Bloomberg Businessweek
September 5, 2022 ● DOUBLE ISSUE ● EUROPE EDITION

PUTIN'S CONFUSION FACTORY

How the pro-Kremlin news outlet RT became a potent propaganda tool aimed at the developing world 52

Bloomberg Businessweek

September 5, 2022

◀ Kaari Aubrey left her job as a high school English teacher in New Orleans for Mérida, Mexico, where she works in the gig economy

PHOTOGRAPH BY ANGIE SMITH FOR BLOOMBERG BUSINESSWEEK

FEATURES

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■ COVER TRAIL

How the cover gets made

❶

"This week's cover is about Putin and RT. It's been banned by US and European governments but widely promoted in developing countries."

"I hear it's also totally unbiased!"

"Not so much."

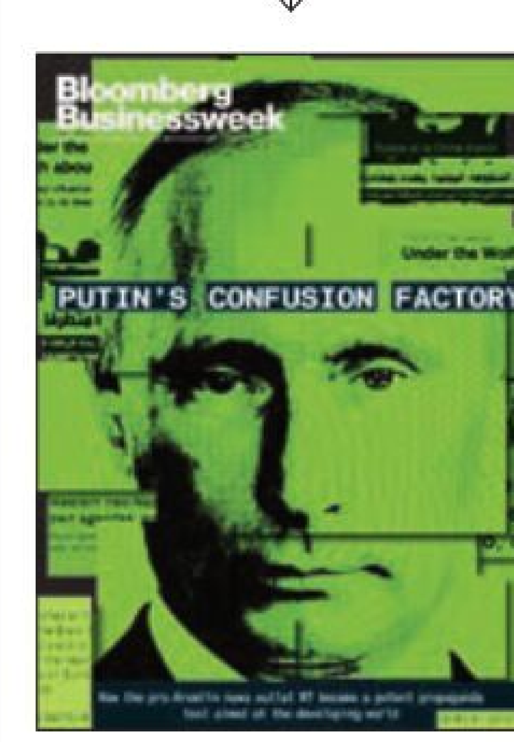
"But still independent of the Kremlin, right?"

"Again, not really. It's very good at sowing misinformation around the globe, while painting Russian actions in a rosy light. Especially on social media."

"Wow. It's kind of like Putin has his own confusion machine!"

❷

"We're getting somewhere. But I think it's more of a factory than a machine. Bring back those steely blues and change the line, and I think we have a winner!"



Cover: Photo illustration by 731; photo: Kremlin

ECONOMICS: PHOTOGRAPH BY BEN SKLAR FOR BLOOMBERG BUSINESSWEEK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Building a Skyline and a Community's Wealth
Dantes Partners, a division of The Dumas Collective, is a leading developer of luxury affordable housing in Washington, D.C. With every development, it hires a collection of Black- and Brown-owned firms, like title companies, interior designers and landscapers. It's invested more than $60 million in minority-owned businesses in the last three years, says Founder and CEO Buwa Binitie. Wells Fargo has funded 20 of its developments. The bank invested a record $7.6 billion in affordable housing nationwide last year, says Vanessa Rodriguez, Head of Community Lending & Investment.
Buwa Binitie
Founder and CEO
Dantes Partners
bloomberg.com/forgingwhatsnext
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WELLS FARGO

● Worldwide, there have been more than

601.5m

Covid-19 infections, 6.5 million people have died, and about 12.6 billion vaccine doses have been administered. In the US, the FDA authorized two boosters targeting the dominant BA.5 variant of omicron.

● Ukraine has undertaken an offensive in the region around Kherson.

The southern city was one of the first to fall to Vladimir Putin's forces as the war began. Russian tourists, meanwhile, face tougher hurdles to enter the European Union after the bloc agreed to suspend a visa facilitation agreement with Russia.

● Following torrential rain, Pakistan suffered unprecedented flooding that's forced almost 500,000 people into relief camps. The damage is estimated at more than $10 billion, according to Finance Minister Miftah Ismail.

● Germany agreed to pay relatives of the victims in the 1972 Munich Olympics massacre about

€28m

($28 million) in compensation. The terrorist attack by the Palestinian Black September group left 11 Israeli athletes dead. German authorities were blamed for being poorly prepared and clumsy in their response.

● European energy markets continue to suffer under Russia's curbs on natural gas.

On Aug. 29 the price of German power for 2023 topped €1,000 ($1,005), the first time the European benchmark has hit quadruple digits.

● Foreigners seeking to work in Singapore may be tempted by a new flexible five-year work visa.

There's just one catch: Applicants need to make at least S$30,000 ($21,500) a month to be eligible.

● Gautam Adani has broken

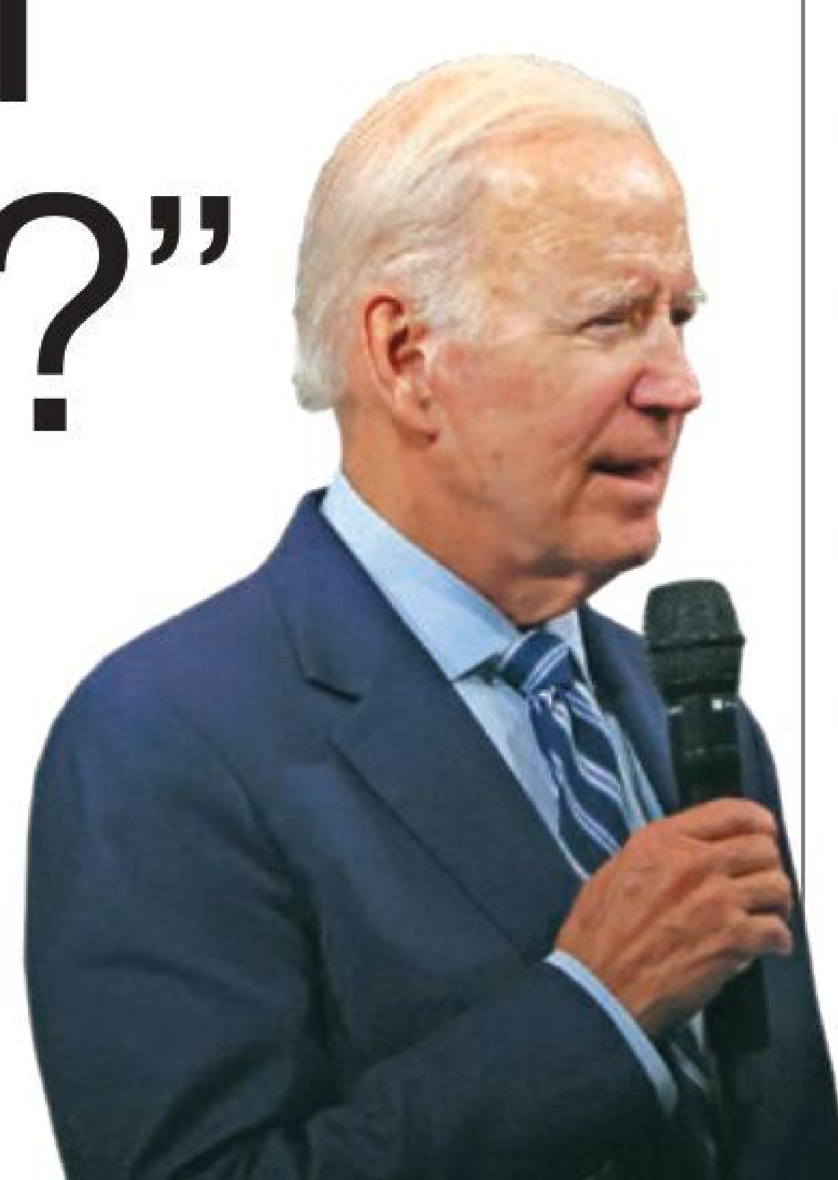
into the top three of the Bloomberg Billionaires Index, with a fortune worth

$137.4b

The head of Adani Group, one of India's top conglomerates, is the first Asian person to rank so high.

● "Where the hell are we?"

President Joe Biden slammed Republicans including Senator Lindsey Graham of South Carolina for whipping up fears of public riots should authorities prosecute Donald Trump for his mishandling of classified documents after leaving office.



● Elon Musk is still trying to wiggle out of his

$44b

Twitter purchase. The Tesla CEO has now cited recent accusations from a whistleblower, who disclosed what he said were shortcomings in the way the social network processed users' personal data, including running out-of-date software. Twitter said the case for termination is invalid.

● Mikhail Gorbachev died on Aug 30. The political and economic reforms of the last leader of the Soviet Union opened the communist superpower to the West but also hastened its disintegration. He was 91.

PAKISTAN: ALAMY. ADANI: ABHIJIT BHATLEKAR/BLOOMBERG. BIDEN: MICHAEL M. SANTIAGO/GETTY IMAGES. GORBACHEV: MICHELINE PELLETIER/GETTY IMAGES

Solve the Shortage of Teachers by Paying What They're Worth

With a new school year getting under way, public school districts in the US are sounding alarms about a looming teacher shortage. In response, some states have loosened rules to bring more workers, including those who haven't yet earned a college degree, into the profession. These efforts are worthwhile, but they're addressing only half the problem.

Although reports of a nationwide "exodus" of teachers are exaggerated, acute shortages have persisted for years in certain regions, especially in low-income and rural areas (page 44). District leaders have also reported increased difficulty filling vacancies in math and science, and at the high school level. For the most part, money isn't the issue: Over the past two years, districts have tapped federal relief funds to ramp up hiring of substitutes and remote-learning instructors who could step in for teachers out with Covid-19, but they've been slow to spend the money. As the pandemic subsides, those resources could be used to hire teachers in high-need areas.

The big challenge is finding them. With enrollment in teacher-preparation programs in steep decline, states are boosting incentives to attract graduates and to keep experienced teachers in the workforce. They're also experimenting with other ways to broaden the labor pool. Pennsylvania has lifted restrictions to allow teachers who are licensed in other states, and Arizona permits candidates with subject-matter expertise to work without a teaching credential. In Georgia, retired teachers can return to the classroom and keep their pension benefits. Roughly a dozen states have made it easier to get a teaching license, with both Arizona and Florida waiving long-standing requirements that teachers earn a bachelor's degree before being hired for a full-time position; in Florida, military veterans without degrees can obtain five-year teaching certificates if they pass an exam in the subject they're hired to teach.

Policies such as these have provoked the ire of unions, which say they convey disrespect for teachers and undermine professional standards. And it's surely fair to worry about hiring unqualified applicants. Yet in teaching, as in other occupations, merely having a degree is no guarantee of competence, and there's little evidence that teachers with formal education credentials produce better outcomes for students than those without them.

Rather than dwelling on degrees, districts might try to focus more on ability—in part by revamping how teachers are evaluated and paid. Linking teachers' compensation to their performance would help raise academic standards, encourage new teachers to pursue professional development, and draw more skilled workers to the profession. Districts in at least 30 states offer performance-based bonuses to teachers; this practice has led to average gains in student learning equal to an additional three weeks of school.

Programs that offer incentives partly based on students' standardized test scores have also been found to improve retention rates among Black and Latino teachers and those working in low-income schools. Despite what the unions say, competent educators have no reason to fear such reforms. If anything, veteran teachers stand to benefit from the focus on attracting new talent, which is likely to push up salaries across the board.

Confidence in the US public school system, after two years of disrupted and inadequate learning, is at an all-time low. Expanding programs to recruit teachers in places where they're most needed and paying them what they're worth are necessary steps toward giving all students the education they deserve. Ⓑ *For more commentary, go to bloomberg.com/opinion*

AGENDA

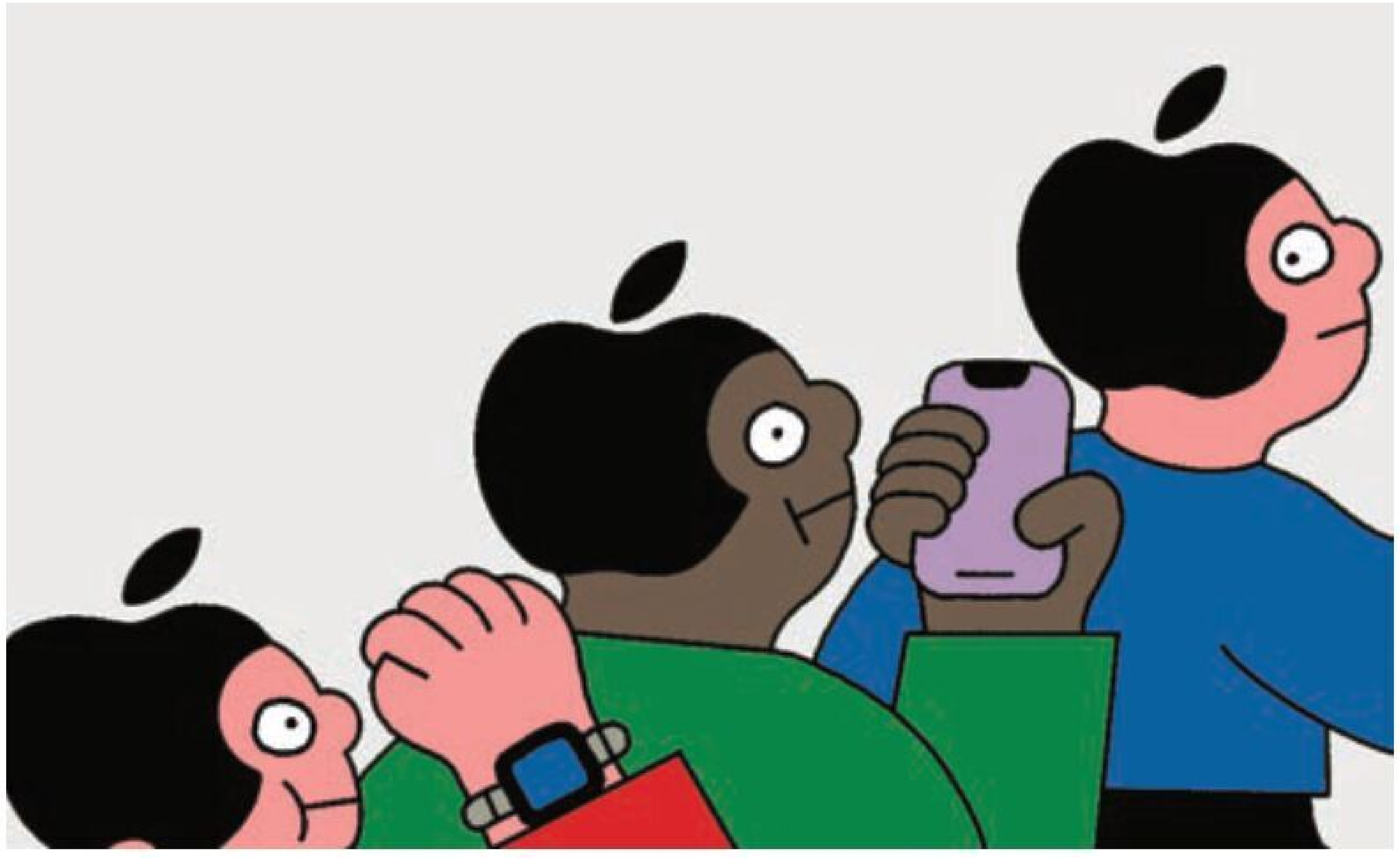


ILLUSTRATION BY KANIOKO

► One More Thing

Apple is poised to unveil its iPhone 14 on Sept. 7, along with three new Apple Watches that have different price points. The "Far Out" tag line and space motif of the invite may hint at new satellite capabilities being added to its devices.

► The European Central Bank sets interest rates on Sept. 8, following estimates by economists of another major increase to help fight persistently high inflation.

► Gastech 2022, on Sept. 5-8 in Milan, is the largest meeting for the natural gas, LNG, and hydrogen industries. It returns as the world clamors to source more of these fuels.

► General elections take place in Sweden on Sept. 11. The right-wing opposition has a narrow lead to unseat Prime Minister Magdalena Andersson's Social Democratic government.

► More than 150 UK universities open strike ballots on Sept. 5. Employees are seeking better pay and working conditions and are trying to avoid pension cuts.

► Russia holds regional elections on Sept. 11. Vladimir Putin's firm grip on power, particularly after his attack of Ukraine, means protest votes or surprises are unlikely to occur.

► The UK is set to get a new prime minister on Sept. 5. Foreign Minister Liz Truss looks all but assured to win the race against Chancellor of the Exchequer Rishi Sunak.

College Will Still Cost You

● Biden's plan is a Band-Aid solution to a bigger problem: A low return on tuition for too many people

● By Romesh Ratnesar

About 10 minutes after stepping to the podium of the Roosevelt Room on Aug. 24—having already regaled reporters with stories of wearing baseball spikes to his father's workplace in Newark, Del., and driving a "nice used car" to his high school prom—President Joe Biden got around to the topic at hand. His administration planned to grant student loan forgiveness to more than 40 million Americans, with at least half seeing their debt wiped away. "We'll provide more breathing room for the middle class so they're less burdened by student debt," he said. "And, quite frankly, fix the system itself." Biden turned to his secretary of education, Miguel Cardona. "When we came in, we both acknowledged [it] was broken, in terms of…" The president paused, considered whether to delve into the brokenness of the "system," and thought better of it. He sighed.

"Anyway."

The White House's decision to cancel federal student loan debts does many things. Most obviously, it provides $10,000 in relief to all individual borrowers making $125,000 or less and as much as $20,000 for students from low-income families. Depending on your political leaning, it will either boost Democrats' support among young voters before the midterm elections or energize Republicans outraged at the prospect of inflationary handouts to college-going elites. (Or both.) It's already caused a 500% spike in traffic to the government's federal student aid website. What it won't do is address the ongoing crisis of college affordability that's left so many saddled with debts they'll never be able to repay.

Put another way: It doesn't fix the system. "Student loan forgiveness is a Band-Aid," says Ryan Craig, managing director of Achieve Partners, an investment firm, and author of *College Disrupted: The Great Unbundling of Higher Education*. "I recognize that if you're bleeding, a Band-Aid is really important. But it does nothing about the underlying problem."

It's worth noting that the massive growth of the US's federal student loan portfolio is at least partly a success story. In 1980 fewer than half of high school graduates enrolled in college; today roughly 70% pursue higher education of some kind, the highest level in the world. By every statistical measure, Americans are more educated than at any other time in the country's history. The trouble is they can't pay for it. In the past 30 years the average cost of tuition at public four-year colleges has more than doubled, from $4,160 to $10,740; add room and board, living expenses, books, and supplies, and the overall cost of attending tops $25,000. Private schools charge, on average, $38,090 in tuition, compared with $19,360 in 1991, and the cost of attendance exceeds $50,000.

Meanwhile, the average balance for federal student loan borrowers has grown from $10,000 to more than $30,000 over the past three decades. So even as shellshocked students, parents, and politicians demand that colleges rein in prices, the government's gusher of student loan money has effectively removed any incentive for them to do so. What's more, rather than use those resources to invest in tools to measure and improve instruction, many elite schools have poured money into hiring administrators, building amenities, and upgrading the student "experience." A McKinsey & Co. report found that from 2007 to 2018, outlays on student services at four-year institutions grew four times faster than spending on instruction and research.

For a fair number of students, a college degree remains a sound lifetime investment, even if it means amassing a sizable amount of debt. "The economic returns can still be quite large," says Beth Akers, a senior fellow at the American Enterprise Institute and author of *Making College Pay*. "People with bachelor's degrees earn an extra $1 million over their lifetime compared to those without them. If you're spending $70,000 on tuition but seeing a 15% rate of return, I'm not going to lose sleep over it." But, she adds, "that doesn't always happen."

While college graduates as a group can expect better outcomes than their peers, those gains are highly concentrated among people who come from affluent families and attend selective institutions—the ones that accept fewer than half of applicants and educate only 2% of all students. For everyone else the benefits of college are far less clear, particularly for the one-third of undergraduates who never complete their degrees. Craig, of Achieve Partners, estimates that 70% of ▶

PHOTO ILLUSTRATION BY 731; PHOTO: ALAMY


years until I'm
debt free

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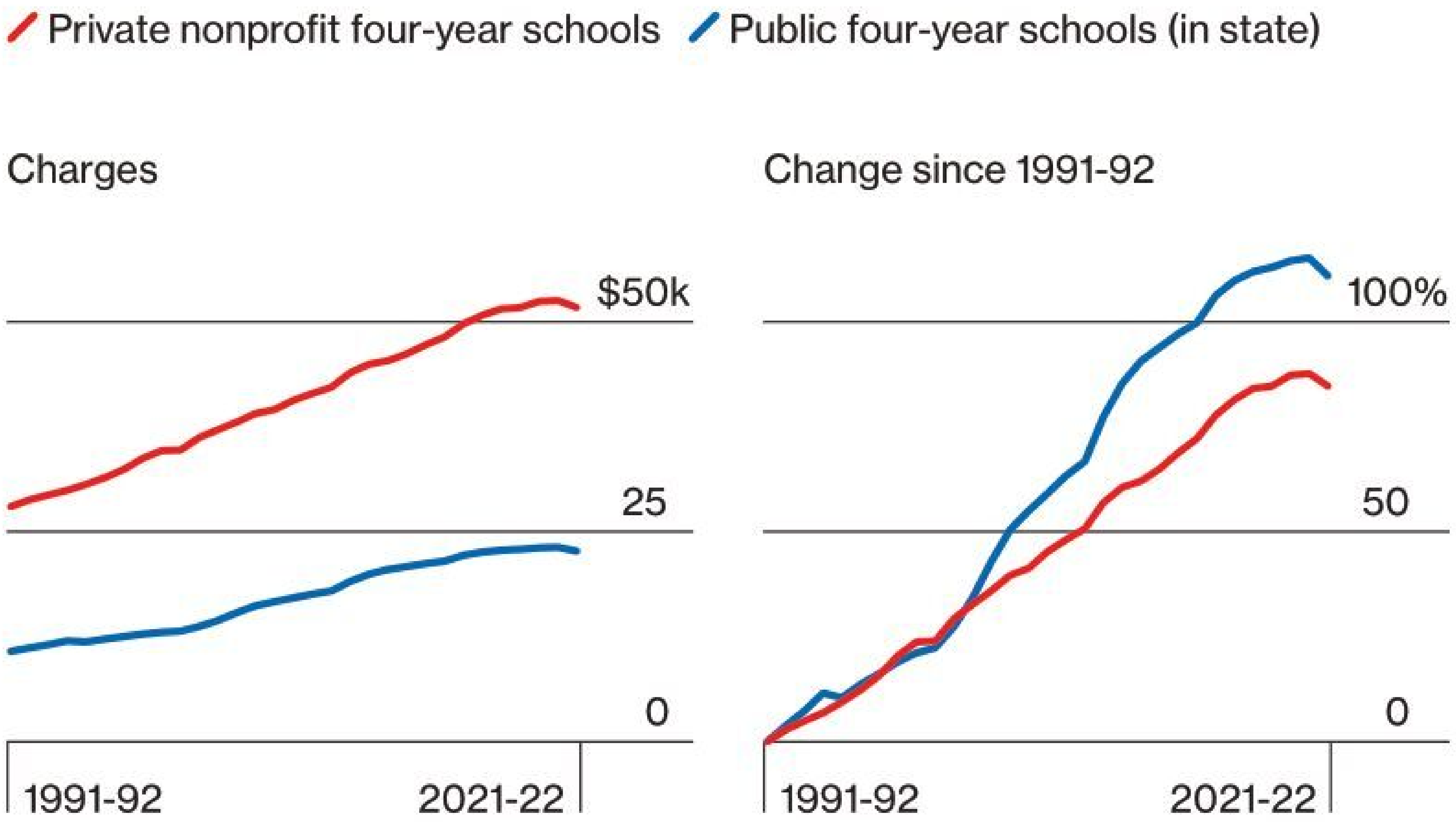
Average annual tuition, fees, and room-and-board charges for full-time undergrads



FIGURES ARE ENROLLMENT-WEIGHTED AND ADJUSTED FOR INFLATION. DATA: THE COLLEGE BOARD

◀ students currently enrolled in a two- or four-year college can expect a "negative outcome in terms of failure to complete or graduating into underemployment." That's also the cohort most likely to struggle—and invariably fail—to pay off their student loans.

What should be done? Biden's plan will relieve millions of low- and middle-income borrowers of unpaid loans. But current and future students remain at risk of falling into the same trap. "Until we address the affordability issue, there's nothing that prevents us from being right back here 10 years from now," says Kim Cook, chief executive officer of the National College Attainment Network, a nonprofit focused on expanding access to higher education. "Wraparound" services aimed at helping poor students finish their degrees—such as the City University of New York's ASAP program, which provides economically vulnerable students with tutoring, career counseling, and help with living expenses—would boost their earnings and, in turn, cut loan default rates.

Increasing aid to low-income students through debt-free Federal Pell Grants would help more of them stay in school and reduce the amount they have to take out in loans. (Biden wants to double the maximum award to $13,000 a year.) "Doubling the size of the Pell Grant would go a long way," Cook says. "It's targeted aid that students can take directly to the institution of their choice. It's focused on need. The regulations are already written. It's a tremendous investment in our students and our economy."

Making America's system of higher education deliver results for more students will also require a different bargain between colleges and consumers. "The problem facing higher education," Craig says, "is that it hasn't changed at all in the past generation or so, except in one way—it's gotten more expensive." Temple University President Jason Wingard, author of a new book, *The College Devaluation Crisis*, says that although colleges once reliably produced graduates who could succeed in the workplace, "for the first time, the market economy is not being satisfied by the skills and competencies that college graduates are being armed with. And the data shows that increasing numbers of students aren't seeing a return on their investment—not in the short term, not in the medium term. The return just isn't there anymore."

James Kvaal, the US Department of Education's top official on higher education policy, says the administration is stepping up efforts to hold for-profit colleges accountable by, among other things, publishing an annual list of programs with the worst debt records. "College leaders are not going to want to see their program listed as leaving students with unaffordable debt," he says. "They're not going to want to see their students coming to the department website and receiving a warning about what those outcomes look like. These are substantial steps." But some experts think the government needs to go further and tie all colleges' eligibility for receiving federal student loan dollars to the career outcomes of their students—an idea long resisted by leaders of nonprofit colleges and universities, who say their value can't be reduced to dollars and cents. Get over it, says AEI's Akers: "Over 90% of people who attend college say it's to advance themselves financially. We need to regulate the system on that basis."

That's easier said than done. Few institutions track their alumni's careers in a systematic way; creating a government-run system for evaluating the performance of more than 6,000 institutions of varying size, demographics, and mission would be exceedingly complex. The best hope may come from consumers themselves. Since the start of the pandemic, overall enrollment in two- and four-year colleges has fallen more than 7%, with a growing number of students opting for cheaper, short-term, work-based apprenticeships and training programs in high-demand fields ranging from health care to cybersecurity.

And, as Bloomberg Opinion's Matt Yglesias noted in a recent article, even among traditional students, majors such as English and anthropology have declined in popularity, with students gravitating to computer science, nursing, and other practical fields. "I think the tide has started to turn," says Craig. "And it will really turn as the infrastructure and seats in these alternative career pathways increase. You'll see students vote with their feet. And colleges will have no choice but to compete for them—by offering programs that are simply a better value proposition than four-year degree programs that cost six figures and don't lead to any guaranteed employment outcome."

Consider this alternative vision of US higher education: a landscape of faster, cheaper, vocational options geared toward preparing students for specific fields; apprenticeships that offer paid experience; prestigious colleges and universities focused on delivering the highest value for the money, rather than the most luxe dormitories; and government aid programs that provide the neediest students with the resources to finish their degrees without taking on unsustainable debt.

Aspirational? Certainly. But with creativity, commitment, and cooperation among policymakers, employers, and colleges themselves, the US might yet stumble its way toward fixing a broken system. The country's future depends on it. **B**
—*Ratnesar is on the Bloomberg Opinion editorial board.*

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Foreign Carmakers' New China Worry

QILAI SHEN/BLOOMBERG

Buyers in the world's biggest electric vehicle market are overwhelmingly shifting toward homegrown EV brands

For the past four decades, Western automakers have enjoyed a welcome lift from Chinese car buyers, who were drawn to the foreign brands' quality and cachet. That allowed sales in the Asian nation to become a sizable piece of European and US automakers' revenue and growth plans. But as China's car buyers quickly shift away from traditional gasoline- and diesel-powered cars and toward electric vehicles, that could be changing. Homegrown auto manufacturers now command the lion's share of new-energy vehicle (NEV) sales, leaving global giants such as Volkswagen AG and BMW AG at risk of being left behind in the world's biggest EV market.

Domestic automakers accounted for almost 80% of EV sales through the first seven months of 2022, according to data compiled by the China Passenger Car Association (PCA). While long-established BYD Co., backed by Warren Buffett's Berkshire Hathaway Inc., is the runaway leader, newer entrants such as Xpeng Inc. and Hozon New Energy Automobile Co.—barely known outside the country—now outsell VW's two Chinese joint ventures.

The shift comes as China's car market nears an inflection point, where the taking up of EVs builds consumer acceptance and supercharges growth. More than 25% of new cars sold in July were NEVs, which include plug-in hybrids and pure battery-electric cars, up from fewer than one in six just a year earlier. The PCA recently raised its 2022 forecast for NEV sales to 6 million—twice last year's total. From there, BloombergNEF sees years of uninterrupted growth, with annual sales climbing to 22.3 million by 2040, accounting for almost a third of the global market for NEVs.

For global giants like Daimler, General Motors, and VW—which are pouring billions of dollars into electrifying their fleets—China is a market they can't afford to get wrong. Yet foreign makers are in danger of stalling for reasons such as their slow move to electrification and failure to appeal to average ▶

Edited by James E. Ellis

◀ Chinese buyers on price and features. Also, as China's EV appetite grows, traditional carmakers risk losing sales of gasoline-fueled cars, which they're relying on to fund their transition to electrics.

"Legacy automakers have barely any competitiveness in their electrified products," says Yale Zhang, managing director at Shanghai-based consultancy Autoforesight Co. Their cars lack range, have outdated designs, lag behind in intelligent services such as autonomous driving, and are overpriced, he says. "They are heavily relying on the path of gasoline cars," Zhang says. "But a new toy like electric cars does not necessarily need a storied history."

Others aren't so quick to write off some of the world's biggest names. "This industry requires scale economy and profitability," says Charley Xu, a partner at Boston Consulting Group in Shanghai. "A key advantage for legacy automakers is the cash flow they've earned from selling gasoline cars. It could give them the time and capital to catch up."

The one exception to Chinese dominance is Tesla Inc., which ranks third this year in NEV retail sales, with a 7.5% market share. It's the only foreign carmaker allowed to operate in China without a local partner, one of the many concessions Elon Musk won from Beijing to open his first factory outside the US. But Tesla's high-tech halo, and Musk's star power, may not be enough to keep the company from the criticisms that once-lauded foreign brands such as Nike Inc. or H&M Group have faced recently.

Domestic brands' main advantage is price, according to PCA Secretary General Cui Dongshu. In a country where many people are still buying their first car, cost is a key consideration. One of the most popular EVs in China is SAIC-GM-Wuling Automobile Co.'s pint-size Hongguang Mini, which starts at just \$4,700. (It's considered a domestic brand because General Motors Co.'s stake is less than 50%.)

Other Chinese carmakers are also taking steps to differentiate themselves. Hozon targets families in smaller cities and rural areas with sedans that are a step up from the Hongguang Mini but still carry a wallet-friendly starting price of less than \$12,000.

Xpeng has invested heavily in autonomous driving features that let car owners hand over tasks such as changing lanes and entering and exiting highways on designated roads, while Nio Inc. has attracted an almost cultlike following to its upper-end EVs with exclusive clubhouses for owners and branded clothing, food, and exercise equipment.

In a more substantive strategy, Nio is building an extensive network of battery-swapping stations to appeal to buyers who may not have access to a charger in their apartment complex. Instead, owners can drive into one of the robot-controlled stations and have depleted batteries removed and exchanged for fully charged ones in as little as three minutes—all while sitting in their cars.

Others have taken more esoteric routes, offering China-specific creature comforts such as Nio's refreshing fragrances that are diffused into the cabin when a driver is fatigued and Li Auto Inc.'s onboard karaoke system, a popular form of entertainment locally.

Upstarts including Nio and Xpeng have designed interactive intelligent voice systems, similar to Amazon.com Inc.'s Alexa. Such in-car digital assistants can roll down windows, play music, and even have human-style chats with riders, which have gained them popularity among young families.

Foreign automakers, meanwhile, are taking a relatively slower turn from their century-old internal combustion engine legacies. VW introduced its ID line of EV vehicles in China at the end of 2020, almost three years after Nio and Xpeng rolled out their first cars. GM expects to deliver Chinese customers its first-ever pure electric Cadillac later this year, and the new electrified Audi built on its Premium Platform Electric won't enter the market until at least the end of 2024.

"If you're not in China and if you don't cope with China's speed and treat China specifically, I have my doubts that you will be a leading manufacturer in the next 5 to 10 years," Stephan Wollenstein, Volkswagen's former China chief executive officer, said in an interview before stepping down in August.

