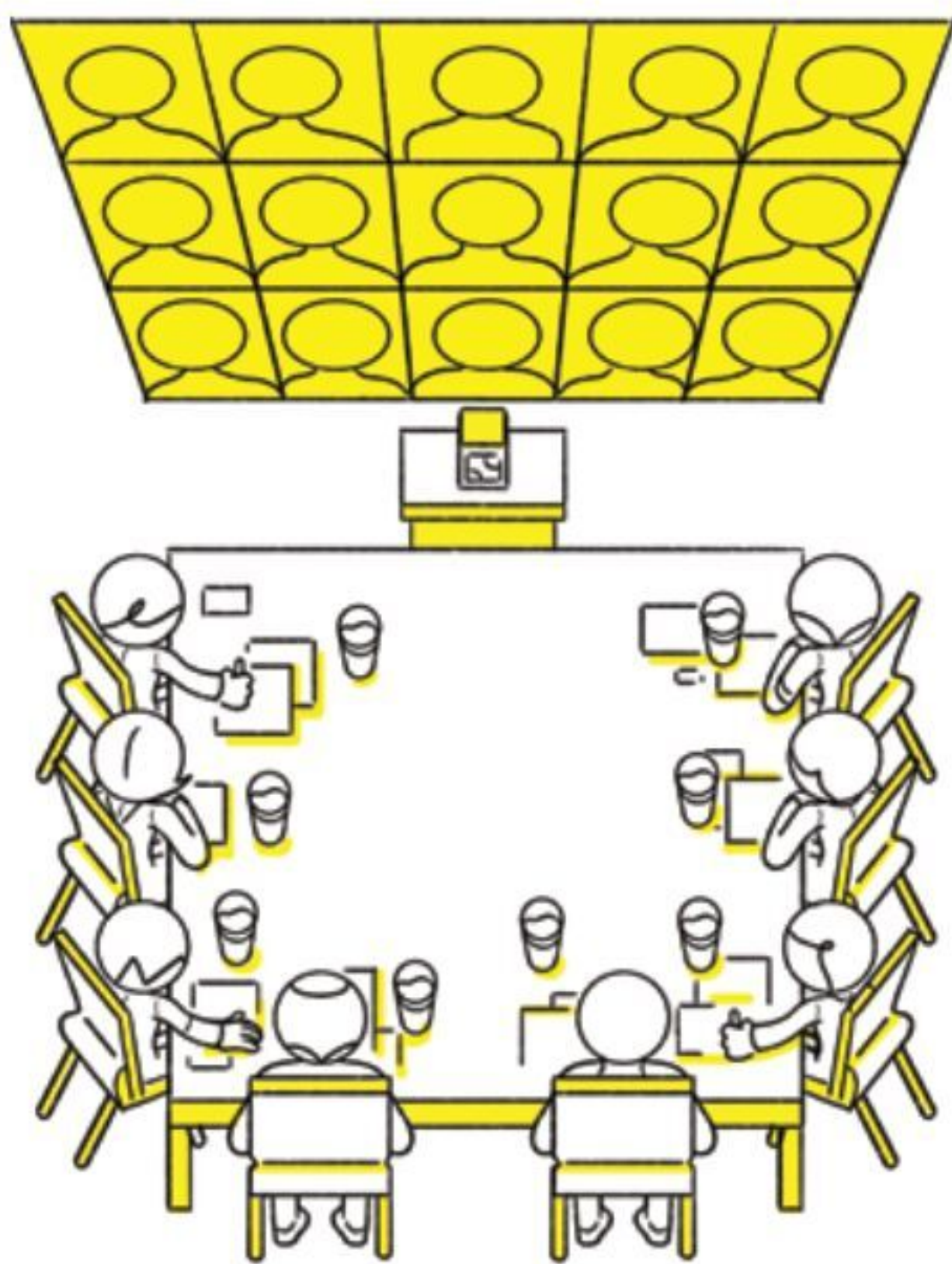


women have to opt in, the message is "you shouldn't consider signing up unless you think you're really competent and competitive." In an opt-out system, the message is everyone is qualified and under consideration. "It's a policy that basically brings a better pool of candidates for managers to choose from," says Gangadharan. "It's really good for the future of organizations." —*Arianne Cohen*

**THE BOTTOM LINE** Getting a promotion requires putting yourself forward, even though women often undervalue their own skills and raising one's hand has little bearing on capability.

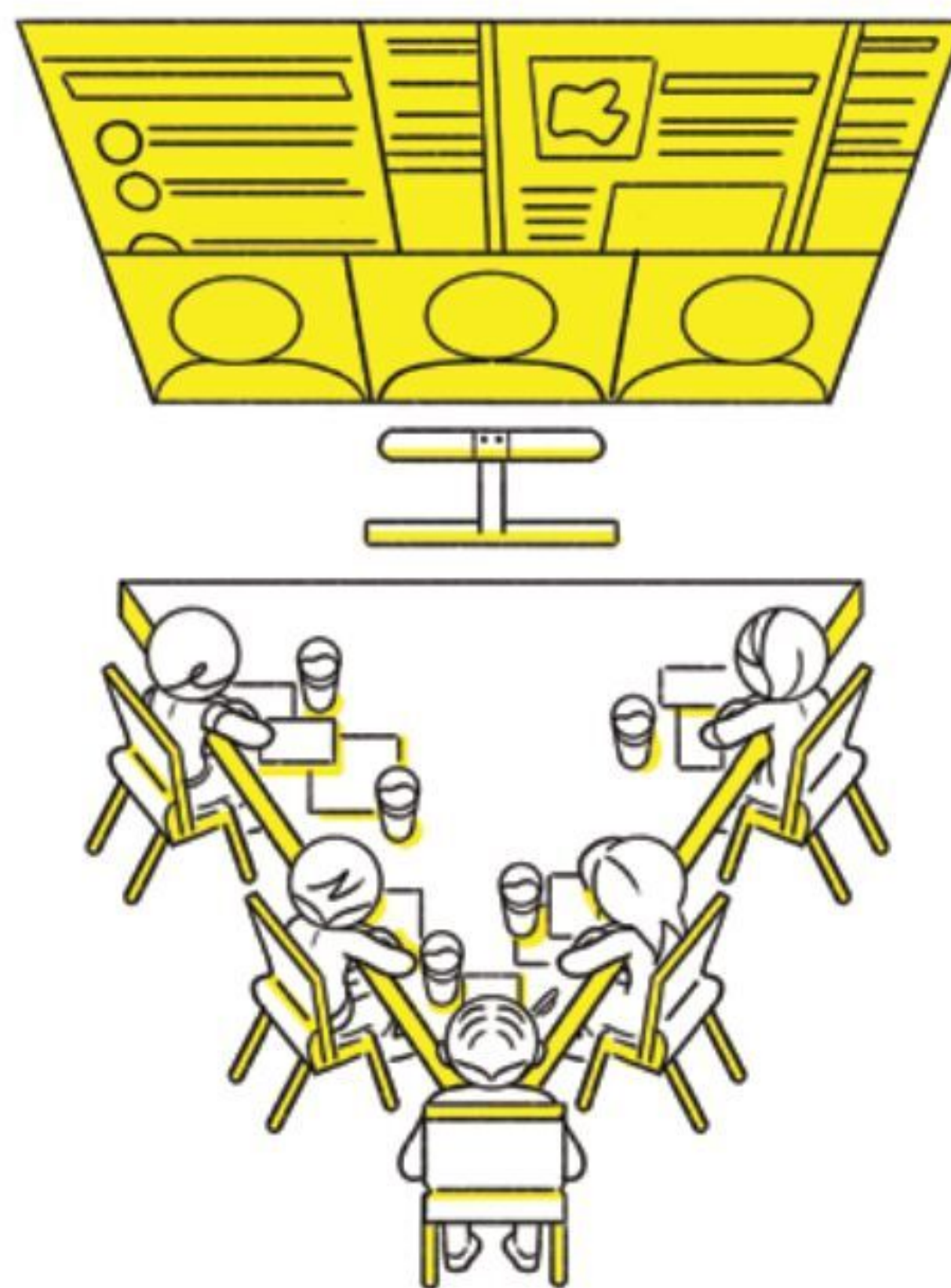
When Microsoft Corp. executives began hosting hybrid meetings during the pandemic, at-home attendees felt disconnected. “We said, ‘These don’t feel very good. What are we going to do?’” says meeting space guru Greg Baribault, who oversees product and strategy for Microsoft’s Teams Rooms platform. Managers brought the problem to the Hive, their Redmond, Wash., test center, where creative minds spent a year tinkering with furniture, AV equipment, and lighting to devise solutions. Here are their lessons. —*Arianne Cohen*

## DYSFUNCTIONAL



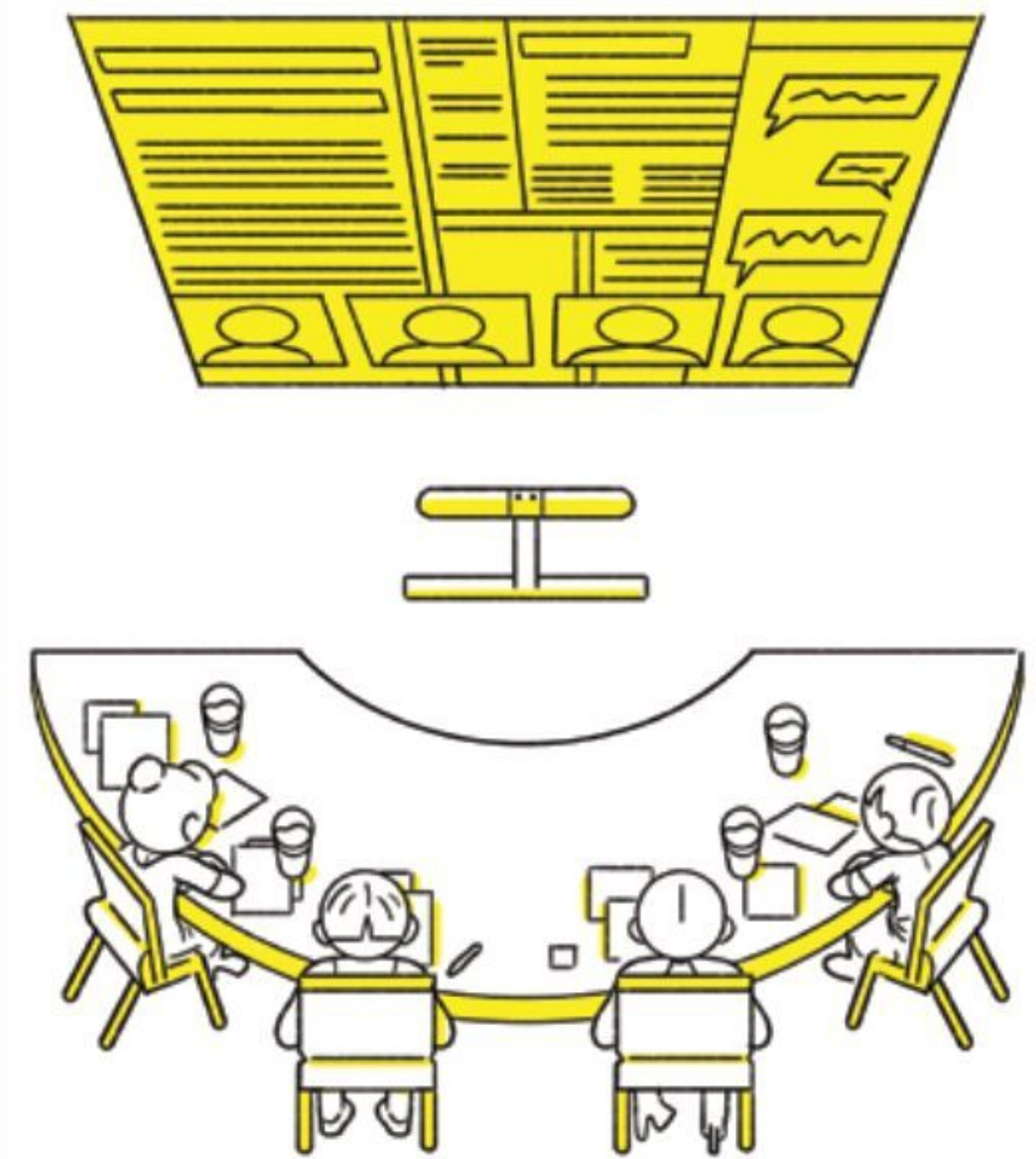
In-office workers at a **rectangular table** speak among themselves. The camera captures the profiles of six of the eight people in the room.

## FUNCTIONAL



The camera captures everyone in the room, thanks to the **triangular table's shape**. Remote attendees are at eye level and are at least as large as in-person ones.

## FUNCTIONAL



The **half-oval table** inhibits in-person participants from clustering together and talking. Remote and in-person employees are at the same eye level.

