Bloomberg Businessweek
August 30, 2021 ● ASIA EDITION

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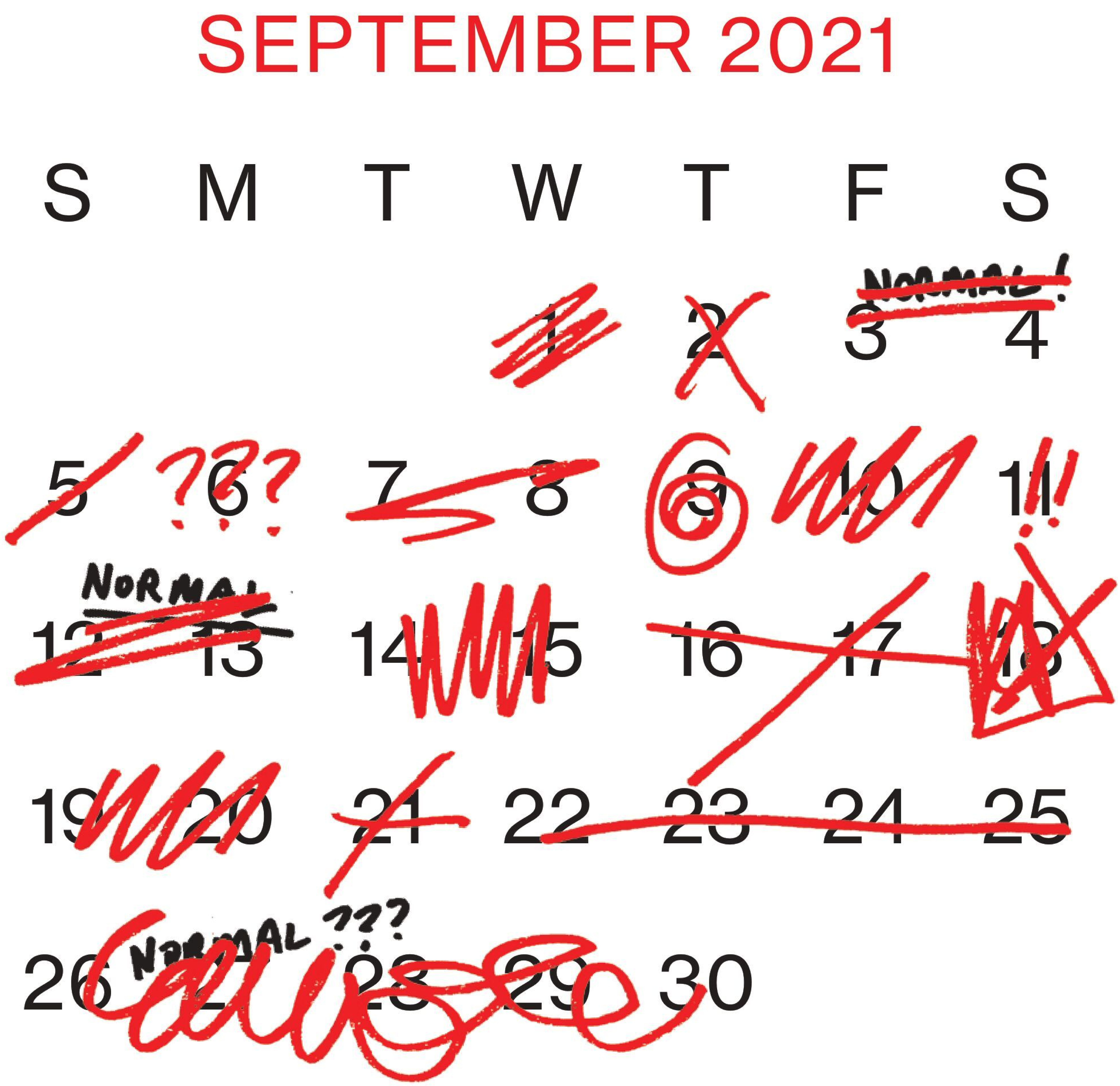

Better Luck Next Month

The return to normal is still on hold 6

Bloomberg Businessweek

August 30, 2021

◀ Target went to great lengths to keep the "ick factor" away from its Nicollet Mall store in downtown Minneapolis

PHOTOGRAPH BY SIMONE LUECK FOR BLOOMBERG BUSINESSWEEK

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■ COVER TRAIL

How the cover gets made

❶

"This week's cover is about September—

[Godawful falsetto] "BA-DE-YA, say, do you re-MEMBUH? Dancing in—"

"Please, no, I meant, like, the month. Like *next* month, and how we all thought we'd get back to normal."

"Wait. Are you saying we're…not?"

"Think you can uncurl yourself from that ball?"

"I'm too sad. No RTO?"

"Not with delta."

"No maskless indoor techno hot yoga party in Italy?"

"Um, no."

"I guess I need to update my calendar."

ECONOMICS: PHOTOGRAPH BY SUSAN SIDEBOTTOM FOR BLOOMBERG BUSINESSWEEK

● Worldwide, coronavirus cases have topped 214 million, 4.5 million have died, and more than

5b

vaccine doses have been given. With 1,000 people dying daily in the U.S., the highest level since March, more companies—from Delta to Disney—are requiring or pressuring employees to get the shot.

● Pfizer and BioNTech's Covid-19 vaccine became the first in the U.S. to be granted full regulatory approval.

The shot is already a blockbuster for Pfizer, which said in July that it expects it to bring in $33.5 billion in revenue this year, placing it among the biggest-selling drugs of all time.

● London's public Changing of the Guard resumed on Aug. 23 after an 18-month pandemic hiatus. The parade of soldiers in tunics and towering bearskin hats was suspended to prevent large crowds from gathering outside Buckingham Palace.

● "I love you all, but I'm done, and we should move forward and not meet again for a while."

Rules Committee Chairman Jim McGovern (D-Mass.) summed up the celebratory yet weary mood after House Speaker Nancy Pelosi struck a deal to advance President Joe Biden's $4.1 trillion economic plans.

● Yale named Matthew Mendelsohn, 36, to run the university's

$31b

endowment, the second-largest among private universities in the U.S., behind Harvard's. His predecessor, David Swensen, died of cancer in May at age 67.

● The race to succeed Angela Merkel as German chancellor in the Sept. 26 general election remains wide open.

Finance Minister Olaf Scholz's Social Democrats have pulled ahead of Merkel's CDU block, where her chosen successor, Armin Laschet, has struggled to hold on to his early lead.

● The cost of shipping coal, iron, and other commodities has surged to an 11-year high as demand for raw materials outstrips the supply of fleets to transport them. On Aug. 23, the Baltic Dry Index hit

4,147

● Swedish Prime Minister

Stefan Lofven will step down in November after seven years in power. The surprise move paves the way for Finance Minister Magdalena

Andersson to succeed him. She'd become the country's first female leader.

● Swiss shoemaker On Holding is planning an IPO in New York that would raise

$100m

On's running shoes, which feature distinctive tubular cushions on the sole, have garnered a global following, including an endorsement from Swiss tennis ace Roger Federer.

● Charlie Watts, the dapper drummer for the Rolling Stones for half a century, died in London on Aug. 24 at age 80. Watts was celebrated for seamlessly switching from jazz to rock to blues—and for his subdued, stylish presence.

LONDON: YUI MOK/GETTY IMAGES. LOFVEN: KENZO TRIBOUILLARD/GETTY IMAGES. ANDERSSON: MARLENE AWAD/BLOOMBERG. ONS: COURTESY ONS. WATTS: MICHAEL PUTLAND/GETTY IMAGES

Ignore the Doomsayers: U.S. Crypto Tax Provision Makes Perfect Sense

The infrastructure plan wending its way now through the U.S. Congress leaves a lot to be desired. But one of its most bitterly opposed provisions shouldn't be controversial: a measure aimed at stamping out tax evasion in the burgeoning world of cryptocurrencies.

For most investors in many kinds of financial assets, calculating tax is relatively straightforward. Taxable gains are summarized on a 1099 form that brokers give their clients every year. The IRS also gets a copy so it can verify returns.

With crypto investments, 1099s are rare. The tax rules were written before such digital assets existed, and traditional brokers often aren't even involved. Trading occurs through a panoply of venues, including Coinbase, Kraken, and other exchanges; providers of electronic "wallets"; and automated protocols in the nether realm of decentralized finance. It's hard for investors, let alone the IRS, to keep track of gains and losses.

Officials are all too aware of the problem. IRS Commissioner Charles Rettig sees a lack of information on crypto as a major contributor to the gap between U.S. taxes owed and collected, which he estimates could be as large as $1 trillion a year. In recent months he and the Department of the Treasury have asked lawmakers to let the government require regular reporting on crypto from the relevant intermediaries.

Congress responded by adding a section to the infrastructure bill now before the House of Representatives. The legislation extends reporting requirements to digital assets, and it grants the government broad authority to decide which intermediaries must report, by defining "broker" as "any person who (for consideration) is responsible for regularly providing any service effectuating transfers of digital assets on behalf of another person."

This language alarms lobbyists for the crypto industry and their political allies (page 29). They say it's too broad, covering entities incapable of complying, such as wallet developers and the computers that maintain the public ledger (known as the blockchain) where transactions are recorded. This could kill innovation, they claim, sending business offshore and turning the U.S. into a digital-asset backwater.

These concerns are overblown. For one, the legislation is merely the starting point. Treasury and the IRS would have to write rules specifying who will report and how, with a period for notice and comment. Treasury says it's interested only in entities that perform brokerlike functions. Getting this right won't be easy in such a rapidly evolving area, but that's why a broad statute makes sense. Officials need ample leeway to adjust the requirements so they apply to entities that can provide the necessary information.

Consider decentralized exchanges, which some of the industry-proposed modifications to the legislation might exempt. They're programmed to execute transactions automatically, and their developers can be hard to identify. They do pose a problem, but it's far too soon to say they can't comply, or shouldn't be made to comply, with reporting requirements. Exempting them could leave wide open a channel for tax evasion.

Ultimately, Congress will actually need to go further—empowering Treasury to exchange information with foreign authorities, for instance, and closing other avenues for crypto-based tax evasion. But the proposed legislation is a sensible first step. It will make compliance easier for law-abiding taxpayers and make life more difficult for the rest. Ⓑ

For more commentary, go to bloomberg.com/opinion

■ AGENDA

ILLUSTRATION BY VALERIA POTAICHUK

► Drawing Blood

The trial against Elizabeth Holmes, accused of defrauding investors at her blood-testing startup, Theranos, starts on Aug. 31. She's pleaded not guilty to charges that she lied about the technology's capabilities.

► OPEC+ meets on Sept. 1 to consider output quotas. Oil prices have dropped as the resurgent coronavirus curbs demand and fears grow over the Fed's tapering plans.

► Meituan reports earnings on Aug. 30. Like other Chinese internet companies, the food delivery giant has come under pressure from Beijing's corporate crackdown.

► The Eastern Economic Forum takes place in Vladivostok, Russia, on Sept. 2-4. The gathering explores trends in cross-border trade, energy markets, and climate change.

► A court ruling in the Apple and Epic Games fight should come down the first week of September. At stake: a shake-up of the App Store that could increase outside competition.

► The Bruegel Annual Meeting on Sept. 1-3 brings together analysts, academics, and economists in Brussels and online to discuss economic, health, and monetary policy.

► The 47th edition of the Ambrosetti Forum starts on Sept. 3 in Cernobbio, on Italy's Lake Como. The meeting draws senior global politicians and economists.

September Is Here. Normal Isn't

● Delta threatens to keep more U.S. workers at home, jeopardizing the long-promised fall comeback

● By Reade Pickert and Olivia Rockeman

When President Joe Biden signed a $1.9 trillion U.S. stimulus package in March, dissolving most of the emergency pandemic safety net come September seemed to make sense. Vaccinations were rising rapidly, and schools were preparing to resume in-person learning in the fall, removing two main hurdles keeping people—especially parents—out of the workforce.

All spring long, that month was heralded as a symbolic turning point for the U.S. economy. With schools set to reopen, companies solidified September return-to-office dates. Virus fears were abating, with the country in May on track to have 75% of the population vaccinated in September. The shortage of workers—brought on by a mismatch between the robust snapback in consumer demand and the number of Americans willing and able to work—was expected to "fade in the coming months and disappear by the fall," Goldman Sachs Group Inc. economists said in May. It "makes sense" to end the temporary boost in unemployment benefits in September as planned, Biden said in June, and about half the states announced plans to end the expanded jobless aid before the expiration date.

"If you took the data points that were available at that time, theoretically you would've said September, and that's what everyone said," says Joshua Barocas, associate professor of medicine at the University of Colorado School of Medicine. "There was actually agreement with the two ends of the spectrum that generally are pitted against each other—the economic sector and the public health sector."

But the month that originally seemed like a logical time to ease fiscal support is here, and it's not proving to be the inflection point for normalcy that policymakers and business leaders had imagined. The delta variant of the coronavirus is ripping across a country with far lower vaccination rates than Congress had been modeling when it wrote the latest relief bill. With inoculation rates down from their spring pace, it will still take until almost 2022 to vaccinate 75% of

ILLUSTRATION BY INKEE WANG

the population, Bloomberg data show.

"If you could do the world where delta never showed up, then September wouldn't have been so bad for a lot of the fiscal relief to start expiring," says Claudia Sahm, a senior fellow at the Jain Family Institute and a former Federal Reserve economist. Now though, "there's a lot of relief that shouldn't be expiring."

Several key federal aid programs related to the labor market are set to end on Sept. 6—Labor Day, of all days—including an extra $300 a week in unemployment benefits. Also ending is a program that provides support to those not traditionally eligible, such as self-employed and gig workers. A third provision about to end offers additional weeks of benefits, similar to a program implemented in the 2007-09 recession. Compounding the issue, an eviction moratorium renewed this summer—though also scaled back—is scheduled to end on Oct. 3.

The U.K.'s furlough program, which for more than a year paid 80% of wages for workers who lost their jobs during the pandemic, is also set to expire in September. The delta variant hit there earlier, lessening some of the concerns about returning to work and school, though infections are creeping up again.

In the U.S. the delta variant has already disrupted the back-to-school season, including delayed start dates and the reinstatement of virtual learning, threatening many parents' return-to-work plans. Within two weeks of opening, a high school in Mississippi temporarily transitioned to virtual learning after 20% of students and staff were either infected or quarantined. Companies such as Alphabet Inc.'s Google and BlackRock Inc. have pushed return-to-office dates to October. Delta has also disrupted already strained supply chains. China temporarily closed a terminal at one of the world's busiest ports to quarantine dockworkers, delaying shipments of materials that businesses and factories need.

"I viewed September as an inflection point particularly with regard to addressing some of the supply-side problems the economy's been struggling with," says Mark Zandi, chief economist at Moody's Analytics. But if schools don't reopen, it will significantly delay "the ability of parents to get back to work, and for people to get back in their seats, and for the labor supply issues to iron themselves out."

Delta's spread is beginning to show up in economic data. The University of Michigan's Consumer Sentiment Index plunged in early August to its lowest since 2011. Spending on Bank of America cards is moderating, and Southwest Airlines Co. just reported an increase in trip cancellations. On Aug. 18, Goldman economists lowered their growth forecasts for the current quarter, citing a "somewhat larger" than expected impact from the delta variant. The group now expects inflation-adjusted consumer spending to decline in August before bouncing back.

The variant's emergence has challenged a host of assumptions, including the idea that the pandemic was nearing an end in the U.S. Improved health conditions were expected to help normalize global trading backlogs, revive some overseas travel, and allow the world's largest economy to refocus some of its efforts on stemming the virus abroad, rather than prioritizing booster shots internally.

The more contagious variant may start to slow its spread, based on what transpired in the U.K. But "if we get into September and infections and hospitalizations are still increasing, then I think forecasts are going to start to change at that point and financial markets are going to react," says Zandi of Moody's.

The official indicators illustrating the variant's impact in August won't start trickling out until September, when the unemployment insurance extensions expire, says Sahm, the former Fed economist. The jobs report will land on the final workday before the expanded benefits end, and August's retail sales won't hit until Sept. 16.

Even if the indicators do signal a contraction in consumer sentiment or spending in August, there's no provision in the relief bill to extend the programs. Allowing the safety net to expire come September is "much harsher than in recent recessions given the number of continued unemployment claims, the state of the recovery, and ongoing uncertainty due to the spread of the delta variant," according to Annelies Goger, a fellow at the Brookings Institution, a think tank in Washington, D.C.

Some pandemic-era protections have already been extended, including a pause on student loan payments. The U.S. program previously known as food stamps, which would have seen a temporary benefit boost end on Sept. 30, recently was permanently expanded the most it's ever been in the program's history. Still, the Biden administration said in a letter to lawmakers on Aug. 19 that conditions exist in many states to end the supplemental unemployment programs as scheduled. State and local governments can choose to use pandemic-relief funds for added help beyond the deadline. Some states have seen their unemployment rates fall to near or even below pre-pandemic levels, but others—Nevada and California among them—remain extremely elevated.

If it "gets to that point where people are just afraid to go outside their front door, like we were in the beginning of the pandemic, then there's going to have to be a safety net there for the families that can't go to work because their industry shut down," says U.S. Secretary of Labor Marty Walsh.

Progressive think tank the Century Foundation estimates 7.5 million workers will lose all unemployment benefits on Sept. 6 when the main pandemic programs end.

"There are still thousands to millions of households that are behind on their rent payments who have lost significant amounts of income due to the pandemic," says Carolina Reid, associate professor of city and regional planning at the University of California at Berkeley.

One key deficiency of the U.S. safety net is that it's largely not tied to circumstances on the ground, says David Wilcox, director of U.S. economic research at Bloomberg Economics and a former Fed economist. "Regardless of what the forecast was at the time that the bill was enacted, the real world wasn't going to unfold that way," he says. "For the labor market to heal entirely, a lot of things have to come in place. It's not enough for just a couple things to fall in place correctly." Ⓑ

1

BUSINESS

The Ticking Time Bomb Still on the Road

Edited by
James E. Ellis

● Millions of Takata air bags have been recalled around the world. Many remain unrepaired

Not quite a decade ago, the potential for defective Takata Corp. air bags to explode in a crash erupted into the global auto industry's most complex and far-reaching safety crisis in history. Roughly 100 million of them were recalled worldwide. But Ruy Drisaldi, a 42-year-old originally from Buenos Aires, Argentina, never learned of the risks until last December, when the air bag in his wife's used Honda CR-V exploded after another car backed into hers near their home in the southeastern Mexican city of Merida, killing her.

Neither Drisaldi nor his wife, Janett Perez, an American citizen, had received a single warning about the recall, he says. "Someone needs to be held responsible," he says. "You buy a car with air bags and assume you're protected. I now realize all the years we had that car, we were driving with a gun pointed to our heads."

Although the Takata callbacks have largely faded from the public eye in much of the world, Drisaldi's story is a reminder that the defective parts continue to put drivers at risk. As of early July, more than 14 million still hadn't been fixed in the U.S. alone, in addition to an unknown but likely substantial number in the rest of the world. That means that millions of car owners like Drisaldi—especially in countries with weak consumer protections—may remain unaware that the propellant used in their cars' air bags could be degrading as a result of heat and humidity, turning their vehicles into potential explosion hazards.

At least 37 fatalities and 450 injuries allegedly linked to the defective parts worldwide have been reported to U.S. auto safety regulators. Of the deaths, 19 were in the U.S., while others have been reported from all corners of the globe, including in French Guiana, Nigeria, Brazil, Australia, and China.

Perez's death, caused by a piece of metal that ruptured the bag and struck her neck, added Mexico to the fatalities list. The next day, a friend from Argentina sent Drisaldi a news clip about the exploding Takata air bag inflators and the worldwide recall that ultimately sent the company into bankruptcy. Honda Motor Co. later confirmed that the driver side air bag in Perez's SUV exploded.

The incident in Mexico illustrates how auto safety recalls, even for deadly defects, can fly under the radar in parts of the world with weak regulatory regimes. In the U.S., the National Highway Traffic Safety Administration (NHTSA) has taken unprecedented steps to not only oversee but also coordinate the industry's campaign to replace the tens of millions of inflators. An independent monitor also prodded companies into adopting more effective outreach techniques beyond what's required by law. Nothing similar is going on in Mexico, where companies say there's not even an effective registration system through which they can locate owners of used cars.

"While the U.S. recall system is flawed, in other countries we see systems that are virtually nonexistent," says Sean Kane, president of Safety Research and Strategies Inc., a consultant and advocacy organization in Rehoboth, Mass.

The death of a driver of a Honda Accord in April is the latest Takata-linked fatality in the U.S. Since then, Honda said it had made more than 100 attempts to reach owners of that particular vehicle through calls, emails, mailed letters and even in-person visits. But in Mexico, companies have mainly used broad outreach campaigns through ads placed in newspapers and notices on websites.

Merida, where Perez was killed, is well-known for heat and humidity. Those are factors investigators have said cause the air bags' ammonium nitrate propellant to become unstable and prone to ignite with too much force in an accident, shattering the metal inflator canister. Many of the potentially deadly inflators were made at Takata's plant in Monclova, Mexico, and were exposed to uncontrolled moisture conditions, according to a NHTSA report.

Frank Melton, a lawyer for Perez's family, says her death "could have been prevented had the same recall efforts used in the U.S. been implemented in Mexico." Perez was born in Los Angeles, and because of her U.S. citizenship, her family was able to file a claim with the Takata victims' fund in the U.S. But Mexican citizens who've been injured by Takata bags there have no such recourse.

"While the U.S. recall system is flawed, in other countries we see systems that are virtually nonexistent"

Honda has repaired about 72% of its affected cars in Mexico, compared with 89% in the U.S. That means it has yet to fix almost 114,000 vehicles in Mexico. Toyota Motor Co.'s 41% rate there means almost 144,000 owners may be driving unaware of the potentially deadly air bags. General Motors Co. says it's repaired just 36% of its vehicles with recalled Takata bags in Mexico, leaving 213,000 such vehicles with potential problems.

Nissan Motor Co. and Mitsubishi Motors Corp. declined to share information on repaired cars but said they're working to reach customers. Ford Motor Co. and Toyota didn't reply to requests for comment.

Honda defended its outreach efforts in Mexico, saying it's tried to increase awareness and ▶

ILLUSTRATION BY WENKAI MAO

◀ track down owners of recalled vehicles. "We proactively do everything within our reach to find the owners of vehicles that have been recalled," says spokesman Fernando Maqueo.

As cars change hands to second, third, and even fourth owners, it gets harder for carmakers to locate them, says Chris Martin, regulatory and legal communications manager at Honda in the U.S.

Automakers in the U.S. are required to alert drivers about recalls using mailed notices and rely on state vehicle-registration systems for addresses. For the Takata recalls, most automakers have used multiple sources of driver information that are updated more frequently than state systems, such as insurers and repair-shop data. They've also used e-mail, postcards, certified mail, and targeted social media ads, according to a January report by the NHTSA-appointed monitor overseeing the campaign.

"We've gone to really unprecedented extents in the U.S. to repair these, using lots of different outreach mechanisms including even knocking on doors," Martin says. In Mexico, there is no equivalent vehicle registry, Maqueo says.

Mexico's consumer protection agency, Profeco, pointed Bloomberg News to a recall alert on its website and didn't respond to additional questions on the disparity between efforts to reach car owners there and in the U.S.

Perez's death is the only one tied to a faulty Takata air bag in Mexico, Honda says. Experts say there's no global database or investigative process used by authorities to know whether that's true.

"Cases are tied to these failures only when companies acknowledge the problem," says Alejandro Furas, head of the New Car Assessment Program for Latin America and the Caribbean. The nonprofit has been lobbying governments in the region to upgrade safety rules. "We're regrettably in the hands of the industry. The companies know this and take advantage of it." (Among the program's donors is Bloomberg Philanthropies, a nonprofit headed by Michael Bloomberg, owner of *Bloomberg Businessweek* parent Bloomberg LP.)

Honda's Martin acknowledges that other Takata-related deaths could have gone unreported in parts of the world where the problem isn't well-known or that lack the same regulatory and safety infrastructure that exists in the U.S. "If somebody doesn't tell us or a government official about it, there's no way to be sure," he says. "People picking up the pieces after a crash may not know what they're looking at.
—Andrea Navarro and Ryan Beene

THE BOTTOM LINE U.S. regulators have overseen and coordinated the auto industry's campaign to replace millions of Takata inflators. Mexico and other countries have weaker regulatory regimes.

The Unlikely Asset Class

● Spencer Patton helped buy or sell about a quarter of the FedEx Ground delivery routes, a new road to riches for entrepreneurs

The crowd was amped. Some 1,800 strong, they had traveled from across the country amid a raging coronavirus flare-up to assemble in a hotel ballroom in Nashville. The man they were cheering as he took the stage wasn't a rock star, a preacher, or a politician. It was Spencer Patton, a bespectacled 35-year-old former hedge fund manager in a polo shirt and khakis. Patton has carved out a niche doling out advice to entrepreneurs looking to make it big as contractors for FedEx Ground, the package-delivery service that's been booming amid a surge in online shopping during the pandemic.

"This is like buying Apple at $1 a share—that's what we're doing here," Patton told rapt attendees packed into the presidential chamber at the Gaylord Hotel. "We're at the tip of the spear in an asset class that no one knows about."

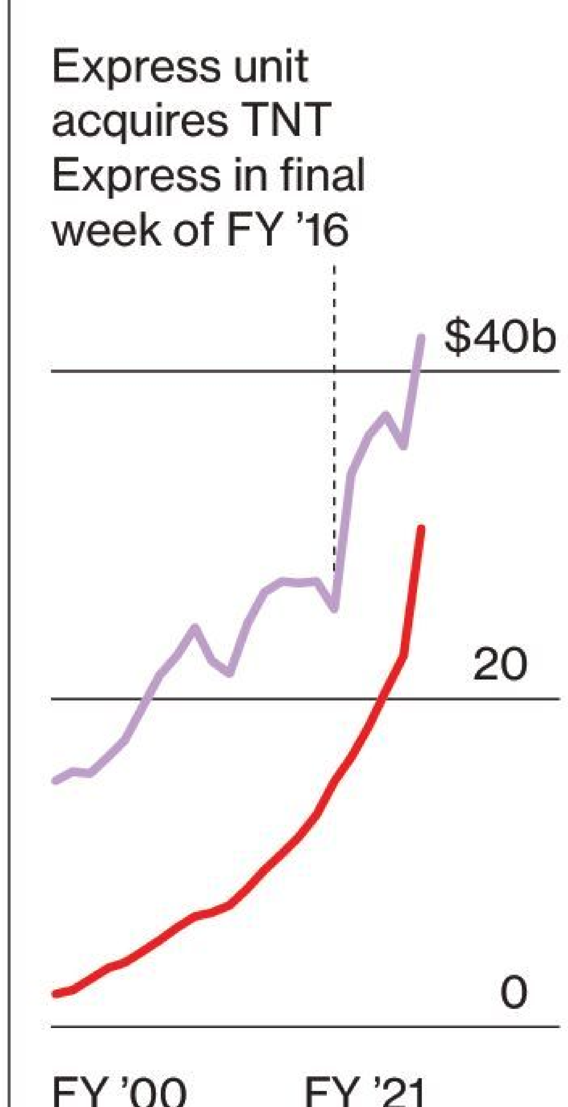
The unusual asset class Patton proselytizes about—contracts that give owners the right to operate FedEx Ground routes in specified areas for as long as three years—is red-hot these days. The owners collect a fee for each package their fleets drop off, but they're entirely responsible for hiring drivers, buying trucks, and dealing with all the issues that come with running a small business. Prices for routes have increased 50% from only a few years ago, but they still may bring returns of more than 20% a year. Patton predicts most contractors will see their sales double over the next three years. Meanwhile, the mom and pops that dominated the industry are selling out to a new class of investors looking for growth and higher returns.