Some foreign makers have lagged behind local brands in updating features important to Chinese buyers, such as mapping and navigation capabilities and connections to popular Chinese social media and entertainment apps. And while having a luxury car priced at the top end of the market is good for a traditional automaker's current bottom line, in a nation of 1.4 billion people where car ownership is still only about one-quarter that of the US, it also rules out hundreds of millions of potential new customers. The recent success that BYD and Great Wall Motor Co. have enjoyed selling plug-in hybrid cars, which give buyers a less expensive on-ramp toward EVs, poses an even greater unexpected threat to the legacy automakers that have relied on selling gasoline-powered cars in that price range.

"There's not much loyalty in the Chinese consumer group," says Zhang. "As long as they find affordable and reliable new-energy vehicles, it is easy for them to shift from Volkswagen, Nissan, or Toyota." *—Peter Vercoe and Chunying Zhang*

THE BOTTOM LINE By 2040, China could account for a third of all new-energy passenger cars globally. Drivers' growing preference for local brands could leave Western makers in the slow lane.

▼ Top NEV carmakers by market share in China, January-July 2022

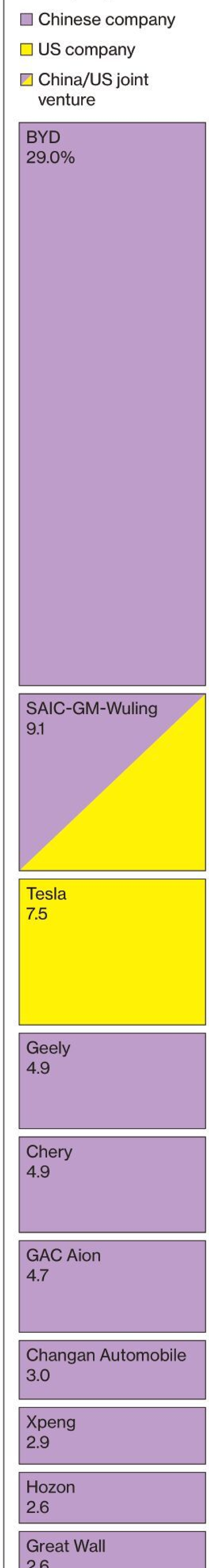
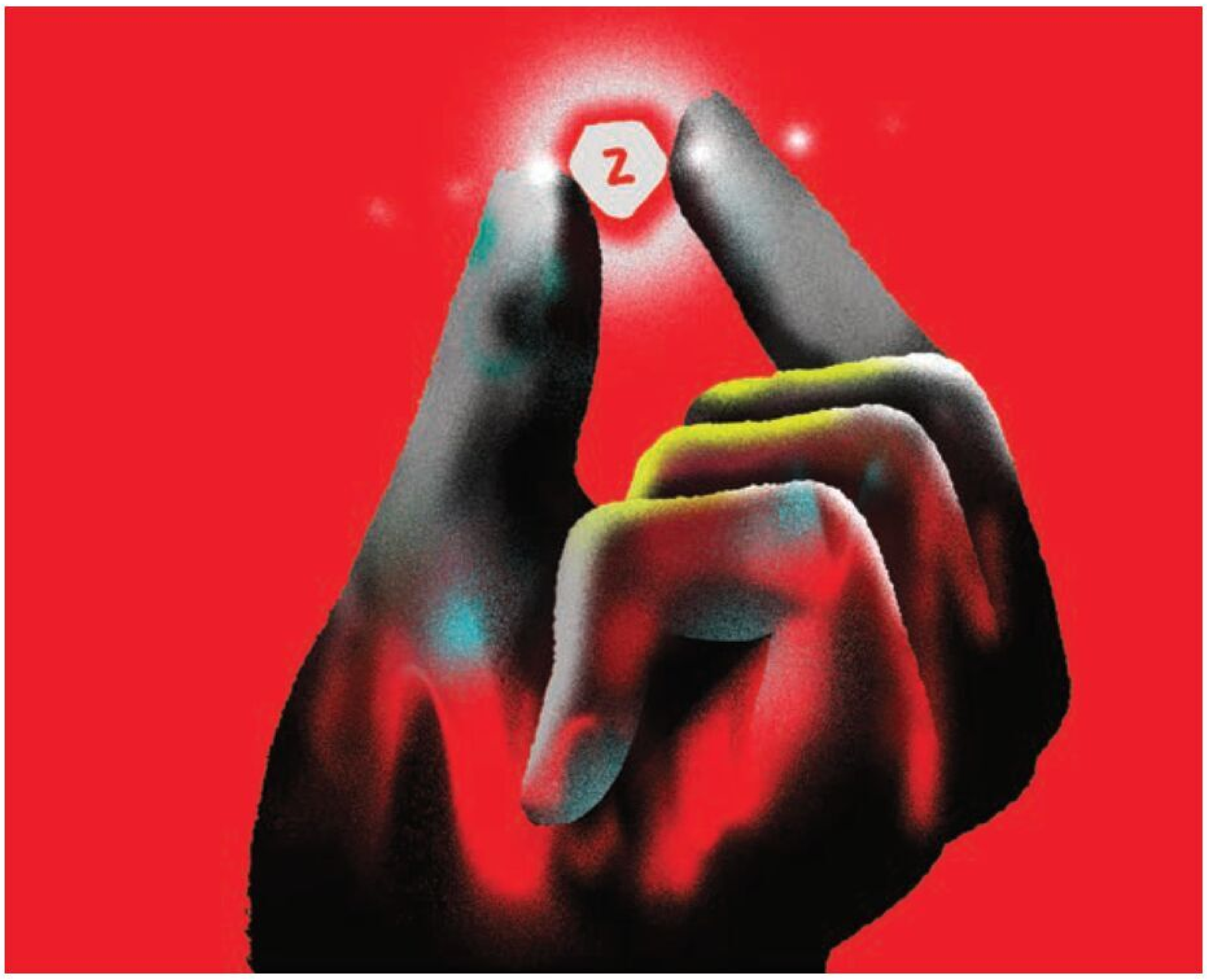


ILLUSTRATION BY DANIEL ZENDER. DATA: CHINA PASSENGER CAR ASSOCIATION. NEW-ENERGY VEHICLES INCLUDE EVS, PLUG-IN HYBRIDS, AND HYDROGEN CARS

A Drug Contaminant That's Hard to Catch

● Nitrosamines that have been linked to cancer could cost Big Pharma billions of dollars



When a drug is recalled because there's something in it that shouldn't be, it's scary but often traceable: Foreign objects such as shards of metal or microorganisms might infiltrate medications through dirty factories or lax manufacturing practices. But recently a more insidious–and difficult to eradicate–form of contamination has surfaced among makers of some of the world's best-selling pharmaceuticals. They're called nitrosamines.

Rather than poisoning drugs through unsanitary conditions, nitrosamines–a group of organic compounds that animal studies have linked to cancer–stem from chemical interactions that are only now becoming understood and have proven complicated to fully avoid. That complexity could cost Big Pharma big time. A recent report from Morgan Stanley says trial judgments over nitrosamines against the makers of Zantac, including GSK and Sanofi, could reach $45 billion alone. But other big companies such as Merck and Pfizer have also found nitrosamines in their drugs, and the Zantac trials could turn attention on them.

"What's troubling is the number of drugs where this is showing up," says Michael Carome, director of the health research group at consumer advocacy group Public Citizen. "If there's a large settlement brought against the makers of Zantac, it's possible that could trigger lawsuits against other drugs that have been contaminated with carcinogens."

A trial against Zantac's manufacturers is scheduled to begin in California in February, and others will follow later in 2023. But as tainted drugs keep being discovered, the real impact of nitrosamine contamination could take much longer to become clear. Merck & Co. was the latest to add to the list, confirming on Aug. 9 that the impurity had been found in its blockbuster diabetes drug, Januvia. The US Food and Drug Administration has allowed Merck to keep selling the medicine for now, saying that potential shortages outweigh the risk.

Scientists have known that nitrosamines can be linked to cancer for at least 65 years. Still, contamination in everyday drugs didn't come to light until 2018, when tests at Swiss drugmaker Novartis AG on an active ingredient used in generics of one of its blood pressure medicines revealed a chemical called NDMA–a nitrosamine once used in rocket fuel and classified by the World Health Organization as a probable carcinogen. Similar pills, known collectively as angiotensin II receptor blockers, or ARBs, were found to be tainted with comparable chemicals, and a string of recalls was announced.

The FDA allows drugs to contain 96 nanograms of NDMA based on its calculations that this level approximates a 1 in 100,000 cancer risk for people who ingest nitrosamine chronically over a lifetime. Some of the earliest recalled blood pressure pills contained as much as 20,000 nanograms of NDMA.

It the two years after the Novartis find, nitrosamines were found in the diabetes treatment metformin as well as Zantac. After the FDA asked all drugmakers to test their products for the potential carcinogens in 2020, they popped up in more medications: Pfizer Inc.'s smoking cessation drug Chantix, blood pressure pills and muscle relaxants from Pfizer and Novartis's generic unit Sandoz, and most recently the Merck diabetes drugs. All told, drugmakers have filed more than 250 nitrosamine-related recall reports with the FDA since 2018.

"The nitrosamines issue is real, and I would expect we may see more recalls," says Ed Gump, vice president for small molecules at US Pharmacopeia, an organization that works with the industry to help control impurities.

Nitrosamines had showed up in cosmetics in the late 1970s. They were also found in many beers around then, when German scientists tested commercially available drafts, bottles, and cans. For that industry, the problem was easy to solve: Retracing the brewing process, scientists suggested the ▶

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◀ potentially cancer-causing chemicals formed when malt was heated in a certain way. Within four years, beermakers revamped production lines and all but eradicated the contaminant.

The challenges drugmakers now face are more complicated because the contamination is unique to each drug: In the generic blood pressure medication valsartan, regulators determined the cause to be chemical reactions during manufacturing or the use of tainted ingredients recycled from drugs that had undergone nitrosamine-forming chemical reactions. Other cases, like Zantac, can depend on how a tablet is stored or what inactive ingredients are used.

For makers of Zantac, problems started when an analytical lab alerted the FDA in 2019 that it had found high levels of NDMA when testing the drug. Seven months later the FDA asked all companies that sold Zantac and its generic version, ranitidine, to take the medications off the market. The agency said NDMA can form in them over time or as a result of storing them at higher room temperatures.

The hit to the pharmaceutical industry from pending litigation could be particularly widespread because Zantac—one of the first drugs to exceed $1 billion in annual sales—has bounced between owners since it hit the market in 1983, including original maker GSK PLC, Pfizer, and Boehringer Ingelheim. Sanofi last bought it in 2017.

Lawyers have been lining up to represent people who developed cancer after taking the medication. More than 1,700 cases are consolidated under a multidistrict litigation in Florida, a tactic used to conduct pretrial proceedings collectively under one judge before individual lawsuits are heard.

The first US lawsuit, a trial involving Joseph Bayer, who alleged ranitidine, the active ingredient in Zantac and its generics, caused his esophageal cancer, was dropped days ahead of its planned Aug. 22 start, after a series of settlements with some of the generic drugmakers involved. "The overwhelming weight of the scientific evidence supports the conclusion that there is no increased cancer risk associated with the use of ranitidine," GSK said in a statement. "The science does not support the plaintiffs' claims in this litigation," Sanofi said.

Still, Boehringer Ingelheim, GSK, Pfizer, and Sanofi could face as many as 55,000 as-yet unfiled lawsuits, based on a registry of complaints, on top of thousands already filed, according to Bloomberg Intelligence analyst Holly Froum. Even if most cases are settled, the companies could be on the hook for billions of dollars. —*Anna Edney*

THE BOTTOM LINE Nitrosamines have been found in several popular drugs lately. Morgan Stanley estimates trial judgments over the carcinogen could reach $45 billion for Zantac alone.

CALLAGHAN O'HARE/BLOOMBERG

BW Talks Tarek Robbiati

Cloud computing—storing data, software, and even business functions on the internet—has been taking over tech. But Hewlett Packard Enterprise Co.'s chief financial officer says companies will still need IT services firms. —*Romaine Bostick*

● Earned an MBA from London Business School and holds a master's in nuclear physics and electronics ● CFO of Sprint from 2015 to 2018 ● Formerly CEO of Australia's Flexigroup and a senior executive at Telstra Corp. and Orange Plc ● Named CFO of HPE in August 2018

HPE has been aggressively moving beyond hardware to a services model. How has that changed the company?

It's a fundamental business model change. Customers no longer want to be managing their IT infrastructure. And our service solutions are there to create a transparent relationship between them and the infrastructure. They don't care about where the infrastructure is; they just want the outcome the infrastructure can deliver.

But won't businesses use the cloud to bypass IT and outsourcing providers?

There still is a view that the whole world is going to move to the public cloud, but we think the world is going to be hybrid. The explosion of data at the "edge" of the cloud [on computer systems close to the data source] is warranting a much more distributed infrastructure. Every 18 months, the data produced by the world is doubling, and 80% of that data is generated at the edge. You can't think about bringing that entire amount of data all the way onto the public cloud. It needs to be processed and analyzed and made sense of locally, so that is the whole idea that we are after.

Exactly where does HPE fit in, then?

In simple terms, HPE is the edge-to-cloud company. The edge is where companies generate data, where things happen: At a retail chain, each time a transaction takes place with a customer, there is a massive flow of information that relates to that transaction. We provide connectivity to capture that interaction and can process the data from the edge all the way to the cloud.

Are customers buying your approach?

We've had an incredible performance with GreenLake [HPE's edge-to-cloud platform]. It's been three quarters in a row where GreenLake as a service grew more than 100% in orders, year over year. And there is no letting off of that demand.

● Interview edited for clarity and length.

Photographed responsibly by Pablo with a tripod

Remind Me Again Why I Bought Whole Foods?

PHOTO ILLUSTRATION BY 731; PHOTOS: GETTY IMAGES (3)

As the grocer's co-founder moves on, the rationale for the deal is still hazy

The day in 2017 that Amazon.com Inc. announced it would buy Whole Foods Market, Jeff Wilke, then Amazon's retail czar, tried to reassure a large group of employees gathered in a conference room above the high-end grocer's flagship store in Austin that their lives wouldn't be turned upside down by the deal. Then he referred to blueberries as a vegetable.

Executives from Whole Foods pounced. "Those aren't vegetables," cut in co-founder John Mackey. "So it begins," added Walter Robb, Mackey's former co-chief executive officer, before Mackey offered Wilke an out: "We're learning," he said.

The flub pointed to the awkwardness of a $13.7 billion union between a company whose core competencies were e-commerce logistics and cloud computing and a grocery store chain catering to people who wanted to choose from several colors of cauliflower. This isn't to say there was no logic to it. Amazon was a decade into a largely unsuccessful attempt to sell groceries online, and Whole ▶

Edited by Joshua Brustein

◀ Foods would add specific expertise, along with a 500-store springboard into physical retail. Mackey saw joining Amazon as a way to shield his company from investors pressing for a shakeup because of disappointing growth. It also offered access to data-driven decision-making and innovation. "We're gonna see a lotta technology," Mackey told employees at the time. "I think you're gonna see Whole Foods Market evolve in leaps and bounds."

The change has been less transformational than Mackey predicted. Amazon rolled out delivery in stores, supplanting a deal Whole Foods had previously offered through Instacart, but hasn't done as much as expected to change the way the grocer works. Instead, it's taken a relatively hands-off approach as it splits its attention with its own chain of conventional grocery stores, Amazon Fresh.

Mackey retired on Sept. 1, about 42 years after founding Whole Foods and five years after selling it to Amazon (he insists on calling the deal a "merger" rather than an acquisition). It's still unclear how Whole Foods fits into Amazon's plans to become a major player in groceries. Some argue Whole Foods has actually weakened its brand with the Amazonian price cuts and conveniences that weren't its primary draw in the first place. "People who go to natural and organic stores go there because of the quality of the product," says David Bishop, a partner with grocery consultant Brick Meets Click, who's done surveys of shoppers at Whole Foods and other chains. "People don't shop with them because of price."

Mackey's successor is Jason Buechel, Whole Foods' chief operating officer. Buechel, 44, is the son of a cheesemaker who once worked at a company that made private-label string cheese for the grocery chain. He's a quiet consensus builder, where Mackey's leadership style was brash.

By the time Buechel, a former management consultant, showed up at Whole Foods in 2013, the chain was in trouble. Other grocers had entered the organic market, while packaged-goods companies had begun to buy up natural-food startups originated at Whole Foods and brought their products to Walmart Inc. and Target Corp.

Although he piloted projects such as adopting Apple Pay and Instacart, much of what Buechel had arrived to do was remedial. Whole Foods was organized to give lots of responsibility to regional management. That made the company responsive to local trends, but it also meant that different stores used their own point-of-sale technology and record-keeping. Budgeting was a mess, and it was difficult to track how much stores were spending on staffing.

Buechel was part of the chain's effort to modernize and centralize purchasing, which some longtime executives and shoppers saw as driving Whole Foods toward being just another homogeneous chain. "There are national and seminational grocers that are more attuned to what's happening in their local market," says Tim Sperry, a former regional Whole Foods executive who left in 2006 and today advises retailers and food companies. "Ten years ago you couldn't say that." Whole Foods rejects the criticism, with a spokesperson saying it stocks more local products now than it did in 2016.

In certain ways, Buechel cuts the classic profile of a Whole Foods consumer. He's an obsessive runner who's given up caffeine and has dabbled in cryotherapy, the practice of subjecting one's body to really cold temperatures to reduce inflammation. He's been known to get into deep conversations about which type of mushroom snacks best approximate the texture of meat.

In an emailed statement, Buechel credited employees for helping the chain grow during the past five years, "through incredibly challenging times, without compromising our quality standards, our commitment to our customers, or our higher purpose to nourish people and the planet." He's said he'll lay out the specifics of his vision next year, but he's promised to think long term while also working to restore some of Whole Foods' traditional crunchiness.

Many of the company's original fans worry that it's strayed too far from its initial vision to return to it. Even as the chain risks alienating the faithful, the Amazon-era price cuts haven't erased its "Whole Paycheck" reputation among the broader population, according to Bishop.

Since the acquisition, sales in Amazon's physical retail segment—predominantly Whole Foods in-store sales—have grown by less than those of mainstream grocers such as Kroger and Albertsons, as well as natural food chains Sprouts Farmers Market and Natural Grocers. Foot traffic is below pre-acquisition levels, according to mobile phone data analyst Placer.ai.

Numerator, a researcher that relies on shopper panels, estimates that physical Whole Foods stores account for 1.3% of the US grocery market, down a bit since the start of the pandemic. Amazon's overall slice of the grocery market—including its own online grocery business, deliveries from Whole Foods stores, and sales from its new line of Fresh supermarkets—has gained share during that time, to 1.6%, Numerator estimates.

Spokespeople for Whole Foods and Amazon said that these data are misleading and that sales,

▼ Change in revenue from 2018 to 2021*

BUECHEL: COURTESY WHOLE FOODS MARKET. *CHANGE IN REVENUE IS CALCULATED FROM THE SUM OF THE FOUR REPORTED QUARTERS THAT MOST CLOSELY CORRESPOND WITH EACH CALENDAR YEAR. DATA: COMPANY REPORTS basket size, and number of unique customers have all grown since the acquisition. Whole Foods has opened roughly 60 stores since the deal, with 50 more in the works, though it's also closed several underperforming locations and abandoned its line of smaller "365 by Whole Foods" stores.

Tony Hoggett, Amazon's physical stores chief, says any suggestion that the company is unsatisfied with the deal is "simply wrong," adding that it's "incredibly happy with the growth and success of Whole Foods Market over the last five years." Hoggett, a former executive at British grocery giant Tesco Plc who joined Amazon in January, is more engaged with Whole Foods than previous Amazon executives, according to people at Whole Foods who've worked with him. There are signs that he's more tightly integrating the chain into Amazon's other grocery operations, such as a recent move with Whole Foods executives who oversee marketing and real estate, which gives them those responsibilities at Amazon Fresh grocery stores. Fresh's product managers have relied on their Whole Foods counterparts for guidance on organic standards, store design, and other topics. The newer chain has 41 stores, less than 10% of the number of Whole Foods stores. If it develops into a national operation, Amazon Fresh will owe that in part to Whole Foods.

Whole Foods, meanwhile, is testing Amazon's more technology-heavy approach. Its stores in California and Washington, D.C., have installed Amazon's cashierless "Just Walk Out" system of people-tracking cameras. Amazon's Dash Cart, which lets people using a specially designed basket full of cameras skip the checkout line, is planned for one store in Massachusetts. The biggest change in Whole Foods stores since the Amazon deal, though, may be installing a technology rudimentary enough to have been pioneered long ago by competitors who aren't owned by trillion-dollar internet companies. In 2018, Whole Foods executives finally began installing self-checkout kiosks, which they'd resisted for fear they were impersonal. The pace of adoption has increased in the years since. Nicole Davia-Wescoe, president of Whole Foods' Northeast region, says she's rushing to put more of them in place in her stores. "We need to be relevant," she says. —*Matt Day*

THE BOTTOM LINE John Mackey's retirement from Whole Foods marks the end of an era for the chain, but its new direction remains uncertain.

● Buechel

Cat-and-Mouse With Pyongyang's Hackers

● South Korean experts track cyberattacks coming from their northern neighbor

Kay Kyoung-ju Kwak, a South Korean cybersecurity researcher, can usually tell when malware emanates from his neighbors to the north: They drop clues in the malicious code that show they understand their adversary. "Sometimes they put a K-pop star name in there," he says, laughing. "They don't like BTS." (Instead, he says, they prefer the all-female ensemble Girls' Generation.) Kwak says he's also stumbled across digital evidence of North Koreans illegally downloading South Korean soap operas, presumably to entertain themselves when their shifts end.

Kwak is a threat researcher at the Seoul-based cybersecurity company S2W Inc., where he oversees a team of about 20 cybersecurity specialists called the Talon Group. The majority of them have expertise in North Korea, and they work with international law enforcement to thwart North Korean hacking attempts. S2W also has private-sector clients in e-commerce, automotive, semiconductors, and biotech.

The work can be tedious, frustrating, and, on occasion, hugely rewarding: Kwak was among the first to identify a new North Korean hacking group several years ago, christening it Andariel, after a demon also known as the Maiden of Anguish in the role-playing video game *Diablo II*.

The regime of North Korean leader Kim Jong Un has developed hacking as an effective tool for stealing military intelligence, raising money for the cash-strapped country, and punishing adversaries. Its hackers announced themselves with ▶

◀ the 2014 attack of Sony Pictures Entertainment Inc., in which state-sponsored hackers stole and leaked sensitive content in apparent retaliation for *The Interview*, a comedy centered on a plot to assassinate Kim. Since then, North Korea's hackers have been accused of stealing $81 million from Bangladesh Bank in 2016, launching global WannaCry ransomware attacks in 2017, and targeting pharmaceutical companies and cryptocurrency firms.

"When it comes to national security, South Korea is still the target, yet in regards to cybercrime and stealing funds, they're doing that all over the world," says Bruce Bechtol Jr., a professor of political science at Angelo State University, who's written several books on North Korea.

The US Army estimates that there are about 6,000 North Korean hackers in operation. Some of them work domestically, but the country has also developed an infrastructure dedicated to North Korean hackers abroad, according to the United Nations and the US Army. They operate from "nests" in places such as Malaysia, China, and Russia, where cyber experts say the governments tolerate their presence. Those hackers are assigned a quota in dollars that they have to procure through their illicit work before they can consider going home, says Kwak. "They have a mission to get $100,000 to go back to North Korea," he says.

North Korean hackers stole $400 million in cryptocurrency in 2021, according to a January 2022 report from the blockchain analysis firm Chainalysis. That haul was eclipsed by the $600 million they allegedly lifted from a cryptocurrency gaming startup in a single attack in March. They've managed to do this in a country with a shrinking economy that's under punishing international sanctions and where modern technology is rare. "These are the most innovative people," says Michael Barnhat, an analyst at the cybersecurity firm Mandiant Inc., of North Korea's digital spies. "They only know what it's like to run with ankle weights on, so when they have access to something that would seem to be a basic tool to us, to them it's incredibly useful."

A hockey-playing father of two, Kwak first got interested in cybersecurity while studying at Sungkyunkwan University, where he joined the campus information security club, which doubled as the university's IT department. The students discovered hackers trying to take over the university servers and distribute malware.

He joined S2W, which stands for Safe and Secure World, two years ago. Kwak now works out of the company's headquarters in Pangyo Techno Valley, South Korea's version of Silicon Valley, in an office outfitted with standard-issue startup gear: beanbag chairs, a Jenga set, a Nintendo Switch system, and an oversize video monitor. The analysts sit in cubicles outfitted with two screens: one for scanning the web, another for code analysis. (There's often an extra keyboard or laptop for messaging team members.) After figuring out ways to decrypt malicious code, they study and compare it to known North Korean code.

In 2016, Kwak discovered the group he named Andariel trying to hack a South Korean financial company. Kwak noticed that the codes and tactics differed slightly from malware typically associated with Lazarus, the Pyongyang-backed hacking organization tied to breaches at Sony Pictures and Bangladesh Bank. He took apart the malware samples from previous hacks attributed to the group. Ultimately, he says, it became clear that Andariel is different though related to the larger Lazarus.

▲ Program developers at the S2W office in Pangyo Techno Valley

He submitted his findings to the South Korean government. US officials later determined Andariel was a subgroup of Lazarus and issued sanctions against it in 2019, saying it hacked into online poker and other gambling sites to steal cash and infiltrated the personal computer of South Korea's then-defense minister.

Kwak says he hopes one day to communicate more directly with the people peppering their malware with pop culture references. "The government says we're enemies," he says. "But one day, if we unify, I want to meet them. I want to say, 'Hey, I named one of your groups, did you see that?' " —*Jamie Tarabay*

THE BOTTOM LINE Despite its shrinking economy and lack of modern technology, North Korea has established a network of hackers that poses a threat to its southern neighbor and far beyond.

WOOHAE CHO/BLOOMBERG

Targeting 'Woke' Wall Street

● ESG investing is the right's new bogeyman—and Vivek Ramaswamy is banking on it

Edited by Paula Dwyer and David Gillen

It was smiles all around as the familiar Wall Street ritual–the ringing of the closing bell–played out again at the New York Stock Exchange on Aug. 10. But this was no ordinary photo op.

As the bell clanged and cheers went up, the figure in the center, Vivek Ramaswamy, was visibly delighted. A wealthy biotech entrepreneur turned anti-"woke" evangelist, he's at the vanguard of a new conservative movement–one that's bringing America's political divisions to the money-loving heart of Wall Street.

Its target: BlackRock Inc., the world's largest asset management company. Forget #MeToo, Black Lives Matter, and rainbow flags. To Ramaswamy and his pack, the business of corporate America is business. Period.

He and the others crowding onto the marble balcony had come to deliver a warning to the financial markets: American capitalism is being threatened by corporations embracing social causes. Ramaswamy and his supporters want to force chief executive officers to focus only on profits–and score a little for themselves, too.

Corporate America, like so much else, is being cleaved into red and blue. And Wall Street is getting tangled in the messy debate. ESG–investing with environmental, social, and governance principles–has become the right's new bogeyman. Prominent Republicans are joining Ramaswamy in pushing back at what they call a liberal agenda, and they're starting to influence who gets to handle huge sums of taxpayer money and where all that money is invested. Enter Ramaswamy, 37, author of the 2021 book *Woke, Inc.: Inside Corporate America's Social*

ILLUSTRATION BY JIM STOTEN

Justice Scam. Sensing opportunity, he's started his own investment company with backing from billionaire investors Peter Thiel and Bill Ackman.

Ramaswamy's little company, Strive Asset Management LLC, has crazy big ambitions. At the Big Board, he was listing a modest energy exchange-traded fund with a not-so-modest ticker: DRLL. Joining him was a Trump-world sampler of conservative think tankers, Republican politicians, and a few Wall Street types such as Howard Lutnick, CEO of Cantor Fitzgerald LP. Lutnick told attendees that Strive can speak for the "silent majority" of Americans who want business to mind its business. Lutnick and Thiel didn't respond to requests for comment, and Ackman declined to comment.

Ramaswamy isn't alone in thinking it's time to push back at the ESG movement. Deep-red Texas wants to yank state money away from financial firms that are seen as hostile to fossil fuel companies. West Virginia has blacklisted some Wall Street businesses for the same reason. In Arizona, Republican Senate candidate Blake Masters has characterized ESG scores as an existential threat to America. And on Aug. 23, Republican Ron DeSantis, running for reelection as Florida's governor and widely seen as a contender for his party's 2024 presidential nomination, banned the state's pension fund managers from considering "social, political, or ideological interests" when making investment decisions.

All he and the anti-ESG state officials are doing is taking politics out of the C-suite, Ramaswamy says. That's debatable: One study in July by University of Pennsylvania and Federal Reserve economists showed that Texas entities alone will pay as much as $532 million in extra interest on $32 billion in borrowing this year under its 2021 law. Bryan McGannon, director of policy and programs at US SIF, a trade group that promotes sustainable investment, says Florida's moves are "clearly tied to politics, because it's certainly not in the best interest of pension fund beneficiaries" to say that climate change isn't a financial issue. In a state whose 8,000 miles of coastline make it highly vulnerable to flooding, "that just doesn't make sense," he says.

It sounds laughable, but Ramaswamy insists Strive will one day take on BlackRock, a leading proponent of sustainable investing. New York-based BlackRock manages $8.5 trillion. Strive, located near Columbus, Ohio, manages one fund, DRLL, worth about $300 million. The firm has filed to start several more funds. BlackRock declined to comment.

BlackRock CEO Larry Fink for years has pushed corporate bosses to look beyond short-term profits and embrace stakeholder capitalism, in which companies consider, alongside shareholders, the interests of employees, the environment, customers, local communities, and others with a stake in the survival of a corporation. Its proponents say profits will improve in the long run.

At first, Fink attracted a lot of criticism. Today, stakeholder capitalism and ESG investing are mainstream. If anything, left-leaning groups say BlackRock isn't moving fast or far enough. But to Ramaswamy and his allies on the right, BlackRock is unfairly using its leverage as the largest shareholder in many companies to advance social causes that should be decided at the ballot box. In January, Fink used his latest annual letter to defend his position: "Stakeholder capitalism is not about politics," he wrote. "It is not a social or ideological agenda. It is not 'woke.' It is capitalism."

Ramaswamy, too, says his message is nonpartisan and expresses disappointment that it "has been too limited to the American right. It's not for lack of effort." Yet his pitch sounds a lot like a political manifesto. In language reminiscent of a Donald Trump rally or Fox pundit Tucker Carlson (Ramaswamy has appeared on Carlson's show), he says Strive will speak for the "forgotten," the "disempowered," the "abused"—for the 100 million-plus ordinary investors whose voices are being drowned out by elitist big money.

A Zelig of the conference circuit, he's cultivating the red-state governors, treasurers, and pension officials who decide where the public's money flows. "Money doesn't talk, it screams," Ramaswamy says. "We allow people to speak in a way that they haven't been able to speak before." Lean and fast-talking, he throws off the frenetic energy of a campaigner on the trail—which, in a way, he is. Shirt sleeves rolled up, digging into Mexican takeout, he goes on about Vladimir Putin and the politics of victimhood and then name-checks Alexis de Tocqueville on American democracy during an interview at the NYSE.

He toyed with running for a US Senate seat in Ohio as a Republican at one point, but he wants to be clear: Strive isn't some political operation masquerading as a business. It's not what anyone might have expected. The son of emigrants from India, Ramaswamy grew up in Evendale, about 20 miles north of downtown Cincinnati. His CV reads classic overachiever: high school valedictorian, Harvard, Yale Law. After spending his 20s in the hedge fund game, he made a fortune in biotech and graced a *Forbes* cover in 2015, at age 30.

Not everyone who's invested alongside him has done as well. His initial company plunged after an Alzheimer's drug failed a clinical trial. A related ▶

"Money doesn't talk, it screams. We allow people to speak in a way that they haven't been able to"

◀ Ramaswamy

◀ business, Roivant Sciences Ltd., stumbled after going public. SoftBank Group Corp., a huge backer of startups, wrote down the value of its investment by about half, to $500 million, as of March 31. Ramaswamy's stake is worth about $260 million.

Two events changed his course, he writes in his book. One was Black Lives Matter. As millions poured into the streets to protest racial injustice after the 2020 killing of George Floyd, Roivant employees pressed Ramaswamy to do more to address systemic racism and speak out the way other CEOs were. He didn't want to, and some colleagues got upset. The second was the US Capitol riot, on Jan. 6, 2021, which he says horrified him. That time, he did go public, criticizing social media companies for shutting down the accounts of Trump and some of his supporters. Advisers to Roivant promptly distanced themselves.

Ramaswamy says people were expecting executives to take a public stand on some issues but not others. He wanted to speak his mind as a private individual, so he quit as CEO and wrote *Woke, Inc.*, an almost 400-page indictment of "wokenomics." Conservative media ate it up. (He says he sent a signed copy to Fink.) "Wokeism is far more dangerous than Marxism," Ramaswamy said on Fox News last year.