## Best Practices

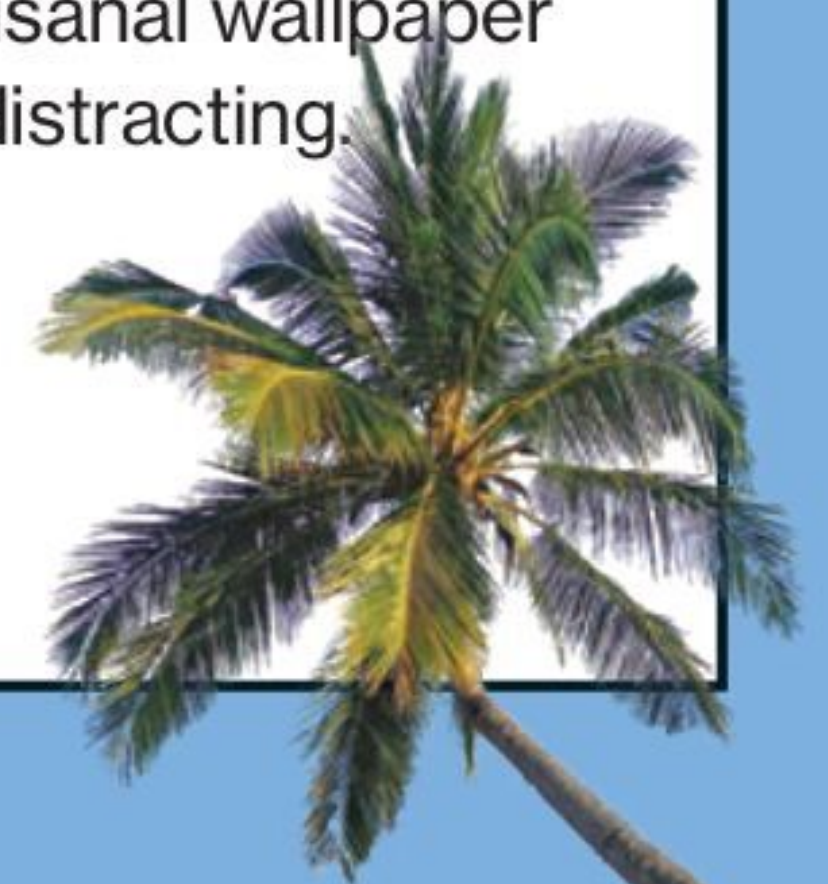
❶ Keep the digital chat open; it's often hidden on conference room screens. “Sometimes it’s a parallel meeting,” says Baribault.



❷ Cameras should focus on people’s faces and not on their bodies, the conference table, or empty chairs.

❸ Conference room screens should be made bigger to show attendees along the bottom and the chat and workspace along the top.

❹ No virtual backgrounds should be allowed; that artisanal wallpaper is distracting.



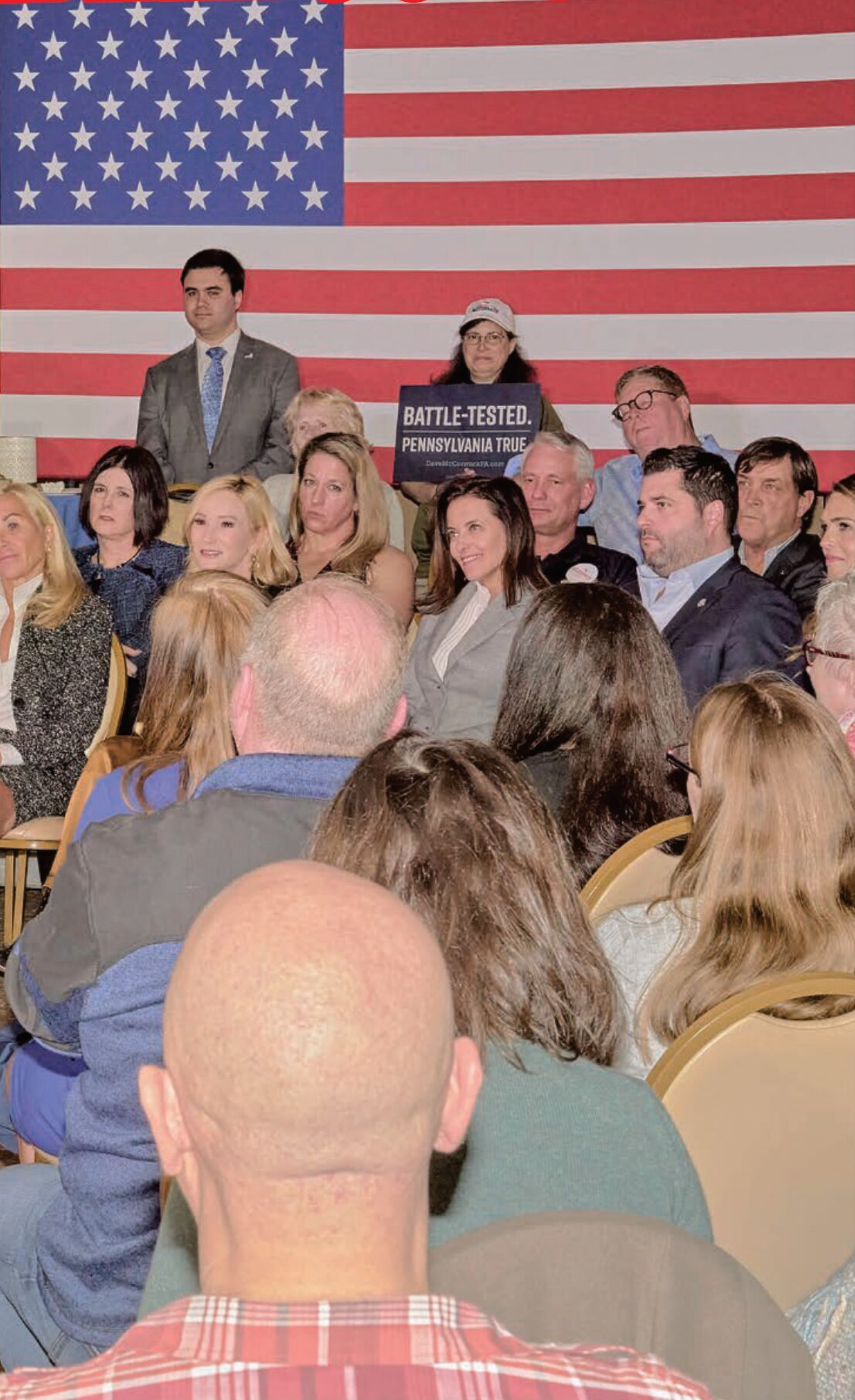
# A BIG-TIME HEDGE FUND



34

McCormick at a rally in Pittsburgh with Sarah Huckabee Sanders on March 30

# DAVID MCCORMICK GOES FULL MAGA



**David McCormick—former Bridgewater CEO, ex-Army paratrooper, and U.S. Senate candidate in Pennsylvania—could be just the man to lead the GOP into a post-Trump era. He definitely isn't doing it yet**

**By Joshua Green  
Photograph by Ross Mantle**

If you were to pick the high point of David McCormick's career in finance, it might've come on a bright summer day in 2019 at the Belle Haven Club, a Gatsby-esque waterside retreat in Greenwich, Conn., that's popular with local billionaires. Among them on this occasion was McCormick's boss, Ray Dalio, the founder of the world's biggest hedge fund, Bridgewater Associates. Dalio had gathered the financial elites of Bridgewater and Goldman Sachs Group Inc., and brought in Harry Connick Jr. for entertainment, to celebrate McCormick's marriage to Dina Powell, who'd recently left a top role in Donald Trump's administration to return to Goldman.

It was a moment of personal redemption for McCormick. Hired as Bridgewater's president in 2009, he'd survived a full decade at a firm whose paranoid, contentious style is the stuff of legend. Dalio enforces a culture of "radical transparency" in which employees are encouraged to make unvarnished criticisms of one another, "so there's no bullshit," as Dalio puts it. He's compared this process—favorably—to a pack of hyenas taking down a wildebeest. "This type of apparently 'cruel' behavior exists throughout the animal kingdom," he wrote in a manifesto laying out his management principles. "Like death itself it is integral to the enormously ►

◀ complex and efficient system that has worked for as long as there has been life.” At Bridgewater, the aim of this Darwinian struggle is to foster a Spock-like intellectual rigor shorn of human emotional frailty, to better focus the firm on generating returns.

Not everybody loves it. Some past employees liken Bridgewater to a cult. As a former executive elaborated to *AR*, a hedge fund trade magazine, “It’s isolated, it has a charismatic leader, and it has its own dogma.” Employees are known to cry in meetings. Not surprisingly, Bridgewater has a steep attrition rate. It’s been reported that about 40% of new hires from outside companies quit or are fired within a year. And the casualties can include senior executives, as McCormick almost found out. After he rose quickly to become co-chief executive officer, the hyenas came for him. He received subpar feedback, including from Dalio, and was unceremoniously demoted. “Ray basically came in and fired me,” McCormick told *Bloomberg Businessweek* in a recent interview.

But he stuck around and clawed his way back to the top. Former colleagues say that behind his easy grin and natural charisma, McCormick is a canny operator and tireless networker. One describes him as “ruthless with a smile.” (Like several other sources for this story, the former colleague requested anonymity to speak frankly without fear of retribution.) The demotion didn’t stop McCormick from cultivating Dalio. A co-captain of the West Point wrestling team who served as a paratrooper in the first Gulf War, McCormick took his boss on excursions such as a daylong private visit with a U.S. Army Ranger patrol in the Florida Everglades, which included hand-to-hand combat training. The rugged bonding rituals appeared to resonate with Dalio, who likes to describe Bridgewater employees as “intellectual Navy SEALs.” One Bridgewater colleague says McCormick began referring to himself as “the Ray whisperer,” and the characterization fit. “Ray is a pretty socially awkward guy. David is not,” the former colleague says. “It was a pretty important thing for Ray.” It was for McCormick, too.

McCormick at the 2015 SALT conference in Las Vegas



In 2017 he reclaimed the co-CEO position. Two years later, Dalio promoted him again, to full CEO.

The party at the Belle Haven was the capstone to McCormick’s resurrection, culminating with a public display of Dalio’s fondness for him. According to several of the guests, Dalio rose, pulled out his iPhone, and awkwardly read a sincere and moving toast to McCormick and his bride—one that went well beyond mere professional courtesy. One Goldman banker says it was as if Dalio were toasting his own son.

At that point, McCormick had nothing left to prove. But even as Dalio was fettering him, he was lining up his next move. Few people who’d been at the Belle Haven Club were surprised when, this January, McCormick left Bridgewater and jumped into the Republican primary for Pennsylvania’s open Senate seat—one of the country’s most important races this fall, with control of the chamber likely hanging in the balance. It was an open secret among his colleagues that he’d long harbored political ambitions, and that these may not end at the U.S. Capitol.

For a certain type of Wall Street-friendly, establishment Republican—the type who frequent Belle Haven—McCormick might register as the ideal corrective to the disorder and chaos of Donald Trump, a man many financial elites laughed at behind his back even as his presidency vastly enriched them. With his military and business background, advanced degrees, personal charisma, and wealth, McCormick has the résumé to guide the GOP into a saner, post-Trump era.

Instead he went in an entirely different direction. To the astonishment of the Bridgewater crowd, he shed his smooth, Davos Man persona and transformed

himself faster than Clark Kent in a phone booth into a Trump-touting, China-bashing MAGA acolyte. In the first weeks of his candidacy, McCormick traveled to the U.S.-Mexico border to decry “illegal immigrants... coming in record number.” He aired a campaign ad during the Super Bowl in which a crowd chants “Let’s Go Brandon!”—MAGA code for “F--- Joe Biden!” He also hired a team of marquee Trump veterans, including Stephen Miller and Hope Hicks, and began tweeting out articles from Breitbart.com, the right-wing website infamous for such headlines as “Birth Control Makes Women Unattractive and Crazy” and “Hoist It High and Proud: The Confederate Flag Proclaims a Glorious Heritage.”

McCormick’s former co-workers circulate his ads, horrified, puzzled, or amused at their old boss’s transformation. “Is Connecticut Dave McCormick the real one, or is Pennsylvania Dave McCormick the real one?” one asks. “Or is the real Dave McCormick a chameleon who’ll be whatever he needs to be to succeed?”

**T**o succeed in the GOP right now, any party activist will attest, the most important thing is to be seen as unfailingly loyal to Trump. And just as McCormick did what he had to do to navigate Bridgewater and win back Dalio, he’s signaled he’ll do whatever is necessary to win over—or at least not anger—another mercurial kingmaker with a cult following. Most people who know Trump think he’ll be the tougher target to win over and keep onside. Even slavishly loyal devotees have discovered they can instantly fall out of Trump’s good graces. (Ask Mike Pence.)

As alien as McCormick may appear to some of his old colleagues, he’s a familiar Washington type. “I get two, three calls a week from rich guys thinking about running for president or senator,” says Steve Bannon, who helped put one in the White House. The kind of people who attempt to leverage business success to reach high political office tend to have a common set of characteristics: They’re hyperambitious, ideologically flexible, and convinced that their skill set will

transfer easily to politics. Most are swiftly disabused of this notion.

But so far, McCormick is succeeding in what's shaping up to be one of the strangest and most expensive Senate primaries in U.S. history. His chief competitors thus far are cardiothoracic surgeon and TV personality Dr. Mehmet Oz and Carla Sands, a wealthy widow who served as Trump's ambassador to Denmark. All are jockeying for Trump's favor and pushing what McCormick for his part calls an "America First agenda." With the primary slated for May 17, a recent Fox News poll found McCormick beating Oz 24% to 15%, with Sands and two other candidates in single digits.

