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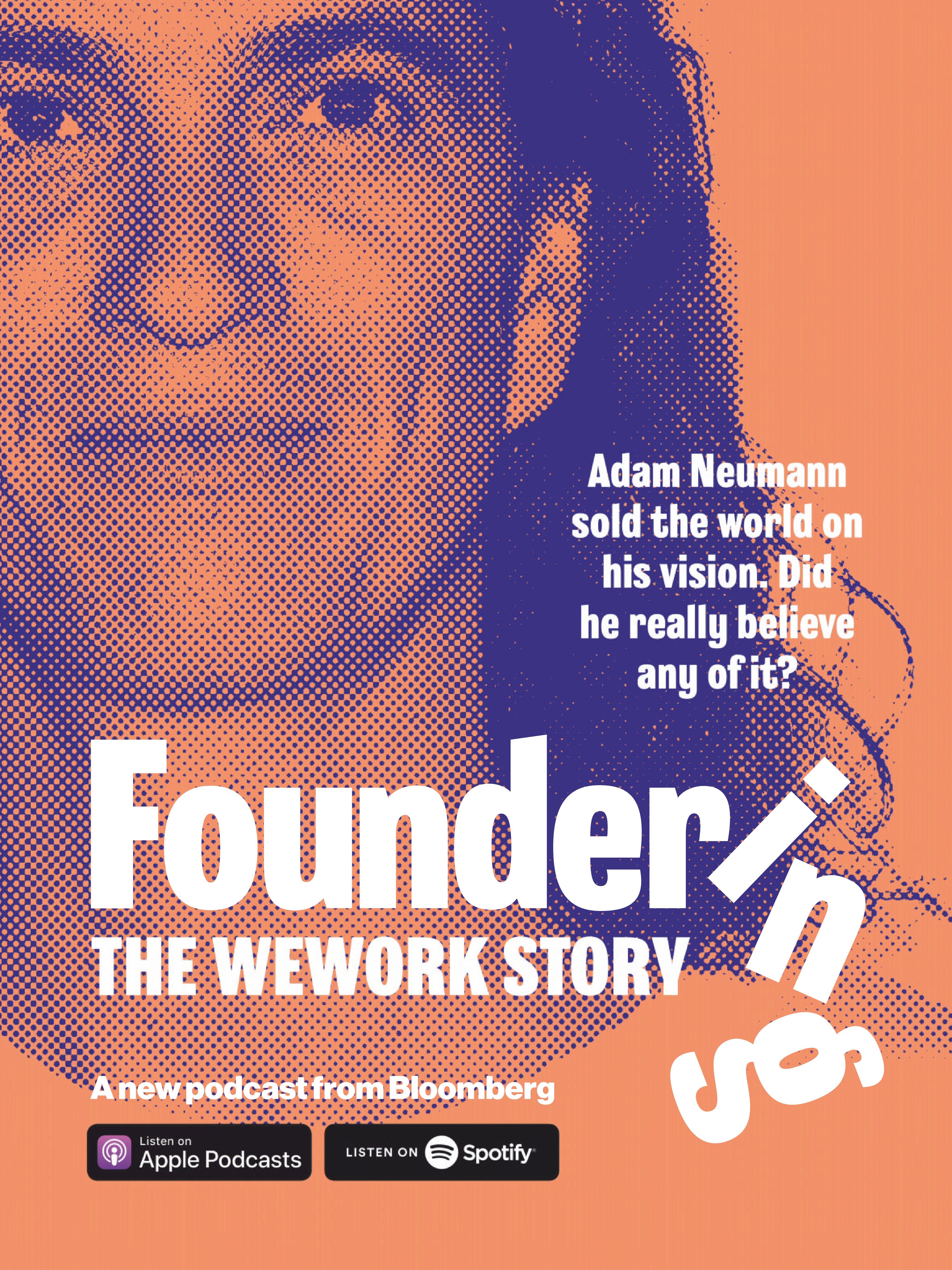
Bloomberg Businessweek

June 29, 2020

THE KING AND THE CEO

LeBron James and longtime business partner Maverick Carter have raised $100 million to expand their media empire—at perhaps just the right moment 38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◀ James named SpringHill after the Akron apartment complex of his youth

PHOTOGRAPH BY IKE EDEANI FOR BLOOMBERG BUSINESSWEEK

FEATURES

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■ COVER TRAIL

How the cover gets made

❶ "This week we're talking about LeBron James and his new company with Maverick Carter. They got $100 million from some big-time investors."

"Soooo, you could say it's another grand slam for King James?"

"Wrong sport, but sure, the metaphor holds. Also, they've agreed to a shoot."

"We'll make sure not to fumble this one."

"Not a sports fan, are you?"

"Does ultimate Frisbee count?"

Cover: Photograph by Ike Edeani for *Bloomberg Businessweek*

AIRBNB: PHOTOGRAPH BY RYAN YOUNG FOR BLOOMBERG BUSINESSWEEK

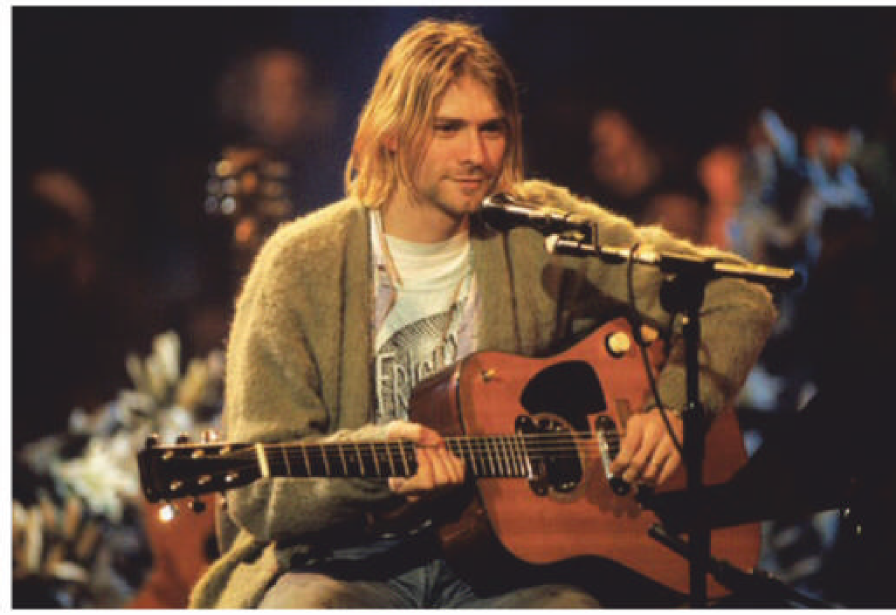
● Coronavirus infections in Florida rose to another high, and Texas Governor Greg Abbott said contagion was accelerating at "an unacceptable rate," though he doesn't want to reimpose an economic lockdown. Globally, cases have passed

9m

and deaths have topped 478,000.

● UBS predicted that up to a third of its employees might now work remotely on a permanent basis.

The Swiss banking giant, which employs almost 70,000, had 80% of its worldwide staff at home at the height of the pandemic.

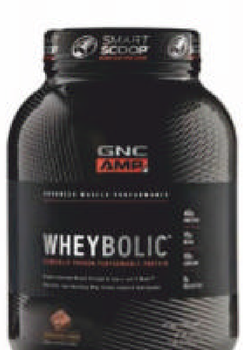


● The guitar Kurt Cobain played at Nirvana's historic *MTV Unplugged* concert in 1993 sold for a record $6 million at an auction in Beverly Hills. The buyer of the 1959 Martin D-18E acoustic-electric guitar was Peter Freedman, founder of Rode Microphones.

● Wirecard is imploding after revealing that €1.9 billion ($2.1 billion) has gone missing.

Markus Braun, who built the fintech company over almost two decades as CEO, resigned and was later detained by prosecutors, who accuse him of inflating the balance sheet. Braun says Wirecard, long a star performer on Germany's stock market, was the victim of possible fraud. ▷ 12

● GNC filed for bankruptcy protection. The health company will close stores and is looking for a buyer, with an initial bidding price of $760 million, subject to court approval.



● "What I heard—repeatedly—was that Roger Stone

was being treated differently from any other defendant because of his relationship to the president."

Former federal prosecutor Aaron Zelinsky, testifying before Congress that political pressure was behind the Justice Department's decision to reduce its sentence recommendation in the Stone case.

● SoftBank sold a stake in wireless carrier T-Mobile US valued at

$21b

The Japanese investment giant is raising funds after suffering record losses from wrong-way bets on WeWork and other startups.

● The UN said almost 260 million children worldwide were excluded from education in 2018.

Girls, the disabled, immigrants, and ethnic minorities were particularly vulnerable, the report by the Unesco education body found.

● Mount Merapi, Indonesia's most active volcano, erupted twice on June 21, spewing an ash plume high into the sky. Merapi's last eruption, in 2019, killed more than 300 people.

● Bayer agreed to pay as much as

$10.9b

to settle lawsuits alleging that its Roundup weedkiller caused cancer. The German chemicals company inherited the litigation as part of its takeover of seeds giant Monsanto in 2018. Bayer has maintained that Roundup is safe if it's used properly.

COBAIN: FRANK MICELOTTA/GETTY IMAGES. STONE: MANUEL BALCE CENETA/AP IMAGES. MERAPI: SLAMET RIYADI/AP IMAGES. GNC: COURTESY GNC

What the Next U.S. Economic Stimulus Should Look Like

So far, the U.S. economic policy response to the coronavirus crisis has been impressive. Nobody could accuse Congress and the Federal Reserve of being timid about supporting output and employment.

Even so, their work is just getting started. The recovery is under way, but it follows an extraordinarily deep decline. If all goes well from here–a big if–it will take months and maybe years to get back on track. Meanwhile, several of the emergency budget measures included in the recent Cares Act and other pandemic legislation will soon expire. The economy needs a new round of fiscal support.

In designing the next package, Congress would be wise to lean heavily on the plan advanced recently by Jason Furman, Timothy Geithner, Glenn Hubbard, and Melissa Kearney–distinguished economists and former policymakers from both parties. Their proposal not only meets the needs of the moment by extending support where required, but it also redesigns several of the main instruments of fiscal stimulus so they'll work more effectively both now and in future recessions.

The plan includes extended income support for the unemployed and underemployed, new temporary subsidies for low-wage workers, cheap loans for small and medium-size businesses, and additional support for state and local governments. The eventual cost isn't certain. It might range from \$1 trillion to \$2 trillion, say the authors, depending on the speed of recovery. But this elasticity is a good thing. Settling on a number for additional spending regardless of how things work out makes little sense, because the slower the recovery, the more support will be needed. It's better to specify the policies and let conditions dictate the outlay.

The Cares Act supplemented existing unemployment insurance programs with several measures, including an extra payment of \$600 a week for those out of work. That's one of the provisions due to expire in July. Furman and colleagues propose to extend the extra support but in the form of an addition to state unemployment benefits that's capped at 40% of covered wages up to a maximum of \$400 a week. The idea is to replace, in all, about 80% to 90% of lost wages for workers who were making the median wage or less. This avoids the financial penalty that the flat \$600, if renewed, would impose on low-wage workers returning to their jobs.

In addition, the plan would permanently link federal support for extended unemployment insurance to state jobless rates. That way, workers in areas with high unemployment get more help, and the additional support phases out automatically as more people get back to work.

The plan both extends and modifies other aspects of the existing fiscal-support measures. For instance, instead of the forgivable loans of the Paycheck Protection Program, it favors loan subsidies. This kind of support is better targeted at companies that will be viable and capable of expanding as the recovery advances, vs. those that are likely to fail regardless.

The scheme shouldn't rule out other additions to public spending, least of all investments that would pay for themselves, such as funding for infrastructure and clean energy. And it shouldn't sideline broader fiscal reform, including the need for a fairer system of taxes and entitlements and a plan for securing long-term budgetary control. For the moment, though, an effective response to the pandemic must come first. That means supporting demand, boosting employment, and protecting the most vulnerable from economic harm. If the existing instruments for achieving those goals can be made more powerful at the same time, so much the better. Ⓑ

For more commentary, go to bloomberg.com/opinion

■ AGENDA

ILLUSTRATION BY JACK TAYLOR

▶ Steering Through Tumultuous Times

Germany takes over the presidency of the council of the European Union on July 1 for six months, giving the region's biggest economy a mandate to shape a concerted recovery effort from the coronavirus pandemic.

▶ China reports second-quarter GDP figures on July 15. The economy has begun to mend as the coronavirus retreats, but infections have flared up again in Beijing.

▶ Daimler holds its annual general meeting on July 8. Investors at the virtual gathering will grill management on last year's multiple profit warnings and the outlook for 2020.

▶ Ralph Hamers packs up his bags at Dutch lender ING at the end of June and moves to Zurich, where he's due to take over at UBS later this year from CEO Sergio Ermotti.

▶ The Reserve Bank of Australia unveils its interest rate decision on July 7. Borrowing costs stand at 0.25%; the bank has said it will likely maintain current levels for years.

▶ A June 30 deadline looms for negotiators from London and Brussels to decide whether to prolong the post-Brexit transition period by one or two years.

▶ Brazil's Banco BTG Pactual, the investment bank controlled by billionaire André Esteves, will price its planned share sale on June 29.


ADVERTISEMENT
Building Partnerships
to Succeed in Southeast Asia
Thousands of the micro, small and medium-sized enterprises (MSMEs) that comprise Southeast Asia's economic engine risk falling short of their full potential unless they find a banking partner that can help them network, expand and better serve customers.
Bangkok Bank

MSMEs account for up to 99% of business establishments in key sectors of Southeast Asia's rapidly growing economies. They are the lifeblood of communities across the region, employing more than 80% of the workforce and contributing more than half of the GDP. The livelihood, well-being and future of millions of people hinge on their success.

The majority of MSMEs across the region struggle to achieve meaningful growth. A lack of financing is often the deflating factor. Nearly two-thirds of MSMEs require financing to make business-critical investments in everything from technology to advertising, yet less than one-third find it easy to secure the funds they need. Financial institutions are often reluctant to lend to MSMEs due to high failure rates, information asymmetry and higher transaction costs.

The chronic mismatch between what MSMEs need and what they can get is hindering their ability to make the most of an unprecedented moment in Southeast Asia's history: the 10-country ASEAN bloc is on course to become the world's fourth-largest economy by 2030.

A CRITICAL MOMENT FOR SOUTHEAST ASIA

A young, urban and increasingly connected labor force is driving growth in Southeast Asia's middle class. This is fueling new business trends and rapid digitalization as the region's MSMEs rise to meet evolving consumer demands. In tandem, increasing trade flows between ASEAN countries and with trading partners around the world are opening remarkable opportunities.

The 10-country ASEAN bloc is on course to become the world's fourth-largest economy by 2030.

To seize the moment, MSMEs must adjust their business strategies and adopt digital tools and platforms that will help them to overcome barriers. At the local level, that means shifting towards e-commerce in a region that is home to some of the world's most active internet users. E-commerce in Southeast Asia is forecast to be worth $102 billion by 2025, more than twenty times what it was worth in 2015. At the international level, success entails using technology to simplify complex cross-border trading processes, facilitate cross-border payments and strengthen their international reach.

Southeast Asia's MSMEs need a reliable banking partner that can help them maximize their potential against the backdrop of urbanization and digitalization. They require more than just a financial services provider, they need a partner that has deep roots across the region and is well versed in the challenges and opportunities that define this dynamic crossroads. In short, they need a partner that can create value.

CREATING VALUE THROUGH MEANINGFUL PARTNERSHIPS

Bangkok Bank has been helping MSMEs in Thailand and across the rest of Southeast Asia navigate challenges and achieve growth for 75 years. It offers innovative tools and solutions that enable clients to overcome business barriers and tap into the opportunities that define the present moment.

One such solution is BeWallet. The mobile application enables clients to transact cross-border payments in a matter of seconds using QR codes. BeWallet is linked to the UnionPay network that comprises more than 16 million merchants across Asia. The application was designed to resonate with the young, mobile-minded generation that is driving tremendous economic activity and prefers the security and convenience of digital payments.

On the support side, Bangkok Bank's AEC Connect provides MSMEs in the ASEAN Economic Community with the guidance and advice that they need to expand their businesses. A Thai company that wants to expand into Indonesia, for instance, could tap AEC Connect to learn more about the laws and regulations that it will have to follow when opening an office in Jakarta. This saves time and money, paving the way to success.

SUPPORTING A NEW BREED OF START-UPS

Bangkok Bank supports Southeast Asia's burgeoning start-up scene. Bangkok Bank InnoHub is at the heart of the Bank's effort. The start-up accelerator program focuses on developing innovative solutions across digitization, automation, payment solutions, MSME solutions and enhancing customer experience. Selected start-ups receive mentorship and strategic guidance from Bangkok Bank, its venture capital arm, Bualuang Ventures, and international venture firm Nest. The goal is to help start-ups deliver solutions that, in turn, will help the region's businesses succeed.

That was the case for Singapore's Pand.ai. The start-up is using AI-powered natural language processing technology to develop conversational AI engines for Southeast Asian languages. This could power chatbots that enable financial institutions to converse digitally with customers. Pand.ai recently received pre-series A funding from Bualuang Ventures after showcasing the potential of its technology in Bangkok Bank InnoHub Season 2.

Whether working with nascent start-ups in Singapore, family-owned businesses in Thailand or medium-sized enterprises in the Philippines, Bangkok Bank has proven time and again that it is a partner that can create value. As Southeast Asia's MSMEs pursue growth, Bangkok Bank can help them every step of the way.

REMARKS

The Bubble That Never Pops

● If anything was going to get in the way of China's rise, it was Covid-19. The country shuddered but kept going

● By Tom Orlik

Don't tell President Trump, but China is winning.

The U.S. has thousands of new Covid-19 cases a day. China's reported daily case count is down to double digits. The U.S. is braced for an historic 6% contraction in gross domestic product. China's rapid rebound means it's poised for another year of growth—and a speedier catch-up in the race to overtake the U.S. as the world's biggest economy. America's international standing has seldom been lower. From the corridors of the World Health Organization to the protest-ridden streets of Hong Kong, China's global clout increases.

For many, China's world-beating rebound must come as a surprise. To read the history of China analysis in the last 30 years is to be bombarded with predictions of imminent demise. Sure, the skeptics conceded, double-digit growth looked impressive. But, they said, just poke beneath the surface, and the reality was an unsustainable bubble. The authoritarian political system was too constricting for the economy to truly thrive. Banks were stuffed with bad loans. The industrial landscape was littered with zombie companies, the urban landscape with ghost towns.

At first, it appeared Covid-19 would confirm that narrative. Reports about a virus contracted from bats and spread in a crowded wet market confirmed prejudices about a primitive and backward people. The story of Dr. Li Wenliang—the whistleblower who tried to alert China's authorities but had been silenced—affirmed the superiority of the open U.S. system. Footage of mechanical drones barking "go home" at lockdown dodgers added fears about the rise of a surveillance superstate.

The lockdown hammered China's economy. With factories closed, profits for state-owned enterprises slumped, falling close to 50% in the first months of the year. Home sales—a critical driver of China's construction boom—plummeted. Tax revenue and land sales, which are the main source of revenue for local governments, followed them down. Workers faced rising unemployment and shrinking incomes. The official data showed the jobless rate rising above 6%. Cynics assumed the reality was worse.

In the grizzly bear narrative, the arch villain in China's economy is debt. A four-trillion-yuan ($565 billion) stimulus that started as a powerful response to the 2008 great financial crisis ran too strong for too long. Debt for the economy as a whole rose precipitately—climbing from 140% of GDP in 2008 all the way to 260% in 2019. Everyone from International Monetary Fund policy wonks to Wall Street money managers to China's own communist cadres were warning of a dangerous bubble.

The biggest borrowers—state-owned enterprises, real estate developers, local governments—were the very same groups

China's Crisis Response

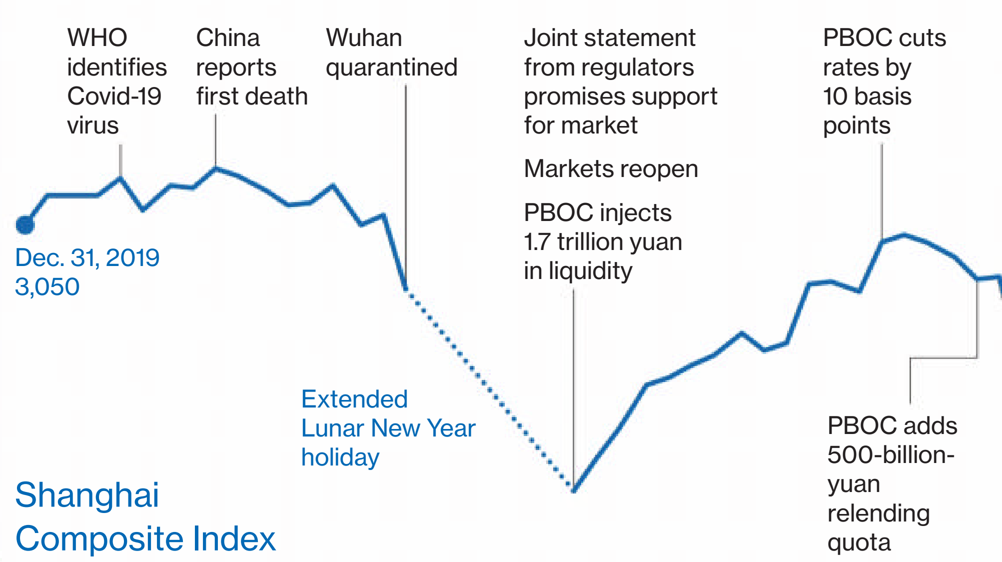


ILLUSTRATION BY 731. DATA: COMPILED BY BLOOMBERG

that were now facing plunging incomes as Covid-19 swept through the economy. Surely the day of reckoning was nigh.

For some in the Trump administration, it seemed like a good moment for a victory lap. China's outbreak would "accelerate the return of jobs to North America" said Wilbur Ross, the commerce secretary. Back at the end of January, when China had the virus and the U.S. did not, that seemed tone-deaf to human suffering. A few months later, with China in recovery mode and the U.S. reporting 2.2 million cases, it's clear that it was also off-base on where the economic costs would fall.

Beijing took action on Feb. 1, a Saturday. For more than a week, China's financial markets had been closed, an extended break as policymakers kept the 1.4 billion population on lockdown for the Lunar New Year holiday. On Monday, they opened again. With traders scrambling to price in a plethora of bad news—from a rising case count to falling markets in the U.S. and Europe—there was only one way the markets could go: down.

In a show of strength, the People's Bank of China, the China Banking and Insurance Regulatory Commission, and the State Administration of Foreign Exchange issued a joint statement, committing to stabilize the market and extend more credit to small businesses stretched to the breaking point by the lockdown. More action followed. The People's Bank of China injected 1.7 trillion yuan into the economy—a record slug of cash aimed at calming nervous markets. Interest rates were cut. Bearish short sellers faced new regulatory constraints. And cash-rich insurance funds were given a clear signal: Buy stocks now.

It worked. A drop in stocks was inevitable, but with the assurance of strong support from Beijing the market quickly regained lost ground. The yuan, a crucial gauge of investor confidence, moved back to the strong side of 7 to the dollar. China's seven-day repo rate, the beating heart of the financial system, stayed low and stable, showing banks had no shortage of funds.

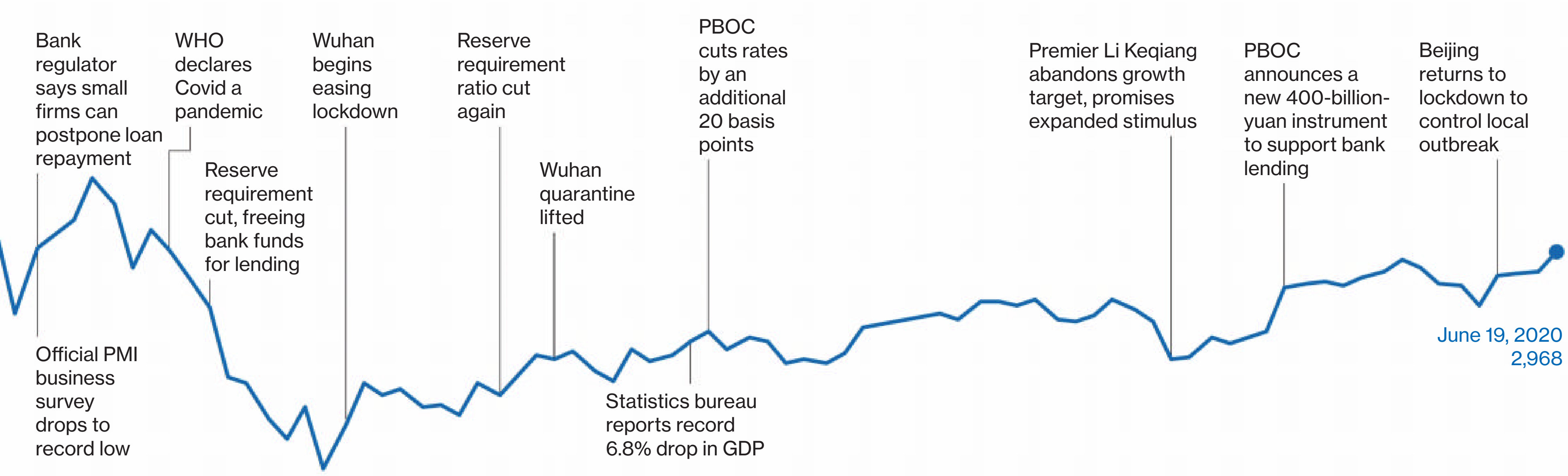
With the financial system steady, policy focused on plugging the gaps for businesses and households—preventing the lockdowns necessary to control the pandemic from triggering a downward spiral of bankruptcies and unemployment. Banks were told to go easy on borrowers. Nationwide, small enterprises and companies got a holiday on loan repayments. In Hubei, the epicenter of the outbreak, big ones were off the hook too. Fiscal policy shifted to reduce the burden on business, freeing up cash flow. An accountant at a cinema in the northern metropolis of Tianjin says breaks on taxes and social security contributions helped keep the lights on through the lockdown.

Major corporations, from state-owned dinosaurs to gleaming new tech titans, swung into action. From long experience, state-owned companies know the crisis drill—no letting workers go, no turning off the investment taps, keep money flowing through the system. Tencent Holdings Ltd. and Alibaba Group Holding Ltd., tech giants whose payment and messaging apps are the digital arteries of China's economy, created add-ons that enabled the government to judge who could leave the house safely. Leveraging its payments network, Alibaba provided cut-price loans to small businesses and street vendors, helping keep them afloat through the lockdown.

The outcome will be far from perfect. China is poised for the lowest growth of the reform era. Bloomberg Economics' forecast is for GDP to expand 2.1% in 2020, down from 6.1% in 2019 and the lowest since the start of Deng Xiaoping's reform and opening in 1978. But a system-shaking crisis has been avoided. Markets are stable. Banks are still standing.

How did China manage once again to defy the doubters? The answer—as I argue in my new book, *China: The Bubble That Never Pops*—lies in the strengths of a system that are hiding in plain sight: rock-solid funding for the banks, state intervention that can be more strength than weakness, and the competitive edge that comes from enormous size.

Let's start with the banks. Much ink has been spilled on the risks in China's financial sector. Since November 2008, when then-Premier Wen Jiabao pressed the "go" button on the four-trillion-yuan stimulus, bank assets have more than quadrupled in size. Reviewing the history of credit bubbles, the IMF found none that had expanded so quickly, but plenty of ▶



◀ more modest size that still imploded into crisis.

Worse, the problem of moral hazard—the assumption that a deep-pocketed government would backstop bad loans—was endemic. In 2019, cracks started to appear. Baoshang Bank Co., a city lender in Inner Mongolia, became the first Chinese bank in 20 years to fail. Defaults, including by state-owned companies and local governments, rose. Even ahead of the Covid-19 crisis, it seemed like sky-high debt, recklessly allocated, might result in a day of reckoning.

Maybe tomorrow, but not today. Missing from the crisis thesis was a crucial point: Financial meltdowns don't start because bad loans are too high; they happen because banks run out of funding. In the Asian Financial Crisis in 1997, Korea's banks didn't melt down because they had made too many loans to crony-capitalist *chaebol*. They melted down because the foreign funds they relied on to finance their operations dried up. In 2008, Lehman Brothers didn't collapse because it had too many investments in dodgy mortgage-backed securities. It collapsed because the money markets that financed its activity decided to cut it off.

In China, the combination of a high savings rate and tight controls on moving capital out of the country means that a lack of funding is unlikely to be a problem. Its banks can count on a steady inflow of domestic savings to provide a stable, long-term basis to fund operations. While helter-skelter expansion in lending is a problem—as are a state-dominated banking system and zombie borrowers—as long as bank funding remains adequate, there's no trigger for crisis.