He compared notes with a high school friend, Anson Frericks, on how Coca-Cola Co. was speaking out for voting rights in Georgia. Ramaswamy and Frericks considered starting a rival soft drinks business—a sort-of anti-Coke that would steer clear of politics. They concluded the odds were against them. Instead they went "upstream," as they put it, to the companies that wield power by managing other people's money. In a jab at BlackRock, they code-named their project Whitestone. They raised capital from Lutnick and venture capitalist Joe Lonsdale, who didn't respond to requests for comment. The VC firm co-founded by *Hillbilly Elegy* author J.D. Vance, who's running for a US Senate seat in Ohio with an endorsement from Trump, also sent money. Strive officially opened in May. Today it employs 30 people. BlackRock has 18,000.

Although Ramaswamy may border on a money management troll, he's finding receptive audiences. In January he was in Missouri, signing copies of his book at a chapter of the conservative Federalist Society. In Louisiana weeks later, he collected an award at the conservative-aligned State Financial Officers Foundation. In June he spoke in Tennessee at a Heritage Foundation conference. A private steakhouse dinner followed, according to emails obtained by Documented, a watchdog group. On the invite list: a Strive executive (not Ramaswamy), the Republican Attorneys General Association, and state treasurers from Missouri, Nebraska, Utah, and West Virginia. Their spokespeople declined to comment or didn't respond to requests for comment.

He spoke about ESG with trustees for Missouri's retirement system in June. And in July, at a DeSantis news conference, the governor criticized stakeholder capitalism—and then introduced Ramaswamy's firm. "Vivek and the governor both agree that ESG is an improper politicization of investment practices," a spokesperson for DeSantis says.

In August, Ramaswamy attended an energy conference in Colorado where he showcased the types of proposals Strive would support, including one that would make hiring, promotions, and pay "exclusively based on job qualifications, without regard to race, gender, sexual orientation, or political views." Also last month, he took the stage the day before Trump at the Conservative Political Action Conference, the gathering of the right wing in American politics. He delivered a talk on the "ABCs of ESG." The tag on the CPAC website: "AWAKE NOT WOKE."

Ramaswamy insists he's not looking to divide Wall Street into red and blue, yet he's not ruling out this is the way things might go. "It may be that as an asset manager, you can't represent California and Texas at the same time." —*Silla Brush and Saijel Kishan, with Frances Schwartzkopff*

THE BOTTOM LINE Vivek Ramaswamy of Strive Asset Management wants to marshal money away from BlackRock with an anti-ESG message that's resonating with conservative America.

The ESG Crown Is Slipping

● Plain-vanilla stock and bond funds are doing better than the ESG-focused ones

In late 2021, Cathie Wood's ARK Investment Management introduced its first exchange-traded fund with a socially conscious bent. Less than eight months later, the ARK Transparency ETF was shuttered—the firm's first-ever closure—and Wood declared on Bloomberg Television that "there was a lot of slapping lipstick on a pig" in the environmental, social, and governance investment industry.

ARK's experience is part of a broader ESG reckoning. After two years in which more than $32 billion flowed into US exchange-traded funds with an ESG focus, investors have put only about $4.5 billion into such ETFs in 2022. Seven have closed, and US and European regulators are starting to crack down on claims made by fund creators.

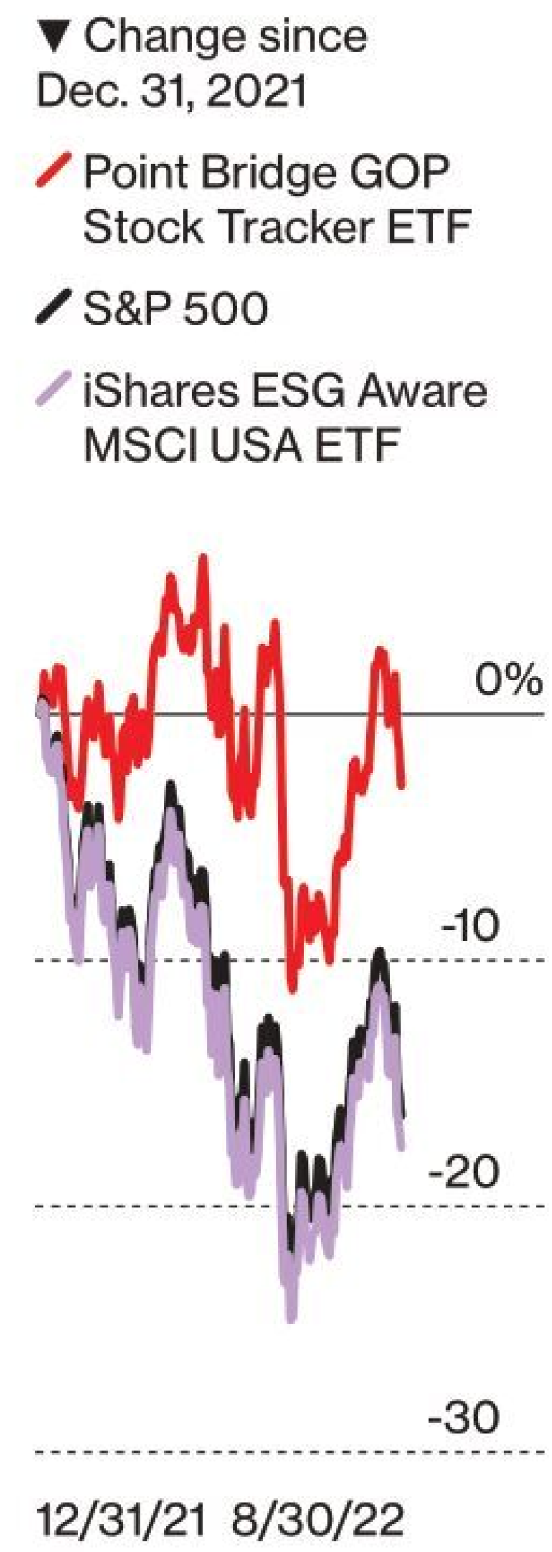
Inflows of $4.5 billion in a year when almost every asset class is underwater is far from a death knell. About $40 billion has been invested over the past decade in US-listed ETFs that emphasize ESG principles, according to Bloomberg Intelligence. The amount allocated to sustainable investment funds altogether is about $2.5 trillion, researcher Morningstar Inc. estimates.

But the ESG crown has been slipping: The investor base is highly concentrated, many funds cast too wide a net to appeal to single-issue investors, and several high-profile greenwashing scandals have tarred the industry's virtuous image. Volatility in financial markets is also playing a big role. The Federal Reserve's resolve to stamp out inflation has ended three straight years of double-digit gains for the S&P 500 and exposed ESG investing as a bull-market luxury.

The concern for most investors now is "how do I find exposures that are going to help me stabilize the portfolio vs. investing with my values," says Jill DelSignore, managing director at FLX Networks, a financial technology platform for asset managers.

This year has delivered a double blow to performance. Technology shares, which are heavily represented in ESG portfolios, have suffered from soaring inflation and higher interest rates, while the war in Ukraine has made a winner out of energy shares, which many ESG funds exclude. Just 3% of the 166 US-listed ESG stock funds have positive returns in 2022, vs. about 9% of overall exchange-traded stock funds, Bloomberg data show. The Point Bridge GOP Stock Tracker, which goes by the ticker MAGA and invests in companies that support the Republican Party, is down about 3% as of Aug. 30 yet was outperforming the S&P 500's 16% drop.

That handoff in market leadership threatens ESG's solid run of outperformance ▶



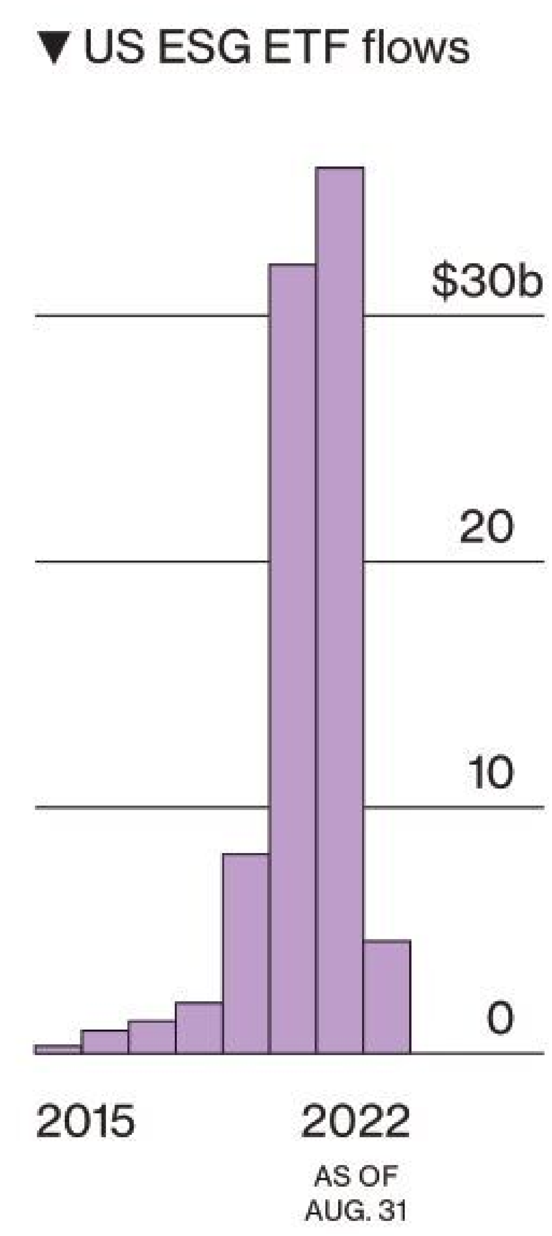


ILLUSTRATION BY JIM STOTEN. RAMASWAMY: CHANTAL HEIJNEN. DATA: BLOOMBERG, BLOOMBERG INTELLIGENCE

◀ over the previous five years, during which US funds holding shares of large companies that emphasize sustainability and growth rose at an average annual rate of 14%, according to Morningstar. Conventional, non-ESG funds rose 11% by comparison in the same period. ESG bonds are also losing ground. A global bond index maintained by Bloomberg and MSCI shows total returns for ESG bonds have dropped 15.2% this year, worse than the 14.7% decline in plain-vanilla bonds, as of Aug. 26.

The volatile market has exposed an ESG vulnerability: a concentrated investor base of large institutions. LDEM, an iShares ESG fund that invests in developing-country companies, plunged 91% over two days in late 2021. Just one holder owned enough shares to make that big a splash: Ilmarinen, a Helsinki pension company, which had made a $600 million investment in the fund at its February 2020 launch. Ilmarinen didn't respond to a request for comment. The largely institutional base, especially in the US, "exposes the category to hefty drops if investors pull out of bigger funds," Bloomberg Intelligence analysts Shaheen Contractor and Athanasios Psarofagis wrote in an August report.

There's also the perennial problem of trying to define ESG, an umbrella with three distinct categories that can be at odds. Tesla Inc.'s ejection from the ESG version of the S&P 500 in May highlighted that point: While the electric-vehicle maker's mission is to replace gasoline-powered vehicles, Tesla's working conditions and handling of crash investigations weren't up to snuff, S&P Dow Jones Indices explained in a blog post. "ESG is a scam," Tesla CEO Elon Musk tweeted at the time.

Meanwhile, regulators are sharpening their focus on labeling. In the US, the Securities and Exchange Commission may soon require additional disclosures about how ESG principles fit into managers' investment strategies. And in Europe, Morningstar stripped the ESG label from almost a quarter of funds claiming to promote sustainability because they fell short of standards. That lack of nuance is muddling the message for investors looking to put money behind their principles, says Ben Johnson, Morningstar's head of client solutions for asset management. While more-targeted funds focus on specific issues such as clean energy and diversity and inclusion, the bulk of ESG assets are held in broad-based index-tracking funds. "My ESG is not your ESG is not the next person's ESG," says Johnson. "It's inherently subjective."

Headline-grabbing allegations haven't helped matters. Law enforcement officials in May raided the Frankfurt offices of Deutsche Bank AG and its asset management unit, DWS Group, following accusations by Desiree Fixler, former DWS chief sustainability officer, that some of its funds were mislabeled. DWS says it's fully cooperating.

Fixler, who says she's still a believer in sustainable investing, says more disclosures are needed to restore faith among investors that their dollars are translating into meaningful action. "The pervasiveness of greenwashing, the politicization of ESG, this has weighed on the asset class for sure," she says. "It's been a big reputational hit."

Whether ESG inflows return to 2021's high-water mark depends on whether risk appetite returns and revives performance, Morningstar's Johnson says. *—Katie Greifeld*

THE BOTTOM LINE This year's inflation, higher interest rates, and soaring energy prices have threatened ESG funds' market leadership and exposed ESG investing as a bull-market luxury.

The Battle of the Proxy Ballots

● Two conservatives are using shareholder measures in hopes of forcing companies to focus on earnings only, not social values

For decades, getting a proposal on a company's proxy ballot, the mainstay of shareholder democracy, had been used by corporate gadflies to try to pressure boards into taking controversial positions. More recently, fund management giants have pushed companies into adopting environmental and social changes through the proxy ballot—the document that publicly traded companies mail to shareholders to cast votes ahead of annual meetings. This year, 272 such measures made it onto company proxies, up from 158 in 2021.

● Shepard

● Chesser

Now conservative groups are getting into the game, led by two little-known strategists who have mastered the art of the proxy ballot. Coincidentally, the US Securities and Exchange Commission is helping to pave their way with important rule changes. "As corporations are making more and more decisions that conservatives feel cater to the left, then [conservatives are] going to not just make more noise about this but be more organized," says Doug Heye, a Republican strategist and former communications director of the Republican National Committee.

ILLUSTRATION BY JIM STOTEN. SHEPARD: NCPPR. CHESSER: NLPC. DATA: NATIONAL CENTER FOR PUBLIC POLICY RESEARCH, NATIONAL LEGAL AND POLICY CENTER

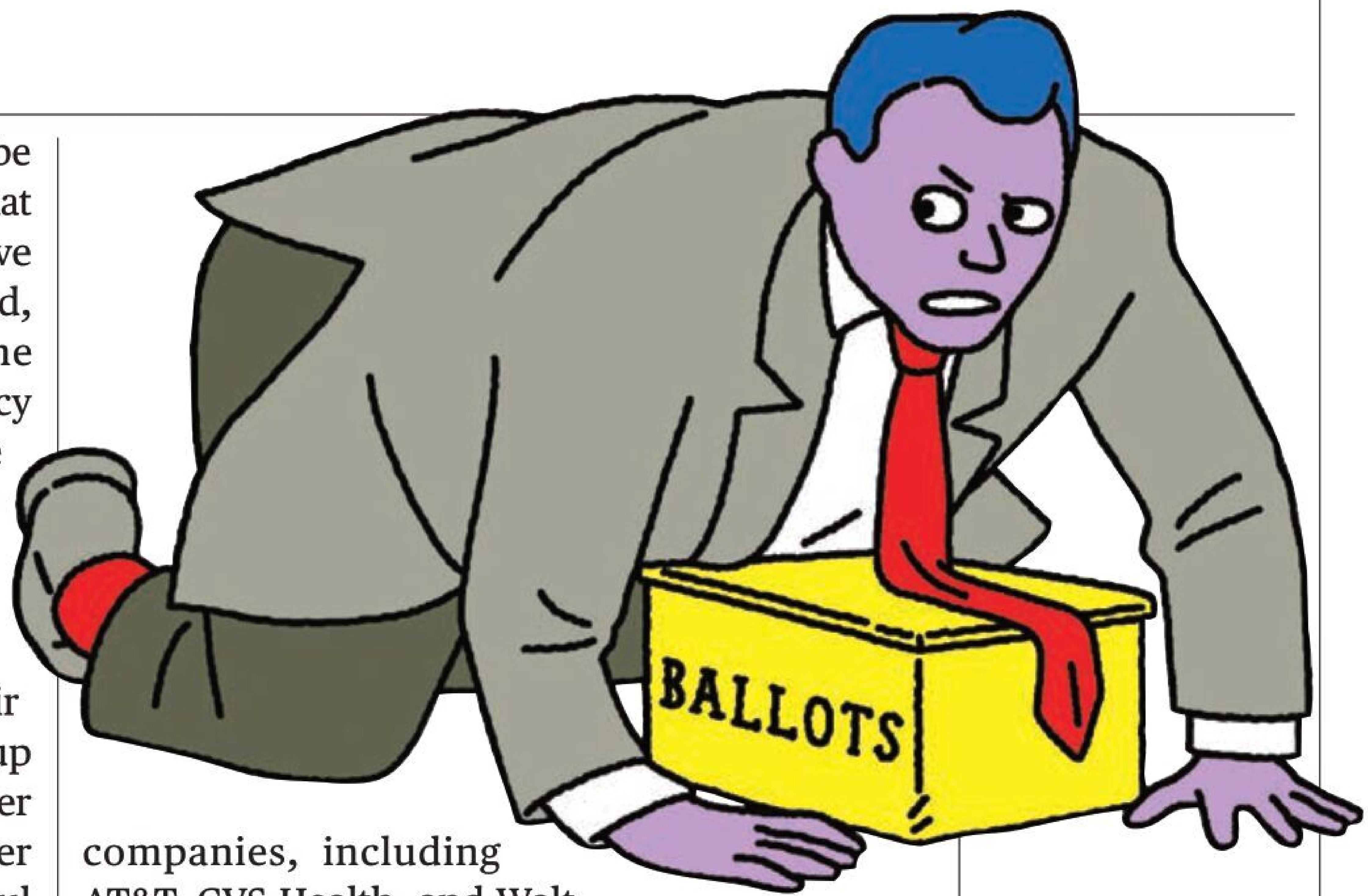
One of the two activists, Scott Shepard, could be seen in February delivering a jeremiad against what he called “Woke Inc.” at a Florida Conservative Political Action Conference convention. Shepard, who leads the Free Enterprise Project at the Washington-based National Center for Public Policy Research, exhorted attendees to put corporate America on the defensive for championing ideas on environmental, social, and governance (ESG) issues. Shepard says he hopes to rein in companies that promote LGBTQ rights and racial justice without also letting conservatives air their views in the workplace. He estimates his group filed some 275 proposals in the past decade. Over at the National Legal and Policy Center, another right-leaning group in the Washington area, Paul Chesser is doing much the same. Hired in 2021 to direct the group’s Corporate Integrity Project, Chesser is almost single-handedly responsible for the doubling of conservative proposals this year.

Chesser, 58, and Shepard, 49, both conservative writers and researchers, communicate enough to avoid bringing similar measures at the same company, Chesser says. Both groups raise funds mostly from individual donors, according to their spokespeople. During this year’s proxy season—the late winter through spring months when most companies issue annual reports, schedule annual meetings, and mail ballots to shareholders—the two groups say they sponsored 55 proposals, up from 27 in 2021.

Of the 25 from Chesser’s group, all but two appeared on corporate ballots—no small feat given that companies work hard to keep proposals from being voted on. Four of Chesser’s proposals notched support from 34% to 40% of proxy voters, remarkably high for first-time filings. “We’re of the opinion corporations shouldn’t be involved in politics,” he says, and should be managed simply to maximize profits, a position some view as political itself.

Chesser’s group opposes the transition away from fossil fuels because investing in costly alternatives could reduce earnings. It also criticizes corporate boards that include women and minorities yet lack individuals from “non-elite” economic or political backgrounds, saying they lack diversity of thought. Such a measure at JPMorgan Chase & Co. got only 4% support. His proposals calling for disclosure of company political or charitable giving at ConocoPhillips, McDonald’s, and Twitter won support from 19% to 40% of voters, well above the 5% the SEC requires for first-time proposals to be resubmitted.

Shepard’s group filed 30 proxy measures, of which 17 went to a vote, he says. Most got 3% support or less. Many of his measures asked



companies, including AT&T, CVS Health, and Walt Disney, to conduct a racial equity audit to investigate discrimination against, essentially, White men. Emphasizing race in hiring creates “massive reputational, legal and financial risk” if others are discriminated against, a supporting statement notes.

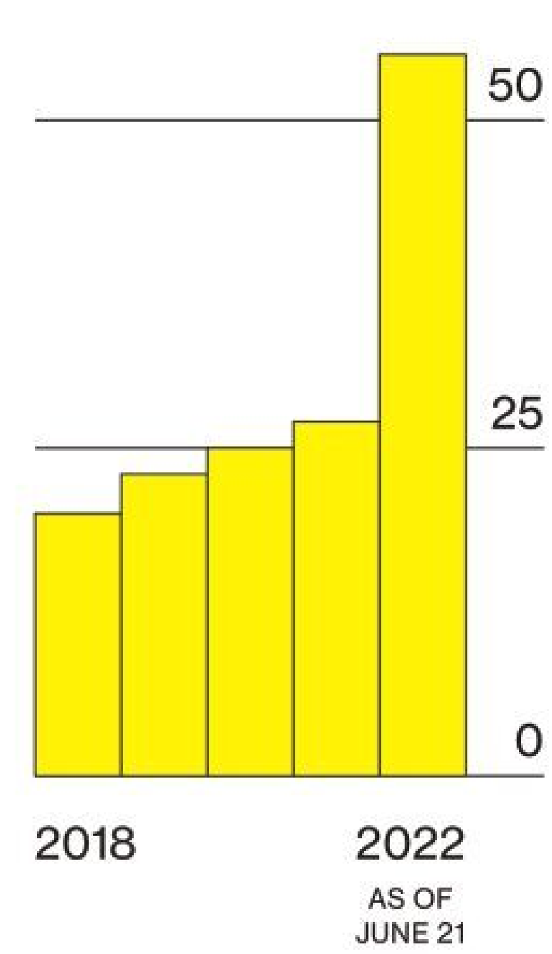
SEC rules require a shareholder to own at least $2,000 of a target company’s stock for at least three years to file a proposal. Companies have found numerous ways to keep them off their ballots, including by petitioning the SEC to let them boot a proposal by claiming it’s “substantively similar” to another already on the ballot or arguing it’s irrelevant to the company’s purpose. In the past, the SEC leaned toward the view of many company managers who find proxy ballot battles a distraction or waste of time. No longer: The agency in November said companies would face greater skepticism when asking to keep significant social issues off their proxies. The SEC followed that in July by proposing to make it harder to claim measures are similar to those already filed.

Most ballot proposals fail to garner strong support from fellow investors, much less a majority. Those that do win more than 50% aren’t binding on a board, but can pressure it to adopt changes or risk becoming the target of activist investors, who often point to such votes while campaigning to unseat directors.

Other shareholder proponents view the groups’ work with skepticism. “No one’s taking them seriously,” says Andrew Behar, chief executive officer of the nonprofit As You Sow, which promotes socially responsible investing. But Heye, the Republican strategist, says it’s too soon to count the groups out. “This is new territory for conservatives.” *—Lydia Beyoud*

THE BOTTOM LINE Two conservative groups have had remarkable success getting shareholder proposals on company ballots, thanks in part to SEC policy changes.

▼ Proxy ballot proposals filed by conservative groups



Cheap Power Is Getting Stranded

● Bottlenecks are preventing wind and solar energy from reaching high-demand areas in the US

Edited by Cristina Lindblad

As energy costs soar around the world, a curious thing is happening with increasing frequency in power grids in certain corners of the US: Prices are plunging below zero.

So much wind and solar have been added that power is getting stuck where it's generated because there aren't enough high-voltage lines to move it to where demand is highest. That's forcing power plant owners to pay users to take the excess electricity.

Wholesale prices went negative about 200 million times across the seven US grids in 2021, more than twice as often as five years earlier, according to Yes Energy, a data and analytics provider. That record will be broken this year as bottlenecks worsen on three renewable-rich grids in Texas, California, and the Southwest, the data show.

All seven US grids price electricity at five-minute intervals across a total of 41,000 nodes that are the equivalent of on-ramps and exits on a highway. Prices aren't falling below zero often enough to meaningfully dent wholesale power costs. But the phenomenon is a warning sign that grids aren't anywhere near ready for a broad shift to renewable power. The US needs to spend $360 billion through 2030 and $2.4 trillion by 2050 to expand transmission systems enough to handle the expected onslaught of renewables, according to a Princeton study. Otherwise, power will keep getting stuck where no one needs it. "We don't have the right big transmission infrastructure," says Cliff Rose, product manager at Yes Energy, who performed the analysis for Bloomberg News.

The more than $400 billion allocated for clean energy infrastructure and climate initiatives in last year's infrastructure bill and August's Inflation Reduction Act are significant, but many efforts are being pursued in isolation from one another and fall short of the economywide transformation that's needed, says Jeremy Rifkin, an economist who's advised Democrats and Republicans on power infrastructure.

In Rifkin's view, Congress squandered an opportunity to galvanize the nation with a grand vision, as President Dwight Eisenhower did in the 1950s with his plan to create a system of interstate highways. The success of clean energy will require sharing solar and wind across the continent from both large-scale plants and millions of homes producing their own power. "The narrative got lost," he says. "It's not about putting in solar and wind, it's about 'How do you transform this country?' "

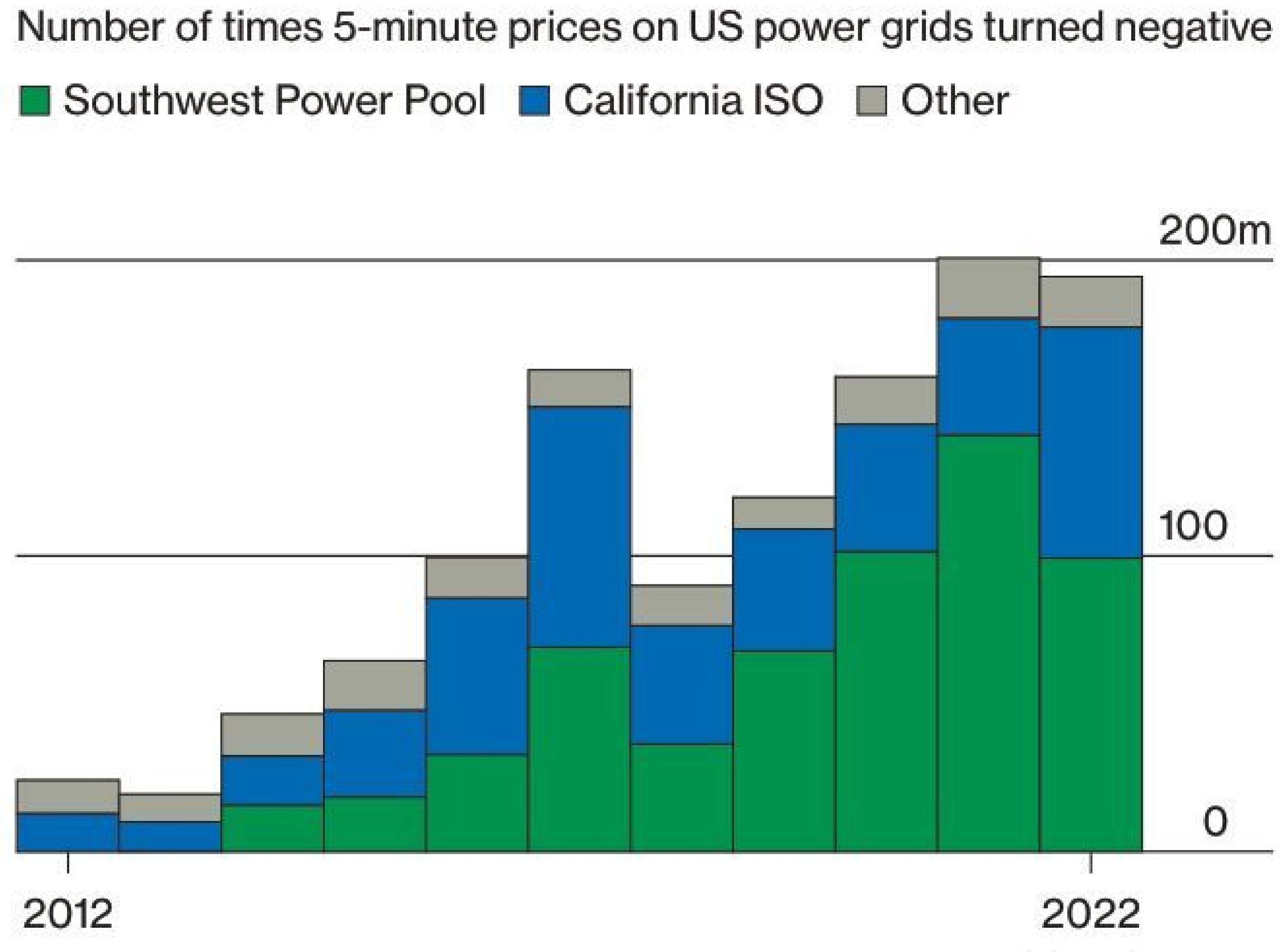
Negative prices aren't new, but they've been on the rise as construction of wind and solar has picked up speed. This year prices fell below zero for 5.8% of the time, as of Aug. 15, up from 4% last year, Yes Energy data show. The incidence of negative prices would be even greater if grid operators didn't order renewable plants to shut down during periods of excess supply to help keep grids stable.

Those subzero prices in areas where there's too much supply are being countered by surging costs in areas where there are grid bottlenecks. Congestion charges—the equivalent of Uber surge pricing—had added a record $99.7 billion to business and residential utility bills as of Aug. 26, higher than the total for all of 2021 and roughly double the level seen in each of the four years prior to that, Yes Energy data show.

Renewables became the driver of negative prices in the past decade, in California and Texas especially, with the help of state and federal tax credits. California's grid formed an alliance with utilities beyond its borders to create a real-time market to more easily move power from renewable sources across the West. Texas squashed an early surge of negative prices by preemptively building a massive transmission corridor that would transport wind

Prices Falling Below Zero More Often

Number of times 5-minute prices on US power grids turned negative



DATA: YES ENERGY

power from the western part of the state to cities to the east, like Dallas and Houston.

The epicenter of negative prices is the Southwest Power Pool grid, which serves almost 19 million people from New Mexico to Montana. Wholesale prices there were negative about 17% of the time during the first seven months of this year, compared with 7% of the time on the main Texas grid and 5% in California, according to Yes Energy.

Wind is already the No. 1 electricity source in the Southwest Power Pool. Turbines were spinning so much this spring that nearly 25% of all real-time prices were negative in the second quarter and more wind generation than ever had to be curtailed to keep the grid stable, according to a report from SPP's market-monitoring unit. ▶

"We don't have the right big transmission infrastructure"

GEORGE ROSE/GETTY IMAGES

◀ In Texas, which is seeing the fastest growth in new wind and solar projects in the country, other plants, such as those running on coal, natural gas, or nuclear fuel, "could be dispatching at zero or even negative prices" at times, Jim Burke, chief executive officer of Vistra Corp., the largest US independent power generator, said on an Aug. 5 analyst call.

Prices on the Texas grid fell as low as -$8,977.46 a megawatt-hour on May 7 at 10:55 a.m. Central Time (a megawatt is enough to supply power to 200 Texas homes for an hour) for CPS Energy's J.K. Spruce coal-fired power plant, according to Electric Reliability Council of Texas data compiled by Bloomberg. Fossil fuel plants may keep running through these transitory price drops because it's cheaper to stay online and avoid costs for restarting the plant later.

Negative prices are becoming more frequent in the Eastern US for different reasons. An unusually pleasant spring day in Boston one May weekend at the same time as the rest of New England sweltered sent prices across the six-state grid to -$150 per MWh for several hours. Prices have been frequently dipping below zero in parts of Delaware and Maryland, because work on transmission lines there has stranded power that usually flows to Washington and Baltimore.

This all should be a wake-up call to policymakers. "Building out transmission should be one of the biggest national priorities that we have to eliminate or minimize those bottlenecks and to allow for more economic transfer of that electricity to places that can use it," says Mona Tierney-Lloyd, head of USA state policy at Enel North America, a leading developer of renewable projects. —*Naureen Malik, with Dave Merrill*

THE BOTTOM LINE The more than $400 billion Congress has allocated for clean energy infrastructure is short of what experts say is needed to upgrade the grid to handle a surge in renewable power.

Who Needs Kids?

● Single, child-free women in the US are richer than their male peers

Ashley Marrero isn't married and doesn't have kids. She has a message for other women just like her: You can still have it all.

The 43-year-old says she feels a deep sense of satisfaction from her job as a sales representative for a maker of medical devices, which brings her into contact with patients. And she relishes all the lifestyle and financial freedoms that come with being a single, child-free woman in a well-paying job. That includes an apartment in New York City, a new beach house on the Jersey Shore, and frequent travel for pleasure as well as work. "I love my life and feel very fulfilled," says Marrero, who froze her eggs in 2018 to keep her options open. "I love children, and I love all my friends' children. But I don't know if I would love my life with children."