Whether or not McCormick's success persists, it has already revealed something important about Republican politics, and about the business world's relationship to Trump. Ever since the violent Jan. 6 insurrection, a group of Republicans, led by Senate Minority Leader Mitch McConnell, has pushed the idea that Trump's influence has diminished and that the GOP is moving in a new direction. Pennsylvania's primary proves otherwise: Everyone's clamoring for the former president's seal of approval. "If President Trump endorsed me, I'd be delighted," McCormick says. He recently won a minor coup by securing the backing of Sean Parnell, whom Trump originally endorsed in the race, but who dropped out last November after his estranged wife accused him of spousal and child abuse. Parnell denies the allegations.

Wall Street, too, seems to have concluded that Trump, or at least Trumpism, isn't going away. Five years ago another major hedge fund CEO, Robert Mercer, was drummed out of Renaissance Technologies for holding a private stake in Breitbart News Network LLC, because the association was deemed toxic. But McCormick's most steadfast supporters in the finance community haven't flinched at his appearances on Breitbart podcasts. "Everyone thinks he's a very smart, very pragmatic guy," says Gary Cohn, the former Goldman Sachs chief operating officer, who became Trump's top economic

adviser. "The finance world understands that you've got to get elected."

Of course, Trump himself has yet to weigh in. How he feels about McCormick and Oz, and what he might do, is a topic of intense interest in Republican circles. A lot is riding on how McCormick performs, and on who he reveals himself to be, over the next few weeks.

**I**n person, McCormick is the furthest thing from a fire-breathing Trump partisan. His pitch to voters is low-key and self-deprecating. "Show of hands," he says to a lunchtime crowd at the Valley Family Restaurant in Bethlehem. "How many people have applied for a job where you make a lot less money and you know your reputation is going to be diminished?"

Anyone expecting a pushy hedge fund jerk is quickly disarmed. McCormick strains to put a modest, local gloss on a high-wattage career that's carried him far beyond his birthplace near Pittsburgh. After graduating from West Point and serving in the first Gulf War, he earned a doctorate in international affairs from Princeton. Then he worked for McKinsey & Co. and George W. Bush's Treasury Department before Dalio lured him to Bridgewater's headquarters in Westport, Conn. McCormick alludes to that last stop only vaguely, carefully referring to himself as "a businessman" who worked for "an investment firm" rather than as the former CEO of a \$150 billion hedge fund. Nor does he mention his reputed nine-figure net worth. "David's trying to shed the veneer of 'hedge fund manager,'" says former Pennsylvania Senator Rick Santorum.

Trump's example notwithstanding, extreme wealth remains a charged political subject in blue-collar America, especially when it has a Wall Street provenance. "He's a rich guy from Connecticut masquerading as a regular guy from Pennsylvania," says Stuart Stevens, who saw blowback from similar dynamics when he managed Mitt Romney's 2012 presidential campaign.

But McCormick does a passable job of putting out "regular guy" vibes, going table to table to introduce himself,

shake every hand, and connect. In small settings he's a natural, almost Clintonian, politician. One midlevel Bridgewater executive, who had regular dealings with McCormick though didn't work for him directly, says he's got the ability: "If he has a superpower, it is listening very, very deeply, ingesting what you've said, and then combining it with his past experience and his general logic and thoughtfulness, and playing it back while making lateral connections between the thing that you said and other things that he knows are going on that may not be obvious."

It's no mystery why McCormick hasn't parlayed his talents to try to push the Republican Party beyond Trump. A GOP consultant in Pennsylvania who isn't working for a Senate candidate shared with *Businessweek* the results of a recent private poll of the state's Republican primary voters: 82% have a favorable view of Trump, and 70% believe the 2020 election was stolen from him.

Despite McCormick's best efforts, it's plain that he speaks MAGA only as a second language. The America First agenda he lays out to crowds at restaurants and diners involves restoring Trump's "pro-growth economic policies and deregulation," "finishing Trump's border wall," and stepping up drilling and fracking (a big deal in Pennsylvania) to free the U.S. from foreign energy dependence. But while McCormick has grasped the language, he doesn't muster the anger and resentment that other Republicans bring to the Trump agenda. Two decades in corporate boardrooms have left him ill-equipped to play the role of aggrieved culture warrior. The CEO who launched Bridgewater's "Diversity, Equity, and Inclusion" initiative—who was himself, just last fall, recognized by a women's group as a "global champion of inclusion"—sounds less than convincing decrying the pernicious effects of "woke liberalism."

To remain viable, McCormick must constantly demonstrate his allegiance to Trump. But Pennsylvania's quirky electoral system has attracted other wealthy candidates to the Senate race, and they're pounding McCormick ►

◀ with millions of dollars of negative ads trying to discredit his MAGA authenticity. (Rich outsiders can't target the governor's seat in Pennsylvania, because the state requires candidates to have lived there for at least seven years; U.S. Senate candidates need only be residents by Election Day.) Members of this "carpetbagger coalition," as Santorum jokingly calls them, have used their substantial war chests to attack one another, in the process eclipsing candidates of lesser means. According to the ad-tracking company AdImpact, candidates and outside groups have already spent more than \$43 million in the GOP Senate primary, vs. just \$10 million in the gubernatorial primary, putting it on pace to become the most expensive ever.

The ads attacking McCormick have been directed largely at his work for Bridgewater, and particularly at the firm's close ties to China—the Oz campaign has branded him "Beijing Dave."

to see McCormick at the Valley Family Restaurant and is neutral in the race. "It's an especially big thing right now with how they're cozying up to Russia."

Sliding into a booth at a diner in Nazareth later on, McCormick professes not to be fazed by the attacks. "If you're going to get in the ring at this level, in this race—this is like going straight to the NFL," he says. He jokes that the thick skin he developed at Bridgewater is proving useful in politics.

On the subject of Bridgewater and China, however, he's programmed for caution. Dalio, he says, is someone "I have a lot of admiration for, a lot of gratitude for the opportunity he gave me." But, he hastens to add, "we had a lot of disagreements on how to run the company, in some cases—disagreements on China and other things." He won't elaborate on what exactly those disagreements were, or even on how the firm invests its Chinese money. "Because I'm no longer

had returns under 2% while he was CEO!"

Oz is referring to Pennsylvania's Public School Employees' Retirement System, a state pension fund that at its peak in 2020 had more than \$4 billion invested with Bridgewater, more than with any other firm. Bridgewater put the bulk of the PSERS money in an alternative "risk parity" fund that was designed to withstand market disruptions but didn't. The fund tanked when the coronavirus hit, badly trailing the S&P 500 and producing such lousy returns that it forced some teachers to increase their pension contributions. Public filings show that PSERS paid Bridgewater more than \$47 million in fees in 2020 and 2021, while McCormick was CEO.

"The returns were so poor!" Oz fumes as he vigorously washes his hands. "I can get Treasury composite returns better than that! What's fascinating to me—the returns were so low that they're taxing every schoolteacher in Pennsylvania

## "I feel like I answer things directly and honestly, you know? I feel like I'm giving authentic

Bridgewater has managed Chinese state money for nearly two decades, including from the country's sovereign wealth fund and the State Administration of Foreign Exchange. Those two entities account for about \$5 billion, enough to make China one of Bridgewater's biggest clients by assets, according to people familiar with the firm. And as Katherine Burton of Bloomberg News has reported, Dalio and Bridgewater have hosted Chinese Communist Party officials at the firm's Connecticut headquarters. Last November, while McCormick was still CEO, the firm raised an additional \$1.3 billion for a new private fund in China, making Bridgewater the biggest foreign hedge fund manager operating there.

On the campaign trail, McCormick takes pains to downplay these investments, emphasizing that China accounts for only 2% of Bridgewater's revenue. But local Republican officials say the vulnerability is real. "There's questions about his China background," says Craig DeFranco, a committeeman from Northampton County who's come

at Bridgewater," McCormick says, "I'm not going to get into this with you."

He will say that his time at the company was a net positive. And he remains a proud adherent of Dalio's brutally open culture. "One thing that's great about Bridgewater is that you're encouraged to speak with complete and utter candor," he says. "I feel like—and you'll be the judge of this—I feel like I answer things directly and honestly, you know? I feel like I'm giving authentic answers. Which may, in the end, get me in trouble."

**T**hat McCormick hasn't, to date, encountered much trouble over his Bridgewater tenure has been a matter of some frustration for his chief adversary in the race: Oz. Standing in the men's room before a town hall event in Blue Bell, Oz tells a *Businessweek* reporter he's incredulous that McCormick isn't paying a higher political price for Bridgewater's track record—and not just on China. "Why is nobody reporting on how he ripped off the teachers' pension fund when he was at Bridgewater?" he demands to know. "They

\$200 a year, and every taxpayer has to put money into the pension fund." (Fact check: every teacher hired after 2011.)

Oz is conflicted about whether to go on the attack. "You know, I'm concerned it's a little complicated for the average person. But if you're getting paid three-quarters of a billion dollars"—he seems to be alluding to the \$560 million in fees that public records show PSERS paid Bridgewater from 2001 to 2021—"and folks aren't making any money, there needs to be some course correction." Oz says teachers are approaching him asking, "Why am I paying extra money?"

As he dries his hands, Oz, who has a business degree from the Wharton School in addition to his medical degrees, ponders the injustice. "I'm surprised they don't have a clawback provision for that," he says. Most frustrating to him from a campaign standpoint, he confesses, is that the pension debacle actually *has* led to quite a bit of coverage critical of Bridgewater. He's particularly impressed by the work of the *Philadelphia Inquirer's* "Spotlight" team. But he says it's missed one big



thing: McCormick's role in the disaster. "They haven't talked about him," Oz grouches. "I'm, like, stunned! I don't think they've connected that he was the CEO of Bridgewater!" (A few weeks later, the *Inquirer* did publish a story highlighting the connection. Bridgewater declined to comment to *Businessweek*. A McCormick spokeswoman said in a statement that the firm's "conservative approach reflected the risk PSERS wanted to take for its retirees and delivered results in line with expectations.")

When Oz comes bounding out to greet the audience a few minutes later, he sticks to familiar culture-war themes, blasting vaccine mandates and Dr. Anthony Fauci and complaining that the media is trying to cancel him. Talk of PSERS doesn't leave the men's room. The performance feels tailored to appeal to one man in particular. Oz, it should be said, is a more convincing vessel of Trumpian grievance than McCormick—wild, frenetic, slightly

A camo McCormick cap in Columbia, Pa., in February



TVs Dr. Oz has been for a decade."

With the race entering its final weeks, the challenge before McCormick will be to woo Trump without torching his electability come fall. McCormick's supporters believe he can do it, citing the example of Glenn Youngkin—another wealthy finance executive—who was elected governor of Virginia last year. But Youngkin became the Republican candidate after being chosen by caucus, rather than in a contested primary, meaning he never had to face a fusillade of negative ads and character attacks like

## answers. Which may, in the end, get me in trouble"

unhinged, and always attentive to the campaign cameraman, who mirrors his every move like a duet partner.

The race within the primary race is the competition between McCormick and Oz to win Trump's blessing, or at least to avoid his disfavor. McCormick, with Miller and Hicks already on board, has also locked up the support of Trump White House veterans Kellyanne Conway and Sarah Huckabee Sanders, in addition to being married to Powell, one of few who left Trump's employ on good terms. And on April 5, Robert Lighthizer, Trump's former U.S. Trade Representative, endorsed him in a statement to Breitbart News. But Oz has secured powerful allies of his own, including Sean Hannity, who provides him a regular platform on Fox News that he can use to reach Trump, as well as Melania Trump, who NBC News reported supports Oz and has shared her views with her husband. "There are a lot of Melanias out there," an unnamed Trump insider declared to NBC, "a lot of women in whose living room and bedroom

the one coming at McCormick. Youngkin mostly dodged the tough questions that increasingly drive a fault line through the Republican Party and alienate independents and Democrats.

The toughest question of all, and the one that illuminates where the true power lies in today's GOP, is whether a candidate believes, and will state publicly, that Trump was the rightful winner of the 2020 election and had it stolen from him by fraudulent means. Even downplaying the issue can invite Trump's wrath. On March 22 he angrily revoked his endorsement of Representative Mo Brooks in Mississippi's Republican Senate primary after Brooks batted away an inquiry about election theft by suggesting that his questioner "put that behind you." In a caustic statement, Trump said Brooks "made a horrible mistake recently when he went 'woke'... despite the fact that the Election was rife with fraud and irregularities." He added a warning that doubled as a threat: "If we forget, the Radical Left Democrats will continue to Cheat and Steal Elections... the 2020 Election was rigged

and we can't let them get away with it."

The demand that candidates accept such an obvious lie seems antithetical to the Bridgewater culture of radical truth-telling that McCormick still touts. But then, he's no longer trying to convince a conference room full of investment managers. Speaking before the Republican lunch crowd in Nazareth, McCormick elides the matter by saying that Pennsylvanians' doubts about the integrity of the election warrant strict new voter ID laws. But he doesn't share his personal view on the 2020 election.

Back in the diner booth, the question is put to him directly: Was it stolen?

McCormick starts to answer a different question. "I think that within Pennsylvania, certainly there were lots of doubts—"

But the question is about the national race. Does he agree with Trump that it was stolen?

"I think on the national level, maybe to just take that, we have all sorts of indications of electoral—let me talk about Pennsylvania as an example of the broader thing we have, which is we've got all sorts of election irregularities which have essentially created a situation where Republicans, the majority of Republicans, don't believe in the results—"

Yes, but the question is about you specifically, he's reminded. Do you think the election was stolen?

"I'm going to answer the question I want to answer. So I think that's a huge problem. As someone who's defended, someone who's fought for our country, if that's a huge problem in our republic then we've got to have electoral reform that addresses that, that has to happen at the state level. I said yesterday, I'll say it again: Voter ID is a key part of that. And that's what we've got to be thinking about for 2022 and 2024."