Patton's celebrity status stems from his deep knowledge of the business: He owns 250 routes across the country, and he estimates that his consulting company, Route Consultant, has brokered about 25% of all the FedEx Ground route transactions in the U.S. So the nation's thousands of would-be delivery czars are eager to get Patton's advice on everything, including how much to pay for routes, the latest safety standards, and the skills needed to operate in the urban gridlock of Chicago or the rural byways of Chugwater, Wyo.

▼ FedEx revenue at its two main units

Ground (contractors)

Express (in-house employees)



FEDEX: CHRISTOPHER DILTS/BLOOMBERG. PATTON: BRETT CARLSEN/BLOOMBERG. DATA: COMPANY FILINGS

Patton came to logistics stardom via a circuitous path. Growing up in Nashville, he got his first taste of trading stocks at age 10 at his dad's urging and was dabbling in options by age 16. After graduating from Vanderbilt University in 2008, he joined a company in Nashville that bought struggling businesses and turned them around. Two years later he persuaded the partners there to kick in $2 million to back a hedge fund he'd started.

In 2013, Patton walked away from managing other people's money to concentrate on his own business. He'd methodically studied different industries, including self-storage units and liquor stores, before settling on the then-obscure idea of buying FedEx Ground delivery routes.

Patton's opportunity stemmed from a decision two decades earlier by FedEx Corp. founder Fred Smith to buy a small parcel company, which quickly became a growth engine and is now the crown jewel of his delivery empire. Annual revenue has tripled over the past decade, to $30.5 billion, while sales at the company's Express unit, which transports mostly by air and has its own fleet of drivers on the payroll, have increased about 60% during the same period, to $42 billion. Average profit margins at Ground over the last two decades have been more than twice those at the Express business.

Unlike the overnight service, which hires its drivers directly, Ground operates on short-term contracts with 5,600 small companies. That's given it a lower cost structure than rival United Parcel Service Inc., which has a unionized workforce and pays the industry's highest wages. A UPS driver with over four years on the job makes about $65,000 a year, not counting overtime, plus pension and health benefits. Delivery driver pay at FedEx Ground depends on the independent contractor and the location; it can range from about $39,000 a year to $60,000 for a high-performing employee. This doesn't count benefits, which most contractors don't offer.

Eight years ago, when e-commerce was shifting into high gear, Patton began to build his own route operations, which now deliver FedEx packages in 10 states. Along the way he began building a consulting business for newbies or others looking for advice. Eventually he added deal brokering, truck leasing, driver training, and even a financing unit to round out his suite of services—comprising 26 entities in all.

Since 2019, FedEx Ground has overhauled operations to account for the boom in at-home shopping. Smith extended deliveries to seven days a week from five, updated routing software, and started accepting more large packages, and FedEx Ground began taking back small packages that previously were passed to the Postal Service for final delivery. Then the pandemic hit, and volume jumped 23%, to 3.1 billion packages last year.

The operational changes and accelerated growth at FedEx Ground have overwhelmed many contractors and spurred an unprecedented frenzy of route buying and selling, Patton says. Longtime FedEx contractors, many of whom started out driving their own truck and have since accumulated wealth along with more delivery routes, are selling as the value of their holdings rises.

"We are seeing a ton of old-school contractors who are…retiring, cashing out, and making great money," Patton says. "The new people coming in are business savvy and capitalized, and they're hungry to grow."

Patton lures potential clients with a weekly webinar that teaches the basics about FedEx routes. Every week he also announces the location of FedEx routes up for grabs and offers his services to support sales or purchases. Patton now has 70 employees at Route Consultant after starting three years ago with only four.

Typically, entrepreneurs can buy 10 FedEx routes for about $1.25 million. Annual operating profit for the small-package-delivery businesses can range from 10% to as much as 25% of sales for a well-run operation, Patton says. Prices for individual routes are based on a multiple of operating cash flow, while the price paid per package depends on a route's population density, typical number of stops per mile, and the types of packages usually delivered. Valuations have climbed to about 4.5 times operating cash flow, up from about 3 times only a few years ago as package delivery expands.

FedEx signs off on each new owner, but it doesn't get involved when routes get bought or sold. The courier must take a hands-off approach to the contractors, known as independent service providers, to avoid lawsuits from drivers who otherwise might claim they really work for FedEx. Amazon.com Inc. is also using the contractor model, which wards off union organizers and keeps costs down, as ▶

▼ Patton at his Nashville expo for wannabe delivery entrepreneurs

◀ the company builds its own delivery network.

Patton's expo attracted those 1,800 people this year, with sponsors including vehicle outfits Ryder System Inc. and Isuzu Motors Ltd. That's up from about 400 at the first expo in 2019 and about 750 in 2020. At such gatherings, Patton always begins his talks with disclaimers that he's not a FedEx employee and doesn't speak on behalf of the company and that FedEx doesn't endorse his consulting business. At this year's event, after light banter and a soft sales pitch for Route Consultant, Patton revealed previously unannounced changes to safety training that FedEx Ground plans to roll out. Attendees furiously scribbled notes.

One of those in attendance in Nashville was Larry Murray. A marketing professional who before the pandemic helped organize tours and festivals including Willie Nelson's Luck Reunion in Texas, he says he binge-watched Patton's webinars for four days and then signed onto the consulting program in 2020 before buying nine FedEx routes this year in Belton, Texas. Patton's team helped value the business and get Murray started.

"Every penny was worth it," Murray says. "We would be in really bad shape if we hadn't done that." He aims to buy more routes within the next year. Patton has "laid out a great road map," he says.

Sean Randall, a career banker who last worked at Citigroup Inc.'s wealth management unit, quit corporate America in 2020 to be his own boss. He'd invested in apartment buildings but said they've gotten too expensive to produce a decent return. After watching the webinars and podcasts, Randall hired Patton's company as a consultant and bought FedEx routes in the Washington metro area in January 2020. "There's a lot of opportunity," Randall says. "Because of that growth, a lot of smaller operators are being forced out. It's too much for them to handle."

FedEx has contributed to the hot market for buying and selling routes by limiting contractors from handling too much of the volume at one FedEx hub. It typically tries to keep a single contractor at less than 10% of a hub's total volume, lowering the risk in case an independent operator stumbles and FedEx has to find other contractors to pitch in to get the packages delivered.

Todd Smart, in Mansfield, Ohio, got his first delivery area from FedEx Ground in January 1999 on the condition that he would buy and drive a new vehicle. From that beginning, Smart now has amassed 70 routes and started a repair shop for his vehicles and others. He needs to pare back to comply with FedEx's hub limits. "The expectation is that if I sell half of my business, I will still grow by double in three years," Smart says.

The system works most of the time, but it does have its quirks. When an operator fails, FedEx calls on other contractors to pitch in and pays them an extra stipend per package to help get the emergency under control.

Some contractors keep contingency teams on hand to send to areas where help is needed. Jim McCarthy, who formed a business with his sons that's amassed 120 routes in multiple states, has four teams with five members each that travel all over the U.S. to do contingency work, renting out a large house wherever they're needed. The groups earn more per package, and if the routes ever become available, McCarthy's business is likely to be in a good position to vie for them. "Spencer opened my eyes to a bigger picture," he says. "He brings a big business perspective to a little business." —*Thomas Black*

THE BOTTOM LINE The number of FedEx Ground packages jumped 23% last year. That's fueled an increase in the value of its delivery routes, which independent contractors have been buying.

Mukesh Ambani Goes (Slightly) Green

● A $10 billion investment in renewable energy will still leave Asia's richest man heavily focused on old-school oil refining

In Jamnagar, an Indian city on an arid swath along the Arabian Sea, sits the world's biggest oil refining complex, owned by Mukesh Ambani's Reliance Industries Ltd. Its sprawling network of plants and pipelines covers ground equal to half the area of Manhattan and processes 1.4 million barrels of petroleum a day. In fiscal 2021, Reliance generated about 45 million tons of direct carbon dioxide emissions from its operations, which puts the company among the top emitters in India, according to data on companies tracked by Bloomberg. Much of those emissions came from the Jamnagar refineries, where crude oil is processed into products including fuel, plastics, and chemicals. But soon the sprawling complex will have a far cleaner neighbor.

In a nod to a changing world, Ambani is pouring in $10 billion to build factories spread over 5,000 acres in Jamnagar to make more environmentally friendly products, such as solar panels, electrolyzers for making green hydrogen, fuel cells, and batteries. Reliance has said it will contribute to installing at least 100 gigawatts of

▲ Ambani's Jamnagar refining complex is half the size of Manhattan

solar capacity by 2030. A key focus will be making products to increase that capacity, Ambani has said, an area where India has long lagged China. As part of a wider environmental effort, Prime Minister Narendra Modi has launched a national clean air program.

"When companies of this size announce such ambitious plans, it gives a great fillip to the decarbonization goals of the nations and the world at large," says Shantanu Jaiswal, head of India at BloombergNEF.

The green investment is a sharp pivot for a conglomerate whose fortunes have been linked to oil refining for decades. Yet even as Ambani touts the shift to less-polluting options, crude's byproducts will remain one of the biggest drivers of the $83 billion fortune that's made him the world's 12th richest man.

Reliance gets almost 60% of its $73 billion in annual revenue from its oil-related business, which is so lucrative that it's attracting other investors. Saudi Aramco is in discussions for the purchase of a roughly 20% stake in Reliance's refining and chemicals business. In 2019, Ambani estimated that such a deal would lock in about a half-million barrels a day of Saudi crude for processing at Reliance's refineries.

Ambani's conglomerate is also investing in global pertrochemical projects that will last for decades. So even if its new green energy operations take off, they will contribute only 10% of Reliance's total earnings before interest, taxes, depreciation, and amortization by fiscal 2026, while oil-to-chemicals will stay at about 33%, Sanford C. Bernstein analysts estimated in July.

Such forecasts highlight a broader trend: While the world's biggest fossil fuel companies are rushing to placate investors—and chase profits—by adding clean power sources, they aren't retreating as quickly from polluting fuels.

"If you look at what Reliance's trajectory has been, it is one of expansion of its fossil fuels business," says M.V. Ramana, an energy policy scholar and professor at the University of British Columbia. Shifting dramatically away from the more polluting oil-to-chemicals business is difficult "because it is going to affect their bottom line," he says.

Over the past decade, Ambani's company has invested about $15 billion to wring more profit from its legacy oil refining and petrochemicals businesses, including $4 billion to convert petroleum coke, one of the dirtiest refinery byproducts, into gas needed to power the huge Jamnagar complex.

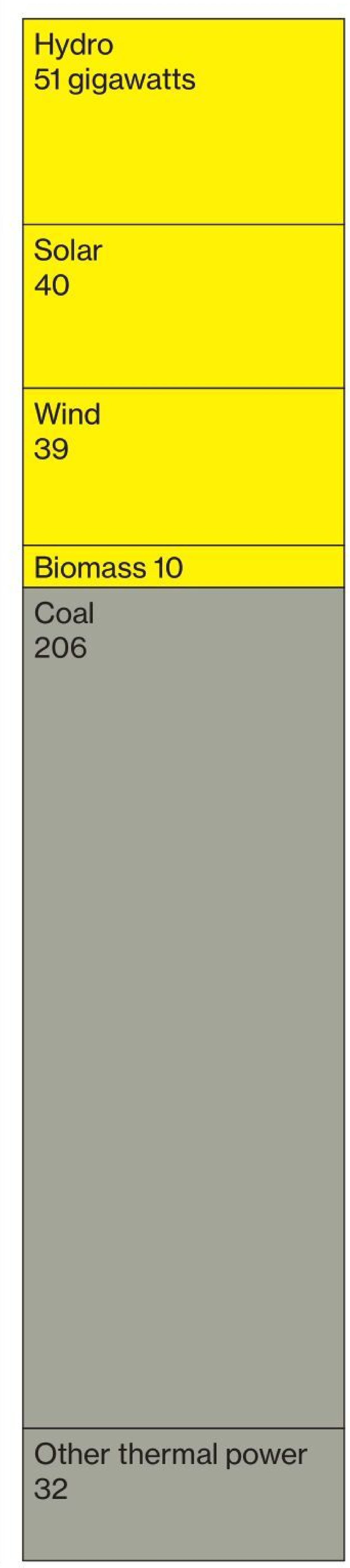
It's also said its joint venture with BP Plc will spend $6 billion ramping up natural gas production from the depths of the sea. In addition, the Reliance-BP partnership is adding more fuel stations in India. BP didn't respond to a request for comment.

Reliance has a long way to go to earn its green stripes. Its Scope 1 CO_2 emissions—those caused directly by a company's operations—surged 60% in the year ended March 2020, to 47.5 million tons, mainly because it started using petcoke produced from the refineries internally instead of selling it to customers outside, according to the company's latest annual report.

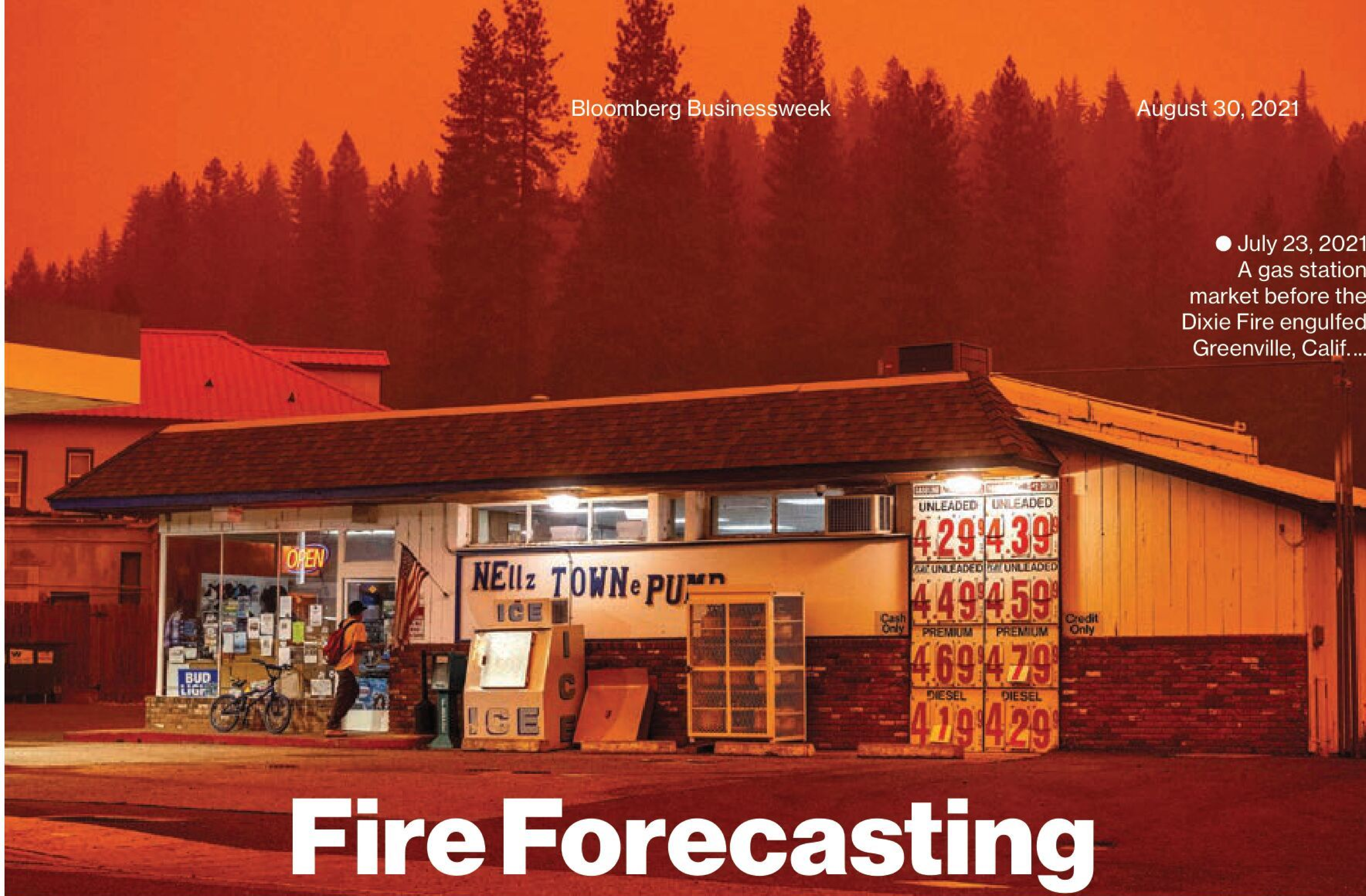
"Reliance's diversification into green energy is a starting point, it's a welcome shift," says Kanika Chawla, program manager for UN-Energy, a United Nations affiliate that promotes sustainable energy. "But the business is evolving. It's not a change in regime." —*Rajesh Kumar Singh and Debjit Chakraborty*

THE BOTTOM LINE As a best-case scenario, Reliance's green energy initiatives will carve out an estimated 10% of earnings by 2026. Its oil-to-chemicals business will still account for 33%.

▼ India's installed power generation capacity at the end of 2020



CHRISTOPHER DILTS/BLOOMBERG. POWER CHART IS IN ALTERNATING CURRENT. HYDRO INCLUDES LARGE, SMALL, AND PUMPED HYDRO. SOLAR INCLUDES UTILITY-SCALE AND SMALL-SCALE SYSTEMS. DATA: BLOOMBERGNEF, CENTRAL ELECTRICITY AUTHORITY OF INDIA



● July 23, 2021
A gas station market before the Dixie Fire engulfed Greenville, Calif....

Fire Forecasting Could Reshape California

● Aug. 4, 2021
...and after

● AI that predicts wildfires could keep many homeowners from losing their insurance. How else could it help?

Climate change is making California's fire seasons more severe, but the conditions that lead to any single fire remain consistent: dry weather, overgrown brush, wind speed, and wind direction. Private companies and public agencies are racing to develop technology to monitor these conditions, in the hopes of understanding how wildfires spread—and predicting them before they happen.

As a bigger proportion of the country's most populous state burns, the stakes of getting those predictions right goes up, too. Six of the seven largest fires in California's history have occurred since August of last year, and extreme drought throughout the American West has experts concerned that this year's season is shaping up to be particularly bad. Human lives are on the line. So are billions of dollars.

There's demand for wildfire forecasting from both the public sector and commercial interests. As of now much of the innovation is coming from technology companies looking to serve insurers

Edited by
Joshua Brustein
and Mark Milian

JOSH EDELSON/AFP/GETTY IMAGES. *AS OF AUG. 23. DATA: CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION grappling with increasingly costly and erratic blazes—a trend that could determine not only how predictive software is used but how it's designed. These dynamics are on display with Kettle, a startup that's created a predictive system by using artificial intelligence to help it design reinsurance policies that protect insurance companies against wildfire risk. Andrew Engler, who has spent years in the insurance industry, first as a sales lead at Allstate and then a vice president at Argo Group, and Nathaniel Manning, former chief executive officer of the humanitarian communication crowdsourcing app Ushahidi, founded Kettle in 2020.

Reinsurers have traditionally used a technique called stochastic modeling, which analyzes historical data to determine the likelihood of random events. That doesn't work when the changing climate system behaves in ways that humans have not yet seen, Engler says.

"If the way you price risk is you go, 'OK, how many times has a wildfire hit Los Angeles in the past 500 years? Well, it's happened twice, so we'll peg all of our pricing this year at a 1-in-250 chance that Los Angeles will burn,' you're going to be wildly wrong, because the next 15 years are going to look nothing like the past 500," he says. "So understanding that, there's a major opportunity here."

Kettle is looking to analyze enormous amounts of geospatial imagery to find emerging patterns. It pulls in data from satellites and weather data maps to predict the areas in California most at risk for wildfire.

Many insurers have responded to a trend of record-breaking fire seasons by raising rates or refusing to cover some areas. The problem has gotten bad enough that California's insurance commissioner has issued moratoriums on canceling or refusing to renew insurance in some ZIP codes hit by a fire emergency for one year after the area burns.

Engler's thesis is that many areas that insurers avoid are safer than they seem. Last year, the third-worst year in California's fire history, almost 11,500 properties were destroyed, and 4.5 million acres burned. Although devastating, he says, that was only a fraction of the 14 million homes in the state, and 4% of the land. "When we see the response from an industry being, 'The state's uninsurable,' that's completely incorrect," he says.

The predictive tech is tied to a novel business model for reinsurance. Typically, insurers work with multiple reinsurance companies to cover their entire portfolio. Kettle models the risk of an insurer's entire portfolio, then offers to sell fire-specific policies that cover a fraction of those homes in the areas where Kettle's model has the most certainty about burn patterns. It says 26 carriers have asked it to model their risk.

The company recently used historical data to see how well its model would have performed during the 2020 fire season. It examined the 14 largest wildfires in California that year and found that 11 of them occurred in areas Kettle's software labeled as top 10% most likely areas to experience wildfire in 2020; all 14 fires were in the top 20%.

Kettle has attracted outside investors into its underwriting programs, but it also plans to put up its own money when it begins writing policies next year. The company argues that holding some risk aligns it with its clients' interests better than if it sold only software subscriptions.

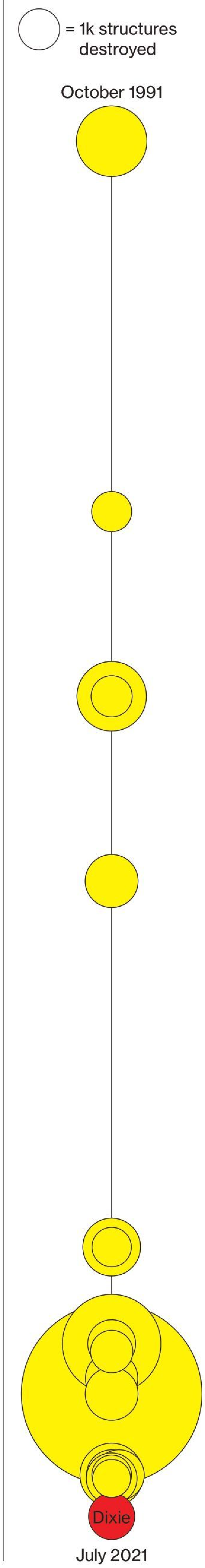
There's a big difference between knowing which areas are likely to burn and which actually will burn over any discrete time period, says Andre Coleman, a senior research scientist at Pacific Northwest National Laboratory. Even the most fire-prone areas need a spark, and no software is good enough to anticipate which stretch of highway will get the fateful cigarette thrown out a car window, or the location and timing of the overly exuberant gender reveal party. "If you take the fire risk data as it's published by others, and you overlay where fires are actually happening, there's not a really strong correlation," Coleman says.

Coleman agrees with Engler that climate change is complicating conventional predictive techniques. Fires are regularly forging new paths. The Dixie Fire, an active blaze that's already the second-largest in California's history, became the first to traverse the Sierra Nevada from the foothills to the eastern valley. Coleman's team is developing tools to increase situational awareness for people on the ground in the thick of a blaze.

The company's models account for long-term uncertainty by simulating millions of theoretical scenarios. "You can't predict every single gust of wind—every single, you know, plant leaf and what moisture density it is," Engler says. But there are "emergent patterns that we see in these larger conflagrations with everything going wrong that you can start to hone into, and those are the areas that we're going to find to be most dangerous over time."

Other entities with interests in California's wildfires have their own spins on predictive technology. State Farm Insurance, MetLife Inc., and other insurance companies use software from startups such as Cape Analytics LLC and Zesty.AI that also use AI and decades of satellite imagery to understand microlevel risk factors. This level of detail could allow them to examine features of individual ▶

▼ The 20 most destructive California wildfires on record, by start date*



◀ homes—like scruffy vegetation in the combustible zone within 10 feet of a house—and price policies more in line with their risk. The U.S. Forest Service is incorporating AI models into its wildfire-fighting strategy, piloting RADR-Fire, a product that uses infrared technology and satellite imagery to help firefighters track fires through smoke and haze.

Having the kind of sophisticated rendering of risk that Kettle is developing could also help firefighters and local officials create shorter-term evacuation plans, determine where to build fire breaks, and better allocate resources. Engler and Manning say they envision sharing their findings with utility companies, firefighters, and the Forest Service. But for now they're solely focused on insurers, a decision that influences the shape of their product. For instance, Kettle uses its new predictions only twice a year because that's how often reinsurers sell new policies, even though it gathers new data constantly.

An insurance company's definition of risk—and therefore the inputs and methodology of its predictions—can also differ from that of public actors, says Sean Triplett, a tools and technology team lead for the Forest Service. Kettle's confidence intervals are based on what monetary risk they're comfortable taking on, whereas the Forest Service is "worried about the whole ecosystem," he says. "We're worried about the whole community, we're worried about the other values at risk—the power lines, the water quality, everything that goes into that."

Others argue that the priority should be discouraging risky development, not finding ways to reclassify areas so insurers will cover them. "We need stricter constraints for building permits and [for] developers to respect them," writes Dominique Bachelet, an associate professor at Oregon State University, in an email.

Manning says he's not against disincentivizing development in fire-prone areas but says that the broad-swath hesitance of insurers is also harmful. He doesn't accept the implication that insurance is somehow a less worthy application than emergency response. "This insurance solution is just beautiful, but it has such a bad rap," he says. After a disaster there's grave suffering and international attention, he argues, but the adversity continues after the acute crisis wanes. "After everyone leaves—the news, and the first responders—it's basically this long tail of just the local community and the insurance companies, for years." —*Sarah Holder and David Ingold*

THE BOTTOM LINE Kettle says its AI can help predict wildfires, which could be good for reinsurance companies. Such technology could also have other vital, if less profitable, applications.

The Next War

● Shield AI, a startup born of the conflict in Afghanistan, is looking for a broader mission

Brandon Tseng, a former Navy SEAL who served in Afghanistan and elsewhere overseas, developed the idea for his startup Shield AI to solve a problem specific to what he and his colleagues saw in the field. One of the most dangerous tasks for U.S. ground troops in the Middle East was entering buildings that might contain armed fighters. So Shield, founded in 2015, built fleets of small, autonomous drones that would go in first and send photos and maps to soldiers waiting nearby.