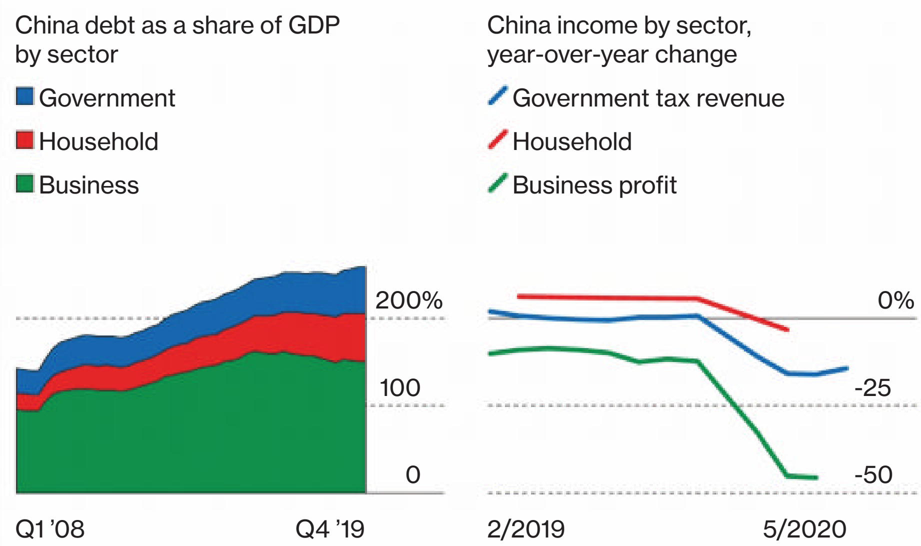
Then there is the nature of business. Nowhere is the contrast between the U.S. free-market system and China's state-centric approach as sharply drawn as in the relationship between government and corporations. In the U.S., a hands-off approach is a critical driver of economic dynamism. In China, the biggest banks, telecoms, airlines, and industrial companies are owned by the state. Even in private companies, the Communist Party exercises an influence that would be unthinkable in the U.S.

There are major costs to this approach. "We're state-owned, so we don't have to worry about profits," says the manager of one massive power project on the outskirts of Beijing. Writ large, that cavalier attitude to the niceties of actually making money means a big chunk of the corporate sector is mired in low productivity. Return on assets for state companies is a fraction of the level in the private sector.

But there are also benefits. China's direct control of state companies—and sway with the private sector—gives policymakers a powerful instrument to manage the ups and downs of the economic cycle. Rarely has that been more evident than in the response to the Covid-19 shock. State companies holding on to their employees prevented spiraling unemployment. Tech giants supported the public health response and the credit stimulus. In a crisis, government and business moving together can be a powerful force for resolution.

Behind it all are the benefits of China's enormous size. As far back as 1776, Adam Smith—the grandfather of modern economics—recognized that the "vast multitude" of China's population gave it a built-in advantage in the global economic race. If, Smith wrote, China could "learn for themselves the art of constructing all the different machines made use of in other countries," they would be able to leapfrog ahead of smaller rivals. After Deng kicked open the door to the world in 1978, and even more after entry to the World Trade Organization in 2001, China had ample opportunity to "learn for themselves." By directing the resources of the state to acquire new technologies, and then scaling them to China's massive domestic market, industrial planners were able to give Chinese companies a competitive edge first in textiles, then metals, and now high-speed trains, solar panels, and nuclear power.

After a Long Rise in Debt, a New Drop in Income



DATA: BANK FOR INTERNATIONAL SETTLEMENTS, NATIONAL BUREAU OF STATISTICS OF CHINA

That story isn't over. China's GDP per capita is just a third of the level in the U.S. That means ample room for continued catch-up growth. As China focuses its attention on the technologies of the future—from electric vehicles to industrial robots and artificial intelligence—the annual pace of growth could stay close to 5% through 2025 and end the decade not much lower. With global businesses deeply invested in their China relationship, Trump's trade war is unlikely to change the trajectory.

"There are lots of Baoshangs," says one senior banker in Henan province, hinting that other banks could go the same way as the failed lender. Maybe. But as long as the market believes the government will underwrite their operations, they will stay in business. And as long as China continues to grow, the government's ability to provide that backstop won't come into question.

One day, a crisis will come along that's too big even for Beijing to handle. When that happens, the price of allowing problems to fester in the dark will be a meltdown of monumental proportions. One day. But if a once-in-a-hundred-year pandemic doesn't pop the bubble, the question is: What will? — *With David Qu and Yinan Zhao*

Adapted from China: The Bubble That Never Pops *by Bloomberg chief economist Tom Orlik. Published by Oxford University Press.*

Germany's Fintech Dreams, Interrupted

● Wirecard was supposed to breathe new life into the country's tech sector. Then $2 billion in cash went missing

The question everyone in the German business world is asking these days is as simple as it is perplexing: How, exactly, do you misplace more than $2 billion? That's the mystery surrounding Wirecard AG. The darling of the financial community was founded two decades ago as a processor of payments for porn and gambling websites, but it morphed into a developer of software for online transactions with a roster of A-list customers such as FedEx, Ikea, and Singapore Airlines. On June 18, Wirecard said auditors couldn't locate €1.9 billion ($2.1 billion)—about four-fifths of its net cash—that was supposed to be held at a pair of banks in Asia. That spurred a sharp drop in the company's already battered share price (it's now down more than 90% from its 2018 peak) and the departure of Markus Braun, the Austrian who'd been chief executive officer since 2002. In a resignation note, Braun said, "Responsibility for all business transactions lies with the CEO." On June 23, German prosecutors said they had arrested him on suspicion of accounting fraud and market manipulation.

The sordid tale has become an embarrassment for Germany, which has been a laggard in technology despite its engineering prowess and position as Europe's biggest and most advanced economy. Wirecard was the financial-tech whiz kid that was supposed to change all that, with internet payment systems, fraud detection software, and an online bank serving both individuals and companies. Two years ago the interloper elbowed 150-year-old Commerzbank out of Germany's 30-company DAX stock index, taking a seat alongside titans such as Adidas, BMW, and SAP. But shortly after that milestone, the *Financial Times* in January 2019 reported irregularities in Wirecard's accounting, saying Asian units had inflated sales and profits. As the company launched an internal investigation, short sellers—investors who bet that shares will fall—piled in and soon controlled 14% of Wirecard's stock.

What should have been a warning sign to the

Edited by
James E. Ellis
and David Rocks

management board and regulators was perceived as an affront. Wirecard denied the *FT* story, and the lead reporter was trolled by shareholders who went into attack mode every time he mentioned the German company on Twitter. Braun denied any culpability and as recently as May 17 tweeted that "when all the noise and dust settles" investors would again recognize Wirecard's stellar potential. And crucially, while Germany's banking watchdog probed whether Wirecard had failed to meet its disclosure obligations, it banned shorting the company's stock—the first time it had ever taken such a step—and investigated possible market manipulation by short sellers colluding with journalists.

Wirecard's shares dropped sharply in the wake of the initial *FT* report, then for more than a year bounced up and down on various allegations of wrongdoing that were inevitably followed by company assurances that all was rosy. Braun even met with Paul Achleitner, the head of Deutsche Bank AG's supervisory board, to discuss a tieup, and Wirecard executives last fall commissioned a study by consultants at McKinsey & Co. exploring the idea of Wirecard buying Germany's biggest financial house. "Wirecard wanted to fake it until they made it, and essentially they got caught out," says Fraser Perring, a founder of Viceroy Research and an early short seller in the German company.

The bottom fell out when Wirecard disclosed the missing €1.9 billion and withdrew its financial results for fiscal 2019 and the first quarter of 2020. At Wirecard's headquarters in Aschheim, a quiet suburb of Munich, phone lines lit up with customers terminating contracts, and many of the 5,800 employees around the world—blindsided by the news—started sending out their résumés.

The next day, two Philippine banks believed to be holding the cash, the Bank of the Philippine Islands and BDO Unibank, said Wirecard wasn't a client. The Philippines central bank later said the funds had never entered the country's financial system, and Wirecard ultimately acknowledged the money probably doesn't exist. Moody's Investors Service cut the company's credit rating six levels, to one step above the lowest tier of junk. Braun, who owned 7% of Wirecard, was forced to sell shares he had pledged as collateral on a $150 million loan he'd taken out to buy the stock. Felix Hufeld, head of BaFin, Germany's markets regulator, said in a June 22 panel discussion that it was "one of the most appalling situations I've ever seen at a DAX company" and pledged an investigation both of Wirecard and his agency's missteps in the case. "Once we know the facts," he said, "we will most certainly sort out potential shortcomings."

▲ Braun

Cleaning up the mess will fall to James Freis, who was named interim CEO. An American who began his career as an attorney at the Federal Reserve Bank of New York, Freis later served as director of the U.S. Treasury Department's Financial Crimes Enforcement Network. Since 2014 he's been at Deutsche Börse AG—the Frankfurt stock exchange—most recently as chief compliance officer. In May, Wirecard hired Freis to run a new department called "Integrity, Legal, and Compliance," a position he was due to begin on July 1.

His first priority will be to work with a consortium of 15 big banks including Commerzbank, ABN Amro, and Barclays to negotiate an extension of almost $2 billion in debt Wirecard had taken out to finance operations. The company has hired investment bank Houlihan Lokey Inc. to develop a financing strategy, and Wirecard has said it's considering cost reductions and selling off or shuttering business units. In a video released to staff, Freis spoke about restructuring and ways to "trim the fat" but didn't mention the missing money.

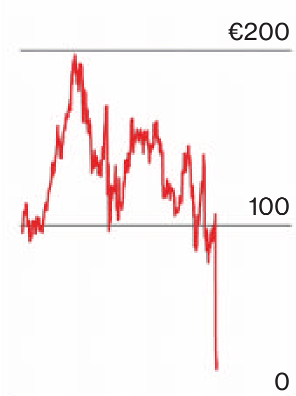
The bigger question is whether Wirecard can—or should—remain in business, says Neil Campling, an analyst at Mirabaud Securities. Payment processing and fraud detection, of course, require the trust of customers, and a company that failed to detect what appears to be a multibillion-dollar scam in its own operations might have difficulty in that line of work. Corporate clients are already jumping ship, and some people with accounts at the bank have rushed to withdraw their funds. "Whether it's quick or slow, it's death by a thousand cuts," Campling says. "Wirecard has no way back." *—Sarah Syed, William Canny, and Eyk Henning*

THE BOTTOM LINE The former payments processor for porn websites joined the benchmark DAX share index, but its stock is down 90% as it battles allegations of financial shenanigans.

▼ Wirecard's largest creditors*

ABN Amro	$226m
Commerzbank	226
ING	226
LBBW	226
Barclays	136
Crédit Agricole	136
DZ Bank	136
Lloyds	136
Bank of China	91
Citi	91

▼ Wirecard share price



MONEY: PHOTO ILLUSTRATION BY 731; GETTY IMAGES (1). BRAUN: KRISZTIAN BOCSI/BLOOMBERG. *BY ESTIMATED EXPOSURE TO A REVOLVING LOAN, ACCORDING TO DOCUMENTS OBTAINED BY BLOOMBERG. DATA: COMPILED BY BLOOMBERG

In Asia, Brands Have A Race Problem, Too

● Marketing pitches that are insensitive to Black and dark-skinned consumers are common

Almost 90 years ago, consumer-products maker Hawley & Hazel decided to piggyback on the popularity of vaudeville singers like Al Jolson, a White man who won fame in Jim Crow America performing in blackface. The Shanghai-based company named its new toothpaste brand Darkie and emblazoned its packaging with a blackfaced man sporting a top hat and a toothy grin. Even before the recent Black Lives Matter protests around the globe, maintaining that kind of racial trope would have been considered a marketing bridge too far in much of the world.

Not so in Asia. The English name on the toothpaste's packaging was changed in the late 1980s after Colgate-Palmolive Co. bought 50% of the brand, but the product kept its racially charged name in Chinese. It's still called Hei Ren Yagao—"Black Person Toothpaste"—in China and is one of the nation's top sellers.

As the Black Lives Matter movement puts companies on the spot for slavery-associated brands such as PepsiCo Inc.'s Aunt Jemima and Mars Inc.'s Uncle Ben's, multinationals also are facing growing pressure to address the racism built into their products targeted at consumers who live far from the U.S. That's particularly true in Asia, where skin color has long been tied to class and the limited visibility of Black people has allowed some businesses to ignore them—or, worse, make them the butt of their jokes—when crafting their marketing pitches.

"Even in areas like China where they don't have a lot of Black residents, it will still be a problem," says Allison Malmsten, an analyst with Daxue Consulting, a market-research firm in Shanghai. "Because of people's global awareness, it's going to be really hard to get away with any brand with a racist history, even in a country that doesn't have that history. It's only a matter of time before the pressure will be too strong."

Colgate says it's reevaluating how it positions Darlie, the slightly tweaked English name that Darkie toothpaste assumed after Colgate bought into the brand. "We are currently working with our partner to review and further evolve all aspects of the brand, including the brand name," Colgate said in a statement.

◄ A vintage ad for Darlie toothpaste in Shanghai

Change doesn't come easily when stereotypes are deeply ingrained among the region's consumers. Brands that connect white teeth and black skin, for example, can resonate with Chinese who rarely encounter Black people, says Gemmy Cheng, a 21-year-old student in Hong Kong who started brushing with Darlie as a child. "I just thought Black people usually have white teeth, so the perception the product [is] showing is that it's helping my teeth get whiter and brighter," she says. "Maybe it's because Black people are so far from our daily life, so I only have one image of them: white teeth."

Cheng certainly isn't the only one attracted to the racially tinged message. Darlie/Hei Ren is successful across East Asia, commanding 17% of the toothpaste market in China and even bigger shares in Malaysia, Singapore, and Taiwan, says Euromonitor International. Darlie is so popular, it's even inspired an imitator: Heimei (Black Sister) toothpaste, made by China's Masson Group Co.

Darlie is just one of the most prominent examples of Asian products or services playing off images associated with slavery or Jim Crow in the U.S. Shanghai-based Want Want China Holdings Ltd. sells a type of candy with the English name of Hey New; in Chinese it's Black Girl. And in 2016 a Chinese ad for laundry detergent Qiaobi promoted the effectiveness of its cleaning power by showing a young woman stuffing a Black man into a washing machine and then pulling out a light-skinned Asian man in his place.

Becoming less color-conscious could be especially difficult in Asia, a region where cosmetics companies—including L'Oréal, Shiseido, and Procter & Gamble—have long devoted a big part of their business to marketing creams and lotions that promise to lighten the skin tone of the people who use them. Some refer to their products as skin brighteners and say they can help hide freckles and cover dark blemishes. Others are less euphemistic about the racial implications of products that offer to change the skin tone of their users.

The Indian affiliate of Unilever Plc sells skin-care products called Fair & Lovely to brighten skin. In neighboring Bangladesh, Unilever is more direct, saying on its website the brand is the world's "first, safe and effective skin lightening cream" and dating it to a Hindustan Unilever scientist's discovery that vitamin B3 could lighten skin color. "Realising its potency and immense potential, he began exploring the possibility of using it to alter skin pigmentation," according to the website.

Men's skin-care brand Fair and Handsome, from another Indian company, Emami Ltd., promises "intense whitening" to users of its advanced whitening cream, and the product's packaging has a split-screen photo of a model: In one half he has dark skin; in the other, skin that's much lighter.

In many parts of Asia, "whiteness has been portrayed as something higher on the power hierarchy," says Yiu-tung Suen, an assistant professor of gender studies at the Chinese University of Hong Kong. "It's pretty easy for people to have internalized those standards to think that whiteness is something that's more valued." Hindustan Unilever didn't comment. Representatives for Emami didn't reply to an email and call seeking comment.

The recent racial awareness protests have led Johnson & Johnson to retreat from the skin-whitening business. The company says it will stop selling its line of whitening products under the Clean & Clear Fairness brand in India and its Neutrogena Fine Fairness line in Asia and the Middle East.

"Conversations over the past few weeks highlighted that some product names or claims on our Neutrogena and Clean & Clear dark spot reducer products represent fairness or White as better than your own unique skin tone," says J&J spokeswoman Kim Montagnino. "This was never our intention—healthy skin is beautiful skin."

Many cultures have difficulty seeing the problem with potentially offensive racial depictions. In Malaysia a store chain had to apologize after airing a blackface commercial in 2017. A Chinese New Year skit on state-controlled TV featured a performer in blackface in 2018. And in June a Taiwanese pop group with more than 1.4 million YouTube followers posted a video of the three singers in blackface.

That these cases keep happening shouldn't be surprising, says Jason Petrulis, an assistant professor of global history at the Education University of Hong Kong, because blackface in Asia dates to the 1850s. That's when Commodore Matthew Perry's U.S. Navy ships forced the opening of Japan to the West and his crew brought minstrel shows—with White sailors performing in blackface—to the region. "Those images are about the contrast between the Black body and the idea of cleanliness or whiteness," he says. "What that's saying implicitly, is you want to eliminate blackness from your life. You can see what power the stereotypes have in that they persist."

That's why Petrulis is skeptical about Colgate's ability to overhaul the Darlie brand. "At the core of Darlie is minstrelsy, and you can't get rid of that through cosmetic changes," he says. —*Bruce Einhorn and Yunong Wu, with Ankika Biswas and Riley Griffin*

"Black people are so far from our daily life, so I only have one image of them: white teeth"

▲ A commercial for Chinese detergent brand Qiaobi showed a Black man being put into a washing machine with the product, then coming out as a light-skinned Asian

THE BOTTOM LINE The Black Lives Matter movement has raised awareness of racial bias in marketing. But change could be hard in Asia, where many consumers have long craved whiter skin.

DARLIE AD: ALAMY. QIAOBI AD: QIAOBI/YOUTUBE

Inside Apple's Next Big Thing

● Mike Rockwell's team is developing superpowerful headsets blending AR and VR

In late 2018, Apple Inc. was a few years into its plan to build a powerful headset with both virtual- and augmented-reality capabilities when things shifted dramatically. Jony Ive, then the company's design chief, objected to some fundamental aspects of the product and urged Apple to change course.

The headset was to be the first major launch from the company since the Apple Watch and the debut device from the Technology Development Group, a secretive unit devoted to VR and AR. The TDG is led by an equally under-the-radar executive, Mike Rockwell. After stints at Dolby Laboratories Inc. and media-editing-software company Avid Technology Inc., Rockwell, 53, was hired in 2015 by Dan Riccio, Apple's top hardware executive. At first his role was loosely defined, according to interviews with current and former employees who asked not to be identified discussing internal matters. Representatives for Apple and Ive declined to comment, and the company didn't make Rockwell available for an interview.

He started building his team in late 2015, and what grew into a 1,000-strong group of engineers went to work developing two products aimed at upending the VR and AR segments. A device code-named N301 would take the best of both VR and AR—the first an all-encompassing digital experience for gaming and consuming content, and the second a tool for overlaying information such as text messages and maps in front of a viewer. The other device, N421, a lightweight pair of glasses using AR only, is more complex.

N301 was initially designed to be an ultra-powerful system, with graphics and processing speeds previously unheard of for a wearable product. The processing capabilities were so advanced—and produced so much heat—that the technology couldn't be crammed into a sleek headset. Instead, Rockwell's team planned to sell a stationary hub, which in prototype form resembled a small Mac, that would connect to the headset with a wireless signal. In Rockwell's early version, the headset would also be able to operate in a less powerful independent mode.

Ive balked at the prospect of selling a headset that would require a separate, stationary device for full functionality. He encouraged Rockwell and his team to redevelop N301 around the less powerful technology that could be embedded entirely in the device. Rockwell pushed back, arguing that a wireless hub would enable performance so superior that it would blow anything else on the market out of the water. The standoff lasted for months.

Rockwell is highly respected at Apple, with a

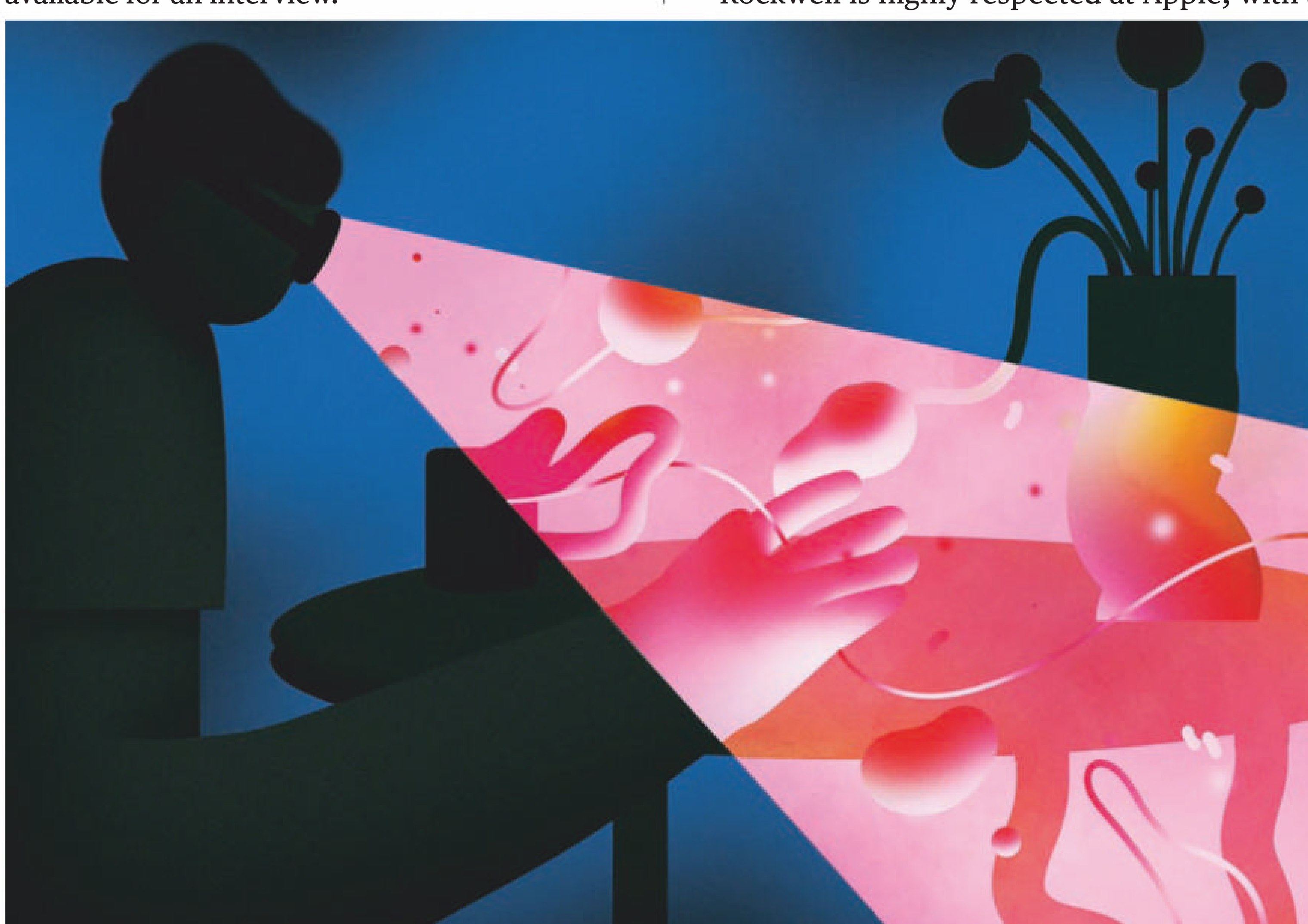


ILLUSTRATION BY SOPHI GULLBRANTS

Edited by Katrina Nicholas

reputation for being sharp, smart, and effective. He has the support of Craig Federighi's software-development group and Johny Srouji's chip-development unit, among others. The stakes are high—Apple spends more than $15 billion a year on research and development—and this isn't the first time it's redirected huge resources to an ambitious, potentially risky project.

Just months before Rockwell joined, the company set out to build an electric car to rival those of Tesla Inc. Apple hired several hundred engineers and reassigned even more internal staff. But by the end of 2016, it had started laying off people, largely abandoning development of a full vehicle in favor of underlying self-driving technology. Inside the company, the project was deemed a disaster.

Rockwell's team is still in good standing, and, while it collaborates with the rest of Apple, insiders see it as enjoying an unusual degree of independence. Based mostly in a Sunnyvale, Calif., office park about a 15-minute drive from headquarters, the TDG has its own hardware, software, operations, and content groups—staffed by some of the company's hottest talent.

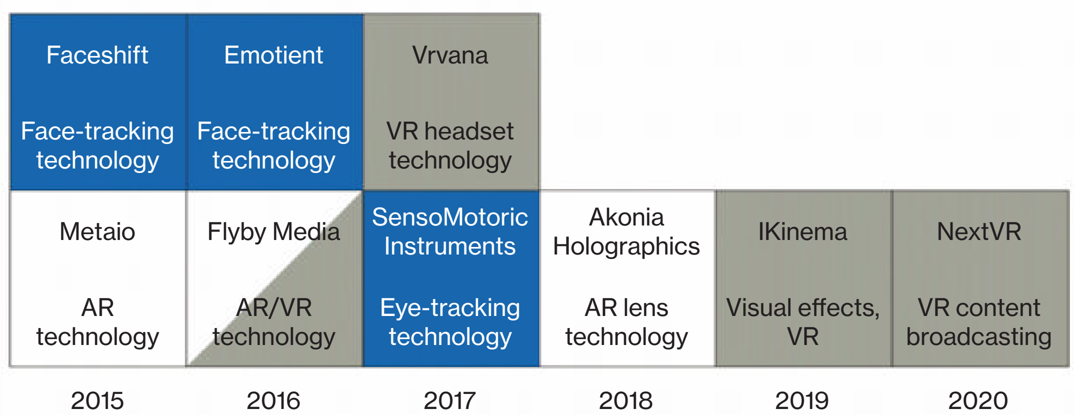
As for the impasse between Rockwell and Ive, Chief Executive Officer Tim Cook ultimately sided with the design chief. Although the headset now in development is less technologically ambitious than originally intended, it's pretty advanced. It's designed to feature ultrahigh-resolution screens that will make it almost impossible for a user to differentiate the virtual world from the real one. A cinematic speaker system will make the experience even more realistic, people who have used prototypes say. (The technology in the hub didn't go entirely to waste: Some is being recycled to build the powerful processors Apple announced this week for future Macs, replacing components made by Intel Corp.)

Still, dispensing with the hub means graphics won't be as good as they might have been, and the download speeds could be slower. It will also probably make the experience less lifelike than originally hoped. For Ive, who left last year after almost three decades at the company, a more realistic experience was potentially problematic: He didn't want Apple promoting technology that would take people out of the real world. According to people familiar with the matter, he preferred the concept of the N421 glasses, which would keep users grounded in reality while beaming maps and messages into their field of vision.

Prototypes of N301 look like a smaller Oculus Quest, Facebook Inc.'s VR headset, with a mostly fabric body but less plastic than the Quest. Apple's engineering teams are still testing the device on different head shapes to find the ideal fit. The company hasn't settled on pricing. By way of comparison, the Oculus Quest retails for $399, and Microsoft Corp.'s enterprise-focused Hololens 2 mixed-reality headset and Magic Leap AR goggles sell for $3,500 and $2,295, respectively.

N301 would have its own App Store, with a focus on gaming, and the ability to stream video content, while also serving as a sort of super-high-tech communications device for virtual meetings. Siri, Apple's voice assistant, will control both

Where Apple Has Made Its AR/VR Acquisitions



DATA: BLOOMBERG REPORTING

the headset and the eventual glasses, though the headset is also being tested with a physical remote. Apple has reassigned some engineers who were working on Siri's interface to Rockwell's team.

The division has recently lost a few key players. Peter Meier, who joined Apple in 2015 from German AR startup Metaio GmbH, left last year. Former DreamWorks Animation LLC executive Ian Richter switched to another area of Apple in October after almost two years on the job. And Cody White, who helped develop Apple's RealityKit software, which allows developers to implement 3D rendering in augmented-reality apps for the iPhone and iPad, quit in December.

Rockwell, whose team also contributes to the kit, continues to push forward. Apple announced updated tools for iPhone AR apps at its annual developer conference on June 22.

The actual hardware will take longer. Although plans could change, in an all-hands meeting last fall, Rockwell said the first headset may be announced next year and released in 2022. Apple fans can expect the AR glasses by 2023 at the earliest. *—Mark Gurman*

THE BOTTOM LINE The design goals for Apple's virtual- and augmented-reality headsets of the future have been modified after differences of opinion between two top executives.

● Apple's annual R&D budget exceeds

$15b

WeWork vs. the Whistleblower

● A former employee speaks out about the culture that undid a mega-IPO

Adam Neumann is used to dealing with conflict. Last year, when WeWork Cos. botched its initial public offering, he was forced to resign as chief executive officer of the company he founded. He's also locked in a legal battle with the coworking startup's biggest backer, Masayoshi Son.

Back in 2016, things were a bit different. Criticism of WeWork was rare. When Joanna Strange, a former employee, found and shared with Bloomberg internal documents that showed WeWork was falling far short of its financial goals, WeWork sued her. She now says the ordeal—which included questioning from the FBI—nearly broke her.

Strange's story shows the lengths to which WeWork went to stop the spread of damaging information, years before the company felt the full force of bad news. She details her experience for the first time here and in an upcoming episode of Bloomberg Technology's new podcast, *Foundering*. WeWork declined to comment.

The documents and recordings she shares provide an internal view of the embattled company before its cash-flow struggles and runaway expenses became tabloid fodder. In particular, her audio files of Neumann speaking at all-hands meetings in 2015 and 2016 give a glimpse of the man behind WeWork's rapid rise. Listened to now, his words portend its spectacular crash. He warns new employees that they might not get credit for their ideas. He says WeWork pays staff less than they could get elsewhere because he wants to make sure people are in jobs "for the right reasons." (WeWork did, however, give employees stock options.) He tells them WeWork is nice to them for the first 30 days, and just "OK" for the next 30. "By day 61, you'll know our truth," he says.