He still hasn't answered the question.

When it's put to him one last time, McCormick glances at the recorder on the table in front of him and looks pained. He never does give an answer. But his next words are as transparent as anything uttered in a Bridgewater conference room.

"I think we'll call it a wrap," he says. **B**

# How Greenwood Became the Most



# Hyped Startup in Black America

Ryan Glover and Paul Judge knew nothing about finance, but 700,000 believers joined their exclusive waitlist. Can their fintech actually repair centuries of racist banking?

By Brett Pulley and Jordyn Holman

Photographs by Piera Moore

Over the past year-and-a-half 700,000 people have added their names to the waiting list of a financial startup named Greenwood as if it were a sneaker drop. Some thought it was an actual bank created by Atlanta's most prolific activists—Andrew Young Jr. and his modern-day civil rights counterpart, rapper Michael “Killer Mike” Render—that was trying to fix the racial wealth gap. Others thought it was a hot new secured credit card for the unbanked, a spin on Russell Simmons's decades-old RushCard. Then there are those who saw their favorite former *Real Housewives of Atlanta* star Tanya Sam fronting for Greenwood on Instagram, where the brand now has 166,000 followers. Many signed on simply because the mere mention of Greenwood—named for the 1921 massacre of Tulsa's “Black Wall Street,” which was thrust into national consciousness when its 100-year anniversary arrived not long after the murder of George Floyd—had become the most effective shorthand for a Black financial reckoning.

That Greenwood Inc., as an idea more than a specific product, has galvanized Black people everywhere, especially in Atlanta, where it's

based, means it accomplished at least the first part of what it set out to do. Pinky Cole, the Black founder of the popular Atlanta fast-food chain Slutty Vegan, says she wanted to be part of it once she saw that Killer Mike, who soothed her city during its May 2020 protests and popularized the #BankBlack hashtag, was involved. “If we can get a hold on the recirculation of Black wealth through money management, then I think it's a win for our people,” Cole says. When Gigi Dixon, one of the highest-ranking Black executives at Wells Fargo & Co., told her thirty-something son that the bank would be investing in Greenwood, he laid bare the draw. “When I think about Wells Fargo, I think about going to the bank,” he told his mother. “When I think about Greenwood, I think about ‘cool.’”

William Cooper, a Black heart surgeon who has medical practices in Atlanta and Kansas City, Mo., sees Greenwood as a way to finally assert his economic muscle, which White banks have taken for granted for too long. “I signed up, because we have an obligation in a world that is still not respecting the power of our dollar,” Cooper says. “There are a number of us who are people of color,

who are professionals and already have relationships with national financial institutions. But we want to be a part of this emergence of Black economic power.”

So what, exactly, is Greenwood, which after months of delays is only partially open for business, letting in batches of customers every week? It's a fintech, a catchall term for the hundreds of financial technology startups that have emerged over the past decade. While there are fintechs for payments (Stripe), lending (SoFi), buy-now-pay-later (Affirm), and stock trading (Robinhood), Greenwood is part of the subset best described as neobanks, apps that offer banking services but aren't actually banks. They're essentially digital storefronts that partner with and are powered by insured banks regulated by the Federal Deposit Insurance Corp. While on the front end a person interacts with a new, slickly branded virtual bank that appeals to a targeted customer group—Aspiration pitches itself to environmentalists, Chime to the cost-conscious—the back end is typically a small bank, one of many across America that now provide such a service. Like other neobanks, Greenwood offers checking accounts, savings ►

◀ accounts, and debit cards, and it eventually plans to roll out investment tools, small-business loans, and mortgages. Ultimately it wants to become the singular financial destination for the Black and Brown middle class.

But unlike most fintechs, Greenwood co-founders Paul Judge and Ryan Glover aren't going for just a demographic or psychographic play. They're pursuing an historical one, rooted in more than 400 years of mistreatment and marginalization of Black people by financial institutions. They're aiming for the millions of Americans who've watched for generations as White bank customers got mortgages, business loans, and equity investments, while equally qualified minority applicants and entrepreneurs were

denied. These are people whose parents and grandparents were steered and corralled into neighborhoods where the banks kept real estate values depressed, robbing homeowners of the economic benefits that could have come from what often would have been their only appreciating asset. Whose distrust is reinforced regularly, as happened earlier this year, when Ryan Coogler, the award-winning Black Hollywood filmmaker behind *Black Panther*, tried to withdraw \$12,000 from his own account at a bank and an employee called the cops.

"Many of us are scared of banks like we're scared of police officers," says Judge, a 45-year-old computer scientist from Atlanta and one of the country's most successful Black tech entrepreneurs. "We're fixing a problem that has been around for centuries."

Of all the tragedies that haunt banking for Black people, Freedman's Savings & Trust Co. ranks among those at the very top. At the end of the Civil War, Black veterans and the formerly enslaved were earning wages for the first time. With no place for them to deposit their money, Congress in 1865 chartered a bank for Black Americans, with a signoff from President Lincoln. Over the next decade, dozens of branches

opened throughout the U.S., but the White-led bank made egregiously speculative investments in railroad companies and real estate, a bubble that would eventually become a financial crisis. In a disingenuous, last-ditch attempt to save the bank, its officials elected prominent abolitionist Frederick Douglass—one of the true Black celebrities at the time—to become the bank's president. But it was too late. Freedman's was dissolved in 1874, with the almost \$3 million—roughly \$70 million

in today's dollars—in savings of more than 60,000 depositors disappearing along with it.

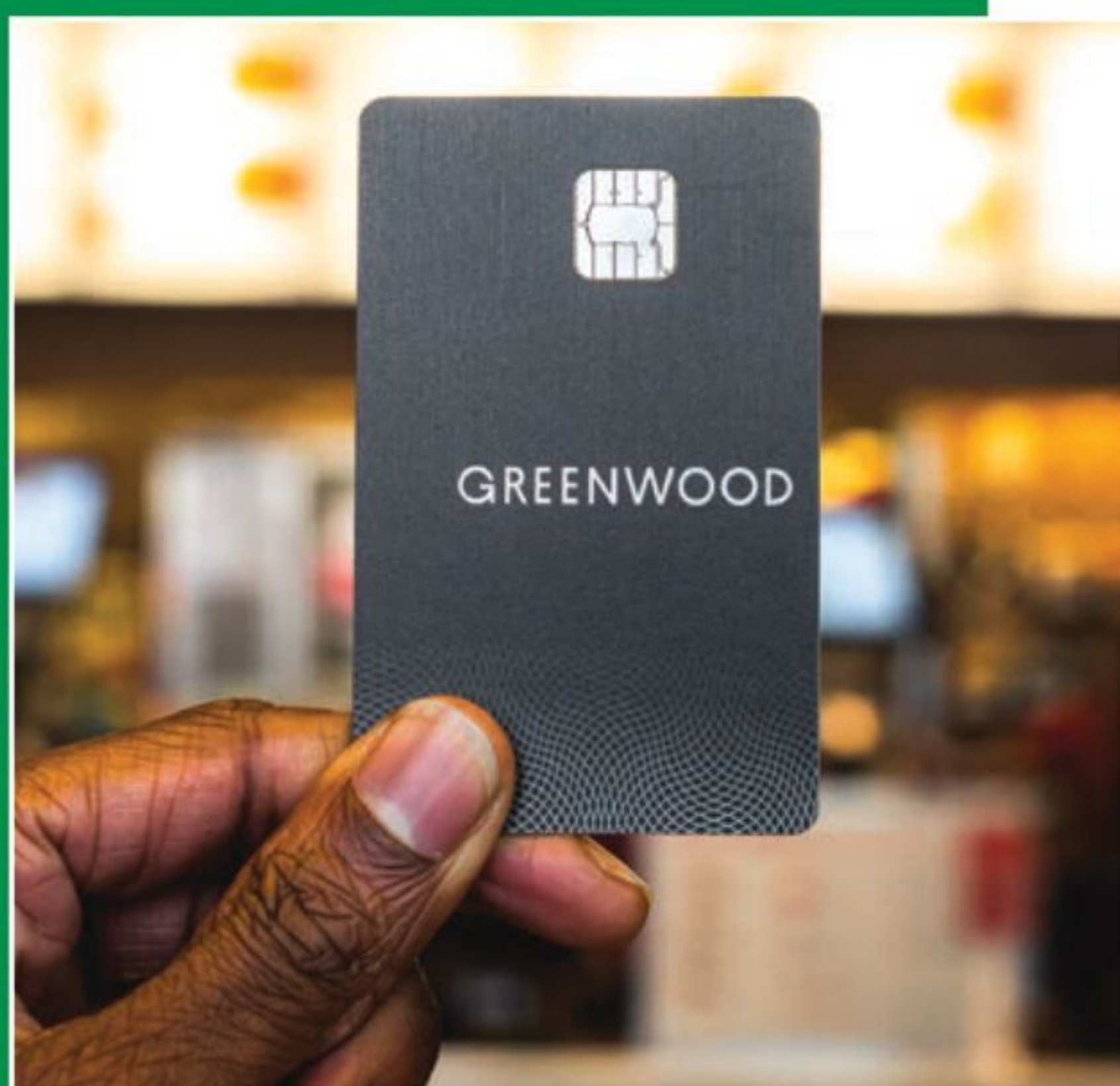
Freedman's failure was followed by more than a century of destruction of Black wealth. An estimated \$200 million of accumulated wealth (in today's dollars) was lost in the Greenwood massacre, according to a 2018 analysis from the *American Journal of Economics and Sociology*. Mistreatment by U.S. banks continued over the decades. After the housing crisis and the Great Recession of 2008, big banks were fined by the Department of Justice for subprime lending, in which Black borrowers were more likely than White ones to receive these high-cost loans. Over the past few years, JPMorgan Chase & Co. and Wells Fargo paid millions in settlements, often denying any wrongdoing. As recently as March, a Bloomberg News report revealed that only 47% of Black homeowners who completed a refinance application with Wells Fargo in 2020 were approved, compared with 72% of White homeowners, prompting multiple lawsuits and calls for an investigation from some members of the Senate Banking Committee. "Black people don't trust banks in a lot of cases for very good reasons," says Jesse Van Tol, chief executive officer of the National Community Reinvestment Coalition.

Greenwood is hardly the first attempt to tackle financial exclusion. Activists, with mixed results, have for years pushed banks to open branches in urban areas where residents often lack the ability to have a basic savings or checking account. Simmons's RushCard, which surfaced in the early 2000s and targeted the nearly 17% of Black households and 14% of Latino households that lack basic financial services, is now one of the many prepaid cards used by people who can't get credit cards.

Glover and Judge think Greenwood can have a deeper impact: altering the trajectory of



A Greenwood podcast



The debit card

# “Black people don’t trust banks in a lot of cases for very good reasons”

Black wealth by selling a financial play as a cultural one. The duo, based in Atlanta, are in many ways the embodiment of what’s possible in their city, the gravitational center of Black America. Judge, a Georgia Tech Ph.D. who co-founded several startups including Pindrop Security, now valued at close to \$1 billion, comes off more as an urbane local celebrity than a tech geek. When he’s not sitting court-side at Atlanta Hawks basketball games with his fiancée, reality TV star Sam, he’s accepting an Aspen Institute Henry Crown fellowship. Glover, who earned his reputation managing and producing artists including Biggie Smalls and Mary J. Blige, made his real money when he co-founded and then sold the country’s first Black-owned broadcast TV network, Bounce TV, to E.W. Scripps Co. for \$292 million in 2017. “I do not need to work anymore,” says Glover, who lives in a \$3.5 million gated manse in Atlanta’s exclusive Chastain Park neighborhood.

In early 2020, Judge approached his buddy Glover with what he believed could become the most important startup of their careers: a fintech that would revolutionize Black wealth, realizing, once and for all, Black prosperity that has been historically looted and systematically destroyed. It would be a place where Black and Latino people could aggregate, recirculate, and control their money, share financial knowledge, and not be beholden to predominantly White institutions. “Banks don’t understand the Black barber-shop or the Black construction company,” Judge says. “Black businesses are denied access to capital and denied mortgages at twice the rate” of their White counterparts.

Glover was intrigued, but not sure what he could bring to the table. He had the gut instinct of an entertainer and a marketer—the guy who, as an exec at Turner Broadcasting System Inc., acquired Tyler Perry’s *House of Payne* series, transforming the

already successful filmmaker into a major player in scripted TV. He was the guy who, when he launched Bounce, recruited two of civil rights’ most potent brands—Martin Luther King III, the son of the slain leader, and Young, who was at King’s side when he was murdered in 1968—to serve as co-founders and board members, bestowing an aura of historical significance on the network and eventually giving both Young and King \$5 million payouts. “I was like, ‘I’m not a banker nor a technologist, what the hell do I know?’” recalls Glover, who’s 52. “And Paul says, ‘You know culture, and you know Black people, and you know what we like.’”

By the time the co-founders announced Greenwood in October 2020, Glover had assembled an NAACP roster’s worth of Black entertainers, athletes, and civil rights figures. Greenwood’s \$3 million seed-round investors included Atlanta-based rapper and producer Jermaine Dupri, New Orleans Saints star running back Alvin Kamara, and *Grey’s Anatomy* actor and activist Jesse Williams. Glover once again recruited Young, now 90, along with Killer Mike, who’s half Young’s age. Neither activist would play a role in operating the business but would become, in return for equity, the public faces of the brand. Like Glover, no one in the mix had banking experience, but the press and public ate it up as though EF Hutton was talking. “It’s no secret that traditional banks have failed the Black and Latino community,” Glover said in a press release, which included a photo of Young flanked by him and Killer Mike. “This is our time to take back control of our lives and our financial future.”