The U.S. military has used Shield's technology in Afghanistan, Iraq, and Syria. The end of U.S. involvement in Afghanistan marks a new era for the military, and for Shield. The company has spent

◀ Shield AI's Nova 2 drone

the better part of the year acquiring new technology and pitching officials and investors on a future beyond the Middle East. That includes the potential for conflicts with China or Russia, according to Tseng and other senior employees. On Aug. 24, Shield said it raised $210 million from investors including Disruptive Technology Advisers, which valued the company at about $1.25 billion. That makes Shield one of the few unicorns serving the military sector. It's closing on an additional $90 million in debt and equity investment in the next several weeks, the company says. (Bloomberg Beta, the venture capital arm of Bloomberg LP, the parent of *Bloomberg Businessweek*, invested in Shield's early financing rounds.)

Shield secured about $17 million in unclassified military contracts in 2020, according to Tech Inquiry, a corporate watchdog that tracks military contracting. That's easily the company's best year

● Tseng

FROM LEFT: CHRIS RANDOUR. JACK MCKNIGHT. PHOTOGRAPH BY ALLISON V. SMITH FOR BLOOMBERG BUSINESSWEEK to date, but it's a rounding error in a Pentagon budget that regularly exceeds $700 billion. Early this year, Shield started an internal government relations department and hired a former lobbyist from data mining company Palantir Technologies Inc. and a former congressional staffer to run it. The company, which had done no direct lobbying before this year, has spent $430,000 on the effort so far in 2021.

Afghanistan's fall to the Taliban in August cast a grim shadow over the startup. Many of its 200 employees are veterans, and some have spent their days frantically trying to secure aid for friends trapped in the country. "Sadness is by far the overwhelming emotion," says Tseng, co-founder and chief operating officer.

Shield executives spent the end of August at their San Diego headquarters, holding the first extended face-to-face meetings with the leaders of two companies acquired this summer. One of them, Martin UAV, makes drones that are as large as 125 pounds. They can be launched from the back of a pickup truck and are able to hover for 11 hours. The other, Heron Systems, makes software designed to control fighter jets.

Shield's plan is to combine its system with those of its recent acquisitions. This could manifest as a single AI platform able to control multiple autonomous or semiautonomous vehicles as large as an airplane, working together in complicated tactical situations, Shield executives say. As of now, this wouldn't include anything that could be described as autonomous weaponry. Tseng says he doesn't object to building weapons, but Shield isn't currently focused on doing so.

Military officials acknowledge the virtues of software in battle, but they don't entirely trust it yet, says Brett Goldstein, former head of the Pentagon's Defense Digital Service unit. "Companies are going to have to make some hard choices about what works well and what isn't working. Particularly, they need to be honest and transparent about systems and algorithms that are not accurate," he says. "If I'm using Apple Photos and I get a false positive for a dog in a picture, no big deal. For military applications, poor accuracy can get people killed."

Heron Systems has already participated in an exercise by the U.S. Department of Defense explicitly designed to increase that trust. Last summer it won a dogfighting contest for computers organized by the Defense Advanced Research Projects Agency, the government's premier research and development arm. Heron's AI defeated a human F-16 pilot in five consecutive simulated competitions, beating out other entrants, including Lockheed Martin Corp.

◀ A Martin UAV drone is inspected at a Texas manufacturing facility

Representatives for Darpa have said potential systems like Heron's are meant to assist human pilots rather than replace them. Heron's virtual brain has a while to go before being deployed in anything approaching real-life combat. Heron won the contest, which was conducted entirely as a software simulation, by doing things that could have proven disastrous in the air, like flying terrifyingly close to opponents or attacking in ways that might have destroyed both planes, according to Brett Darcey, the founder of Heron's product development group. Since the competition, Heron has begun testing with real drones in North Carolina.

Getting anyone in the Pentagon to consider programming Heron's system into fighter jets would have been prohibitively difficult before Shield, says Darcey. The parent company already proved its mettle in Afghanistan and now has the resources to influence government spending. It can play off a palpable fear among U.S. officials of falling behind China technologically. As far back as 2018, then-Defense Secretary Jim Mattis said the shift from terrorism to competing with world powers saw the U.S. "emerging from a period of strategic atrophy."

Artificial intelligence is the next arms race, according to Darcey. "We were paddling ahead of the waves so we could jump on our surfboard and get on," he says. "The wave is coming." *—Joshua Brustein*

THE BOTTOM LINE Shield has become a rare billion-dollar startup building military software. It's now working on tools it thinks will be applicable to potential conflicts with China or Russia.

3 FINANCE

No One Knows Anything

Eighteen months into the pandemic,
Wall Street is still grappling with what it all means

There's a seemingly endless supply of brainpower and cutting-edge technology at work in financial markets these days. And yet at times, it feels like everyone is baffled.

That's perhaps the hardest-to-digest lesson learned—or at least reinforced—from the past year and a half, during which the U.S. stock market doubled at the fastest pace since 1932: The accrued wisdom of Wall Street can be a swiftly depreciating asset.

"If someone would have told me in March of last year, when Covid was first rearing its ugly head, that 18 months later we would have case counts that are as high—if not higher—than they

Edited by
Elizabeth Fournier

were on that day, but that the market would have doubled over that 18-month period, I would have laughed at them," says Steve Chiavarone, a portfolio manager and head of multi-asset solutions at Federated Hermes Inc.

So one of the lessons for Chiavarone is to always have humility. "Even if you could forecast the virus, you didn't necessarily get the market right," he says.

There's plenty of evidence to show how far off the mark forecasts have been in the pandemic era. Although it's common for companies to outperform Wall Street analysts' projections, earnings across the S&P 500 have beaten estimates by an average of more than 19% in the last five quarters. Prior to Covid-19 they were beating estimates by about 3%. The mismatch meant that when the bear market was at its worst in March 2020, one of the cornerstone concepts of valuing equities—the level of an index relative to its companies' projected earnings—made U.S. stocks look about one-fifth more expensive than they turned out to be.

Perhaps that helps explain why investors keep pushing stocks higher in the face of collected-wisdom valuation metrics that, in many cases, ostensibly show stocks are as expensive as they've ever been. Still, there's no new-abnormal consensus to which they can anchor expectations. Among strategists at Wall Street banks surveyed by Bloomberg, the highest yearend estimate for the S&P 500 is 4,825, and the lowest is 3,800—a spread of almost 27%.

Even veterans who worked through the dot-com bubble and the global financial crisis have been shocked and humbled by what's transpired during a pandemic that's killed almost 4.5 million people worldwide, and counting.

Julian Emanuel, the chief equities and derivatives strategist at brokerage BTIG, who has a 30-year Wall Street résumé, says he felt like he'd seen it all. But now he's at a loss. Not just with the fireworks in the stock market, but also with a bond market that seems to be ignoring what the textbooks—and history—say it should be doing.

Producer prices are increasing at a 13-year-high pace while the U.S. economy is expected to expand at an annual rate of 6.2%—almost triple the growth in the decade before the pandemic. You'd expect bonds to be selling off aggressively, to produce yields that can keep pace with both inflation and the investment opportunities available in a high-growth environment. "In what world could you possibly have imagined that 10-year yields would be closer to 1.2%?" Emanuel asks. "The absolutely impossible is literally commonplace now."

That leads him to another important lesson: The dynamics of the investing public matter as much as the fundamentals of the companies and economies that are the subject of all the analysis.

In past years, the whims of individuals weren't considered a major influence on the fate of most stocks or the market as a whole. That changed during the pandemic, because of a confluence of events: A price war among brokerages reduced the cost of placing a trade to nothing, just in time for lockdowns to create a surplus of time and money for Americans to dabble in the market.

The number of shares traded by customers of the main retail brokerages rose from 700 million per day before the pandemic to 2.9 billion earlier this year, or as much as a quarter of the market's volume, according to Bloomberg Intelligence. Fueled by influential voices on Reddit and other social media, hordes of day traders often pumped up the shares of companies that were teetering on the brink of bankruptcy and had been left for dead by professional money managers.

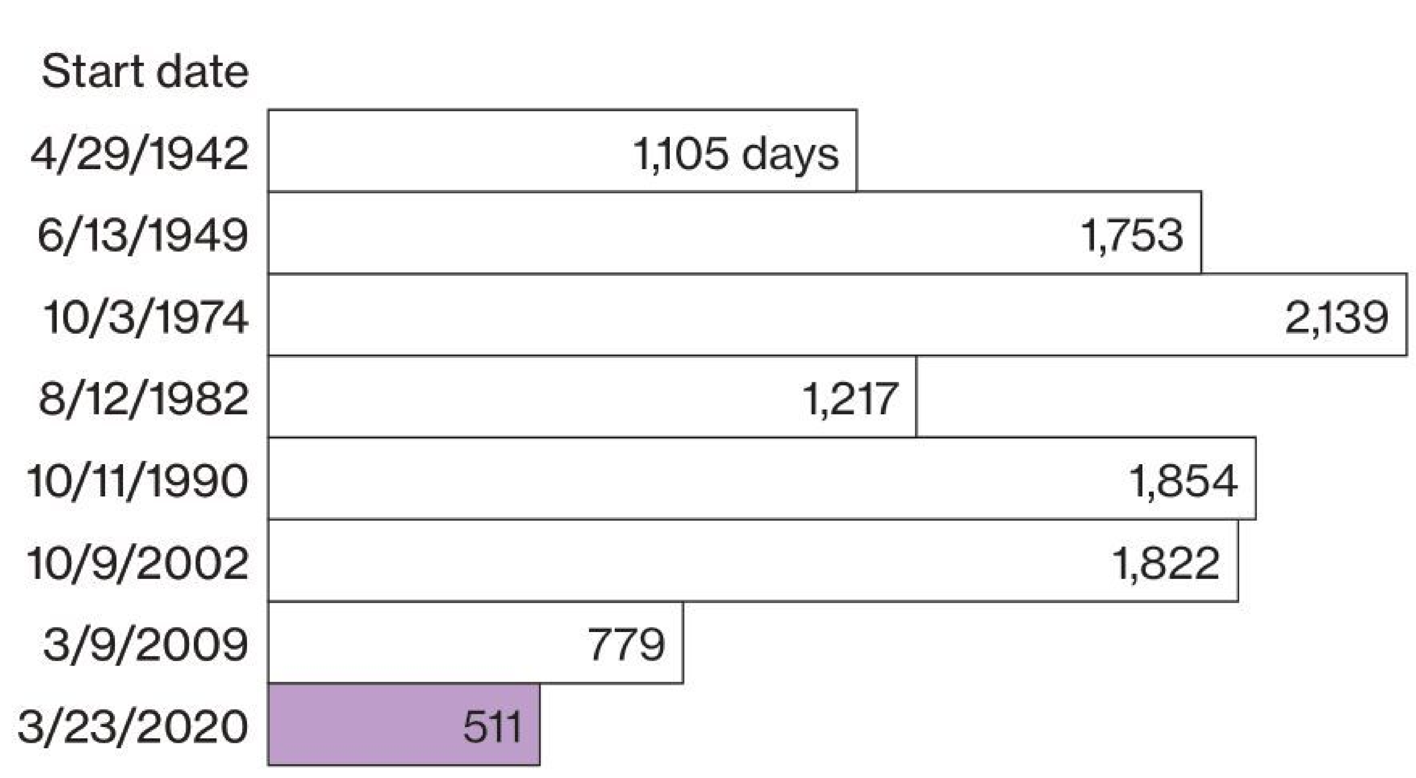
These individual traders are different from any Emanuel has seen before. "The investing public has become a force unto itself," he says. "If you ignore the investing public, you're ignoring them at your peril."

Of course, one of the older forces has been hard at work as well: the Federal Reserve, which doubled its balance sheet to $8.3 trillion by buying Treasuries and mortgage securities during the pandemic, helping to prop up bond prices and, by keeping interest rates low, make stocks seem attractive. For Paul Nolte, portfolio manager at Kingsview Investment Management, a key takeaway is that the U.S. central bank will now be more of an influence on markets. The delicate approach the Fed is taking toward reducing bond purchases shows "they can't seriously raise rates because of the amount of debt that we have," he says.

For Peter Mallouk, one lesson from the Covid era is to never lose sight of the big picture. "We can talk about a million things, but the only thing that ▶

Speedy Recovery

Days the S&P 500 took to double from a low



DATA: COMPILED BY BLOOMBERG

PHOTO ILLUSTRATION BY 731. GETTY IMAGES (11). SHUTTERSTOCK (5). AP (2)

◀ matters is Covid," says the chief executive officer of Creative Planning, which has about $90 billion in assets under management. "Every other story is really a derivative."

An important subplot for Mallouk: "Everyone, because of Covid, got checks." Small-business owners got Paycheck Protection Program loans. Some big corporations got larger bailouts. Individuals received stimulus checks. Those who lost jobs got enhanced unemployment benefits. "And what did you want to do with that? You went and bought stuff," Mallouk says.

The economy and the market are still working through that story, which to Mallouk explains some of the wilder investing crazes of the pandemic era.

The market will sort itself out as excess money dwindles, he says: "We're not there yet. But that's what's coming, and that's the big picture that really drives everything." *—Michael P. Regan and Vildana Hajric*

THE BOTTOM LINE If Wall Street has learned anything from the pandemic-era market boom, it's that the future is impossible to predict. And no one is underestimating day traders anymore.

When Conservation Looks Like Evasion

● The IRS is examining conservation easement deductions, putting promoters in its crosshairs

Jack Fisher has raised hundreds of millions of dollars pitching investors on real estate development projects that were never built.

Fisher, an accountant-turned-developer, promoted projects such as the Preserve at Venice Harbor, near Hilton Head, S.C., where marketing illustrations showed houses on canals that evoked the famous Italian city. Instead of developing the land, he recruited investors to elaborate deals that provided them charitable tax deductions in return for donating easements for conservation. The Internal Revenue Service, however, suspects the deals may amount to tax fraud.

Fisher is at the center of a criminal probe related to these syndicated conservation easements, according to people familiar with the details, who requested anonymity to discuss a confidential matter. The investigation has already led to tax conspiracy charges against three accountants who worked with him.

A syndicated conservation easement gives dozens of investors in partnerships three choices: to build a specific development project; to hold on to the land and build later; or to donate an easement to a land trust or government, promising to forgo development. The third option entitles investors to charitable tax deductions, based on the appraised value of the land, that can be worth four or five times their investment.

Easements have been used—legitimately, and mostly by family partnerships and individuals like farmers—for decades as part of a federal push to preserve more than 30 million acres of land. Those aren't the focus of an IRS crackdown. Instead, it's going after promoters like Fisher who sell deals through brokers, accountants, lawyers, and tax preparers, and who market the projects that generate large tax deductions. The IRS has made these an enforcement priority, suing some promoters to shut them down and criminally investigating others.

California conservation lawyer Misti Schmidt says a typical syndicated easement used by wealthy investors is an "ugly tax-shelter scheme" that relies on grossly overvalued appraisals. "There's so much money to be made, they just keep doing it," says Schmidt, a partner at Conservation Partners.

Those appraisals are at the center of the legal fight around syndicated easements. Before an easement donation is made, an appraiser assigns it a value based on its highest and best use. That number is then used to calculate the tax deductions. The IRS often argues that those appraisals vastly inflate the development potential of a property, and that promoters use those valuations to market lucrative tax deductions.

Two of Fisher's associates, the brothers Stein and Corey Agee, pleaded guilty in December to conspiring to promote fraudulent tax breaks and are cooperating with prosecutors. Although Fisher wasn't charged or named in the Agee cases, he's referred to as Promoter A in court documents, the people familiar with the details say. Documents reviewed by Bloomberg confirm Fisher's role in the deals. Lawyers for Fisher didn't respond to emails and phone calls seeking comment.

In the Stein Agee case, prosecutors say the deals were "illegal tax shelters that allowed taxpayers to buy tax deductions," according to the charges. Appraisals were "falsely inflated," while the conservation option was "always a foregone conclusion." Many investors signed up after the tax year in which easements were donated, prosecutors say, even though the IRS allows deductions only in the same year a donation is made. Promoter A and others had investors backdate checks and agreements, according to the charges.

"Promoter A's tax shelters resulted in a massive evasion of taxes," the charges state. In all, more than 1,500 investors received $1.2 billion in fraudulent tax deductions, prosecutors said. At one point, Promoter A told Stein Agee that he met with several co-conspirators to make sure they were on the "same page" about late investments, according to the charges. Promoter A proposed that Agee could falsely suggest that backdated checks weren't deposited because they were "lost" on someone's desk. Lawyers for the Agees declined to comment.

Nationwide, the IRS has challenged $21 billion in tax deductions claimed for syndicated easements from 2016 to 2018, saying it's auditing 28,000 taxpayers. Former President Donald Trump has donated several easements, including two under scrutiny by New York state authorities.

"The IRS fully supports the benefit of legitimate conservation easements around this country," IRS Commissioner Charles Rettig told Congress in March. "It has done tremendous things for farmers and others. Our problem is with the abusive syndicated easements."

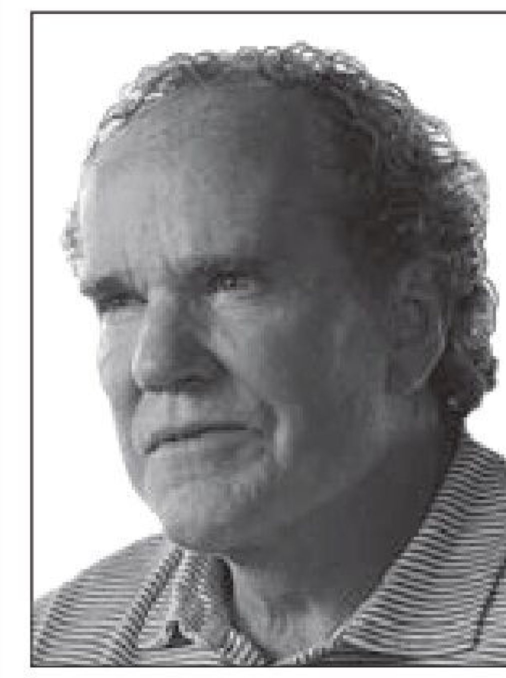
Fisher, who's in his late 60s, grew up on a small-town farm in Marshall, N.C., and still speaks in a soft Southern drawl. The son of a truck driver and homemaker, he graduated with a degree in accounting in 1974 before joining the IRS. Fisher then became a certified public accountant, worked for Price Waterhouse, and joined a firm that moved him to Atlanta to work with the National Football League's Falcons. Later, he took a job at an accounting firm with the Agee brothers' father, Edward Agee. "I got a lot of good experience," Fisher testified at a trial after a real estate broker sued him, claiming the developer owed him a commission. Fisher said he met people who "could refer you to business: bankers and things like that."

He got into development by auditing construction companies, and later began assembling his own investment deals, founding Preserve Communities about two decades ago.

Fisher was adept at raising money, says Anthony Antonino, a real estate consultant who helped with the sale of 800 acres in North Carolina for $14.75 million to entities controlled by Fisher and a wealthy investor. "Jack knows where the money's at, and he knows how to get it," Antonino says.

He was also a hands-on developer, says Mark Brooks, a civil engineer who helped Fisher build projects. "He was out there walking the roads and figuring out site lots," Brooks says. "He was real proud when he did the developments. He felt he was doing things to help out Madison County, which was a pretty poor county."

The Agee brothers, whose father died in 2009, helped promote some of Fisher's deals. At the Preserve at Venice Harbor, $179.8 million in tax deductions were claimed by the 390 investors who chose a conservation easement instead of building homes, court documents show. That was more than four times what they put in.


● Fisher

By 2018, less than two years after the IRS began targeting syndicated easements as tax shelters, Fisher was under investigation, the people with knowledge of the matter say. "You have to be very, very careful that these look like real estate investments as compared to, you know, basically a tax shelter," Promoter A told an agent posing as an investor, according to the charges against Stein Agee.

Fisher continued to work with the Agees through last year, the people say. In November, Promoter A left a handwritten note for Stein Agee saying he'd been "cleaning up the books," the charges state.

About the same time, a video was uploaded to the Preserve Communities Vimeo account. Fisher talks about his career while viewers see images of forests, mountains, and rivers, and of Fisher himself sitting on a deck, and then feeding a horse. "I hope the people who live in our communities gain a greater connection to nature, to slow down in life, to realize what's really important," he says. "We only have so many years here on the planet, and feeling good about what you've done with your life." —*David Voreacos, with Kaustuv Basu, Neil Weinberg, and Elise Young*

THE BOTTOM LINE The IRS has challenged $21 billion in deductions over three years from syndicated conservation easements, as it audits wealthy taxpayers and pursues promoters.

ILLUSTRATION BY CLAIRE MERCHLINSKY. FISHER: COASTAL PROPERTY HOLDINGS LLC/VIMEO

When Nurses Won't Vax

Some are walking off the job instead of scheduling a shot, compounding the sector's staffing woes

Mandate the vaccine, and some of your nurses will quit. Don't mandate the vaccine, and some of your nurses will get Covid—rendering them unable to work, or even landing them in the very intensive care unit where they normally work. For a hospital administrator who's been dealing with nursing shortages escalating throughout the pandemic, this is the dilemma.

"It's a cynical question, but what gets us to losing the higher amount of staff?" says Alan Levine, chief executive officer of Ballad Health, which has 21 hospitals and other centers serving patients in Kentucky, North Carolina, Tennessee, and Virginia. He decided not to require vaccinations for his health-care workers after modeling suggested he could see 15% of nurses, or as many as 900, leave if he did. That's more than he anticipates losing to Covid-19 quarantines and illness, even with the most recent surge filling up the network's ICUs and 130 staffers quarantining on a single mid-August day. At Ballad, 97% of doctors are vaccinated. Among front-line nurses, he estimates, vaccination rates hover around 50%.

It's hard to see how nurses, who see firsthand evidence of how Covid can kill people, could oppose getting a vaccine that's been shown in numerous studies to provide extraordinary protection against severe illness and death. But it's a problem hospital administrators all over the country find themselves facing. In the most recent survey by the American Nurses Association, fielded as part of a broader coalition of nursing groups intended to combat vaccine hesitancy in its ranks, almost 1 in 8 hadn't gotten the vaccine or didn't plan to, despite having had access to the shots for almost nine months.

"The overwhelming number of our nurses are female and young and in childbearing years," Levine says. Rumors on social media caused some young women to fear that the mRNA vaccines such as those made by Pfizer Inc. and Moderna

YI-CHIN LEE/HOUSTON CHRONICLE/AP PHOTO

Edited by Anne Riley Moffat

Inc. could affect their fertility. That's not true. But it's a worry that's taken firm hold in some circles, even after the American College of Obstetricians and Gynecologists said publicly that there is no evidence the vaccine harms fertility.

In April the government temporarily paused the rollout of Johnson & Johnson's vaccine because of rare cases of blood clots in women. Federal agencies investigated the issue, ruled it a remote risk, and resumed the shots. But the pause left a lasting impression. "What we've decided to do, besides jumping right into a mandate, is try to educate staff who are women," Levine says. "I can't say that's generated a whole lot of results yet."

Vaccine hesitancy has many faces. There are the entrenched beliefs of the vaccine-skeptic campaigners who stoke fears on social media with false claims. There are those with concerns that the vaccine has been around only a short time. And there are the merely ambivalent, who aren't ardently opposed to getting it but might still need an extra push.

Nationally, only 35% of hospitals had mandated that staffers get vaccinated against Covid as of Aug. 19, according to the American Hospital Association. With the U.S. Food and Drug Administration fully approving the Pfizer vaccine on Aug. 23, that percentage could rise over the next few months. About 22 states now require Covid vaccinations for at least some health-care workers, according to data from the National Academy for State Health Policy. Not all states are moving in that direction. Four so far—Arkansas, Georgia, Montana, and Tennessee—established bans that could prevent mandates being imposed on some workers. A number of others have yet to weigh in, leaving hospital administrators balancing their staffing concerns with their desire to protect workers and patients.

Houston Methodist, a health system in Texas with eight hospitals and 26,000 employees, says it was the first large hospital system in the nation to mandate Covid vaccinations for its staff. "It was never really a question of if we would mandate," says CEO Marc Boom, but rather "when would we mandate." Boom's team started educating staffers on the importance of the vaccine as early as last fall, before the shots had even gotten the regulatory green light. Then, at the end of last year, Houston Methodist started offering what Boom called a $500 "hope bonus" to employees, knowing the winter months were going to be trying for staff with Covid surging again after the holidays. Employees could qualify for the bonus by late February, but there was a catch: They had to have their first shot by then. When Boom announced a vaccine mandate at the end of March, about 85% of Houston Methodist's staff were already vaccinated.

Then Boom got word the hospital was being sued. A nurse, Jennifer Bridges, led a group of employees in a lawsuit to overturn the mandate, arguing that it would be unlawful for the hospital to force vaccination and that the shots were experimental and dangerous. "When you're dealing in Covid units, it's very exhausting. All the PPE you have to put on, you can't breathe. You're sweating all day," Bridges says. "I did it for over a year, and I would do it again if they'd let me." That said, she wasn't willing to take the vaccine because she doesn't believe it's safe, despite the evidence that regulators and companies have put out showing that it is. A federal judge dismissed the suit, and Houston Methodist lost 153 employees who either resigned or were terminated. "I'm really, really glad we did it," Boom says of the mandate, particularly now that the hospital is facing another rise in cases.

"There are not enough nurses to go around. That is clear"

Other hospitals have looked at Houston Methodist's mandate and decided to follow suit. In June, Sanford Health executives were concerned to see that immunization rates among its almost 48,000 employees had stalled at around 50%. So in late July, Sanford announced a vaccine mandate for its 46 medical centers and other facilities across the Upper Midwest. Vaccination levels have since risen to about 70%, which CEO Bill Gassen attributes to the mandate, educational initiatives, and the rapid spread of the delta variant. By Gassen's estimate, another factor working in Sanford's favor is that its facilities are located in rural areas, where there aren't many other employment opportunities.

Many, though, do have options—lucrative ones—if they want to change jobs. Contract and traveling nurses have helped fill gaps and are often well paid for doing so. At Aya Healthcare Inc., a nurse staffing agency, April Hansen, the group president of workforce solutions, has an ICU position advertising pay of about $5,000 for three shifts a week. Aya has more than 43,000 listings for nurses right now, up from 7,300 in August 2019. "There are not enough nurses to go around. That is clear," Hansen says.

After a year and a half of treating Covid patients, burnout is high. Almost 30% of front-line health-care workers have considered leaving the profession as a result of the pandemic, according to a Washington Post/Kaiser Family Foundation survey conducted before the most recent Covid surge. The crisis seems to be accelerating trends that predate the pandemic. California alone could end up short 44,500 nurses by 2030, a 2017 government study showed.