Strange was sort of adopted into WeWork. The 42-year-old mother of one worked in human resources at New York-based building-design-software firm Case Inc. In 2015, WeWork acquired Case, and Strange and her colleagues became WeWork employees. She still remembers the unsettling feeling she had when she attended her first all-hands meeting—evening gatherings called Thank God It's Monday. After an address by Neumann, attendees would hit a gong and chant "WeWork, WeWork," she says.

▲ Strange shared internal documents that showed WeWork was falling short of its financial goals

PHOTOGRAPH BY AMY LOMBARD FOR BLOOMBERG BUSINESSWEEK

Once she started her new job, Strange says she was given a high-level computer password—the login credentials of a manager a few levels above her. She was told she could use it to finish tasks that needed authorization from higher up, but which she'd been asked to do. It worked across multiple platforms, including the company's email and human resources systems. A few months in, Strange says she tried to sign into her email, expecting to see her own messages. Instead, the other manager's inbox popped up. There she spotted an email saying the company was planning to cut 7% of staff. Hers was to be one of the positions eliminated. She didn't mention this to anyone, but she says shortly afterward, colleagues started disappearing without any announcement. She asked her line manager whether there was going to be any discussion of the job cuts internally and was told no.

Strange felt the company's silence and cavalier attitude were unacceptable. "We should tell people the truth because we say we're a different kind of company," she says. "In our mission, we talked about authenticity, right? Are we going to be authentic?" She concluded the company wasn't going to be honest. "And that's when, frankly, I just went digging."

She used the manager's password to search for internal WeWork files. She found, among other things, a presentation that showed WeWork had to cut its 2016 profit forecast by almost 80% and its revenue estimate by 14%. There were long delays opening buildings, which were denting sales. Strange was infuriated that WeWork was hurting financially but hadn't told employees anything. She reached out to a reporter—me—because she felt the information should be public.

Bloomberg published two stories: one about WeWork planning staff cuts and another, a few weeks later, about the profit forecast cut. The day the second story appeared, July 15, 2016, WeWork launched legal action against Strange, saying she'd stolen company documents. As evidence, it cited internal systems that tracked her IP address and the files she had downloaded. "Being sued was terrifying," she says. "I cried a lot. I didn't sleep well."

After the lawsuit, Strange, who was laid off in June 2016, struggled to find another job. Any internet search turned up multiple news stories about her. She says two FBI agents came to her home and questioned her for hours, although she never heard of any conclusion to the probe. She worried that WeWork had the resources to prolong a lawsuit that could bankrupt her. On the advice of a lawyer friend, she didn't show up to court. WeWork was awarded a default judgment against her, which came to a little more than $3,000.

WeWork never collected the money. She's relieved the saga is over but remains nonplussed by its ending. "I remember looking at my husband and going, 'That has got to be the most anticlimactic thing that's ever happened in my life,' when it started out as something that seemed like it was going to destroy" me.

In the history of WeWork, Strange occupies a puzzling spot: She was the first insider to speak out publicly about the company's shaky finances, years before it was pilloried for losing billions of dollars annually and racking up billions more in long-term lease obligations. The stories that resulted from her disclosures were among the first to highlight WeWork was making far less money than it had predicted. But the articles, in mid-2016, didn't halt WeWork's upward trajectory. Far from it. WeWork kept on going, raising bucketloads of fresh cash. In the meantime, Strange became a pariah among her former colleagues.

Four years on, with Neumann gone and WeWork teetering, her recordings are imbued with a haunting quality. In them, you hear Neumann warn of the exact things that would contribute to his company's failed share sale. "The only thing that can ruin this is if we don't get serious about controlling our bottom line, controlling our expenses, getting very focused and getting very clear," he says in one all-hands meeting. He warns employees that WeWork has a "spending culture" and that it needs to rein in expenses or face problems. "The universe does not allow waste," he says. —*Ellen Huet*

"Being sued was terrifying. I cried a lot. I didn't sleep well"

● For the full WeWork story, listen to *Foundering*, a new podcast. Learn more at bloomberg.com/foundering.

THE BOTTOM LINE WeWork went from startup superstar to punchline in near-record time. The writing may have been on the wall all along.

Airbnb's Two Faces

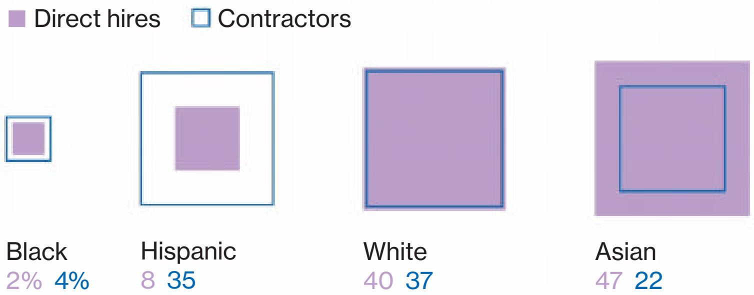
● The startup's slogan is "Belong Anywhere." For contract workers, that's easier said than done

This was supposed to be Airbnb Inc.'s big year. There were plans for a blockbuster share listing and expansion of a new ultraluxury holiday business. Instead, a global pandemic decimated travel, and the company had to sack 25% of its workforce, or about 1,900 employees.

Those layoffs, announced in May, weren't the worst of it. Questions are swirling around Airbnb's culture after it was reported that about 500 contract workers were quietly let go two weeks earlier, without any of the perks or fanfare—many of them people of color. The move clashed with how Airbnb likes to portray itself. Its slogan is "Belong ▶

Silicon Valley Employees

Share of population in each high-tech workforce



DATA: CHRIS BENNER, UNIVERSITY OF CALIFORNIA AT SANTA CRUZ

◀ Anywhere," and it's made prominent donations to the Black Lives Matter movement. After George Floyd's death in Minneapolis, Airbnb sent a message to its U.S.-based hosts and guests urging them to watch the video of the killing even if it made them uncomfortable. The overall message: Be an active ally.

The San Francisco-based company isn't a stranger to issues of racial discrimination. White hosts have been called out for not renting properties to people with Black-sounding names. Airbnb has even been taken to court by users claiming they were denied stays because of the color of their skin. Until now, the criticism has centered mainly around Airbnb's rental platform rather than the company itself. Airbnb's cuts to its full-time staff got a remarkable amount of positive coverage as layoffs go, thanks to measures that included generous severance packages and the creation of an online talent directory for prospective employers to browse.

Former contract workers have had a very different experience. Shiva Kumar was one of those who lost a job. The 45-year-old had been helping Airbnb expand its business travel listings for about 12 months. While he says the company is more diverse than other tech companies he's worked for, he noticed a huge proportion of the minority staff he encountered were contract hires. "Technology is primarily a male-dominated field and, within that, White male-dominated," Kumar says. "Men of color like me, or other Indians, Pakistanis, Filipinos, Chinese, while being a good majority of the workforce in any tech company, are very commonly underpaid and exploited."

A woman of color who was hired as a contractor recalls pulling aside a fellow woman of color on her second day. "Gut-check me here," she remembers saying. "I'm noticing that all the contractors are people of color, and most of the full-time employees are White." Her colleague whispered agreement. "The branding is all about belonging, but that's not how you feel. Airbnb is the most hypocritical company I've ever worked for," the contractor says. Like several of the more than 20 former Airbnb contractors *Bloomberg Businessweek* interviewed, she declined to be identified publicly to avoid jeopardizing future job prospects.

Part of the problem is the way technology companies structure their workforces. Contract labor is common in Silicon Valley and at multinationals the world over. It gives companies greater control over their cost base, allowing them to scale up quickly in good times and scale down fast in bad. Contractors aren't actually employed by the tech companies themselves—and don't qualify for the cushy benefits. Instead, they're hired and fired by third-party companies whose names the general public wouldn't recognize. Contractors may work in the same offices as their full-time counterparts, but they're often distinguishable in some way, either through differently colored lanyards or security badges. They may not have the same level of access to computer systems and are sometimes excluded from internal meetings, depending on what's being discussed. Other tech titans such as Alphabet Inc. and Microsoft Corp. have faced

▼ Kumar

KUMAR: PHOTOGRAPH BY RYAN YOUNG FOR BLOOMBERG BUSINESSWEEK. HAFNER: COURTESY OPENTABLE similar criticism for building a "shadow workforce" of people who are typically cheaper to hire and can be fired more easily when business sours.

"This pattern is very common in the tech industry, and it's been common for decades," says Chris Benner, a professor at the University of California at Santa Cruz who's studied racial inequality in Silicon Valley for more than 20 years. In a 2016 study he found that in Santa Clara County—the home of Alphabet, Facebook, and Tesla—African Americans and Hispanics made up only 7% of high-skill direct hires at tech companies. But they accounted for 26% of so-called white-collar contractors, such as secretaries and sales representatives, and more than half of blue-collar contractors, such as security guards and janitors.

In Airbnb's case, the contractors who were let go were employed by PRO Unlimited Inc. The contingent workforce management provider didn't respond to requests for comment. Airbnb's global head of diversity, Melissa Thomas-Hunt, acknowledges that there are concerns around the higher percentage of contract workers who are people of color. She says Airbnb is actively working toward ensuring underrepresented ethnic minorities have agency and decision-making powers internally. Chief Executive Office Brian Chesky is "very adamant that we're not going to do lip service," she says. "Our mission is belonging, and we have to actually act and be a model for that." She adds that the percentage of Black full-time workers at Airbnb remained at about 4% even after the layoffs.

After *Bloomberg Businessweek* approached Airbnb about this story, the company said in a blog post that 20% of its board and executive team will be people of color by the end of 2021. Internally, teams are being given recruitment and retention goals for minority staff that must be met by 2025. Different security badge colors for contractors are also being eliminated.

That's little comfort to those who've already been laid off. Amy Silverman had worked as a senior photo editor at Airbnb for about a year before her contract role was eliminated. Afterward, she wrote a post on LinkedIn criticizing Airbnb for not including laid-off contract workers in its talent directory. (The company subsequently did include them, but it still highlighted their employment status as contractors.) More than 1,300 people hit "like" on her missive. "The hardest thing," she says, was "seeing all that positive press and knowing we were totally invisible." —*Olivia Carville*

THE BOTTOM LINE Airbnb has been making all the right noises about Black Lives Matter and racial inclusiveness. To its contract workers, often people of color, that rankles.

BW Talks Steve Hafner

As co-founder and CEO of travel search engine Kayak Software Corp., Steve Hafner was on a plane every other day. Covid-19 has grounded him. But he sees some positives. —*By Jason Kelly and Carol Massar*

● Hafner and his co-founders sold Kayak to Booking Holdings Inc. for $1.8 billion in 2013 ● He is also CEO of OpenTable, Booking's restaurant business ● Kayak generally processes more than 6 billion travel queries a year; the pandemic has more than halved that

We both are used to being out there, doing reporting. We've been grounded since February. How and when does travel come back?

There's a long way to go, but consumers at least are thinking about flying again. They're looking for trips. Query volumes have been gradually recovering. From a business perspective, one of the few bright spots of this pandemic is it's taught people how to conduct their affairs, somewhat efficiently, online.

Has the pandemic changed any of your long-term strategic planning?

We've doubled down on a lot of product initiatives. Kayak soon is going to launch a road trip component so people can see cool places to go nearby. And our rental car business—I never thought I'd say this—is actually bigger than our flight business today. One of the silver linings is a lot of innovation on both the dining and travel side.

So what's your read on corporate travel? Maybe we don't need to take quite as many trips.

Business travel is one of the last things to return, because companies are suffering, right? It may never fully recover. That has big implications for airlines, because the business traveler usually is paying half the revenue on one of those flights. So I think you'll see the frequency of trips go down and average fares go up as business travelers no longer subsidize consumers' leisure travel.

Food is another thing that we both love. What are you seeing in terms of restaurants?

We've got about 60,000 on the OpenTable platform; about half of them have reopened. In terms of seated diners, we're down around 70%. That sounds like a big reduction, but you have to remember most aren't operating at full capacity because of the restrictions. They're selling every seat and every table they can—it's not enough to keep them in business, mind you—but it does show consumers want to get out of their houses.

● Interviews are edited for clarity and length. Listen to *Bloomberg Businessweek With Carol Massar and Jason Kelly*, weekdays from 2 p.m. to 6 p.m. ET on Bloomberg Radio.

What Is Berkshire Anyway

PHOTO ILLUSTRATION 731; PHOTO: DANIEL ZUCHNIK/WIREIMAGE

● Buffett's conglomerate was like a mutual fund, only better. It's something different now

Warren Buffett has likened it to a forest, laid out its building blocks, and even tried to break it down into different groups to explain the setup. But his Berkshire Hathaway Inc. has always defied neat categorization.

Constructed from the remains of a New England textile company, Berkshire is a mashup of businesses from the railroad BNSF to auto insurer Geico to Dairy Queen to party goods supplier Oriental Trading. It also holds a portfolio of substantial investments in public companies such as Apple Inc. and Wells Fargo & Co. The sheer diversity of the businesses has caused investors to consider the company similar to a mutual fund. Individual investors who might not otherwise consider themselves stockpickers sometimes plunge a significant chunk of their net worth into this one company. Hordes of them show up to Berkshire's celebrated annual meeting in Omaha each year to find out what the greatest investor of his generation is planning to do with their money.

Edited by Pat Regnier

From 1965 through the end of last year, the annualized return on Berkshire stock was 20.3%, compared with 10% for the S&P 500 index. It now has a total market value of $441 billion and is the only company among the six largest in the S&P 500 that wouldn't be classified as a technology giant. Berkshire's size is Buffett's achievement but also a bit of a problem. While Buffett can drop large sums of money on a deal, he also needs bigger buyouts or larger stock purchases to move the needle for Berkshire. His failure to find those "elephant-sized" deals, as he's called them, recently has contributed to Berkshire's underperformance vs. the S&P 500 in the last five years.

Even during the tumultuous market in March that started chipping away at stock valuations, Buffett was relatively quiet. That's fueled questions about what shareholders actually get when they invest in Berkshire. If they aren't reaping the benefit of Buffett's ability to strike unique and complicated deals similar to ones he's pulled off in the past—such as the BNSF buyout and the preferred stock investments with companies including Goldman Sachs Group Inc.—are they simply getting an oversize conglomerate chock-full of old-fashioned industrial businesses and retailers?

It's shifting to "being a conglomerate, and that's OK, but it does have a different value proposition for people," says Meyer Shields, an analyst at Keefe Bruyette & Woods. "It's a conglomerate that certainly in the past was able to achieve unrivaled returns, and it's much harder to see that materializing again. So you've got a bunch of very good businesses—probably some below-average, too—but you've got a bunch of very good businesses."

That's not so exciting, but it has its advantages. Buffett held a record $137 billion in cash at the end of the first quarter and has said he'll keep Berkshire as a "financial fortress." When the S&P 500 plummeted more than 38% in 2008, Berkshire was down just 32%. "What Warren offers investors and has offered them is the assurance that once the money's inside Berkshire, they're going to do what's right with it," says Tom Russo, who oversees a portfolio including Berkshire at investment adviser Gardner Russo & Gardner.

Buffett's critics wonder if his strategy has run its course. Longtime shareholder David Rolfe at Wedgewood Partners Inc. ended up getting out of the stock last year, saying that Buffett's successful deployment of his cash would be "paramount" if Berkshire wants to regain its ability to deliver outsize growth. "We know the conglomerate isn't growing anywhere near what it has in the past," he says. But investing such a large sum of money is a feat that few have tried.

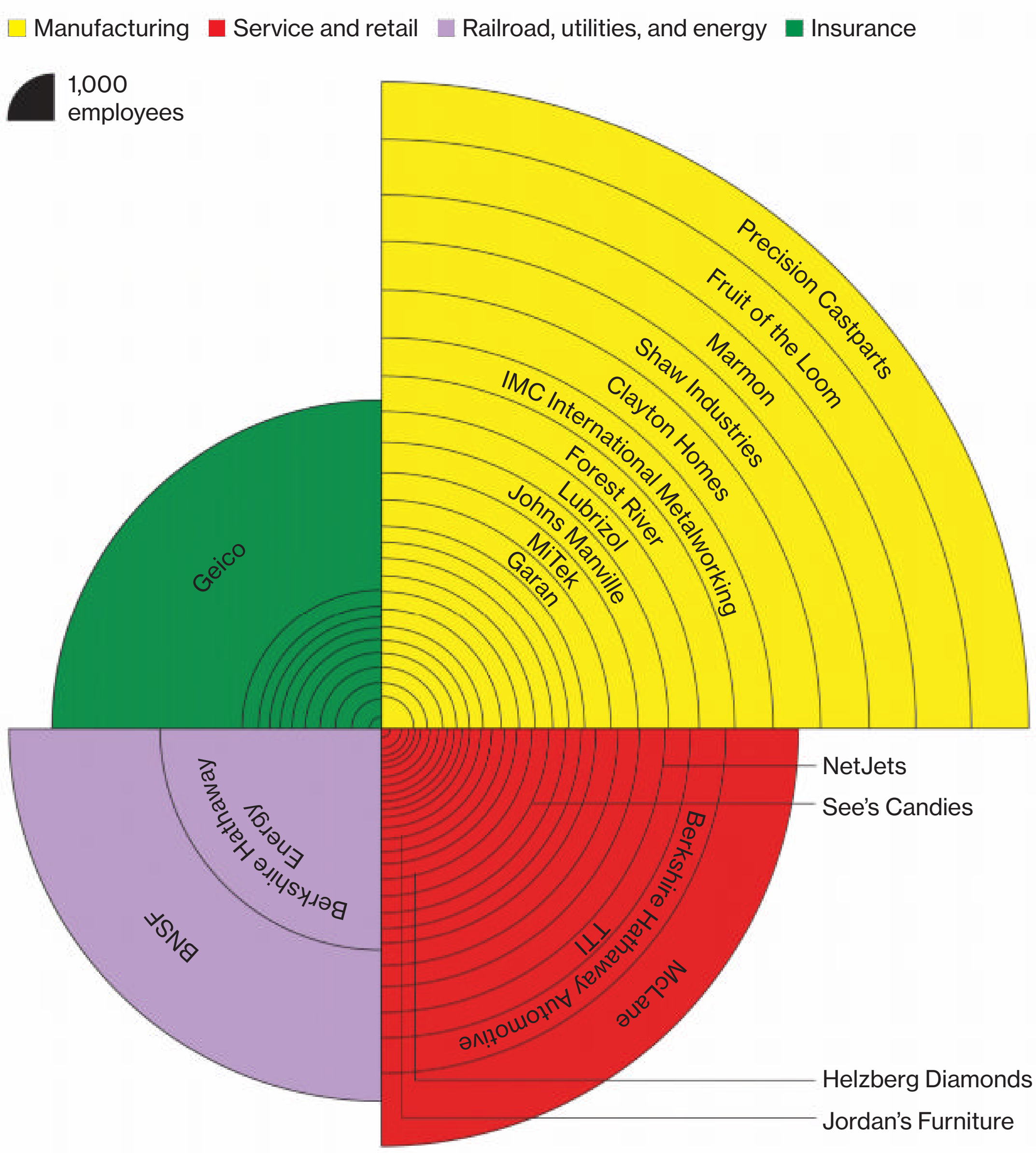
And the conditions for investing are challenging. Low interest rates and bond yields have pushed investors into stocks in search of better returns, so equity valuations are high. Buffett has had to compete with an army of private equity funds in the hunt for attractive investments. It's a tough environment for a bargain hunter—one that's "literally shut down the capital allocation machine at Berkshire," Rolfe says.

Berkshire didn't respond to requests for comment, but Buffett is acutely aware of the drag of size on its performance. He acknowledged it at the 2019 annual meeting and warned of it long before. "Warren has said for decades that, as we grow, our rate of return will go down," says James Armstrong, president of Henry H. Armstrong Associates, an asset manager that invests in Berkshire.

Berkshire's makeup has also shifted in recent decades. Buffett said in his 2018 annual letter that it had morphed from a business "whose assets are concentrated in marketable stocks into one whose major value resides in operating businesses."

Over the decades, Buffett took the textile ▶

Berkshire Hathaway's Wholly Owned Businesses



DATA: BERKSHIRE HATHAWAY. AS OF DEC. 31

◀ operations, which eventually closed, and added companies such as insurers, which generated premiums he could use to make other investments. This is essentially a cheap way to borrow money, and was an important part of the Buffett recipe. In 2000 he snapped up MidAmerican Energy, the key building block in his now sprawling energy operation. He added the railroad BNSF in 2010 in a famous crisis-era deal. With the additional purchase of Precision Castparts in a deal valued at $37.2 billion more than four years ago, Berkshire became a company with a huge concentration of its operations in industrial sectors.

"Berkshire is obviously much larger, therefore it will grow more slowly, but it is also much more defensive than it used to be, and that has value to many investors," Armstrong says. "I can't think of a better-positioned company to own if you believe that bear markets and recessions have not been permanently eliminated by some magic force."

They certainly haven't been. But the latest episode of market volatility was curiously unfriendly to Buffett's opportunistic style. In the 2008 financial crisis, companies such as Goldman Sachs turned to Berkshire because of its huge amount of capital and Buffett's reputation as a white knight investor. This time, the window for him to swoop in and do deals on the cheap slammed shut almost as soon as it opened, thanks to strong intervention by the Federal Reserve to keep interest rates low and ensure that companies could continue to borrow.

"There was a period right before the Fed acted, we were starting to get calls," Buffett said at Berkshire's meeting in May. "The companies we were getting calls from, after the Fed acted, a number of them were able to get money in the public market frankly at terms we wouldn't have given."

Berkshire still has advantages few other companies or investment portfolios can replicate. It can take the cash generated by any business it controls and redeploy it to other operations. Take See's Candies, a confectionery maker that Buffett bought in 1972 for $25 million. Since the purchase, the company had earned $1.9 billion pretax and required just $40 million in additional investments, Buffett outlined in his annual letter released in 2015. Berkshire ended up putting that leftover money to use by buying other businesses. "Envision rabbits breeding," Buffett said in the letter.

Berkshire also has unique risks, such as the question of who will eventually succeed the 89-year-old Buffett. Given that, skeptics such as Rolfe argue that investors who want exposure to some of the businesses that make up Berkshire, like Geico or BNSF, can invest in their publicly traded competitors.

Buffett's many remaining fans still see an opportunity to own, in one stock, a collection of businesses that's hard to match. "They are in completely different industries, they are affected by different forces to a large extent," Armstrong says. Along with that comes "a group of stocks, plus a big amount of cash, and that cash is allocated by people who have a demonstrated track record in doing it well." —*Katherine Chiglinsky*

THE BOTTOM LINE Berkshire Hathaway isn't growing as fast or finding as many monster deals as it used to. It's not that Buffett has lost his touch but that the business has changed.

Private Equity May Slide Into Your 401(k)

● A decision by the U.S. Department of Labor could open a new market for buyout artists: You

The Trump administration has cracked open the door for private equity funds to get into 401(k) workplace retirement plans. There's roughly $5.6 trillion in such accounts, and the prospect of capturing even a sliver of it has the industry abuzz. A more complicated question is whether ordinary investors will really want their money going into buyout funds.

Private equity is a different beast from the mutual funds retirement savers are familiar with. PE managers often buy companies whole, financing the purchase with debt that ends up on the books of the companies themselves. That adds to potential profits but also to risk and complexity. Funds tend to have long lockup periods, during which investors can't get their money out, and charge high management fees as well as take a share of profits off the top.

"The problem is these numbers are not what you think they are"

The U.S. Department of Labor, which oversees retirement plan rules, on June 3 issued guidance that's been taken as a green light to include PE funds in some plans. It doesn't say that workers should suddenly get an option to pick one by themselves. Rather a PE fund might be included as part of the portfolio of another diversified fund.

"This really sets the stage," says Jonathan Epstein, founder of the Defined Contribution Alternatives Association, a trade group that's pushed for allowing more kinds of investments, including PE, in 401(k) plans. One possibility is making PE part of a target-date fund, a popular option that mixes investments in stocks and bonds and gradually reduces exposure to risky assets as investors reach their retirement date. Such funds are often the default investment option in their plan and are chosen by plan sponsors who are obliged to look out for employees' interest. But this may mean that savers will have to read the fine print to know whether some of their money is in a private equity fund.

The complexity and illiquidity of PE funds may be a roadblock for some employers. "It is like a square peg in a round hole," says James Veneruso, who advises on retirement plans at consulting firm Callan. But that doesn't mean such challenges can't be overcome if funds can make some changes, including lower fees, he says.

A group of unions and consumer and investor advocacy organizations, including the Consumer Federation of America and Public Citizen, sent a letter to Secretary of Labor Eugene Scalia urging him to pull the guidance because of "gaping holes in investor protections." The organizations questioned not only whether small-time savers have the sophistication to make decisions on the asset class, but also whether employers and others who are in charge of choosing plan options do.

Proponents of private equity argue that PE funds, which have long been used in traditional pension plans, have outperformed public stocks. The industry also cites private equity's diversification benefits, as well as the opportunities in the private markets as the universe of public companies shrinks.

Not everyone agrees that private equity offers such impressive returns, especially after the mangers' fees. A recent paper by Ludovic Phalippou, a professor of financial economics at University of Oxford's business school, found that private equity has performed in line with comparable public stocks. Large private equity managers have disputed his findings.

One issue is that it's difficult to agree on the right benchmark for PE investments—should they be compared to the S&P 500 index or small companies or global equities? And the way their performance is commonly cited, as an internal rate of return, can be confusing and hard to compare to returns reported by mutual funds. IRR factors in the speed at which private equity hands back capital to investors after it's put to work. "The problem is these numbers are not what you think they are," says Phalippou. "These are not rates of returns that somebody earned on their capital year after year," he says.

Lurking behind all this is a broader policy fight. Regulators in the Trump era have argued that retail investors should have broader access to a lot of investments previously limited to wealthy individuals and institutions. Democrats have generally sought more regulation of financial products, and some have been critical of private equity, blaming it for loading up companies with debt and causing layoffs and bankruptcies. The government's approach could soon change with the presidential election less than five months away. As a harbinger, six Democratic senators and Bernie Sanders, the independent from Vermont, sent a letter to Scalia urging him to reconsider his decision. —*Ben Bain and Sabrina Willmer*

ILLUSTRATION BY STELLA MURPHY

THE BOTTOM LINE If private equity gets into 401(k)s, it may be layered inside other funds, making it less risky but potentially harder for savers to spot.

The Americans Left Out of the Boom

● The compound gains of equities are also compounding racial and economic inequality

Over the past few weeks, as crowds marched through the streets of America to demand an end to systemic racism, the country's stock investors were busy bidding up the market at a dizzying clip. Although the rally has cooled a bit, stock valuations remain high, and the questions linger. Do investors not care about what's going on in the streets? Do they think none of this will ever affect them?

Next to any answer to that question is a harsh truth: Stock investing, with the power of ▶

◀ compounding wealth that accumulates over years, is dominated by the affluent, and in America that overwhelmingly means White people. Not only does this divide foster the inequality that serves as a root cause of the uprisings, but it also makes it easier for the investor class to ignore the tumult caused by the killing of George Floyd. "A market is not a democracy, reflecting worldly concerns about inequality or race. It is a dollar-weighted counting machine, where investors' views are weighted by how much money they have to invest," says Aswath Damodaran, a professor of finance at New York University's Stern School of Business. "A divergence between public and market views can be driven by wealth inequality, and to the extent that wealth and race are correlated, it will look unfair on a racial basis."

Lopsided ownership demographics are as big a fact of American markets as discrepancies in household income among races—and each exacerbates the other. Data from the Federal Reserve shows about 52% of families owned stocks either directly or indirectly through retirement accounts in 2016. Breaking it down by racial makeup, 31% of Black households and 28% of Hispanic ones own equities, according to analysis published by the central bank. That compares with 61% of White families.

"We don't have multigenerational wealth," says John Rogers Jr., founder of Ariel Investments, one of the biggest Black-owned investment companies. "And so therefore, we don't have grandfathers and grandmothers and aunts and uncles that have been teaching us about the markets as we grow up and how to get comfortable in the wealth that can be created in the stock market."

Disparities like these, mirroring gaps in income, allow divisions in wealth creation to widen, particularly in the postcrisis period, where over about a decade the S&P 500 delivered annualized returns of almost 17% and some $25 trillion was added to the value of American stocks. Indeed, at times during the bull market, gains in U.S. shares exceeded gains in worker pay by more than in any stretch in at least half a century.

Much of the market's rebound since March was driven by the Fed, which has frantically campaigned to support markets. Against that backdrop, Raphael Bostic, the first Black Fed president in the central bank's 106-year history, has called on policymakers to take action to create more opportunities for minorities and the poor.