Amid all the news coverage, it was Glover and Killer Mike’s appearance on CNBC that month that caught the attention of Vanessa Vreeland, who runs corporate ventures at



Tulsa’s “Black Wall Street” ...



...and the 1921 massacre

Charlotte-based Truist Bank, created from the 2019 merger of BB&T and SunTrust. She reached out to Glover immediately. “We know there is a completely underserved market, and they have a distrust of the financial-services community,” says Vreeland, who’s White. “We saw Greenwood as a way to bridge that gap.”

So did many of the largest banks in the country that had recently been forced to do some very public soul-searching. In the wake of Floyd’s murder in May 2020, and the social unrest it set off, Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo made an estimated \$300 million in equity commitments to minority-owned banks, mostly Black-owned entities that for decades struggled to stay afloat. Other vows followed: Wells Fargo would double Black leadership over the next five years, JPMorgan would expand Black and Latino home-ownership, Citigroup senior execs would do stints at Black-owned banks to help them establish new lines of business.

By March 2021, Greenwood had raised \$40 million in a Series A round with investors including ►

◀ JPMorgan, Mastercard, Truist, Visa, Wells Fargo, and SoftBank. Ted Archer, JPMorgan's global head of business partner diversity, says that "Greenwood was a very attractive investment" for the bank because it can reach the communities where JPMorgan wants to drive change. Greenwood offers a "fresh approach" to addressing an old problem, says Archer, who is Black.

It was a rare feat for a Black-owned startup to raise so much so fast and to have so many major rival banks as partners. But the reality was, for just a few million dollars each, the big banks could align themselves with a hot new Black startup with cultural cred that's trying to solve the problems they'd largely propagated. "Hopefully," says National Community Reinvestment Coalition's Van Tol, "it's not used as an excuse for banks to wash their hands of making loans and banking with Black people."

To "close this racial wealth gap once and for all," as the co-founders pitched their investors, they hoped Greenwood could actually be powered by a Black-owned FDIC-regulated financial institution, which would handle their transactions. But they soon discovered that ideal to be almost impossible. Only 20 Black-owned depository institutions were still operating in 2020, with combined assets of \$5.9 billion, according to the FDIC. (JPMorgan Chase alone has \$3.7 trillion in assets.) Even if cobbled together—not exactly a practical setup—they "sadly lack the asset and capital ratio to support the kind of business that we plan on doing," Glover says.

Instead, the founders ended up linking with Coastal Community Bank, a Washington state institution with \$1.7 billion in assets that already supported more than 25 other fintechs and had an all-White executive management team. In other words, the fintech setting out to build a Black-powered banking system was

being funded by White-controlled banks and its services provided by another White-controlled bank. The revolution, concedes Glover, "gets complicated."

Greenwood will make money the same way most other digital banking platforms do: by earning interchange fees every time a customer swipes a debit card. Part of the allure of neobanks is they don't have to support expensive branch networks. The startup and its small bank partner can share in a bigger chunk of debit card merchant revenue. (Thanks to the Dodd-Frank Act, which caps debit card interchange earnings for larger banks with more than \$10 billion in assets, those of the Citi-JPMorgan class are less lucrative partners for fintechs.) Greenwood doesn't charge a monthly fee but sells a \$4.99-a-month Premium card, which acts as an affinity program with such benefits as PGA tournament passes and free breakfasts at luxury hotels. The company also plans to offer loans. Judge envisions an eventual initial public offering for Greenwood, which has its eye on the 40 million Blacks and 60 million Hispanics in the country. "That's 100 million people that are our target audience, just in America," he says. "Greenwood has the opportunity to be one of the largest fintechs ever."

The subtext of Greenwood's sell is trust, because, finally, it's banking by Black people, for Black people. Since Greenwood couldn't find a minority-owned financial institution to provide its services, it created a program to help bring renewed energy to struggling Black banks, through revenue sharing, marketing support, and lead generation. Glover and Judge are emphatic that having so many powerful White players in the mix doesn't muddy their mission. The startup is still 51% Black-owned, and even though the financial institution undergirding Greenwood isn't minority-owned, all

of Greenwood's business operations and oversight remain in the founders' control. So while Coastal may serve as Greenwood's guts, Greenwood's management team will ultimately decide which customers get car loans, mortgages, and capital. This, the co-founders say, is crucial. "In the businesses that I have built, I never had access to working capital like my White counterparts had," says Glover, who grew up in Richmond, Calif., once ranked among the most dangerous cities in America. Black people, he says, are often forced to find loans through "unsavory sources" or predatory lenders. "We figure it out just like our great-grandparents learned to eat when they didn't have much. From the rooster to the tooter, they ate everything on that pig."

Greenwood wants to turbocharge the Black middle class by helping it build businesses and create the kind of sustainable wealth that's been largely elusive to racial minorities in America. "The goal is to serve people who can manage a P&L, credit, an employee base, a mortgage, and home finances" but have been blocked from the capital and resources that would allow them to realize their full financial potential, says Andrew "Bo" Young III, the civil rights leader's son and another Greenwood investor. Glover points to Escobar Restaurant & Tapas, a sceney Atlanta eatery owned by the rapper known as 2 Chainz, and H.J. Russell & Co., one of the country's largest Black-owned construction companies, as examples of businesses that "should be as large as their White counterparts. The sky is the limit once these businesses are identified by banking partners."

But Greenwood has yet to fully launch its own business. After an aggressive PR campaign touting its imminent arrival in early 2021, the startup kept pushing back its debut date. It blamed that growing waitlist—"Killer Mike's Bank Has to Postpone Its Launch Again to Catch

Up to High Customer Demand,” read a CNN headline last June—and said it would be open for business by the end of 2021. But almost a year after that promise, it’s only just starting to take on tens of thousands of customers at a time for its most basic banking services. Judge says the holdup has largely been self-imposed, a matter of taking the time to get the product right. “When we announced the company, we were communicating this idea that there would be a grand opening and everyone would rush in,” he says. “But we in the software world realized there’s a better way to do it and that we could really optimize the user experience.”

Assuming the wait-listed don’t lose patience, having a hungry fan base in the wings may not be such a bad thing. Attracting customers is notoriously expensive for banks—it’s why they’ve spent decades luring

people with everything from free toasters to ski lift tickets. Without a fully functioning product, the smoothest part of Greenwood’s operation so far has been its content arm, which it’s hoping will serve as a customer acquisition machine. Greenwood Studios, an in-house production company, has been building its audience for more than a year and a half, cranking out as many entry points as possible for Black people to discover the brand and sign up for it.

*Greenwood Daily* and the biweekly *Ask Me Anything About Money* video series—the latter starring Sahireny Pierce, a sort of Suze Orman for the Latinx set—have an accessible, talk-to-your-girlfriend-nothing-is-too-embarrassing-to-ask vibe, diving into everything from inflation and capital gains to more actionable, timely topics, such as President Joe Biden’s new temporarily expanded Public

Service Loan Forgiveness waiver. Then there are slicker productions, like a nine-episode docuseries in the works on the future of Black wealth in the Tulsa neighborhood from which the bank gets its name. Greenwood’s website offers Greenbook, an online directory of Black and Latino businesses that can drive “the recirculation of dollars in our communities.” It also has amassed a network of unpaid brand ambassadors, mostly small-business owners such as Slutty Vegan’s Cole, who want in on what feels like the beginning of a movement. And of course, Glover leverages all of the celebrities in the Greenwood mix: Dupri shows up in its Instagram feed unboxing his new Greenwood credit card (“It smells like money!”), *Real Housewives’* Sam hosts a daily financial planning podcast, and *Grey’s Anatomy’s* Williams stars in a Greenwood ad (“Are you ready to let the Black dollar circulate? You ready to bet on Black for real?”).

The bigger Greenwood gets, says Glover, the more it can “create access to working capital, eradicate predatory lending, and recirculate capital in our communities.” First, though, the product needs to launch at scale. When and if it does, even with all these pieces in place—revered Black entrepreneurs, celebrities, activists, major banks, Atlanta, its pitch-perfect branding and timing—one wonders whether the fintech can actually do the audacious thing Judge and Glover set out to do in the first place: Can Greenwood revolutionize Black wealth? Can it close this racial wealth gap once and for all?

It may be asking too much for an app to eradicate the vestiges of 400-plus years of wrongdoing. Hopefully it can help. But in the end, if the most Greenwood does is catch our collective attention and channel a yearning to solve these intractable problems, it’s a reminder that Black America deserves for as many entrepreneurs as possible to at least try. **B**



(From left) Killer Mike, Judge, Young, and Glover

# How to *Manufacture*

46

Step 1: Create a bunch of social media accounts and have them beg your candidate to run for president

***“I am ready to carry the voice of the silent majority,”*** Eric Zemmour shouts at a rally in Metz, France. “They are trying to steal this election from you.”

It’s March 18, less than four weeks before polls open. Zemmour is rallying a crowd of several thousand, largely composed of White men. He glides through the audience, reaches out to touch their hands, then raises his arms in a “V” for victory as they roar with delight. His face—mostly forehead, with bushy eyebrows and a smile that curves up on the left—is instantly recognizable thanks to his long career as a TV news pundit and, more recently, his presence on YouTube, Twitter, and Facebook. He’s fourth in the polls, but the polls are hardly the point.

As the April 10 presidential election approaches, Zemmour and his supporters have been offering conspiratorial arguments. They say the polls, and perhaps the election itself, may be rigged—a message that will almost certainly be repeated after the votes are counted. The tactic, like so much about his surprise candidacy, is modeled on the mendacious antics of Donald Trump, who branded his refusal to accept the results of the 2020 U.S. election “Stop the Steal.”

“We love you!” a supporter spontaneously screams at the March rally. “We will win!”

Win or lose—and Zemmour will almost definitely lose, with a runoff between French President Emmanuel Macron and the other far-right candidate, Marine Le Pen, looking





# an *Extremist* Candidacy

47

By Ania Nussbaum, Sarah Frier, and Daniel Zuidijk  
 Photographs by Thaddé Comar

likely—he has put racial grievances at the center of French politics. His promotion of the so-called Great Replacement conspiracy theory, which says that White, Christian Europeans are being supplanted by Muslim migrants, is now part of mainstream discourse. Credible news outlets employ the term in headlines; Valérie Pécresse, a more moderate candidate, has used it. One poll, which Zemmour often cites, shows that two in three French citizens are concerned about the supposed threat.

Nationalism has long played well here, in France's post-industrial Lorraine region. Le Pen, who inherited the leadership of the National Front (now National Rally) party from her father, Jean-Marie, and who has attracted

controversy for promoting strict border policies and the “de-Islamisation” of the country, carried the region in the first round of the last election in 2017, which she lost to Macron. But unlike Zemmour, Le Pen is also courting moderates. And she has stopped short of, for instance, implying that French Muslims themselves should be expelled, or that maybe France's Nazi-collaborating Vichy government wasn't so bad after all.

Zemmour, on the other hand, has made his name by crossing exactly these lines. The name of his newly founded political party, Reconquête, refers to the 15th century Reconquista, when Spanish Muslims and Jews were forced to either convert to Christianity or be deported. ►

◀ “We are capable of saving France,” he says at the rally. “To make sure France remains France.” Among other proposals, Zemmour has suggested forcing newborns to adopt Christian names and deporting “undesirable foreigners.” Such positions had seemed taboo here until recently, but Zemmour is drawing audiences of thousands and has been polling around 10% in a crowded field, despite officially entering the race only in December. At one point in February, he was second, but pro-Putin comments and his initial opposition to accepting Ukrainian refugees contributed to a slide. Some of his followers have likely gone to Le Pen.

Zemmour’s rise can be attributed, at least in part, to his mastery of social media. Starting late last year, his volunteers created hundreds of Twitter accounts and Facebook pages, which were designed to look spontaneous, but appear to have been coordinated. This vast content farm spread misleading stories that promoted an image of a country overflowing with migrants, one in which White people were finally rebelling. This drew in commenters and followers, causing the false claims to spread further.

All this happened despite the efforts of Twitter, YouTube, and especially Meta Platforms (Facebook’s parent) to stop hate speech, extremism, and misinformation suggesting that elections are rigged. Last year, Facebook set up a local team in France “to ensure that we take the right measures to protect the integrity of these ballots and prevent abuse during this period,” as it wrote in a blog post.

But such efforts have done little to change the basic structure of social media, which by design rewards extreme and controversial content and which Zemmour has exploited, according to Cori Crider, co-founder of Foxglove, an organization in London that examines governments’ use of technology. “Would-be autocrats have realized that surfing the attention economy, surfing Facebook’s viral machine to power, is something that you can do basically anywhere now,” she says. In this way, Zemmour’s operation serves as both a warning about and an example for other fringe candidates, who can inject their ideas into the mainstream by drawing enough attention online.

**In May 2021, the Twitter account @GenerationZARA** posted a picture of a hand holding a set of leaflets with Zemmour’s face on them. It was set against a backdrop of a canal with the location tagged as a midsize city close to the Swiss border. “The youth of Annecy are mobilizing,” the tweet said, pointing users to a petition at a new website, [jesignepourzemmour.fr](http://jesignepourzemmour.fr) (“I sign for Zemmour”).