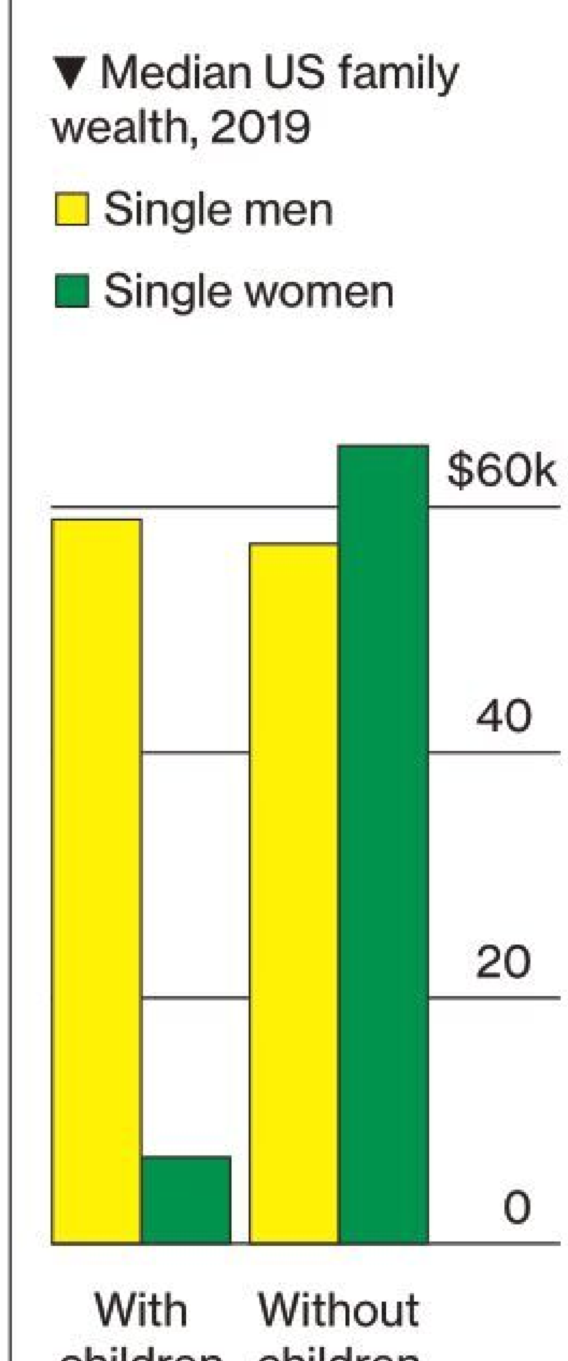
Marrero belongs to a growing cohort of women who are putting off motherhood or forgoing it entirely. As a result of the decision not to parent, many are advancing further in their careers than prior generations and entering a new frontier of wealth. Single women without kids had an average of $65,000 in wealth in 2019, compared with $57,000 for single, child-free men, according to new research from the Federal Reserve Bank of St. Louis. Single mothers had only $7,000.

Parenthood was losing its appeal even before Covid-19, and the hardship brought on by the pandemic appears to have accelerated the trend. A Pew Research Center study last year found that 44% of Americans age 18 to 49 who don't have kids say it's not too likely or not at all likely that they will procreate someday–an increase of seven percentage points from 2018.

US birth rates have been falling for the past 30 years as people get married later in life and put off having children. In 1990 there were about 71 births per year for every 1,000 women age 15 to 44. By 2019 that had dropped closer to 58 births, according to a US Census Bureau analysis. At the same time, the share of women age 25 to 34 who don't have kids reached a record in 2018, the most recent year available in data going back to 1976.

Many experts point to the rising cost of raising a family as an important factor in Americans' decisions to have fewer or no offspring. The expenses involved in raising a child born in 2015 through age 17 will run an estimated $310,605, according to the Brookings Institution, which adapted a government calculation to adjust for inflation trends, adding about $26,000. The projection doesn't include the cost of a college education.

There are other costs to consider. Several



PHOTOGRAPH BY BEN SKLAR FOR BLOOMBERG BUSINESSWEEK. DATA: ST. LOUIS FEDERAL RESERVE studies have demonstrated that working women are subject to a "motherhood penalty" either during pregnancy or after they give birth. In research prior to the pandemic, Julie Kashen, director for women's economic justice at the Century Foundation, a national think tank, pegged the size of the penalty at 15% of annual income for each child under the age of 5, with Black and Latina mothers shouldering a higher burden than their White peers. "There's the consequence for your earnings of having kids," Kashen says. "The whole purpose of the women's movement is to maximize choices for women so that every choice is a viable one. Income should not be a thing that dictates that, which it totally is right now."

Melissa Kearney, a professor of economics at the University of Maryland, says cultural changes are also causing women to delay or skip motherhood. Americans who were young adults in the 1990s and early 2000s grew up with a different set of norms around parenting and women having careers. "It seems like people's priorities have shifted," says Kearney, who is also the director of the Aspen Economic Strategy Group and a mother of three. "It's not necessarily that people have less of a preference for kids, or that it's that much more expensive or time-consuming to have kids. It's the way those two things are interacting for this generation vs. prior ones."

Marrero, who was married for four years before getting divorced in 2008, enjoys an enviable degree of financial independence. The West Village resident bought her own apartment in 2019 for about $900,000 and then renovated. And in June she closed on a summer home on New Jersey's Long Beach Island with her sister, Kristyna, who's a few years older and also single with no kids. Ashley figures she's taken 10 trips in the past 12 months, often with friends from a group of about 25 people who are largely unmarried and don't have children.

"I found this group so interesting and compelling and fascinating," says Anna Dickson, 41, who recently traveled to Napa Valley with Marrero and some of their friends. "All these people are so smart, talented, and put-together, and they don't have kids—they're very independent," says Dickson, a product manager at Google who's divorced and now lives with her boyfriend of five years in New York's Hell's Kitchen. "And I was like, 'I want that. I want to do all of that.'"

"People feel less of an obligation to the family they were born into in all sorts of ways, and to embrace this notion of chosen family," says Nicole Sussner Rodgers, founder and executive director of think tank Family Story in Washington, which is dedicated to raising awareness about alternatives to traditional family structures.

The life Marrero and Dickson have chosen does have its drawbacks. People who are single and child-free pay more in taxes. And housing is a lot harder to afford on one income than two, especially with home prices and rents at record highs and mortgage rates on the rise. Another worry for those without children is figuring out who will care for them in their old age.

● Percent of Americans age 18 to 49 who say it's not too likely or not at all likely they will have kids

44%

▲ Marrero

For Dickson, the pluses of parenthood don't outweigh the minuses. "I like to travel, pick up and go whenever I want to," she says. Her jaunts with her extended family of friends in the past year have included Alaska and Anguilla. "I'd rather regret not having kids than regret having them."

As for Marrero, she's still paying to store her eggs in case she changes her mind. But she's certain that even if she doesn't, she won't feel as if she's missed out. "You can be so happy going this route, too," she says. —*Molly Smith*

THE BOTTOM LINE An expanding number of American women delaying or forgoing motherhood are entering a new frontier of wealth that includes beach homes and plenty of travel.

Equality

Like all new hires, Fisher began as a dishwasher then worked his way up

A Chicken Shop's Secret Sauce

An Ohio restaurant chain built a devoted staff by hiring those passed over elsewhere

Kevin Fisher had only one place in mind for his first meal as a free man: Hot Chicken Takeover. Upon his release from prison in January 2019, Fisher ordered boneless chicken, mac and cheese, and coleslaw at the chain's location in a downtown market in Columbus, Ohio. But it was the company's mission, not just its menu, that drew him.

Fisher became acquainted with Hot Chicken Takeover a few years earlier when founder Joe DeLoss spoke to inmates about his company hiring people who'd previously been incarcerated through its equal employment policy. The message was compelling, and the fried chicken DeLoss gave out was delicious. "All a person wants when they get out is a chance to live life," Fisher says. Finding work after serving 26 years for murder was tough for Fisher, who'd argued during his trial that he was defending himself from an acquaintance who attacked him with a knife in an attempted sexual assault. The prior conviction was a deal breaker for some employers, but not for Hot Chicken Takeover, where he eventually landed a job.

Fisher started doing what every new employee does—washing dishes—and now the 60-year-old is general manager of the Columbus Crew Stadium location. "I've told Joe before: Hot Chicken Takeover changed my life," Fisher says. "He always says that 'You changed your life,' and it makes me sit back and think, 'You know, I did.' But I always can say it's with the help of Hot Chicken Takeover."

Although employment discrimination is illegal, the unemployment rate for those who've previously been incarcerated is almost five times higher than that of the general US population, according to a report by the Prison Policy Initiative, a nonprofit that advocates for

September 5, 2022

Edited by Rebecca Penty and David Rocks

PHOTOGRAPHS BY DANIEL LOZADA FOR BLOOMBERG BUSINESSWEEK (2)

criminal justice reform. College applicants with felony charges are almost two and a half times more likely to be denied admission, according to research published by the American Society of Criminology. The lack of career and educational opportunities often leads to a life of poverty and recidivism.

Hot Chicken Takeover's mission is to address the problems by hiring people who might be passed over elsewhere, whether because of prior incarceration, drug addiction, or homelessness. Almost 40% of its 172 workers have come out of the justice system. The debut of the company came on the heels of a handful of failed attempts at entrepreneurship for DeLoss. He was inspired to open a restaurant by a 2013 trip with his wife to Nashville, a city famed for its "hot chicken"—fried chicken covered in spicy, red sauce. They were impressed with the following at the popular Prince's Hot Chicken Shack and decided to reimagine the concept for central Ohio's bustling restaurant scene.

The couple started serving friends and family fried chicken in their home, then began a weekend pop-up shop in Columbus that quickly attracted crowds. An online campaign helped raise funds to open the flagship restaurant in 2014. In May, for its seventh location, the company made the jump to New York City with a booth at an upscale food hall in Queens. Three additional locations are on their way in Ohio.

Critical to Hot Chicken Takeover's model is the support it offers employees, who can face overlapping challenges. The chain helps with referrals to mental health counseling and housing services, emergency cash assistance, and a savings matching program. DeLoss, who grew up in a family devoted to community service, felt he could better address the root causes of crime, homelessness, and addiction by being an employer rather than a volunteer.

"I just felt a lot more compelled by the impact economic opportunity and mobility could provide along somebody's journey in life," he says.

DeLoss hopes other entrepreneurs will emulate his hiring strategy, not only for the social good it does but also to attain better business outcomes. The majority

The menu was inspired by "hot chicken" restaurants in Nashville

of Hot Chicken Takeover workers who would've had a hard time finding work elsewhere demonstrate a deeper sense of commitment to the long-term success of the business, and they get promoted at faster rates than others, he says. "I had just really formed a thesis that if you can be a positive, supportive employer to a community of people in need of positive and supportive work opportunities, that you can build a strong, reliable team," DeLoss says. —*Akayla Gardner*

THE BOTTOM LINE Hot Chicken Takeover gives previously incarcerated people a second chance through its equal employment policy, a strategy that has aided its expansion.

Rebuilding Far From Home

Big companies find a talent pool among the rising number of people fleeing conflict or persecution

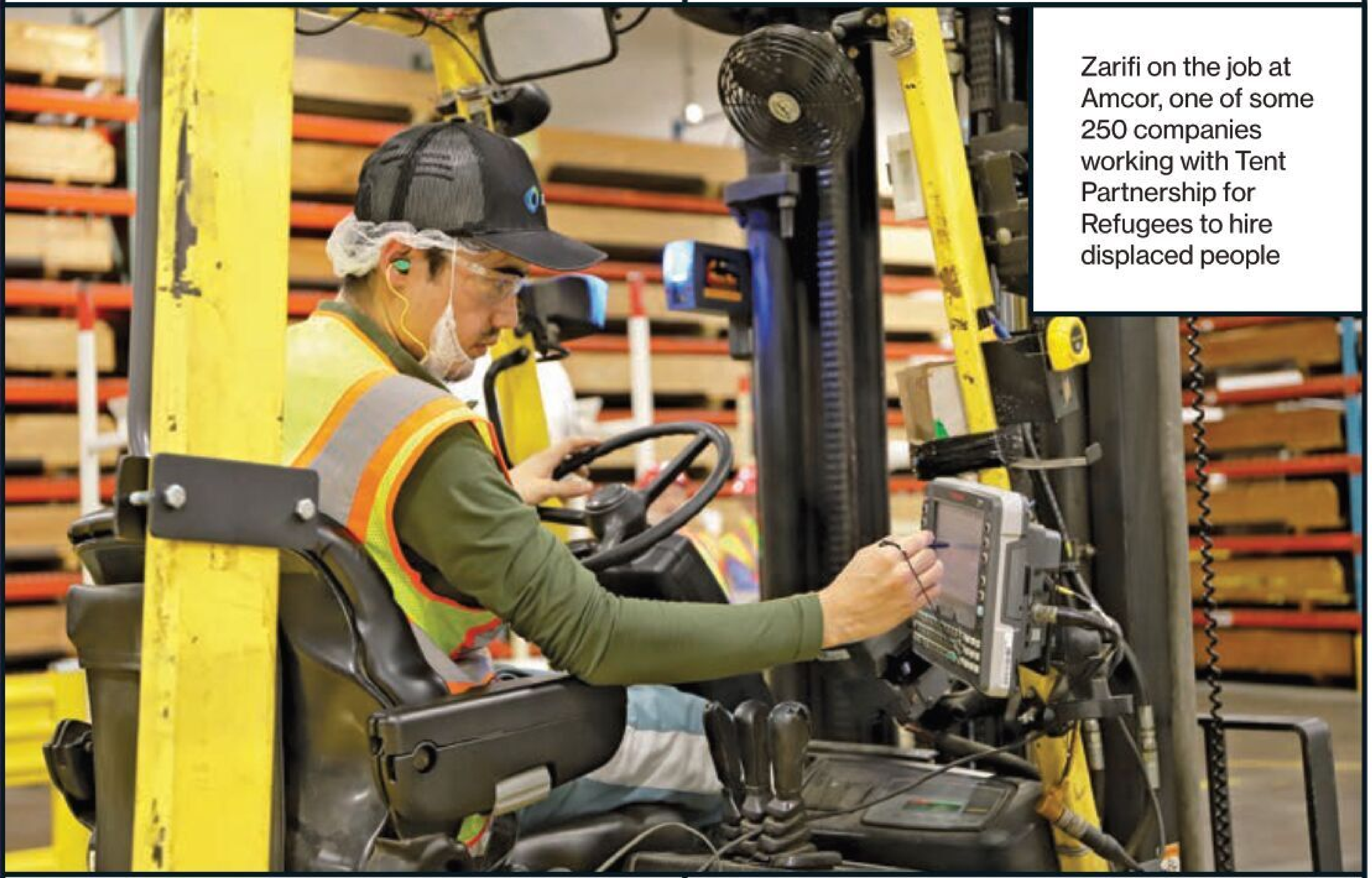
In 2017, when Azimullah Zarifi was 18, his family thought it was safe in Kunduz, Afghanistan, to reopen their car dealership, which had drawn the Taliban's ire for serving American and German customers. But one day gunmen opened fire on the shop, and Zarifi was hit by five bullets and lost his right leg. Four years later, he was one of the last Afghans to be evacuated during the US military's withdrawal. Zarifi bounced from Qatar to Germany to Texas before ending up in Oshkosh, Wis., where he was hired to work on the production floor of Amcor Plc, a global packaging company. "Lot of things [are] better in this country, and I am happy now." says Zarifi, now 23, in halting English.

Success stories like Zarifi's ▶

◀ have long been the dream of Hamdi Ulukaya, founder and chief executive officer of foodmaker Chobani LLC, which is known for its yogurt. His nonprofit Tent Partnership for Refugees helps 250 companies from around the world find, hire, and train forcibly displaced people. With the Biden administration setting ambitious refugee admission goals and upheavals in Afghanistan and Ukraine commanding the world's attention, the business world is stepping up. Tent's Coalition for Refugees in the US, a subsidiary network of companies committed to hiring refugees, has seen membership grow to more than 100 enterprises, including Burger King, FedEx, and Lyft, since it got going in September 2021.

As the so-called great resignation continues—1 in 5 workers around the world plans to quit this year, according to a recent PricewaterhouseCoopers survey—hiring refugees both alleviates worker shortages and helps avoid future openings as these new employees tend to be exceptionally loyal. Among employers surveyed by Tent and the Fiscal Policy Institute in 2018, 73% reported a higher retention rate for refugees compared with other employees.

For Ulukaya the subject is personal. Although technically not a refugee, he came to New York City from eastern Turkey in 1994 after his Kurdish activism got him in trouble with the government. "Basically, I left because I had no other choice," he says. Speaking no English and with just $3,000 in his pocket, he enrolled in English-language classes at Adelphi University. Later, drawing upon a nomadic childhood raising goats and sheep in the Munzur mountains, he started a feta cheese company in upstate New York with his brother Bilal. In 2005, Ulukaya secured a loan from the Small Business Administration to buy a decaying Kraft Foods factory nearby. The plant produced its first cup of Chobani yogurt two years later. By bringing thick, Greek-style yogurt to the masses, Ulukaya built Chobani into a $1.6 billion powerhouse that has factories in South Edmeston, N.Y.; Twin Falls, Idaho; and Dandenong South, Australia.



Zarifi on the job at Amcor, one of some 250 companies working with Tent Partnership for Refugees to hire displaced people

By 2010, Chobani was creating more jobs than it could fill from the rural communities surrounding its South Edmeston factory. Ulukaya visited a refugee center in nearby Utica and instantly related to the people he met from all over the world who were eager to build a new life. The new hires performed so well, and enriched the company culture so deeply, that he repeated the hiring process at the Idaho plant. Today, Chobani counts hundreds of refugees and immigrants among its 2,400 employees.

In 2016, Ulukaya founded Tent to persuade other companies to follow his lead. The first few years were bumpy, however, as then-President Donald Trump slashed the nation's refugee admissions cap from 110,000 a year to a record low of 15,000. Although the US became more welcoming under President Joe Biden, his administration has so far managed to resettle fewer than 18,000 refugees as of July 31, a small fraction of its 125,000 goal for fiscal 2022, which ends on Sept. 30. Meanwhile, the refugee crisis continues to worsen: Counting the Ukraine diaspora, there are now 36 million refugees worldwide, according to Tent.

Tent has organized a US Business Summit on Refugees to be held on Sept. 19 in New York City, in which a procession of companies will announce what Tent calls "measurable and specific" commitments to hiring refugees over the next three years. The goal is to create more cases like Zarifi's. After a few months at Amcor, he was promoted to assistant operator, responsible for wrapping and palletizing finished product and assisting in the operation of a machine that slits rolls of film packaging used in a variety of products. Zarifi has a new prosthetic leg and health insurance, and he earns enough to send money every month to his parents and six siblings in Afghanistan. Amcor has a hardworking, grateful, and dedicated employee, and for Zarifi, "It's a new beginning," Ulukaya says. "A whole new life." —*Paul Keegan*

THE BOTTOM LINE As corporate America helps resettle more refugees in the US, companies find that displaced people become loyal workers.

BRITTNEY CLOUDMAN/AMCOR. ILLUSTRATION BY KATI SZILAGYI

Tracking Periods Without Being Tracked

The group behind the nonprofit app Drip says it offers greater privacy than commercial rivals

When Marie Kochsiek started work on an open source app for tracking menstrual cycles four years ago, some people questioned why the world needed another such program given that dozens were already on the market. But the Berlin software developer saw that most had a common flaw: They used private information for targeted ads, so a user who skipped a period might suddenly get a pitch for diapers, strollers, or baby food. While that argument resonated among the privacy-minded, the not-for-profit app—called Drip—barely got any traction against commercial rivals such as Flo, Ovia, and Glow, all of which have millions of users.

The conversation changed this year when the US Supreme Court overturned *Roe v. Wade*, paving the way for states to criminalize abortion. Particularly in the US, women started to worry about whether the wealth of data they were entrusting to the apps could provide evidence that they'd been—and perhaps no longer were—pregnant. "Sadly, people had a new dimension in the threat," Kochsiek says.

After the court's draft decision leaked in May, downloads of Drip began to climb, and when the decision itself was released on June 24, installations surged, with regular users doubling this year to 9,000. In May, Drip was one of just three such apps recommended by *Consumer Reports* magazine, even though it was available only for Android. Now, to extend its reach in the US, Kochsiek's team is introducing a version for iPhones. "*Roe v. Wade* was a push to say yes, we really want to make it available to as many people as possible," Kochsiek says.

The move highlights an increasing focus on privacy, especially when it comes to intimate data such as fertility. Many of the apps track not just menstruation but also everything from sex and contraception to migraines, digestion, and mood—information that could be used for insurance pricing or workplace discrimination over maternity leave. Period apps "can be incredibly revealing," says Justin Brookman, director of technology policy at *Consumer Reports*. Where abortion is illegal, "it could be incredibly useful to prosecutors." Euki, one of the other apps recommended by the publication, features a screen of fake data in case users are asked to show their phones.

India McKinney, director of federal affairs at the Electronic Frontier Foundation, says that unlike with search engines and social media, there are realistic options for period-tracking apps that ensure privacy. She notes that there's no reason to think such apps automatically provide a level of privacy commensurate with the sensitivity of the data they collect: Flo, the market leader with 48 million monthly users, last year settled a complaint with the US Federal Trade Commission by promising to get users' consent before sharing their health information. After the Supreme Court decision, Flo introduced an "anonymous mode" that lets users strip identifying information from their accounts. Such apps are "one of the few places in technology where there actually is competition," McKinney says. "I would say, look at which one protects your privacy."

That's what Kochsiek and the other coders in the group—who call themselves "the drips"—sought to do with their app. Working with virtually no budget, the team of volunteers created an offering that includes the most important features of rivals, such as the ability to predict menstruation cycles and a tool that tracks body temperature to assess fertile times of the month. But Drip, introduced in 2019, doesn't transmit any of a user's data to remote servers, instead storing it entirely on the device.

As interest has grown, the group has worked to redesign the app with a streamlined interface in orange and purple. They're now seeking a grant to continue developing and maintaining Drip for both the iPhone and Android and bring it to more users around the world. "The awareness of the privacy issue has increased a lot," Kochsiek says. "People want this." ——*Naomi Kresge*

THE BOTTOM LINE In May, Drip was one of just three menstrual-tracking apps recommended by *Consumer Reports* magazine, and installations surged after the Supreme Court overturned *Roe*.

YouTube's Free Radi

Google's vid
down on Mu
White nation

An excerpt from *Like, Comment, Subscribe: Inside YouTube's Chaotic Rise to World Domination*

By Mark Bergen

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Unlike many of her colleagues at YouTube, Tala Bardan doesn't remember the company retreat in June 2017 as a nice long weekend. YouTube employees stayed at the Westin hotel in downtown Los Angeles, enjoyed a private Snoop Dogg performance, and took day trips to a nearby Harry Potter theme park. They drank free drinks. As the partying began that Friday morning, though, Bardan was one of about a dozen unlucky workers that Chief Executive Officer Susan Wojcicki pulled into the hotel's basement for a sobering meeting about the video site's problem with terrorists.

Discussions about terrorists were nothing new to Bardan, who worked in a relatively junior position overseas watching violent videos in Arabic for the YouTube division that screened footage categorized as "VE," company shorthand for violent extremism. (Tala Bardan is a pseudonym used to protect her identity, given her sensitive work.) In the meeting, a top engineer explained that YouTube had decided it would try to eliminate from its site the entire ideology that had given rise to groups such as Islamic State, the Sunni Muslim militant organization. The company would recode YouTube's promotional algorithm to bury "inflammatory religious and supremacist content." Policy staff would devise a list of 14 incendiary figures, all Muslim men, who would be banned no matter what they posted.

Bardan's team was immediately assigned to enforce the new rules, working through the weekend while everyone else was partying. One teammate was awakened at 2 a.m. to deal with a particularly tricky video, fielding calls while squeezed in a hotel bathroom to avoid waking a colleague who was sharing the room.

Jason Kessler, Unite the Right organizer

The source of the urgency wasn't a mystery. For several months advertisers had been boycotting the service after discovering their commercials appearing on videos of Islamic State allies, neo-Nazis, and other offensive material. The week before, three Islamist extremists had killed eight people in a bloody attack on London Bridge. Reports afterward revealed that one of the murderers drew inspiration from videos of controversial cleric Ahmad Musa Jibril he'd watched on YouTube.

Mourners near the site of a 2019 mass shooting in El Paso

The financial havoc for YouTube's parent, Alphabet Inc.'s Google, was serious enough that YouTube had to consider the end of the very business model—sharing ad sales with a multitude of video producers—that had turned it into an internet colossus. At one point during the advertiser protest, staff warned online creators that YouTube might have to run commercials only on channels affiliated with established media outlets or record labels, effectively deleting the "you" from YouTube.

"We're always in a crisis," Wojcicki said in an emergency meeting that year.

Bardan had already worked at YouTube for several years by the time of the 2017 retreat and was taught its ethos on speech: Leave videos up, so long as they didn't show or incite over-the-top violence. "This is a platform," she was told. "We're not responsible for what's on it."

The limits of that philosophy became obvious as YouTube became one of the most visited sites on the internet, and the company has consistently struggled to adjust, according to interviews with dozens of current and former YouTube employees.

Within YouTube's upper ranks, the 2017 meeting was seen as the first step toward effectively wiping radical Islam from the commercial web and taking all forms of extremism more seriously. Advertisers returned, helping bring its business back from the brink.

But people lower down YouTube's corporate ladder didn't see it as such a triumph. Shortly after the staff retreat, White nationalists staged a deadly riot in Charlottesville, Va., a watershed moment in an increase of far-right violence in the US and internationally. A progression of young White men carried out racist attacks, accompanying them with accounts of how they'd been radicalized online.

Three summers after the retreat, Bardan and several colleagues put together a presentation showing the prevalence on YouTube of White supremacists, listing recent deadly attacks in New Zealand, Wisconsin, South Carolina, and Texas. YouTube had spent years developing a formula for dealing with violent extremist content. It had worked. So why was it so reluctant to use it on this threat, too?

Most of YouTube's standard fare has long been inoffensive, useful, even joyful—how-to clips, silly skits, and rare footage that wasn't available on TV. But the company's attempts to mold this chaos into a functional creative economy have been complicated by some people's tendency to upload dark or illegal material. The exact boundaries could be tricky to draw. In its early years the company wrote a 70-page manual for its moderators with detailed tips for handling footage of diaper-clad adults or depictions of items being inserted into butts. “Use your judgment!” suggested one page. Another section of the manual called for the removal of content intended to “maliciously spread hate against a protected group.”

Setting standards for bigotry is notoriously difficult. There were videos extolling the wisdom of phrenology or those espousing racist conspiracy theories that were so obscure they flew right past many moderators. During one meeting, Jennifer Carrico, an attorney working on YouTube’s policies, clicked through reams of surreal footage before asking aloud, “What kind of Pandora’s box have we opened?”

Government officials sometimes called for deleting videos from people or groups they described as extremists. YouTube found most of these requests moralizing or naive, and the company’s lawyers believed they couldn’t make blanket decisions to block a subjectively defined group like “terrorists.”

The Arab Spring, when the world saw revolutions unfold on YouTube and social networks, seemed to validate this approach. “Defending access to information means colliding head-on with governments and others who seek censorship of ideas they find dangerous,” Victoria Grand, YouTube’s then-policy chief, said in a 2014 speech.

Islamic State tested that resolve. As the militant group ascended in Iraq and Syria, its members began uploading slick, cinematic propaganda to YouTube. A macabre video from the summer of 2014 showed extremists holding hostage the captured journalist James Foley, moments before he was beheaded. The footage ended with a threat to carry out more killings.

Such content was a nightmare for YouTube. Politicians, particularly in Europe, pressured the platform as never before. When lawmakers in Brussels summoned Google to a hearing on extremism, YouTube was so thinly staffed that it didn’t even have a dedicated policy officer in Europe.

YouTube scrubbed Islamic State clips as quickly as it could. Wojcicki also thought it could confront terrorist content with anti-terrorist narratives. YouTube staff tossed around the old legal maxim: “Sunlight is the best disinfectant.”

It was pressure from advertisers, not politicians, that finally made YouTube overhaul its approach. On Feb. 9, 2017, the *Times* of London reported that household brands using YouTube’s automated ad system had “unwittingly” sponsored videos from “Islamic extrem-

A clip from vlogger Stefan Molyneux’s YouTube channel, since removed

ists, white supremacists and pornographers.” Advertisers, who were already angling for leverage with Google, staged an extended boycott. For months, YouTube throttled ads on any channel that wasn’t tied to a vetted studio, network, or record label—basically, anything that wasn’t already on TV. The situation became so dire that YouTube was unsure if it could ever resume sharing ad payments with independent creators. “Once we get through this, it will turn back around,” Jamie Byrne, a YouTube director, told a group of marquee YouTube creators. “But if we can’t, you know—it’s over.”

There were few complaints about YouTube’s goal to clear out radical Islam; the problems seemed mostly to come from how it did so. “The organization was not prepared,” recalls one former staffer, who described YouTube’s moderation unit as a “dumpster fire” rife with mismanagement and chaos. Shortly after the retreat at the Westin, this staffer sifted through the initial filtering code to discover it included the Arabic word for “Allah,” a blunt hammer that might have wiped out millions of innocent videos.

In 2018, YouTube salespeople booked sponsors for popular Middle Eastern channels during Ramadan, a regional marketing season that one employee described as “the Super Bowl times 30.” But when the holiday arrived, many of the ads were nowhere to be found. It seemed YouTube’s moderators and machines, trained to prevent any commercial ties with extremism, had clumsily removed ads from nearly any video with Islamic imagery or in Arabic.

Eventually, YouTube ironed out these errors. Scandals became less frequent. Ad sales improved. Wojcicki created an Intelligence Desk, a division to spot troubling trends and keep them off YouTube. Islamic State videos effectively disappeared.

Bardan, the YouTube violent extremism specialist, awoke early on March 15, 2019, to the news that an Australian man had opened fire on a mosque and an Islamic center in Christchurch, New Zealand, taking 51 lives. He livestreamed his murders online from a body camera. Bardan wept, wiped her tears, opened her computer, and began watching the terrorist’s video.

The shooter’s writings, interviews, and digital traces would reveal a fervent belief in the Great Replacement theory, which holds that non-White people pose a genocidal threat to Western civilization. “The individual claimed that he was not a frequent commenter on extreme right-wing sites,” New Zealand’s government concluded in a report, “and that YouTube was, for him, a far more significant source of information and ▶

PREVIOUS SPREAD: PHOTO ILLUSTRATION BY 731; PHOTO: YOUTUBE. KESSLER: CRAIG HUDSON/AP. MEMORIAL: JOHN LOCHER/AP. CLIP: YOUTUBE

“It’s not like we pick our heads up and say, ‘Oh my gosh, there’s

◀ inspiration.” The shooter learned to assemble his firearms from tutorials on YouTube, and his livestream landed there, too.

Immediately after the shooting, YouTube scrambled to remove remnants of the footage. But the platform was flooded with tributes to the murders from hatemongers and trolls. At one point, someone posted a new copy of the footage every second.

“We don’t have enough reviewers,” Jennie O’Connor, a YouTube vice president leading its Intelligence Desk, pleaded overnight. An executive later said the alarming speed of reuploads led some inside the company to suspect that a state actor was involved. (A YouTube spokesperson declined to comment on this.) YouTube decided to cut off all uploads and searches for the shooting, a first in the site’s history. Three months later, YouTube rewrote its hate speech rules to ban videos “alleging that a group is superior in order to justify discrimination, segregation or exclusion.” It prohibited denial or glorification of “well-documented violent events,” like the Holocaust or school shootings, as well as deadly material filmed by the perpetrator.

This caused few waves until the following summer, when George Floyd was murdered. In late June 2020, as racial justice protests swept the US, YouTube purged several inflammatory accounts, including those of former Ku Klux Klan leader David Duke and Stefan Molyneux, a prolific vlogger who’d once received a donation from the Christchurch shooter. (Molyneux later said that he “immediately condemned the New Zealand terrorist” and argued that they didn’t share beliefs.)

Richard Butler, founder of Aryan Nations

From the outside, it looked as if YouTube had awakened to the moment after Floyd’s murder. But executives insist that this was merely the hate speech update from the prior year going into effect, especially since channels weren’t taken down until they had multiple violations. “That just generally takes time,” says O’Connor, the vice president. “It’s not like we pick our heads up and say, ‘Oh my gosh, there’s hate speech on YouTube. We should really get on top of that.’ ”

A right-wing Patriot Front march in Washington, D.C., in December 2021

As YouTube honed its skill at undercutting Islamic State terrorists, some staff members grew concerned about how blind the platform was to other forms of political extremism. Matthew Mengerink joined YouTube as an engineering vice president in 2015, a rare Muslim in tech leadership. When he searched for the word “jihad” on the site, he found few Muslim extremists, but countless clips from angry Tea Party acolytes and stare-you-dead-in-the-eyes vloggers. A massive network of like-minded channels, many fueled by YouTube’s ad sales, latched on to the right-wing fixation with Europe’s growing Muslim migrant population. Not far from there were video discussions of the Great Replacement theory.

Mengerink worried that YouTube’s recommendation engine fueled this invective. “Anything that surfaces a bias—it will mine that bias like nobody’s business,” he recalls. He suggested rewiring the code to down-rank videos that went up to the line of hate speech rules and to counter videos critical of Muslims, Black Americans, or Jews by recommending alternative viewpoints. Proposals like these, at the time, were dismissed as unreasonable and un-Googley.

Mengerink left the company in 2016. YouTube, after its ad boycotts, would follow his advice and remove millions of controversial videos from its recommendations. Still, others saw an ominous proliferation of extremist content over the next several years. The presentation Bardan helped assemble in 2020 highlighted YouTube’s double standard in moderation. One slide showed stills of clips from known Islamist terror groups or figures offering Quranic recitations or rants against the US, which the rule change in 2017 allowed YouTube to categorize as extremist content. All those videos came down.