Then there's the new question of how many will be driven out of the profession because they don't want the vaccine. That's set to play out ▶

◀ in states such as New York, where mandates go into effect soon. Tabitha Hernandez, a 33-year-old nurse in New York, cared for Covid patients during the height of the pandemic last year, but she still found herself questioning whether to get the shot when it first came out. "It wasn't because I didn't believe in the vaccine," she says. "I was just so burnt out emotionally, mentally, and physically from Covid itself." And there was another factor: "Especially being Latina, certain minorities have been marginalized," she says, referring to vaccine hesitancy among some demographic groups who've faced systemic discrimination in health care. "I just wanted to make sure the information I was receiving was correct." After speaking with a trusted colleague, a Black doctor, and doing her own research, Hernandez got her first shot on Christmas Eve. But some of her colleagues—she estimates about 20%—remain unvaccinated.

With Covid surging again, Ballad has been increasing wages to hang on to staff. CEO Levine would hire 600 nurses right now if he could find them. In the fiscal year ended in June, the hospital system spent $86 million on contract labor, up 62% from the previous year. Some retired nurses have even come back to do non-bedside roles.

Still, Levine tries to empathize with nurses hesitant to get the shot. "I'm not angry or upset with our own team members who are afraid to take it," he says. "I'm angry with people who put bad information out there without thinking about the ramifications of that." —*Cynthia Koons and Emma Court*

THE BOTTOM LINE A growing number of hospital systems are implementing vaccine mandates. With a minority of nurses refusing to schedule a shot, the U.S. nursing shortage could get worse.

Short on Drivers, Shippers Shift Gears

● Getting women into trucking is hard. Getting them to stay is harder

Since she got her learner's permit at age 16, Clarise King-Green had driven just about every vehicle imaginable: cars, vans, minibuses, box trucks. But like most women in transportation, she'd never gotten behind the wheel of a freight truck.

That changed last summer when the Philadelphia resident, 50, enrolled in a state-sponsored program that helps aspiring drivers pay for commercial-trucking school, where tuition costs as much as $7,000 for a multiweek course. It's a line of work she'd briefly considered decades ago, but finding someone to care for her young daughters during nights spent on the road put her off. Now that they're older, King-Green decided it was time.

"People that know me well say driving is in my blood, so it wasn't intimidating. It was exciting, really," she says about her first time in a big rig's cab. She's now one of hundreds of female drivers in a fleet with thousands of trucks. "I was just trying to find a career where I felt like I can make a lot of money to help take care of my kids. I've never really given too much thought to whether it's a woman's job."

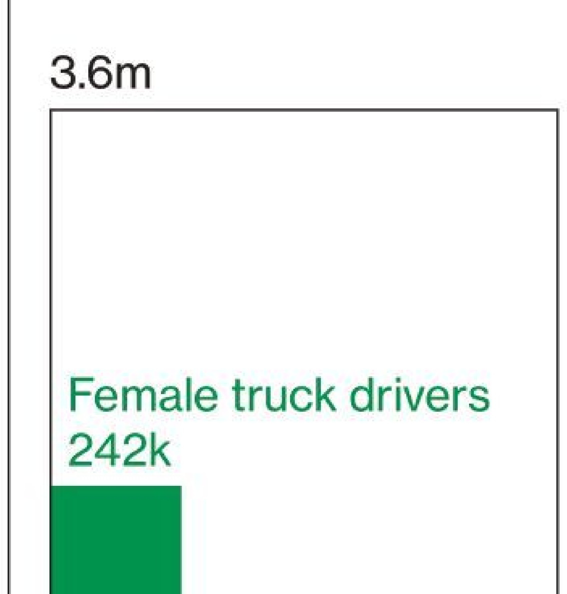
Facing a decades-old struggle to retain drivers—and a pandemic that's cranked up demand for shipping—fleets long staffed by mostly male drivers are looking to get more women behind the wheel. With the trucking industry anticipating a shortage of 100,000 drivers by 2023, recruitment efforts directed at women are becoming increasingly common.

Just 6.7% of active drivers in 2019 were women, according to the American Trucking Associations, a number that's barely budged in almost two decades. To change that, nonprofits, government programs, and trade groups have funded free certification for female drivers. The $550 billion infrastructure package includes a provision to study how to recruit more female drivers. Some companies have even advertised for husband-and-wife driving teams to ease the strain of days spent away from home.

Part of the challenge, says Ellen Voie, chief executive officer of Women in Trucking, is changing women's mental image of a truck driver: a middle-aged guy behind an 18-wheeler. Her nonprofit makes Girl Scout patches for troops to learn about careers in the supply chain, coloring books such as *Shelby's Big Rig Day*, and a Cabbage Patch-style plush doll named Clare, described on the group's website as a "driven young lady." Voie estimates that she's spoken with 400 to 500 recruiters, trucking school operators, and drivers over the past 14 years, pushing them to train and hire more women. Her pitch often centers on a reality borne out by decades of data: Female truck drivers are, in aggregate, more cautious on the road. They get into fewer accidents, and those tend to be less serious, Voie says.

"I've seen research that says women drivers are safer. I've seen research that says experienced drivers are safer. If you put those two together, that's the winning combination," says Meera Joshi, a deputy

▼ Active truck drivers in the U.S. in 2019



PHOTOGRAPH BY SUSAN SIDEBOTTOM FOR BLOOMBERG BUSINESSWEEK. DATA: AMERICAN TRUCKING ASSOCIATIONS, CITING THE BUREAU OF LABOR STATISTICS

▲ Once the kids were old enough, King-Green learned to drive a big rig

administrator at the Federal Motor Carrier Safety Administration (FMCSA).

Still, while female drivers are better on the road, the road isn't always better for them. Driving requires long, irregular hours, lonely conditions, and the risk of severe crashes. The field usually offers few benefits attractive to primary caregivers, such as paid parental leave or flexible hours.

For women with experience, many of whom are older, driving can be a perfect profession: It offers a median annual income of about $47,000 and the freedom to bid on preferred routes. For women with kids at home, the lifestyle is tougher. Desiree Wood, a member of the FMCSA's advisory panel and founder of Real Women in Trucking, says she's heard anecdotes about women home-schooling their kids from the sleeper berth, bound to a weekday route but unable to pay for child care.

Missing "birthdays, anniversaries, holidays, being out here by yourself on Christmas, being out here by yourself on Mother's Day—these are the things a lot of people aren't prepared for," says Ingrid Brown, the owner-operator of Rollin' B LLC, a North Carolina-based trucking company. Sexual harassment and assault are concerns, too. While there's little data on misconduct in the sector, it's prevalent enough that some trucking schools warn women about it before they get on the road.

Sharae Moore, the founder of S.H.E. Trucking, started her 20,000-member Facebook group and licensing program in part to help women entering the industry avoid companies known for tolerating sexual misconduct. Interstate Trucking Academy owner Gary Hollands, who runs a free training program for women in Portland, Ore., says he added lessons on self-defense and dealing with sexual misconduct to his licensing course. "How to drive a truck is only one part of our program," he says. "The main part of the program is how to navigate the culture that they're going into."

Jenny Reeves, 47, who graduated from the first class, says she appreciated the instructors' willingness to be frank about what it's like to be a female driver. Hollands tells female students to carry mace and share their stop schedule with a friend in case they run into trouble. Reeves, who recently started hauling waste in Portland, says she got so many job interviews after finishing trucking school in June that she felt like "the trash princess."

To get hired, "you pretty much just have to have a pulse," says Real Women in Trucking's Wood. "What I'd like to see is a path to success." *—Shera Avi-Yonah*

THE BOTTOM LINE Tuition subsidies, self-defense courses, and husband-wife driving teams are being rolled out to entice more female drivers into big rigs amid a swelling driver shortage.

Florida's High-Stakes Mask War

● The governor's stance against school mandates has sparked a backlash

Fear and anger were palpable at the school board meeting in downtown Miami on Aug. 18. A virulent strain of the coronavirus had ravaged the state for most of the summer. Since early July the delta variant has sent 1,900 children to hospitals in Florida—more than in any other U.S. state. Within days of classes beginning, at least 20,000 kids and teachers in the state's five largest school districts had contracted or possibly been exposed to the virus.

Dozens of parents had signed up to speak about a proposal to mandate face masks in school. During the meeting, Franzella Guido Chacon held up a petition supporting a mask order, signed by 11,000 people. "We do not want the start of school in Dade County to become a superspreader [event] like we are seeing throughout Florida," she said. Outside more parents held up placards for and against masks as some shouted, "Save our kids!"

Hours later, the Miami-Dade County School Board voted to require 340,000 students to wear a mask in class—defying an executive order from the governor and his education department.

As the school year commences, Floridians are openly revolting against Governor Ron DeSantis's ban on mask mandates in schools. It hasn't swayed the 42-year-old DeSantis, who says parents—not schools—should decide whether kids need to mask up. He's stepped up his campaign, vying to withhold the salaries of superintendents and school board members who support mask mandates that don't give parents the right to opt their kids out.

It's a stance in line with his opposition to government-imposed economic shutdowns, curfews, and mask orders, which has raised his profile during the pandemic and made him a national face of the Republican Party. DeSantis, who's up for reelection next year, is considered a contender for the presidency in 2024.

So far the governor's threats have gained little traction. Some parents have taken the fight to the courts. A dozen filed suit in Tallahassee, the state capital, on Aug. 6, claiming that DeSantis's ban is putting their children at risk as the Covid-19 delta ▶

● Students arrive for the first day of school in Miami Lakes on Aug. 23

EVA MARIE UZCATEGUI/BLOOMBERG

Edited by Amanda Kolson Hurley

◀ variant batters the state. On Aug. 19, Judge John Cooper denied a request by DeSantis to throw out the suit, and a hearing began on Aug. 23.

At least seven Florida school districts, including Miami-Dade, have gone against the governor and required students to wear a mask unless parents get a doctor's note advising against it. The latest was Leon County, which includes Tallahassee. On Aug. 22, Superintendent Rocky Hanna announced that he was reversing course and imposing an all-out mask mandate after 245 students tested positive for Covid seven days into the academic year. "Look, I don't believe that masks are necessarily the end-all be-all, but we know they make a difference," Hanna said from an empty elementary classroom in Tallahassee.

Rebel school districts have won a powerful supporter: Joe Biden. On Aug. 18 the president chastised governors for trying to block mask mandates. He'd earlier punctuated his backing for the school districts by calling one Florida superintendent, in Broward County, north of Miami. The districts could use federal Covid relief funds to make up 100% of any money that governors might try to withhold, he said. "You know, we're not going to sit by as governors try to block and intimidate educators protecting our children," Biden said at the White House.

The president's rebuke seemed only to embolden DeSantis. "For the federal government to come in and try to overrule parents' rights and force masks on kindergartners, first graders, and second graders—that's a massive overreach," he said at a news conference about monoclonal antibody treatment for Covid in Fort Walton Beach on Aug. 20.

Florida's kids have been hit hard by delta, and that's exacerbated a broader Covid surge, which has hammered Florida's health system. Hospitals have been forced to put patients on gurneys in hallways because of a lack of space in intensive care unit beds, says Mary Mayhew, chief executive officer of the Florida Hospital Association.

DeSantis says he's only following Florida's Parents' Bill of Rights law, which he helped put in place in July. "There's never been a controlled trial study saying forced masking of kindergartners does anything against Covid or any respiratory virus," he said on Aug. 20. At least six other states have also barred school districts from requiring pupils to wear a mask.

The Centers for Disease Control and Prevention recommends indoor masking for all teachers and students. In a 2020 paper cited by the CDC, a laboratory experiment using two mannequin heads showed masks provide some protection from SARS-CoV-2 droplets. Cotton masks cut virus uptake by 20% to 40%, and properly fitted N95 masks by 80% to 90%. The benefits were even higher when both mannequins—the one releasing the virus and the one receiving it—wore the facial coverings.

The science gets more complicated when it involves real people, who may wear masks incorrectly or remove them to eat. In the July executive order against mask mandates, DeSantis cited a study, lead-written by Brown University economist Emily Oster, that found no correlation between the mandates and Covid rates among students in Florida, Massachusetts, and New York. (The study was conducted before the emergence of the delta variant, and Oster has said it's still in peer review and that she didn't consult with DeSantis on mask rules.)

Last year, DeSantis lifted lockdowns and forced public schools to reopen in October, months sooner than just about any other state. He seemed to be betting on data trends suggesting Florida wouldn't be hit significantly harder by Covid than more-locked-down places in the end. And Florida wasn't—until the delta variant came along.

Although his posture may play well with Republicans nationally, it's not so clear how the mask controversy is affecting DeSantis's political fortunes in Florida. The governor's approval rating was 44%, with 49% disapproving and the rest unsure, in an Aug. 2-3 survey from St. Pete Polls. Another recent poll showed that 60% of Floridians agreed students and staff should wear masks. But a little more than half also said parents should have the ultimate right to choose, according to an Aug. 12-16 poll from Florida Atlantic University.

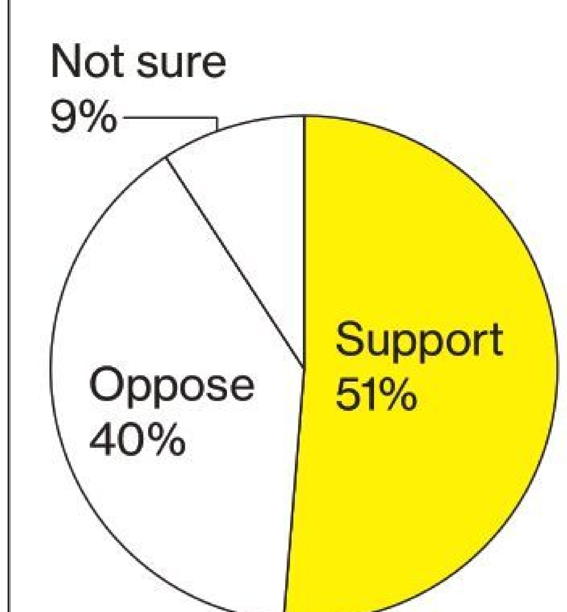
DeSantis has tried to shift the conversation from masks in schools to the promise of monoclonal antibody treatments for early-stage Covid or suspected exposure to the virus. He's spent the past two weeks traveling the state to show off clinics offering the treatment, free of charge.

Weekly Covid cases have begun to decline in Florida, signaling that the latest wave may be receding. But at Nemours Children's Hospital in Orlando, the threat is far from passed. On Aug. 24 seven kids were in the pediatric ICU, including one intubated and on a ventilator, says Kenneth Alexander, chief of infectious diseases at Nemours.

As for Florida's record-high pediatric hospitalizations, "numbers are still relatively low" compared with those among adults, Mayhew says. "But no one wants to see a child hospitalized for Covid." *—Michael Smith and Jonathan Levin*

THE BOTTOM LINE Delta's rampage in Florida is a test for DeSantis's adamant, and controversial, opposition to shutdowns and mask orders, which has raised his profile in the GOP.

▼ Floridians' opinion on allowing parents to decide whether their children should wear a mask indoors at school



▼ Daily cases of Covid-19 in Florida, seven-day moving average

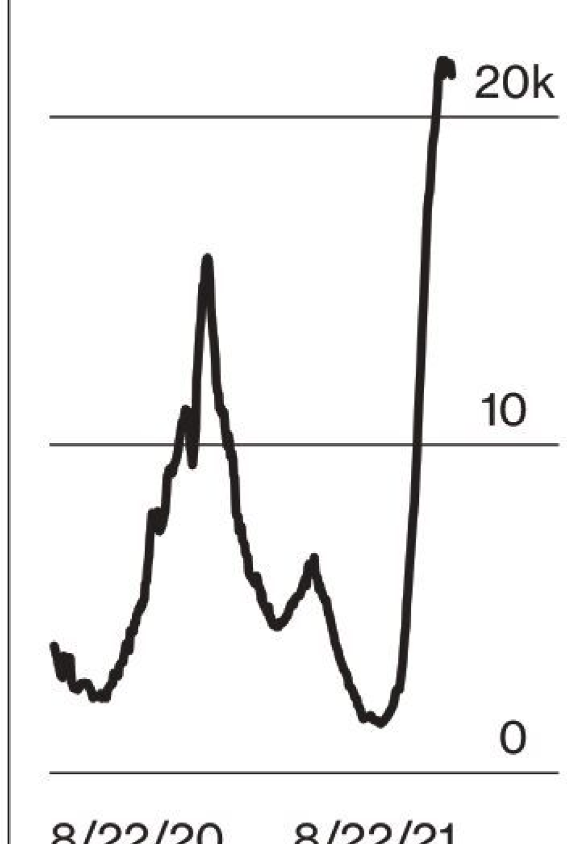


PHOTO ILLUSTRATION BY 731; PHOTO: UPI/ALAMY. DATA: FLORIDA ATLANTIC UNIVERSITY COLLEGE OF BUSINESS, BUSINESS & ECONOMICS POLLING INITIATIVE (POLL FROM AUG. 12-16, 2021); CDC (CASES)

Senator CRYPTO

● Wyoming has embraced digital currencies, and Cynthia Lummis wants the U.S. to follow

In 2013 then-Representative Cynthia Lummis first heard about a new form of currency from her daughter and son-in-law, who helped Lummis buy her first Bitcoin for $330. Eight years later the first-term Republican senator from Wyoming has become one of Capitol Hill's most ardent supporters of cryptocurrencies and the blockchain technology that powers them. Her state is at the forefront of trying to regulate the fast-evolving digital asset sector after the passage of a slate of crypto-friendly laws in 2018 and 2019.

Driven by curiosity about the subject and advocacy for her state, Lummis, 66, who's combined a career in government with tending steer on her family's ranch, regularly attends conferences and workshops on cryptocurrency and has developed a working knowledge of digital money, which initially "sounded so intangible," she says. (She's also acquired four more bitcoins; their cumulative value hovered around $250,000 as of Aug. 25.) Earlier this year, in response to a cryptocurrency meme, she even donned a pair of red "laser eyes" on Twitter in support of Bitcoin's price target of $100,000.

Now Lummis aims to persuade her fellow members of Congress to emulate Wyoming's hands-off approach toward regulating crypto, which has led several prominent companies, such as crypto exchange Kraken and blockchain platform Cardano, to move to the nation's least populous state. In addition to exempting digital currencies from property taxation and standardizing regulatory language, Wyoming has also encouraged crypto miners to use natural gas that's an unwanted byproduct of oil drilling to power their hugely energy-intensive activity.

Those changes laid the groundwork for the chartering in 2019 of Wyoming's crypto banks, otherwise known as special purpose depository institutions, or SPDI ("speedy") banks—the first fully regulated financial institutions in the U.S. that hold cryptocurrency in addition to fiat currency.

"For a state like Wyoming, cryptocurrency provides an alternative store of value as well as the technology that diversifies our economy," says Chris Rothfuss, a Wyoming state senator who chairs the chamber's blockchain committee. "We needed to do something that didn't depend on coal, oil, and gas—those were industries that were waning."

Lummis cites Wyoming as a model for federal regulation of the $1.6 trillion market. "Wyoming in fact had so successfully innovated in this regulatory and legislative space that it was ready for prime time, in a very big way," says Lummis, sitting on a long couch in her Senate office.

She was among a bipartisan trio of senators who tried to change a provision in the $550 billion infrastructure bill that raised taxes by requiring cryptocurrency exchanges to report information to the IRS. Lummis, Pennsylvania Republican Pat Toomey, and Oregon Democrat Ron Wyden introduced an amendment that would have exempted crypto miners and software developers from reporting, arguing that they didn't have enough information to comply. Critics said the amendment would create loopholes in a way that would allow tax avoidance to proliferate.

The amendment was blocked, but the effort highlights the growing political tensions around the rise of cryptocurrencies such as Bitcoin, Ethereum, and Dogecoin, as well as stablecoins, a form of cryptocurrency pegged to another asset to reduce its volatility. Securities and Exchange Commission Chair Gary Gensler recently said at an Aspen Institute forum that the sector is "rife with fraud, ▶

● The value of the digital asset market

$1.6t

◀ scams, and abuses." In an interview in August with *Bloomberg Businessweek*, he signaled that he would use his agency's authorities for robust oversight. "If somebody wants to speculate, that's their choice, but we have a role as a nation to protect those investors against fraud," he said.

The issue has scrambled party lines in Congress. Ohio Senator Rob Portman, a Republican, joined Democrats Kyrsten Sinema of Arizona and Mark Warner of Virginia in backing a separate, narrower amendment to counter the one that Lummis brought.

Democratic Senator Elizabeth Warren says cryptocurrency is the "Wild West" of the U.S. financial system and has pressed regulators to protect consumers and taxpayers. "The bigger it gets and the more it stays outside the financial system—something goes wrong, there's a run on crypto or elsewhere in the economy—I don't want the U.S. taxpayer to be the one that gets called on to back this up," she said on Aug. 4 in an interview on Bloomberg Television.

The Biden administration weighed in on the Senate battle over crypto amendments in early August by supporting the one advanced by Portman, Sinema, and Warner, which it said would "ensure that high-income taxpayers are contributing what they owe under the law." The Senate passed the bipartisan bill with the original provision intact.

Among the worries of federal regulators and lawmakers is that crypto is fueling ransomware attacks, making it possible to extort huge payments from large companies, hospitals, and city governments under the cover of near anonymity. Lummis says that cryptocurrency can sometimes be more traceable than cash. She hopes to get legislation passed that would establish a digital asset working group with federal regulators, including representatives from the SEC and the Commodity Futures Trading Commission. She envisions a more comprehensive regulatory framework in the next three or four years, paving the way for more institutions to use Bitcoin as legal tender.

That will be an uphill climb given Congress's lack of familiarity with crypto and its already crowded agenda, says Isaac Boltansky, a policy analyst with investment firm Compass Point Research & Trading. "Senator Lummis is going be a persistent and loud voice with financial regulators when they come knocking, and one of the first people we're all going to be looking to," he says, "but I think that's all that we should expect from her." —*Sophia Cai*

THE BOTTOM LINE Lummis has emerged as a vocal backer of light-touch cryptocurrency regulation as the issue gains prominence, and divides opinion, in Washington.

A Dalit Activist Challenges India's Ruling Party

● Chandrashekhar Azad aims to exploit the BJP's post-pandemic weakness in the critical state of Uttar Pradesh

"I'd seen so much corruption in politics when I was younger, I didn't want to become a politician," says Chandrashekhar Azad. "But I knew I wanted to go into activism." He ended up doing both. Azad, 34, is a well-known activist for the rights of Dalits, a group long oppressed under the Indian caste system, and other marginalized groups. Last year he formally moved into politics, founding the Aazad Samaj Party (ASP), which loosely translates to the Free Society Party. He says the party next year will contest all 403 seats in the assembly of his home state of Uttar Pradesh, ruled by the right-wing Bharatiya Janata Party.

▼ Azad

MAYANK MAKHIJA/NURPHOTO/AP PHOTO

Uttar Pradesh is India's most populous state, with as many people as the United Kingdom, Germany, and France combined. Its chief minister, Hindu monk-turned-politician Yogi Adityanath, is a close ally of Indian Prime Minister Narendra Modi's and is seen as a candidate to succeed him. With his campaign, Azad, a Dalit and a trained lawyer, is attempting to undercut the BJP's power as Modi's handling of the pandemic threatens to erode the party's political support. It's not Azad's first swipe at Modi: In 2019 he said he would challenge the prime minister for his seat in Parliament before withdrawing, out of concern, he said, about splitting the Dalit vote.

With his trademark luxuriant mustache (traditionally worn only by dominant-caste men), aviator sunglasses, and royal blue scarf, Azad has a distinctive and rebellious personal style. (The color blue is associated with B.R. Ambedkar, an early 20th century politician and social reformer who fought for Dalit rights.) It made him an iconic figure at the helm of the Bhim Army, an organization he co-founded in 2015. The Bhim Army established hundreds of after-school centers for underprivileged children and has organized protests against the unjust treatment of Dalits and other oppressed castes. Although caste discrimination is illegal in India, the country's 200 million Dalits are still routinely marginalized, with many restricted to sanitation jobs.

Caste-based violence has also been on the rise. In Uttar Pradesh last year, a 19-year-old Dalit girl was gang-raped in the town of Hathras by dominant-caste men and later died. The crime and the police's handling of it sparked a national outcry. After he met with the victim's family, Azad was put under house arrest by police. In 2017 he was jailed in Saharanpur following clashes between Dalits and members of dominant castes.

The goal of his new party, Azad says, is to "bring the *Bahujan* [oppressed-caste] people," as well as women and sexual minorities, into electoral politics so that India's democracy becomes "representative" of its population. "If it's your government, you'll make laws that suit your people," he says. The BJP's traditional support rests on dominant castes, but inroads with oppressed castes helped Modi become prime minister in 2014, and the BJP will also be seeking their votes next year.

"Our plan is to continue working with all people who haven't had their rights given to them"

Suryakant Waghmore, a sociology professor at the Indian Institute of Technology Bombay and an expert on marginalized groups in India, says Azad and his party still have far to go. "He has been attempting to carve out universal appeal for himself across marginal and progressive groups, and we do see some acceptance," he says. But Waghmore says Azad has yet to rival the clout of Mayawati (she goes by only one name), a former chief minister of Uttar Pradesh who leads the Bahujan Samaj Party, an established party with significant Dalit and oppressed-caste support. Waghmore says Azad's ASP may ultimately choose to form an alliance rather than trying to seek its own path.

The ASP has met with some success: It recently contested 300 seats at the district council level in Uttar Pradesh and won 50. "It was sort of an experiment, initially; the Bhim Army was already on the ground," Azad says. The party doesn't have the funds to go out and canvass potential voters.

Azad says it's too soon to offer details on his strategy for the state-level elections in 2022. For now, the focus is educating people from oppressed communities, both socially and politically. "Our plan is to continue working with all people who haven't had their rights given to them," he says, "going to village after village and street corner after street corner to prepare people. That's the movement we're starting, both in Uttar Pradesh and the rest of the country." —*Akanksha Singh*

THE BOTTOM LINE Azad's challenge to the BJP may be a long shot, but it reflects the importance of oppressed-caste voters in elections despite the endurance of casteism in India.