It looked almost identical to another post the same day from @GenerationZBFC. It had a hand full of leaflets and a fountain backdrop with a different location tag, in the east. “In Dijon, #GenerationZemmour is mobilizing for the petition,” it said. In July a third account, @GenerationZGE, posted a picture of leaflets tagged to Mulhouse, near the borders with Switzerland and Germany. There were dozens more like it.

At the time, Zemmour was employed as a panelist on CNews, the country’s equivalent of Fox News, and was famous for having written the 2014 book *Le Suicide Français*. It sold hundreds of thousands of copies by arguing that the decline of France (and with it, French manhood) could be attributed to left-wing and globalist policies, including birth control, gay rights, and the euro. The social media effort, which was supposedly intended to persuade Zemmour to run for president, had been coordinated by 23-year-old Stanislas Rigault, who would later become Zemmour’s official spokesman.

Over the coming months, Zemmour was ubiquitous, both on social media and on posters in Paris. Twitter accounts, Facebook groups, and YouTube channels appeared, with names including “Teachers With Zemmour” and “Les Bleus With Zemmour” (a reference to French soccer fans). They shared links to content that portrayed him as a leader, even as the man himself skirted questions about whether he was running. Antoine Diers, spokesperson for Friends of Zemmour, which had collected donations for the posters, said at the time that a Zemmour candidacy could count on a mobilization of hundreds of volunteers across the country. All the internet activity seemed to prove his point.

The petition served a purpose besides “persuading” Zemmour to run: It collected names and emails of people who might be willing to join the online buzz machine. The effort, dubbed Generation Zemmour by supporters (sometimes shortened to GenZ), was initially presented as separate from the candidate, but it’s now linked directly to the campaign; those who sign up are redirected to the Reconquête website and asked to pay a €10 (\$11) membership fee. Campaign volunteers joined channels on WhatsApp and Telegram—a largely unregulated social network—where they could receive messages that Zemmour’s team wanted them to spread.

The orchestrated buzz drew in activists. Martial Bonnet, a high school teacher in southern Paris, was attracted to Zemmour’s warnings about demographic change and promise to restore discipline in schools. He signed up for the GenZ group online. While putting up posters in Paris he met another teacher backing Zemmour. Together they wrote an op-ed for *Le Figaro*, loosely connecting multiculturalism to violence and the end of excellence in schools. Fifty teachers, drawn from Zemmour’s online ranks, co-signed it.

The growing online army shared the letter, which showed up in the trending topics section of Twitter and spread widely in Facebook’s news feed. The buzz got Bonnet invited onto TV; clips of the appearance were spread by Zemmour’s fan groups on Telegram, too. In an interview with *Bloomberg Businessweek*, Zemmour’s online strategist, Samuel Lafont, says the Bonnet story is a perfect example of the campaign’s playbook: control what gets promoted by social media algorithms, creating the impression of mainstream interest, which becomes real once people talk about



*Zemmour*

it in the media. Zemmour's volunteers, he says, "realize that they can impose their will on the world." It's far-right politics by any memes necessary.

**After the 2016 election in the U.S., when misinformation** promoted by fake accounts connected to the Russian government proliferated across social media, the companies vowed to do better the next time. Their first high-profile opportunity to act under the new banner of "election integrity" was in France in 2017. For that contest, Facebook unveiled new tools and fact-checking partnerships with outlets such as Agence France-Presse. The company ran ads in major newspapers with tips for users on how to spot misinformation and started a new feature called "Perspectives" on its site, showing voters what the candidates really stood for. Twitter and YouTube made similar moves.

Then, two days before the election, an army of trolls and fake accounts started posting hacked data from Macron, including internal campaign emails. #MacronLeaks appeared in almost half a million tweets in 24 hours, according to an analysis by the Atlantic Council, a Washington think tank. Macron still won, but the incident pushed social media companies to focus their attention narrowly, on using artificial intelligence software to detect and remove fake accounts. Facebook referred to the problem as "coordinated inauthentic behavior" and started releasing monthly reports about the bot networks it silenced.

But this was a limited response to a problem that's more fundamental to Facebook. Yes, social media platforms can stop Russian bots, but they're easily manipulated. Calling on a network to post something in unison doesn't count as "inauthentic," at least not according to Facebook's rules, and the company says it hasn't taken any action on Zemmour's accounts. Coordinated posting then tricks the algorithms that control what users see into promoting pro-Zemmour content. As these posts proliferate, they generate outraged reactions, which only cause them to spread further. People upset at Great Replacement posts, who share in order to dunk on them, inadvertently contribute to their virality.

While other candidates present a polished presence online, Lafont says Zemmour's goal is ubiquity. The campaign "dominates the game on YouTube," he says, claiming 200 times the content of Pécresse, who's also polling at 10%. "We put more videos where you see more people," he says. "We are more rigorous. We tackle all themes."

Some of Zemmour's videos on YouTube have been taken down for copyright infringement, but many more are still online, and it's easy to find videos discussing the Great Replacement. In mid-March, Twitter took down a group of Zemmour-fan accounts, prompting some to call for a move to Gettr, a short-message platform founded by a former Trump aide. But then Twitter said it had made a mistake and reinstated

the accounts. A spokesperson says the company generally allows coordinated messaging in political campaigns as long as there's no evidence it will cause harm.

In France, unlike in the U.S., hate speech is illegal. Zemmour denies he's racist—in fact, as a Jew whose parents emigrated from Algeria, he claims it's impossible for him to be racist. Still, in January, he was fined €10,000 by a French court after calling young migrants "murderers" and "rapists." Zemmour didn't show up for the trial or the verdict, his third conviction.

Online, though, Zemmour and his followers have faced fewer consequences. Social media companies have generally waited for violence to spill over into the real world—as it did at the U.S. Capitol on Jan. 6, 2021, which caused Facebook to suspend Trump—before taking action. "What is just people taking their right to organize and be unhappy with their government? And at what point in time does the rhetoric get hot enough that it should justify taking something down or taking action against it?" asks Katie Harbath, who ran Facebook's election strategy until early 2021. "I don't think we're any-

where near having consensus for what that is." A Facebook spokesperson says the company's team in France will remove hate speech or calls to violence. Facebook, the spokesperson notes, doesn't fact-check politicians' speech.

In December, violence broke out among dozens of attendees at a Zemmour rally in Villepinte, a Paris suburb. Someone attempted to put the candidate in a headlock as he was heading to the stage, and fans attacked protesters with chairs. The protesters were bloodied, but no one was seriously injured. Since then, the tone among Zemmour volunteers on social media has grown more frenzied, raising the prospect of

a Jan. 6-style protest when he loses. "The great replacement is a reality, April is our last chance," one user recently wrote on a pro-Zemmour Facebook group.

Zemmour hasn't given up on the vote, urging his supporters to each persuade at least 10 others to pick him. But pro-Zemmour social media accounts, which once touted favorable poll numbers, now say that the polls are wrong and the media corrupt. The word "Dominion," which was associated with Stop the Steal, has been trending on Twitter here since around mid-March, as thousands of posts claim that the French Ministry of the Interior hired Dominion Voting Systems Corp. to handle the French election. Posts alleging a massive upcoming fraud were then shared among Zemmour supporters on WhatsApp groups, forcing the Interior Ministry to issue a statement saying it hadn't hired Dominion.

Some supporters hope that even if Zemmour loses badly his party will still be competitive in the June legislative elections. (Zemmour has said that he'll run if he loses the presidency.) Meanwhile, as his prospects for victory have dimmed, the far right in France has never looked stronger. A recent poll showed Le Pen only a few percentage points behind Macron in a theoretical runoff. **B**



Macron

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# The Mall That Became A Destination

# PURSUITS

Inside the Nili Lotan boutique at the Royal Poinciana Plaza in Palm Beach, Fla.

An outdoor shopping center in Palm Beach is the new hub for well-heeled pandemic transplants  
*By Amanda Gordon and Jordyn Holman*

- 54 Raincoats go green
- 56 A coup from the coops
- 58 Cheers to just one glass
- 59 Have a blast washing dishes

April 11, 2022

Edited by James Gaddy

Businessweek.com

Upscale womenswear brand Veronica Beard has 18 stores across the U.S., including two in New York City. But none can compete with its boutique in Palm Beach, which first opened in mid-December. “It became our No. 1 door overnight,” says co-owner Veronica Swanson Beard. “We believe in meeting the customer where she is, and we know she’s in Palm Beach.”

That success has come to embody a cultural and demographic shift in this booming Florida town. Last year, 8,107 people traded in a New York driver’s license for one with a Palm Beach County address. At the local airport, the number of private flights in and out was 12,442 in December, double the number recorded in the same month in 2019.

The influx is breathing life into the area’s retail market, and nowhere is this more apparent than at WS Development’s Royal Poinciana Plaza, a 180,000-square-foot luxury outdoor shopping mall with more than 30 boutiques that sits along Lake Worth Lagoon, right off one of the island’s three bridges to West Palm Beach. An analysis of geolocation data by Orbital Insight found that foot traffic there began to soar past pre-pandemic levels by late 2020, recovering faster than its peers around the country.

“Most retail experienced a boom in the first half of 2021, but Royal Poinciana Plaza is a massive exaggeration of that,” says Kevin O’Brien, chief executive officer of Orbital. During the first five months of the year, foot traffic averaged 34% above late 2019 levels, according to the company.

At least part of what’s driving the mall’s recovery is that it serves as a hub for pandemic-era newcomers. Ex-New Yorkers meet or run into each other at Honor Bar or Sant Ambroeus, a favored boîte of Upper East Siders. Leggings-clad women attend SoulCycle classes outdoors. Parents push strollers. Some folks work remotely from the courtyard or pore over papers at a business dinner at Palm Beach Grill—activities that aren’t allowed in the island’s private clubs. (Not that they’ll be able to gain entry anytime soon; waiting lists for new members are in the hundreds.)

“I want that function of the club without the exclusivity of it,” says Samantha David, president of WS. “You can have the fun energy and dynamism of a place that’s exclusive but without anybody feeling it’s not their place.”

All this activity marks a dramatic about-face for the Royal Poinciana. In 2014, when WS’s Up Markets division paid \$22.5 million to acquire the lease on the plaza, the property was mostly offices with little high-net-worth sheen.

WS, with more than 100 properties in its portfolio, set out to turn it into a destination for the next generation of Palm Beachers. Since fall 2020, the turnover has added more than 10 tenants to the Royal

Poinciana, among them New York galleries Acquavella and Levy Gorvy (now LGDR), auction house Sotheby’s, and New York-based women’s contemporary brands such as La Ligne and Nili Lotan.

The newbies join a mix installed before the pandemic, including high-end luxury stalwarts Hermès and Saint Laurent and youth-friendly Stoney Clover Lane and LoveShackFancy. The remake also involved restoring the fountains and adding sidewalks, patio furniture, and lush landscaping in the courtyards. Nooks became Instagrammable. One offers a “Wee Free Library,” a pink Smeg refrigerator stocked with children’s books and ice pops to take at no charge.

“These are places to linger in between shopping,” says John Ellis, a managing director at Newmark Group Inc. “If your kids are stir-crazy, you bring them out there. It’s tranquil and free from traffic noise. You can hear the birds.”

But it’s Sant Ambroeus, overseen by Adil Avunduk, who cut his teeth at Casa Lever in Midtown Manhattan, that’s become the real gathering space for pandemic-era newcomers. “I was there every day last week for lunch,” says Frank Baker, co-founder of tech-focused private equity firm Siris Capital.

Sharon Coplan Hurowitz, an Upper East Side independent curator who frequents Palm Beach, has had a similar experience. “It totally changed my whole routine there, because it’s allowed me to have the same kind of connectivity that I have in New York,” she says. “It really is that kind of hub that gives you that sense of belonging.”

That dining is such a magnet points to the next phase of the mall makeover: the redevelopment of a 34,500-square-foot building that’s sat empty for over two decades. The project will add 8,000 square feet of retail and gallery space and transform what was once a theater and social venue into a flexible event and performance space and a 200-seat waterfront restaurant—the only one in Palm Beach that’s not in a private club.



The Royal Poinciana Plaza

The event and performance space will be operated by Innovate Corp., whose chairman is Avram Glazer, a 20-year Palm Beach resident and an owner of the Tampa Bay Buccaneers and Manchester United. The public company is in the process of moving its headquarters from New York to Palm Beach, Glazer says.

The offices in the complex are also getting new tenants. Manhattan-based Lantern Real Estate, a retail leasing and investment firm, set up shop in September. “I moved here permanently, so we decided to grow here,” says co-founder Tal Bar-Or. “This is an easy place to meet folks who are here year-round or visiting.”

They join tenants such as law firm Alley, Maass, Rogers & Lindsay, which has been at the plaza since it opened in 1958. Robb Maass, whose grandfather and father founded the firm, and who specializes in maritime law pertaining to superyachts, says the plaza’s management has got it right. “It’s a younger vibe, and it’s a much more pleasant place to work,” he says. “It just means I have trouble finding a parking spot.”

The Royal Poinciana’s success aligns with broader retail trends, which favor outdoor shopping and experiences. Platform in Los Angeles—with its mix of office space, indie retailers, and hip food concepts such as pizza spot Roberta’s—is thriving. So is the Lido Marina Village in Newport Beach, Calif., with its Nobu restaurant and deck for yoga and concerts.