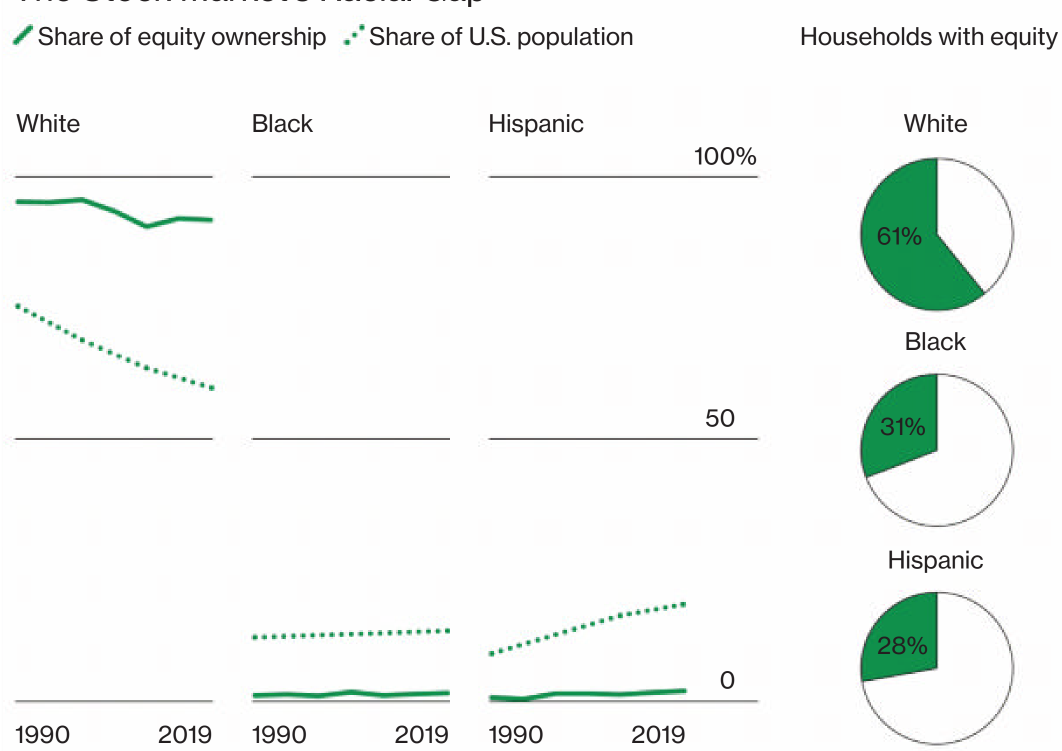
A paper by Moritz Kuhn, Moritz Schularick, and Ulrike Steins and accepted for publication this year by the *Journal of Political Economy* indicates that after the Great Recession, the bottom 50% of Americans in terms of wealth distribution saw their wealth shrink by 15% of its 2007 level by 2016, primarily because of the drop in residential real estate values. The top 10% emerged relatively unscathed thanks to equity gains. Meanwhile, there was an outsize negative impact on Black Americans. "The typical Black household remains poorer than 80% of White households," the researchers wrote.

According to a working paper by the left-leaning Roosevelt Institute, shareholder payments in the form of stock buybacks and dividends that went to White families from 2004 to 2019 totaled $13 trillion, compared with $181 billion that went to Black households and $212 billion that went to Hispanic households in the same period. That gap is far out of proportion to the U.S. population, which is about 60% White, 13% Black, and 18% Hispanic.

"In the last decade we talked about the '1 Percent' as a wealth group in society," but the conversation often didn't clarify the group consisted of wealthy White households, says Lenore Palladino, a Roosevelt Institute fellow and assistant professor at the University of Massachusetts at Amherst, who wrote the paper.

"All the problems that face our society all come back to the fact that we're a capitalist democracy," ays Ariel's Rogers. "And if we're not fully participants in the capitalist democracy, it just compounds and compounds and compounds and creates the kind of frustration that you're seeing in the streets." —*Max Reyes*

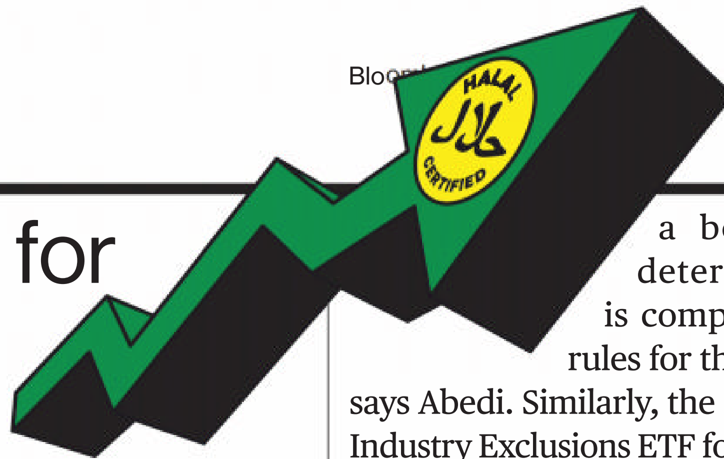
The Stock Market's Racial Gap



EQUITY OWNERSHIP BY HOUSEHOLD. 2019 DATA IS AS OF Q3. DATA: FEDERAL RESERVE, ROOSEVELT INSTITUTE, U.S. CENSUS

THE BOTTOM LINE White households in the U.S. bring in vastly higher payments from dividends and stock buybacks than Black and Hispanic ones, exacerbating the economic divide.

Fitting ETFs for The Faithful



● Funds aim to attract Muslims and Christians who want to align their money and their values

As much as Samim Abedi loved his job as part of the team that managed Google's corporate investment portfolio, he couldn't always square the work with his Muslim faith. He worried that some of the companies whose securities he traded had ties to alcohol or tobacco or gambling.

So he quit to join Wahed Invest, which in July 2019 launched the first exchange-traded fund in the U.S. that's compliant with Sharia, Islam's religious law. It's one of nine ETFs introduced in the U.S. since the start of 2019 that incorporate faith-based principles, bringing the total to 12. More are coming: In June money manager Global X filed to launch a bond fund reflecting Catholic values. "We're all trying to solve the same question," says Abedi, Wahed's global head of portfolio management. "How do we invest our wealth in ways that align with our ethics?"

Religion-based funds can differ on what they consider ethical. A stock fund that caters to Catholics shuns companies that sell weapons or exploit child labor. Several ETFs for Muslims steer clear of anything related to interest-based finance, which the religion frowns upon. Those funds invest in a Sharia-compliant alternative to bonds called *sukuk*, which provide regular payments that are considered profit-sharing rather than interest.

New religious ETF offerings come alongside the boom in responsible investing, often referred to by the shorthand ESG, for environmental, social, and governance. Global assets in ETFs under the ESG category have almost doubled in the past year, reaching more than $110 billion, according to data compiled by Bloomberg. There's about $1.9 billion globally in equity-focused religious and exclusionary ETFs. That's tiny, compared with more than $6 trillion in overall ETF assets, but money managers see a big untapped market. "We felt like it was a prime opportunity to go into a business where there really isn't much competition at the moment," says Naushad Virji, chief executive officer of SP Funds, another ETF operator, about the Muslim investing space.

Abedi's fund, Wahed FTSE USA Shariah ETF, trades under the ticker HLAL, a nod to halal, an Arabic word for "permissible." It tracks an index compiled by the FTSE Russell, which works with a board of experts that determines each company is compliant. "They're not just rules for the sake of being difficult," says Abedi. Similarly, the SP Funds S&P 500 Sharia Industry Exclusions ETF follows a version of the S&P 500 index that's screened for religious objections. (SP Funds and S&P Dow Jones Indices, which created the index, are unrelated companies.)

Defining ESG stocks in general is fraught—different companies have different understandings of the rules their clients want to follow. Religious beliefs add layers of complexity, and disagreement can be strong even within a religious group. "This is a much-disputed area. What constitutes ethical investing?" asks Luke Bretherton, professor of theological ethics at the Duke Divinity School.

Wahed's ETF, for instance, doesn't own banks or companies that get revenue from the sale of alcohol or pork products. Yet some of its top holdings, such as Tesla Inc., carry a lot of interest-bearing debt. And while makers or sellers of weapons are shunned by indexes tracked by the Wahed and SP Funds, some Muslim-based indexes allow those companies.

At Timothy Plan, which since 1994 has managed what it calls Biblically oriented mutual funds, companies that manufacture firearms are acceptable. But it won't hold Target Corp., because, among other reasons, the retailer has a policy allowing people to use the bathroom that corresponds to their gender identity. According to founder Arthur Ally, shares of Walt Disney Co. are also out, in part because the company produces entertainment showcasing "unbiblical" married lifestyles. "We refuse to invest in companies that are pursuing an unholy agenda," Ally says. The company created four ETFs last year after requests from financial advisers. The biggest has about $142 million in assets.

Generally, ETFs need to cross the threshold of about $50 million in assets to become a break-even business for a money manager. The 6-month-old SP Funds equity ETF has attracted about $25 million since its debut. Wahed's ETF has seen inflows of about $35 million since its July 2019 launch. Abedi says Wahed has set "ambitious internal sales targets" as it markets to investors of all faiths, who may also appreciate screens against tobacco or weapons. The core goal, though, is to be true to Islam. There are more than 3.45 million Muslims in the U.S. "A lot of firms have shied away from catering to the Muslim community more properly," he says. "We've really embraced it." —*Claire Ballentine and Vildana Hajric*

THE BOTTOM LINE Funds with religious screens are still a small part of the ETF universe, but money managers say that may mean there's a big untapped audience.

● Abedi

ABEDI: SAMIM ABEDI

A Reset for Entrepreneurship

● Silicon Valley hijacked the concept for the privilege of a few. The present crisis affords an opportunity to redefine it so it's more inclusive

● By David Sax

Two hundred and ninety years ago, when the French-Irish economist Richard Cantillon first defined an entrepreneur as anyone who worked for unfixed wages, he noted that the one thing that linked all entrepreneurs—from wealthy merchants to beggars—was the risk they shouldered as the price of independence.

That cost is clearly visible on the faces of entrepreneurs everywhere today. Shut down by necessity and starved of customers, many small businesses are bleeding money and fighting to stave off failure. Forty-four percent reported a decline in revenue during the second week in June because of the pandemic, according to data released by the U.S. Census Bureau on June 18. As the boarded-up shops, restaurants, and stores around our neighborhoods already hint at, many won't survive the crisis.

As a journalist, I've devoted my career to writing about entrepreneurs in the pages of this and other magazines, as well as in books, the latest of which is *The Soul of an Entrepreneur*. I know they're a resilient bunch. And that gives me hope, because while Covid-19 is ending many small businesses, it's already creating scores of new ones (page 30). The pandemic might have brought American entrepreneurship to the breaking point, but it also holds the key to its revival and a more equitable renewal—if we can get it right this time.

In an election year, you'll hear politicians of all stripes speak admiringly about the contributions of entrepreneurs. It's true, there's strength in numbers: Small and midsize businesses (defined as those with fewer than 500 workers) employ about half of all working Americans and at last count contributed 44% of the country's gross domestic product, according to government statistics.

Look past the flattering rhetoric and equally flattering figures, and you'll find a more troublesome trend. Over the past two decades, entrepreneurship saw a strangely paradoxical evolution in the U.S. Culturally it became romanticized, as high-profile tech startups and charismatic young founders disrupted industries and created a new class of capitalist celebrity hero (see Musk, Elon).

You've heard the hype: the WeWork offices

Edited by Cristina Lindblad

packed with new startups, the *Shark Tank* contestants who hit it big, the predictions that millennials would become the most entrepreneurial generation ever. Yet by just about every measure, U.S. entrepreneurship has been steadily decreasing, or flat, for 20 years or more.

When Ronald Reagan came into office in 1981, 2 in 10 Americans worked for themselves in some capacity. The figure was half that before the 2008 financial crisis, and it's continued to trend down since. Data culled from paperwork new businesses submit to the IRS tell a similar story: Applications from establishments that are flagged as having a higher propensity for hiring hit a high of about 394,000 in the first three months of 2006, but fell precipitously once the Great Recession hit and have barely breached 330,000 per quarter since. As for millennials, it turns out they're the least likely generation in a century to become entrepreneurs.

Even before the coronavirus arrived, entrepreneurship never felt less attainable for the majority. Few young businesses start with much capital, and only 17% ever access outside financing. (Most run on savings, family investments, and revenue.) They typically don't grow very quickly or very much; only 2 in 10 have employees. Economists often cast these entrepreneurs as woefully inefficient, and many have pointed to their decline as a positive sign. If thousands of small hardware stores or taxi businesses are replaced by Home Depots or Uber, this benefits consumers and investors, the argument goes, pushing prices down and profits up, driving innovation, and moving the economy forward.

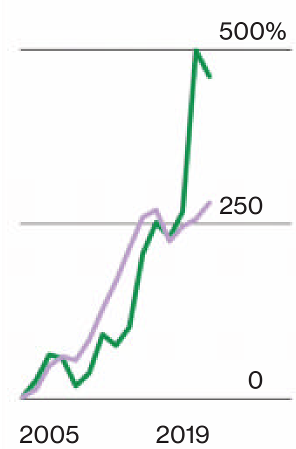
This is the zero-sum conception of entrepreneurship pushed by Silicon Valley, with its obsessive focus on a few highly successful startups at the expense of the rest. ("Competition is for losers" is a mantra of venture capitalist Peter Thiel.) As the gap grows between the few that can capture markets, tap capital funding, and continue to grow and the majority left to fend for themselves, the foundational promise of America's equal opportunity through self-starting rings increasingly hollow. The strongest plants may grow into tall trees, but they deprive saplings of sunlight, slowly killing the forest.

This schism is plainly visible in how venture capital is allocated. In the U.S., the overall pool of money has grown exponentially over the past decade, from $229 billion in 2009 to $443 billion last year, according to data provider PitchBook. But the trend in recent years has been toward bigger checks for fewer superstar startups. Call it the Softbank effect.

▼ U.S. venture capital, percentage change since 2005

Deal value

Deal count



And despite all the talk in corporate America of the importance of striving for greater diversity, the message doesn't appear to resonate in Palo Alto, the de facto capital of the venture capital industry. In 2019, according to Pitchbook, less than 3% of investments went to women-led companies—an all-time high, ladies!—while a report by Diversity VC found that just 1% of VC-backed founders were Black and 1.8% were Latino.

To understand how out of step with the times all this is, consider this: From 2002 to 2012, the number of businesses owned by Black women increased 179%, compared with 52% for all women-owned businesses and 20% for all businesses, according to a recent report from the Ewing Marion Kauffman Foundation, an advocacy organization for entrepreneurs. Yet Black women-led startups attracted just 0.06% of angel and VC funding raised between 2009 and 2017, according to ProjectDiane 2018, a biannual demographic study sponsored by JP Morgan Chase & Co. and the Case Foundation.

There's also a stark geographic skew: Almost half of all funding in 2019 went to companies in the Bay Area, followed by those in New York and Massachusetts. Even Seattle, home to two of the most valuable technology companies in the world—Microsoft Corp. and Amazon.com Inc.—received only a smattering of VC funds. "The gaps in inequalities that exist today, even in entrepreneurship, ▶

ILLUSTRATION BY CHARLOTTE POLLET. DATA: PITCHBOOK DATA, NATIONAL VENTURE CAPITAL ASSOCIATION

◀ will become more amplified unless something changes," says Wendy Guillies, president of the Kauffman Foundation. She points out that those groups with the highest death rates from Covid-19 (the poor, people of color, rural residents) have also borne the brunt of its economic costs. A paper published by the National Bureau of Economic Research in June showed that while the number of active business owners in the U.S. plunged 22% from February to April (representing 3.3 million lost businesses), Black-owned businesses saw a much steeper 41% drop—an unprecedented extinction-level event whose effects will linger for generations.

That's the bad news, and more is sure to come. The silver lining may be the pandemic's once-in-a-century opportunity to revive U.S. entrepreneurship. With an historic 21 million Americans out of work as of May, many may choose to become their own employer whether out of need, opportunity, or, more likely, some messy middle. "Just because it's out of necessity, that doesn't mean it's a bad thing," Guillies says. "Sometimes it takes major disruption to have a rebirth, and I think this is an opportunity."

But to truly make entrepreneurship accessible to all Americans, some fundamental things must change. The first is education. Entrepreneurship has been one of the fastest-growing fields of study over the past four decades, expanding from a handful of courses in the 1980s at scattered campuses to thousands available today at colleges around the world. Many schools actively promote Silicon Valley-style startups, funding incubators and accelerators, seeding in-house investment funds, or forging partnerships with VC firms that recruit student scouts on campuses to spot the next billionaire lurking in a dorm room.

But a lot of this entrepreneurship education relies too heavily on success stories from wealthy guest lecturers—what a *Bloomberg Businessweek* article in 2013 called "clapping for credit"—while ignoring the majority of everyday businesses.

The obsession with venture-funded tech startups has been wildly out of proportion to their importance in the real world. A 2017 paper reported that while VC investments and initial public offerings are extremely rare events, affecting less than 1% of companies in the U.S., these two subjects were the focus of almost half of all papers published in entrepreneurship journals. Imagine if half of biologists published research only on elephants, ignoring 99% of the creatures on the planet, says Howard Aldrich, a professor of sociology and entrepreneurship at the University of North Carolina at Chapel Hill, one of the paper's authors.

For the benefit of larger numbers of students and those with more diverse backgrounds,

"I stopped counting the number of times I got rejected by banks"

Green Shoots

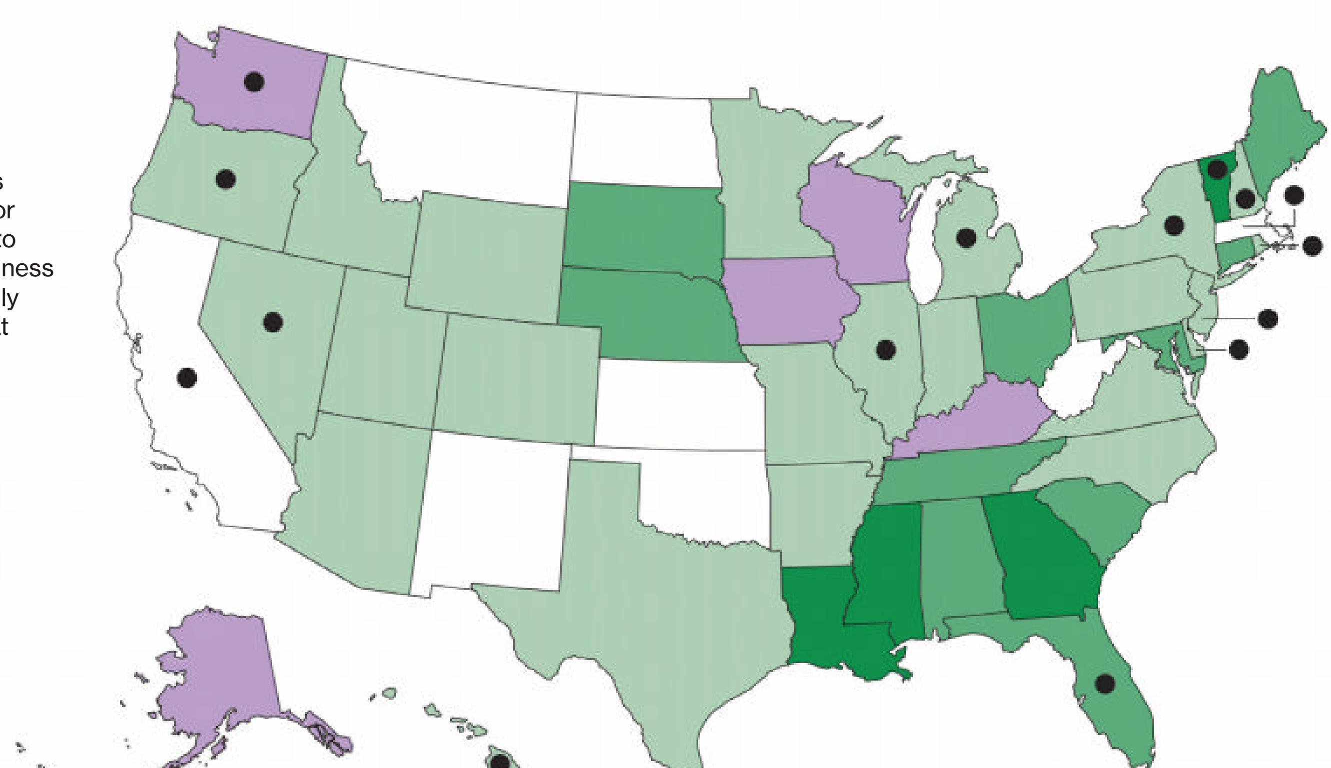
Applications to start businesses crashed with the lockdowns, but they're rebounding strongly in some parts of the country

Change in new-business applications from week 24 in 2019 to week 24 in 2020*

-20% -1 0 1 20 40 60

● States where the unemployment rate in May was 10 percentage points or more higher than a year ago

Only about half of all new businesses survive five years or longer, according to the U.S. Small Business Administration. Only about a third last at least 10 years.



While new businesses are being born, many are also dying. Closures of businesses with employees exceeded openings in the three years following the 2008 financial crisis.

Georgia, Louisiana, and Mississippi logged the biggest jumps in applications. These states imposed shorter lockdowns, though rising infections could affect the pace of reopenings.

ILLUSTRATION BY CHARLOTTE POLLET. *FOR ESTABLISHMENTS FLAGGED AS HAVING A HIGHER PROPENSITY FOR HIRING. DATA: U.S. CENSUS BUREAU entrepreneurship education should focus on a wider range of paths for starting a business, including small and midsize companies, multigenerational ownership, and even lifestyle businesses (those set up to support a founder's living expenses and pursuits, without growing exponentially), rather than focusing on pie-in-the-sky pitches delivered on "demo day" like some half-baked reality show.

The Interise Streetwise "MBA" program, launched by Boston University in 2007, teaches real-world strategies, such as prioritizing contract bids to maximize profitability, to entrepreneurs in inner-city communities. The objective of the seven-month, part-time program is for existing small-business owners to gain the knowledge, tools, and networks necessary to break the cycle of stagnation. Graduates see a 36% increase in revenue, on average, and quadruple the job creation of their peers, according to the program's managers. Yashieka Anglin, who heads Anglin Consulting, a Washington firm that provides financial services to government agencies, completed Thxa version of the program in 2018 run by the Small Business Administration. "It changed how I looked at my business," says Anglin, who as a second-generation Black entrepreneur appreciated the diversity of faces in her cohort. She says her "classmates" have continued to support one another during the pandemic, including trading tips on how to secure funds through the federal Paycheck Protection Program and other Covid-related assistance. "It took me from jumping at everything that moves to being more strategic."

Expanding access to financing should be another priority if the U.S. is to replenish its ranks of small-business owners. According to a 2018 report by the Federal Reserve, the past two decades have seen the number of community banks in rural and urban areas fall by almost half, from 10,700 in 1997 to 5,600 in 2017. That places more capital in the hands of national and global banks, which tend to favor loans of $1 million and more. (Most entrepreneurs seek less than $100,000 in financing, according to another Fed survey.) Not surprisingly, this further entrenches the systemic inequality of entrepreneurship. "I stopped counting the number of times I got rejected by banks when pursuing additional financing to grow my business," Anglin says.

What we need are more lenders focused on building relationships with business owners in their own backyards. (Think George Bailey from *It's a Wonderful Life* reincarnated as a Latina in Albuquerque.) That argues for policies to bolster the number of community development financial institutions (CDFIs), a federally certified form of private financial institution created in 1994 to support underserved communities. There are a scant 1,000 across the country. One of them, the Washington Area Community Investment Fund, extended Anglin a $25,000 loan.

"They were the people who would take a risk on us," says Jason Amundsen, who owns the Locally Laid Egg Company in Wrenshall, Minn., with his wife, Lucie. The Amundsens used a $320,000 loan from the local branch of the Entrepreneur Fund (a CDFI where Jason once worked), to buy their farm. "I mean, I've got 2,000 chickens, and I'm staring down another winter outside in the fields, or I can buy a farm and get a barn and not have those chickens spend winter outdoors," Amundsen says. "That's a no-brainer. That's a lifesaver."

It's heartening to see that the financing ecosystem for small business is evolving and now includes a handful of "sustainable" venture capital funds such as Indie VC. Based in Salt Lake City, it invests only in "real" businesses that are on a clear path to profits. Indie features a GIF of a burning unicorn on its website, a jab at the mythic valuations achieved by some startups for which profits remain elusive. Niche lenders of this type are coming together in initiatives such as the Capital Access Lab, a fund designed to seed new financial products and technologies that can directly address the needs of entrepreneurs.

● In 2017 there were

5,600

community banks in the U.S., down from 10,700 in 1997

Finally, what small-business owners also need as they try to navigate this crisis is community. The mythology of a maverick genius like Steve Jobs obscures the truth that entrepreneurship can be profoundly lonely. Entrepreneurs need peers they can talk with, who can give them advice and guidance. These bonds may help ensure survival for some and lessen the trauma of failure for others. A recent paper from Germany showed that the psychological effects of losing your business when self-employed are worse than losing a salaried job. ▶

◀ Chapters of organizations such as 1 Million Cups, which brings local entrepreneurs together (virtually for now) for monthly Alcoholics Anonymous-style meetings, are popping up around the nation. Visits have tripled to the online education portal for entrepreneurs run by the National Association of Women Business Owners. Zebras Unite sprang from a 2017 post on the website Medium calling on the founders of startups to create an alternative for entrepreneurship that's more equitable and ethical than the Silicon Valley startup model. With 5,000 members in 45 chapters on every continent, it now hosts an annual camp and podcast, and helps its members pool their ideas, resources, and fighting spirit to support each other like a herd of zebras (which is called a dazzle, in case you didn't know).

For too long, we bought into the notion that all we needed to do was create and support the entrepreneurs building the biggest businesses, assuming the trickle-down of money, jobs, and innovation would benefit everyone. But a healthy economy needs a full complement of enterprises: the high-tech, rapidly growing companies and midsize manufacturers; the MBA-educated innovators disrupting markets; and the small businesses run by minorities, immigrants, women, and seniors that make our neighborhoods vibrant. Silicon Valley talks a lot about the "ecosystem" for startups, but we need to remind ourselves that the healthiest ecosystems are diverse. They need microbes and ants—not just elephants.

Mara Zepeda, a co-founder of Zebras Unite, sees the present crisis as a once-in-a-generation opportunity to transform American entrepreneurship. "We're in this moment right now that feels like Noah's Ark, and we're trying to get in two by two. We have to save these community businesses that are vital to our lives and our neighborhoods and are just the heartbeat of who we are," she says. "This isn't one of those survival-of-the-fittest moments. It's not competitive. We have to come together."

More than anything, we need to restore the belief, so deeply ingrained in America's identity, that entrepreneurship remains desirable and attainable. So if someone like Anglin is willing to bear the risk Cantillon first wrote about three centuries ago, she can take her idea out into the world and work for herself. "I don't allow my experience to deter me from moving forward," she says. "I take the hits and keep going mainly because of my two girls. I'm hoping by the time they get to my age, their experience will be different."

THE BOTTOM LINE The U.S. has placed too much emphasis on tech startups as the model for successful small businesses, excluding women and minorities.

A New Crop Of Startups Stokes Optimism

● Data show a bounceback in new businesses, though it's geographically uneven

Amid the worst job market in decades and projections that the economy will contract by as much as 35% this quarter, entrepreneurs apparently missed the message of doom. New business formation has rebounded quickly in parts of the country, raising hopes for a stronger-than-expected recovery.

The number of Employer Identification Number (EIN) applications, which new businesses file with the IRS, tanked in mid-March as the pandemic forced most of the nation into lockdown. Filings remained low for several weeks, but they're growing again across much of the country, led by Southern states that have been less severely affected by the coronavirus outbreak.

In Atlanta, transportation planning consultant Jen Price is moving ahead with her dream of opening the Atlanta Beer Boutique, a "beer cafe" showcasing local brews and beer appreciation classes catering to women. (Price is the author of the self-published *Chick's Guide to Beer*.) She's awaiting a date to go before the city's liquor license review board. Price, 45, has been encouraged by Atlanta's nascent economic recovery. "You see tons of people out," she says. "I'm very surprised by the number of people who are busting to get out and who are excited to get out. I am not sure exactly what to expect."

"I'm very surprised by the number of people who are busting to get out and who are excited to get out"

A smattering of data suggests the country is slowly climbing out of the abyss, even if the recovery is threatened by rising numbers of Covid-19 cases in some states. Unemployment fell in May to 13.3% from 14.7% the previous month, surprising

PHOTOGRAPH BY NYDIA BLAS FOR BLOOMBERG BUSINESSWEEK economists, though African Americans' jobless rate continued to climb slightly, to 16.8%. And U.S. retail sales jumped 17.7% in May from the previous month. Adding to the air of optimism, there were record-breaking increases in manufacturing activity in the New York and Philadelphia regions.

Statistics on business formation are less widely scrutinized, but those, too, show improvement. Businesses apply to the IRS for an EIN for tax purposes, and economists use clues on the forms to estimate how many of those new establishments are likely to hire workers in coming months, says John Haltiwanger, a University of Maryland economics professor who advises the Census Bureau.

In particular, the subcategory of "high-propensity business applications" is considered a bellwether of labor market trends and the overall health of the economy. Those applications have rebounded surprisingly in certain states, particularly in the South. In Georgia, filings for the full 13-week period from mid-March to mid-June since the pandemic started are up 4% over the same period last year.

Louisiana, Mississippi, and other Southern states are also up for the period, while Northern and Western states hit harder by the virus have generally seen their rates of decline slow or experienced slight improvements recently. California has seen its business formation numbers flatten after 30% drops in March and April, Census Bureau data show. "For the parts of the country where we see this rapidly turn up, it's a very good sign," Haltiwanger says. "Quite strikingly, the South is doing better. I think what this is suggesting is a very uneven recovery, and I don't know whether I fully understand why."