Target, The Police, And the Damage Done

For decades, America's most upbeat retailer counted on local law enforcement to sweep people and problems from its doorstep. Now it's being forced to acknowledge the cost

By Peter Waldman and Lauren Etter
Photographs by Simone Lueck

Minneapolis, under the watchful eye of Target

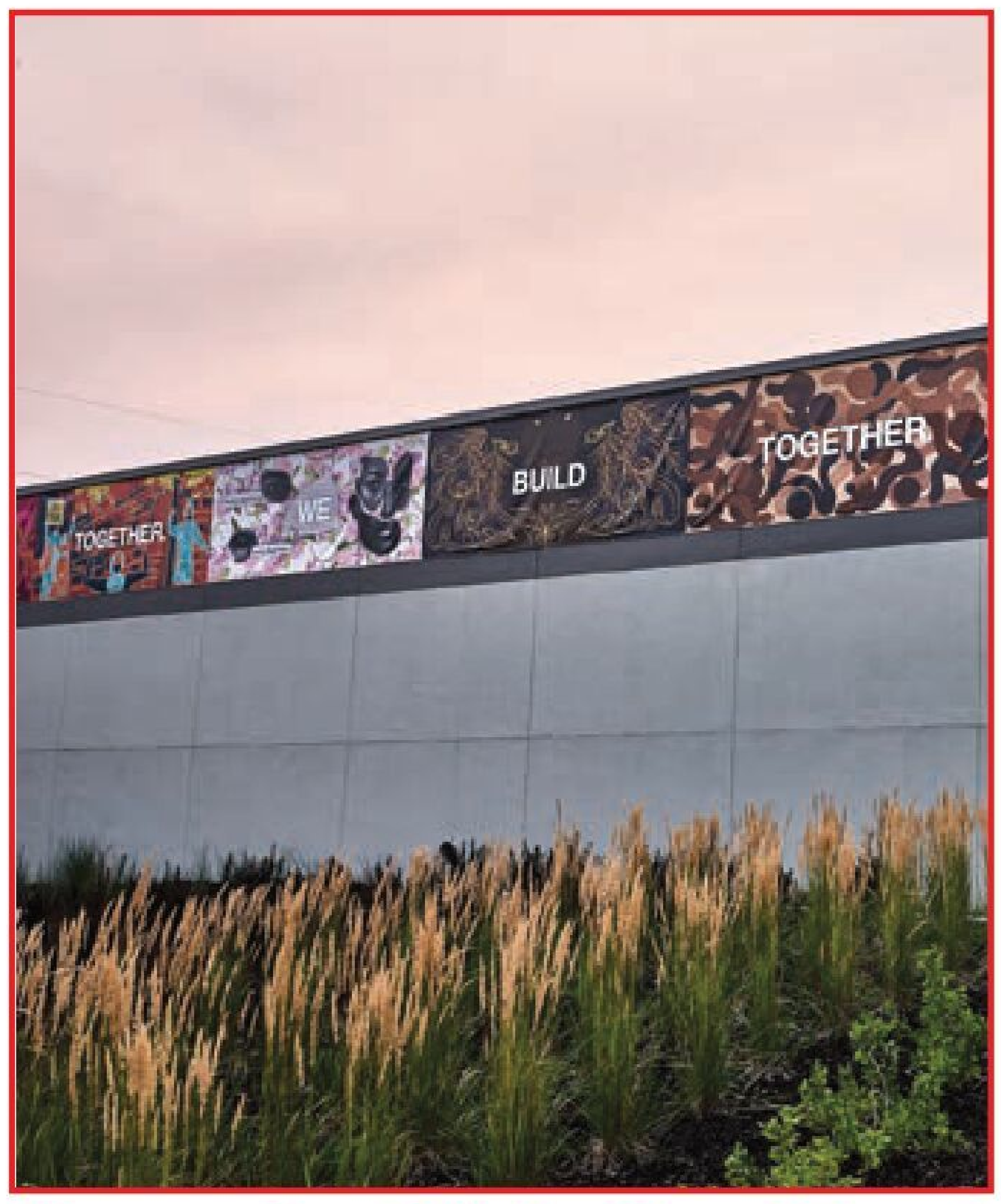
Before police Sergeant Alice White assigns officers to work off duty at the East Lake Street Target store in South Minneapolis, they get what Target calls values training. Included are specific instructions for greeting customers with a smile and a friendly hello. It's an unusual script for Minneapolis cops, who are known for adopting a more intimidating posture. That's certainly been the case at some Targets. But in the wake of the murder of George Floyd in May 2020 by a Minneapolis policeman, Target Corp. is trying to recalibrate.

The 127,000-square-foot store on East Lake Street sits about 2 miles from the corner where Floyd was killed, and it was among the first buildings ransacked after the murder sparked an uprising across Minneapolis. The scene that night is etched in the minds of Target executives: people shoving aside red shopping carts and running out with armfuls of merchandise as sirens blared and police fired tear gas into the air. Hours later, across the street, protesters firebombed the 3rd Precinct building of the Minneapolis Police Department.

Four days after Floyd's death, as the East Lake Street store lay in ruins and the damage at nine other Targets in the Twin Cities area was still being assessed, Brian Cornell, Target's chairman and chief executive officer, issued a statement saying his team had "wept" that not enough was changing in the face of Floyd's murder and other recent killings of Black Americans. "As a team we've vowed to face pain with purpose," wrote Cornell, who's led Target since 2014.

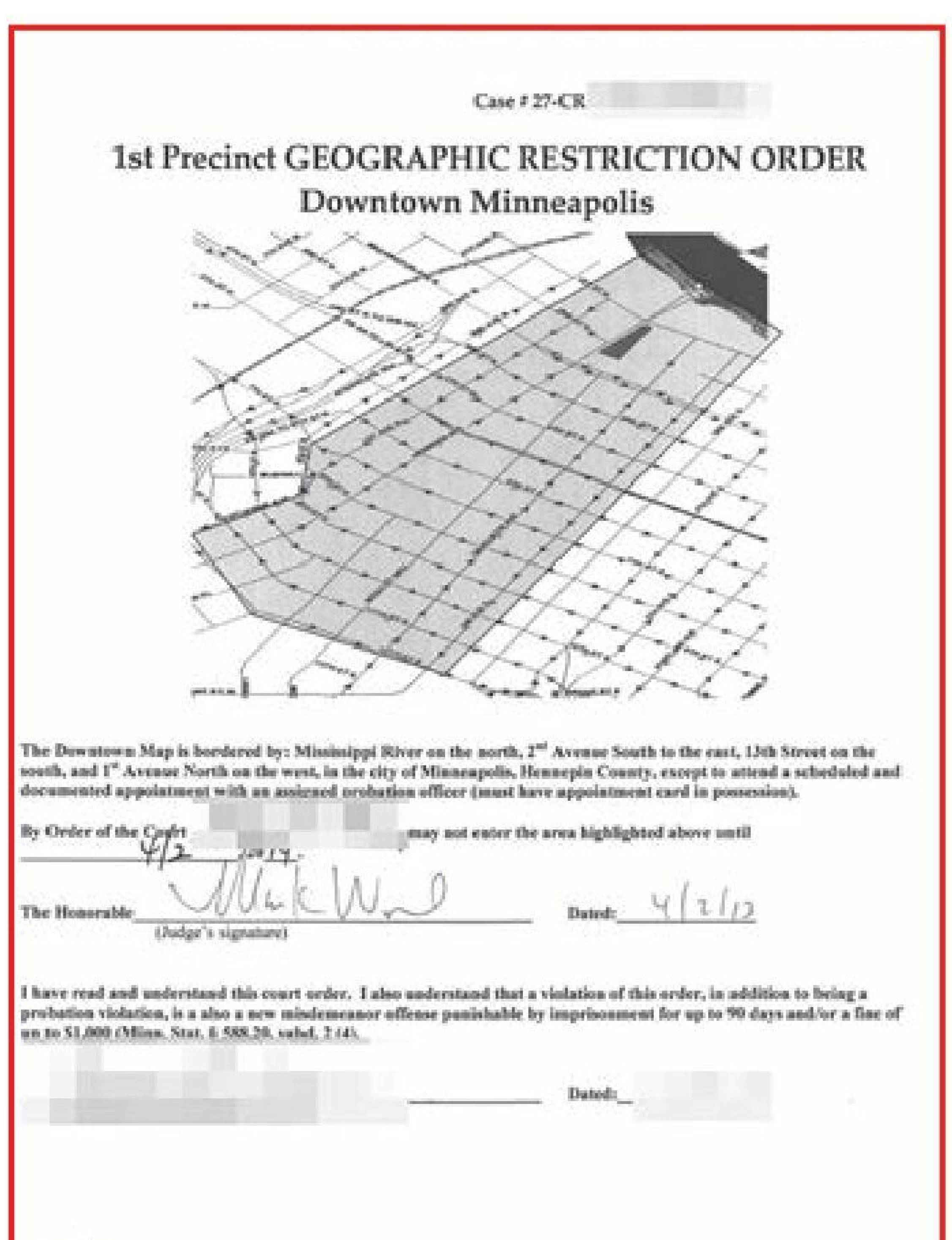
Target acted decisively. It rescued a job-training nonprofit in a poor Black neighborhood from collapse. It pledged to spend $2 billion by 2025 to help Black-owned businesses nationally. It announced $10 million in donations to Black civil rights groups and recovery efforts around the country. It funded a $700,000 awards program, administered by the U.S. Conference of Mayors, for cities undertaking initiatives related to racial justice and police reform.

The East Lake Street store has been rebuilt. It was designed in consultation with local residents to "create environments where Black guests feel overtly welcome," in the words of Target's newly impaneled Racial Equity Action and Change committee. New windows, outdoor lighting, and shrubs give the store a suburban feel. What's less suburban is a large piece of artwork on the store's exterior depicting masked protesters exulting with raised arms in front of a flame-engulfed building that resembles the 3rd Precinct station.



The new South Lake Street Target

A camera at the heart of Nicollet


Case # 27-CR

1st Precinct GEOGRAPHIC RESTRICTION ORDER
Downtown Minneapolis

The Downtown Map is bordered by: Mississippi River on the north, 2nd Avenue South to the east, 13th Street on the south, and 1st Avenue North on the west, in the city of Minneapolis, Hennepin County, except to attend a scheduled and documented appointment with an assigned probation officer (must have appointment card in possession).

By Order of the Court may not enter the area highlighted above until 4/2 2014.

The Honorable (Judge's signature) Dated: 4/2/13

I have read and understand this court order. I also understand that a violation of this order, in addition to being a probation violation, is a also a new misdemeanor offense punishable by imprisonment for up to 90 days and/or a fine of up to $1,000 (Minn. Stat. § 588.20, subd. 2 (4).

Dated:

A geographic restriction order barring an individual from downtown Minneapolis. Hundreds of these orders have been issued

Beneath the gleam and the paint, tensions linger. A lot of U.S. companies are evaluating their relationships with the Black community, but Target is grappling with a particularly raw set of challenges, especially in its hometown of Minneapolis. In a city with a legacy of racial segregation and police brutality, a yawning income gap between White and Black residents, and disproportionately high rates of arrest and incarceration of Black men, the unrest was in part born of a deeper pain that began well before a police officer took Floyd's life—and that pain bears Target's label as well, say community activists, academics, and even some former law enforcement and city officials.

For decades, Target fostered partnerships with law enforcement unlike those of any other U.S. corporation. It became one of the most influential corporate donors to law enforcement agencies and police foundations, supplying money for cutting-edge technology and equipment. When it developed a network of forensics labs, it made them available to police across the U.S. Starting in the early 2000s, Target developed a program, called Safe City, that poured money into police and sheriff's departments to install neighborhood surveillance systems and buy equipment. In Minneapolis, Target worked with the City Attorney's Office to have petty criminals banished from the downtown business district through what are called geographic restriction orders. Eight out of 10 people expelled were Black or American Indian, according to an analysis of city data. In an article last summer, Aren Aizura, a professor who teaches courses on race and gender at the University of Minnesota, wrote that Target's deep ties to the police made the company "an appropriate outlet for rage."

Target's law enforcement partnerships were once a matter of singular pride for the company. It rode a wave of glowing publicity in the early to mid-2000s as it sold mayors and police chiefs on its public-private efforts designed to control urban centers and create safer communities. But as cities began confronting glaring racial disparities in policing practices, and amid the rise of the Black Lives Matter movement, the company began quietly backing away from its public-safety programs. It stopped funding Safe City in 2015, and last year, five days after Floyd's death, scrubbed its "community & store safety" webpage of any mention of the trademarked name it had used to promote its law enforcement initiatives for the past 25 years: Target & Blue.

Tony Heredia, Target's vice president for compliance, ethics, and corporate security, says that ending Safe City funding had nothing to do with race but was prompted by internal assessments that showed the program wasn't meeting Target's goal, as well as other considerations. The company never intended to be the perpetual funder of Safe City programs across the U.S., he says, and wanted to focus its philanthropic efforts on other public-private partnerships and community-engagement initiatives. A spokeswoman says nobody at the company recalls Target's involvement with the City Attorney's Office on geographic restrictions, but nonetheless the company doesn't support their use. She says Target received questions about its Target & Blue program after Floyd's death and removed the trademark from its website because it was inaccurate and out of date.

"Our goal is to create safe environments for all, and to do this we invest in a variety of tools, technology, programs and partnerships," the spokeswoman said in a written statement. "We understand the concerns that have been raised about law enforcement and support the calls for holistic change in policing."

Former Minneapolis Mayor R.T. Rybak, who oversaw the introduction of the Safe City program in the city, says Target always had "a holistic way of looking at public safety." Rybak is now president and CEO of the Minneapolis Foundation, which has received project funding from Target. "The biggest difference between then and now," he says, "is that so many of us have come to a recognition that what we thought was helping had a dramatic negative impact on people of color."

Alicia Smith, executive director of the Corcoran Neighborhood Organization, in South Minneapolis, has advised Target since last summer on community relations. She says Target shouldn't use off-duty cops to prevent shoplifting and other crimes at the East Lake Street store and instead should bring in community groups to address people's needs without criminalizing them. But she says the company is moving in the right direction. "Target is reevaluating and doing some deep thinking and recognizing they certainly have contributed a lot of harm," Smith says. "You can't undo the harm, but you can stop perpetuating it."

In Minneapolis, Target is a ubiquitous and powerful presence. It's one of the largest employers in the city, and its name and bull's-eye logo are attached to sports stadiums, cultural institutions, and a wide range of public events. The company's history dates to 1902, when a banker named George Draper Dayton bought a dry-goods store in the city and built a chain of upscale department stores. The family became known for its philanthropic generosity. Mark Dayton, a great-grandson of Target's founder, was Minnesota's Democratic governor from 2011 to 2019. Jim Rowader, a longtime Target executive, is now the Minneapolis city attorney.

The Daytons opened Target in 1962 as a suburban, discount complement to its urban showpieces. Target gradually became the largest part of the organization, and the Dayton family's philanthropy was channeled through the Target Foundation. By the turn of the millennium, as Minneapolis fought stubborn inner-city crime, the foundation adopted a new beneficiary: the police.

Always a prodigious user of technology and data, Target has one of the most sophisticated security departments among retailers anywhere. By the 1990s it had become an early adopter of surveillance cameras in its stores to combat organized retail theft, in part because of the forward thinking of a security executive named King Rogers. He learned that in places with other crime problems to worry about, it wasn't easy to persuade cops to care about shoplifters. So Rogers built cases internally, to make it simple for cops and prosecutors to pursue defendants. Target collected video evidence of shoplifters in the act, interviewed them on tape, and delivered the evidence to law enforcement. "What they were doing was essentially the police work that the police didn't have the time or incentive to do," says Richard Hollinger, an expert in retail crime and professor emeritus at the department of sociology and criminology and law at the University of Florida.

At home, Target wooed cops in the winter with food and drinks in warming huts in its parking lots. For several years, the company funded a Hennepin County prosecutor to pursue repeat property crime offenders. Nationally, it introduced Target & Blue, which provided police with grants to buy cameras and other equipment. It sponsored National Night Out parties, to bring cops and communities together, and the Shop With a Cop program, for police officers to take underprivileged kids holiday shopping at Target stores.

In 2001, after Rogers retired, Target hired a former FBI agent named Brad Brekke to lead its asset protection efforts. Brekke oversaw the construction of a network of forensics labs that could enhance video evidence, repair damaged audio recordings, and process fingerprints. Police ▶

◀ departments sometimes use them to help investigate violent felonies, assistance Target provides pro bono. The company's methods and technologies were featured in an interactive exhibit called "Target Take the Case" at the National Law Enforcement Museum in Washington.

Under Brekke, Target stores acquired ever-more sophisticated video surveillance systems. Today, as cameras watch over stores, video and security analysts at regional investigations centers can surveil individual shoppers as they move from aisle to aisle. A Target team in Bengaluru, India, crunches data that can yield reports on loss trends for U.S.-based security investigators. The company's video analytics experts have built and patented algorithms that can ascertain whether an individual shopper is displaying the behavioral characteristics of a thief, such as hovering in front of expensive electronics or deviating from a standard shopping pattern. A Target spokeswoman says that technology is not used in any of its stores. Nor is facial recognition, she says, which Target has tested but not deployed.

Target began expanding into inner cities in the 1990s. When it arrived in downtown Minneapolis, in 2001, a renaissance was already under way. The police department had successfully reduced violent crime by using the then-popular "broken windows" criminology theory, which advocated cracking down on petty offenses as a means of preventing more serious crimes. The city had remodeled the Nicollet Mall, a prized pedestrian shopping district, adding Austrian pine trees and granite to the walkways. A sprawling new Target on the mall, with a towering, glass-encased bull's-eye, proclaimed the company's primacy.

Despite the thriving economy, Minneapolis remained one of America's most racially segregated cities, the result of redlining and racial covenants that helped prevent Black families from acquiring wealth and kept them out of desirable neighborhoods. Black residents faced an outsize chance of arrest and incarceration. This April the U.S. Department of Justice announced an investigation into the Minneapolis Police Department for potential patterns of racial discrimination and excessive use of force.

Downtown, two worlds collided. The largely White, middle-class Minneapolitans who lived in newly built apartments in the area, commuted to work there, and flooded the neighborhood's bars on weekends chafed at the poor and mostly Black and American Indian people on the streets. Homeless and unemployed youth hung out on corners, dodged truancy officers, and packed downtown shelters at night. Surveys in the early 2000s found many Twin Cities residents felt uncomfortable working and shopping in their midst. It was less about actual safety—violent crime was down—than what Target executives called "safeness." A Minneapolis police chief, quoted in a 2010 Police Executive Research Forum report sponsored by Target, used another term: the "ick factor."

Jim Bender, a former Minneapolis cop who worked under Brekke at Target, found an idea for turning around the downtown business district at a police conference in England in 2001. The town of Northampton, northwest of London, claimed it had achieved great success reducing what it called "antisocial behavior" by installing surveillance cameras, sharing intelligence among businesses and police, and issuing civil orders to ban miscreants from the downtown center. Bender was impressed by the town's high level of success, but he thought such a program would be a long shot in the U.S. Nonetheless, he scribbled notes on a cocktail napkin and shared his findings with Target's executive committee upon his return.

To his surprise he found a receptive audience in Brekke and Target's then-CEO, Robert Ulrich. The company was running short on prime real estate in the suburbs and eyeing expansion into more inner cities. "At the time, we were literally asking the question: As we expand into higher-risk areas, building stores in one of the boroughs of New York instead of a cornfield in Iowa, how do you keep the same shopping experience without spending five times as much money on security?" Brekke told a security publication in 2014.

Target dispatched Bender, Brekke, two other executives, and a senior Minneapolis police officer to Northampton to study the program, with the goal of replicating it at home. They ultimately convinced other Minneapolis businesses and commercial property owners of its potential value and enlisted the support of middle-class neighborhood groups and the city council. Only a handful of dissenters surfaced, largely those concerned about the privacy implications of surveillance cameras. "We wanted to be seen as a partner and not just this occupying big-box retailer that would come in and take over," Bender says. Brekke explained the company's rationale for the program to another security publication: "The guest demographic we seek is very much a woman with children," he said. "We want to be a lot more like Disney World and a lot less like a flea market." Brekke left Target in 2013 and declined multiple interview requests for this story.

In 2004, Target donated $300,000 to the Minneapolis police to install 30 cameras covering dozens of blocks and build a radio system to connect police directly with businesses, private security guards, and social-service workers. This local program was later named the Minneapolis SafeZone Collaborative. Inside the downtown police precinct, in a room called the "fusion center," the cameras were monitored around the clock. Bender says he and others at Target cooperated with the City Attorney's Office to develop a version of Northampton's civil orders: Minneapolis's geographic restriction orders. The writs, which are still used today, bar offenders from entering specified areas of downtown.

In 2009 the Minneapolis Police Department made nearly 9,000 arrests in the SafeZone, a 60% increase since the beginning of the program in 2004,

“Who doesn’t love Target? Target’s the greatest”

according to the city’s arrest data. More than 80% of the arrests were for misdemeanors, and 7 out of 10 offenders were Black. Roughly 20% of Minneapolis is Black. Between 2009 and 2021 at least 214 people were subject to geographic restriction orders, 74% of them Black and 10% American Indian. There were likely more such orders—some records are missing, including those for any orders issued before 2009.

Mary Ellen Heng, Minneapolis’s deputy city attorney in the criminal division, says that geographic restrictions have been a useful tool but that her office has reflected on the racial disparities and is considering using them less. “We were trying to find ways to really address what was going on in our communities rather than just cycle these individuals through the jail,” she says. “We also have to be cognizant of those disparities that do exist and make sure we’re not making them worse.”

Target expanded its Safe City initiative to more than 25 cities nationwide. After opening a store in West Baltimore in 2008, it gave the Baltimore police a Safe City grant of $300,000 for portable command posts, enhanced cellphone tracking, and in-cruiser computers. The company donated $200,000 to the Los Angeles Police Foundation to purchase data-mining software and services from Palantir Technologies Inc., a surveillance and intelligence company. Target also became a corporate sponsor of the Los Angeles Police Department’s Regional Crime Center, a hive of high-tech surveillance tools with its own motto: “Investigate. Collaborate. Incarcerate.”

In Albuquerque, Target gave the police department $100,000 to develop an intelligence-sharing database accessible to businesses, security companies, and law enforcement agencies, with each user initially vetted by Target employees. The surveillance network featured images and reports of suspicious individuals, ranging from actual crime videos to speculation, often with suspects’ names and license-plate numbers attached. People accused of shoplifting or other misbehavior at a Target in Albuquerque could be tracked and turned away from a Walmart or a Kohl’s, and vice versa, says David Correia, chair of the University of New Mexico’s American Studies department, who’s part of a research collective studying Albuquerque’s trouble-plagued police department. In effect, Correia says, the Target-funded system was the engine of a private blacklist.

Around 2010 the SafeZone program became part of a new nonprofit called the Mpls Downtown Improvement District (DID), controlled by a group of local businesses and landlords. For at least two years, Target paid the salary of the organization’s safety director, Shane Zahn, a longtime Target security executive who’d helped set up SafeZone. The program’s name was changed to Vibrant & Safe Downtown, and the DID Ambassadors were introduced—cheery men and women who stroll and Segway through the streets wearing fluorescent polo shirts and carrying radios. They greet visitors, answer questions, scrape gum off the sidewalk, and report icky people to the cops.

Mary Moriarty, the former chief public defender of Hennepin County, says the surveillance mechanism had the effect of stigmatizing and targeting her clients, many of whom were poor, Black, and young. “It was a real Big Brother thing,” she says. “You couldn’t be in the downtown business district without being looked at by cops who were using technology. There was a perception that the cops were just sitting there watching tape, looking for what we felt were Black clients doing something that they thought was suspicious as an excuse to go search them.”

The Downtown Improvement District’s signature plan was a program called Downtown 100, or DT100. The stated goal of the DT100 was to focus special attention on the people downtown who had the most contacts with police, steering them away from trouble and toward opportunities for stable housing, counseling services, and treatment for addiction. The DID also funded a dedicated prosecutor and probation officer for downtown defendants.

Every week a dozen or so Minneapolis cops, prosecutors, parole officers, social workers, drug counselors, and shelter administrators met to discuss the DT100 listees. Once a month, the group held what it called a Court Watch meeting, with business representatives, private security executives, and neighborhood-watch activists. In a conference room in the downtown Central Library, the group would watch as a moderator flicked through mug shots projected on a screen, taking several minutes to talk about each individual. *This person is about to be released from jail, so be on the lookout. This person is seeking chemical dependency treatment. This one is about to be sentenced by a judge.* The latter circumstance gave the group its name and one of its central functions: In some instances, when someone on the DT100 was up for sentencing, members would assemble community impact statements from businesses and residents to be sent to the judge requesting a stiff jail sentence. Sometimes the Court Watch group would request a geographic restriction. Many of the city’s social-service providers and unskilled jobs were in the area in which DT100 people were barred.

The list was shared widely in the community; anyone on it would be tracked. If a person subject to a geographic restriction was spotted, the police would swoop in and the person could be charged with a new misdemeanor offense of violating a court order.

Norman Irving started hanging out downtown in 2011, just as the DT100 was revving up. He was 16 and had recently lost his mother. His father ▶

◀ died when he was 2. The youngest of six kids, he was often on his own. He dropped out of high school and met up with a pack of other homeless kids downtown. They smoked and sold weed and crack and slept wherever they could find warmth.

Irving got his first misdemeanor in 2011 for riding a bike on the sidewalk. He got his second for sleeping in a car, his third and fourth for interfering with traffic and jaywalking. His fifth infraction was for possession of drug paraphernalia, and his sixth was for trespassing. All in 30 months.

Anne Kent, a social worker at a downtown counseling and drop-in center called YouthLink, was attempting to help Irving find a better path. In 2014 she finally had some good news to report to the weekly DT100 meeting: Irving had been accepted for subsidized housing. That night one of the policemen who'd attended the meeting arrested him for possession or sale of narcotics at a local shelter. Kent was furious. The bust disqualified Irving for his first chance at stable housing in three years. Kent says she confronted the arresting officer: "I'm, like, why him?" The cop said he saw Irving swallow the evidence. "What do you want us to do, ignore that?" the officer asked.

Irving was sentenced to 180 days in county jail and three years' probation. After being released he managed to get a dishwashing job downtown, but he had to evade the cops because he'd been geo-restricted from the area. One day on his way to work he was confronted by a pair of transit cops who'd been alerted to his presence. As he tells the story, one barked at him, "What the f--- you doing downtown with your little Black ass?" He eventually got dispensation from a judge to travel downtown strictly for work, but he went back to what Kent calls "crimes of survival" in the streets.

In 2016, now with nine misdemeanors and one felony on his rap sheet, Irving was part of a group that robbed a man and his girlfriend at gunpoint outside a Walgreens in northeast Minneapolis. The man fled, and Irving shot him in the arm and leg. The man survived. Irving pleaded guilty to two counts of first-degree aggravated robbery and served three and a half years in state prison.

Now 26, he has a car, works at Chili's, and avoids downtown at all costs. "My experience in downtown Minneapolis was a lot of harassment," he says. "I got stopped standing in a bus stop, loitering, jaywalking, spitting on the ground. All I can say is I'm doing way better now never going down there."

To many downtown residents, shoppers, and office workers, Irving's trajectory validates the aggressive approaches of SafeZone and the Downtown 100. Kent sees it differently. She says the relentless surveillance and police pressure pushed young people of color, many already suffering from severe childhood trauma, toward a life of crime. "Instead of geo-restrictions, I would ask, 'Can Target offer these kids internships?' " she says. "They don't want to be stealing phones and getting into trouble. They want to be working."

William Menday experienced the system from both sides—as a homeless teenager dodging cops for years and, in his early 20s, as an outreach worker for Minneapolis social-service agencies. An immigrant from Liberia, via Newark, N.J., Menday started his homeless odyssey at 15, joining a crew of eight other runaways on the downtown streets.