“Open-air luxury shopping centers like the Domain in Austin or Aventura Mall in Miami have done, and are doing, very well despite the overall downturn in malls, because they offer food options, socializing, and outdoor seating that were more of a draw than shopping both before and during the pandemic,” says Alexandra Lange, author of *Meet Me by the Fountain: An Inside History of the Mall*, which will be published in June.

The transformation in Palm Beach—and South Florida—was going to happen with or without the pandemic, says Glazer, but the migration of wealthy and younger families from the Northeast and California sped things up because it created a critical mass for businesses appealing to those sensibilities.

The influx is changing retail districts all over town. Asking rents on Worth Avenue have gone up, from \$150 per square foot to between \$190 and \$200 in the last year, says Robert Klecinsky, a director of retail services at Cushman & Wakefield’s Palm Beach office. The Paramount Building, which has pop-ups for the Miami boutique the Webster and golf outfitter Greyson Clothiers, has a new owner. And last year, Via Bice, the charming Mediterranean-style pedestrian corridor off Worth Avenue, got a face-lift with freshly laid Portuguese tile.

Beth Buccini, the owner of Kirna Zabête boutique, also has a flagship in SoHo. She says she was skeptical when she first opened her shop at the Royal in 2017. Now she says it was the best business decision she ever made: The store’s revenue last year jumped 79% from 2019.

This year so far, sales are on pace to exceed 2021, which was the boutique’s best year. “I think we’re all starved for special interaction,” she says, “and Palm Beach people have a lot of time and a lot of money.”

## Who’s Who in New York South



### ▲ SANT AMBROEUS

This New York transplant buzzes with business titans, ladies who lunch, and families, all tucked into salmon banquettes—unless they’ve opted to see and be seen under umbrellas set up around the burbling fountain outside. The restaurant also accommodates power meals over spaghetti carbonara or Dover sole. A sister wine bar, Felice, will open soon at 360 Rosemary.

### KIRNA ZABÊTE

Owner Beth Buccini has translated her SoHo boutique’s urban style to a resort environment with a range of luxury brands such as Dior, Bottega Veneta, and Valentino.

### VERONICA BEARD

In early March, the brand staged a full-on fashion show at the plaza, drawing New Yorkers and long-established Palm Beachers. The two sisters-in-law who founded the brand put out novelty tailored pieces like a reversible cropped jacket and a puffed-sleeve seersucker blouse.

### LINGUA FRANCA

Founder Rachelle Hruska MacPherson has brought the sensibility that made her West Village boutique a favorite, mixing fine cashmere with hand-embroidered slogans both purposeful (“we say gay”) and fun (“can’t fake the funk”).

### LA LIGNE

The look is new-school prep easy-to-wear, with lots of stripes and dresses in jewel tones. But you might recognize the brand’s pajamas first—they were worn by the three hosts at the Oscars. Palm Beach is the line’s newest location, joining stores on Madison Avenue and in Dallas.

### LOVESHACKFANCY

An entrance festooned with pink flowers gives way to romantic dresses with the short hems that teenagers love—and love to post on social media. Founder Rebecca Hessel Cohen had a blow-out birthday party at New York’s Plaza Hotel in February that also marked her brand’s rapid expansion, with stores in places such as Greenwich, Conn.; Charleston, S.C.; and, Nashville.

### NILI LOTAN

From her headquarters on Duane Street in Manhattan, Israeli designer Nili Lotan turns out crisp, easy-to-wear basics in neutrals and dark tones. Not only is the clothing refreshingly urban, the store in Palm Beach is a minimalist’s dream, with sculptures made of light and wood by Objects of Common Interest. The boutique, which opened in January, is her first outside of New York.

# Water Proved

Stay dry with an eco-friendly raincoat built to repel April showers

*By Matthew Kronsberg*

*Photographs by Chelsea Kyle*

Dressing for the weather in Oland, a slender island just off Sweden's southeast coast, is serious business. So it makes sense that Alexander Stutterheim, founder and former creative director of his eponymous raincoat brand, would set up shop there.

Stutterheim's atelier on the island is a black-painted warehouse, which he calls Faken, the name of the intense blizzards the island is infamous for. Last year he amicably left the company that bears his name and will introduce a new label this month called Swedish Poetry.

Unsurprisingly, among its first items are raincoats.

Like a growing number of weatherproof gear manufacturers, Swedish Poetry doesn't use textiles treated with PFAS, or per- and polyfluoroalkyl substances. These chemicals, also used in firefighting gear, "disrupt a lot of things that happen at the molecular level," says A. Daniel Jones, associate director for the Center for PFAS Research at Michigan State University, "whether that's water trying to penetrate a fabric or a hormone trying to reach a protein in a living thing."

It's that last part that makes these chemicals so problematic. When they leach into soil and water and then get consumed by humans and animals, they can act as metabolic disruptors, endocrine disruptors, and even carcinogens, says Cheryl Murphy, the center's director.

Creating eco-friendly rain gear is pushing some companies to innovate. The North Face has developed a proprietary fabric called Futurelight, which is made by using more than 200,000 nozzles to spray a polyurethane solution that creates a film with pores small enough to let air through, but not moisture. Japanese cult favorite Snow Peak uses a plant-based polycarbonate nylon for its rain jackets.

Others, like Swedish Poetry, embrace history, using lightweight versions of waxed cotton, a staple of foul-weather gear since the 19th century. But Stutterheim aims to do more than just make eco-friendly jackets—he wants to make human-friendly ones. "Why can't my mother who is over 80 be dressed in a nice way?" he asks. "Also, I am fat now. And I am getting old. I don't want things too tight. I want comfort."



## SNOW PEAK

The Japanese outdoor outfitter has been creating stylish, highly functional gear for more than 60 years. Its 2.5 Layer rain jacket is made with plant-based polycarbonate nylon and comes with heavy-duty zippers that keep your valuables safe from puddles. \$460; [snowpeak.com](http://snowpeak.com)

## BAXTER WOOD

The brand's snap-front, midhigh-length Trawler raincoat updates deep-sea style for the street. Beneath the jacket's rubberized polyurethane shell is a soft lining of rPET polyester, made from about 22 recycled water bottles per coat. It comes in men's and women's cuts and in eight colors. \$140; [baxterwood.com](http://baxterwood.com)







#### SWEDISH POETRY

Produced in Stockholm using British Millerrain's lightweight Sahara waxed cotton, these hooded coats will be available starting this month and can be tweaked to your specific needs—for a fee of course. The one thing that's currently nonnegotiable? The black color with white piping. *From \$1,200; [swedishpoetry.com](http://swedishpoetry.com)*

#### FREEMAN

Make rain gear in Seattle, and you'll always have customers nearby to give their feedback. Over the past decade, Scott and Brittany Freeman have developed a loyal fan base with their cozy flannel linings that match shells capable of withstanding the area's notoriously drizzly conditions. *\$345; [freemansseattle.com](http://freemansseattle.com)*



#### THE NORTH FACE

When safety certification company UL tested the water resistance of the Futurelight fabric used in the brand's Dryzzle parka, it treated the coat the same as firefighting gear: by dousing it with over 200 gallons of water per hour. It received a 100% waterproof certification without PFAS chemicals. *\$260; [thenorthface.com](http://thenorthface.com)*

#### MARMOT

This bomber-style PreCip Eco Pro jacket is a serious shell for extreme conditions. It uses a PFC-free lamination with two-layer waterproof/breathable fabric that's been tested and rated to withstand heavy rain for an extended period of time. It also has "pit zips" to give it more breathability. *\$150; [marmot.com](http://marmot.com)*



# The Good Egg

Consumer demand for happier chickens is creating a new pecking order. *By Kate Krader*  
*Photo by Gabriela Herman*



When Lisa Steele worked as a financial controller on Wall Street in the early 1990s, her day was measured by the opening and closing bell at the New York Stock Exchange.

Now the crowing of a rooster defines her days.

Steele, founder of the popular blog Fresh Eggs Daily, began raising chickens in 2009 “as a way to keep from getting bored” after stepping away from her job at Morgan Stanley. She keeps flocks of chickens, ducks, and geese on her farm in Dixmont, Maine, and in February released her first recipe collection, *The Fresh Eggs Daily Cookbook* (\$28, Harper Horizon).

Steele is even better known as an expert on raising chickens in the backyard—she’s published four books on the subject. Over the past few years, she’s witnessed an increase in demand for good-quality eggs from happy birds. “I haven’t seen this level of interest in raising chickens, and by extension fresh eggs, since 2008 during the recession,” she says. The pandemic made people reconsider where their food was coming from, as have concerns about animal welfare.

Concurrently, new legislation is propelling an historic shift in the U.S. egg industry toward producing mostly cage-free eggs, a move that’s better for chickens but hard on small farmers who can’t afford to make the costly transition. Purveyors like Vital Farms use a network of more than 275 producers around the Southeast to power their supply of more-ethically raised eggs, which retail for about \$5 a dozen. From March 2020 to the end of 2021, the number of households buying Vital’s pasture-raised eggs went from about 3 million to more than 6.4 million; net revenue grew 22%, to \$260.9 million.

“We saw an acceleration of customers trying our eggs during the pandemic and then staying with us,” says Chief Executive Officer Russell Diez-Canseco. Vital has seen enough interest in upscale eggs that in March it introduced a new line, called True Blues—striking blue-shelled eggs that come from niche breeds and retail for \$9 a dozen, or about four times the national average for generic supermarket whites.

Here are a few names in the shell game to know.

## A More Humane Half-Dozen

WHERE HEALTHIER HENS REIGN SUPREME

### ● VITAL FARMS

This network of family businesses features eggs from pasture-raised birds. The cartons, stamped with the name of the farm they're from, sell nationally, including at Whole Foods Market. The pretty, deep-orange yolks (which can be tastier but aren't necessarily more healthy) reflect the varied feed of the hens.

### ● MARION ACRES

Outside Portland, Ore., free-range Barred Rock birds eat a diet of bug-filled grass. The eggs have pronounced dark yellow yolks and are sold at the farm's Helvetia Farm Market just after they've been laid and washed. Any eggs with broken shells are salvaged as breakfast sandwiches for shoppers.

### ● SHIRTTAIL CREEK FARM

Located between Houston and Austin in Brenham, Shirttail is a five-year-old operation that gives its chickens some Texas-size pastures to roam around. The birds snack on a mix of clover and ryegrass, resulting in eggs with notably rich, orange-colored yolks. A dozen go for about \$7.

### ● POLYFACE FARMS

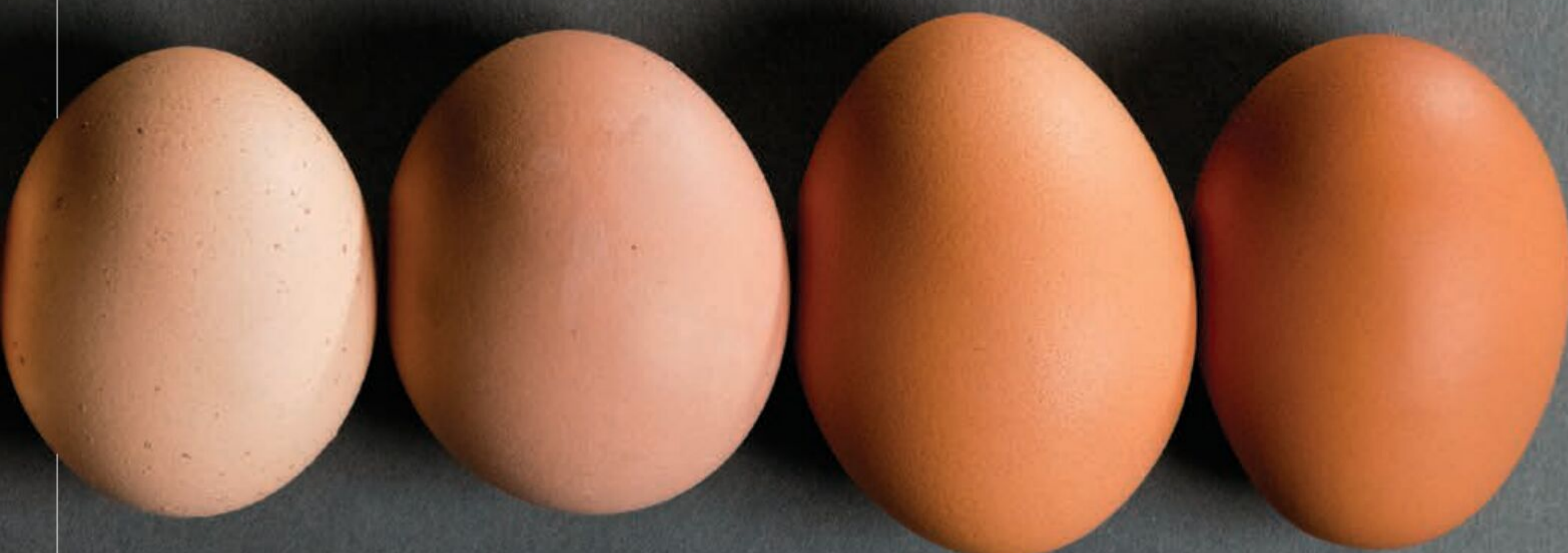
After cows are rotated to mow the grass ahead of feeding time, a portable "Egg Mobile"—aka a coop on wheels—moves hens around some 2,000 acres in Swoope, Va. The farm's model has been praised by Michael Pollan, who featured it in his bestseller *The Omnivore's Dilemma*.