Then came a slide from another extreme. It showed thumbnails of a video sermon from a leader of Aryan Nations, a neo-Nazi group, and footage of Jason Kessler, the organizer of the “Unite the Right” Charlottesville rally, discussing “White genocide” on camera. Those remained on YouTube.

The problem, staff argued, was mostly bureaucratic. YouTube had different teams to deal with VE, where videos from Islamic State and its ilk went, and hate speech, where White supremacists wound up. The anti-VE effort had more latitude and resources. A colleague who worked on hate speech once confessed to Bardan that they were so swamped with material they rarely got around to the debatable hate speech on YouTube. We should really get on top of that'”

videos categorized as White nationalist.

The document Bardan worked on included a series of recommendations, including treating content from White nationalists as violent extremism. By the end of the year, she'd left YouTube without ever getting a direct response from leadership.

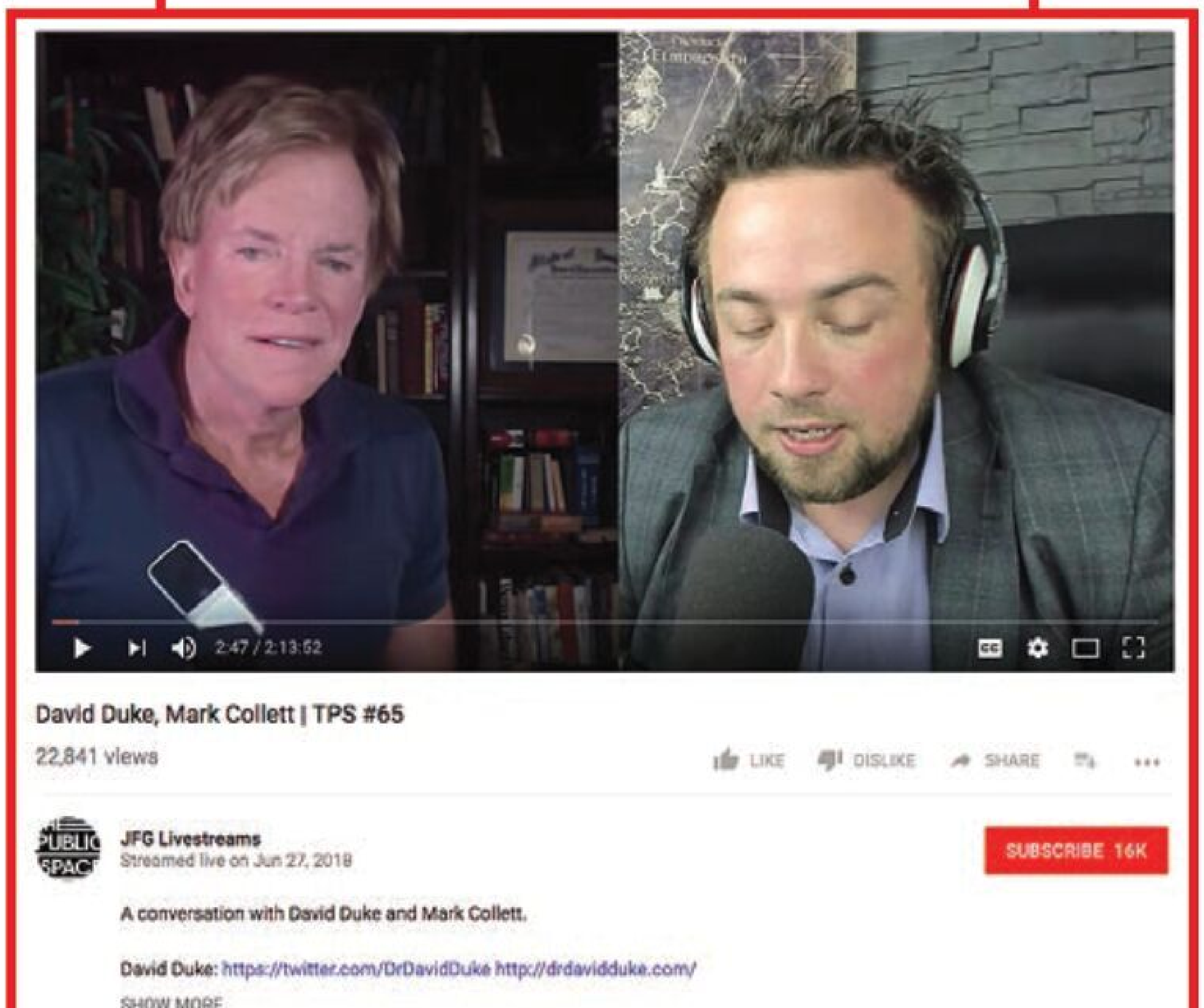
When YouTube has addressed this issue, its defense echoes lines from other online platforms: Dealing with Islamist extremism is easier because national governments agree on definitions; there are registries and sanctions. YouTube relied chiefly on the proscribed terrorist organization lists from the British and US governments. “On a relative basis, it's simpler,” O'Connor says. Nothing similar, she adds, exists for White nationalism.

During Donald Trump's presidential election campaign and subsequent administration, even mainstream political discourse had begun pushing up against YouTube's content guidelines. How should it handle a US president who had referred to Mexicans as “rapists” and several nations as “shithole countries”? Trump and his allies also spent years accusing Google and Silicon Valley of liberal bias, making it even more uncomfortable for YouTube to make difficult judgment calls. Exhortations for lawsuits and new government regulations around social media moderation increased.

Searching for usable definitions, some people inside YouTube proposed basing its policy on the classifications from the Southern Poverty Law Center, a well-known organization that tracks hate groups and ideologues. But the SPLC had become a prominent Trump adversary, and YouTube's leaders turned down the proposal because of the political risk, according to two people familiar with the decision. The SPLC “became a dirty word inside YouTube,” recalls one former executive. A YouTube spokesperson says that the SPLC is “not widely accepted as an authoritative voice on hate groups.”

Susan Corke, director of the SPLC's Intelligence Project, which tracks the far right, said in an email that YouTube had failed to take a proactive role in keeping extremists from abusing its platform and that its minimization of the SPLC's expertise “once again shows its lack of commitment to its users' safety.”

This dilemma of how to label hate and terror, and what to do about it, isn't unique to YouTube, or even to the internet. Since Sept. 11, 2001, many governments have devoted more resources to one dangerous ideology above others. New Zealand's official analysis of the Christchurch shooting determined that the country's security apparatus had focused “almost exclusively” on Islamist extremism. It was an approach, the report concluded, “not based on an informed assessment of the threats of terrorism.”



Former Ku Klux Klan leader David Duke in a video removed in 2020

YouTube says it has substantially improved its response to extremism of all types. It points to clear rules outlawing hate speech and content that promotes violence or hate against protected classes and says it slows the spread of videos that come close to breaking its rules. It has begun to remove certain videos promoting the Great Replacement theory. When people search for the subject on YouTube today, they find a Wikipedia entry on the topic at the top of the search results.

On May 14, when a racist gunman murdered 10 people in a Buffalo supermarket and livestreamed to Twitch, a YouTube rival owned by Amazon.com Inc., YouTube removed reuploads so swiftly that they effectively didn't exist.

But the tragedy also followed a familiar pattern. The shooter posted an online manifesto that largely mirrored the ideology of the Christchurch shooter, which the company's critics say it still helps spread. He also watched gun tutorials on YouTube.

Google has continued to encourage content that could steer people who are vulnerable to extremist messaging in a different direction. It has worked with Define American, an immigration advocacy nonprofit that published a report a month before the Buffalo shooting titled *The Great Replacement Network* analyzing 23 popular YouTube videos it classified as “anti-immigration.” Some came from solo YouTubers, but many were produced by well-funded think tanks (Hoover Institution) and popular conservative media (Fox News). “It's extremism, but it's packaged in a way that feels mainstream,” says Shauna Siggelkow, Define American's director of digital storytelling.

Her group is trying the sunlight approach, sponsoring a video this summer from a YouTube creator unpacking the dangers of the Great Replacement theory. The footage topped 300,000 views in its first month. Collectively the videos the report labeled “anti-immigration” on YouTube have more than 100 million views, and counting. Ⓑ

Adapted from Like, Comment, Subscribe, *published by Viking, an imprint of Penguin Random House LLC. Copyright © by Mark Bergen*

BUTLER: EVAN HURD/GETTY IMAGES. RALLY: WIN MCNAMEE/GETTY IMAGES. CLIP: YOUTUBE. BOOK: COURTESY MARK BERGEN

America's Broken Education System

The past two years have thrust teachers and public schools to the center of pandemic debates and culture battles. What happens when educators decide it just isn't worth it?

The school year wasn't even over when Diane D'Costa knew she had to quit. At 26, after teaching for just four years, she was done with the profession. "I was doing the job of five people," she says about her work at a Washington charter school, where she taught until March.

For decades, America's educators have said they would've abandoned the job long ago were it not for their devotion to their students. But after a demanding and demoralizing two years that included Zoom schooling, culture wars, and shootings, those threats have finally become real. A Gallup Poll in February showed that K-12 educators were the most burned-out segment of the US labor force.

Now teachers are walking out by the hundreds of thousands, vowing never to return. A study by the National Center for Education Statistics (NCES) in March found that 44% of public schools reported teaching vacancies. By LinkedIn's calculations, the number of teachers who quit in June was almost 41% higher than a year earlier.

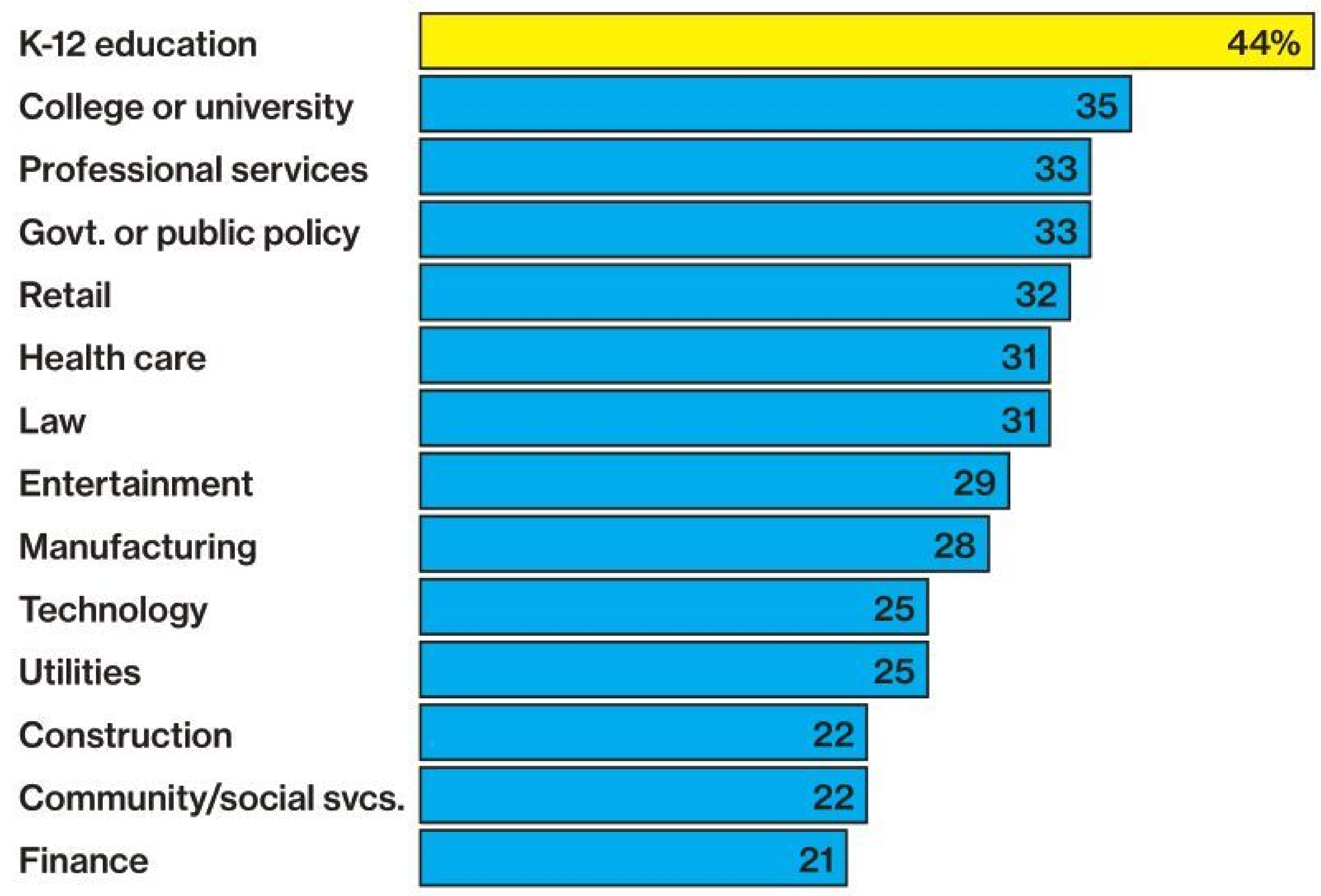
Although some school districts managed to fill their vacancies to start the school year, many in rural areas and those serving low-income families are still having trouble doing so. In some cases, schools are even allowing military veterans and other noncredentialed workers to step in as teachers and, in extreme cases, reducing the school week to four days.

So many teachers are resigning that a cottage industry of coaching services has sprung up to help them find new careers. "It is a lonely road trying to figure out what you want to do next when your entire identity has been teaching—when you wake up thinking about your kids, when you go to sleep thinking about your kids," says Brittany Long, founder of Life After Teaching, a resource network, newsletter, and Facebook group with 40,000 members. Most former teachers are pursuing better-paying jobs, reinventing themselves as software engineers, executive assistants, and recruiters, according to data from LinkedIn.

An educator exodus not only has worrisome implications for the future of the profession and generations of children, it's also disquieting for what it says about the value the country places on a career dominated by women. About 76% of the 3.5 million US public school teachers were female in the 2017-18 academic year, the latest available

THE BURNED-OUT ONES

Share of US workers who say they feel burned out at work always or very often, by industry



DATA: GALLUP SURVEY OF US FULL-TIME WORKERS CONDUCTED FEB. 3-14, 2022

NCES data show. As women abandon the field for industries in which pay is higher, stress lower, and creative thinking more valued, education could see a generation-long brain drain. "This is good for women, but it's bad for schools," says Barbara Biasi, an assistant professor of economics at the Yale School of Management.

It's only going to get worse. Almost 2 in 5 teachers plan to quit in the next two years, according to a June survey of members of the American Federation of Teachers union. Chief among the reasons are salaries that haven't kept up with inflation, student behavioral problems that have gotten worse during the pandemic, and a lack of respect as schools have become the latest political battleground. A report from the National Education Association found that starting salaries averaged $41,770 for the 2020-21 school year, a 4% decrease from the prior year when adjusted for inflation and the lowest in at least a decade.

The teachers profiled here—some new to the profession, some not—reveal what pushed them over the edge and what changes could've prevented them from quitting. Some, such as D'Costa, were ecstatic about the prospect of new opportunities outside the classroom. Others spoke through tears about the guilt and shame intertwined with the hardest decision of their lives—giving up their passion because they're worn down by a broken system. The interviews have been edited for clarity and style.

—*Nic Querolo, with Ella Ceron*

▲ Diane D’Costa, 26
Washington
Middle school teacher

Why she went into teaching: After college I joined Teach for America and moved to Tulsa. I taught high school social studies for two years. In my second year is when the pandemic hit. In 2020, I wanted to move back to the D.C. area, where I’m from. I got a really exciting opportunity to work at a new charter middle school in Fort Totten. I developed the curriculum, and it was a really exciting time. But teaching during the pandemic was challenging, to the point of being grueling and demoralizing. Any good teaching is cohesive and across multiple days, and lessons build on each other. It was a hard time to plan and prepare for so much unknown.

Why she left: It was abundantly clear that the priority was not on how much are we learning but on how we could keep the schools open so that kids have a place to go. That’s important but not why I was in teaching.

One of my friends won a county council seat and asked me to be part of his team. When the opportunity presented itself to work with communities, do constituent services, and advocate at the local government level, it just felt like I had to take advantage of that. So I finished out quarter three with my students in March. I tried to be as nondisruptive as possible, leaving midyear. But I was compromising so much of myself. I just got to a point where I was like, “I can’t continue just being a martyr to the system.”

What she’s doing now: My first realization working in local government was that I could stand up or sit down. I could go to the bathroom at any point in time. If I showed up 10 minutes late, it wasn’t a catastrophic problem. No one even cares.

As a teacher, I was a curriculum writer, I was a data analyst, I was a parent contact coordinator. When I would ask questions about policies or systems we had, it was almost looked down upon, in the sense that it was causing a problem or making things more difficult. Whereas now my creativity and solutions thinking is seen as an asset.

What would it have taken to keep her in teaching: If we as teachers weren’t seen as just cogs in a machine to fill classrooms and supervise children, but rather seen as creative intellectuals contributing to a school culture and helping youth development. ——*As told to Olivia Rockeman*

▼ Megan Rudy, 26
Tempe, Ariz.
Elementary school teacher

Why she went into teaching: I really felt like I could make a difference and I was good for kids. I remember the adults in my life who helped me and loved me, and I liked the idea that I could be that for somebody else.

Why she left: I was teaching at a charter school. The underbelly of the charter system in Arizona is that they are only accessible for families that are wealthy. When Covid hit, things really began to take a sour turn. My school system froze our annual raise.

The people who ran our school were politically right-leaning, so they handled Covid in a way that I felt was inappropriate. When staff voiced concerns about safety, the parent community lashed out in a way that I felt was really inappropriate. It brought out the ugliness in people who had a lot of power. People who got to work from home were telling me that I needed to walk into a room of 30 people in a pandemic for less money than I made the year before.

I quit midyear. I found another school, and it was the same thing. And I found another school. So I bounced around last semester to three different schools because I was like, “Maybe the problem is me.” Eventually I told my boyfriend, “I have to do anything else.”

“When staff voiced concerns about safety, the parent community lashed out in a way that I felt was really inappropriate”

What she’s doing now: I’m a recruiting coordinator with Amazon in the tech and robotics department. I get paid less than any other corporate job at Amazon to do a quarter of the work I did when I was a teacher. It’s still way more money than I’ve ever made in my life. I’m constantly hearing from my supervisors about how my skills as a teacher are valuable, or I’ll do things and people will be like, “Wow, how’d you learn to do that?” And I’m like, “Honestly, I learned to do that while teaching.”

What would it have taken to keep her in teaching: If I could have made rent, I would’ve stayed. It got to the point where I was like, I actually can’t afford this. There’s a lot of grief in that for me. I feel like I sold out a little bit. ——*As told to Ella Ceron*

▲ Natalia Alvarez, 34
Virginia Beach, Va.
Middle school
Spanish teacher

Why she went into teaching: In 2014, I came to the US from Venezuela to get a master’s degree in bilingual education. I landed my first teaching job in the States in the Newport News public schools. My classroom was in an outdoor trailer, and once a week there would be a fight. It was too much, so I switched districts. Then Covid hit.

Why she left: I began to see a shift in public opinion of teachers, and the school board meetings were starting to go crazy. We went from being heroes to being the absolute worst pile of trash, according to parents. In Virginia, when the new governor, Glenn Youngkin, started running, his main campaign schtick was “let’s get CRT [critical race theory] out of schools.” It was clear he wanted to remove all or most protections from the pandemic. From an educator’s perspective, it was honestly quite scary.

Once he got elected, he lifted all mask mandates. Kids started showing up without them at the peak of omicron, and the district did nothing to defend us. That’s when I said I need to find another job. Me and my colleagues felt utterly dismissed.

I loved the kids—they were the main reason why I stayed—but everything was making me madder and madder, because I knew that I couldn’t change the system.

What she’s doing now: I took a course where they help you convert your résumé and realized a lot of teaching skills are perfectly transferable: You are a project manager, a psychologist, you wear a lot of hats. Now I’m working full time in educational publishing. Their initial offer was $15,000 more than I was making as a teacher, and it’s fully remote. If I want to take a walk, I can. I can go to the bathroom. I am just looking forward to the freedom.

What would it have taken to keep her in teaching: Pay us more—it’s as simple as that. If you are going to make these people go through all the trouble of certification, you should pay them the same as professionals with the same level of education. And trust our judgment. What I don’t understand is that candidates want to give us guns, but we can’t choose books for the children to read—that doesn’t make sense. —*As told to Nic Querolo*

▼ Nicolle Fefferman, 45
Los Angeles
High school history teacher

Why she went into teaching: I’ve been a high school history teacher for 16 years. I came to teaching as a political activist. Out of college I worked as a union organizer. I liked thinking about power, race, class, and gender. I taught how the past is connected to the present and future. The most exciting part was being able to blow students’ minds.

Why she left: George Floyd’s murder was the flashpoint. I taught in LAUSD [Los Angeles Unified School District], a mostly Brown school district. Part of the work I did with students was to provide a space for them to share their experiences and ideas about making the education system better. One group of students made a document that called on us to end contracts with school police and to create a committee of teachers, students, and administrators that met on a regular basis to discuss campus incidents of racism. It seemed like this was going to be an amazing opportunity to follow the students’ lead and work on these issues.

The next school year, we started off really wrestling with racism, and then by the end of our Zoom year it had fizzled out. I understand the difficulty. School-based staff is under a crazy amount of pressure, with limited resources, but I also think we needed more courage and more imagination. The students gave us a road map, and in the end we declined to follow it.

The pandemic probably expedited my exit from the classroom. The daily hustle to get resources was a struggle. In October and November I was having a deep crisis about this—I thought, “Oh my God, it’s either my career or my well-being.” I spent thousands of my own money. At one point, I wanted students to reinterpret the American flag. The only paper available in the school was brown, orange, and yellow. Packing up my room, I was thinking about how sad I am that the ninth graders I taught this year—I’m not going to be able to see them grow into seniors. I’m angry, because I feel like the system pushed me out of public education.

What she’s doing now: I don’t know what I’m going to do. I know I’m not going back into a classroom.

What would it have taken to keep her in teaching: Increased pay is No. 1. For the work we do, we are criminally underpaid. If you want to do the work well, it requires more than just the school day, and we should be paid for that. —*As told to Nic Querolo*

D’COSTA: PHOTOGRAPH BY LEXEY SWALL FOR BLOOMBERG BUSINESSWEEK. RUDY: PHOTOGRAPH BY CAITLIN O’HARA FOR BLOOMBERG BUSINESSWEEK. ALVAREZ: PHOTOGRAPH BY KATE THOMPSON FOR BLOOMBERG BUSINESSWEEK. FEFFERMAN: PHOTOGRAPH BY CLARA MOKRI FOR BLOOMBERG BUSINESSWEEK

▼ John Trader, 44
Spotswood, N.J.
Elementary school music teacher

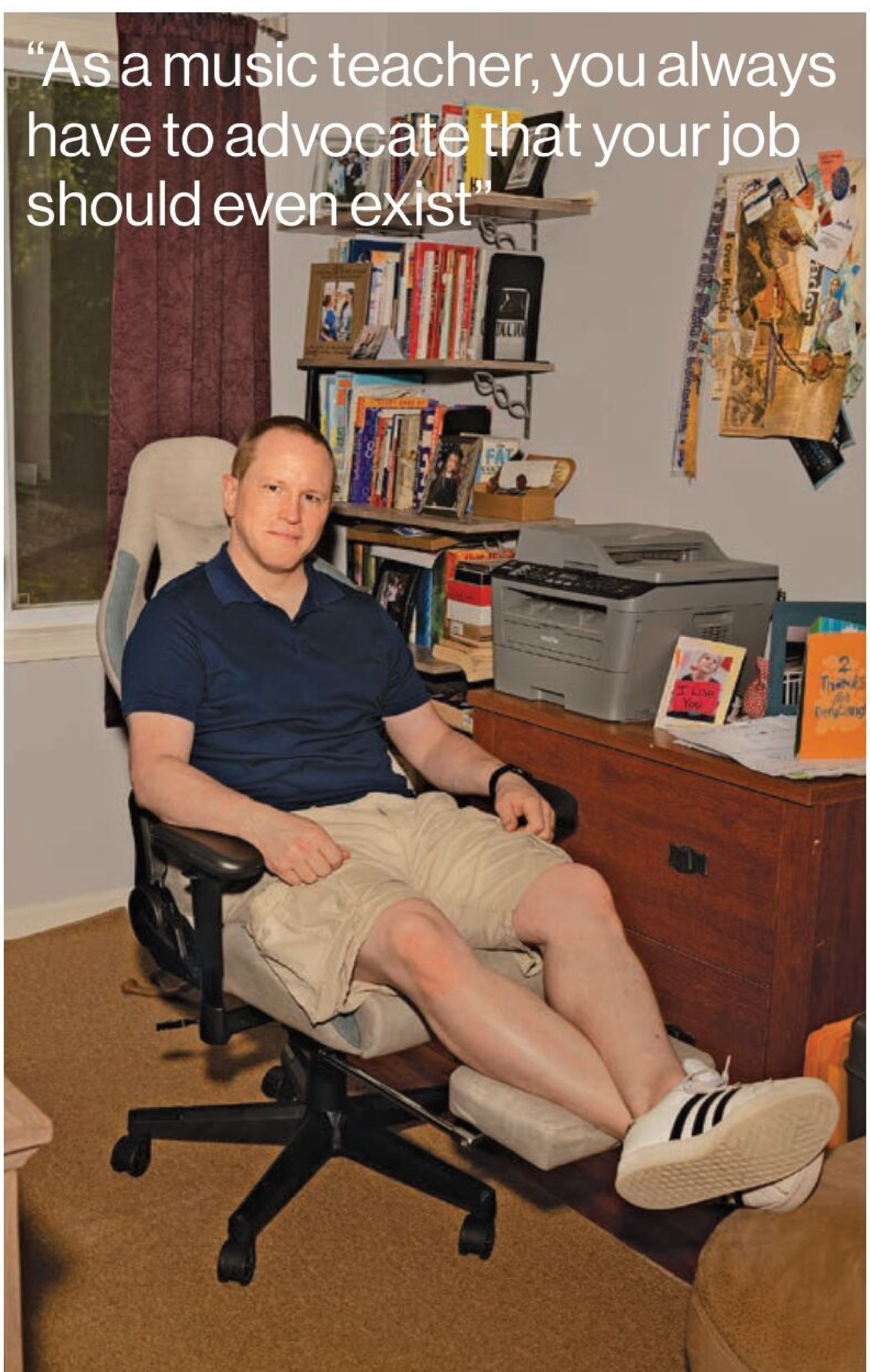
Why he went into teaching: My high school band director took a personal interest in me and my talent in music. He said, "You're quite good at this and could make a career out of it." I knew how difficult it was to make a living as a performer, and I was always good at teaching people to do kind of anything. I put those two things together, said let's give this a go.

Why he left: As a music teacher, you always have to advocate that your job should even exist. You feel as though you have to be perfect, or else people wonder: "Why is this guy even here?" When Covid came, I wasn't so desperate that I was going to leave during the height of the pandemic. But once things started to look more stable, I started looking around again.

I decided, "You know what, I have got to finally be happy at home, make it so when my kid sees me, I don't have to force a smile because of how rough the day was."

What he's doing now: I have a couple of friends who knew I was unhappy. Both work for a workers' compensation company, and they suggested I interview for a position. When I started, I was working on the medical side of claims. If an employee had a medical bill, it was my job to investigate and find out if it was a legitimate claim. The first day in my new career was Feb. 28. I had been teaching for 20 years, but at the beginning of a new career I only had to take a $2,500 yearly pay cut. In the first few months, I was promoted.

What would it have taken to keep him in teaching: A little respect would have helped. It's not that every day I need somebody to tell me I'm great, but just a general acknowledgment of my having some expertise. When I left my last job, they probably thought, "We can hire a college kid and save money." You just don't feel like there's any respect at all. In the last couple of weeks, a co-worker looked over at me and asked, "Why are you always so happy sitting there?" It's going to stick with me for a long time.
—As told to Nic Querolo



"As a music teacher, you always have to advocate that your job should even exist"

▲ Marilyn DelBosque, 34
Houston
Assistant principal

Why she went into teaching: Pretty much right out of college that's what I wanted to do. I was in education for 11 years, nine in the classroom and the last two as an assistant principal.

Why she left: I thought that if I moved into the principal's office I'd be able to do better things for teachers. But it turned out to be the same powerless position. You can't make parents more involved, you can't go up to Texas lawmakers by yourself to implement policy. I'm a problem solver. I couldn't solve all the problems, and it just got to be very demoralizing and sad.

What she's doing now: I quit teaching in April, and I just started working remotely for a New York consulting company that helps other businesses use Salesforce cloud technology. Now I can actually make goals and meet them, whereas before I was constantly up against red tape—whether it be parents or bureaucracy or state laws or your own supervisor.

What would it have taken to keep her in teaching: I definitely never want to work at a school or for a school district ever again. At the state level, I would do away with Staar—the Texas standardized test that's tied to school rankings, teacher ratings, and funding. State representatives should have to spend time on school campuses each year, and staff should be compensated for initiatives that lawmakers pass. For example, the state mandated that every K-3 teacher complete a 60-hour training course. They left it up to districts to decide if they wanted to pay people or not. My district paid a stipend equivalent to $11 an hour. Some districts paid nothing. What other field gets to decide not to pay people to work mandated overtime?
—As told to Olivia Rockeman

"I definitely never want to work at a school or for a school district ever again"

▼ Kaari Aubrey, 29
Mérida, Mexico
High school English teacher

Why she went into teaching: As an English major, I knew that no matter where in the world I go, people are always going to need teachers, especially ones who can teach English as a second language.

Why she left: I would have a class in which everyone was reading at a different grade level or with a different learning disability or social-emotional need. I felt like a doctor treating 37 patients at once. In the fall of 2020, I had gotten a really great job at an amazing school in New Orleans, but it wasn't well funded. I wasn't able to afford groceries, pay off the loan that I took out to become a teacher, and pay rent. But the continued cycle of attack on intellect and critical thinking and historical exploration in the classroom is absolutely my No.1 reason that I had to get out.

What she's doing now: I decided to leave the US altogether, because the whole system does not sustain my life. The cost of living is much less in Mérida. I've been applying for contract work related to curriculum writing, career coaching, and tutoring. I'm trying to use the gig economy to my advantage. I feel much less stressed in general, because I feel able to exist as a Black person without threats to my life on a daily basis.

What would it have taken to keep her in teaching: If I were to stay, I would take reasonable time off and have reasonable boundaries. I wouldn't allow multiple phone calls from my bosses while I'm on break. It would also take paying me a realistic salary. I know right now my potential is not being utilized properly in the traditional classroom. ——*As told to Ella Ceron*

"I felt like a doctor treating 37 patients at once"

"The issues we are seeing are not pandemic related—they've always been there"

▲ Anna Sutter, 28
Indianapolis
School counseling director

Why she went into teaching: I chose counseling, because I think schools can be a raw environment. When a student is suspended or expelled, it correlates with going into the prison system, and I think kids deserve at least one adult who believes they can be given another chance, and to break barriers like racism, classism, homophobia, and transphobia. I worked as a middle school counselor for five years and was promoted to department chair in my last year.

Why she left: I was working 60 hours a week, getting to school sometimes as early as 4:30 in the morning. I couldn't check my phone, I couldn't eat lunch. Sometimes I was seeing five students a day, doing suicide assessments. I lost 30 pounds total, and I'm only 5-foot-4. I was living close to poverty. I was very excited to get this head of department role, but only got a $2,300 stipend with no increase in salary. The pandemic gave me time to think and get clarity on what was going on. I was able to talk to other people about their work and salaries. It got me to open my eyes a little bit. I resigned midyear.

What she's doing now: After I left, I felt like I was in a new world. I've received multiple full-time offers I've turned down. I've been doing contract work for a group called the Fight for Life Foundation, which does school advocacy work. I'm transitioning into the role of director of program management, and my transition has been seamless, because leadership has helped with the emotional and mental recovery that I needed.