In North Carolina, restaurateur Jim Moore sees opportunity from all the real estate vacancies likely to emerge from the pandemic. His two fast-casual seafood restaurants, named Skrimp Shack after a Southern term for shrimp, have benefited from the troubles of full-service restaurants, and Covid-19's economic fallout may allow him to open more locations at lower cost. Meantime, he's exploring a virtual restaurant concept, in which he'd sell food only through third-party delivery firms such as DoorDash without operating a separate brick-and-mortar store. "There will be a lot of restaurants that were on the edge and maybe are taking this opportunity to walk away," Moore says. "We're going to take a look."

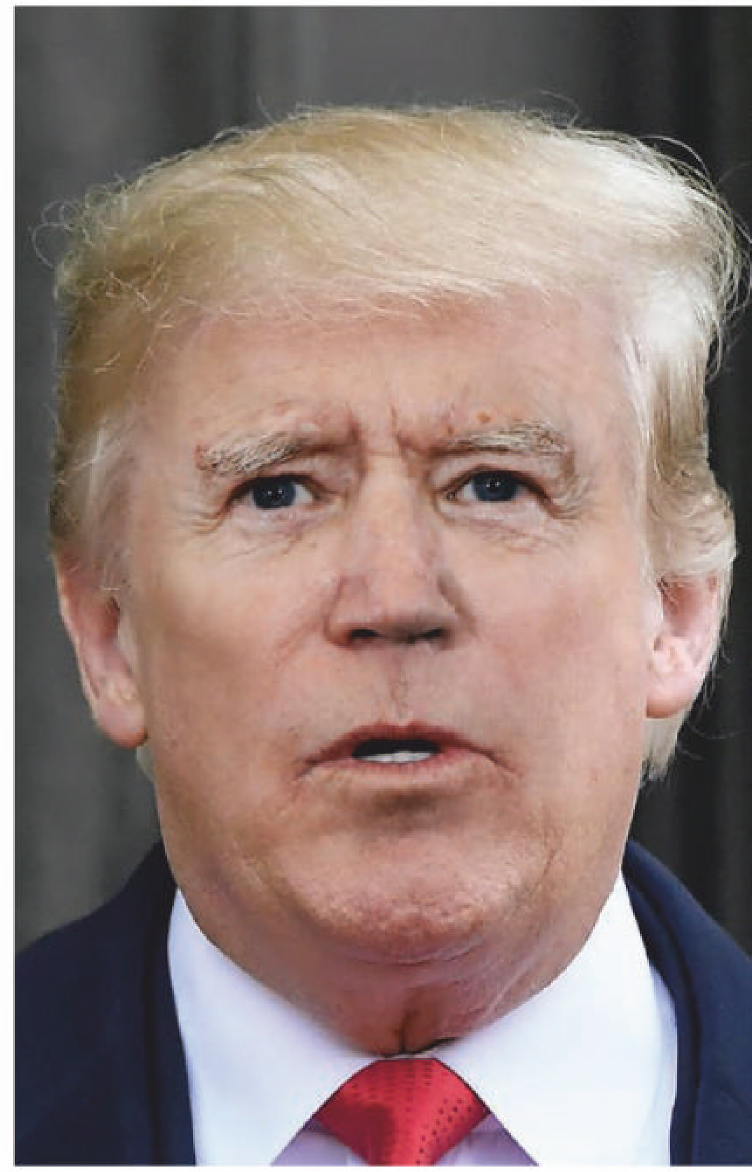
The business formation data come with some caveats. Because the deadline for filing tax returns was moved back to July 15, it's possible some entrepreneurs also delayed applying for an EIN.

▲ Price

That could have artificially pushed up business formation numbers in recent weeks, says Tim Dunne, an economist at the University of Notre Dame who's worked with the data. Also, some of the recent uptick might be from entrepreneurs playing catch-up after delaying filing earlier in the pandemic, says Mark Zandi, chief economist at Moody's Analytics.

Neil Dutta, head of economics at Renaissance Macro Research in New York, is taking a bullish view. He published a short note to clients on the upturn in business formations recently, noting that many people commented on the sharp downturn in EIN applications in March, but fewer noted the more recent rebound. He says Wall Street economists and the financial media may have gotten too gloomy. "I think many people missed the runup in stocks and are now trying to explain away the rally by talking down the economy," he says. *—Michael Sasso and Steve Matthews*

THE BOTTOM LINE Applications filed by new businesses are up sharply in some states in the South, which could help speed an economic recovery.



Who's the Incumbent Here?

Donald Trump and Joe Biden have pulled a switcheroo, with each assuming the other's conventional campaign role

Over the past several months, a presidential race already upended by a global pandemic and historic recession has developed an odd characteristic that's making it even more unusual: President Donald Trump, the incumbent, and Senator Joe Biden, his challenger, have effectively swapped roles.

The sitting president is campaigning like an outsider, lobbing incendiary tweets and blaming others for the failures of the government he himself presides over. Biden, meanwhile, is acting like a traditional incumbent, running on his record and the promise of familiarity.

Trump isn't doing much of what a typical incumbent does in an election year. He hasn't rolled out an ambitious second-term agenda. He doesn't make a big show of trying to unify the country. He isn't using the White House Rose Garden to host foreign dignitaries or captains of industry—unless you count the MyPillow TV pitchman, Mike Lindell—to showcase the powers of the presidency and remind people what he can do for them.

With the lockdown lifting, he's finally been able to make use of Air Force One, making swing-state campaign stops in Arizona and Wisconsin. But by focusing unwaveringly on his base, he isn't

Edited by Amanda Kolson Hurley and David Rocks

PHOTO ILLUSTRATION BY 731; PHOTOS: AP PHOTO; GETTY IMAGES. DATA: YOUGOV doing the one thing presidents in both parties have always done when seeking a second term: making a concerted play for undecided voters in the middle.

"One of the great myths of the 2004 campaign was that President Bush just appealed to his conservative base," says Sara Fagen, former White House political director and senior strategist on George W. Bush's reelection campaign. "The fact is, our whole focus was on the winning over the middle."

For Bush, running in the wake of the Sept. 11 terrorist attacks, that meant emphasizing national security and American safety. "We knew that even people who didn't completely agree with him or love his economic policies felt more secure with him at the helm," Fagen says. "It came up in our research and fit the president naturally."

Barack Obama, whose reelection race more closely resembles the current one, had to persuade voters to look past a tough economic climate and stay the course despite high unemployment. "What we were trying to do was sell a story of where we were going," says Jim Messina, Obama's 2012 campaign manager. "We talked about a jobs plan, we talked about economic recovery, because we had to persuade voters in a tough economic time that things were getting better, and we never wavered from that theme."

Trump has mostly shunned the approach his predecessors employed. He had to abandon his campaign theme ("Keep America Great") when the coronavirus took the shine off the economy, and he hasn't settled on a replacement. He rarely touts his main legislative achievement, the 2017 tax cut. Even before the pandemic he showed no inclination to abandon the tactics that worked so well for him four years ago: blasts of social media and sprawling stadium rallies. Where a typical president would roll out big jobs and infrastructure plans or a national strategy to combat Covid-19, Trump has deferred to Congress and the states.

Instead he's embraced an outsider persona, quick to criticize other leaders for failing to halt the pandemic and the unrest stemming from protests against police brutality, while promising to bring change. His vows to reestablish "law and order" echo Richard Nixon's winning message in 1968. But Nixon's message worked because he was the challenger, not the incumbent, and wasn't responsible for the disorder to which voters were responding.

"Part of it is that Trump has never fully embraced the government," says David Axelrod, a top Obama White House official. "Even as we speak, he's openly defying the health recommendations his own government is making. He's at once the leader of the government dealing with the pandemic and also the leader of the response that's resisting it."

As unusual as Trump's style of campaigning has been, Biden's might be even more so. Some days he's so absent from the news that it's hard to believe he's running at all. His scarcity owes partly to the pandemic, of course. From practically the moment he clinched the Democratic nomination, Biden has been sequestered in the basement of his Delaware home, limited to Zoom chats and phone calls, only recently venturing out to a handful of carefully distanced speaking engagements.

Unlike past White House hopefuls, however, Biden shows little urgency to inject himself into the daily news cycle—a luxury he's permitted by dint of his broad name recognition, lengthy public record, and strong poll numbers. That's rare among presidential challengers. When Obama first ran in 2008, Axelrod says, he could never have run a campaign like the one Biden's running because he needed to introduce himself to voters and convince them he could be president.

But Biden's eight years as vice president made him a familiar persona—and one who, at least so far, doesn't polarize voters nearly as much as the last well-known Democratic nominee, Hillary Clinton. Although he routinely attacks Trump in interviews and TV ads, he's just as apt to sound the kind of broad ecumenical themes typical of a sitting president, about the "duty to care for all Americans," promote racial healing, and lift up "the great American middle class." In a word cloud of Biden descriptors, "empathy" looms larger than any other, to the satisfaction of Biden's strategists.

Styling himself an incumbent has been made easier because Trump has shown only intermittent interest in playing a president's traditional public role. When it comes to state dinners and foreign trips full of pageantry, Trump inhabits it fully; in periods of national crisis, though, he tends to withdraw.

"To the extent that Biden's intervened in the national dialogue, he's done so in ways that inject him as decent, conciliatory, and presidential," Axelrod says, "and he's assumed that role because Trump has essentially surrendered it."

And because he enjoys a wide lead in the polls, Biden has embraced another luxury sometimes available to incumbents, but almost never to challengers: ignoring the press. Biden hasn't held a news conference since April 2. Meanwhile, the polling disparity has forced Trump's campaign to push for additional debates, typically a challenger's ploy to gain momentum. ▶

▼ Presidential voting intention

◀ Running for reelection is never easy. "You start making enemies Day 1 on the job," Messina says. Yet sitting presidents over the past century usually managed to win because the office carries tremendous power to shape the direction of the country—and with it public sentiment toward its occupant.

Trump has always been more comfortable as an outsider. He ignored political convention four years ago and wound up fine. Maybe he will again. Right now, however, passing up the benefits of incumbency helps explain Trump's current struggles, just as Biden's ability to mimic the persona of a familiar incumbent accounts for his steady, and growing, lead. —*Joshua Green*

THE BOTTOM LINE Trump may be the incumbent, but he's running much as he did in 2016, as an incendiary outsider. Biden, meanwhile, benefits from the incumbency effect of having been VP.

A Land Rush In the West Bank

● As Israel plans to annex disputed areas, property values in Jewish settlements are rising

The Jordan Valley settlement of Ma'ale Efraim isn't exactly prime real estate. The land is arid and rocky, it's more than an hour's drive from Tel Aviv—Israel's job engine—and it's in the middle of a decades-long conflict that shows no signs of ending. And yet Shlomo Mizrahi, owner of local real estate agency Ad Habait, says property values there have jumped more than a third over the past couple of years as politicians have vowed to permanently claim the land for Israel. "There's no doubt that the second we started to talk about annexation, it increased interest," Mizrahi says.

Ma'ale Efraim sits in an area that Prime Minister Benjamin Netanyahu is pledging to annex, possibly as soon as July 1. Palestinians insist the land—about a third of the Israeli-occupied West Bank—belongs to the state they hope to build, but Israelis say it's strategic territory that it can't give up. The issue gained renewed relevance in January, when President Trump unveiled what he called a peace plan that greenlighted annexation in return for a commitment from Israel to enter negotiations that could lead to a limited Palestinian state. Although Palestinians rejected the plan as one-sided, Netanyahu signed on to it at a White House ceremony.

It's unclear exactly what form annexation might take, or even whether Netanyahu will ultimately go through with it. If he does, the Palestinians say they'll cut off all cooperation with Israel and declare an independent state. And he faces strong opposition abroad, with many countries saying such a move would break international law, make Israel a pariah, and risk an outbreak of violence. "There will be no security and stability without giving the Palestinian people their rights," says Nabil Abu Rudeineh, a spokesman for Palestinian Authority President Mahmoud Abbas.

Jewish settlers have lived in the West Bank since the 1967 Six-Day War, when Israel seized the territory from Jordan. Today some 400,000 settlers live in West Bank enclaves ranging from posh single-family villas and condos on hills overlooking Jerusalem to outposts of mobile homes and converted shipping containers deep in the desert. Even in suburban-style settlements adjacent to Israel proper, families typically shelter behind walls and high fences separating them from the West Bank's 2.6 million Palestinians—most of whom live in urban tenements or crumbling farmhouses. Early settlers often viewed the area, which they call Judea and Samaria, as the Biblical heartland of the Jewish people, but later waves have been attracted more by the relatively low cost of living and generous government support than they are by religion.

Even as values across Israel have surged in recent years, prices in settlements have outstripped those elsewhere as more families choose to live in the West Bank. In Leshem, a hilltop settlement east of Tel Aviv, a 1,400-square-foot villa that sold for 960,000 shekels ($280,000) a decade ago now costs 2.5 million shekels. Developer Harey Zahav Ltd. ("mountains of gold" in Hebrew) has sold about 650 homes—ranging from four-bedroom garden apartments to six-bedroom penthouses with Jacuzzi baths, large terraces, and views of the Tel Aviv skyline—and expects to sell the final 30 this year. "It's become like a suburb," says Zeev Epshtein, owner of the developer. "It's for successful, bourgeois, Zionist religious families."

Real estate agents anticipate a further rise in prices with annexation, as it would lift a significant psychological barrier for many would-be buyers. "The first thing people search for in real estate

ARIEL SCHALIT/AP PHOTO

▲ Prices in Ma'ale Efraim have climbed by more than a third in recent years

is security," says Daniel Wach, owner of brokerage Shorashim in the settlement of Eli. He says he's gone from an average two deals a month to about five this spring, and he predicts annexation could boost values more than 20% over the next two years. "Judea and Samaria always had a question mark, and a question mark is not good for real estate," he says. "They're now putting on an exclamation point."

Even though a unilateral step wouldn't resolve the international dispute, it could end debate over whether some territory will ever return to Palestinian control. Already the increasing number of Israelis making their life on disputed land reflects growing sentiment that there's little chance of the creation of a Palestinian state anytime soon—and will make it harder to achieve any deal. In the past, Israel indicated a willingness to swap some larger settlement blocs (effectively suburbs of Jerusalem) for land elsewhere, but this time there's no concrete offer on the table.

The last territory Israel annexed was the Golan Heights, which it took from Syria. Israeli troops had occupied the fertile plateau overlooking the northern part of the country during the Six-Day War; in 1981 the government declared the land was part of Israel and shifted control from military to civilian administration. That change led to rapid development of Golan, now home to wineries, a ski resort, and about 20,000 Jewish residents even as only the U.S. recognizes Israel's claim to the land.

A similar transition from military to civil law in occupied areas of the West Bank would dramatically increase property values, says Maayan Bachar, an attorney for Gavish Shaham Group, a developer of high-end housing. Regulations would be streamlined, there would be fewer political issues, and roads and other infrastructure linking settlements with the rest of the country would be upgraded. "If there's a change in the status, the value of homes will rise significantly," Bachar says. "We can deal with it like real estate in the rest of Israel."

Yet it's hard to see the plan leading to peace. With Palestinians furious at the idea, Israeli Minister of Defense Benny Gantz has told troops to prepare for heightened tensions in the West Bank. Annexation may be a boon to Jewish settlements, but the prospect is hurting property values in Palestinian-controlled areas. After rising rapidly for most of the past two decades because of a relatively strong economy, according to the Palestine Economic Policy Research Institute, prices haven't changed since 2018 because of slowing growth and escalating tensions with Israel. "So many flats are empty because of two things," says Adel Odeh, former president of the Palestinian Contractors Union. "Decreasing financial resources and the unstable political situation."
—Ivan Levingston, with Fadwa Hodali

THE BOTTOM LINE Increased home prices in Jewish settlements signal a growing sense that there's little chance of Israel agreeing to an independent Palestinian state anytime soon.

LEBRON'S NEXT MOVE

He's building a media company during a pandemic, anti-racism protests, and economic uncertainty. Oh, yeah, and he's about to start playing basketball again

By Jason Kelly
Photographs by Ike Edeani

"WE'VE BEEN THROUGH A LOT THIS YEAR," SAID LEBRON James. The three-time NBA champion and Los Angeles Laker talked to me on June 23 via Zoom with his childhood friend and business partner, Maverick Carter. It was the second of two joint interviews to discuss their new company, but the first since the world locked down because of Covid-19. James was in their hometown of Akron, while Carter was in L.A. Kobe Bryant's death in January was followed by the pandemic and the suspension of the NBA season, and then, of course, the horrific killing of George Floyd. "Just seeing that video, how many people were hurt not only in Minneapolis, but all over the world—and especially in the Black community, because we've seen this over and over and over. So, you know," he added, "it's been a lot that's gone on in 2020."

The pair thought it was going to be a big year for different reasons. On March 11, the same day the NBA suspended its season and a little more than a week before their adopted hometown ordered residents to shelter in place, James and Carter formed the SpringHill Co. after raising $100 million. They describe it as a media company with an unapologetic agenda: a maker and distributor of all kinds of content that will give a voice to creators and consumers who've been pandered to, ignored, or underserved.

SpringHill is named for the Akron apartment complex where James and his mom moved when he was in sixth grade. It consolidates the Robot Co., a marketing agency, with two other businesses. The first, SpringHill Entertainment, is behind *The Wall*, a game show on NBC, and the movie *Space Jam: A New Legacy*, which stars James and is scheduled to be released next year. The second, Uninterrupted LLC, produces *The Shop: Uninterrupted*—an HBO talk show featuring James, Carter, and other Black A-list celebrities—as well as *Kneading Dough*, an online partnership with JPMorgan Chase & Co., in which athletes talk about money to promote financial literacy. ("They do it in a way that's incredibly relatable," says Kristin Lemkau, chief executive officer of JPMorgan's U.S. wealth management business, who created the show with Carter.) Uninterrupted, a hybrid production-marketing business, is also responsible for a Nike Inc. shoe collaboration and a hoodie collection for Pride Month designed with soccer star Megan Rapinoe and basketball great Sue Bird.

In a February interview at the Lakers practice facility in El Segundo, they talked about SpringHill as a platform to give people of color the creative control that's long eluded them. Carter calls the company a "house of brands." It's part Disney storytelling power, part Nike coolness, and part Patagonia social impact. In 2020 stories can be told in many different ways—on social media, in films, as well as with sneakers and sweatshirts. "This is ultimately a company that's about point of view, the community you serve, and empowerment," says L.A. investment banker Paul Wachter, who helped put the project together. "This is a company designed to move the culture."

At the practice facility, a day after putting up 40 points on the New Orleans Pelicans, James told me: "When we talk about storytelling, we want to be able to hit home, to hit a lot of ▶

18+

WHAT IS AVAXHOME?

◀ homes where they feel like they can be a part of that story. And they feel like, Oh, you know what? I can relate to that. It's very organic to our upbringing." Carter added: "When you grow up in a place like where we were, no matter how talented you are, if you don't even know that other things exist, there's no way for you to ever feel empowered because you're like, I'm confined to this small world. That's our duty. A lot of exposure."


CARTER

What was aspirational in February is a lot more real now. Black people are dying from the coronavirus at more than twice the rate of Whites, amid a recession in which Black unemployment has climbed to its highest level in more than a decade, and while an historic wave of protests is sweeping across the country—and world. But these are the times James and Carter find themselves in, and they may be the two people best suited to help others voice and answer the questions we're all asking. Discussions about race dominate media. Books about White privilege and anti-racism top bestseller lists; U.S. demand for Netflix Inc.'s satirical *Dear White People* and *When They See Us*, a miniseries about the Central Park Five, skyrocketed as protests got under way, according to Parrot Analytics. HBO Max temporarily removed *Gone With the Wind* from its catalog (in honor of Juneteenth, HBO.com made *The Watchmen* available for free), while Epic Games Inc. got rid of police cars in *Fortnite*.

Carter took advantage of the lockdown to spend virtual one-on-one time with the 105 employees of the new venture, as well as to finalize partnerships. He signed a TV production deal with Walt Disney Co. and is working with Netflix on a basketball-themed movie that would star Adam Sandler. A series he worked on with Netflix, *Self-Made*, about Madam C.J. Walker, a Black woman who created a beauty empire in the early 20th century, starring Octavia Spencer, premiered in March.

As the pandemic ground Hollywood to a halt, SpringHill Entertainment joined with Laurene Powell Jobs's XQ Institute to produce a virtual ceremony James hosted called *Graduate Together: America Honors the High School Class of 2020*. It featured addresses by former President Obama and Nobel Peace Prize winner Malala Yousafzai.

Carter said on Zoom, "I'm getting a lot of calls from other CEOs. A lot of calls on, 'What are you doing? What do you think we should be doing?' I'm explaining to people, 'Don't treat this as a moment,'" he said. This is bigger than a moment—the attention that issues of inequality are getting right now is "more like what this country should be, and what this world should be," he said. "We've always been about empowering people who feel like us and come from the communities that we come from and want to believe in our mission."

Devin Johnson, SpringHill's chief operating officer, says that diversity is built into the company. He says its employees are 64% people of color and 40% female. "I've never had to convene a task force," he says, as other companies scramble to figure out how they can be more reflective of society.

SpringHill might just sound like another superstar athlete's vanity project. But Johnson says the company isn't set up for—and around—a single athlete; rather, it's a platform in his image: "You can't create a real digital business on a celebrity. We don't do that with LeBron. He is our founder and our North Star, but the business isn't built on everything touching him."

That attitude has freed up James for other projects—like, for example, playing professional basketball. Play is scheduled to resume on July 30, with 22 teams competing for spots in the playoffs, all to be held in a quarantine bubble at Walt Disney World in Orlando. Many have picked the Lakers to win the title.

And earlier this month, James recruited current NBA stars such as Trae Young of the Atlanta Hawks, as well as former star and now broadcaster Jalen Rose, to form More Than a Vote. The group is focused on protecting voter rights and preventing suppression, especially in Black communities. James announced it after social media posts showed people waiting for hours to cast ballots in Georgia's primaries. "We've had voter suppression for so long," James said on Zoom. "People not understanding how they can vote, where they can vote, if their vote really counts."

After forming the group, James was criticized by Hong Kong democracy activist Joshua Wong, who accused him of being hypocritical. Wong said in a tweet that James's position didn't align with past comments. He was widely criticized last year for calling Houston Rockets General Manager Daryl Morey's support for the city's protesters "misinformed."

In February, when I asked what he'd learned from that experience, James said it taught him to "keep an open mind about how to continue to get better." On the June 23 call, James said: "I speak about things that I'm knowledgeable about, that I'm educated on. And at the end of the day, right is right, and wrong is wrong. I want the betterment of people—no matter skin color, no matter race, no matter anything."

A LITTLE MORE THAN A DECADE AGO, IT MIGHT HAVE seemed unlikely that James and Carter would amass a war chest of $100 million. The investors are financial services company Guggenheim Partners LLC, UC Investments, News Corp. heir Elisabeth Murdoch, and SC.Holdings, the investment fund run by entrepreneur Jason Stein. James is chairman of SpringHill, and Carter is CEO. Joining them on the board, in addition to Murdoch and Guggenheim's Scott Minerd, are Serena Williams, Apollo Global Management co-founder Marc Rowan, Live Nation Entertainment Inc. CEO Michael Rapino, Boston Red Sox Chairman Tom Werner, and Wachter.

Carter was three years ahead of James at St. Vincent-St. Mary High School in Akron. When the Cleveland Cavaliers drafted James in 2003, Carter went to work at Nike full time. "Growing up, that was my favorite company, and I thought I loved it because of the shoes and sports," Carter said in February. "In reality, they told me amazing stories about the athletes I cared about."

He became James's wingman in 2005. Their first major project, *The Decision*, was a failure. In a spectacle aired live on ESPN in July 2010, James announced—30 minutes in—that he was leaving Cleveland and signing a free-agent contract with the Miami Heat. "I'm gonna take my talents to South Beach," he said. The theatrics didn't sit well; Cleveland fans who felt betrayed burned his jersey. The sin was forgiven when he returned to the Cavs in 2014 and broke the city's half-century championship drought two years later.

For many, the failure of *The Decision* validated suspicions that Carter was just another star athlete's friend. But, Carter said, the fiasco helped him grow as a businessman. Even if their approach had been off, the importance of owning your own story, not just hawking someone else's, wasn't lost on Carter, or James—or on anyone else in the NBA, for that matter. What was underappreciated at the time was that *The Decision* ushered in an era of player empowerment that's spread to other sports, as well as collegiate and high school athletics. There's virtually no athlete who doesn't feel emboldened to weigh in on just about anything on social media and demand a semblance of career control that would have been unheard of 20 years ago.

In 2014, Carter negotiated James's deal with Nike, which ultimately will pay him more than $1 billion. Wachter, who's

PODCASTERS AT UNINTERRUPTED IN L.A.

advised Bono and Arnold Schwarzenegger, helped James and Carter team up with Cannondale bikes and Beats Electronics, a partnership that earned James more than $100 million when Apple Inc. bought Beats for $3 billion in 2014, say people familiar with the deal. And an arrangement to fold LRMR Marketing & Branding, the firm that still handles James's endorsements, into Fenway Sports Management—owner of the Boston Red Sox, the New England Sports Network, and Liverpool Football Club—gave them equity in the English Premier League. "Through all of that, they've just said, 'We're going to do things our own way, and we're going to write our own tickets,' " Wachter says. SpringHill, he adds, is "ultimately a manifestation of that."

With those deals under way, Carter moved to L.A. in 2014 and turned his attention to media. He signed a production deal with Warner Bros. Entertainment Inc. that gave James and him offices on the lot—on the fictional Wisteria Lane from *Desperate Housewives*, the satirical epitome of White suburban life.

Creating content that caters to the opposite of that is what Carter, James, and their backers want to do. UC Regents Chief Investment Officer Jagdeep Singh Bachher says: "This is not a time to slow down. This a time to double down on what they're doing. There's a need for leadership in the country, a need for examples that are inspiring for the country, and a need for content to mobilize the country in the right direction."

James has cited Muhammad Ali as a role model. "Everyone was so fascinated about how great a boxer he was," he said in February. "I think that was the least thing in his mind. Every day he was trying to figure out how to better the world. I think 80%, 90% of the people didn't agree with anything that he did back when he was doing it. But that didn't stop him. He stayed focused on his mission, and that's what we're talking about. The mission."

On the Zoom call, James praised NBA Commissioner Adam Silver for encouraging players to speak up and for using "the NBA shield to back us." When asked about the NFL's treatment of Colin Kaepernick, the former San Francisco 49ers quarterback who took a knee during the national anthem to protest racial inequality and hasn't played in the NFL since 2016, he said, "We have not heard that official apology to a man who basically sacrificed everything for the better of this world." (NFL Commissioner Roger Goodell said in mid-June that he would "encourage" a team to sign Kaepernick.)

If there's pressure on SpringHill to rise to the occasion, the founders are lucky that neither of them is new to expectations. James, after all, was on the cover of *Sports Illustrated* when he was a junior in high school. "I'm OK having that pressure of my community and other Black communities across America that look up to me and look to me for inspiration or for guidance," he said in our last interview. "It's just my responsibility, and I completely understand that. And so every day I leave my home, or I wake up out of my bed, I understand that it's not just about me. I'm representing so many people." B

The Middle East's

As space gets cheaper and more accessible, new countries are drawing

June 29, 2020

Mars

to

Mission

our gaze to the heavens—and away from their controversies on Earth

By John Beck

Mansouri, the first Emirati in space, waves before boarding a Soyuz rocket to the ISS in September 2019 ▼

On the afternoon of Sept. 25 last year, Hazza Al Mansouri walked a gantlet of camera phone-wielding well-wishers at Kazakhstan's Baikonur Cosmodrome. In step to his left were Russian commander Oleg Skripochka, a veteran on his third mission, and American flight engineer Jessica Meir, a first-timer like Mansouri. Their white-and-blue Sokol spacesuits made them appear hunched and ungainly, the communication caps covering all but a patch of face—in Mansouri's case, dark eyes, a close-cropped beard, and most of a prominent forehead. Ahead of the astronauts were 160 vertical feet of a Soyuz MS-15 spacecraft and the elevator that would take them to its very tip.

Mansouri waved to his wife and three children. They'd said goodbyes earlier that day through the glass of the quarantine complex where astronauts spend two weeks before launch. Not being able to hug had been difficult, given the risks of what Mansouri was about to do. The previous October, a booster for another Soyuz craft, MS-10, had failed a few minutes after liftoff, forcing the crew to eject and parachute back to Earth in a shower of debris.

The MS-15 crew had observed the same superstitious traditions as all the others who'd taken off from Baikonur since the early 1970s: planting saplings on the avenue of trees, autographing their bedroom doors, watching the Soviet action film *White Sun of the Desert*. As Mansouri walked, he realized he and his crewmates looked just like the astronauts in photos he'd pored over as a child, except this time one of their suits—his—had the United Arab Emirates flag on its arm.

Shortly before 5 they were strapped in and starting prelaunch prep for the six-hour journey to the International Space Station (ISS). A playlist they'd compiled began piping through their headsets—another tradition, begun in 1961 by Yuri Gagarin before he became the first human to go to outer space. Mansouri's choices included the Swedish-Lebanese singer Maher Zain's *Ummi* (*Mother*), in tribute to his own. As he waited, he tried to focus on his training, his country, and the 64 successful Soyuz launches prior to MS-10.