### ● KNOLL KREST FARM

A staple of Union Square Greenmarket in Manhattan, the Hyde Park, N.Y.-based farm has attracted fans including star chef Bobby Flay. Its firm-yolked eggs come from hens raised on a vegetarian diet. Knoll Krest also sells good pasta and quiche, both made with its fresh eggs.

### ● WARREN VALLEY FARM

The couple hundred chickens on this Connecticut farm eat cracked corn and fermented grains and the occasional snack from the garden to produce their sought-after brown eggs. Also available: a small selection of colored chicken eggs and some of the most stunning quail eggs around.



Eggshell color is determined by chicken breed. Nutritionally, they're all the same—and no, white ones aren't bleached

## Some Notes On Freshness

As eggs age, moisture escapes and air seeps into the shells, which means they won't be as great for fluffy scrambles or moist bakes. (Cakes want more hydration, not less.) But even eggs that have been sitting in your fridge for up to five weeks still have their uses.

### THE FLOAT TEST

Worried that an egg is too old? Place it in a tall glass of water. If it floats, it may have gone bad. Crack it open and check for a rotten smell to be sure.

### AGE AS ASSET

When hard-boiling or steaming, fresh eggs are a nightmare to peel.

Older is better: That extra air creates slight gaps and increases the pH, making the shell easier to slide off.

### A SUPPORTING ROLE

You don't need expensive eggs to bread a schnitzel or egg-wash a pie crust—or to fill an Easter basket.

## Unscrambling Bird-Word Hype

### FREE-RANGE

A misleading term that means the chicken can access what may be a very small, even concrete outdoor space.

### CAGE-FREE

All this tells you is that multiple hens are given at least a square foot of

space. They might still be packed into a warehouse.

### CERTIFIED HUMANE PASTURE-RAISED

Third-party certification guarantees each bird six hours a day of outdoor time and 2 feet of space.

# A Cup That Runneth Over

Do you really need a different wine glass for every grape varietal?

Our critic says no

By *Elin McCoy*

There are many things I love about wine: the rich color of a lush Napa cabernet, the grassy aromas of a bright sauvignon blanc, the texture of fizzing bubbles in Champagne. The bonus? The only equipment you need to appreciate such sensory delights are a nose, a mouth—and a glass.

The conundrum, however, is which wine glass to buy among the vast array of options. The modern obsession to find the “right” glass started in the 1980s with the Austrian company Riedel, which built its reputation by convincing wine lovers that each grape needed a specially shaped glass to enhance the unique nuances in its flavor. Critics, sommeliers, and virtuoso designers keep using the latest scientific engineering (and their own style preferences) as an excuse to invent new shapes. But they don’t always succeed.

The current mood is for a universal version that works just as well for reds, whites, and even sparkling wines now that the flute fad is dead. The movement is part of a larger push to simplify our lives and Marie-Kondo our cupboards. Today’s more casual attitude has made investing in a dozen hyperspecialized designs—not to mention those pretentious balloon glasses that look perfect for goldfish—wildly passé.

In the past, I’ve participated in professional glass manufacturer workshops comparing designs to pick the best one for a particular varietal—the ideal glass shape for, say, a German riesling or an Argentine

malbec—and I’ve usually found the distinctions pretty subtle.

But a great glass does make a difference, especially for aromas. A cru classé Bordeaux simply doesn’t taste as good out of a Mason jar or the stemless bodega glassware you find in natural wine bars. And don’t underestimate the pure physical pleasure of holding luxury stemware. The best options are lead-free crystal and have a similar anatomy: a foot for stability, a long stem, and a transparent bowl large enough to hold about 4 ounces of wine when a third to half full. The stem makes it easier to swirl wine to release its bouquet and keeps your hand from warming the wine.

The biggest differentiator is the precise shape of the bowl. The wide base of red wine glasses brings in more oxygen to help soften the tannins. David Kong, founder of Glasvin, says the amount the glass curves inward as it narrows to the top controls the amount of aeration, and thus how intense the aromas are.

My picks reflect the vogue for lightweight, extremely thin-rimmed glasses. This preference started more than a decade ago with the angular, minimalist Zalto Denk’Art Universal, soon joined by the smaller, featherweight Gabriel-Glas Gold, which has a scarily thin stem and delicate curve. Both are brilliant one-size-fits-all choices, but because of lingering Covid-19 logistical issues, they may not be available in the U.S. until summer.

Some new options work better than others. Most affordable is the Lenox Signature Series Cool. The collaboration with sommelier Victoria James explores a new idea: separate glasses for cool and warm wine regions. The Cool glass doesn’t have the lightness of more costly examples, but it does have a thin rim and shows off expansive aromas for reds and whites. The best value is the GlasVin Universal, which made its debut in 2020. It’s ultralight and great for any wine.

Most sensual is the Josephine No. 2 from maestro Kurt Zalto’s new partnership with the Josephinenhütte company. The striking feature is a ripple at the bowl’s widest part, which, Zalto says, allows wine to absorb extra oxygen when swirled. It’s brought out deep, clear, intense aromas and precise flavors in the wines I’ve tried, while accentuating texture.

Above all, the price of the glass you raise should reflect what you’re willing to spend for a bottle of wine.

No bowl shape on Earth can improve that bottle of two-buck Chuck, but a cheap plastic cup can ruin all the subtleties of a great wine. **B**



Zalto Denk'Art  
Universal  
\$68

Josephine No. 2  
\$74

GlasVin  
Universal  
\$75 for two

Gabriel-Glas Gold  
\$89

# Rinse, Repeat

A countertop glass cleaner gives home kitchens a splash of the professional

*By Matthew Kronsberg*

*Photograph by Takamasa Ota*

For practicality's sake, most of the cool tools that bartenders and baristas have at their fingertips never make it to home kitchens. But Delta Faucet Co.'s Metal Glass Rinser (from \$242) can bring a specialist's flair and functionality to just about any countertop. Before taking a drink, press a glass or cup upside down on the rinser, and powerful jets of water spray up, blasting away any soapy residue or dust with far more force than a typical faucet. The rinser is equally useful afterward, ensuring that red wine or coffee won't leave stains behind.



## THE CASE

At 4 inches in diameter, with a five-jet, 3/4-inch-wide nozzle at its center, Delta's glass rinser accommodates everything from the daintiest demitasse up to a proper pint glass. It's got enough spray power to reach the far end of tall

## THE COMPETITION

- Set up the \$144 Spülboy Neptun T2000 when you want glassware truly sparkling. Along with a long spray nozzle for rinsing the insides is a brush-filled canister for cleaning the outside as well.
- Barista Basics' \$229 Glass Rinser gets additional power by channeling the water through

four holes in the central nozzle. It has a wobble plate activation to make spraying easier and is available in black or stainless steel.

- Cleaning tools from Brushtech Brushes include a \$25 Sommelier Washing Kit with three foam-bristled brushes shaped to bring a sparkle to delicate goblets, flutes, and decanters.

Champagne flutes and narrow water bottles, too. An open-ended chute design sluices the water directly into the sink. Installation is straightforward, particularly if the rinser is replacing a countertop-mounted soap dispenser or spray nozzle: Drop it

in and connect it to the cold or hot water that feeds your faucet. Matching the rinser to an existing tap should be easy—it comes in seven finishes, including Champagne Bronze (pictured), Arctic Stainless, and Matte Black. *From \$242; [deltafaucet.com](http://deltafaucet.com)*

# Musk's Money Doesn't Just Talk, It Tweets

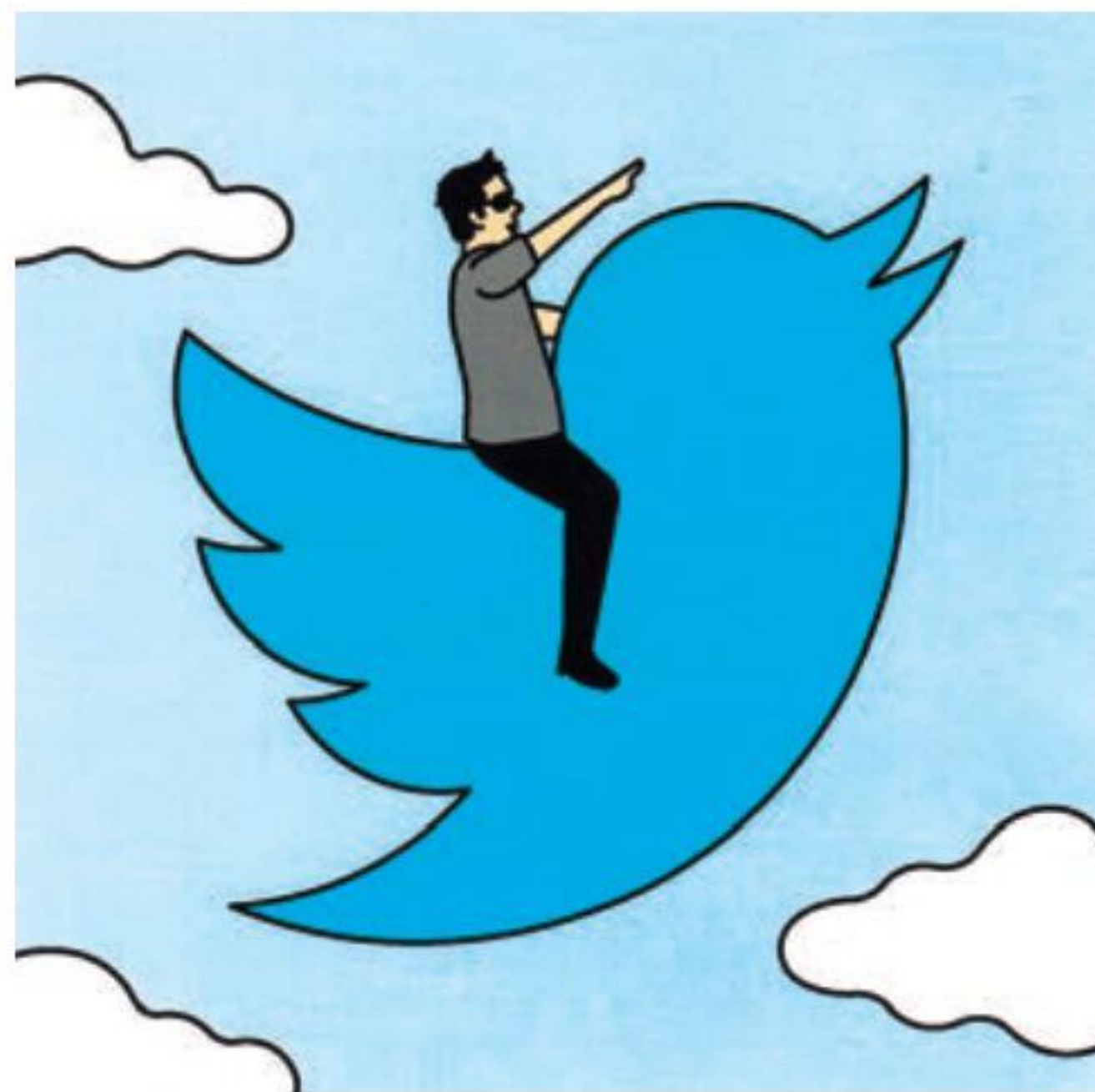
By Alex Webb

Given the proximity to April 1, the headline requires more than just a second reading. Elon Musk, the world's richest man and the chief executive officer of Tesla Inc., has bought a 9.2% stake in Twitter Inc., making him the company's biggest shareholder.

It feels like a post-postmodern joke. Musk moves stocks and cryptocurrencies alike with his tweets. So perhaps it's only right and proper that the platform that's home to many a meme should become a meme stock itself.

Trying to guess precisely what Musk is up to is, of course, a mug's game. The type of filing he initially used to announce the stake, which was submitted on March 14 but published on April 4, in theory meant he could be only a passive investor. By April 5, with a freshly granted seat on Twitter's now 12-person board, he had refiled the disclosure to classify himself as active. CEO Parag Agrawal and his predecessor Jack Dorsey, who's still a board member and counts Musk as a friend, both tweeted their support for the appointment.

And active Musk certainly is. He's already openly agitating for a function to edit tweets. (Twitter says it was already working on the feature.) The question is whether his personal interests align with those of the company's other investors, because he doesn't seem to be getting involved for financial reasons. The investment is little more than a rounding error for Musk, who's worth \$276 billion, according to the Bloomberg Billionaires



Index. A rise in Tesla stock over the two weeks through April 5 increased his net worth more than a 1,000% jump in Twitter's share price would.

Musk's priority may instead be increased influence. He's long bloviated about the perceived failings of the media. Remember his plans for a social platform called Pravda, where people could "rate the truth" of articles? On March 25, after acquiring the stake but before announcing it, Musk polled his followers on Twitter itself

about whether they believed the platform "rigorously" adhered to the principles of free speech. Some 70% said they thought it did not. His Twitter account has been an essential channel to drive investor interest in Tesla; losing that mouthpiece would be a risk to Tesla's business.

It's also relatively easy to wield influence at Twitter. The hedge fund Elliott Investment Management secured a board seat in 2020 with just 4% of the company's shares. Dorsey subsequently resigned as CEO.

Twitter was trading at 50 times its expected earnings over the next 12 months at the time of Musk's announcement. Its stock was either overpriced, or investors already thought Twitter will be able to increase its profit very quickly in the next few years. Does Musk have a secret strategy to turbocharge Twitter's earnings? It seems unlikely. But that doesn't mean he can't send the share price into the stratosphere. Twitter opened 23% higher after Musk revealed his stake. **B**



# What if →



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