What would it have taken to keep her in teaching: The issues we are seeing are not pandemic related—they've always been there. Schools need to change leadership and government hierarchy—not only have a building principal, but also a program director and a project manager. They need somebody at the top with skills in business and retention. Leadership tried their very best, the only way they could see to do it, but they're not trained in these things. So to expect them to know how to run a school, on top of addressing racism, poverty, homophobia, all these things, is almost impossible to do. ——*As told to Nic Querolo*

TRADER: PHOTOGRAPH BY MATT GENOVESE FOR BLOOMBERG BUSINESSWEEK. DELBOSQUE: PHOTOGRAPH BY ARTURO OLMOS FOR BLOOMBERG BUSINESSWEEK. AUBREY: PHOTOGRAPH BY ANGIE SMITH FOR BLOOMBERG BUSINESSWEEK. SUTTER: PHOTOGRAPH BY CHARLEE BLACK FOR BLOOMBERG BUSINESSWEEK

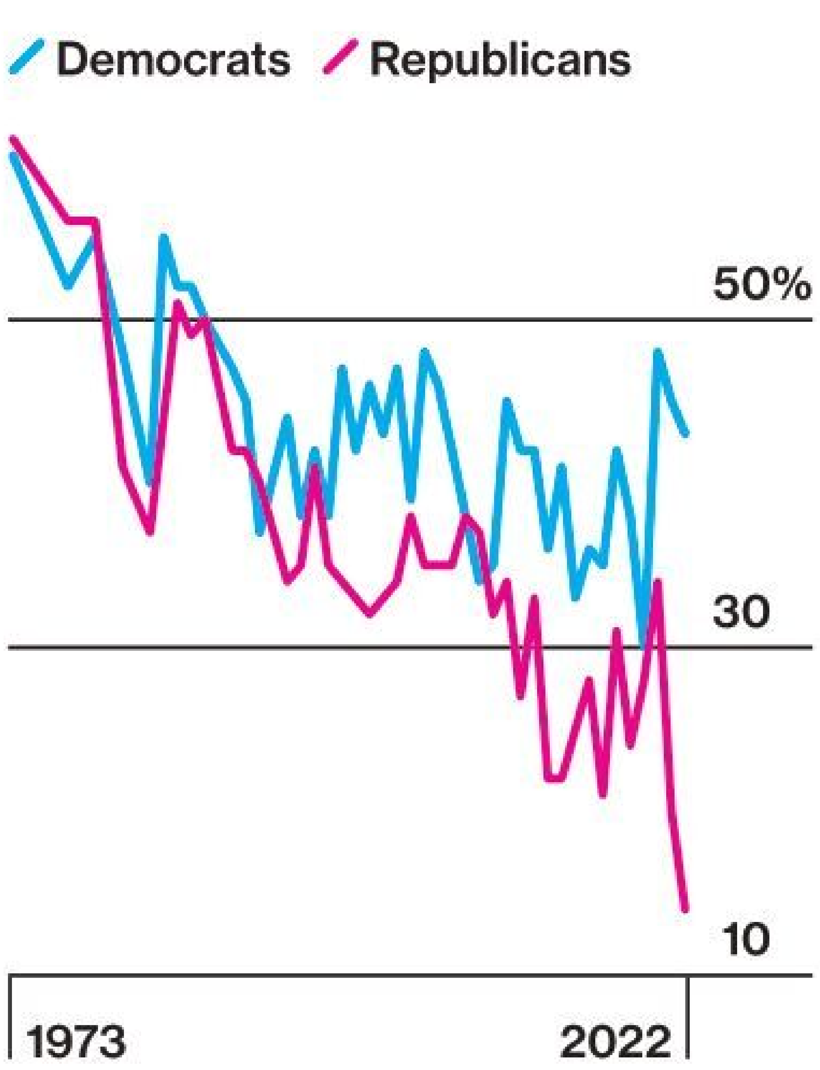
How We're Failing Schools

Public education has become the latest American institution to face an erosion of support

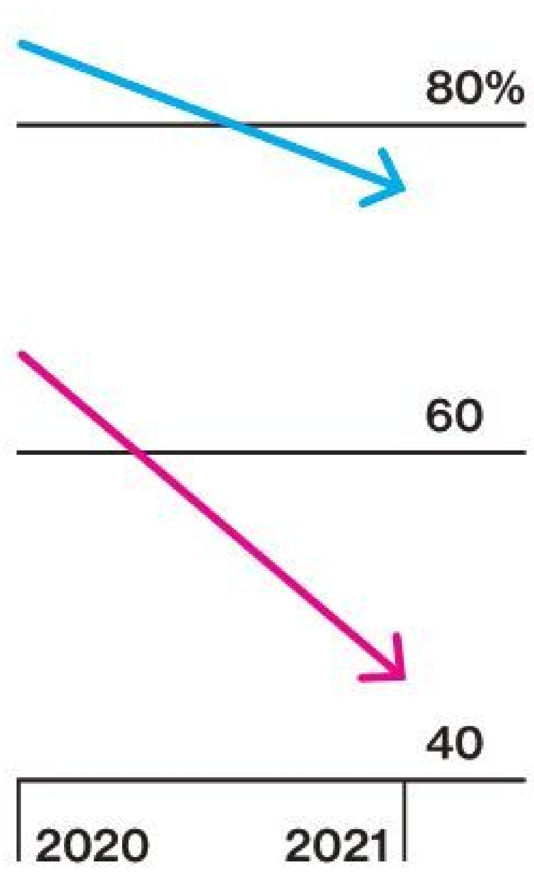
As conceived by America's founding fathers, public education was supposed to bind together a nation of immigrants from disparate classes. But public schools today are at the center of controversy, over curricula, security protocols, mask mandates, and more. As of June, only 29% of Americans—and just 14% of Republicans—put their trust in them, the lowest level since Gallup began asking the question in 1973. Parents are increasingly voting with their feet. Voucher programs in 15 states now use taxpayer dollars to subsidize tuition at private or religious schools. Charter schools account for almost 7% of overall enrollment; in Washington, D.C., 43% of public school children attend one. Also, more kids are getting home-schooled. This fragmentation is fostering divisions along racial and socioeconomic lines in ways that run contrary to the original ideal. —*Dorothy Gambrell*

POLITICS: OPINIONS—AND FUNDING—ARE BECOMING MORE POLARIZED

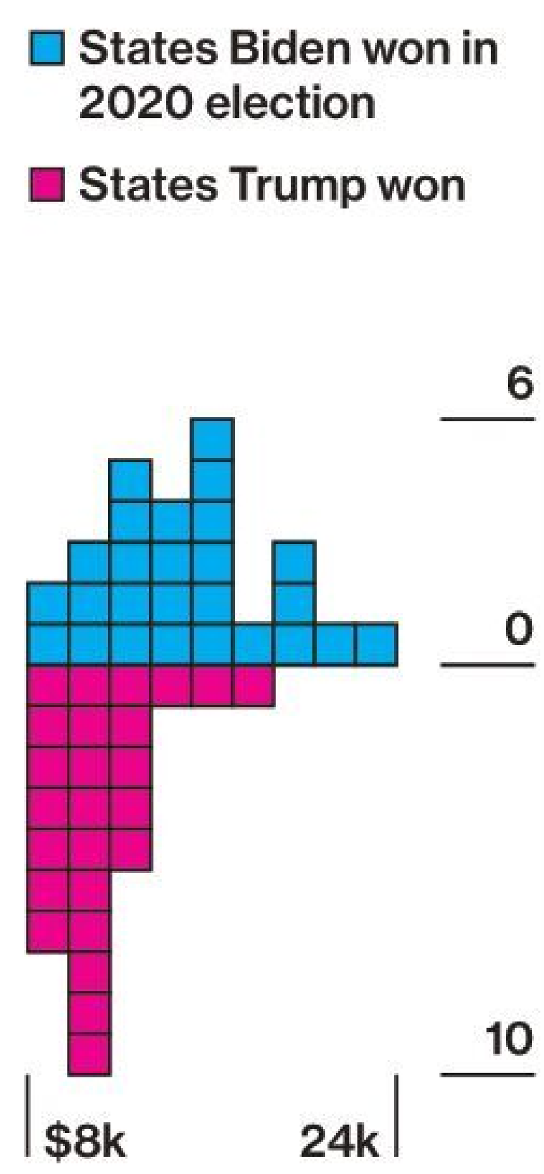
Americans with confidence in US public schools



Americans who rate elementary school teachers as ethical and honest



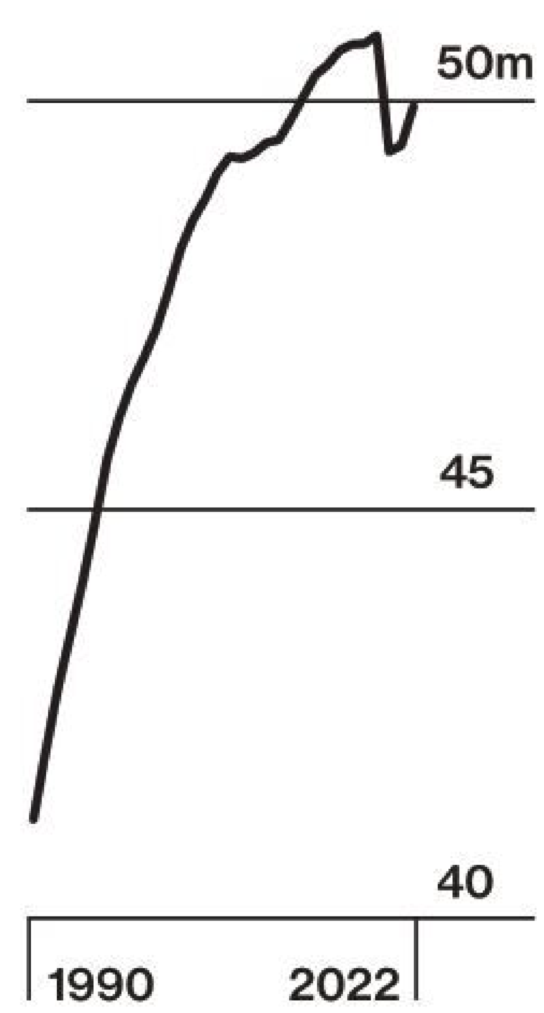
Education spending per student, by state



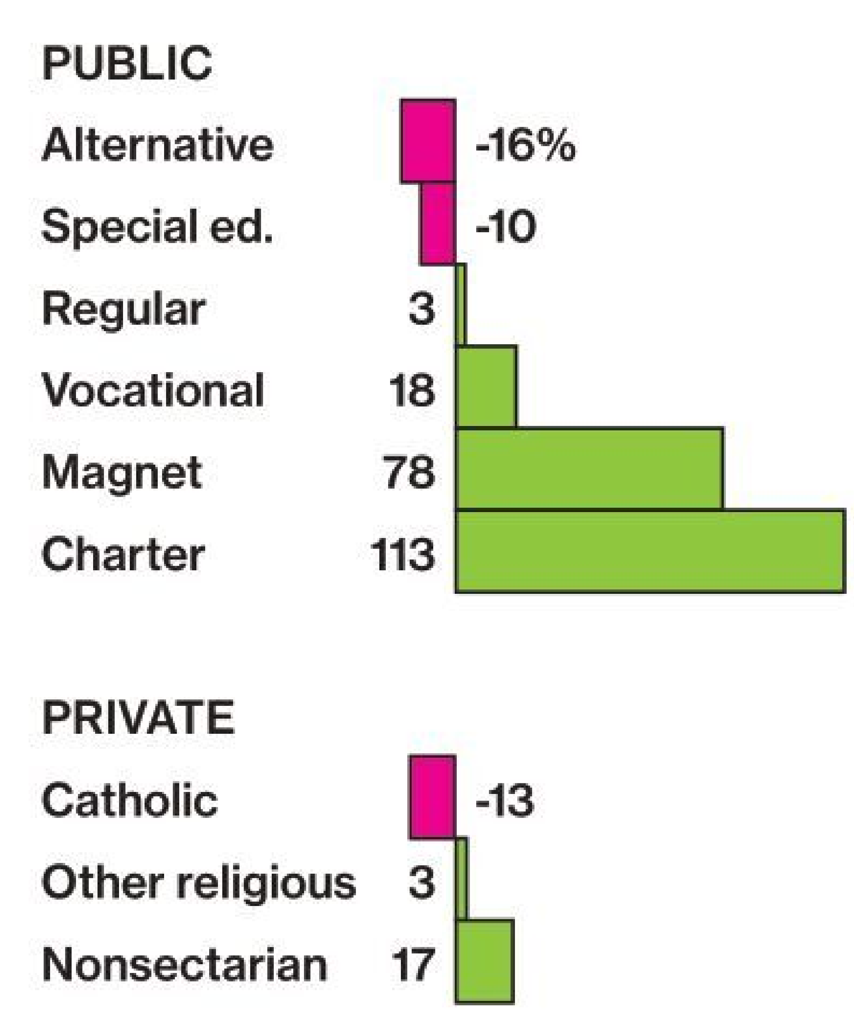
DATA: GALLUP, US CENSUS, BALLOTPEDIA

STUDENTS: ENROLLMENT IN TRADITIONAL PUBLIC SCHOOLS IS DOWN, WHILE ALTERNATIVES GROW MORE POPULAR

Enrollment in public elementary and secondary schools



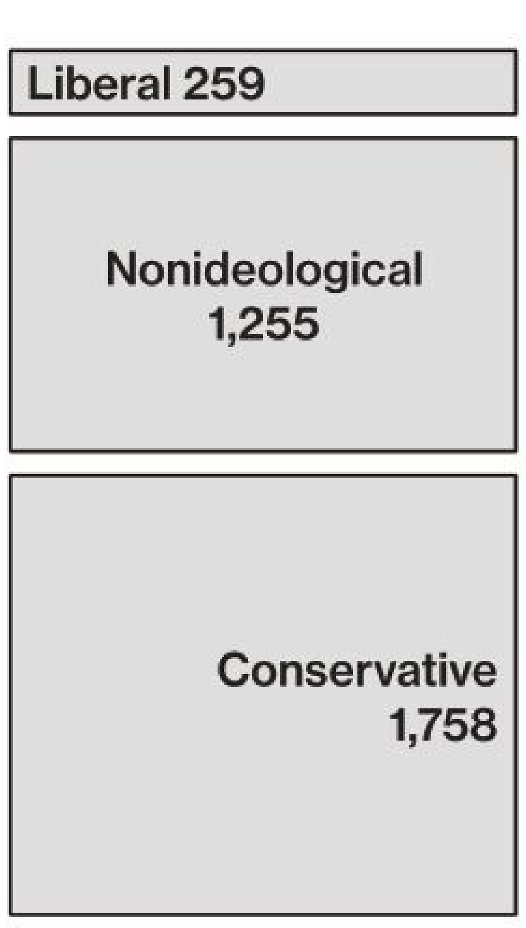
Change in school enrollment, 2009-10 to 2019-20



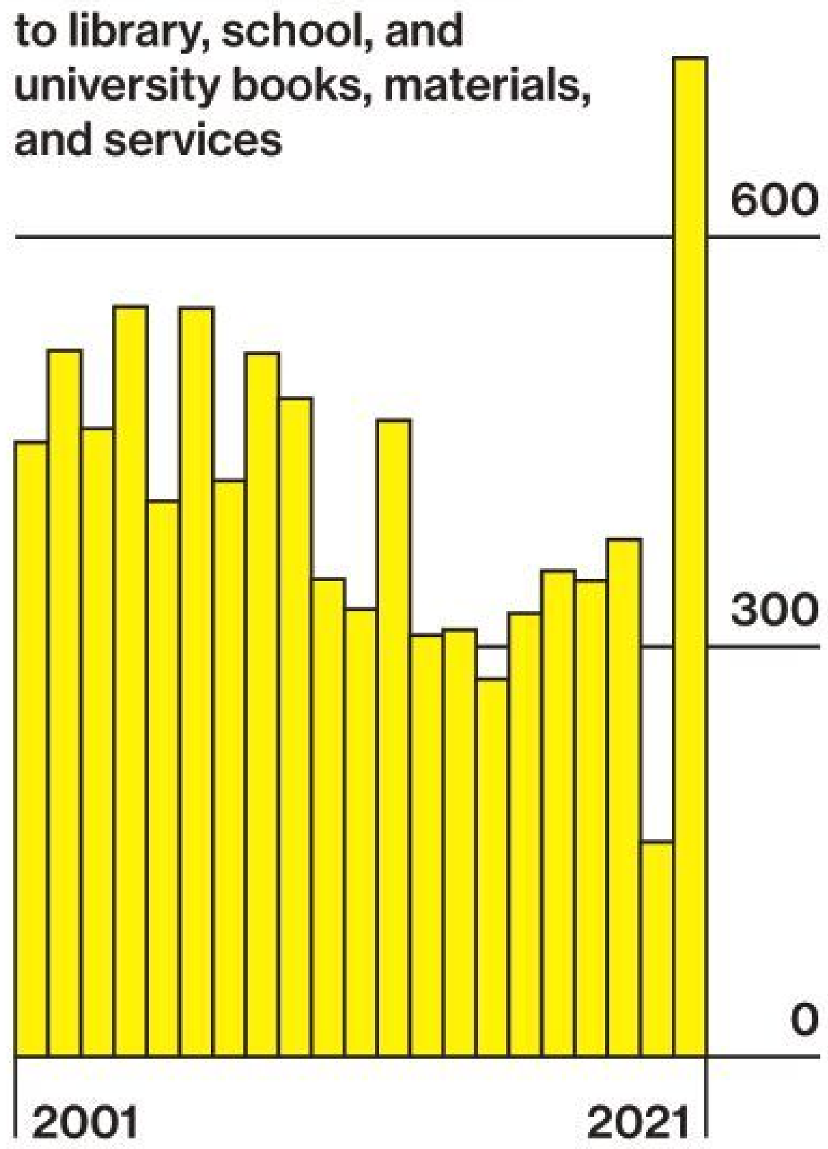
DATA: NATIONAL CENTER FOR EDUCATION STATISTICS (NCES). 2022 ENROLLMENT IS PROJECTED

CENSORSHIP: CONSERVATIVES ARE TARGETING BOOKS, CLASSROOM CURRICULA, AND SCHOOL BOARDS

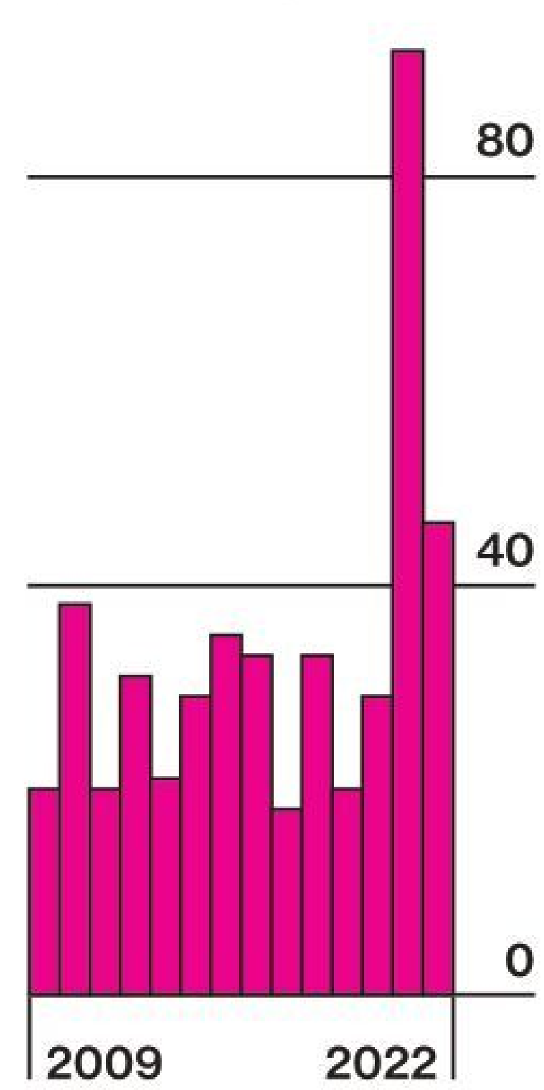
National articles on critical race theory and schools by media ideology, 9/2020 to 8/2021



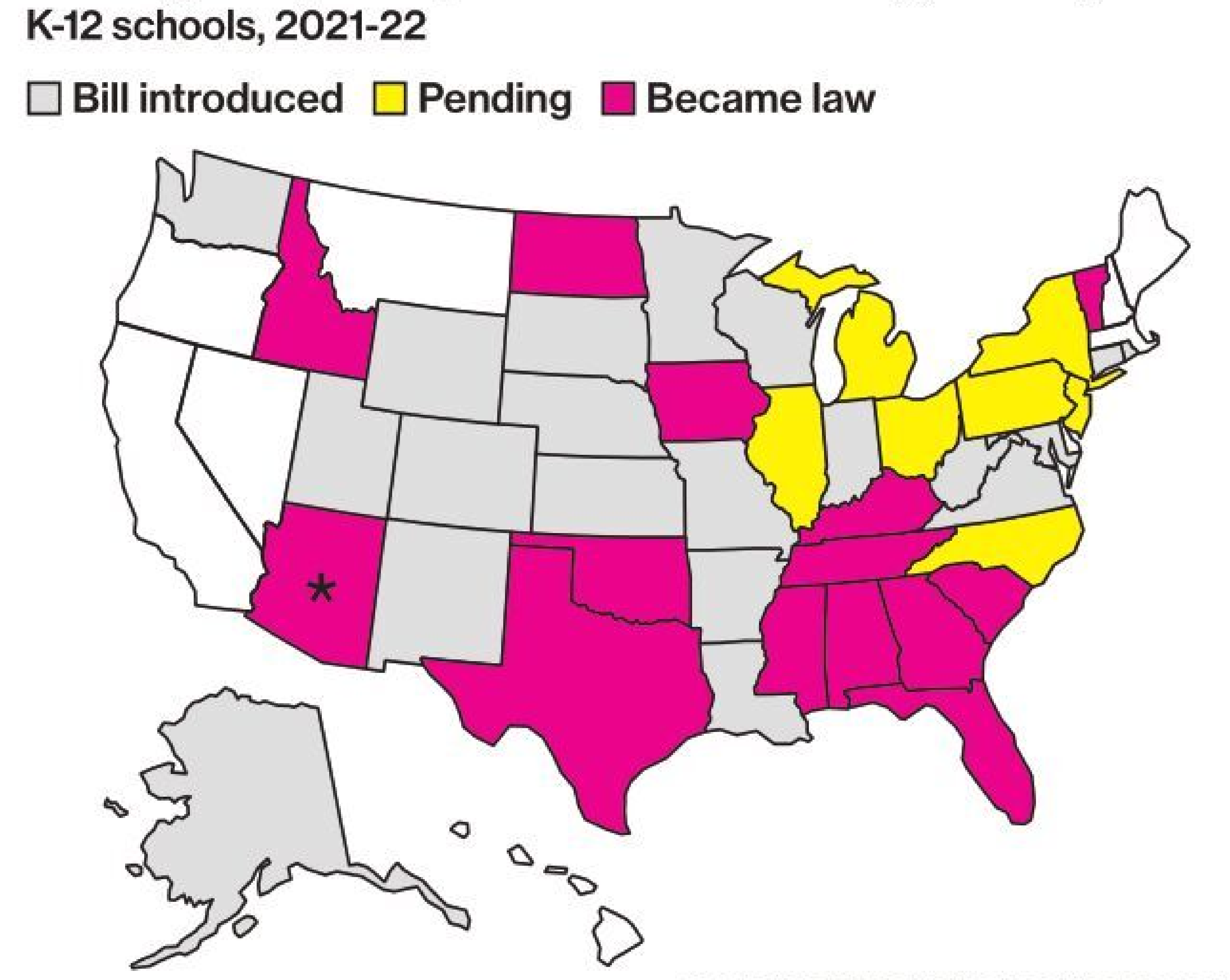
Annual challenges made to library, school, and university books, materials, and services



Annual school board recall efforts



States with educational gag order bills (targeting discussions of race, gender, and aspects of American history) affecting K-12 schools, 2021-22

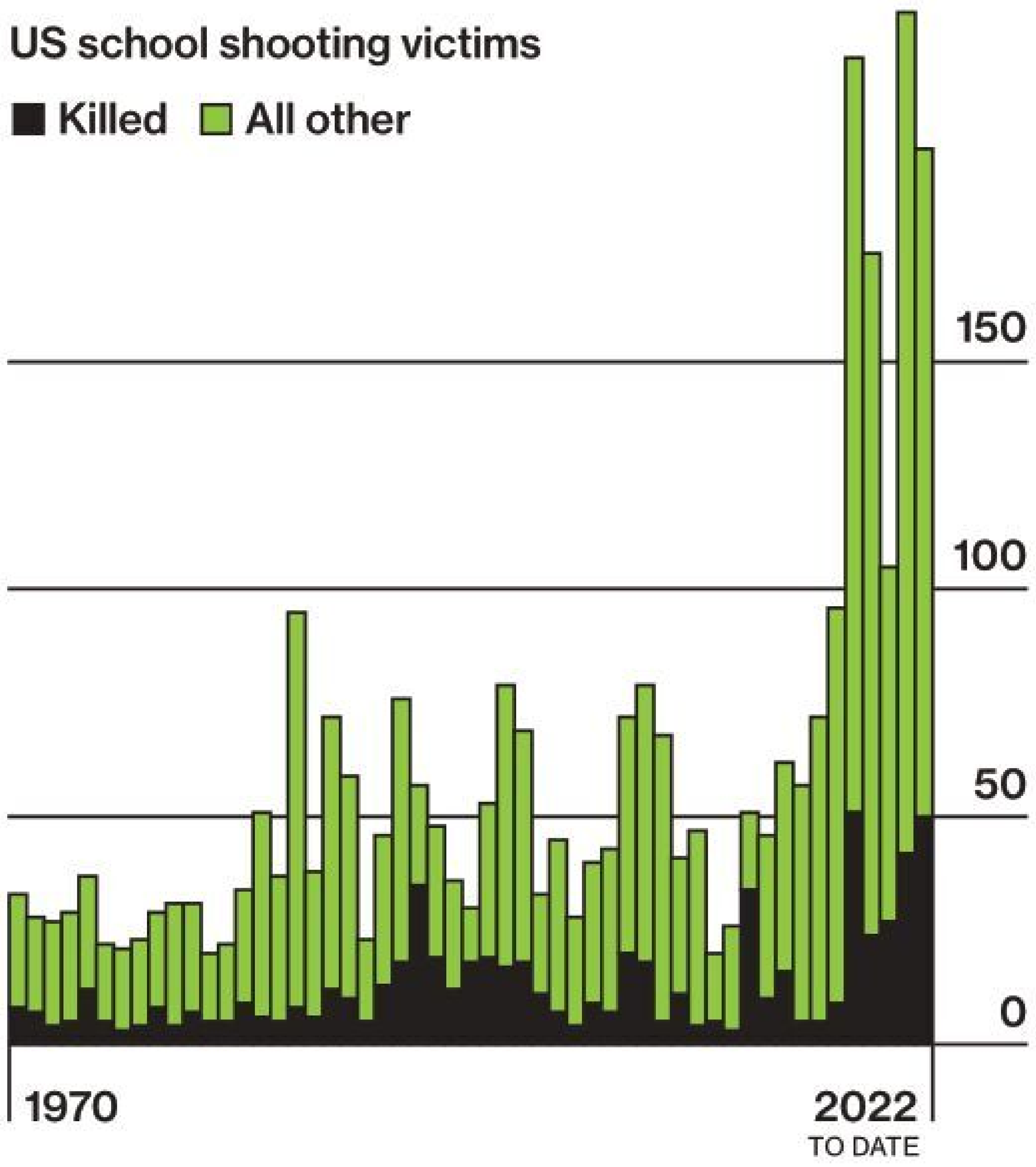


*STRUCK DOWN BY ARIZONA SUPREME COURT

DATA: UCLA/IDEA, AMERICAN LIBRARY ASSOCIATION, BALLOTPEDIA, PEN AMERICA

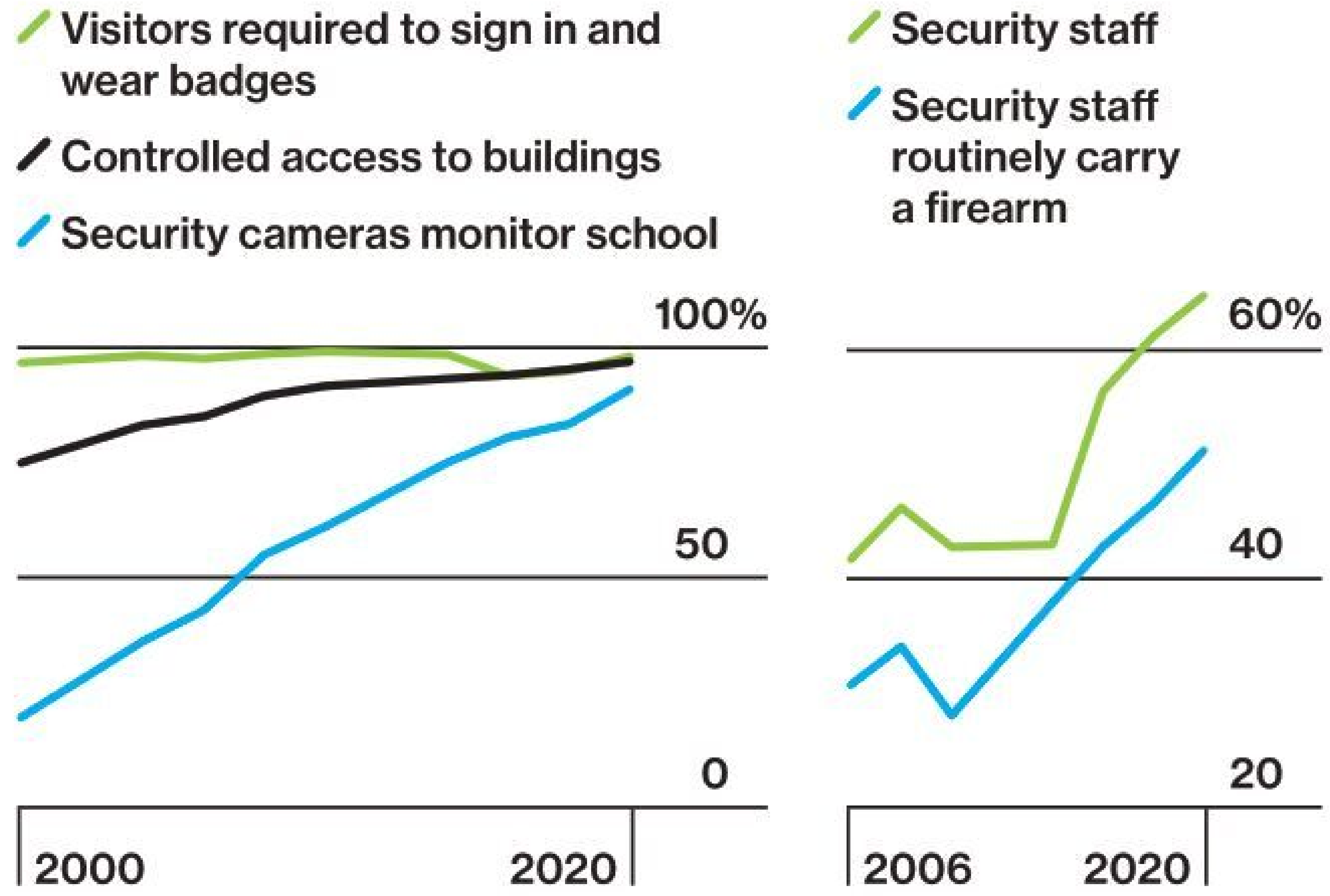
VIOLENCE: SCHOOL SHOOTINGS MAKE BIG HEADLINES AND SPUR INCREASING SECURITY MEASURES

US school shooting victims

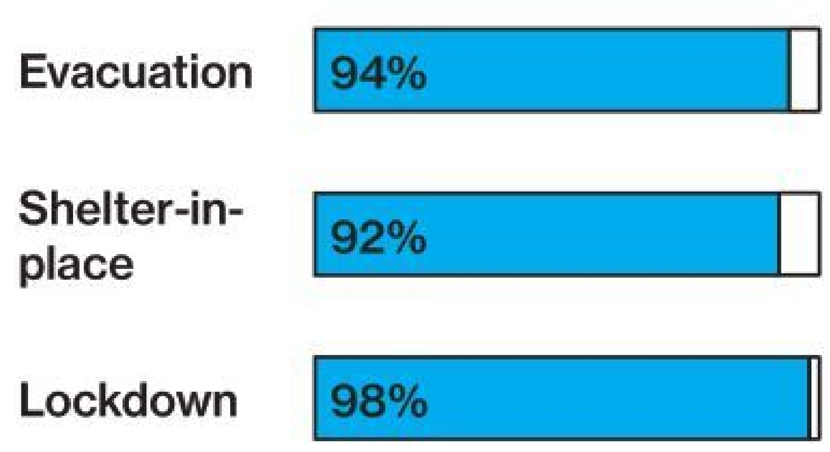


Where homicides of 5- to 18-year-olds take place, 2018-19 school year

Share of public schools with safety and security measures



Schools that have drilled students on selected emergency procedures during the current school year



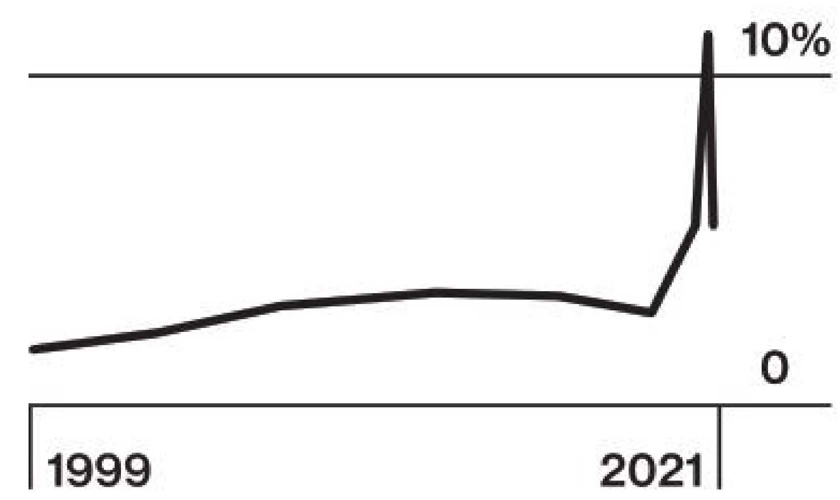
42%
Americans who favor teachers carrying guns at school