Menday eventually enrolled in community college and was hired by YouthLink and a homeless shelter to work with clients in the street. He toured the Downtown Improvement District fusion center inside the 1st Precinct police station and attended Downtown 100 meetings, watching in silent disbelief as mug shots of people he knew were projected on the wall. "I felt like an invisible man entering a KKK meeting," says Menday, now 29. Suddenly it all made sense to him: why in certain places, such as in front of the Target on Nicollet Mall, cops would always show up to hassle them; why some people were literally barred from downtown; why the social-service agencies seemed to be working so closely with the police.

"I realized," Menday says, "they were systematically watching us downtown on the cameras so they could put charges on us and move us out of the way." In recent years he's learned about Target's seminal role. "I always thought there was an aura of prejudice around that Target store," says Menday, who lives with his wife and two baby daughters and works in a hospital IT department. "Now I know why."

Downtown businesses have benefited greatly from all the security programs over the years, says Joanne Kaufman, executive director of the Warehouse District Business Association. Kaufman, who's been in her position since 1997, remembers when Target introduced SafeZone and says she's grateful for a program that made downtown shopping and dining safer and more inviting. "The businesses I represent see it as a real asset to the community," she says. "When you have an increased presence on the streets, whether it's cameras or actual people, it does make people feel safer."

Some of her members saw their stores damaged during the George Floyd uprisings, and Kaufman and others were left emotionally seared by the racial "reckoning," as she calls it. Still, amid a recent spike in crime downtown, Kaufman says her members don't believe people of color are being unfairly targeted. "Their belief is that's who's committing the crimes," she says. They are desperate for even more aggressive policing, particularly of low-level crimes they believe erode the thriving business atmosphere. She was surprised to learn there are critics of SafeZone and the hometown company that she says has provided so much support to the community. "Who doesn't love Target?" she asks. "Target's the greatest."

In the wake of Floyd's death, Target executives watched social media light up with posts about the company's longstanding law enforcement ties. A Twitter post showed the East Lake Street store graffitied with the phrase "Black Lives Aren't Targets" next to a crudely sprayed Target bull's-eye. An activist named Marjaan Sirdar published a three-part investigation for the alt-left


Menday, a former street kid who became an outreach worker, has seen the system from both sides

online magazine *Unicorn Riot*, saying Target "weaponized" its partnerships with Minneapolis cops and prosecutors against Black youth, "leading to a feeder program from the streets to prisons, all for the sake of increasing Target's brand and increasing profits."

This spring a group of community activists who live in the Bryant neighborhood abutting George Floyd Square gathered over a Zoom meeting to discuss the Downtown 100 program, which still exists, now under the name Downtown Strategic Justice Partnership. Social-service workers and former Downtown 100 youth swapped stories about how they believed the program had played a role in the city's recent unrest. There was a shared sense that the program had in ways both big and small left Minneapolis's Black community shattered.

They reminisced about a rap song some of them had written years ago at a downtown center for youth arts:

I heard about a list a hundred names long.

Downtown Minneapolis. These people don't belong.

Now what's scarier, than invisible barriers, I don't even know where it is.

Geo-restricted from the place we kick it.

Crosshairs on me cause we bad for business.

Young, black and gifted, Latinos and Mixed kids.

Downtown 100 seemed like a hit list.

Heredia, Target's vice president, says the company understands that its ties to the police are under scrutiny. Leadership made a decision, he says: Instead of severing ties with law enforcement and walking away from its substantial investments of time, money, and energy in cops, the company would use its credibility with police to become part of the push for progressive change.

In March, as Target grappled with how to handle off-duty officers at its East Lake Street store, the company's security and community relations executives met with A Mothers Love, a group of Black moms who provide support and services to families who've lost children to gangs, guns, and prison. The group, along with its sister organization of dads, We Push for Peace, proposed that Target adopt a "soft security" model at the store, something the groups had helped implement at a nearby Cub Foods supermarket that was also ransacked last summer. We Push for Peace members, trained in trauma care, procedural justice, and de-escalation techniques, greet shoppers as they enter the store and confront shoplifters with empathy, providing food if the motivation is hunger, while telling them theft won't be tolerated. Women from A Mothers Love provide tutoring services for kids at the market and try to divert people demonstrably addled by poverty, drugs, or mental illness toward social services. Security guards in the back come out only if needed. "We offer them something different than a police officer in people's faces," says Lisa Clemons, a former Minneapolis cop who founded A Mothers Love.

Target's Heredia says the company hasn't ruled out a partnership with the groups but is concerned that they might not have the resources to deal with the sometimes tense issues that crop up in the store. Brazen shoplifters take merchandise out through the fire exits, he says, and fights break out in the parking lot. For now the company has instead decided to stick with the Minneapolis Police Department—specifically officers chosen and trained to be "community-centric" and "ambassadors for empathic…culture change," according to emails between Target and the MPD obtained by *Bloomberg Businessweek* through a public-records request. Target helped select Sergeant White, one of four female Black cops out of a squad of 600 sworn officers, to run the off-duty program at the East Lake Street store. With a smile, and a gun. Ⓑ —*With Jordyn Holman and Andre Tartar*

The epic family dra
American weight-

By David Gauvey Herbert

ma behind an iconic loss camp for kids

Illustration by Justin Metz


Totem pole outside the former site of Camp Shane

In the Catskill Mountains of New York, just off state Route 17, there's a large gate flanked by totem poles. Beyond are rolling green hills, run-down cabins, banks of payphones, and a clue about the summer camp that once operated here: a dining hall signpost tagged ironically with the McDonald's golden arches.

Until its abrupt closure this summer, Camp Shane was America's longest-running weight-loss camp for kids. Thousands of children trekked to those 42 acres in Ferndale, Sullivan County, from 1968 to 2019, when the camp relocated. They lost weight together, usually regained it, and returned to lose it all again. Fad diets and fitness crazes came and went, but Shane was a constant. At its peak it hosted more than 500 campers, enrolled the children of celebrities, and netted $2 million a year for its owner. It inspired the 1995 Disney film *Heavyweights* and was featured in BBC and MTV documentaries.

David Ettenberg is the longtime owner of Camp Shane. Now 74, he's always been fit and trim, and he keeps his own calorie counts low. In March he drove his cherry-red Mercedes to White Plains to be interviewed over lunch, and he ordered scrambled eggs and whole-wheat toast. As he ate he mused about pushy modern parents and the gluttony he'd recently witnessed at an airport Subway. He was determined to open this summer, despite the pandemic. But why? Why not just retire? "It's not about money anymore," he said. "It was in the beginning."

A lucrative enterprise will create enemies, and Camp Shane has made many. Alumni bitter about the deprivation they experienced, and a few who now allege more serious abuses. Competitors who swiped trade secrets and poached campers. But the bitterest rivalries were among members of the Ettenberg clan, who carried on a multidecade feud that included the alleged theft of a grandchild's safari souvenirs, acrimonious lawsuits, a suspected arson attempt, the eviction of another grandchild, a crashed bar mitzvah, a possible IRS tipoff leading to a felony tax evasion conviction, disinheritance, and the endowment of a multimillion-dollar foundation whose beneficiaries have included a charity that provides helper monkeys.

Over lunch, David came across as a man content with the fruits of his labor. He giggled about his international travels—65 trips and counting—and recounted the millions he'd earned and the millions more he said he'd turned down. But as he reflected back on Camp Shane, he often started sentences with "we" before restarting with "I." The key to the camp—the driver of all its drama, intrigue, and betrayal—lay in that slip of the tongue. Shane was always a place for children who felt they didn't live up to their parents' expectations. And so it's fitting that it began with David's mother.

Selma Ettenberg had a hunger in her. She was the middle of three children, born in Brooklyn in 1923 to immigrant Jewish parents. She was smart and pretty, with dark hair and eyes. But her older brother got to attend college, and Selma did not. Her mother didn't seem to like her.

Selma married and became a mother to three children herself: Lesley, David, and Diana. Living in the Marine Park neighborhood with her husband, Irving, a kind-hearted pushover, Selma was tough on David, who was smart, thin, and handsome. She was determined not to treat him like a golden child, as her older brother had been treated. "She overdid it," says Lesley Weinberg, the eldest of the Ettenberg kids. In David's closet he once hung up a small sign that read, "More than any other, I hate my mother."

In the mid-1960s, when David was a teenager, Selma took a summer job as director of a weight-loss camp for girls in upstate New York. She'd struggled with her own weight as a child, reaching 200 pounds by age 15 then losing it through sheer force of will. She fed campers veal and raw vegetables, advised them to chew slowly, and forbade eating after 5 p.m.

Every night, she noticed, the girls would put their hair up in curlers and talk about boys. "They were frustrated into a state of hunger," she later recalled to a newspaper reporter.

Here it was, a chance to prove her worth. Selma would open her own camp, but with a twist: It would be co-ed. She asked two girls what they thought.

"Why would you want to go to camp with fat boys?" one asked.

"Fat boys are better than no boys," the other replied. "And besides, maybe they'll get skinny."

The Catskills resort industry was in decline at the time, with borscht belt hotels closing by the dozen. But new entrepreneurs were moving in, and in 1968, Selma and Irving cobbled together their life savings to make a down payment on a dilapidated $50,000 bungalow colony in Sullivan County.

When Selma showed off the wooded wonderland to her family, her mother exclaimed "*Sheyn!*"—"beautiful" in Yiddish. Camp Shane it would be.

The stars twinkled above, a film played on the projector, and Alan Pfeffer saw neither. He was too busy under a blanket, getting his first kiss, rounding first, and heading for second. All around the grassy hill were other frisky couples. "Come on," he thought. "Does it get any better than this?"

It was 1971, and Pfeffer had arrived at Shane at age 14, standing 5-foot-4 with a 44-inch waist. He was weighed in with the other "fat little Jewish boys," as he puts it, then photographed shirtless and turned loose. At home in Brooklyn, his parents owned a candy store, a constant temptation. Only 5% of American children were considered obese back then, and for the first time, Pfeffer was surrounded by kids who looked like him.

FROM LEFT: PHOTOGRAPH BY SHANE LAVALETTE FOR BLOOMBERG BUSINESSWEEK; COURTESY DAVID SHERMAN

In the early years, Selma charged parents roughly $1,000 for seven weeks. Her diet program was straightforward: 1,400 calories a day, lots of exercise, and a 12-foot fence to keep kids from sneaking off the property in search of food. There was swimming, archery, soccer, and, for the delinquent, 3-mile morning hikes that Selma led herself. The dining hall sat at the bottom of a steep hill; former campers recall moaning as they climbed it after meals. (Details of camp life across the decades are based on interviews with more than 60 former campers, counselors, and parents, and have been confirmed by multiple sources except where otherwise indicated.)

Romance blossomed. Selma dispatched a "nooky patrol" of flashlight-toting counselors, but in reality, hookups among campers were a selling point, not a problem. "There was a sense of us getting slimmer and more handsome," Pfeffer remembers. "It was happening before our eyes." He lost 38 pounds his first summer. He also kissed another girl, Ruth Fisher, under a tree. They've now been married for 40 years.

Around the country, the attitude toward obese children was blunt: It's your fault that you're fat. Campers rolled with the disapproval, sneaking into the woods to gorge on wild blackberries or smuggling in Freihofer's chocolate chip cookies. Sympathetic counselors surreptitiously tossed takeout over the camp fence. The kids glorified their plight in song, to the tune of *A Teenager in Love*:

Each time I lose a pound
My fat heart goes round and round
All I want is to be thin
See my bones instead of skin
Each night I ask the stars up in vain
Why must I be a fat kid at Camp Shane?

By the early 1970s, 175 children were attending each summer. Selma marketed widely, placing newspaper ads around the country that featured a camper standing in profile, grinning as he tugged on his now comically oversize waistband. She barnstormed across America, meeting parents and making media appearances. The resulting coverage could be casually vicious. "Nobody loves a fat kid, an ex-fattie finds," read a New York *Daily News* headline from 1972. "Her objective is to make a human being of a child who enters camp looking like a 'glob,' " a *Detroit Free Press* reporter wrote two years later.

Newspaper ad for the camp

There was an elegance to Selma's business plan. "My mother, who couldn't cook a decent meal, made a fortune from not feeding children," Lesley says. Selma reported that boys and girls lost an average of 35 and 25 pounds, respectively, in seven weeks. On pickup day, parents sometimes walked right past their own kids, then burst into tears upon recognizing them. "My parents love me now," one boy told a reporter. "They don't pick on me anymore." But Camp Shane was essentially a crash diet, and kids often gained the weight back by Thanksgiving. The following June, many returned to lose it again.

Throughout the 1970s, Selma had her children, now in their 20s and 30s, come upstate to help during the summer. Lesley refused, but David worked in the office and Diana in the kitchen. David was quiet and genial, with dark hair and a thick mustache. Female campers thought he looked like the swimmer Mark Spitz and swooned for him.

At the time, David was in a band that played around the tri-state area, and on weekends he liked to go bar-hopping. Then Selma asked him to set music aside and join the family business full time. "I was very sad," he recalls. But he did as he was told and began working year-round for his mother.

In 1979, Shane was charging parents $1,475 for the summer and had almost 200 campers. Adjusted for inflation, that translated to roughly $1 million a year. But Selma appeared ambivalent about her newfound wealth. She owned a Mercedes but mostly drove a Chevy. She bought expensive jewelry but dressed modestly around camp.


Dave Sherman (left), circa 1982

Selma was also developing a reputation for squeezing contractors in Sullivan County, who were already devastated by the summer hotels' decimation. "People kissed her ass because she was a big buyer of stuff," says Paul Kasofsky, whose dad sold her paint and carpet. "She really was the most miserable f---ing woman you ever wanted to meet, and just brilliant at what she did." (Kasofsky's father went on to date Selma after Irving died.)

Counselors, the camp's primary expense, were a cost-cutting target, too. Selma had always backloaded their pay with an end-of-season bonus, and around this time, numerous former employees say, she started a new tradition: As August approached, she fired counselors she didn't like, allowing her not to pay their bonus. "You're a multimillionaire, and you have to steal from a college kid?" asks Dave Sherman, a camper for five years in the late 1970s and early '80s and a counselor in 1985 and 1989. "For $750? Ridiculous." When Selma fired Sherman and he refused to leave without saying goodbye to friends, he says, she called the police and had him arrested for trespassing. (The charges were later dropped.)

Many kids adored Selma, despite her flaws. They could tell she genuinely loved running a good camp. She put on special shows featuring magicians, hypnotists, and the Harlem Globetrotters. She and Irving would start impromptu, campwide water fights. Selma even let favored girls do her nails.

Still, she made clear who was the boss. "You didn't mess with her," says Marc Tanner, a camper and counselor for three summers starting in 1977. "She didn't take any crap." ▶

◀ One particularly harsh camp song from the mid-1980s had the kids pushing back:

There was a bitch who ran this camp
And Selma was her name-o.
S-E-L-M-A
S-E-L-M-A
S-E-L-M-A
And Selma was her name-o.

In 1982, David became camp director, and his mother worked him hard. When the season ended, she and Irving would jet off to their new condo in Boca Raton, Fla., leaving their son behind to toil in the winter gloom. "It was, 'David, that moron,' " Lesley says of her mother's attitude. "I love children," Selma once quipped to her. "Other people's."

To keep David and Diana in line, Selma dangled the prospect of their eventually owning the business. In 1987, Diana gave birth to a son. According to Lesley and David, Selma was furious that her daughter's attention would now be divided, so she fired Diana and cut off her health insurance. David stayed on at the camp, opening a lasting rift between the two siblings. (Diana didn't respond to multiple requests for comment.)

"She wanted to be better than her children," Lesley says of Selma. "She couldn't stand that we could be successful on our own."

Melissa Norden in before and after photos taken at the camp in 1987

By 1988, America's childhood obesity rate had doubled from its early 1970s level, to 10%. The country had also been through a phase of diet and exercise mania, shunning saturated fats and cholesterol, embracing SlimFast and NutraSweet, and donning spandex to do home-video aerobics with Jane Fonda. Camp Shane's clientele started to shift, with wealthier parents joining middle-class ones in throwing $500 a week at their children's perceived weight problems. Singers Steven Tyler and Michael Bolton and supermodel Iman all sent their daughters. On visiting day some parents tossed car keys to counselors as if they were valets. Weed was no longer the contraband drug of choice: Selma told a reporter some campers were arriving with bags of amphetamines, tranquilizers, and diuretics.

Shane made nods to the mental health issues the children faced, holding rap sessions and running role-playing exercises with cardboard slices of pizza to practice handling cafeteria bullies, according to a BBC documentary that aired in 1990. Some of the campers were clearly in pain. "People look at you in the street like you're something from another planet," a 14-year-old said on camera, sobbing. "It's like you exist only so normal people have something to laugh at." The lesson appeared lost on some British reviewers—one TV critic dubbed the kids "proto-Mobys."

Sex, a fraught issue for any teenager, could be especially problematic at Camp Shane. Beyond the innocent rendezvous between kids, a male counselor led boys in pelvic thrusts toward the girls' side of the camp, and adult counselors regularly hooked up with underage campers, according to a half-dozen campers from this period.

Overeating was still the vice counselors monitored most closely. Calories remained strictly limited but were now supplemented by artificial sweeteners, which studies later found actually increased appetite. Lifeguards hurled cans of diet soda into the pool to lure hesitant swimmers into the water.

The sense of scarcity that pervaded camp life would deepen whenever kids got a glimpse of the "pig-out room" right off the main dining hall. To save on wages, Selma had long used an employment service to recruit counselors from Europe. Many arrived thin and unsuited to a starvation diet, so the camp set aside a private feast for them. When the door to the room swung open, hungry children could peek inside and see skinny counselors gorging on peanut-butter-and-jelly sandwiches. Campers who'd hit their target weights were sometimes allowed to eat there as a reward. "The pig-out room was like the first-class cabin on a plane," says Melissa Norden, who attended for three summers in the mid-1980s. "It bred a really weird dynamic."

To liven up their diet, campers got creative. In the runup to movie nights, when they could expect a small ration of unsalted popcorn, kids swamped the infirmary, complaining of sore throats in hopes of getting salt for gargling. Then they sprinkled it on their popcorn instead. The odd smuggled cookie morphed into a proper black market. A Snickers bar could cost as much as $25 when supply was low. Kids asked friends on the outside to send magazines with candy taped inside, to evade the staff who checked mail for contraband. Dean Morris, a former counselor, recalls wealthier campers bribing his working-class colleagues, including one incident in which a kid swapped his Air Jordans for Butterfingers.

Mark Rothenberg, who was 12 years old when he arrived at Camp Shane in 1988, recounts being miserable amid the "little boy boobies" and the starvation. He struggled with the feeling that his parents had thrown him away. "This was the worst summer I've ever had in my entire life," he says. But he also remembers bankrolling a vending-machine raid with $20 from his grandmother during a camp field trip to Washington, D.C. Rothenberg and other boys waited in a hotel room as scouts sneaked into the hall and came back, one by one, carrying cans of Coke, M&M's, peanut butter crackers, and other delights.

Today, he says, he plays back the moment in slow motion in his mind: "12 chubby kids, cheering as Coca-Cola cans pop and mist into the air, and that song *Hallelujah* is playing." He ranks the memory just behind his wedding and the births of his three children.

In 1987, David began dating Ziporah Janowski, a beautiful young corporate lawyer. That year he also confronted his parents. He told them he'd given up other work opportunities to be at camp. Even with Diana pushed out, David recalls, he was

FROM LEFT: COURTESY MELISSA NORDEN; COURTESY GIB DAVIS

In an affidavit, David wrote that his mother had told him she would "put the camp out of business rather than sell it to me"

worried that when his parents died, both siblings would inherit the camp. If Selma and Irving wanted him to continue working, he told them, they needed to give him shares and turn over controlling interest within a decade. He'd become indispensable to the camp's operation, and they agreed to his terms.

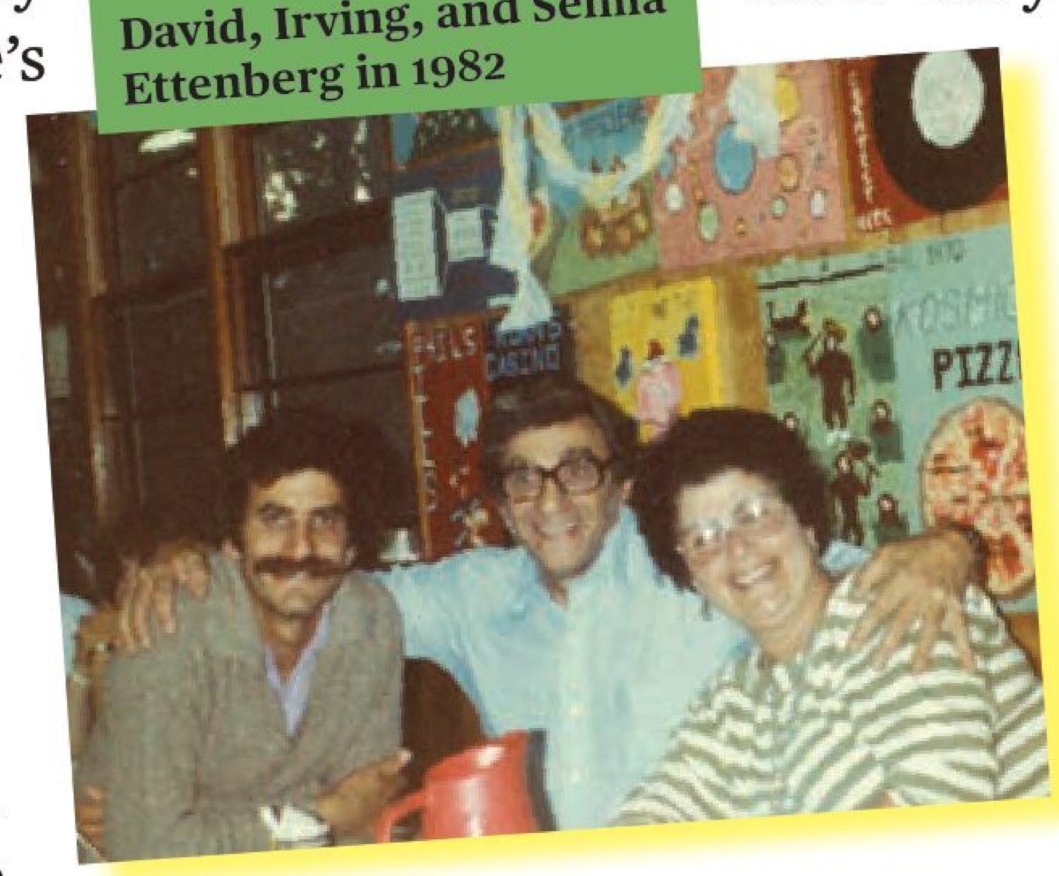
Even the youngest members of the Ettenberg clan were struggling with the matriarch. In 1989, according to Lesley and another family member, Selma took a grandson on an African safari. "You don't mind if I sit in first class?" Selma asked him as they boarded. "I have a bad back." His ticket was in coach. After the trip, Selma took souvenirs her grandson had purchased and gave them to her friends.

Shane's tax returns for 1990 showed profits of $260,000. In a later civil suit, David alleged that Selma was mixing camp and personal funds around this time, diverting $100,000 to renovate her home in Ferndale and using camp money to pay home heating bills and legal fees. (Available court records don't show her response to the allegations.)

David was growing concerned that Selma would renege on their prior agreement. She was also asking him and Ziporah to relocate to Ferndale year-round, he says. When they refused, Selma "flipped out." What happened next is contested. David says that in the spring of 1991, his mother sent the sheriff to evict him, Ziporah, and their 1-year-old son from their house on the camp grounds. But in later litigation, Selma alleged that during the critical hiring window before camp began that April, David announced he was quitting on the spot.

Whatever sparked the blowup, Selma and Irving sued, seeking to invalidate the earlier agreement. According to court documents, David then leveraged his minority shareholder status to file for Camp Shane's dissolution. With a judge poised to put the camp in receivership, David and his parents grudgingly entered into negotiations to transfer ownership. "I'm beside myself," David says of his feelings at the time. "The money she wants from me is too much frickin' money." In the end he agreed to buy the camp for $1.2 million.

David, Irving, and Selma Ettenberg in 1982



Selma soon had second thoughts and moved to block the sale in a civil suit. She said she'd felt pressured by the judge to sell, and to sell for too low a price, so she could save Camp Shane. She hired a new lawyer, Robert Hilpert, from outside Sullivan County—paranoid, Hilpert says, that local lawyers were under David's thumb. Selma wrote in an affidavit that, after she and Irving paid themselves $287,500 from the camp's bank account and gave nothing to David, he routed more than $100,000 into his own account, leading payroll checks to bounce.

In an affidavit filed in 1992, David wrote that Selma had told him she would "put the camp out of business rather than sell it to me." He pleaded with his father to rein her in, but Irving, who was now stricken with bladder cancer and had always supported Selma, even in her feuds with their children, refused. "In the end," David says, "I was more hurt by him."

A judge soon upheld the sale agreement, and David became the camp's owner. Selma and Irving continued living across the street. Right before Irving passed away in 1994, Lesley remembers, he confided in her. "Something," Irving said, "is wrong with your mother."

For decades, Camp Shane sold itself with a motto: "It's not a place...it's a feeling." That feeling—a mixture of camaraderie, young love, escape, and acceptance—was indeed special. So special that enrollment went up even without major capital improvements. The gym was run-down. Gaps between floor planks filled with dead insects. The hot water ran out after a few showers. It didn't matter.

Martha Boschuk had always loved the scene in *The Princess Bride* in which André the Giant catches a falling Robin Wright. In 1994, at 15, weighing almost 300 pounds, she met a boy at Shane who could pick her up like she was Princess Buttercup. Boschuk remembers sitting next to him at movie night, smitten. "Before I went, I really thought I was this fat slob," she says. "I realized there were things contributing to that that were possibly perhaps beyond my control, and other people were also having those same feelings."

Around the U.S., the childhood obesity rate was still climbing, en route to 14% by the end of the decade. But a wealthy subset of campers were arriving thinner than in years past. Their baby boomer parents could be image obsessed, or eager to offload their children's issues to strangers, or both. At meals a nurse circulated with plastic cups containing Prozac, Ritalin, and other drugs. Parents sent kids money for every pound they lost or promised them video games and shopping sprees.

To manage growth, David promoted Simon Greenwood, a Brit who'd been on staff for a few years, to camp director. According to Jennifer Widder, a Shane camper, counselor, and program director for more than two decades, Greenwood "bled and sweated orange and black"—the camp's official colors. (Greenwood declined to comment for this article and didn't respond to emails regarding specific events.)

The camp boasted in the media that it turned away families—a testament, it said, to its high standards. But Steven Landsberg, assistant director at the time, remembers David constantly wanting to take on more kids and Greenwood replying "David, you can't." The response from the boss, Landsberg says, was always the same: "Enroll 'em."

David doesn't recall a conversation like this and says he ▶

◀ always followed state guidelines. Regardless, the cafeteria began offering meals in shifts, and by 1995 Shane had 400 kids.