Night fell, and banks of floodlights lit up the launchpad. At 6:57:43 the first stages ignited. Smoke vented, and the rocket eased from the ground on a great flame. Two miles up, the strap-on boosters exhausted their liquid fuel and fell away. Inside the crew compartment, it was only noise, vibration, and intensifying G-force—topping out, as the craft reached almost 18,000 mph, at four times the astronauts' body weight. Their breath came only in gasps. It was beyond anything Mansouri had experienced as an F-16 pilot with the Emirati air force.

Roughly 62 miles up, the nose fairing jettisoned, and the crew could see outside. Earth's curve was stark against the black of space. Mansouri stared and stared, until Skripochka interrupted. "Hazza," he said. "You have your checklist." There was a huge kick when the third stage stopped firing and fell away, then gravity retreated and blood rushed to their heads. Mansouri and Meir took out their pens and laughed in delight as they floated away.

Down below in Dubai, the most populous of the UAE's seven emirates, Mansouri's face was being projected onto the Burj Khalifa, the world's tallest building. At age 35, he'd become the third Arab to reach orbit and made the UAE the 40th spacefaring nation. As a designated "spaceflight participant," though, he would stay on board for just eight days, then return aboard a different vessel, the MS-12, with its crew. His trip had been purchased by the UAE from Roscosmos, Russia's space agency, for an undisclosed sum.

Arrangements like this, along with cost-lowering technological advancements and new commercial ventures, have made space no longer the sole preserve of great powers. Countries as small as the UAE, with a population of just under 10 million, can participate, too, if they have the desire for prestige and the resources to acquire it. Mansouri's flight was one step in an ambitious national program that's scheduled to send a probe to Mars between mid-July and mid-August and that has designs on making the UAE a hub for space tourism. The country has moved ahead of neighboring Saudi Arabia to lead a regional jostle that also includes their common rival, Iran.

The two Gulf kingdoms have made space part of far-reaching plans to modernize and diversify their economies. Their moves in this direction, though, haven't prevented persistent accusations of human-rights abuses at home and criticism of their ongoing involvement in Yemen's civil war. The question, for many, is whether there's real substance to the drive for space, or if it's intended mostly to revise global perceptions.

Saudi Arabia was the first Middle Eastern power to get an astronaut to space. In 1976 it took a leading role in the formation of multinational satellite communications company Arabsat, which put it in prime position the following decade when NASA's space shuttle program started launching craft on behalf of private organizations and foreign states. The crew for these missions sometimes included a "payload specialist"—an astronaut not subject to the usual selection and training process. And so, in June 1985, when the Arabsat-1B satellite was scheduled for launch on the *Discovery*, one seat was allocated to Saudi Arabia.

The spot was filled by Sultan bin Salman bin Abdulaziz Al Saud. At 28 he was one of the youngest astronauts ever,

MANSOURI: MAXIM SHIPENKOV/EPA-EFE/SHUTTERSTOCK. ZAYED: GULF NEWS

and he lacked the advanced technical or scientific education NASA typically sought. He'd studied mass communications in the U.S., then worked at the Saudi Ministry of Information, where his duties had included accompanying athletes to the 1984 Summer Olympic Games in Los Angeles. He was a pilot, though, albeit a civilian one, and he spoke fluent English. He was also the second son of Salman bin Abdulaziz Al Saud, then governor of Riyadh and now Saudi Arabia's king.

Sultan's crewmates were five Americans and another payload specialist, from France. Publicity pictures show Sultan as thin and dashing, with blow-dried hair and a narrow mustache. As the first Muslim bound for space, he faced some unique theological challenges. How could he pray oriented toward Mecca, for example, if he was speeding over the planet at more than 17,000 mph? And the final weeks of training and first three mission days would fall during Ramadan. When should he fast if each 24-hour period contained 16 sunrises? After consulting with a religious scholar, he decided to wake up early during astronaut training for his predawn meal, then carry on as normal. In space he planned to fast on Florida time and pray facing Earth as best he could.

On launch day, he prayed on a plastic mat atop the steel launchpad gantry before boarding the shuttle. Alongside his regulation kit, he carried a Koran and an astrolabe—the early scientific instrument used to calculate the positions of celestial bodies—in recognition of the medieval Islamic astronomers who'd named many of the stars. In orbit he conducted experiments, handed out dates from Medina to his crewmates, and spoke with his father and King Fahd via video link for a Saudi TV broadcast. Upon return, he became an ambassador for his country and for spaceflight. He met President Reagan, gave lectures, and recorded a video message for the Live Aid concert. In space, Sultan told millions of viewers, "you see no wars, national boundaries vanish, and there are no famines."

Saudi leaders discussed with NASA the possibility of placing an astronaut on the shuttle every two years, but those conversations ended after the *Challenger* disaster in January 1986. The shuttle program was grounded for almost three years, and the U.S. announced it would leave the business of launching commercial satellites to the private sector.

The Saudi space program carried on less obtrusively into the early 2000s. The country started building its own satellites at the King Abdulaziz City for Science and Technology (KACST), remaining the clear leader in space among the Gulf powers until 2004, when its main geopolitical rival, Iran, created its own space agency. Iran put a Russian-made satellite in orbit the following year, then followed it with a domestically built satellite, as well as mice, turtles, worms, and a couple of monkeys. The regional race was on.

The UAE has harbored space dreams almost since it was formed. In February 1976, five years after Sheikh Zayed bin Sultan Al Nahyan united the Trucial States, he met the three crew members of Apollo 17. The astronauts presented Zayed, by then the UAE's president, with a fragment of moon rock and a model of the space shuttle. A monochrome photograph captured the astronauts sitting at an ornate coffee table with him, explaining the craft.

It wasn't until after Zayed's death in 2004 that the kingdom began pursuing his ideas in earnest. When billionaire Sheikh Mohammed bin Rashid Al Maktoum became the Emirates' vice president and prime minister a few years later, Dubai was experiencing a building boom, drawing in foreign bankers and executives eager to take advantage of favorable tax and regulatory policies. Space technology, Emirati rulers noted, would help the UAE decrease its reliance on oil and build its international standing. In 2006, Maktoum founded a space center, subsequently named after him. Three years later the facility unveiled DubaiSat-1, a largely Korean-made satellite. In 2013 came DubaiSat-2, this time with labor divided evenly between the two countries, and then, five years later, KhalifaSat, constructed entirely by Emiratis.

KhalifaSat, according to Omran Sharaf, a project manager at the Mohammed bin Rashid Space Centre, was the UAE's "final examination when it comes to Earth observation missions." I met with Sharaf and Sarah Al Amiri, the UAE minister for advanced sciences, on the 40th floor of a government office in Dubai. Both are in their mid-30s, charming, and staggeringly high-achieving—exactly the image the Emirates wishes to project. Sharaf recalled sitting at home in November 2013, the evening before DubaiSat-2 launched, when the space center's director general called with an unexpected question: "Can you look into Mars?" Sharaf replied confidently: "Sure." Seven weeks later, Maktoum told Sharaf and Amiri he wanted to celebrate the UAE's 50th anniversary with a major achievement. This time, Amiri said, the question was more direct: "Can we get to Mars?" The answer was "an informed yes."

The Emirates didn't even have a space agency yet, but it founded the UAESA in the summer of 2014, at the same time as it announced its intention to have a probe orbiting Mars by Dec. 2, 2021. The mission, Maktoum said, would herald a reprisal of the Arab world's leading role in advancing human knowledge. Sharaf became the project manager and Amiri the science lead of a team of 200 Emirati academics and scientists. Their task was to build a craft, named *Al Amal* ("Hope"), that could study changes in the Martian atmosphere for at least ▶

UAE President Shaikh Zayed Bin Sultan Al Nahyan gets a primer on the space shuttle in 1976 ▲

◀ two years. The deadline was already intimidatingly close. A mission so complex would normally take at least a decade to develop. Plus, the launch window during which Earth and Mars are most proximate comes only once every two years, and the journey required seven months, leaving several weeks beginning in mid-July 2020 as the only possible window.

In December 2017, with the Mars mission entering its manufacturing phase, Maktoum announced on Twitter that the UAE would also begin an astronaut program. Mansouri started his application that day. He'd grown up a sci-fi-loving child in the remote deserts south of Abu Dhabi, where he could gaze up at a night sky clear enough to spot the occasional comet. In fourth grade, he'd seen a picture of Prince Sultan in a textbook. "It was amazing because he was Arabic," Mansouri says. The only other Arab to have left Earth was a Syrian, Muhammed Faris, who flew on a Soviet mission in 1987.

As he got older, Mansouri dedicated his life to reaching space. Many early astronauts had been pilots, so Mansouri became one, too, attending military college and going to the U.S. to learn to fly F-16s, then qualifying as an instructor and an air show team member. The monochrome picture of Sheikh Zayed and the Apollo crew hung in his squadron house.

The first cut for the UAE astronaut program brought the prospect pool down to 95, from 4,000. After a few more rounds, there were just nine—a mix of nuclear scientists, engineers, pilots, and doctors. One night in August 2018, Mansouri got a call from Salem Al Marri, the MBRSC's deputy director general, who, after a preamble so long Mansouri thought he was being let down politely, gave him the good news. Sultan Al Neyadi, a military engineer, would join him as a reserve. Their training included a three-day survival exercise in the Kazakh wilderness. "I saw them afterwards," Marri says with a laugh. "I mean, it was cold. They smelt like burnt firewood, they're all black everywhere from the smoke."

Three days before launch, Mansouri spoke with Sultan on the phone, thanking the prince for inspiring him. Mansouri's flight cargo included 30 Al Ghaf seeds for planting back on Earth, jewelry and toys belonging to his family, and some freeze-dried Emirati meals. Just about every second of his time in space delighted him: the disruption to his perception of up and down, the view out the window by his berth, the behavior of water droplets in zero gravity. "Using the toilet is a different story," he says, giggling. From orbit he conducted 16 experiments, gathering data on the effects of microgravity on genes, cell growth, and seed germination. He also gave the first Arabic-language tour of the ISS for later release online. On his last day aboard, he slept only the mandatory four-hour minimum so he'd miss as little as possible. He returned home a hero.

The Emirates' focus is now on the *Al Amal* mission. The probe—a 3,300-pound, 2.9-meter-tall cuboid aluminum structure with three folding solar panels attached—shipped to its Japanese launch site in April, weeks earlier than planned because of the pandemic. If the mission succeeds, the UAESA will become just the fifth agency to reach Martian orbit. The probe will send back images and other data that will be made freely available to at least 200 research institutions around the world. From there, according to the agency's director general, Mohammed Nasser Al Ahbabi, plans include a spaceport, tourism, and a Mars colony by 2117.

Critics of the UAE space program point out that its technological achievements have helped gloss over the country's dismal human-rights record. Emirati women still require permission from a male guardian to marry, for example, and stoning and flogging remain legal punishments. In March, a U.K. High Court ruled that Maktoum had orchestrated the kidnapping and forcible return of two of his daughters after they'd tried to escape him and that he'd conducted an intimidation campaign against his former wife. (In an appeal to keep the findings out of the public domain, the sheikh said he hadn't been able to participate in the court's fact-finding process, and so the judgment "inevitably only tells one side of the story.")

Devin Kenney, who researches the Gulf region for Amnesty International, describes aspects of the Emirates' recent outward-facing initiatives as a "marketing strategy directed to the world." He adds: "Any speech within the UAE that's directed to critical self-improvement instead of just lavishing praise on this very shiny, fancy, glitzy, rich, advanced moneydrawing technological image will get you in trouble, severe trouble—up to and including horrific torture." (A press office for the UAE Ministry of Foreign Affairs didn't respond to emailed requests for comment.)

Since March 2015, the UAE and Saudi Arabia have also been part of the coalition of Arab states, led by Crown Prince Mohammed bin Salman, Sultan's half-brother and the de facto ruler of the Saudi state, that's intervening in a brutal civil war in Yemen. The conflict is one of the world's worst humanitarian crises, with more than 100,000 people killed and millions in need of aid. Coalition airstrikes have hit weddings, hospitals, school buses, fishing boats, and mosques, causing more than 8,000 civilian deaths, according to the Armed Conflict Location & Event Data Project. Detainees of the coalition and allied Yemeni forces have been subjected to torture and sexual violence, according to the United Nations.

When Prince Mohammed, known as MBS, took over

JOHN BECK

Prince Sultan bin Salman bin Abdulaziz Al Saud heads the Saudi space agency ▲

day-to-day leadership of Saudi Arabia in 2017, at age 31, he styled himself a reformer and modernizer. Central to his ambitions was his Vision 2030 plan, which sought to economically diversify and develop the kingdom. He ended a ban on women driving, weakened the male guardianship system, allowed gender-mixed public concerts, and embarked on a U.S. goodwill tour. At the same time, MBS jailed rivals, opponents, and activists, including some of those who'd campaigned for women's right to drive, and carried on the campaign in Yemen. Then, in October 2018, a kill team asphyxiated and dismembered journalist and government critic Jamal Khashoggi inside Saudi Arabia's Istanbul consulate. U.S. intelligence agencies concluded that the crown prince had ordered the hit. (MBS denied this but said he takes responsibility for the murder.)

Less than three months after Khashoggi's assassination, a royal decree established the Saudi Space Agency. Prince Sultan became its head, after a decade atop the tourism ministry. His new role would include overseeing operations and coordinating MBS's space initiatives with counterparts in the U.S., Russia, France, and elsewhere.

I met with Sultan in Riyadh in April. KACST had constructed a colossal and still-expanding facility on the city's western outskirts, but the space agency hadn't yet been assigned a headquarters, so the prince was working out of an unused section of the King Salman Center for Disability Research. A photo of the Earth, viewed over the lunar horizon with Saudi Arabia prominent, hung on the wall. It had been taken during China's Chang'e-4 mission, to which KACST had contributed.

Sultan arrived with a large entourage. Now in his mid-60s, he was still immediately recognizable, though his face is broader and his mustache grayer than in his 1980s NASA publicity pictures, and his hair was concealed beneath a traditional headdress. An aide cautioned that the interview was to be "only about space." Khashoggi's murder was still making headlines, and I'd picked up my visa from the consulate where he'd been killed.

The prince spoke like a man who's rarely interrupted, listing the many merits of the Saudi people ("innovative," "very modern," and "open-minded, regardless of anything you see or hear") and musing wistfully about spending a year in South America. He spoke of summer plans to join a bush pilot operation for 10 days and of his desire to track down Chuck Yeager, whose hand he'd once shaken. He told me about a blood feud in which he'd interceded 17 years ago and predicted that Saudi Arabia would one day win the World Cup.

When he spoke about the agency's plans, he grew serious. There would be more Saudis in space, he said. Inspiring Saudi youth was important, but he wanted to see scientists flying, too. "What is the return for our country? It's very critical that we don't do anything just for flag-waving." To that end, he planned to found a space business entity. "We are focusing on being an incubator. I think any country that's going to go anywhere in the future has to really focus as much as possible on entrepreneurs." It was the language of NewSpace, opportunity and startup culture in service of humankind—entirely consistent with MBS's Vision 2030 rhetoric.

Saudi Arabia's space program, like the UAE's, is sometimes viewed as having a whitewashing effect. Tamara Cofman Wittes, a senior fellow at the Brookings Institution and former U.S. deputy assistant secretary of state, says that, whether it's moonshots or the planned coastal "smart city" of Neom, big technology projects are for the Saudi government partly "about creating an image of your country as forward-looking and progressive, and attracting investors." She points out that a conference highlighting Neom took place in Riyadh soon after Khashoggi was murdered. (A foreign-media liaison office for the Saudi government didn't reply to an emailed request for comment.)

There's also growing evidence that space will play a role in the battle for military dominance in the Gulf. Iran's satellite program has in recent years suffered a series of failures, including a launchpad rocket explosion, but in April, Tehran claimed to have put its first military satellite in orbit. The UAE, for its part, has purchased Thales-manufactured high-resolution military observation satellites ostensibly designed to monitor its borders. At one point during my interview with Ahbabi, the UAESA director general, he described space as "the fourth domain of power," prompting two aides to shift uncomfortably in their seats and clear their throats in an apparent attempt to redirect the conversation.

As for Sultan, he refused to be drawn into a discussion of two imaging satellites Saudi Arabia is known to have launched in 2018 or on the potential military applications of space technology. A representative didn't reply to subsequent requests for information.

Less than three weeks after I left Riyadh, authorities executed 37 people in a single day for "terrorism-related" offenses, following trials that lawyers and rights groups called deeply unfair. Most of the condemned were publicly beheaded, and the body of at least one was displayed afterward. In the ensuing months, the Saudi Space Agency signed a number of agreements to collaborate with its international counterparts, including the UAESA, and unveiled plans to establish a national training center. This March saw the war in Yemen enter its sixth year, with little sign of abating.

Despite the surrounding politics, those involved in the Saudi and Emirati space programs still see their work as a pursuit of scientific advancement and international cooperation. Nine days after Mansouri returned from the ISS, he was welcomed in Abu Dhabi by Crown Prince Mohammed bin Zayed Al Nahyan, Sheikh Zayed's son. Al Nahyan had a model Soyuz rocket and a request: Could Mansouri explain its operation and join him in re-creating the 1976 picture of his father with the U.S. astronauts?

They sat down at an ornate table for what Mansouri calls one of the most amazing moments of his life. He later posted the photo on Instagram, side by side with the old one. "Yesterday, we witnessed the achievement of the world ... Today, the world celebrates our achievements," he wrote. "Zayed's ambition is creating a new history." B

Worst Scen

Cash-strapped, dysfunctional, and led by a chloroquine-ob

By Julia Leite, Simone Iglesias, Martha Beck, and Ethan Bronner

A main street in São Luís, the capital of Maranhão state and a coronavirus hot spot

Case ario

sessed populist, Brazil may be the pandemic's perfect storm

Photographs by Gustavo Minas

On a recent afternoon in São Luís, the capital of Maranhão state in northeastern Brazil, Hosana Lima Castro sat on a flimsy plastic chair in front of her house as stray dogs sniffed potholes in the narrow street and a few neighborhood kids launched kites. The bar across the way, where a few months ago an acquaintance of Castro's had been shot, was closed because of the pandemic. Her job at a convenience store had disappeared, too, so Castro, who's 43 and shares her modest home with her father, two brothers, and two of her kids, had nowhere else to be. Although the coronavirus is widespread across Brazil's northeast, she wasn't wearing a mask. Nor was anyone else in her crowded neighborhood, where basic services have been so neglected that many residents have no access to clean water.

Castro's brother Moises, a garbage collector, was the first in her family to get sick. Then her other brother, Luciano, did too, followed by their father, Francisco, who has diabetes. He suffered badly, struggling to breathe and running a soaring fever. But no one in Castro's household went to the hospital—a place that some in São Luís believe makes patients sicker, or worse. "That would be a death sentence," she said.

As Asia, Western Europe, and parts of the U.S. emerge from what will hopefully be the worst of the pandemic, the virus in Brazil isn't slowing down. Between late May and mid-June the country galloped past Spain, Italy, and the U.K. in total fatalities, which now exceed 51,000, the second-highest toll after that of the U.S. It's second in overall cases, too, with more than 1 million confirmed infections. With local officials now lifting quarantines despite continued growth in cases, it's conceivable that, when Covid-19 finally recedes, Brazil will have been hit harder than any other country.

The reasons Brazil has made such a perfect host for the coronavirus are diverse and not yet fully understood. Like the U.S. it never issued nationwide rules for social distancing. Even if the government had wanted to, the rules would have been impossible to enforce in a country of 210 million where some states are larger in land area than France. That left local officials to do as they saw fit, issuing orders that varied wildly and sometimes contradicted one another. Poverty is certainly also part of the picture: In the densely packed favelas threaded through Brazilian cities, social distancing isn't feasible, and not working means not eating, especially with the cash-strapped state unable to provide enough support. So is the dysfunction of the government. Overcrowding in public hospitals is a long-standing problem, as is graft among the people who are supposed to build new ones.

And then there's President Jair Bolsonaro, a right-wing populist who came to power with a 2018 campaign that echoed Donald Trump's pledges to "drain the swamp." Since the coronavirus appeared in Brazil in late February, Bolsonaro has frequently obstructed efforts to contain it, demanding local officials abandon severe tactics like shuttering businesses, firing a health minister who pushed for a more aggressive response, and at one point limiting the disclosure of epidemiological data, saying that without the numbers there would "no longer be a story" on the evening news. (The Supreme Court ordered the government to resume releasing the figures.) While in the early weeks of the outbreak Bolsonaro's intransigence resembled what was happening in the White House, even Trump grudgingly conceded the severity of the situation once the body count started to soar. Bolsonaro, meanwhile, has doubled down, insisting that the antimalarial drug chloroquine is an effective treatment and claiming the number of cases is being exaggerated.

Bolsonaro's office did not respond to requests for comment on this story. In a written response to questions, Brazil's Health Ministry said it's acted aggressively to test patients and add intensive-care beds, protective gear, and ventilators across the country, spending more than 11 billion reais ($2.1 billion) so far.

Most local and state leaders have ignored Bolsonaro's push to end lockdowns. Brazil has a federal system, and governors have wide powers over public health. But his continued dismissal of the pandemic's seriousness has undermined distancing measures, while mismanagement and corruption at all levels of government have prevented help from getting to where it's needed.

The consequences are severe. In Pará, a vast and underdeveloped state that neighbors Maranhão, Covid-19 has been killing about 50 out of every 100,000 citizens, more than double the national average. "I saw people getting to the hospital with family members already dead in the passenger seat, people given CPR on the sidewalks because the hospitals are full," says Alberto Beltrame, the state health secretary. One day in April, he visited the morgue in the capital, Belém. "There were 120 bodies, scattered everywhere. It's something you'd see in a war." As the virus continues to spread, Brazil may be turning into the true worst-case scenario, a laboratory for what happens when a deadly and little-understood pathogen spreads without much restriction.

Unlike past plagues, the coronavirus has spread in substantial part from the rich to the poor, with prosperous and well-connected global cities—Milan, London, New York—among the earliest hot spots outside China. The story in Brazil was similar. The first clusters emerged in São Paulo, Brazil's financial capital, in early March as wealthy residents returned from overseas trips.

One of the first so-called superspreader events was the wedding of a social media star, held at a beachside resort in Bahia state on March 7. A 27-year-old São Paulo lawyer named Pedro Pacífico—an Instagram personality himself, with hundreds of thousands of followers for a feed devoted mainly to literary recommendations—was one of the guests. He felt lousy when he got home but figured he had an exceptionally bad hangover. When he found out that another guest had been diagnosed with Covid-19, Pacífico went for a test. He had it, too—as, he gradually learned, did about 15 of his friends. But at that point, Pacífico says over a video call, the disease seemed more like a nuisance than a threat. He isolated at home, suggesting quarantine reading to his followers and trading virus stories with other well-off *paulistanos*. "It was the novelty of it," Pacífico says. "No one saw it coming, or thought it would be so bad."

"The virus is here," Bolsonaro said after visiting shops one Sunday. "We're going to have to face it, but face it like a f---ing man"

On the weekend of the Bahia wedding, Bolsonaro was in Florida, visiting Trump at Mar-a-Lago in Palm Beach. The two leaders' entourages took no real precautions, shaking hands and hugging as usual. The first person to test positive after returning home was Fabio Wajngarten, Bolsonaro's communications chief. As everyone who deals with him knows, Wajngarten is what Jerry Seinfeld would call a close talker, with a habit of leaning in when he speaks. Five of the eight people who sat at his table at a Mar-a-Lago dinner tested positive; in all, 30 people on the trip got sick. One was Alexandre Fernandes, an athletic 44-year-old who's developing a grain-export terminal in southern Brazil. After four days isolating in his apartment, Fernandes was so weak he couldn't walk to the bathroom. He went to the hospital, where he was placed in intensive care. "I couldn't pull the covers up in bed," he says. At one point doctors thought he wouldn't make it: "The nurse had to help me hold the phone so I could FaceTime with my daughters to say goodbye."

Even as the virus spread through his inner circle, the president was sending contradictory signals. On March 12 he asked supporters to call off planned rallies to support his government—but then turned up at one in Brasília anyway, unmasked and fist-bumping with attendees. Later that month he urged state governors to curb their quarantines and claimed that, even though he's 65, as a "former athlete" he had nothing to fear from Covid-19. "The virus is here," he said after walking around visiting shops one Sunday. "We're going to have to face it, but face it like a f---ing man."

Still, in those early weeks, Brazilians took heart in the actions of the health minister, a 55-year-old doctor named Luiz Henrique Mandetta. He spoke calmly to the press almost daily, presenting the latest data and pushing lawmakers to buy ventilators and face masks. Mandetta acknowledged that the virus was a severe threat that could be contained only through distancing measures and intensive preparation. He also said that counting on unproven treatments such as chloroquine—being heavily promoted at the time by Bolsonaro and his supporters, mimicking a similar campaign by Trump—was counterproductive or even dangerous.

During a visit to the site of a temporary hospital near Brasília in mid-April, Mandetta stood to one side as the president walked into a dense crowd of fans, some of them climbing over each other to get a better look. One woman asked him to autograph her soccer jersey; after Bolsonaro obliged, she leaned in and kissed his hand. In a TV interview the next day, Mandetta said it was "clearly a mistake" that people were "going into bakeries and markets and putting themselves in crowded situations." He didn't name Bolsonaro, but he didn't have to. A few days later he was fired.

Mandetta's replacement, an oncologist named Nelson Teich, quit after less than a month. He was replaced by a general—Bolsonaro is a former army officer and has named soldiers to several top posts—with no medical experience. With the national caseload nearing 300,000, the ministry issued guidelines allowing doctors in the public-health system to prescribe chloroquine and its sister drug, hydroxychloroquine, for even ▶

Clockwise from top left: Women getting their eyebrows done in São Luís; at Ceasa, the city's fruit and vegetable supply hub; queueing for federal emergency aid; waiting for the bus in the João Paulo neighborhood; street vendors sell alcohol gel and other sanitizers; Calhau beach


CAIXA


CONSERTOS

◀ mild Covid-19 cases. (In its written response, the ministry said that it's following "bioethical principles" by making them available and that Brazilians treated with the drugs have had good results.) Toward the end of May, Bolsonaro shared some good news: The U.S. would be sending 2 million doses.

The eve of Brazil's Valentine's Day, in mid-June, is one of the busier nights of the year at the Villa Roma pizzeria, in São Paulo's upscale Jardins district. In 2019 tables were booked solid a month in advance. But this year owner Gabriel Pinheiro was standing alone wearing a black face mask behind the wooden bar, greeting deliverymen who came one at a time and ventured no more than 10 steps into the restaurant. He'd put out a bottle of sanitizer, next to a little sign instructing them to clean their bags before putting orders inside. The two-story window at the back, normally lit to reveal the lush plant life beyond, was dark, while the second floor was filled with stacks of pizza boxes and new, simplified menus that are easier to clean than the thick booklets they replaced. Running a restaurant at this time of year "is usually such a good feeling," Pinheiro said. "Now it's depressing."

Villa Roma has been closed to dine-in customers since mid-March, when São Paulo Governor João Doria Jr. defied Bolsonaro to impose what became a more than two-month lockdown, though it was only loosely enforced. Delivery business, announced by computer beeps that prompted Pinheiro and his manager, Carolina, to shout orders into the kitchen, has helped the restaurant stay afloat, if barely. Sales have plunged to about 20% of the pre-shutdown level, and of 30 employees only 10 are still at work. Desperate to cut costs, Pinheiro renegotiated his rent, asked suppliers for more time to settle bills, and took on tasks like buying goods and handling payroll himself. "We're about breaking even, but it's very tough," he said. "More and more restaurants are closing, and the state is not doing anything."

Pinheiro is relatively lucky. Nationally, restaurants and bars had fired more than 1.2 million workers by early June, according to industry association Abrasel. The organization's president in São Paulo, Percival Maricato, says that while about 80% of owners tried to get financing to tide them over, the vast majority were unsuccessful. Banks are supposed to be providing plenty of cash—Bolsonaro's government recently slashed reserve requirements to give them more room to lend—but bureaucracy, demands for collateral, and high rates have prevented companies from getting it. Many restaurateurs have simply run out of money.

Unlike in the U.S. and Europe, the Brazilian government hasn't been able to provide much direct help to companies or individuals. Public finances were in severe trouble even before the pandemic, the result of decades of overspending by politicians of all ideological stripes and the lingering effects of a severe recession in 2015 and 2016. The number of public employees has more than doubled in the past three decades. Some are paid almost twice as much as equivalent staff in the private sector and receive outsize retirement packages, though Bolsonaro succeeded in passing a controversial pension reform last year. That kind of spending doesn't leave much for essential needs such as health care.

The centerpiece of Bolsonaro's economic response is a 600-real monthly stipend for Brazil's huge number of informal workers, accounting for the bulk of the roughly 400 billion reais spent on emergency support so far. (The government has also used an insurance fund to pay furloughed employees and provided emergency loans to states.) The stipend, recently extended to run for five months, drew praise—but at a little more than half the minimum wage it's not enough for many citizens to get by on, especially in big cities. Disbursements have also been delayed by problems including crashing computer systems and a shortage of bills for cash payouts.