18%
Teachers who want training to carry a gun in school

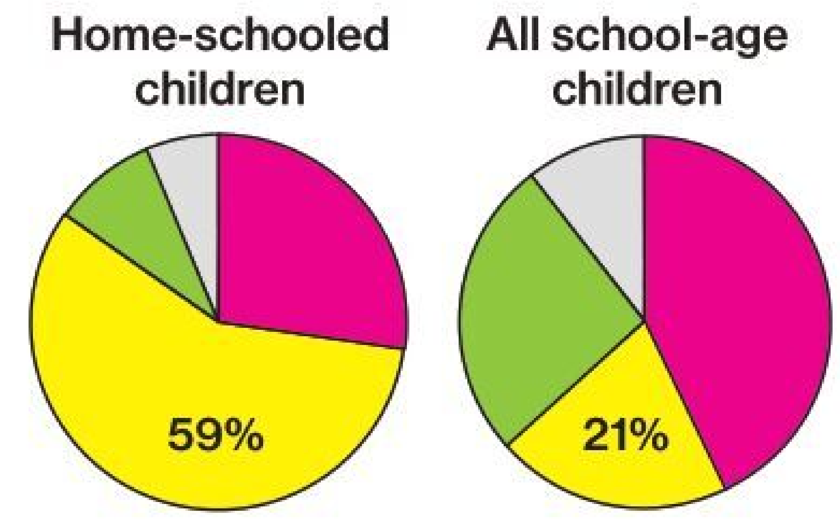
DATA: NAVAL POSTGRADUATE SCHOOL K-12 SCHOOL SHOOTING DATABASE, NCES, GALLUP

HOME-SCHOOLING: MORE ARE TRYING IT, BUT IT'S NOT A GOOD FIT FOR ALL FAMILIES

Share of US students home-schooled



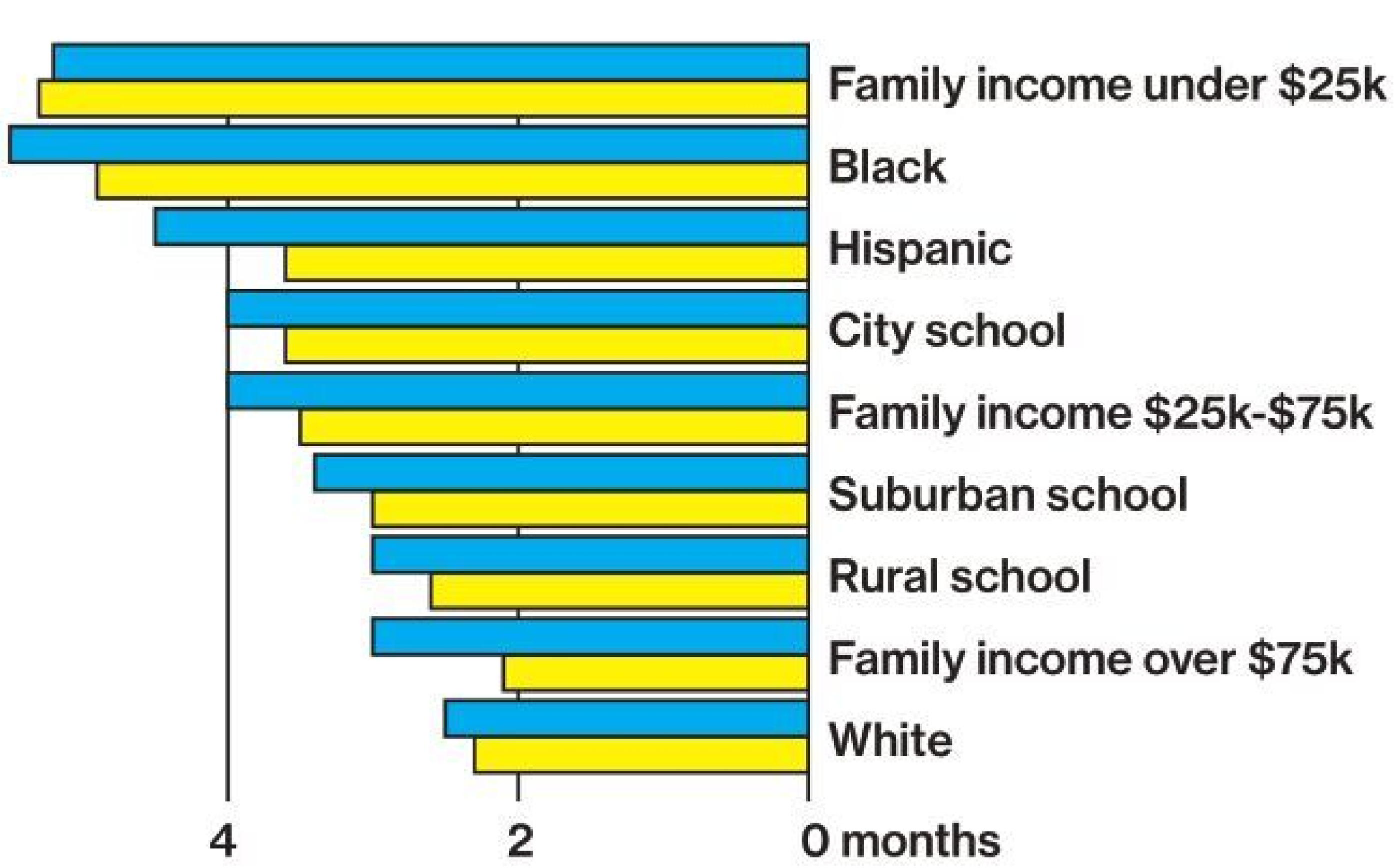
Family demographics



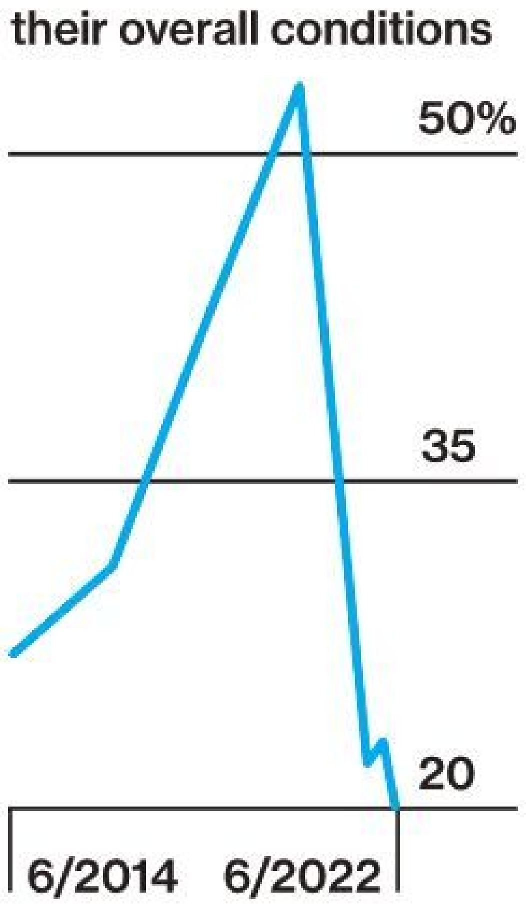
DATA: NCES, BLS

TEACHERS: COVID HAS CREATED NEW CHALLENGES AND ERODED JOB SATISFACTION

Cumulative months of unfinished learning due to the pandemic by student demographics, grades 1 through 6



Teachers satisfied with their overall conditions



Educational services job openings rate, seasonally adjusted

DATA: MCKINSEY, AFT MEMBER SURVEY, BLS

DEMOGRAPHICS: ALTERNATIVES TO PUBLIC SCHOOLS ARE LESS DIVERSE IN TERMS OF SOCIOECONOMICS AND RACE

School populations compared with children at all primary and secondary schools

*INCLUDES ASSOCIATE'S DEGREES. DATA: NCES

PUTIN'S CONFU

Banned in the US and Europe, the Kremlin's premier international propaganda tool is still k

USION MACHINE

icking—and helping Russia win friends in the developing world

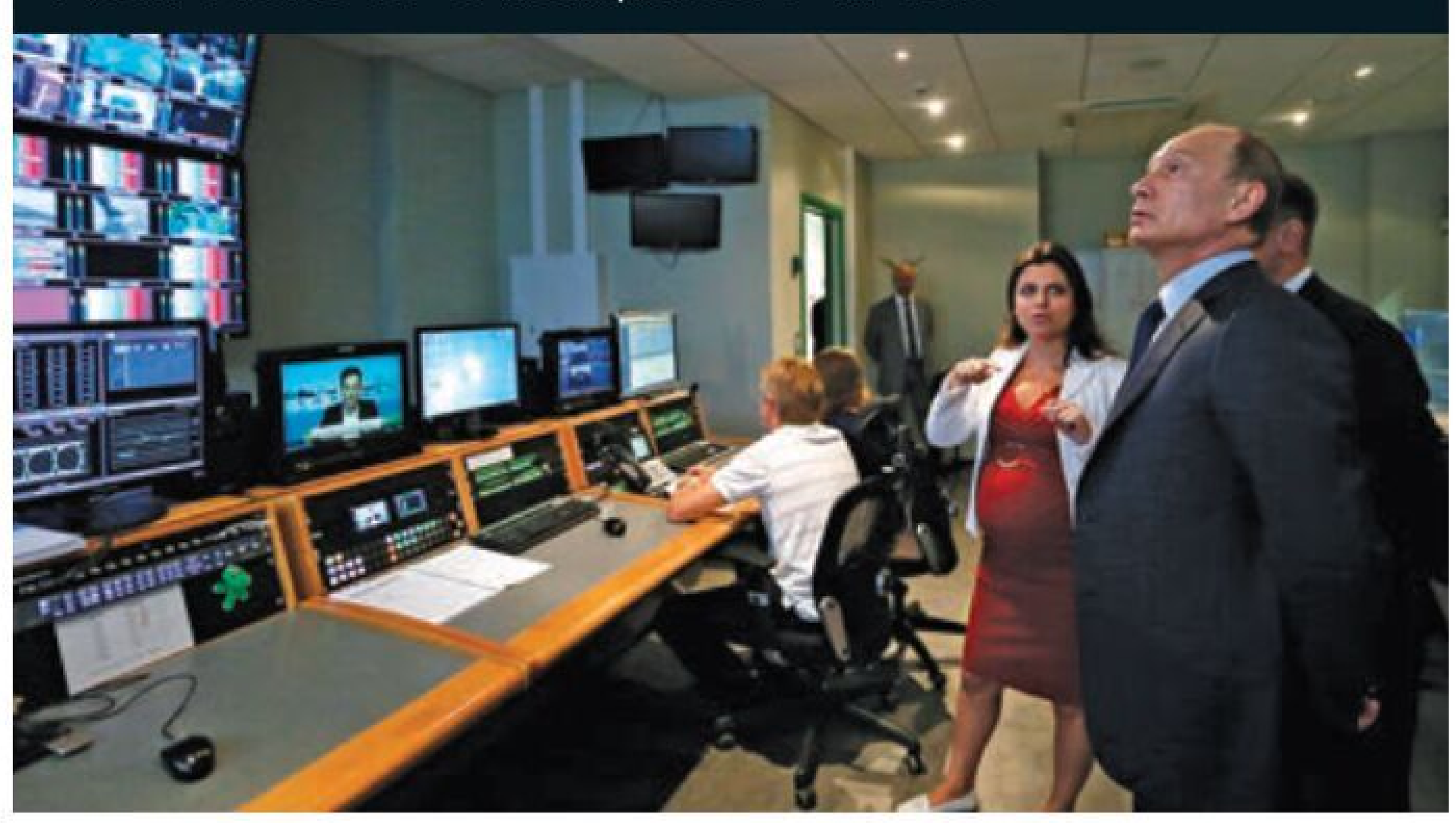
By Clara Ferreira Marques

IT'S THE MIDDLE OF THE DAY IN MOSCOW, AND RT, THE Kremlin's 24-hour English-language news channel, is racing through a dizzying lineup. Ukrainian soldiers are abandoning their positions in the besieged Azovstal steel plant, which RT bills as a fatal blow to Kyiv's war effort. There's the cautionary story of a British volunteer with the Ukrainian army, who says he was duped. A meeting of Group of Seven foreign ministers prompts a report on the West's hypocrisy in condemning Russia's military operations but not Israel's. News segments are interspersed with bombastic talk shows and minidocumentaries like *Fast Forward to Fascism*, an exposé on neo-Nazis in Ukraine.

Watching RT from the scarred outskirts of Kyiv, British reporter Sara Firth was struck by just how fully the network appeared to have embraced an alternate reality. In one broadcast, star RT correspondent Maria Finoshina lamented the demolition of bridges and other infrastructure by Ukrainian troops, without mentioning why they were blowing them up: to slow advancing Russian forces. "It's still so hard to wrap my head around," Firth says.

And yet for a substantial chunk of RT's history, Firth, who joined as an on-air correspondent in 2009, was among the many young Britons, Australians, and other foreigners who worked for the network, providing an international veneer to one of President Vladimir Putin's main propaganda platforms. Carefully oriented to the preferences of the social media age, RT evolved into an important tool by the time Russia invaded Ukraine.

Putin visits RT's headquarters in 2013



Its direct viewership was always modest. But the disruptive conspiracy theories pushed by its hosts—including questioning official accounts of the Sept. 11 attacks and claiming the Ukrainian government was riddled with Nazis—energized the political fringes in Europe and North America. It appealed equally to partisans of the hard right and hard left, united by their skepticism of establishment politics. In 2015, Mike Flynn, the former US general who'd later be named as Donald Trump's national security adviser, flew to Moscow for RT's 10th anniversary gala, where he was seated next to Putin as an honored guest. Right across the table was Jill Stein, the Green Party presidential candidate, breaking bread with Putin's chief spokesman.

The European Union banned RT shortly after the Ukraine invasion began in late February, in response to what it said was a Russian campaign of "disinformation, information manipulation and distortion of facts." The UK soon followed suit, while US TV carriers canceled its distribution deals. YouTube, vital for amplifying its videos, suspended RT's accounts, citing a policy to prohibit "content denying, minimizing, or trivializing well-documented violent events." Still, RT remains alive and well, serving Russia's effort to muddy the picture of what's really going on in Ukraine.

In particular, it's become a key part of the Kremlin's strategy to blunt the impact of sanctions by winning friends in Africa, Asia, and Latin America—places where news is consumed primarily through social media and most governments have no particular animus toward Putin. At the same time, RT is helping to spread stories through a broad ecosystem of Russian-backed outfits such as the news agency Sputnik and video provider Ruptly. And it continues to inspire other efforts to break the dominance of traditional news organizations, whether it's China's attempts to refine its outward-facing propaganda or projects such as TalkTV, a new British channel financed by Rupert Murdoch that promises "straight talking" on hot-button issues.

RT, which is funded by the Russian state, says it makes its own editorial and operational decisions, and in 2013 Putin described it as "absolutely independent," even if it "cannot help but reflect the Russian government's official position" on key issues. In a response to questions, Deputy Editor-in-Chief Anna Belkina wrote that the network's priorities haven't changed as a result of the war and that its goal is to highlight "stories, views and voices overlooked by the mainstream media yet wanted by an audience of many millions."

As the confrontation between Russia and the West intensifies, understanding RT and its influence has never mattered more. "We knew what was going on," Firth, who left RT in 2014, says of her time there. "What I had for a very long time thought I could avert my eyes from became something extremely dangerous."

INITIALLY CALLED RUSSIA TODAY, RT WAS CREATED in 2005 by Putin adviser Mikhail Lesin and his colleague Alexei Gromov, a former diplomat who ran the Kremlin press office. After Putin's election five years earlier, Lesin, then serving as media minister, had overseen the consolidation of Russia's domestic TV channels into the hands of the state—a bare-knuckle process involving considerable intimidation of private-sector media owners. International audiences were the next frontier. It was time, Putin would later say, to "break the monopoly of Anglo-Saxon mass media."

To run RT, Lesin and Gromov chose a young, Kremlin-sympathetic reporter named Margarita Simonyan, whom Gromov had gotten to know through her work covering the president. The team soon placed an ad in the *Guardian*'s media supplement, seeking applicants for a "new English-language channel," without providing details. Ahron Young, an Australian who was one of the first recruits, recalls being summoned to a North London office to audition as an anchor. When he and other applicants asked who was funding the network, they were sometimes told a group of businessmen had started it for tax reasons or simply to "go and find out" for themselves. Most didn't mind the mystery. RT seemed to be offering real, paying opportunities, and moving to Moscow sounded like an adventure.

Within a few weeks, Young and dozens of other international hires were on a plane. When they arrived, several former employees recalled, they found chaos. Nothing seemed to work properly at RT's makeshift studios in the offices of state news wire *RIA Novosti*. Chairs collapsed; cumbersome video-editing software crashed. RT's official debut in December 2005 was disrupted by technical difficulties that executives blamed on a cyberattack. Staffers thought the more likely problem was equipment seizing up as temperatures plunged.

Arriving at a successful editorial strategy proved more difficult than fixing rickety gear. In its first few years, RT operated on Soviet principles, largely ignoring what its audience might want. Most stories focused on Russia and its neighbors, alternating coverage of set-piece events—speeches, anniversaries, and so on—with tales of military and technological prowess. For light interludes, there were gauzy nature or culture reports. News channels typically vary their lineup through the day, but RT's rotation went unchanged for long stretches. Serge Cartwright, a journalist who worked in the Moscow headquarters, wrote a play based on his experience that included a running joke about a repeated segment on craftsmen in Russia's far east: "Furry Russian boots every hour or every other hour?" a producer asks.

In the early days, RT's coverage was often relatively straight. But on issues dearer to Moscow, everyone was expected to toe the line. In 2007 the government of Estonia enraged the Kremlin by relocating the Bronze Soldier, a statue of a Red Army serviceman that many Estonians viewed as a symbol of Soviet oppression. In a broadcast on the incident, Cartwright described Estonia as having been previously "occupied" by the Soviet Union. Immediately, a Russian senior editor called Cartwright and his team into a meeting, delivering a stern reprimand. Estonia wasn't occupied, the editor said. It was "absorbed." Belkina says she isn't aware of the episode.

Meanwhile, geopolitical tensions were rising. Russia's 2008 war with Georgia, run by a pro-European government that was seeking NATO membership, marked a turning point. Although Russia prevailed militarily, Putin's government saw the conflict as a public-relations failure, with Western politicians clamoring to declare their support for the Georgians. That frustration prompted a dramatic change at RT. It was rebranded to be less visibly Russian, with "Russia Today" dropped in favor of the acronym by which it's been known since. There was also a boost in funding and a shift in philosophy, guided by what might be RT's central insight: Kremlin policy might be best served not by making Russia look good, but by making the rest of the world look worse. (Belkina says the overhaul occurred because "audiences most strongly responded" to stories about international events.)

A 2010 RT campaign in the UK comparing Obama and Ahmadinejad

RT's new slogan, courtesy of the advertising giant McCann, was "Question More," which its anchors interpreted as an instruction to interrogate the most basic assumptions of international politics. In the UK, billboards advertising the channel superimposed images of Barack Obama and Iranian President Mahmoud Ahmadinejad, asking, "Who Poses the Greatest Nuclear Threat?"

Then, in September 2011, Putin signaled he was returning to the Russian presidency after a stint as prime minister, prompting protests that were harshly suppressed by security forces—a portent of further repression to come. RT cranked out ever-more-outlandish stories, particularly through its Washington-based US arm, which began operations in 2010. A show called *The Truthseeker* claimed that reports of chemical weapons use by Bashar al-Assad, the Russian-backed Syrian dictator, were a BBC hoax. RT gave wall-to-wall coverage to the Occupy Wall Street movement, using it as an opportunity to emphasize economic inequality. Although some content appeared mainstream—RT America carried *Larry King Now*, a talk show hosted by the former CNN personality—more typical of the overall tone was *The World Tomorrow*, an interview series fronted by Julian Assange. His first guest was Hassan Nasrallah, the leader of Hezbollah. "The pitches became extremely crazy," Firth says of the period following Putin's return. "There was no pretense anymore."

Through all this, it was unclear how much of an audience RT really reached. In the UK it claimed as many as 2.4 million viewers in 2011, though the network has never reported viewership in a consistent or audited manner, and other data sources cite smaller figures. Today its website describes RT as "available to" about 700 million people in more than 100 countries—a number it doesn't seem to have adjusted since the Ukraine invasion—but makes no claims about how many are actually watching. Belkina, the RT editor, says such figures are based on "a large-scale set of research." Nonetheless, its benefactors appeared to believe RT was making a difference. In 2013 it moved into a spacious new head office, and by 2015 its budget was just under 14 billion rubles, about $220 million at the time.

RT's approach to news came into its own with the downing over Ukraine of MH17, a Malaysian airliner traveling from Amsterdam to Kuala Lumpur. RT proposed endless potential explanations, claiming, among other things, that Ukrainian forces intending to hit Putin's presidential jet might have struck the Boeing 777, or that Ukrainian warplanes had been seen nearby, citing evidence from an air traffic controller identified as "Carlos." (His testimony was later debunked as a fraud.) The only ▶

PREVIOUS SPREAD: PHOTO ILLUSTRATION BY 731; PUTIN: JEREMY LIEBMAN/TRUNK ARCHIVE. THIS SPREAD FROM LEFT: YURI KOCHETKOV/AP PHOTO; SUSANNAH IRELAND/SHUTTERSTOCK

◀ thing RT's anchors claimed to be sure of was that the facts were unknowable. In reality, a multinational investigation concluded that MH17 was destroyed by a Russian-operated missile, fired from territory held by Kremlin-backed rebels.

By then, Firth had relocated to the London bureau. She watched the MH17 coverage with dismay. "It was a very overwhelming moment to watch what RT was putting out there," she recalls. The same day the airliner was shot down, Firth had tickets for a theatrical adaptation of George Orwell's *1984*, which felt like a warning too obvious to ignore. She announced her resignation on Twitter the next morning. "I have huge respect for many in the team, but I'm for the truth," she wrote. RT responded with a statement of its own: "Apparently we have different definitions of the truth," it said.

TWO MONTHS BEFORE THE 2016 US PRESIDENTIAL election, RT America trumpeted its biggest get: a King interview with Trump. "We did it!" tweeted Simonyan, the editor-in-chief. In response to subsequent criticism, Trump's aides claimed unconvincingly that they thought the interview was going to air on King's podcast, not RT. Trump's appearance nonetheless signaled a new era for the network. It would be wrong to say it had arrived, because an arrival follows a journey to a new location. What had actually happened was that a significant part of the US political world had converged on RT's preexisting perspective: treating every institution, and the notion of the truth itself, as suspect.

By the time Trump was elected, RT's stories and narratives were being recirculated by sites such as Infowars.com and amplified by conservative voices on social media. RT returned the favor, enthusiastically covering conspiracy theories originating in the internet's far-right fever swamps. In some respects it was even better suited to the Trump era than Fox News. Like Trump, RT was bound by no fixed principles and animated by an exaggerated sense of moral relativism. In another interview—this one with Bill O'Reilly on Fox—Trump expressed a view that matched RT's editorial style exactly. Asked why he respected Putin, whom O'Reilly called "a killer," Trump responded, "We've got a lot of killers. What, you think our country is so innocent?"

Over the next few years, RT found ample opportunities to highlight what it portrayed as the hypocrisy of the West. The *gilet jaune* protests in France, which began in 2018 when motorists angry about fuel taxes started occupying suburban roundabouts, were almost perfect for the network, expressing no real political agenda but plenty of anti-establishment anger. According to analysis cited by French researcher Maxime Audinet, RT France put out 1,034 videos about the demonstrations, which were viewed 30 million times—25% more than the 629 videos produced by five of the country's major online media outlets.

The Black Lives Matter demonstrations in 2020 and the combustive atmosphere of the runup to the US presidential election provided even richer sources of controversy. RT focused on the most unruly protests, creating an impression of generalized chaos. But the channel and its social media affiliates also gleefully promoted stories about police brutality against Black people. Then they pivoted seamlessly to airing Trump-friendly claims that the election was both dysfunctional and fraudulent, emphasized with knowing asides. "You gotta be kidding me," Simonyan tweeted after the Organization for Security and Co-operation in Europe, an intergovernmental body that monitors elections, described the US race as well-managed.

At the outset of Russia's military buildup on Ukraine's borders, RT followed a familiar playbook. While analysts everywhere questioned the likelihood of an actual attack, it went further, ridiculing warnings of war as hysterical. The full-scale invasion that began on Feb. 24 shattered that illusion; it turned out the truth was knowable, and the US and its allies had been right about it. RT swung rapidly to endorsing the Kremlin's preferred narrative: that its forces were engaged in a "special military operation" defending ethnic Russians, not an aggressive war. It then adapted its traditional strategy of looking for ways to undercut mainstream narratives, claiming Ukraine's leaders were authoritarian nationalists—if not full-fat Nazis—whose people needed urgent liberation.

The dissonance was too much for many of RT's remaining foreign staff. Dozens resigned. "I genuinely didn't believe Russia would launch a full-scale military attack on Ukraine," tweeted Bryan MacDonald, an online RT journalist and one of its most prominent defenders. He's since been sanctioned by the UK government. "I thought it was saber-rattling or a bluff to force the West's hand in negotiations. I apologize for getting it so badly wrong."

HEAVILY RESTRICTED BY GOVERNMENT BANS AND decisions by YouTube and other platforms to block its content, RT is now difficult for Americans and Europeans to access. The situation is different in poorer countries, where it remains freely available and widely promoted, especially on social media. That's partly a function of many governments' ambivalence about how to respond to the war in Ukraine. Few leaders of developing nations support Putin's actions, but historical and defense ties, plus skepticism about Western intentions, mean many aren't ready to isolate Moscow. Most countries in Asia, for example, have declined to implement economic sanctions on Russia, allowing trade to continue as it did before the war. At a recent security summit in Singapore, Indonesia's defense minister reminded attendees that "your enemy is not necessarily my enemy," emphasizing that his country, the world's fourth-most populous, considers itself neutral.

In turn, RT has been doubling down on efforts to reach

"Apparently we have different definitions of the truth" emerging-market audiences, who will help decide just how cut off from international commerce Russia is likely to be. These efforts span the globe. The channel has broadcast in Arabic since 2007 and has been building up French-language coverage in Africa. It's also planning a new English hub in Johannesburg. The continent is increasingly a foreign policy priority for Russia; in late July, Minister of Foreign Affairs Sergei Lavrov visited Egypt, Ethiopia, Uganda, and the Republic of Congo, holding amicable meetings with leaders in each country.

RT has arguably been most successful in Latin America, where many countries have a long history of skepticism toward the US. RT's Spanish Facebook page has about 17 million followers—more than twice the total for its English equivalent—with particularly large numbers in Argentina, Mexico, and Venezuela. A study by the Atlantic Council, which analyzed online debate about Ukraine in the war's early weeks, found RT en Español was one of the most shared domains in Spanish-language Twitter discussions of the conflict, its reach expanded by Russian foreign ministry accounts and, likely, bots.

Putin, speaking at the 10th anniversary of RT in Moscow in 2015, and dining that night with Flynn, Stein, and others

FROM LEFT: MIKHAIL KLIMENTYEV/TASS/ZUMA PRESS; MIKHAIL KLIMENTYEV/SPUTNIK/AP PHOTO

Vladimir Rouvinski, an academic in Colombia who studies Russian relations with Latin America, says Kremlin-backed media push three broad types of content in the region. The first category is the sensational: lurid pieces on topics such as natural disasters, to pull in viewers. The second is stories that show the US in a negative light. The third focuses on the failures of apparently well-functioning societies—for example, by highlighting clashes between Indigenous people and security forces in Chile. There are few reports on Russia itself, but there's positive coverage of allies such as Venezuelan strongman Nicolás Maduro. "The aim is to emphasize that democracy doesn't work," Rouvinski says. Social media is the overwhelming priority. In data published in June, only a third of North Americans surveyed by the University of Oxford's Reuters Institute for the Study of Journalism reported using Facebook for news in the previous week. In Latin America the figure was almost 60%.

The best example of RT's Latin American strategy might be *¡Ahí Les Va!*, a show with a mix of monologue and news snippets, introduced in 2019. (The name translates roughly as "There you go!") Original host Inna Afinogenova, a Russian who speaks fluent, idiomatic Spanish, would deliver the day's stories with winking humor that played to RT's branding as a platform for critical thinkers, covering everything from life in Venezuela (better than they're telling you) to Ukraine's neo-Nazis (worse than you think). The show's YouTube channel had more than a million subscribers by the time it was closed down earlier this year. Afinogenova then resigned from RT, but in a way that made it difficult to determine whether she was also parting with the organization's goals.

"I don't agree with this war," Afinogenova said in a May video announcing her departure. But she also repeated several of RT's favorite talking points. "There are no good guys and no bad guys," she declared. "There's propaganda, and you eat it up, just as the Russians do. Even more so now that they have stopped you from seeing the other side." A few weeks later, she started posting YouTube videos under her own name, and she now works with Publico, a left-leaning Spanish outlet, to produce a program analyzing international events "from an anti-imperialist and progressive position." It has no connection to RT but is often similar in tone, format, and perspective to *¡Ahí Les Va!*, which continues with another host. Afinogenova didn't respond to a request for comment.

Projects such as Afinogenova's are typical of what seems to be a new strategy for RT and Russian media more broadly: proliferating content through dozens of entities with no obvious connection to the Kremlin that operate in a gray zone between profit-oriented content farms and traditional propaganda. There are copycat accounts on Twitter and other platforms, posting videos that RT itself no longer can. Ruptly, based in Berlin and part of the loose network of state-backed media organizations that includes RT, distributes video content used by other outlets. A Ruptly subsidiary called Redfish, which says its employees are overwhelmingly "from oppressed and marginalized countries, communities and groups," produces documentaries with titles such as *The Enemy Within: Neo-Nazis & the German State*. There are Twitter and Facebook posts, of uncertain origin, masquerading as reports from CNN and the BBC, which might falsely claim that Russian missile strikes on civilian targets were in fact the work of Ukraine.

There's long been a risk of exaggerating RT's power, particularly in developed countries with strong incumbent media organizations. According to data published by Rasmus Kleis Nielsen, the director of the Reuters Institute, only 0.6% of the UK's online population viewed RT's content in early 2022, compared with almost 44% for the *Guardian* or the BBC, for example. Engagement is often limited and probably inflated by bots. But the number of genuine viewers is likely to be much higher in emerging markets where there's less skepticism of Russia and heavier reliance on news from social media. Most important, RT's model—and Russia's strategy for fighting attempts to strangle its economy—don't require the Kremlin to convince anyone of much. It may be enough to sow doubt, about both what's really happening in Ukraine and the legitimacy of the governments trying to punish Russia for it. And sowing doubt is, after all, RT's specialty. B

A HANDY GUIDE TO HANDBAG INVESTMENTS

Bottega Veneta
Nappa Intrecciato
Mini Jodie Parakeet

Hermès So Black
Alligator Birkin

Fendi Canvas
Calfskin FF
Embroidered
Baguette Poudre

Hermès Togo Kelly
Retourne 28 Tosca

Forget Berkshire Hathaway. With the way things are going, some are betting on Birkins. *By Mark Ellwood*
Photograph by Joanna McClure

STYLE SPECIAL

September 5, 2022

Edited by
Chris Rovzar

Businessweek.com

With the stock market roiling, luxury goods—especially designer handbags—are becoming a hotly sought-after investment commodity. One July study from the *Business of Fashion* said 40% of US consumers had bought or were planning to buy one, helping bolster the category from a global market of $72 billion this year to a predicted $100 billion in 2026.

Buy them to store and trade, rather than tote, and that as-new purse could offer an impressive return on investment: In June a study from Credit Suisse Group AG showed that Chanel bags rose in value 24.5% from the previous year. Those by the house's late designer Karl Lagerfeld are especially coveted.

The entire luxury bag sector was singled out, over other categories like cars or wine, for its risk-reward proposition. Handbags, Credit Suisse says, had annualized volatilities of 2.5% to 5%, with mid-single-digit returns.

They aren't going to replace your BlackRock exchange-traded funds—retail prices can range from about $2,000 for an entry-level Balenciaga bag to more than $50,000 for some of the rarer, exotic-skin Birkins made by Hermès. But they offer an opportunity for investors at many levels to get into a fun game. (An August study by resale website TheRealReal reported that Gen Z and millennial shoppers make up 41% of its customers, with Gen Z the age group fastest to buy and try to turn items around quickly to make a profit.)

We canvassed the world's best secondhand bag dealers, asking for recommendations for investment-worthy totes in two categories: first, a bag that's already proved bankable on the secondary market; and second, a bag you can find in retail boutiques right now that the experts expect to offer impressive returns in the future.

To get the best price, which is well above average, a bag must be in absolute mint condition, preferably with tags on. And to increase in value, rather than just hold it, a bag must have been rare at retail—sold in limited quantities or made from a sought-after material.