From her exile across the street, Selma Ettenberg watched her son thrive. He bought a BMW Z3 convertible and vacationed with Ziporah and their son and daughter in Europe. To Lesley, it looked as if Selma's greatest fear had come true. "If he was successful, then she hadn't done something someone else couldn't do," Lesley says. "His success denigrated her."

Selma went to war. On visiting day, when parents parked on the roadway verge as they'd always done, Lesley and David say, she would call the police to have them ticketed. When enrollment lists went missing from the office, David says, they ended up at a rival weight-loss camp, and a former Shane counselor who worked at the other camp told him Selma was responsible.

And when a smoke alarm drew the fire department to Selma's house in 1995, prompting police to question her, Lesley came to believe that Selma, hoping to frame David, had tried to start a fire using newspapers and film negatives as kindling. In a letter to Lesley's eldest son, Zachary, after the incident, Selma said that the police questioning was routine and that she'd been out of the house that night. She also asked him not to regard her as a caricature. "Treat me as your grandmother," she wrote, "and not some creature that David has invented."

That July, the New York State Department of Health received a letter from an anonymous writer who cast herself as the concerned mother of a child at Camp Shane. The writer complained of overcrowding and poor food quality, and also alleged that a 12-year-old girl had been sodomized by a kitchen employee's son, saying, "PLEASE PLEASE CONDEMN THE CAMP BEFORE OUR KIDS ARE HURT." The letter was unusually detailed, citing enrollment figures, bunk square footage, and health inspection dates. David and Lesley suspected it had been written by one mother in particular.

In 1996, Selma bought an apartment on the Upper West Side of Manhattan so Emily, her granddaughter, could live there, paying what Emily recalls was below-market rent. Two years later, after Emily brought her future in-laws to a Thanksgiving dinner to which her grandmother hadn't been invited, Selma wrote her a scathing late-night email. "U have been using me, always giving me excuses," she said. "Well Emily, in the future u can let your friends pay your rent and buy u gifts. …This is a farewell letter. I do not want u to call me or write to me." The building manager soon slipped an eviction notice under Emily's door. Later, when Selma wasn't invited to family events, she showed up anyway; in 2000 she crashed the bar mitzvah of Diana's son, Jake.

David and Camp Shane continued to do well. In 2000 he reported $849,662 in personal income. But around that year, he says, two men in suits appeared at the camp. This wasn't in itself unusual—lawyers occasionally dropped by to deal with custody or child support issues. "Can we go someplace quiet?" one of the men asked. David led them to the dining hall, where they began to ask about the camp's finances. After a few minutes, David says, he realized that they were IRS agents conducting an investigation—and that he needed a lawyer.

Soon after, Harvey Weinberg, Lesley's husband, picked up the phone and called Selma.

"That's it," Lesley remembers Harvey saying. "We're never speaking to you again."

"You believe I would do something like this?" Selma asked.

"Yes."

David and Lesley say they believe Selma tipped off the IRS. It would have fit a pattern they'd observed, of Selma using knowledge of the camp's inner workings against her son.

Paul Kasofsky remembers his dad, who was by then dating Selma, telling him she'd boasted she'd done it. Lesley is certain: "She definitely turned him in."

In 2002 the MTV documentary series *True Life* aired an episode filmed at the camp. Enrollment jumped to more than 500 campers, each paying as much as $6,400 for nine weeks. "Camp really blew up in a way they weren't expecting," says Jennifer Widder, who at the time was working as a counselor. New cabins went up. Even as the IRS was investigating David, he started netting $2 million a year, he says.

When alumni returned to Ferndale for a visit, some would cross the street to pay homage to Selma, now in her late 70s. Many people in her life saw a change in her. "I spoke to her often, and I did not like how she sounded," says Mindy Beck, her financial adviser. In 2002 Beck conferred with Selma's accountant, Corey Levine, and Marc Tanner, the camper and counselor from the 1970s, who now worked in finance and had for several years been selling her bonds. They helped Selma move to her Boca Raton condo, near where the two men lived, so they could keep an eye on her.

Soon after Selma arrived in Florida, in November 2002, she invited Hattie Thum, a close friend and neighbor, to join her on a supermarket run. Selma crashed the car, and Thum was killed. Tanner says he took away her keys afterward. In the span of a few weeks, Selma's world had shrunk to a condo overlooking a man-made lake in Century Village.

In September 2004, with the IRS investigation concluded, David pleaded guilty to felony tax evasion. The government said he'd failed to report more than $120,000 earned renting the camp to school and church groups. The crime could mean up to 14 months in prison. "Oh my God," David says. "I was so scared."

In her will, Selma wrote, "For reasons known to me and the members of my family, I have not made any provision herein for the benefit of my children"

But the judge took pity on him, saying he considered Camp Shane a noble project. He sentenced David to four years of probation and 400 hours of community service, and also ordered him to pay almost $60,000 in restitution and fees and to give out 50 scholarships to underprivileged kids for four years. The conviction led the American Camp Association to pull its accreditation of Shane the following year, the second time it had done so following a 2001 withdrawal for "poor reviews and inspection results."

Even so, the camp caught the attention of private equity investors. The "troubled teen" industry was thriving, with schools, camps, and treatment centers collectively earning billions of dollars. In late 2006, CRC Health Group, a subsidiary of Bain Capital, spent almost $300 million to acquire Aspen Education Group, which operated wilderness therapy programs and boarding schools. Around then, David says, Aspen sent an employee to a Shane open house and soon made an offer, pitching branded camps around the country and abroad, as well as sales of diet books and prepackaged foods. David says that the offer eventually reached $10 million, but that he turned them down. "It was one of those moments when I recognized the camp was really important to me," he says. (Barry Karlin, CRC Health Group's chairman and chief executive officer at the time, says he vaguely recalls the talks but doesn't remember the negotiations advancing this far.)

David decided to go national himself, renting dormitory space at universities and private schools for satellite locations in Arizona, California, Georgia, Texas, and Wisconsin. They were profitable, he says. Challenges arose almost immediately, though. Widder, by then a program director, remembers struggling to manage employees in three different time zones. Kids could also be uncomfortable sharing facilities with football players and cheerleaders, the kinds of people who often bullied them at home. It turned out Camp Shane was a feeling, but it was really a place, too: Ferndale, N.Y.

In the spring of 2011, Kelsey Snelling was a rising senior at Ithaca College in upstate New York, when her sister suggested a fun summer job. Snelling shrugged at the low salary Camp Shane was offering: $550 for 11 weeks, plus room and board, a $275 travel stipend, and a $275 completion bonus. "It's going to be an inspirational summer," she remembers thinking.

But signs of decline were starting to appear at the mother camp. When Snelling arrived in Ferndale, she found it a wreck. Leading up to opening day, she scrubbed tables, swept floors, and hauled year-old garbage. Toilets were clogged. Showers lacked curtains. On move-in day it rained, and water leaked through roofs. Her job was to run arts and crafts, but she spent much of her time comforting kids. Within the span of a few hours one day, she had a crying girl admit that she'd cut herself, found another purging in the bathroom, and consoled a sobbing camper who'd lost "only" 10 pounds that week. "It was unrelenting," Snelling says.

Shane still followed a calorie-deprivation regime, but the food itself was often cheap processed fare, such as French toast sticks, hot dogs, and buffalo chicken pizza. "If they didn't come in with eating disorders, they left with them," Snelling says of the kids. She developed a bingeing habit of her own, locking herself in a cabin to gorge on potato chips, Oreos, and granola bars, all dipped in Nutella. She spent her entire salary and more on supplemental food.

When David appeared at the camp, two former counselors recall, he would shuffle around wearing a jester's hat and a plastered-on smile. The next year, according to Amy Gerson, the programming director at the time, he docked her pay after a boy missed his flight home then begged her to write positive Yelp reviews under pseudonyms after the boy's parents published a furious account. Other times, says Nelson Jancaterino, a former counselor, David asked him to write glowing reviews from a nearby McDonald's so they couldn't be traced to Camp Shane's IP address. (David says that he doesn't recall the boy missing his flight and that "in no way would I dock anyone's pay." He also says he would never "pressure or pay anyone to write reviews.")

Kelsey Snelling in 2011

COURTESY KELSEY SNELLING

As the camp unraveled, Selma Ettenberg's health was declining. She was still living in Century Village, being cared for by Tanner and Levine. David and Lesley hadn't spoken to her in years. Tanner says Selma treated him "like a grandson and good friend." He invited her to his sons' bar mitzvahs.

But Tanner says dementia was taking its toll. Selma once called him to complain that she'd hosted a birthday party for Larry King and a thousand guests who now wouldn't leave. To placate her, he had the locks changed and gave her new keys.

One night, he recalls, he visited Selma at her condo. When he announced he was about to leave, she turned and said, "I love you."

Selma's decline carried on until she stopped eating. Tanner says he advised doctors not to put her on a feeding tube. She died on Aug. 10, 2012, at age 88.

Tanner arranged for her to be buried next to Irving back in New York. Only a handful of people attended the funeral: Tanner, his kids, a nurse, and Mindy Beck, her financial adviser. Tanner wrote the inscription for her tombstone: A DEVOTED WIFE—SHE DID IT HER WAY.

Selma's kids learned of her death only afterward. Tanner hadn't let them know—mindful, he says, of the bad blood. "I thought that was a little weird," Lesley says. "I was upset that I wasn't told."

In her will, Selma wrote, "For reasons known to me and the members of my family, I have not made any provision herein for the benefit of my children." She left $1 million to Amit Children, a Jewish charity beloved by her friend Hattie Thum, who'd died in the car accident with Selma at the wheel. Selma earmarked most of her remaining assets, more than ▶

WHAT IS AVAXHOME?

◀ $7.6 million, for the establishment of the Selma and Irving Ettenberg Foundation. It would have two executive directors, paid $100,000 a year: Levine and Tanner.

By 2014, enrollment at Camp Shane was dwindling. Competitors were improving their offerings, boasting of salad bars and sparkling facilities. Numerous counselors from the period say the only thing keeping Shane going was Greenwood, its director for almost 20 years. But Greenwood appeared to some staff to be at odds with David, and after the season he was fired. (Of these events, David says only, "We were incredibly super generous to him" and that Greenwood's departure "had nothing to do with camp.")

David hadn't managed day-to-day operations since the early 1990s, but come 2015 he was back in charge. Jancaterino, the former counselor, remembers the decline he witnessed that summer as painful. "It was like watching something you love die in front of you," he says. He'd been a camper a decade earlier, when Shane was overflowing with kids, and he'd cherished it. Now, two thirds of the cabins were empty. "It was complete and utter shit."

At one point that summer, it literally was. With one of the camp's two septic-system pumps already dead, Jancaterino says, a European camper plugged a device into a mismatched outlet and blew out the other one. After lunch, Jancaterino returned to his cabin and saw sewage pouring out the door. A maintenance worker surveyed the mess and laughed. "My day is over," he said and left.

The number of kids with significant mental health issues had also started to increase, several former employees say. Lauren Berger Franklin, an assistant head counselor in 2014 and a longtime camper in the 1980s, remembers girls stealing plastic knives from the dining room to cut their thighs. One time she had to search a bunk with a metal detector to find scissors that a female camper had threatened a counselor with. Twice she had to buy pregnancy tests. (David doesn't recall hearing about the issues Berger Franklin encountered. He calls the sewage incident "minor stuff" common to rural areas and says he later spent about $400,000 building a new septic system.)

Lauren Berger Franklin in 1985

During the summer of 2017, more serious problems took place at the outpost in Franklin Springs, Ga. According to a later civil suit, staff there assured the parents of a 15-year-old autistic boy who was anxious about attending sleep-away camp that a counselor would be in his dorm pod at night. But on the boy's first night, the suit alleges, no counselor was in the dorm, and a camper with known behavioral issues who outweighed the autistic boy by 100 pounds raped the boy. He repeated the assault multiple times over the summer. It took months for the victim to be able to verbalize the assaults; after he did, the bigger boy pleaded guilty to one felony count of second degree cruelty to children. The civil suit, which was filed by the victim's guardian against David Ettenberg and Camp Shane, contends that, leading up to the assault, employees in Georgia had warned David the camp was understaffed. David and Camp Shane are contesting the suit; he says he wasn't present in Georgia and "wasn't told anything at the time."

Even as the magical feeling waned, Camp Shane itself remained valuable. With the economy booming and upstate land in demand, a group of Hasidic investors made an offer on the Ferndale property. In January 2019, David sold the property his mother had spent $50,000 to buy half a century earlier, for $6.375 million. Despite Selma's best efforts, he'd made a fortune from her legacy.

In May, I called Tanner to ask about the Selma and Irving Ettenberg Foundation. He said he knew nothing about it. "Everything went to charity," he said. "I don't have details." The answer was baffling, given that, as co-executive director, he was listed all over the foundation's IRS filings.

I wanted to know what had happened to the $7.6 million Selma had endowed, so a few weeks later I flew down to Boca Raton and met Tanner for lunch at a seafood restaurant. He had designer stubble and was heavy but not obese, wearing a polo shirt and an enormous Breitling watch.

At the time of Selma's death in 2012, according to publicly available records, Tanner was broke. His ex-wife was suing him for unpaid alimony, and he stated in a financial affidavit filed in connection with the proceedings that he was earning $39,000 a year as a life insurance agent, had $8,500 in cash savings, and owed the IRS $122,000.

After becoming the foundation's directors, Tanner and Levine managed its investments and doled out more than $750,000 a year to dozens of charities, ranging from ones dedicated to children's or Jewish causes to an organization that provided helper monkeys for disabled people and another that promoted male breast cancer awareness. Tanner's Facebook feed filled up with photos of golf and galas. He got remarried. Title records show that in December 2016, he bought a property in Parkland for $780,000.

The next year the foundation reported a $350,000 loan to Celebrity Cleaners, a chain of dry cleaners in South Florida for which Levine is the registered agent. When I reached the chain's president and CEO, Jeffrey Cahn, he confirmed the transaction and then became prickly when I asked how the loan had come about. "It's not something that requires any further inquiry or investigation," he said.

According to IRS records, the foundation last submitted its required annual disclosure form in 2018, when it had more than $4.7 million in assets. But it appears to still exist: In May 2020, it received a Paycheck Protection Program loan of $34,229, citing three employees.

The month after that, Jeanne Sokol, the niece by marriage of Elsie Sokol, an elderly, wealthy Jewish woman who'd died in 2018 with no children, filed a civil suit against Levine. Jeanne alleged that after Elsie suffered a bad fall in May 2016, Levine, who'd had power of attorney for Elsie, had cut her off from

FROM LEFT: COURTESY LAUREN BERGER FRANKLIN; COURTESY NELSON JANCATERINO

Nelson Jancaterino (fourth from right) in 2013

communicating with her few remaining relatives and then, shortly before her death, had transferred $12 million of her fortune to a foundation he'd created in her name. Levine is now paid $100,000 a year to administer that foundation, which recently made a $1 million commitment to his alma mater, Bryant University. A spokeswoman for the school declined to comment, citing its donor confidentiality policy. Levine, who's contesting the suit, declined to comment on either foundation or the nature of his relationship with Selma. "As for the 2 foundations, your Camp story has no relevance and therefore I have no comment," he wrote in an email.

Before bringing up what I knew of Selma's foundation at my meal with Tanner, I asked again about his role with her estate. Again he denied knowing what had happened to Selma's money. I told him I knew about the foundation, and he replied, "I have nothing to do with the foundation." I opened a folder and slid across a tax filing that identified him as an officer. He stared at the page for a long time, as if trying to recognize his own name.

"Listen I don't know details about stuff," Tanner finally said. He told me he hadn't mentioned his role at the foundation because if it came out it could cause problems with his ex-wife. When I asked what had happened to the $4.7 million the foundation held in 2018, he said he didn't know.

Our meal ended with no concrete answers as to whether Selma's true wishes had been carried out. Within a few days, Tanner began removing photos of himself at charity golf tournaments from Facebook. I contacted him later on to verify the record of his finances in 2012, and he wrote: "A LOT of the information that I have not clarified that you asked about is COMPLETELY wrong," adding, "To that, I have no further comment."

Two months after my trip to Florida, I told David what I'd learned about his mother's estate. He was stunned to hear that Selma had died with so much money and that Tanner and Levine were paid $100,000 a year to administer the foundation. "That's terrible," he said. Lesley was more accepting. She valued the peace she'd gained from cutting off communication with her mother more than money. "I personally have nothing against Marc," she said. "I think he saw it as a business opportunity. He did what we didn't do."

After selling the property in New York, David had kept Camp Shane going, operating it out of a private school in Connecticut. He closed last summer for the pandemic and then pushed on despite the challenges posed by low enrollment and Covid-19. He was also facing a new lawsuit filed by Seth Kwitko, a former camper who said he'd been abused for two summers starting in 1985, when he was 12, by Shane's theater director, a man in his early 20s. Kwitko alleged that the man had groomed him with food then engaged him in oral sex and mutual masturbation, and he accused the camp of negligence. A second former camper has since filed suit against Camp Shane, alleging abuse by the same director in 1984, when the former camper was 12. The camp is contesting the suits, and David denies knowing about the alleged underlying events. Repeated attempts to contact the director via phone numbers and email addresses associated with him went unanswered.

This summer, David welcomed roughly 70 campers. In July he called me on FaceTime and invited children over to give testimonials about the fun they were having. Afterward, I sent him some written questions about his fraught relationship with his family. He spent a morning trying to write a response before giving up and calling me again. He said he needed to talk about Selma. "Really, we hated her," he told me. For more than an hour, he recounted his mother's torments, his attempts to reconcile with her, the tax evasion case, and more. Ziporah's parents had lost most of their relatives in the Holocaust, he said. All she'd wanted was a normal, happy family. Instead she'd gotten his. Suddenly, he began to sob. "I'm sorry," he said. "I'm losing it here."

David had never been overweight, but he seemed finally to reveal what he had in common with the campers. They all had parents who'd made them feel lacking—who'd punched holes in their hearts that money and food could never fill.

The following week, everything fell apart. Fed up with Camp Shane's Covid protocols, counselors started quitting. On July 8, a state child-abuse hotline received a complaint about the camp, prompting the Connecticut Office of Early Childhood to start an investigation. Two days later, an 8-year-old girl was hospitalized after fracturing her skull while playing soccer. Three days after that, David announced he was shutting the camp early, telling local media and Connecticut authorities it was because of a staffing shortage. He informed parents they had 48 hours to collect their kids. Furious, they began contacting lawyers, according to the mother of the injured girl. The early childhood office's investigation has since closed, with the camp voluntarily surrendering its license to operate. After 53 years, it appears Camp Shane is finally, truly, over.

Dozens of former campers have mourned the loss in an alumni Facebook group. "I'm heartbroken," says Widder, the longtime camper and counselor. "To work so hard for something for so long, and then this is how it ends." For all its problems, the camp had minted marriages and lifelong friendships, and had helped many children realize they weren't alone in the world.

Among those who aren't sad to see Shane go is Mark Rothenberg, the former camper who staged the Great Vending Machine Raid of '88. He's raising three children, including a son who's overweight. Over the years, Rothenberg has told his kids stories about Camp Shane. One day last fall, the boy looked dejected. "Dad?" he asked. "Will you send me to that camp?"

Rothenberg had waited years for a moment like this, so he could say what he wished his own parents had said to him. He put a hand on his son's shoulder. "It would hurt me too much to send you away," he said. "You're too special to me." And the boy smiled. Ⓑ

Sparkle, No Matter What

On the fall runways, top designers offered up clothes that reflect our desires to be seen, have fun, and feel strong. Welcome to the season of shine. *By Kristen Shirley*
Photograph by Hannah Whitaker

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Edited by
Chris Rovzar

Businessweek.com

When Michael Kors presented his fall looks in April, the world was in the midst of a rising wave of Covid-19, with 670,000 new cases recorded every 24 hours. Not that you'd have guessed it from the clothes. To celebrate Kors's 40 years in business, Naomi Campbell, Helena Christensen, and other supermodels strutted in coats and dresses that sparkled with reflective materials. Even the grays glistened.

He wasn't alone. Almost every major fashion designer responded to the pandemic the same way: lots and lots and lots of shine. The optimistic collections anticipated a clientele that, by September, would be in a collective mood for celebration.

"People are just sick and tired of sitting at home in sweatpants and T-shirts," says fashion journalist and producer Joe Zee. "People are not just ready to get dressed up—they're ready to get dressed up in the most maximal ways possible. There's something incredibly joyful to look at something that's shiny."

Sarah Rutson, fashion consultant and former vice president for global buying at Net-a-Porter, agrees. "Everyone's been thinking along the same lines of 'We need some optimism. We need to feel that there is lightness,'" she says. "Otherwise, what? We're going to stay in gray, black, and white for the rest of our lives?"

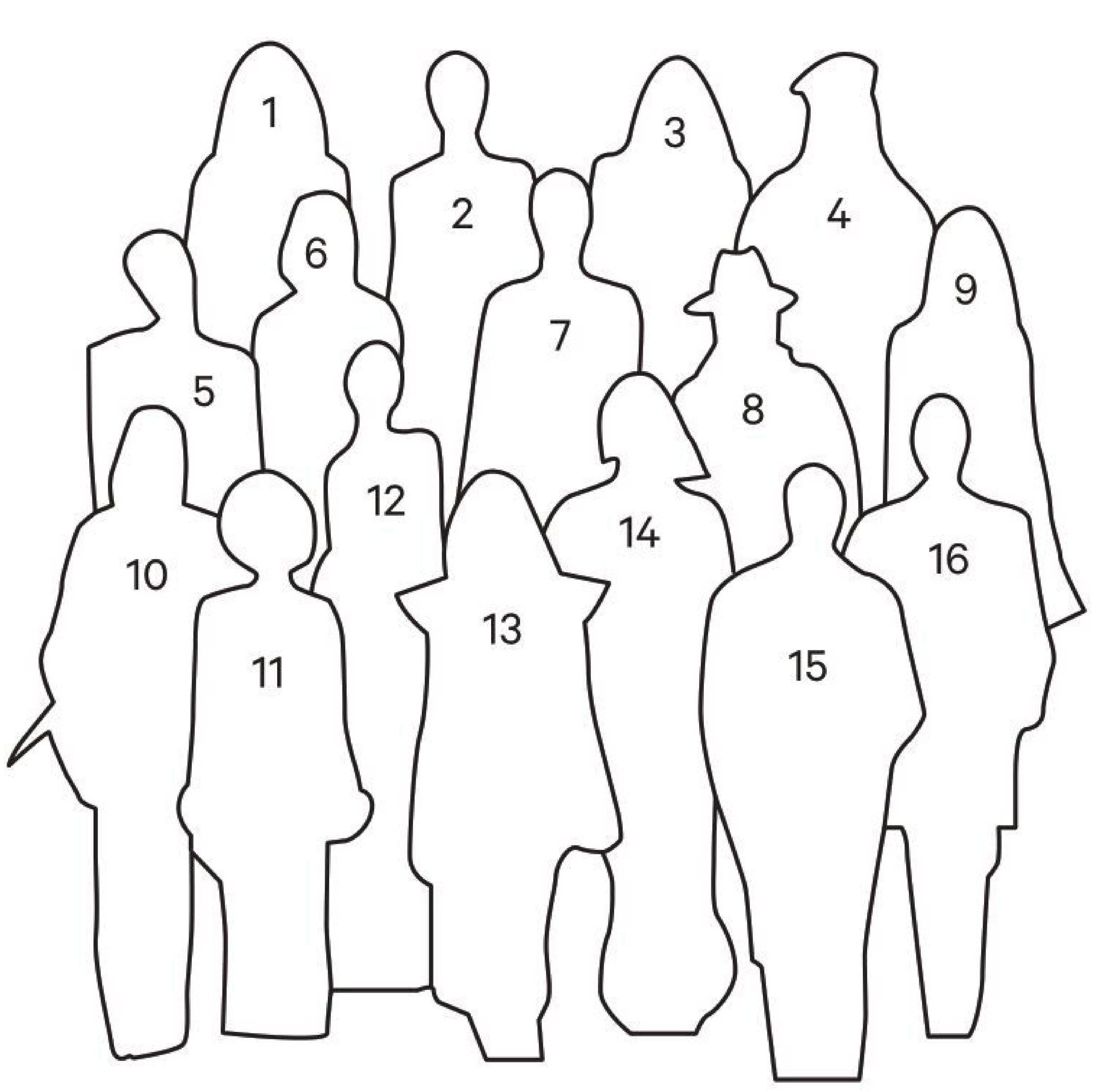
The delta variant has softened that festive mood, so for those who aren't ready for full-on glam, there are other ways to evoke a sanguine spirit. "People are going to start incorporating those special, but subtle, moments into their minimalist wardrobe," says Taylor Tomasi Hill, creative and fashion director of the Yes, a shopping app. "I'm not convinced we'll see a complete transition to the sort of in-your-face shine, because we're so up in the air as to what's going to happen next."

Instead of a full look, one can opt for "injections of frivolity," as Rutson calls it. She sees it already filtering from the catwalk to the sidewalk. "A lot of athleisure wear brands are updating with shine to be in line with what's going on," she says.

The trend also speaks to two of the year's other paramount priorities: safety and strength. Burberry's Riccardo Tisci and Dior's Maria Grazia Chiuri showed shiny dresses and skirts that resembled nothing less than a chain-mail suit of armor.

With so many options, what are the rules for wearing shine today? "The reality is there are no rules," Zee says. "You can do shine in small doses, or you can do it as big as you want."

1. Burberry
2. David Koma
3. Off-White
4. Dior
5. Alexandre Vauthier
6. Burberry
7. Michael Kors
8. Chanel
9. Versace
10. Dolce & Gabbana
11. Saint Laurent
12. Carolina Herrera
13. Dolce & Gabbana
14. Givenchy
15. Prada
16. Michael Kors



Sequins

If we're being honest, it's really the season of sequins: The shiny paillettes have been everywhere. Gucci's Alessandro Michele put a twist on a classic by using supersize, colored versions on a skirt (pictured), and Givenchy's Matthew Williams trimmed his oversize ombré sequins (14) with fringe. Coats from Prada (15) and Burberry (1) are completely covered. As you might expect, the material was most pronounced in evening wear, including fully sequined dresses from Michael Kors (7) and David Koma (2). Wes Gordon took a more functional approach at Carolina Herrera (12) by pairing a separate sequined top and skirt to create the illusion of a gown.

Gold

One of designers' favorite colors this season showed up in a wide variety of fabrics. Both Chanel (8) and Michael Kors (16) featured trim gold trench coats that could be dressed up for a black-tie affair or donned while walking the dog. At Saint Laurent (11), Anthony Vaccarello trimmed a sumptuously golden cashmere brocade top with fox-fur cuffs. Riccardo Tisci of Burberry (6) showed several looks that evoked a magnificent coat of armor, including one dress that features golden paillettes in a fierce silhouette. Dior's disco-inspired show in Shanghai was also full of shine. A chain-mail-inspired dress (pictured) is ready for a rave but can also show off a lesser degree of sparkle beneath a leather jacket.