Bolsonaro has argued in speeches and on social media that, with millions of Brazilians living hand to mouth, a prolonged recession will be deadlier than the virus—and the only solution is to swiftly restart the economy. That's not really in his power, but his pronouncements still have a significant effect on people's willingness to endure, and comply with, ongoing restrictions. "You have about 30% of the people who still support him and are influenced by his decisions," says Doria, the São Paulo governor. Once allies, he and Bolsonaro are now at odds, in part because of the president's criticism of his decision to lock down the state, which has more than 45 million people. "If he doesn't wear a mask, why should they?" Doria asks. "His insistence on opening the economy is another layer of pressure."

São Paulo began lifting its restrictions on June 1, gradually allowing retailers and other businesses to reopen, though restaurants and parks are still off-limits. Health experts are concerned that, even in the first place in Brazil to experience a Covid-19 outbreak, it's too soon. The number of people in intensive care has declined, but cases and deaths keep growing, particularly in rural areas that were spared early on. "Reopening now is a gross mistake," says Pedro Hallal, the dean of the Federal University of Pelotas, who coordinated a large-scale study of how many Brazilians have been exposed to the virus. (It estimated that half a million people in Rio de Janeiro have antibodies, 10 times the number of official cases, and that rates in some northeastern cities are much higher.) "It's like we're saying, 'Let's go out and see just how bad the virus can get.'"

"It's like we're saying, 'Let's go out and see just how bad the virus can get'"

In the working-class district of Nova Iguaçu, 40 minutes by car from Rio's glittering beaches, there's a construction site just down the road from an evangelical church, between a soccer academy and an aviation school. The building was supposed to be a temporary hospital for Covid-19 patients, and the state government had announced its opening in May. But a reporter

Stilt houses in São Luís's Liberdade neighborhood

for *Bloomberg Businessweek* who visited in June found it far from finished, with no obvious signs of ongoing construction, let alone patients. That hadn't stopped someone from papering a concrete wall at the edge of the site with posters touting the government's pandemic response efforts. "It wasn't ready when we needed it most," said Auria Almeida, a middle-aged woman who was standing in the shade nearby. The facility seemed to have made little impression on the locals. A teenage boy who was selling oranges on a street corner had never heard of it. Waiting in line at an auto parts store, a man named Fabio Carvalho took it as a given that funds for the hospital had been misappropriated. "The money has gone all over the place," he said.

The story in Nova Iguaçu has played out in cities across the country, with promised temporary hospitals sitting unfinished or unequipped months into the pandemic. The challenges in getting them up and running are a reminder that, of all Brazil's handicaps in fighting Covid-19, corruption—and the state's related failures in delivering essential projects—might be the most disheartening. Brazil has a rich history of graft, ranging from palm-greasing to outright theft. Luiz Inácio Lula da Silva, who served as president from 2003 to 2010, was jailed on charges stemming from Operation Carwash, a sprawling investigation into bribery involving the state oil company, Petrobras. Bolsonaro, who pledged to clean up scandals associated with Lula and his successor, Dilma Rousseff, has been embroiled in allegations that he tried to prevent federal police from investigating his family. (Both the current and former president deny wrongdoing.)

Not surprisingly, Brazil's sudden need for more masks, gowns, ventilators, and hospital beds, already complicated by a global rush for the same equipment, wasn't wasted by bureaucrats and politicians looking to make some extra cash. Police in several states are investigating the suspected misuse of funds, overpayments for supplies that never arrived, and contract-padding for politically connected businesspeople. Health officials in the states of Pará and Rio de Janeiro have been fired, while lawmakers in the latter are trying to oust Governor Wilson Witzel over suspicions he used hospital contracts to line his pockets. (Witzel says the allegations are politically motivated and he did nothing wrong.)

Brazil has nowhere near the medical resources to handle a second wave of cases—let alone the first, which is still expanding, spreading along bus routes and waterways deep into the interior. To make matters worse, July, August, and September are winter months in the southern hemisphere, potentially bringing an even faster uptick in infections. Researchers at the Pontifical Catholic University of Rio de Janeiro estimate cases could reach 1.4 million before the end of June, bringing the death toll to almost 60,000. By mid-July, says the University of Washington's Institute for Health Metrics and Evaluation, Brazil will overtake the U.S. in per-capita fatalities.

"We have many months still to go," says Julio Croda, an epidemiologist who previously worked in infectious-disease surveillance at the Brazilian Health Ministry. "What's sad to see is that the curve is still steepening." *—With Peter Millard*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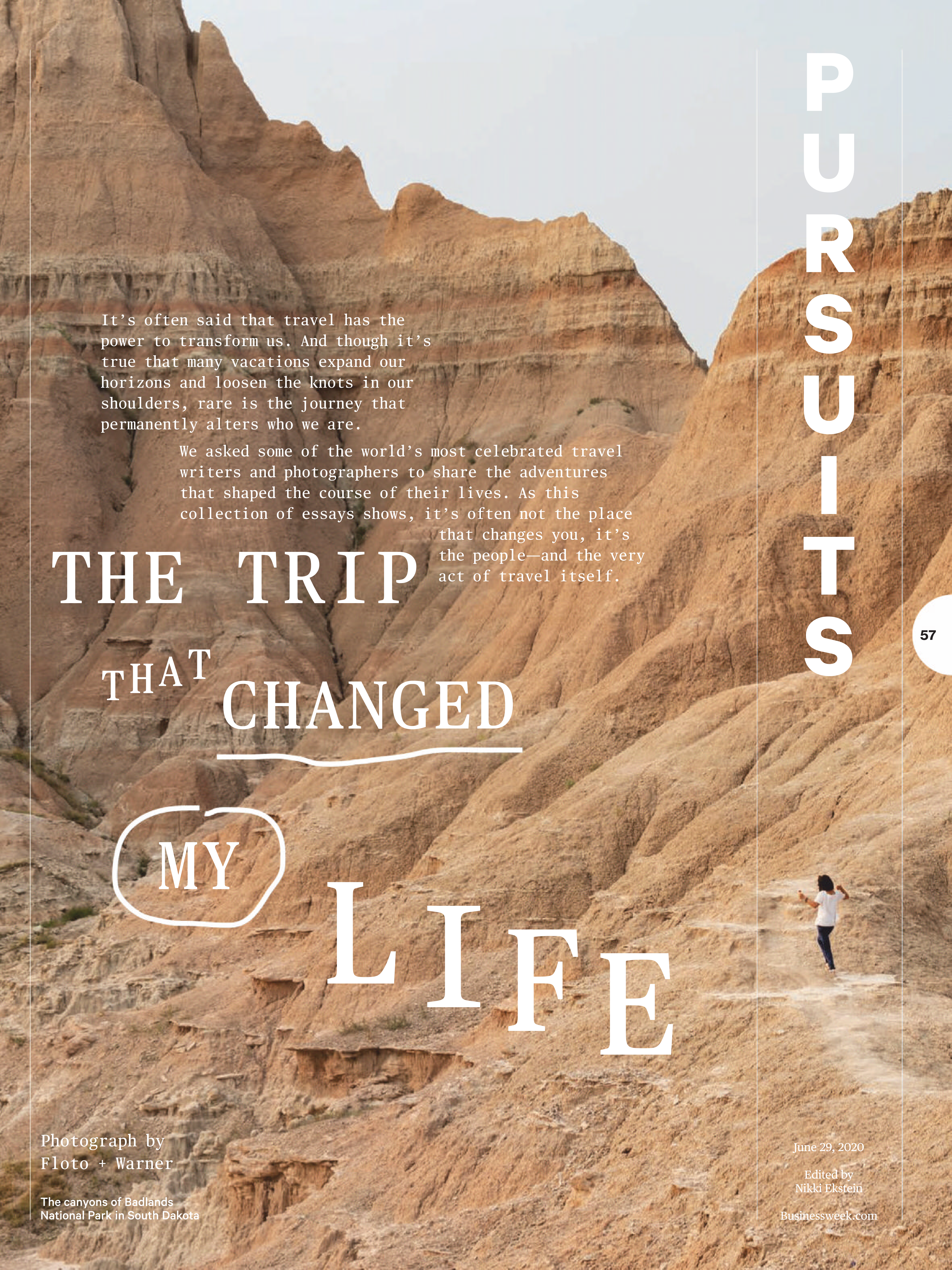


THE TRIP THAT CHANGED MY LIFE

It's often said that travel has the power to transform us. And though it's true that many vacations expand our horizons and loosen the knots in our shoulders, rare is the journey that permanently alters who we are.

We asked some of the world's most celebrated travel writers and photographers to share the adventures that shaped the course of their lives. As this collection of essays shows, it's often not the place that changes you, it's the people—and the very act of travel itself.

Photograph by Floto + Warner

The canyons of Badlands National Park in South Dakota

June 29, 2020

Edited by Nikki Ekstein

Businessweek.com

TRAVELING LIGHT

We chose van life for our children's sake, but it was my partner and I who learned to lessen our load
By Cassandra Warner

My girls were 5 and 9 when we set out to explore the American West in an RV for two months. The pressures of established routines and societal expectations had taken their toll, and it was time to shrink external distractions and practice living small—whatever-fits-in-a-backpack small.

When you have young children, you feel like you need to plan and organize and constantly shuffle them around, or else you're somehow putting them in danger. Here, they were capable and independent, appreciating each moment without comparing it to the last. Kids, it turns out, understand their place in the universe intuitively without getting lost in our ego-driven games. They don't need fluffy towels or a constant flow of new clothes to be happy. For us parents, needing less means working less; it buys us independence instead of weight.

Now, at our new home base in Chamonix, France, we've bought little more than a rust bucket of a van to explore our surroundings. My husband, Jeremy, doesn't have a cellphone anymore. And by fine-tuning how we spend and how much waste we generate, we can live smaller and smarter, wherever it is we want to be. Ⓑ

THE ~~WRONG~~ WAY HOME

An epic journey by rail answers the question: Where am I going?
By Peter Hessler

When I was 25, I boarded a train, rode it to the last stop, and disembarked with a new sense of what to do with my life. This kind of thing can happen when you're 25. It also helps if the journey lasts six days and 5,000 miles.

The year was 1994, and I was traveling along the Trans-Siberian Railway. I had bought a one-way ticket from Moscow to Beijing. After passing through the western part of Siberia, the train would head south across Mongolia. Back then, the world seemed bigger: no cellphones, no online reservations. Things were heavier, too. In my backpack—Lowe Alpine, internal frame—I carried a tent, a sleeping bag, a camera, 20 rolls of film, a Sony Walkman, and a few precious cassettes (Bruce Springsteen, Paul Simon, the Beastie Boys). I lugged real books: brick-size guides to Russia and China, along with a copy of *War and Peace* that I'd selected in Blackwell's Bookshop in Oxford, England, for its small type and minimal pages. But the lighting on the Trans-Siberian wasn't as good as Blackwell's, and at night I wondered if the combination of Tolstoy and the train would ruin my eyes.

Apart from the dim, flickering lamps, the carriages were more comfortable than I'd expected. In those days, few tourists took the Trans-Siberian, and the dozen or so Western backpackers had been assigned to four-berth compartments in a car occupied primarily by Chinese and Mongolian traders. Their luggage put *War and Peace* to shame. Mostly they hauled big bags full of Polish-made Marlboros, but other goods were more mysterious. One Mongolian had

FROM LEFT: FLOTO + WARNER (2); OLEG KLIMOV/PANOS PICTURES/REDUX a canvas sack full of speedometers, and a Chinese trader carried dozens of digital clocks that spoke the time in Russian. Who in Beijing needed a Russian-speaking clock? Why speedometers on the steppes?

Another Chinese trader obsessively guarded a small bag. The Americans in his compartment didn't know what was inside, but they saw the man hand over $1,200 to the Chinese conductor. Was it a bribe? Were drugs involved? The conductor, who spoke no English, didn't seem worried; every day he lounged shirtless at the car's entrance, cigarette in hand. Nearby, a sign said "No Smoking" in Russian and English. At last, a European passenger confronted the conductor, miming her dissatisfaction and pointing angrily at the sign. The conductor's response was also silent: He went inside his berth, produced a screwdriver, and removed the sign from the wall.

Earlier that summer I had completed my second degree in English, at Oxford. Originally I'd hoped to become a professor, but I became disillusioned with academic writing. After six years of university, I still felt as if I lacked even the most basic skills and experiences. I couldn't speak a second language, and I'd seen almost nothing of the world.

My next step, I decided, would be in the wrong direction. Rather than fly home to Missouri, I would go east, by land. The schedule was as open as the Siberian plains: I hadn't applied for any jobs, and I gave myself half a year to get home.

I started in Prague, accompanied by a Texan named Ted who was also searching for life direction. Together we bought one-way tickets through the Czech Republic, Slovakia, Poland, and Belarus and into Russia.

In Moscow, our progress was abruptly halted at Yaroslavsky station. The guidebooks advised travelers to purchase Trans-Siberian tickets in advance, through a travel agent, but we thought we could save money by going directly to a ticket window, handing over some cash, and saying, "Beijing." We didn't realize how crazy this was until we arrived in Moscow. There didn't seem to be any centralized system for ticketing. For three tortuous days we went from one window to the next, at Yaroslavsky and other Moscow stations. Finally, we were directed to a nondescript building where a clerk glanced at our passports, and we handed over the equivalent of $230 each—that was all it took to hop a train to the other side of the world.

Was it a bribe? Were drugs involved? The conductor, who spoke no English, didn't seem worried

As we approached Mongolia, the trader with the mysterious bag carved a neat hole into the ceiling with a hacksaw. The conductor stood nearby, directing the project. At the border, our passports were marked with a red "CCCP"—almost three years after the collapse of the Soviet Union, they still hadn't changed the exit stamps in Siberia. Russian soldiers wandered through the compartments, poking at bags. I pretended to read *War and Peace*. But the search was perfunctory; the soldiers didn't notice that a section of the ceiling had been hacksawed and then replaced, and they paid no mind to the Polish Marlboros or the Russian clocks.

Only the Mongolian with the speedometers was hassled until he handed over $50 in U.S. cash. And that was it—the next day, the Mongolian happily disembarked with all his gauges at Ulaanbaatar. Later, after we crossed the Chinese border, the trader with the hacksaw reopened the ceiling and removed his bag. We never learned what was inside.

The train stopped; the trip continued. I hadn't planned on spending much time in China, which I knew mostly from drab images of citizens in blue Mao suits. But once I arrived, I felt an unexpected energy. People seemed motivated, and they figured out solutions; even without a word of Chinese, Ted and I were able to get around the country. We extended our stay to six weeks, and then continued to Southeast Asia.

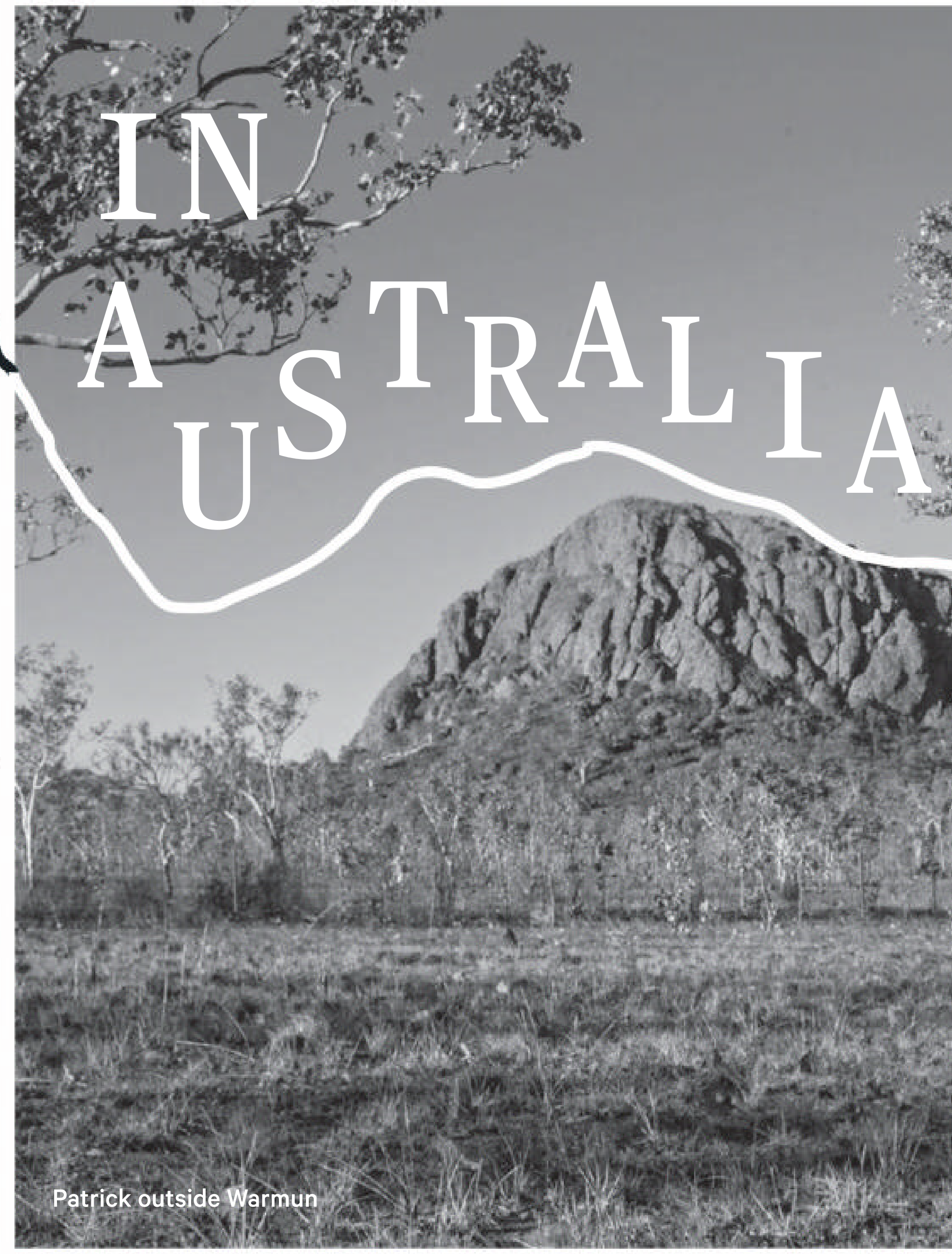
Even now, moments from that trip still seem as vivid as if they happened yesterday. We hitchhiked across Laos with some truckers, sleeping on the roof of the cab at night. In Hong Kong we signed up as foreign extras at a local studio, appearing in a Cantonese film and soap opera. Everywhere, I read *War and Peace*, until, with about 10 pages to go, I dropped the book into an open toilet on the slow boat from Macao to Guangzhou.

I fished it out, cleaned the cover, and finished the novel. Later, I traded with Ted, who'd been reading *Anna Karenina*. I didn't tell him about the toilet until he was in the final pages.

In the end, Ted found his path, and nowadays he's a physician working with soldiers injured in Iraq and Afghanistan. My own trajectory was set by the train. After returning to the U.S., I wrote my first travel essay, telling the tale of the Trans-Siberian. I mailed it off to a random name on the masthead at the *New York Times*. To my surprise the paper published it, and briefly I entertained the idea of traveling forever, sending off stories. But then I did something smarter: I applied to the Peace Corps and requested an assignment in China.

I ended up living there for more than a decade, writing about citizens who had transformed their lives in the post-Deng Xiaoping era. Every now and then I remembered the Trans-Siberian, where I'd first glimpsed a certain Chinese combination of pragmatism, resourcefulness, and irreverence: the conductor with the screwdriver, the trader with the hacksaw. In Beijing I met a fellow writer and wanderer named Leslie Chang. Our twin daughters were born in another train town halfway around the world: Grand Junction, Colo. We named one daughter Ariel, after Shakespeare's *The Tempest*—all of those years spent studying English literature were not forgotten. Neither was *War and Peace*. Our other daughter is Natasha, a half-Chinese Coloradan with a name from a Russian novel. That old stained book still sits on my shelf. B

DREAMTIME IN AUSTRALIA



Patrick outside Warmun

A night with Aboriginal artists leads to creative rebirth

By Shane Mitchell

Photograph by James Fisher

Aboriginal and Torres Strait Islanders are warned that the following story may contain images and voices of deceased persons.

"Tonight you dream," said Peggy Patrick, stabbing her finger at me.

The fire was dying as the circle of senior law women (Aboriginal elders) put away their carved rhythm sticks. My back hurt from sitting on the cold ground too long, listening for hours to the Daiyul Lirlmim song cycle about a barramundi fish that swam through a mountain range. The red dust made everyone cough. In the Gija language, these fluid narrative performances are called *joonba,* an intrinsic expression of Aboriginal art that incorporates song, dance, body painting, and theatrics. The custodians of each story are obligated to teach it to the younger generation, who on that night wanted only to escape, laughing in the darkness to kick a ball around, paint still marking their faces. I wiped off my jeans and walked back across the highway to my room at a roadhouse on the edge of Warmun, an outback town in the Kimberley region of Western Australia.

Both my grandfather and father were artists, and I grew up in a New York household where creative expression was paramount. Dad started out as a classicist; it would take decades for him to fully adopt abstractionism, his true métier, but observing him rebel over time gave me a taste for the same. That led to an appreciation for Outsider Art, perhaps because it exists beyond the boundaries of official culture, often in realms of the self-taught artists' own making. Henry Darger, Howard Finster, Maud Lewis, Butch Anthony. Peggy Patrick.

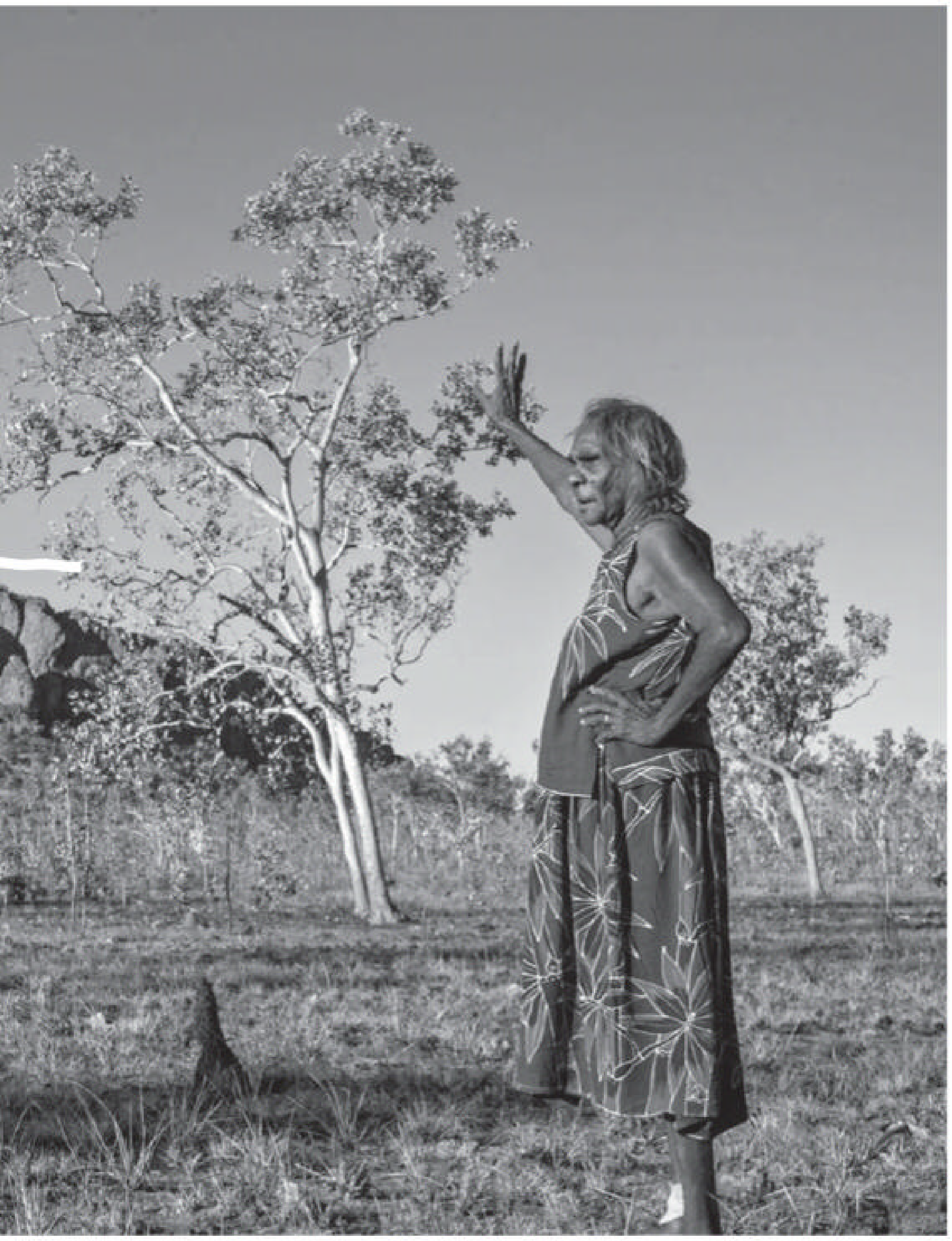
A love for that art eventually led me to a night terror in the back of beyond.

Australia's Aboriginal artists have a complex worldview based on genesis myths describing the Ngarrangarni, or Dreamtime, during which totemic ancestors traveled the nascent landscape, scattering a trail of musical notes that grew into mountain ranges, rivers, forests, deserts.

These places have metaphysical resonance, and every creature—human or otherwise—is eternally connected to a specific aspect of this sacred geography. The Ngarrangarni is both scripture and navigational tool, a moral compass tied to a freaky dreamscape and interpreted for millenniums by artists in both song and imagery. In music it's accompanied by instruments such as the didgeridoo and bullroarer.

When rendering these stories visually, Aboriginals carved petroglyphs and ground paint by hand from rocks, berries, and other natural materials to create cave paintings. (Now artists have switched to store-bought paint and canvas or board.) The basic palette—ocher, white, black, indigo, mustard—remains the same and still echoes the artist's particular birthplace. Images appear out of swirls, ripples, blobs, dots. A certain vertical shift in perspective reveals this is an uncannily accurate aerial interpretation, captured by painters who may never actually fly over the landscapes they've rendered. I first heard of these Dreamtime artists while living in Australia for a brief period during the 1980s, when they were finally gaining recognition from the mainstream art world. But it would be decades before I had the opportunity to meet any.

The community of Warmun (population 210) sits beside the Great Northern Highway, the main supply route that passes through a million-square-mile savanna of bottle flies, blackened stumps, and searing light in Western Australia. It takes forever to get there. Poverty is rampant, chronic respiratory diseases common, food insecurity high. The truck stop is the only place to buy basic groceries, fill up on gas, and spend the night in a shabby room with a tepid shower. Down the



The next morning, I left the women of Warmun behind. Almost at once, the trouble started

highway, the Warmun Art Centre is the main exhibition space for resident painters. Patrick, the Gija senior law woman and artist I came to meet, has her work displayed there. She draws the *joomooloony*, or boab tree, that members of her clan group died under during the Mistake Creek Massacre, which took place near Warmun in 1915. It's a personal dreaming, rather than a more traditional work based on the shared mythology of country. Another rebel painter, so to speak, her work is otherworldly.

Too often I have parachuted into unfamiliar places without any deep understanding of the culture. Mostly without personal consequence. Not this time. Friends put me together with Patrick, across oceans and continents. We met in the light cast by that fire. Unruly white hair framed her face. Sharp eyes and pursed lips. In her suitcase, a crumpled picture of a giant pink diamond. Born in the 1930s, Patrick worked as a truck driver, teacher, and nurse in the Kimberley before picking up the paintbrush. Over time she also became the custodian of significant song cycles, such as the Daiyul Lirlmim, or Barramundi Dreaming.

That night she practiced it with her friends and their grandchildren under a paperbark tree. I listened, unaware of the regional complexities of land ownership vs. outsider interests, especially involving the world's largest pink diamond mine in nearby Barramundi Gap, where a Dreamtime fish was once chased by clanswomen with grass nets. Squeezing through a fissure in the rock, it scraped off its sparkling scales to escape.

Patrick's raw alto soared, wavered, cracked with laughter. When the group finally stopped, I asked how long she had been singing the song cycle. "Since I was a kid," she replied.

Then that other thing was said. I ignored her, to be honest.

Maybe it was the lumpy bed. Or jet lag. I slept fitfully. Late in the night, a fierce reptile emerged, like lightning on the horizon, glittering gemlike against the darkness of the dream Patrick promised. It vanished just as quickly, a trippy hallucination shattering my subconscious. I may have cried out. The next morning, I left the women of Warmun behind.

Almost at once, the trouble started. A flat tire on a famously dangerous unpaved road. No jack, miles from help. A lost credit card. A lost laptop, thankfully found again.

A few weeks later, driving through a wilderness area in the Northern Territory, I braked sharply and pulled over on the shoulder next to one of those wildlife crossing signs. A jolt of recognition took me right back to the night of the joonba.

On the metal diamond was a symbol of the reptile from my dream. (I looked it up, because I'd never seen it otherwise.) *Chlamydosaurus kingii*. A frilled neck lizard, spiny orange ruff extended in full display. Binges on butterflies, climbs trees, basks in the sun. Appeared on the Australian 2¢ coin and had a cameo in *Jurassic Park*. For Aboriginals in the far north, I discovered later, the Frilled Neck Lizard Dreaming is a powerful totemic rainmaker, bringing both emotional storms and cleansing, signifying the unrelenting force of nature and the use of communal energy. An agent of chaos.