SO BLACK BIRKIN

Two experts recommend the Hermès So Black Birkin, a Jean-Paul Gaultier-era limited edition in which both hardware and leather are black. "It's seductive, the way it draws you in," swoons Diane D'Amato, director of luxury accessories, private sales, and boutique at Heritage Auctions Inc. Judy Taylor, president and CEO of reseller Madison Avenue Couture, advocates for it because none of the So Black designs have been reissued.

Price: A So Black in crocodile fetched $208,000 three years ago. Taylor says a 35-centimeter So Black Matte Alligator Birkin in mint condition can go for $175,000. This year, she sold a never-used So Black Birkin 30cm from 2011 for $75,000.

GOYARD PLUMET POCKET WALLET

Step inside a Goyard store today, and you'll be politely asked not to take any photos. "The associates aren't allowed to send you pictures either," D'Amato says. "The brand ensures its exclusivity with almost no advertising, no e-commerce, and very few stores in select cities." The best investment piece, she says, is a Plumet Pocket Wallet first introduced in 2018 that can also be worn as a crossbody bag.

Price: It started at $1,080 then and has already reached $1,310 at the store, with most Goyard models holding about 111% of their value, according to D'Amato's calculations: "Goyard has a substantial ROI, and I foresee impressive growth moving forward."

GUCCI JACKIE

Kate Moss, Harry Styles, and everyone else has carried the 1961 hobo-style model made famous as a paparazzi shield by the former first lady in the 1970s. It's been reinterpreted by Gucci creative directors including Tom Ford, Frida Giannini, and Alessandro Michele. "It's the perfect investment piece," says Sophie Hersan, co-founder of Paris-based online consignment store Vestiaire Collective SA, which operates in more than 50 countries. "Most vintage Gucci bags have plus-100% retention values."

Price: Resale site Rebag, which tracks historical prices, estimates a medium Gucci Jackie 1961 Hobo in GG Supreme Canvas runs $2,320 to $2,575. New, it now starts at $2,850.

BALENCIAGA CITY

"It was unlike anything of the time," says Hersan of the buzzy bag then-creative director Nicolas Ghesquière designed in 2001. "It had a slouchy silhouette, no logo, and tassels and studs. Balenciaga's execs refused to greenlight it." Determined, the designer had 25 made and gave them to influencers such as editors Carine Roitfeld and Emmanuelle Alt, and the rest is history.

Price: Balenciaga's City line evolved into two new ones, the Neo Classic and the Cagole. The Cagole (seen here) is the most wait-listed bag currently on TheRealReal; new versions in colorful crocodile start at $2,500. Meanwhile, gently used City bags can be found on Vestiaire in the range of $500 to $1,000.

PREVIOUS PAGE: BIRKIN BAG COURTESY HERITAGE AUCTIONS; REMAINING COURTESY FASHIONPHILE. THIS PAGE: HERMES KELLY, LOUIS VUITTON MONOGRAMOUFLAGE SPEEDY 35: COURTESY 1STDIBS; REMAINING: COURTESY COMPANIES

LOUIS VUITTON MONOGRAMOUFLAGE SPEEDY

It was part of the multiyear collaboration between Japanese artist Takashi Murakami and then-creative director Marc Jacobs, and limited distribution has helped the bag soar from $1,530 to more than $7,000 in the last 14 years. "The Marc Jacobs era is a time when LV seemed to come alive," says Lara Osborn, senior procurement director of reseller Fashionphile Group LLC, which opened a huge space in New York this spring. "This is unisex, utilitarian, and camo is like leopard, in that it can be pulled off as a neutral."

Price: The resale website Grailed lists a good-condition Louis Vuitton Monogramouflage Speedy 35 for $7,650.

BOTTEGA VENETA MINI JODIE

Osborn has watched the low-key brand Bottega Veneta quietly hike its retail prices by almost 40% in the past two years, she says, and so suspects that will be reflected in its future resale value. British designer Daniel Lee was creative director at the brand for only three years, but he helped transform its secondary-market performance. Bottega bag sales at Fashionphile increased 242% between the Tomas Maier era, which concluded in 2018, and Lee's tenure. The Jodie style—which was introduced in 2020—is a standout, gaining 22% in value in the two years it's been at Fashionphile.

Price: A new Bottega Veneta Mini Jodie bag runs $2,500.

HERMÈS KELLY

The Kelly started out as the Sac à dépêches in the 1930s but earned its nickname (and, later, official moniker) after Princess Grace Kelly famously used one to hide her baby bump in 1956. Vintage models can now fetch as much as $60,000, according to *Vogue* stylist Clare Richardson, who recently started the consignment platform Reluxe. She says her current favorite is the Kelly Sellier in Epsom leather. It's finely grained but also scratch-resistant; it cost $10,300 new in 2021. The colors to hunt down are black with gold hardware or the brownish étoupe, also with gold: "They're easy to style—and timeless."

Price: Rebag estimates $9,770 to $14,995 for a vintage black Hermès Kelly 35.

FENDI BAGUETTE

The trend toward re-editions means everything old is new again—especially handbags. "It's the increasing popularity of Y2K culture in the Gen Z market," says Hanushka Toni, co-founder of London-based online reseller Sellier Ltd. "Bags that were released in the past are being launched again, often in new materials or colorways." Her standout future investment among these is the Fendi Baguette, that *Sex and the City*-toted staple, ideally in lilac-colored sequins, as shown above.

Price: A new Baguette 1997 in lilac sequins, featuring a matching, satin-lined internal compartment, is available on the Fendi website for $4,300.

CHANEL CLASSIC FLAP

Nicknamed "Chanel Diana" as a nod to how frequently the Princess of Wales was spotted with it, this bag was released in 1989 and cost a few hundred pounds at the time. Toni says the key models to look out for include black with 24-karat gold hardware (Diana's favorite) and lambskin leather, used sparingly as a material. "It was originally quite flat, thinner, and lighter," Toni says. So don't be fooled by the version rebooted in 2015. "There are distinct changes—10 stitches per quilt edge create a puffier effect than the vintage 12."

Price: Rebag estimates that a vintage medium Chanel Classic Flap will cost as much as $6,000.

LOUIS VUITTON MONOGRAM ILLUSION KEEPALL

Less than a year after this neon eye-catcher was introduced, some versions are already reselling for almost double the original retail price, Richardson says. It's a riff on the brand's soft travel bag, first released in the 1930s and produced under the late fashion designer Virgil Abloh's creative direction. This model has only recently started to receive design refreshes, Richardson says. "Virgil managed to add spirit to a simple traveling bag and make it look cool—a nice object to carry," she says. "And once a genius is gone, everyone wants to pay tribute to them. Owning an object like that is a way of doing that."

Price: It sells for $4,450 at retail, if you find it!

A WALK ON THE WILD SIDE

An exhibition of animal-themed accessories by jeweler David Webb aims to welcome a new audience to his natural world
By Kristen Shirley


Original leopard brooch sketch, 1964

Many houses sell animal jewelry, but few styles are as distinct as David Webb's masterpieces. For more than 65 years, the American jeweler has created a menagerie of creatures big and small using colorful enamel and gemstones. Bold and full of life, each has its own personality: Monkeys grasp diamond rings, golden felines lounge in gemstone collars, and giraffes and zebras arch their neck in stunning bracelets.


Lounging leopard brooch

Even the humble frog shines with golden "warts."

On Sept. 19, the house's rich history will be on full display for the first time. The exhibition "David Webb: A Walk in the Woods" will give visitors a chance to immerse themselves in the world of a Southern gentleman with a big personality and a deep fascination with ancient jewelry.

Webb began working in the industry at age 14 in North Carolina, when he made small metal souvenirs for an uncle. He opened his own jewelry business in Manhattan in 1948, where he incorporated references from history, such as a Syrian ram cuff, as well as some more unexpected modern ones, like a children's book of animals from the 1950s. He died in 1975, but the company continues to make his cheeky, yet impeccably crafted pieces.

The show is curated by Levi Higgs, head of archives and brand heritage at David Webb, and showcases 40 spectacular jewels and objects in vitrines. Some are pieces the house has reacquired over the years and which have never been shown in public. They'll be on view until Oct. 2 on the second floor of the jewelry house's Madison Avenue headquarters in New York.

Higgs didn't want visitors to feel as if they were walking through a store looking at jewelry, so he also brought in archival materials: There are receipts of orders signed by luminaries like the Duke of Windsor, memorable editorial images, Webb's drawings, and even a brochure from the night he won the

PHOTOGRAPHS BY NOAH KALINA/COURTESY DAVID WEBB. ILLUSTRATIONS COURTESY DAVID WEBB

Coty American Fashion Critics' Award in 1964 for his animal jewelry. For the show, photographer Noah Kalina has shot a film inspired by the one fashion lensman Milton Greene and illustrator Joe Eula made celebrating the award. In it, Kalina perches the critters on mossy branches in upstate New York.

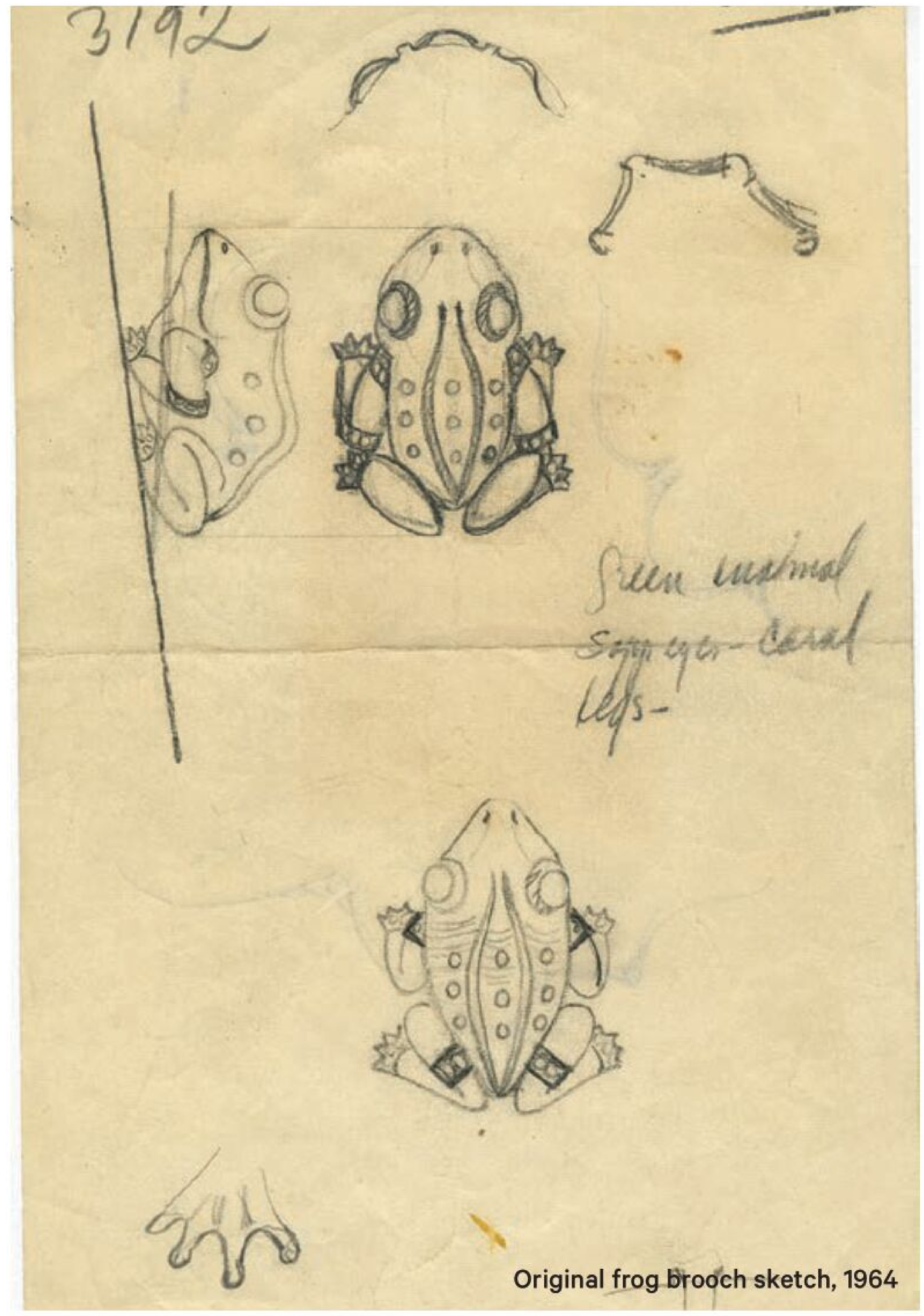
The Swingin' Sixties were Webb's heyday. The most glamorous women of the era, including Elizabeth Taylor, the Duchess of Windsor, and Diana Vreeland, wore his animal pieces. Since then, the jewelry has been in constant production, and the house continues to mine his archives to bring pieces based on original drawings to market. The exhibition includes two new owl jewels—a brooch and a bracelet—that Webb designed in the '60s but haven't been manufactured until now.


A frog brooch

Animal jewelry is common in the industry—Cartier's panther or Bulgari's serpent come to mind—but few styles are as distinct as Webb's enamel fauna, which playfully blend bold design, hefty proportions, and bright colors with a handmade feel. The bracelets, rings, earrings, and collars don't have the clean lines of Bulgari's gleaming Serpenti collection, but the craftsmanship in each Webb piece is undeniable. It feels organic.

Today the jewelry is made by hand at the brand's Madison Avenue atelier. James Weiss, chief growth officer, says they even make the screws for the jewelry themselves: "Every last bit of it is handmade here in New York."

Each creature has a recognizable Webb aesthetic, but the design and craftsmanship can vary greatly in an effort to showcase the house's artistry. A single artisan paints the enamel on each piece. Some are fully covered; others are enameled more sparingly. One snake has three-dimensional golden scales with textured gold and enamel tips. Other beasts boast significant gemstones on their body. And, of course, there's jewelry for the animals: a diamond bridle for a horse, an emerald collar for a tiger, and for one particularly dapper monkey from 1965, a diamond earring, bracelet, and ring.



Original frog brooch sketch, 1964

Despite its cultural cachet, the brand isn't a household name. The exhibition is aimed at drawing attention to Webb's work and his importance as an independent American jewelry designer, while it also shows off his bejeweled zoo to a new generation. "It's really about how you introduce more and more people to this extraordinary piece of American jewelry history," Weiss says. "That's really important to us."

The brand already uses social media to engage with younger consumers, and Weiss says he hopes the exhibition will spread the word about Webb's unique jewelry.

And yet, increased attention likely won't result in much of a boost in production. "We think of ourselves as a small company but a pretty big brand," Weiss says. "The reason we hold on to the concept of small is because part of what I think sets apart the David Webb experience is that it's small. It's very personal." Ⓑ

JUST IN TIME FOR THE FUTURE

At Swiss watchmaker Zenith, an historian looks to the past to help chart its path forward

By Andy Hoffman

The calls come in at least once or twice a week. “I found it in a drawer,” the callers say. “It’s still beating.” It’s up to Laurence Bodenmann, head of heritage at Zenith Watches, to answer the inevitable question: “What is it?”

It might take some time for Bodenmann, a 39-year-old dual Swiss-French citizen, to figure out exactly which watch it is, and from what year. But she already knows the real answer.

“For everyone,” she says, “it’s a time capsule.”

In the eyes of collectors, families, and horology buffs, watches tell more than time. They tell stories. Who wore them? What did they do? Where did they go?

For watchmakers with storied pasts, they can also offer a key to the future, because mechanical inspiration and design cues will be familiar to fans and enticing for new shoppers.

Based in Le Locle, Switzerland, since 1865, Zenith has produced millions of timepieces in its 157 years. It’s made stopwatches that timed telephone calls at Swiss post offices, designed easily readable dials for pilots, and crafted complicated technologies housed in avant-garde cases. In 1969 it created the El Primero, the first automatic self-winding chronograph movement, which remains at the center of the brand’s story today. (A “movement” is the mechanism that does the timekeeping and other functions.) The El Primero is so well-made, brands from Rolex to Louis Vuitton have bought it to put at the heart of their own watches.

Zenith’s inventive, accurate movements have long set it apart from rivals among enthusiasts focused on precision. Bodenmann’s job is to rediscover, organize, and understand Zenith’s fulsome history to better plot where the Swiss watch brand goes next. An anthropologist by training (she also studied history and sociology), Bodenmann first worked as a researcher and record-keeper at a nearby Swiss watch museum. Now she spends her days digging through company records and media archives, sometimes conducting interviews with former employees, customers, and scholars.

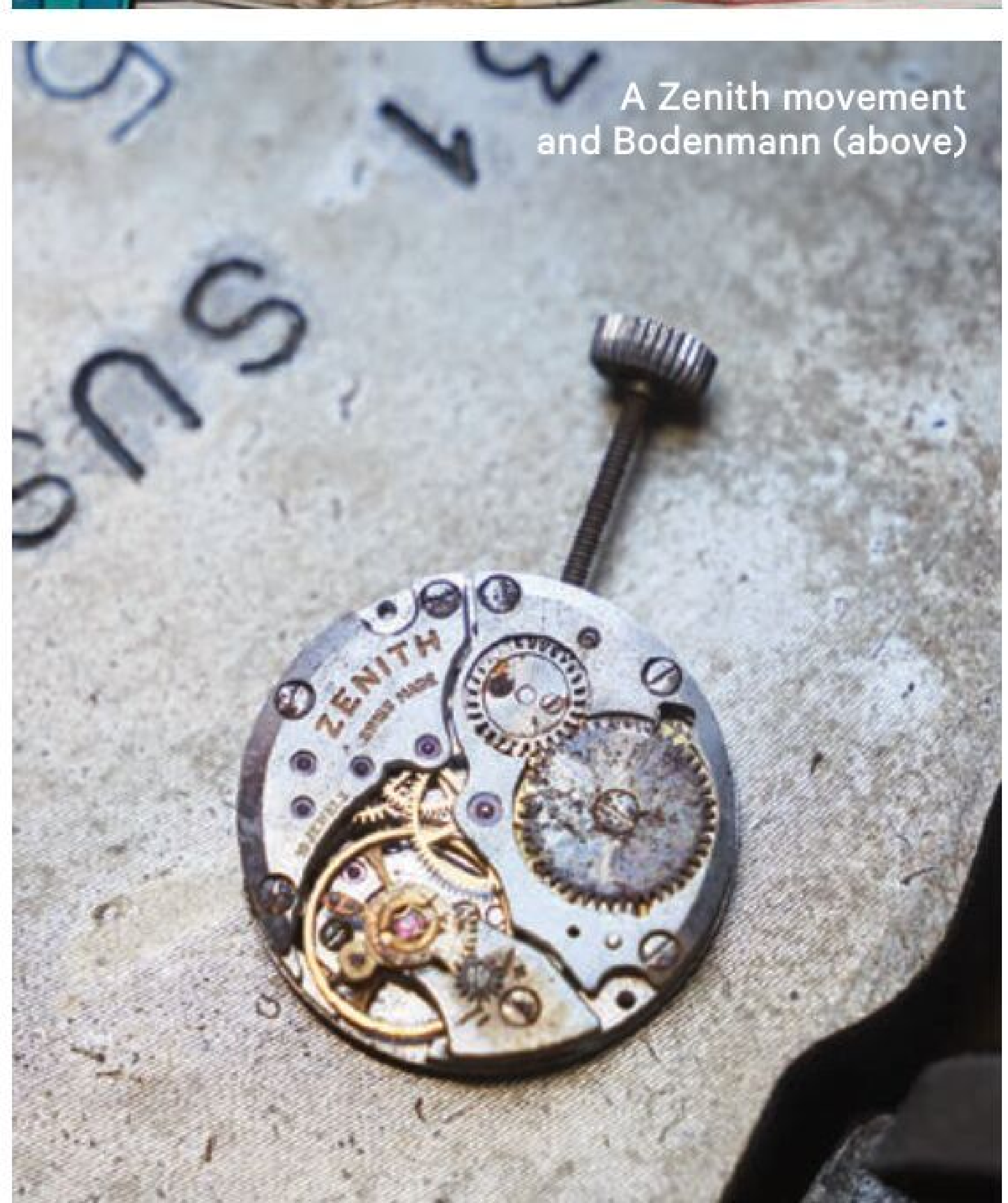
Perhaps no recent Zenith release has relied more on her work than the Caliber 135-O. The new watch uses Zenith movements from 1950 to 1954, when it dominated annual accuracy contests at the Neuchâtel Observatory.

When the plan arose to create a watch inspired by those competitions, it was Bodenmann’s idea to use actual historical calibers stored in the archives rather than commission recreations of the 60-year-old movements. “At the heritage department we knew what we had, and it was even better,” she says.

The result was a limited edition of 10 pieces that sold for 132,900 Swiss francs ($138,000) each. Another will be auctioned by Phillips in the autumn for charity.

Bodenmann mixes scholarly precision with the gleeful curiosity of a kid able to travel back in time. And the company knows the value of a legacy: There are few stories in watchmaking more often told than that of Charles Vermot, the heroic Zenith employee who covertly hid the tools and plans for producing the El Primero movement in the 1970s when the brand, briefly owned by the US radio and electronics company of the same name, switched to making battery-powered watches. Vermot worked in secret each night in a walled-off attic after being ordered to stop producing mechanical movements and destroy the tools. Vermot saved the El Primero—and likely the company—by treasuring its past.

Zenith is now having a moment among collectors: In the first seven months of the year, sales surged about 45% from the same period in 2021, which was the brand’s best full year since LVMH acquired it in 1999, says Zenith Chief Executive Officer Julien Tornare.



A Zenith movement and Bodenmann (above)

Spurring the record increase are two models powered by the mighty El Primero: the Chronomaster Sport and the Defy Skyline, which is housed in an octagonal case with an integrated bracelet—a look first introduced in 1969, three years before the features were used in Audemars Piguet’s Royal Oak.

Prices on the secondhand market have increased about 30% in the past five years, says Romain Marietta, director of product development and heritage at Zenith. At the same time, he says, the brand’s current line of heritage models, like the vintage-inspired Chronomaster Revival El Primero A385, now account for about 15% of Zenith’s overall sales.

“It could be intimidating to have such a rich history,” Bodenmann says. “It can either be a weight, or it can open a world of possibilities, because you know what you can play with.” Ⓑ

PHOTOGRAPHS COURTESY ZENITH

CUFFING SEASON

Tiffany & Co. puts a fresh spin on an old motif with its new range of Lock bracelets

By Kristen Shirley
Photograph by Janelle Jones

The holy grail of jewelry design is a piece that goes with everything, so you never have to take it off. Although Tiffany & Co. has plenty of signature items—the Elsa Peretti bone cuff and bean necklace, and the T bangle—there's always room for more when you're up against fellow powerhouses Cartier and Van Cleef & Arpels. For its latest unisex bracelet, the brand drew on a perennial inspiration, the Tiffany Lock, which has appeared on pendants, charms, and keychains.

THE COMPETITION

- Cartier has two iconic bracelets: the nail-shaped Juste un Clou and the screw-patterned Love, most recognizable in 18-karat yellow gold ($11,700 and $6,900, respectively).
- Since it came out in 1968, the Alhambra collection from Van Cleef & Arpels has served as a good-luck talisman. The Vintage bracelet ($4,000), with five four-leaf clovers, is the most classic.
- The colorful Clic H bracelet ($660) from Hermès—whose enamel baubles have a rose-gold-plated H—is the rare piece of fashion jewelry to reach icon status. Even the most discerning jewelry snobs adore them.

THE CASE

The elegant Tiffany Lock bracelet, lacking prominent branding, is known only to those familiar with its distinctive design. This first collection from Tiffany & Co. since it was acquired by the French conglomerate LVMH Moët Hennessy Louis Vuitton SE hints at a quieter approach to luxury. The thin, polished gold bangle opens with a padlock-inspired clasp that took a year to develop. The 18-karat gold bracelets can cost as much as $32,000 for one fully set with pavé diamonds. White gold (top) and rose gold (bottom) with half pavé are $13,000. A yellow gold option without diamonds (center) is $6,800. *tiffany.com*

NOT FOR TREADING LIGHTLY

A race to build the chunkiest sole is creating a new category of "monster truck" footwear that's as much engineering marvel as statement sneaker.

By Antonina Jedrzejczak
Photographs by Takamasa Ota

THE FUTURIST
Reminiscent of something artist H.R. Giger might've conjured for *Alien*, the multitiered platform sole of Balmain's Unicorn shoe is a geometric wonder. Openwork calf leather and neoprene complement exposed laces and a snap button on top—meaning this one may end up in the "display" rather than "wear" category. *$1,195; balmain.com*

THE EYEBROW RAISER
With its three-dimensional rubber section overlaid around the laces and almost 2.5-inch lug platform, the Prada Cloudbust Thunder is a good way to add a Darth Vader aesthetic to your urban stroll. Its sculptural quality extends to the pattern on the soles, which look like the teeth of a chainsaw. *$1,350; prada.com*

THE MULTITASKER
The cushion of the unisex Cloudmonster is the biggest yet from Swiss running brand On. "We wanted to see how far we could push it," says Olli Hirvoven, head of footwear design. Superfoam construction and extra traction grips keep the puffy soles versatile and comfortable, whether for long runs or business lunches. *$170; on-running.com*

THE NEW ALL-STAR
We'd bet Sonic the Hedgehog would love Converse's Run Star Motion, a new spin on the classic Chuck Taylor. The traditional cotton canvas upper, complete with the requisite eyelets, stitching, and vintage logo, gets a boost from a multicolored spiky platform sole. Pick from dark tan or rich orange shades. *$120; converse.com*

THE OFF-ROADER
Subtle logos, simple lacing, and a classic silhouette fittingly cede the attention to the massive 4x4-inspired treads of Balenciaga's mesh and nylon Defender shoe. The sole is even purposefully treated so it looks like a real worn-out tire. Choose from four earth-tone colors—black, beige, gray, or green. *$1,150; balenciaga.com*

THE SLIP-INTO-SOMETHING-MORE-COMFORTABLE
Our favorite collaboration of the season comes courtesy of Reebok and Maison Margiela. The Project 0 Memory Of sneaker, available in black or white, is a design throwback created from mesh, neoprene, and leather, with cutout rubber soles that are 1.5 inches tall. Slip them on and get bouncing—no laces required. *$400; net-a-porter.com*

THE AMBITIOUS INNOVATOR
One of Nike's climate-friendly engineering initiatives is responsible for this ISPA Link shoe, which stands for "improvise, scavenge, protect, and adapt." Instead of using glue, the futuristic footwear connects via a set of interlocking pieces in the sole so it can be taken apart more easily and recycled at an in-house service location. *$225; nike.com*

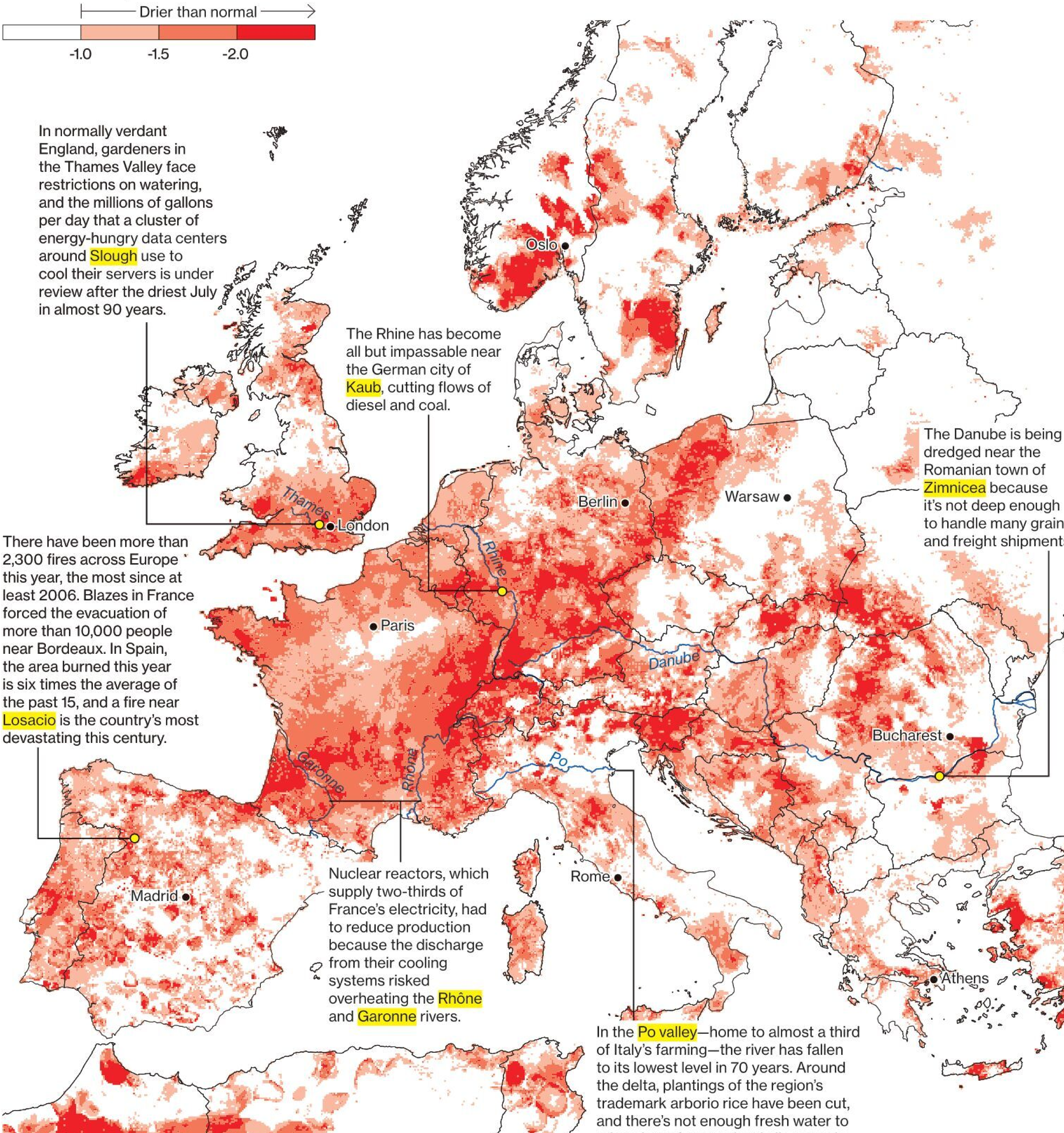
A Hot Time in The Old World

European officials say this year is on track to be drier than any time in the past five centuries, with almost two-thirds of the region under a drought warning or alert. That's wreaking havoc on broad sectors of the economy, from agriculture to energy to transport. Lawns in England are brown, Norway's hydroelectric stations have run short of water, and Germany's rivers—key trade routes—have been too shallow for barges to navigate. —*Graphic by Filippo Teoldi, text by David Rocks*

Soil moisture compared to 1995-2019 baseline

Drier than normal →

-1.0 -1.5 -2.0



In normally verdant England, gardeners in the Thames Valley face restrictions on watering, and the millions of gallons per day that a cluster of energy-hungry data centers around Slough use to cool their servers is under review after the driest July in almost 90 years.

The Rhine has become all but impassable near the German city of Kaub, cutting flows of diesel and coal.

The Danube is being dredged near the Romanian town of Zimnicea because it's not deep enough to handle many grain and freight shipments.

There have been more than 2,300 fires across Europe this year, the most since at least 2006. Blazes in France forced the evacuation of more than 10,000 people near Bordeaux. In Spain, the area burned this year is six times the average of the past 15, and a fire near Losacio is the country's most devastating this century.

Nuclear reactors, which supply two-thirds of France's electricity, had to reduce production because the discharge from their cooling systems risked overheating the Rhône and Garonne rivers.

In the Po valley—home to almost a third of Italy's farming—the river has fallen to its lowest level in 70 years. Around the delta, plantings of the region's trademark arborio rice have been cut, and there's not enough fresh water to raise clams for *spaghetti alle vongole*.

DATA: COPERNICUS GLOBAL DROUGHT OBSERVATORY, FIRST 10 DAYS OF AUGUST

Bloomberg Businessweek (USPS 080 900) September 5, 2022 (ISSN 0007-7135) H Issue no. 4754 Published weekly, except one week in February, April, May, June, July, August, September, October and November by Bloomberg L.P. Periodicals postage paid at New York, N.Y., and at additional mailing offices. Executive, Editorial, Circulation, and Advertising Offices: Bloomberg Businessweek, 731 Lexington Avenue, New York, NY 10022. POSTMASTER: Send address changes to Bloomberg Businessweek, P.O. Box 37528, Boone, IA 50037-0528. Canada Post Publication Mail Agreement Number 41989020. Return undeliverable Canadian addresses to DHL Global Mail, 355 Admiral Blvd., Unit 4, Mississauga, ON L5T 2N1. Email: contactus@bloombergsupport.com. QST#1008327064. Registered for GST as Bloomberg L.P. GST #12829 9898 RT0001. Title registered in the U.S. Patent Office. Single Copy Sales: Call 800-635-1200 or email: bwkcustserv@cdsfulfillment.com. Educational Permissions: Copyright Clearance Center at info@copyright.com. Printed in the U.S.A. CPPAP NUMBER 0414N68830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