PREVIOUS PAGE AND THIS SPREAD: RUNWAY PHOTOGRAPHS COURTESY COMPANIES. HANDBAG PHOTOGRAPHS COURTESY COMPANIES

Metallic

Whether your taste runs more toward sleek suiting or futuristic outfits, clothes with a sheen ruled the runway. At Dior, Maria Grazia Chiuri transformed a utilitarian jumpsuit (4) by rendering it in silver lambskin. Balmain presented a string of looks ranging from space-inspired to comfortable separates, but these high-waisted trousers (pictured) provide an easy way to incorporate the trend into your wardrobe. Virgil Abloh showed a silvery three-piece suit (3) at Off-White, and Michael Kors (7) evoked Hollywood drama in a series of silver dresses. Dolce & Gabbana's metallic leather dress (13) has exaggerated shoulders and a corset motif that bends the light hitting it, creating a rainbow effect.

Crystals

Nothing tops the glamour of a fully crystal-embellished piece. But they aren't just for evening wear: At Louis Vuitton, Nicolas Ghesquière demonstrated the house's couture savoir-faire in this spectacular dress (pictured). It has a *trompe l'oeil* necklace and harness made from crystals, a leaf motif composed of green crystals, and a skirt that combines silver lurex while piling on even more. Versace (9) showed off party-ready dresses that are entirely bedecked. Dolce & Gabbana (10) used them in daywear for a jacket embroidered with metallic thread. Alexandre Vauthier (5) uses an innovative technique featuring iridescent crystals that change from blue to orange depending on the light.

For One Shining Moment

It isn't just clothing—this season's handbags will inject a dose of glint and gleam into any look

TYLER ELLIS
The daughter of legendary fashion designer Perry Ellis is known for her luxurious carryalls in opulent fabrics, including velvet, satin, and exotics. This small Lee Pouchet ($2,800) is encrusted with Swarovski crystals, which are heat-stamped for extra durability, and it can fit a phone, credit cards, and lipstick. (There's a discreet exterior pocket, too.) The envelope-shaped clutch is available in a dazzling array of colors, including pink and gold.

CHRISTIAN LOUBOUTIN
The Elisa Mini Piste Aux Etoiles bag ($2,490) is inspired by *One Thousand and One Nights,* the collection of Arabian folk tales, and looks like something that belongs in Aladdin's cave. It displays a sparkling night sky through glitter panels and almost 3,000 hand-applied strass crystals—there are golden stars, black glitter stars, and a rainbow of colors that evoke the Milky Way and assorted nebulae above. It comes with a top handle and an optional shoulder strap. The inside is lined in the designer's signature red.

STELLA MCCARTNEY
Known for her environmentally conscious designs, which prove that luxury and sustainability aren't mutually exclusive, McCartney distills her aesthetic down to a chic mini Falabella cross-body bag ($835). It's crafted from glittering gold vegetarian quilted leather and features the designer's whipstitch chain trim—an instantly recognizable trademark to those in the know. The combination of gold and silver materials gives it an added versatility.

The Voyager Flying Tourbillon Poinçon de Genève in platinum *$248,000*

The Tambour Moon Mystérieuse Flying Tourbillon in pink gold *$258,000*

The Tambour Spin Time Air with colored stones and diamonds *$134,000*

Turn Time on Its Head

How Louis Vuitton gave haute horology a fashionable spin

By Carol Besler

Photograph by Sarah Anne Ward

Louis Vuitton has been making luxury watches for 19 years, and in Swiss watchmaking terms, that makes it an upstart. The most important timekeeping inventions had been created by the first half of the 19th century by houses in Switzerland. The oldest, Vacheron Constantin, has been in the business since 1755, 100 years before Louis Vuitton made its first trunk.

Yet in 2002 the famed Paris luggage maker began its foray as a high-end horologer rather than a "fashion" watch brand. First out of the gate was the Tambour, a mechanical watch whose distinctive design featured a large dial opening and rounded, drumlike case. (*Tambour* is French for drum.) The 12 letters of Louis Vuitton were engraved next to each hour.

The Tambour was an immediate hit with Vuitton lovers, and, in variations over the years, it's served as the stage for several complications, or functions other than hours, minutes, and seconds. It's also been available for "couture" customizations, such as an option to include your own diamond-set monogram on the dial.

And voilà, the Louis Vuitton style was born: colorful, outspoken, different. Prices for the watches, many of which are limited in number, range from $2,900 for the Tambour Horizon connected watch to over $1 million for one-of-a-kind creations.

In the 1990s fashion houses commonly licensed their names to outside companies who churned out cheap, logo-ridden, and quartz (battery-powered) watches. Louis Vuitton instead employed a three-part formula that set it apart. First, it went to Switzerland, working with a handful of suppliers and artisanal workshops until 2008, when it built its own state-of-the-art factory near La Chaux-de-Fonds in the Swiss Jura, the epicenter of the country's watchmaking district.

Louis Vuitton's second tactic was equally bold, given the Swiss watchmaking world's subdued tastes: It went big with its intertwined L and V logo and floral motif. The lozine, as the flower is called, first appeared on luggage in 1896 and has since adorned bags, shoes, clothes, umbrellas, and fur muffs. The mark reminded customers just who was making these watches: LVMH Moët Hennessy Louis Vuitton is the world's top luxury company, with sales of €44.7 billion ($52.2 billion) in 2020. Its watch and jewelry division, which includes TAG Heuer, Bulgari, Hublot, and Zenith, posted €4.4 billion in revenue in 2019 and managed sales of €3.3 billion in 2020, when many of its stores were closed for part of the year.

The final strategic move, in 2011, was to acquire La Fabrique du Temps, a Geneva manufacturer. Still operated by Michel Navas and Enrico Barbasini, two of the country's most respected watchmakers, it had created masterpieces for independent brands including Franck Muller and Laurent Ferrier.

This Swissification strategy has also been used in the watchmaking arena by Chanel and Hermès. "The decision to acquire La Fabrique du Temps bolstered Louis Vuitton's bona fides as a luxury watchmaker," says Paul Boutros, head of watches for America at the auction house Phillips. "It was a very important step for them toward gaining respect from clients and sophisticated watch enthusiasts."

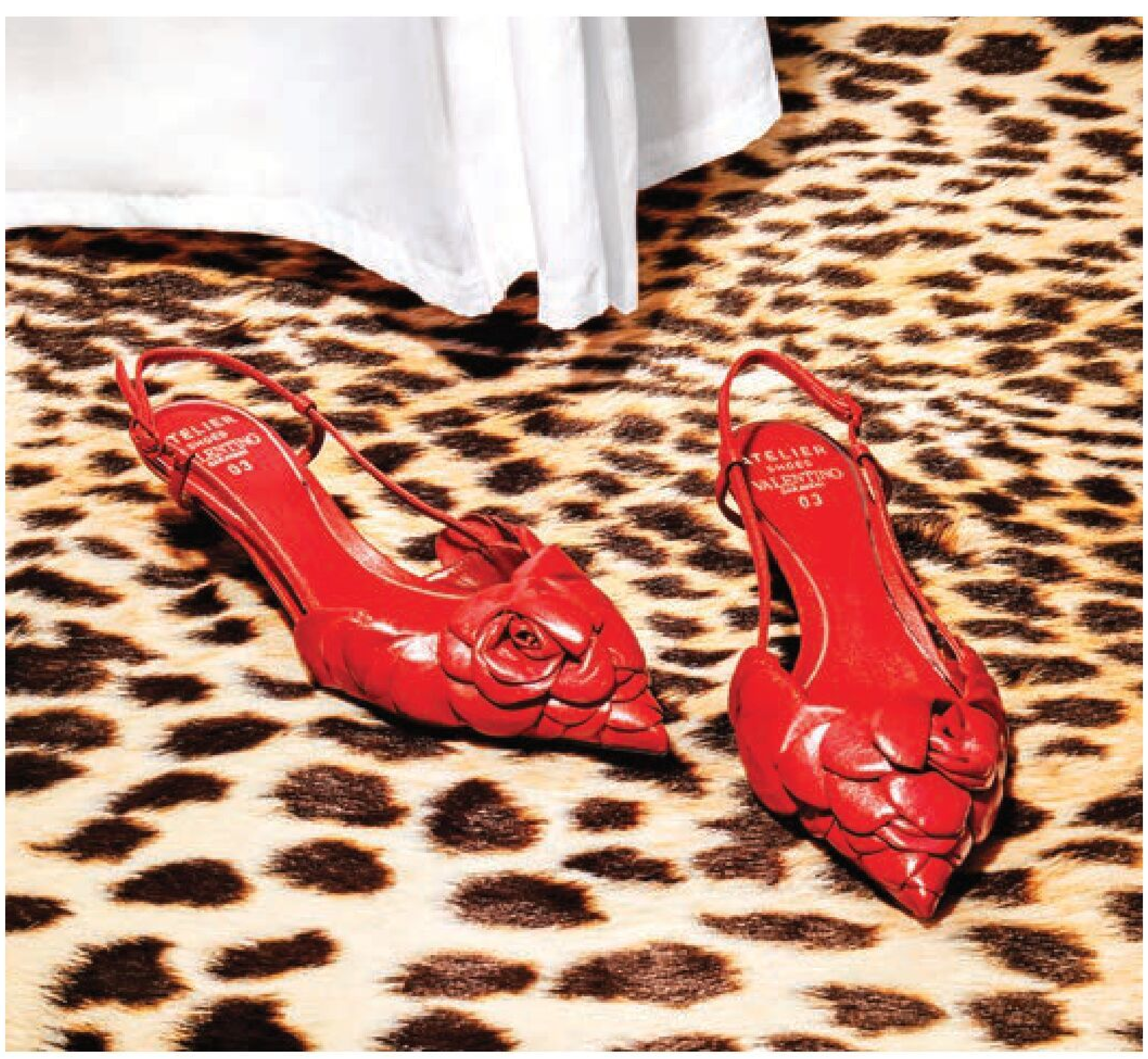
And it was a good fit. "We were making beautiful mechanisms with original designs and functions, and we were the most avant garde," Navas says. "We understood the modern touch of Louis Vuitton."

The duo's determination to break the rules was evident in early collaborations. The Tambour Spin Time, released in 2009, doesn't relegate the hour-telling to a single hand. Rather, it uses 12 cubes on stems attached to the movement (what aficionados call the watch mechanism). Every 60 minutes, one cube flips to reveal its underside, indicating the current hour, while the preceding hour flips to its blank side. On the men's versions, the cubes spell out "Louis Vuitton." The women's are more elaborate, with diamond-set cubes (opposite page).

This year's Tambour Moon Mystérieuse Flying Tourbillon features a, well, mysterious movement—one suspended between rotating sapphire crystal discs that create an illusion in which the hands and other components appear to levitate.

In 2016, Louis Vuitton reached the stratosphere of high watchmaking by applying the Poinçon de Genève to select models. The Geneva Seal, established in 1886, serves as a mark of provenance—a watch must have been made in the canton of Geneva. To get it, a timepiece has to meet rigorous criteria for the case, dial, and movement, and even parts that only a watchmaker will see.

Only six brands so far qualify: Cartier, Chopard, Roger Dubuis, Vacheron Constantin, Louis Vuitton, and Ateliers deMonaco. Boutros says a scant handful of Geneva Seal watches cross his desk for auction. "It's not easy to qualify for the Poinçon hallmark," he says. "Between the hand finishing of every component, the testing for accuracy in every imaginable position, and the quality of parts used, it takes a highly trained watchmaker to produce these." B



Fancy Footwork

PRINTED SLIPPERS
Founded 66 years ago by retailer Henri Bendel's nephew, Belgian Shoes is a favorite brand among tony Upper East Side-types. (Tommy Hilfiger is a fan.) The roguish animal-print calf-hair here adds edge to a low-key dressy look. *$490; belgianshoes.com*

CLOGS
The sturdy wooden sole and heel of the Matilda clogs are made of lightweight linden and balanced by a sprinkling of embroidered daisies that decorate an upper crafted from black silk. Taken together, it's a luxurious spin on a '90s throwback. *$290; the-sleeper.com*

SMOKING SHOES
Made by hand from vintage Turkish carpets, these dapper slippers from Artemis marry comfort and flash. Sustainability fans will appreciate how they manage to look totally fresh and new with a unique pattern on each upcycled pair. *$268; artemisdesignco.com*

KITTEN HEELS
Valentino Garavani's Atelier 03 Rose Edition slingback sandals epitomize the effortless day-to-night romance for which the designer is known. The dainty 1.6-inch heel and pointed toe complement the oversize crimson flower petals. *$1,100; nordstrom.com*

BOOTIES
These Western-style Dallas ankle boots from New York brand Khaite are rendered in white calfskin with contrast stitching, elongated square toes, and classic side pulls. A curved heel measures less than 2 inches high, ensuring an easy transition to wardrobe staple. *$980; khaite.com*

PROP STYLIST: STEPHANIE YEH

The slow return to office life and social obligations calls for more fun on your feet. *By Antonina Jedrzejczak and Max Berlinger*
Photographs by Jessica Pettway

SADDLE SHOES
A college quad mainstay in the 1950s, this preppy style is poised for a swinging comeback. The black-and-white combo from British shoemaker Doc Martens packs a graphic punch, but the look is familiar enough to blend in at the office. *$220; docmartens.com*

SHOWSTOPPERS
There's no blending in with the crowd while standing in these Holli Sling 95 heels from Amina Muaddi, who burst on the scene as a sort of avant-garde Manolo Blahnik. They're made of tangerine semitransparent PVC all the way down to the geometric block heel. *$680; ssense.com*

SIMPLE SLIPPERS
Give your feet the double-take treatment in this pair from Belgian Shoes. The woven leather provides intriguing texture that draws the eye again and again, and the streamlined shape offers the sensible ease of around-the-house kicks. *$490; belgianshoes.com*

SLINGBACKS
The embossed crocodile pattern on the leather of these Viper heels embodies Saint Laurent's disco-meets-minimalist vibe. An elongated toe and 3 1/2-inch stiletto balance a generous cutout to show off the foot, while an elastic strap holds it in place. *$945; ysl.com*

PUMPS
Contrasting straps across the foot offset the sinuous, wavy curves of the Maureen pump, shown here in snakeskin. The extra security across the top of the foot and the closed back make them ideal for long office days and bookended commutes. *$625; malonesouliers.com*

A contestant models a design for the judges

Overhyped

As people renegotiate their relationship to fashion, a reality show nudges us to put our faith in streetwear. *By Patia Braithwaite*

From my spot on the couch in a stained T-shirt and raggedy sweats, I wanted to believe *The Hype*.

The streetwear-focused fashion reality show, which premiered Aug. 12 on HBO Max, opens with the promise of a minor education. Dapper Dan, the Harlem legend who was litigated out of business in the 1990s for customizing designer clothes for the likes of Mike Tyson and LL Cool J, adjusts his Gucci glasses to signal that class is now in session.

Streetwear, he says, is a "manifestation" of music, culture, and thought. A quote from industry juggernaut Bobby Hundreds appears on-screen: "Streetwear without culture is just fashion." After sneaker designer Aleali May describes it as "owning your style," Pittsburgh rapper Wiz Khalifa drops the show's central premise: Streetwear belongs to the youth. "They understand it," he explains. "And they're taking it to the next level."

The Hype follows the established formula of its predecessors *Project Runway* and *Making the Cut*, in which several designers are assigned various challenges, compete for cash, and get eliminated one by one.

Contestants hail from across the country and bring a range of talent levels. Kai Nguyen, a designer of Vietnamese descent in Los Angeles, owns a well-regarded clothing brand. Colombian-born Camila Romero has loads of passion but shaky sewing skills. Chicago native Justin Mensinger hand-sews garments with upcycled materials—a baby-blue hoodie he makes from a quilt is a highlight of one episode.

The judges are called "co-signers," a term with roots in hip-hop where the right person's approval can turn an unknown into a household name. Marni Senofonte is a stylist whose client list includes Beyoncé. Bephie Birkett owns Union, a clothing boutique in LA that mixes streetwear and high fashion. Kiari Cephus, better known as Offset, is a member of the hip-hop trio Migos and also Cardi B's husband. Guests such as sneaker designer Alexander-John and former Supreme brand director Angelo Baque lend credibility and give feedback. *Complex* journalist Speedy Morman is the affable host who gently shepherds contestants through the process.

Instead of having a runway showcase, designers might roll up in low-riders to model embroidered jackets and hand-painted hoodies. Then they get taken to the "C-suite," where the co-signers deliberate. This dizzying mix of grit and corporate cosplay mirrors streetwear's central tension: Skateboard brands such as Supreme are billion-dollar labels; in the year after Kanye West's Yeezy teamed with Gap Inc., corporate shares of the clothing retailer increased more than 165%.

The problem with *The Hype* is that it masquerades as something more profound. Street style, according to the co-signers, pushes culture forward. But during the first episode, a designer "at the forefront" is sent home—the boundary-pushing clothes, alas, are at odds with market trends. This strained relationship between authenticity and profit makes *The Hype*'s DIY ethos, business lingo, and modest $150,000 prize feel decorative.

There's another reason the series feels less of the moment: The pandemic is largely ignored in the first five episodes. For almost two years, masks have been must-have accessories. And in 2020 "the streets" were protest sites, not personal runways. Every facet of the industry—consumers, manufacturers, retail outlets, design teams—faced the reality that people were sick, underemployed, and stuck at home. Other than a moment in which Morman announces that George Floyd's murderer has been found guilty, none of these issues get addressed.

The show asks us to believe that "real people" and "culture" distinguish streetwear from fashion. Yet contestants occupy a landscape where climate change, racism, and mental health are reduced to pithy slogans on jackets. The result is a program that has the depth of a well-curated Instagram feed.

Still, *The Hype* is a good time. It's most successful when it drops all pretense and leans into tried-and-true reality tropes. In the second episode, Caroline Bentley Noble, a White woman from Kentucky, makes a jacket entirely out of red bandannas. When pressed about appropriating gang culture in downtown Los Angeles, she doubles down. "I know what I'm doing," she says. (Spoiler: She doesn't.) In Episode 3, contestants work in teams to create outfits for an imaginary "it" couple, a challenge that results in tears, power struggles, and fashion disasters. (Picture patchwork denim, embroidery, and handwritten scrawl all on one outfit.)

Yes, the co-signers politely debate the meaning and purpose of streetwear in 2021, but elsewhere, contestants bad-mouth each other, hoard fabric, betray partners, and get sent home. Eventually, I stopped asking *The Hype* to deliver on its promise and just enjoyed the ride. Streetwear requires authenticity. Reality TV? Not so much. Ⓑ

PHOTOGRAPH BY TOBIN YELLAND/HBO MAX

A Kinder Coat

Gucci strips its nail polishes of toxins and goes completely plant-based

Photography by Joyce Lee

Gucci's beauty collection is more romantic—and sustainable—under creative director Alessandro Michele, with better ingredients and a new design inspired by old Hollywood glamour. Goldie Red 25★ (not pictured), the nail polish line's signature color, nods to Michele's lucky number and the 1931 Jean Harlow film *Goldie*. A limited five-shade capsule collection that came out in 2020 became part of Gucci's permanent collection ($30 each for 10mL) in July after more colors were added and the bottle redesigned. The biggest change is to the formula, which is now plant-based.

THE COMPETITION

• The weighted glass bottles Christian Louboutin uses for its vibrant polishes are a showstopper in any room, but at $50 for 13mL, they're considerably pricier and lack Gucci's easy-to-grip ribbed handle.

• Niche brand Ella + Mila's nail lacquers dispense with 17 traditional polish chemicals and are PETA-certified to be cruelty-free. But the $10.50 (for 13.3mL) drugstore price and less-famous name may lead label lovers to overlook its bold, vegan range.

• High-end salon regulars crave Chanel's fashion-forward nail shades ($28 for 13mL)—the iconic name helps—but they still contain several toxins Gucci has now excluded.

THE CASE

As summer wraps up, a designer nail polish in a pretty bottle can serve as a little pick-me-up luxury. Marcia Cobalt 717, Peggy Sunburn 414, and Melinda Green 712 (pictured, left to right) are punchy colors with witty names, but their biggest selling point is that they're also well formulated. After applying a base, two layers of polish, and a top coat, this writer found the varnish remained chip-free even after a week of rigorous diaper changing and hand washing. Plus, the line is now "12-free," industry code that means it doesn't contain 12 toxins, including ethyl tosylamide, triphenylphospate (TPHP), and xylene, that are commonly found in polishes. That achievement puts Gucci ahead of the beauty counter pack, which are just now catching up with five-, seven-, and nine-free products. *$30 each; bloomingdales.com*

It’s Back to Bigger-Is-Better In Aerospace

By Brooke Sutherland

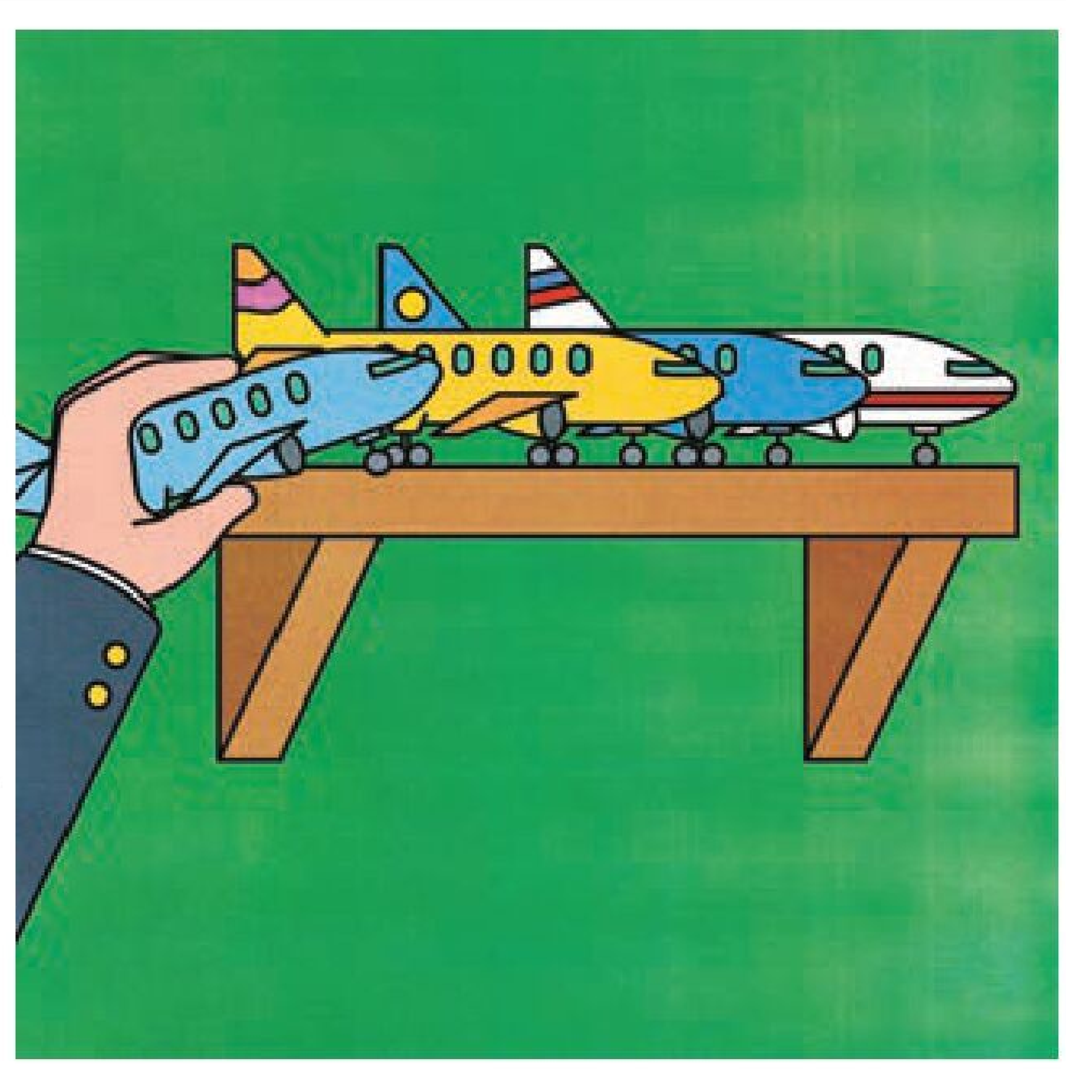


ILLUSTRATION BY GEORGE WYLESOL

Meggitt Plc, a U.K.-based aerospace and defense supplier, agreed earlier in August to sell itself to Parker-Hannifin Corp. for about $10 billion including the assumption of debt. The ink was barely dry on the press release before another aerospace company, TransDigm Group Inc., topped Parker-Hannifin’s bid by about $1 billion. Meggitt is reviewing the TransDigm offer, which the company must formalize by Sept. 14 under U.K. takeover rules if it wants to proceed.

Public bidding wars are rare in aerospace, and this one feels particularly aggressive at a time when the industry is recovering from the effects of the Covid-19 pandemic. Parker-Hannifin’s bid valued Meggitt at a premium to its pre-Covid high, and TransDigm’s proposal pushed the valuation even higher. Meggitt would represent the largest-ever takeover by far for either of its would-be acquirers, and each would have to take on a substantial amount of debt to see the deal through, potentially to the detriment of its credit ratings.

But if a pricey Meggitt buyout feels at odds with the current moment, it fits in perfectly with the longer-term trend in aerospace mergers and acquisitions. Pre-Covid, aerospace suppliers were focused on cobbling together ever-greater scale in an effort to stay competitive and boost their negotiating clout with plane makers Boeing Co. and Airbus SE. Bigger balance sheets also mean more money for research and development as manufacturers work to keep up with evolving technologies, especially when it comes to environmental advances. Companies announced almost $230 billion in aerospace takeovers from 2015 to the end of 2019, compared with $57 billion in the previous five years, according to data compiled by Bloomberg.

The bigger-is-better mantra will become relevant again sooner than it might seem. Orders for new Boeing jets have exceeded cancellations and conversions for six straight months as the plane maker digs out of a long slump prompted first by the almost two-year grounding of its 737 Max jet and then the pandemic. The company has discussed developing a plane that can be built more efficiently and meshes with engine makers’ efforts to lower carbon emissions. Airbus plans to ramp up production of its best-selling A320-series jets beyond pre-Covid levels by 2023 and introduce a hydrogen-powered plane by 2035.

It’s not clear that anyone will succeed in buying Meggitt. The U.K. has its guard up on takeovers involving domestic assets with links to national security. To help win the government’s support, Parker-Hannifin agreed to maintain Meggitt’s U.K. headquarters, boost R&D expenditures in the country, and keep its engineering and manufacturing head count at current levels. The enthusiasm with which Parker-Hannifin and TransDigm are pursuing the company suggests this won’t be the last midsize aerospace supplier to attract takeover attention. Ⓑ *—Sutherland is a columnist for Bloomberg Opinion*

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