More than a decade has passed, and I still think about that night in Warmun as a crossroad. Narratives about indigenous wisdom are so often fraught with privilege and exploitation. Too easily appropriated by those lacking in perspective, for the sake of a trophy trip or an artifact of material culture that loses its relevance when spirited away. On the other hand, meeting those women in that troubled and distant place permanently shifted my worldview. They reminded me to think outside the confines of my own understanding and to listen to histories besides my own. I changed my field of concentration, from lifestyle journalism to cultural anthropology. Wrote a book about it. Embraced the creative chaos embodied by that totem. Certainly not the same way as a Dreamtime artist, because that's not my medium. Yet they let me in for a second, and that's probably more than I deserve. B

The author's partner, Hugo, on the Pamir Highway in Tajikistan

IF WE FALL, WE DON'T FALL ALONE

The key to any great journey—like crossing two continents on a tandem bicycle—is to learn your limits

Photograph and story by Carol Sachs

Our route—spanning 21 countries, 7,800 miles, and 15 months, from Tokyo to Switzerland—would have been ambitious even if we'd done it by plane. But from the back seat of a tandem bike with my partner of eight years leading the way, it was an adventure that would empower us for the rest of our lives.

The first month almost broke us. He worried about money. I was out of shape. The heat was oppressive. It was a constant building of tension, like ratchets on the gear. Then one day, on a busy three-lane road to Hiroshima, we fell into traffic. Hugo pulled me up, then got the bike, feeling the weight of both our lives.

Our apartment that night, overlooking palm trees, reminded us of our native Brazil. We drank beers and confessed frustrations, taking comfort in the view. We learned we needed more personal space and fewer rigid plans. I wanted less wild camping; he wanted a looser itinerary.

We became stronger, as a couple and as bikers. Our trials and tribulations—like a flare of back pain that left my butt exposed on an acupuncturist's table in China's Yunnan province—produced quirky and wonderful detours. We met professional weight-lifters in Kazakhstan, toured the iconic Pamir Highway in Tajikistan, and cozied up for cocoa in tiny German bakeries.

Some days were agonizing. But quarantine, starting a family, whatever comes next—Hugo and I will have always done this extraordinary thing together.

IN AWE OF THE PACIFIC's POWER

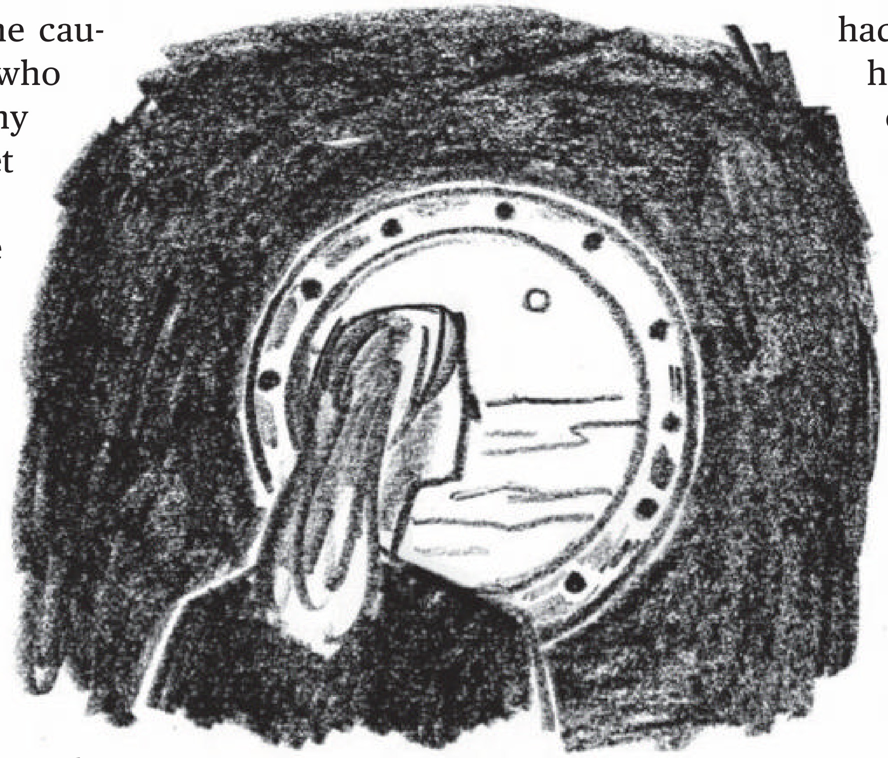
While environmental disaster lurks right below the surface

By Colleen Kinder

I knew so little about the ocean when I accepted a job as a writing teacher with Semester at Sea and set out west across the Pacific. Mostly I craved an epic journey, and our four-month itinerary through a smattering of ports in Asia and Africa read to me like a guarantee. In between cities like Beijing and Yangon, the sea would serve as a palate cleanser.

It was early 2015. My new colleague Sal, our faculty marine biologist, had spent much of his life on the ocean but was still wary of our trip's first leg between San Diego and Yokohama. "Don't believe anyone who tells you they can't get seasick," he cautioned. "They're like people who tell you they can swallow any hot sauce. They just haven't met their match."

Nobody is a match for the Pacific. Even on days when I had three classes to teach and 50 essays to grade, the ocean never receded to a backdrop. It was the imp tossing water glasses off my cabin shelves and hurling shampoo bottles across the shower floor. It was the invisible dance partner I balanced against while lecturing on Rachel Carson—quads braced and toes pressed against the keeling floor. It was the twang and creak in my mattress, the slow and beautiful glide of my lampshade's shadow down my cabin wall.



One night, during a storm as deafening as cannon fire, I stumbled down the hallway to a nearby deck and saw the Pacific's might in the raw. I watched it buck our seven-story cruiser up in the air, and when the prow fell and smacked the sea's surface, the spume was so astonishing—like an uproar of billowing clouds—that I had to turn my head. It felt like nature was smashing her cymbals right in my face.

I did know enough about the ocean to realize, a week into our voyage, that we must be nearing the Great Pacific Garbage Patch: an infamous gyre of floating rubbish that by some estimates stretches over 600,000 square miles. I winced in anticipation of seeing that undulating band of blue out my porthole window sullied with jugs of bleach and kelp-gnarled car bumpers, and for the first time in my life, I cared for something in nature as tenderly as I might a dear friend.

But when we reached the shores of Hilo, Hawaii, without my spotting a single bobbing soda bottle—let alone a mountain of rubbish larger than the state of Texas—I asked Ann, our faculty oceanographer, where it was. Her answer baffled me even more: We'd sailed right through it.

Plastic, I quickly learned, photodegrades over time, but only to a point. A bottle cast out to sea will break down into tiny pieces, some smaller than 5 millimeters, then hang suspended like confetti right beneath the sea's surface. In our pristine-looking path to Hawaii, it was all there—87,000 tons of electronics, toothbrushes, fishing nets, yogurt containers, and CD cases—churned into a thick soup that was invisible to me yet comprises three-quarters of some turtles' diets.

Our ship would ply two more oceans, but the Pacific was where I woke up to a cruel paradox that for all its staggering force, nature is a passive receptor of our toxins. If the sea had become a being to me, comprehending the damage done was like learning this dear friend had an infection running through her bloodstream. Microscopic cancers likely beyond retrieval now. Tiny poisons I was culpable in creating.

Experts still don't know how long it takes for plastic to fully break down; the prevailing thought is about 500 years, though the answer may as well be never. A bold endeavor by the nonprofit organization Ocean Cleanup is under way to filter trash out of the patch, but no one knows whether it will succeed.

The Great Pacific Garbage Patch washes up in my memory in banal moments. Receiving takeout with plastic cutlery I don't need, rinsing a yogurt container for recycling, or weighing the cost of eco-friendly diapers—I can't hear the term "single-use" without thinking "eternal impact."

So as geeky as it feels to bring Tupperware on dinner dates when I know I'll want leftovers boxed up, I only need to imagine the restaurant's plastic packaging breaking down into edible shards, joining the toxic soup that whales swallow and birds unknowingly feed their newborns. I need only send my imagination back out to sea, to that very spot I "missed" and can't shake, and let the blunt truth of oceanographer Sylvia Earle ring hard through me: "There's no 'away'" to throw to. Ⓑ

ILLUSTRATION BY AGNES LEE

UNDER THE TIGER'S EYE

Patience and perseverance are virtues best learned in Siberia

By Sophy Roberts

Photograph by Michael Turek

Five years ago, I heard a David-and-Goliath story about a conservationist protecting one of the world's rarest big cats and flew to Russia's Far East to meet him.

Alexander Batalov—a broad, short man in his mid-60s, dressed in felt boots gifted to him by an army colonel—found me in the city of Khabarovsk. For the first time, I was headed into the taiga. The so-called tipsy forest, it's named after the landscape's swaths of leaning trees, many of them propped up by their densely packed neighbors.

The author and Batalov follow the tracks of a rare Siberian tiger

Humble and eloquent, Batalov had given a large portion of his life to safeguarding the Amur tiger—a Siberian subspecies distinguished by its orange striped fur and vast proportions. An adult male can be 14 feet long and weigh 400 pounds, and its territory can span 1,000 miles or more.

Only 500 or so of these animals remain in the wild; even for professionals such as Batalov, seeing one might happen once or twice in a lifetime. So for the next few days, we would simply be setting motion-activated cameras to better understand their behavior. In the taiga, Batalov explained, oak trees are threatened by logging. Their acorns are food for wild boar. And the wild boar are food for tigers. Take out the oak trees, and the whole ecosystem collapses. As a journalist focused on conservation, I hoped to learn and tell Batalov's story.

Deep in the forest, snowdrifts hugged the birches like petticoats. Our truck rumbled on through the silence. Then out of nowhere, a line of crisp new paw prints appeared. Batalov grabbed my hand. "Tiger!" he whispered. "Tiger, tiger!"

As I cautiously stepped out of the vehicle and put my ungloved hand against the paw print in the snow, the scale became real. A 6-year-old tiger, Batalov said. Probably a male.

A few moments later we turned a bend and saw the tiger asleep in a clearing. It stood up on all fours to reveal its dazzling stripes, the snow falling off its back. Then it looked at us with a steady, fearless gaze before ambling into the trees, its fierce golden flare soon concealed by a billion spindly trunks.

If a life-changing trip is born of reflection—a gradual shift in what we believe, how we perceive what we see, or how we choose to live—the tiger marked the beginning of mine. It was uncanny that such an unlikely encounter not only should have happened so soon, but should have occurred at all. It felt as if the meeting meant something more than a stroke of luck.

I was intoxicated by the silvery sheen of the taiga. In Batalov's company, I was also profoundly inspired. His life was driven by a yearslong, patient effort to protect something precious—with nothing but a modest budget to help reason with local loggers.

Our time together created shared confidences. Batalov told me about his father, a talented musician whose music brought solace to a remote Siberian town. I told him about my friend Odgerel Sampilnorov, a Mongolian concert pianist. The extremes of the steppe climate had wreaked havoc on her Yamaha; the previous summer we'd spoken about finding her a soft-sounding, historic instrument to withstand the test of time. The best place to find one, we agreed, was Siberia, a place rich in classical music culture and tied to her family heritage. A piano that had survived generations there was surely what she needed.

Batalov nodded. He didn't try and tell me that Siberia was too big or that Putin's Russia was too forbidding. "You must give it a go," he urged. "The tiger will bring you luck."

So I began a treasure hunt that would last more than two years and require eight trips to a land mass whose former imperial boundaries stretch across 1⁄11 of the world's surface. I worked with Siberian piano tuners, who led me to interesting instruments in private hands. I made appeals on the radio. Sometimes it felt as if everything was against me: climate, logistics, the eye of the authorities, who, after a full day of questioning halfway through the project, made it clear they didn't much like foreign writers poking around restricted zones.

I also felt my search for beauty in the region might be misplaced. Estimates say that roughly 1 million people had been exiled here under the czarist penal system and an additional 2.7 million forced laborers killed in the Soviet Gulag. But when I felt discouraged, the tiger would flash before me: persistence.

As my favor for a friend turned into a personal obsession, I found the real hallmarks of the region were warmth and stoic hospitality. During the czarist period, I learned, Siberians would leave bread on their windowsills for exiles who would walk past in chains. Today you can turn up as a stranger and, by dinner, be sharing stories at a local's kitchen table.

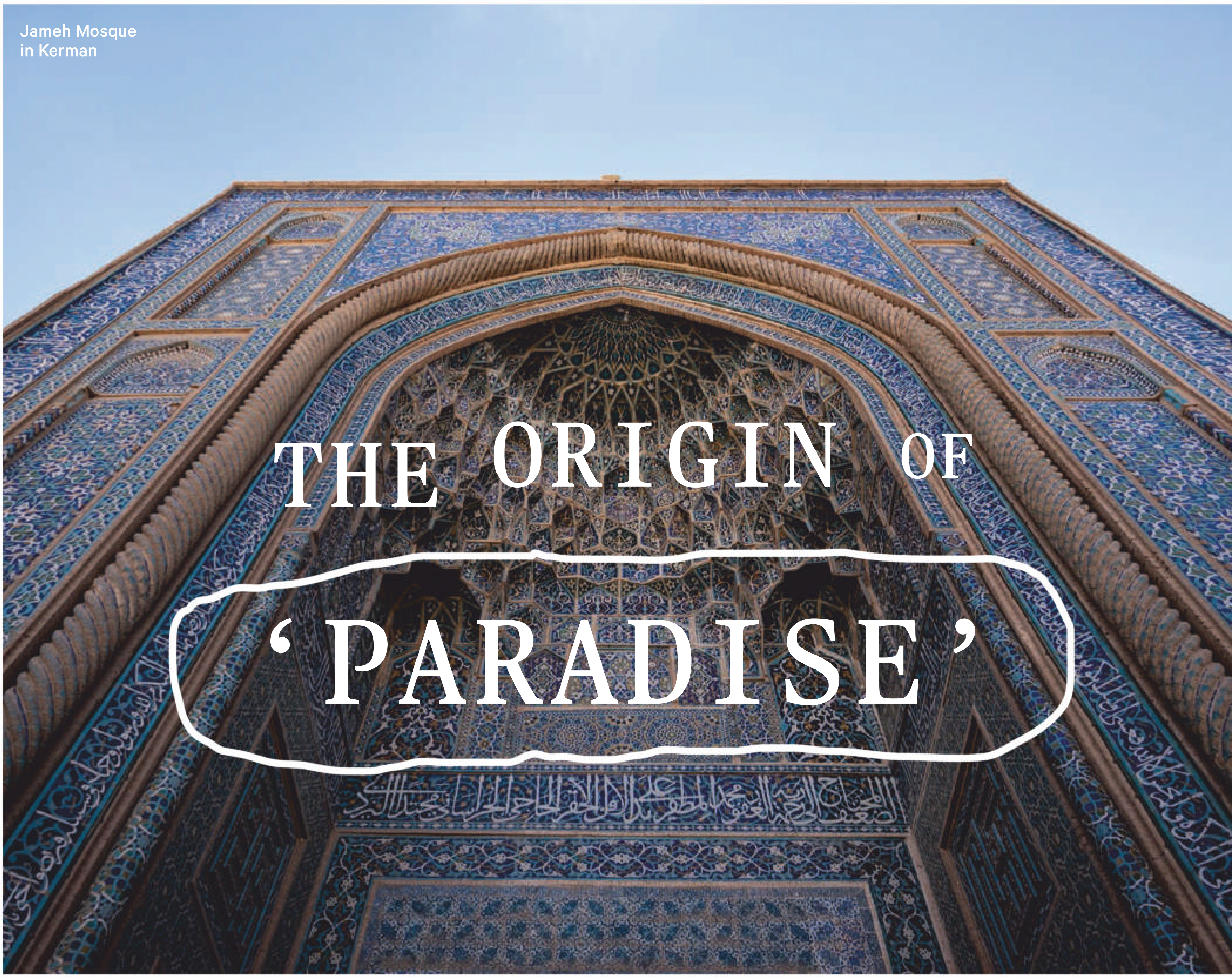
I also learned the twin values of taking risks and staying patient—traveling for 2,000 miles on the back of a tip that might come to something, or nothing. I itched to share those lessons with my school-age kids; soon they were joining my mission and camping with me along Lake Baikal.

The tiger did its job. I found the piano I was looking for, and the story resulted in a book, *The Lost Pianos of Siberia*. But just as my quest for the giant cat had taught me about the forest and the trees and the acorns, the pursuit of the piano revealed much about the world around it.

Along the way came a little miracle of a lead, then another. One instrument I found had been gifted by members of a collective farm to a child of precocious talent. Another, on a ship in the North Pacific, was purchased by sailors to pass the long polar nights. Each instrument came with heroic tales about music's transcendental beauty against all odds, whether Catherine the Great's 1774 *piano anglais*—which survived the Siege of Leningrad—or the prerevolution grand piano once treasured by concert pianist Vera Lotar-Shevchenko. During her eight years in a gulag, she'd practiced on a keyboard carved into the side of her wooden bunk. On the day of her liberation, she walked straight into a local music school and released a magnificent squall of Bach and Chopin, her stubby, red-raw fingers not missing a single note.

How strange that the encounter with the tiger should have led to this. I know now that only by trying to undertake something difficult do the most interesting things happen. This sometimes naive, almost blindly optimistic ethos has since sent me to northern Chad—digging into the life of an Italian explorer trying to protect some of the oldest rock art in Africa—and to the Tajikistan-Afghanistan border, where, as it happens, I found a 19th century Russian piano. Next I'll go deeper into the Congo and farther into the Sahara. There will be difficulties, of course. But there will also be untold beauty, as long as I keep on looking for the tiger's flare of golden light. Ⓑ

A SHORT BREAK BY CLAIRE COURTADE



Jameh Mosque in Kerman

THE ORIGIN OF 'PARADISE'

Reading and writing about Iran could not prepare me for what I saw there. *By Pico Iyer*

Our burly driver in the baseball cap kept his eyes on the road as my unfailingly suave guide, Ali, chatted away. We'd barely left the holy metropolis of Mashhad, in northeastern Iran, on our way to the small, ancient town of Tus, and already Ali was discoursing on flowers and mystics and philosophers and empire. Other than a quick hello, our driver, perhaps 60, said not a word. It would be almost an hour before we reached our destination: the quiet tomb of Iran's beloved chronicler, Ferdowsi.

Only seven hours earlier, I'd arrived in the country whose poems and carpets had fascinated me since boyhood. Much of me wasn't even here yet, since I'd landed in Mashhad at 2:20 a.m. after 30 hours of flights from Santa Barbara through Los Angeles and Istanbul. But Ali, educated in a boarding school near London in the 1970s, was wide-awake enough for two. As we passed billboards featuring stern proclamations from his country's rulers, Ali kept talking about his culture's love of veils. The more he said, the less I could tell where he stood on the 1979 revolution that had overturned his life.

Finally we arrived at the imposing mausoleum, honoring the poet who had fashioned the 60,000-couplet historical epic *Shahnameh*, or *Book of Kings*. Our driver, a veteran of the Iran-Iraq war, I guessed, with his large head and bulked-up frame, opened the back door for me with characteristic courtesy. Inside, a few local couples paid silent respect as Ali drew my attention to marble friezes depicting scenes from the thousand-year-old poem. Ferdowsi, he explained, had given Persia a voice—sung Farsi into fresh existence—much as Shakespeare and Cervantes had done in their countries.

MOHAMMAD REZA DOMIRI GANJI

Rumi might be better known in the West, but for Iranians, Ferdowsi was the one who had given the land its identity.

Out of nowhere, we saw that our driver was standing by the tombstone. He took off his cap—his large head was bald—and set his hand on the marble. Eyes closed, he began to deliver lines from the *Book of Kings* in a resonant, haunting baritone that might have been mourning the death of a parent. Everyone in the place stopped, transfixed. When he finished he put on his cap again and said to me, in perfect English, "I'm so glad I could do that. I was diagnosed with throat cancer seven months ago and advised by my doctor not to sing. But when I come to the tomb of Ferdowsi, how can I not burst into song?"

In many of the countries I've visited, that moment would have been the highlight. But in Iran it was just one in an hourly succession of vertiginous surprises that humbled me as I crisscrossed the land for 16 days in September 2013.

I'd landed in Mashhad to find the airport's parking lot teeming with revelers, seated on carpets as they passed around sweetmeats and cups of tea. "Iranians," Ali had said, "are world champions when it comes to picnics." By chance, I learned, I'd arrived the week 7 million of the Shia faithful were flocking into the city to celebrate the 1,247th birthday of Imam Reza, the saint buried in its central shrine.

In the age of information, Iran reminded me, we often know less about the world than ever before, and least of all about the countries we hear about most

As we nosed through the crowded streets in the predawn dark, my urbane guide started describing a Jon Stewart sketch he'd recently enjoyed and pointing out passersby who looked like Mr. Bean. I'd never guessed that Mashhad would be lined with high-rising banks, less Delhi than Dubai. I hadn't expected the lobby of my luxury hotel, left over from before the revolution, to be filled with young women in hijabs, in clouds of Chanel or Dior, tapping away on smartphones. And when Ali advised me that I need change only $40 for my entire stay, I couldn't have imagined that he was erring on the generous side. Iran's economy was so shattered, tragically, that a foreigner could buy everything for nothing.

I travel, in part, out of curiosity about the places that always feature in our headlines. I visit Haiti and El Salvador and Kashmir because I long to give a human face and voice to what would otherwise be mere abstractions. But Iran was proving more intriguing than anywhere I'd seen.

Stretched out on a divan in a garden hotel, surrounded by fairy lights and the smell of honeysuckle, I could see why British newspapers sometimes choose Iran as the world's best tourist destination. I'd long known that the word "paradise" has its roots in Iran. What I hadn't known is how vividly the country's tradition of sensuous refinement still flourishes.

Later on, in Tehran, I passed squadrons of women, hijabs barely containing their blond highlights, enjoying aerobics to the accompaniment of boomboxes. Near Persepolis, Ali and I stopped at a caravansary being turned into a romantic boutique hotel. In Isfahan, razor-sharp kids piled into a place called Kentucky House for fried chicken, and bookshops featured pirated copies of Walter Isaacson's then-recent Steve Jobs biography. The sound of the clerks, English-fluent and pungent as Brooklyn, made me wonder where I was.

The political oppression and economic suffering of the people were impossible to ignore, but at every turn I was reminded why I'd been warned, as an American, to be ready for more sophistication than I'd know what to do with. When friends of friends swept me off to lunch at a cutting-edge arts complex, all the talk was of Daniel Day-Lewis and *Antigone*.

I'd once spent four years of my life researching everything I could find about the culture and history of Iran, to publish a 354-page novel partly set there. I'd explored Yemen and Oman and Israel, as well as Syria and Lebanon and Jordan, so I thought I knew something of the neighborhood. But within 24 hours it was clear that I didn't know a thing.

In the age of information, Iran reminded me, we often know less about the world than ever before, and least of all about the countries we hear about most. We read so often about Tehran's hostile leadership, its nuclear program, its demonstrations, but almost nothing of the daily life of its 84 million people. I'd never heard of the mango and lemon malt beverages I saw on sale wherever I looked, or the place mats depicting Santa Claus. From now on, I'd try never to underestimate the depths of my ignorance and trust only what I saw myself, even when it meant flying back into North Korea.

And that first day, beginning with the trip to Tus? After a few hours, I slipped away from Ali, pleading jet lag. Longing for unchaperoned sightseeing, I went to the hotel taxi desk, where I met a young man with a small car and a boyish smile.

As we emerged from the thronged burial place of Imam Reza—my driver's eyes bright with tears—he told me, in details I couldn't doubt, that he was about to return to his blonde English wife in Yorkshire. Some years before, he'd gained legal asylum in Britain, having paid a human trafficker $2,500 to smuggle him there in the back of a truck. Yet having risked his life to flee Iran, he was now risking it again by stealing into the country every summer, to visit the hometown, the mother, and the mosque he missed so profoundly.

I've been lucky to travel incessantly for 45 years, from Bhutan to Easter Island and Ethiopia. I've spent years returning to Cuba and Tibet and Japan to try to unriddle their complications. But after Iran, I realized I'd never find anywhere more unexpected or rich—so painfully difficult for its residents, so gloriously inexhaustible for its visitors. Ⓑ

Amid the Pandemic, Shoppers Think Long Term

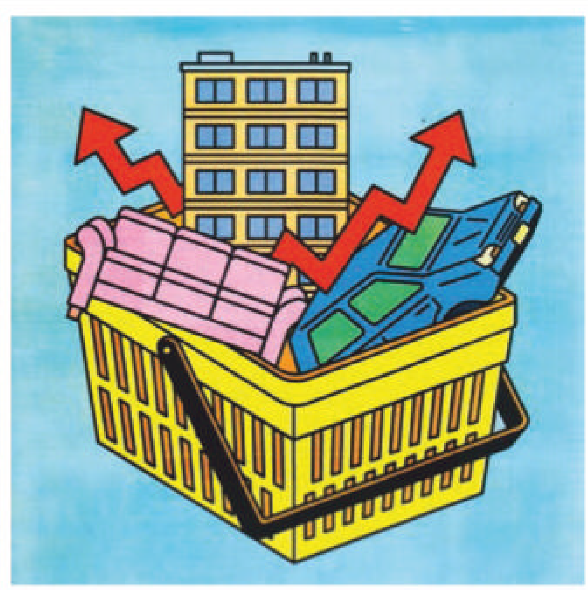
By Shuli Ren

The renewed coronavirus outbreaks in China and South Korea threaten to put the countries back into a soft lockdown. But East Asia did have a few months of calm. Bars and restaurants were open, as were gyms. The experience of these early movers may give us some clues on where the pent-up demand is in the U.S. So what were those lucky Asians spending their money on?

The first thing the Chinese did was take out insurance policies against their central bank's printing money and stoking inflation—they bought apartments, long seen as a store of value. In May home sales quickly reversed April's decline, with prices in first-tier megacities jumping 8.6% from a year ago. North Asians seem to favor durable goods. From China to South Korea, car sales staged a sharp V-shaped rebound. People were also spending money on home improvement, with furniture sales back up in China.

Meanwhile, demand for pure consumption goods, such as clothing, remained sluggish in China as well as South Korea. The tilt toward durables makes sense, because consumers still feel fragile. Taiwan never went into a lockdown, yet its consumer confidence index continued to nose-dive in May, to 64.9 from a January high of 85.3, data provided by the Research Center for Taiwan Economic Development show. June data may be worse, as the recent flare-ups knocked out any hope of a travel boom.

So welcome to the new normal. Trillions of dollars unleashed by central banks, plus bruised consumer sentiment, turn us all into investors and savers. Restaurants may fill up again, but we won't be ordering lobsters anytime soon. Ⓑ —*Ren is a columnist for Bloomberg Opinion*



● VALUE-MINDED
With consumer confidence low, shoppers shunned consumables and favored items that could be seen as investments, such as apartments, furniture, and cars.

● EASY MONEY
The People's Bank of China flooded the economy with money. In May its benchmark rate fell to as low as

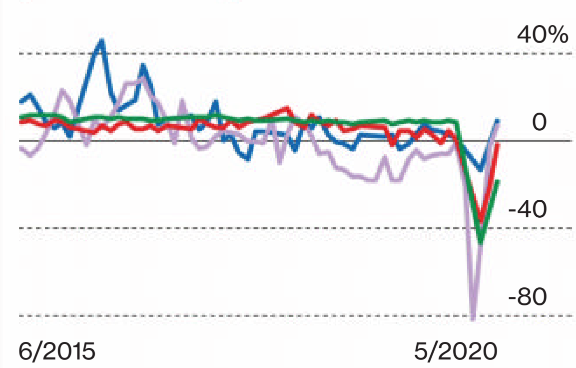
1.3%

from 3% at the beginning of the year.

● SLOW SALES
South Korea department-store sales fell 5% to 7% in May, estimates Nomura Securities Co. That's an improvement—sales plunged 36.8% in March.

● China economic activity, year-over-year change

Floor space of homes sold* / Auto unit sales / Clothing sales* / Catering services sales*



● PRIVATE RIDES
Fears about using public transportation may have helped spur car sales' sharp rebound.

*FIGURES FOR JANUARY AND FEBRUARY NOT PROVIDED BECAUSE OF THE LUNAR NEW YEAR. DATA: NATIONAL BUREAU OF STATISTICS OF CHINA, BLOOMBERG INTELLIGENCE

Bloomberg Businessweek (USPS 080 900) June 29, 2020 (ISSN 0007-7135) H Issue no. 4662 Published weekly, except one week in January, February, March, May, July, August, September, October, November and December by Bloomberg L.P. Periodicals postage paid at New York, N.Y., and at additional mailing offices. Executive, Editorial, Circulation, and Advertising Offices: Bloomberg Businessweek, 731 Lexington Avenue, New York, NY 10022. POSTMASTER: Send address changes to Bloomberg Businessweek, P.O. Box 37528, Boone, IA 50037-0528. Canada Post Publication Mail Agreement Number 41989020. Return undeliverable Canadian addresses to DHL Global Mail, 355 Admiral Blvd., Unit 4, Mississauga, ON L5T 2N1. Email: bwkcustserv@cdsfulfillment.com. QST#1008327064. Registered for GST as Bloomberg L.P. GST #12829 9898 RT0001. Single Copy Sales: Call 800 298-9867 or email: busweek@nrmsinc.com. Educational Permissions: Copyright Clearance Center at info@copyright.com. Printed in the U.S.A. CPPAP NUMBER 0414N68830