Bloomberg Businessweek

January 11, 2021

NEW LOW

The trashing of American democracy

6


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◀ A hospital WE Charity built in Kenya

PHOTOGRAPH BY SARAH WAISWA FOR BLOOMBERG BUSINESSWEEK

FEATURES

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■ COVER TRAIL

How the cover gets made

❶

"Hello, 2021! Is that … *[deep inhale]* … do I smell optimism in the air?"

"I think that's probably the civet coffee I got from my Secret Santa. But, yeah, feeling good about this year!"

"There's a lot to look forward to!"

"The vaccine!"

"Travel!"

"Parties! Dancing!!"

"Well, there are those Georgia Senate races."

"Right. But didn't we learn in November that it'll take at least a week for them to count all the votes? Nothing to worry about for this issue."

"To the future!"

"To the future!"

[2:45 p.m.]

"Whatever you thought the cover was, forget it. Washington, D.C., is in full meltdown."

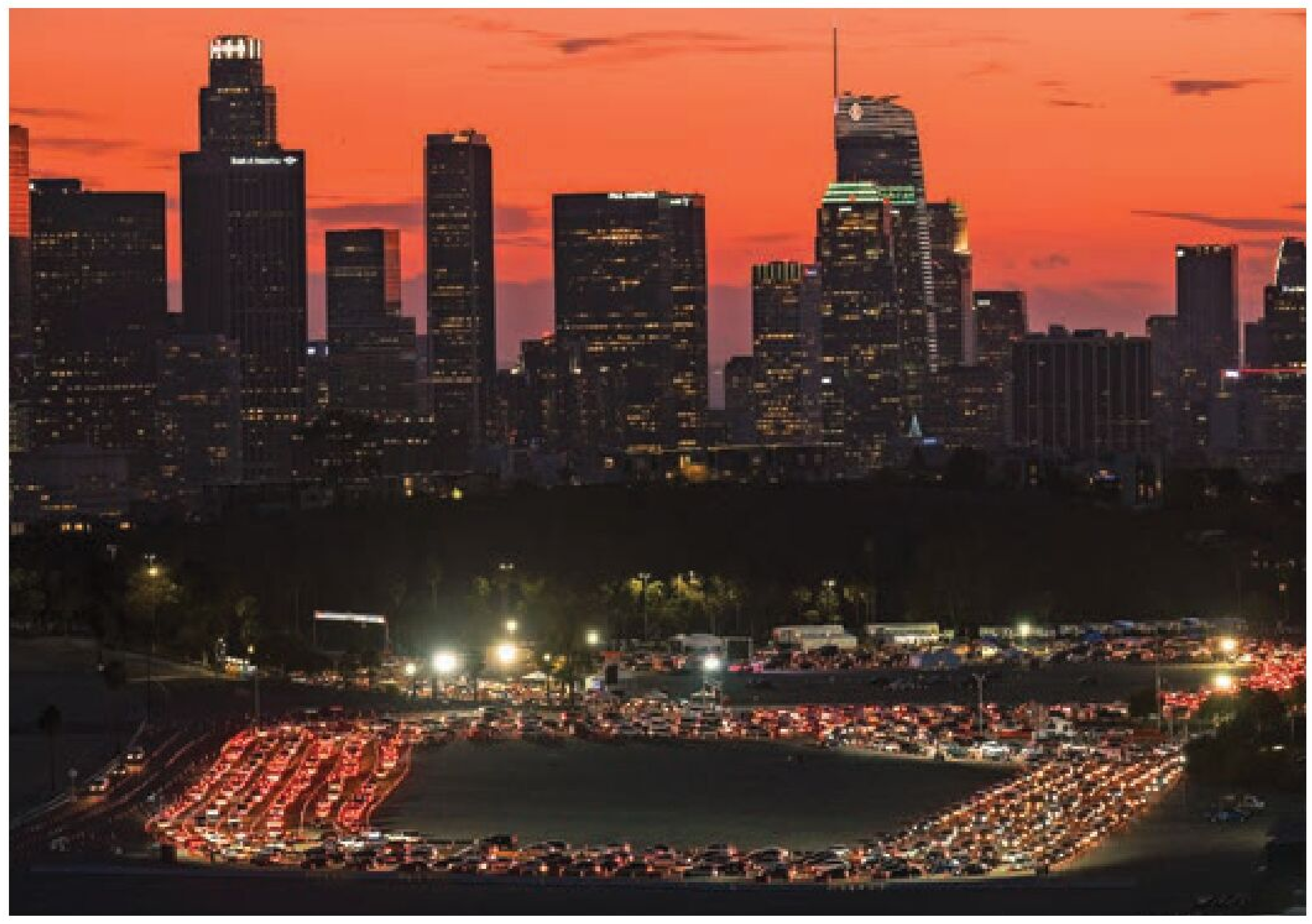
Cover: Samuel Corum/ Getty Images

TECHNOLOGY: PHOTOGRAPH BY CAYCE CLIFFORD FOR BLOOMBERG BUSINESSWEEK

● Globally, coronavirus cases have exceeded 86.9 million, and almost

1.9m

people have died. Prime Minister Boris Johnson on Jan. 4 ordered the U.K. into a third lockdown, lasting until the middle of February, after a spike in infections threatened to overwhelm hospitals.



Motorists wait to take a coronavirus test in a parking lot at Dodger Stadium on Jan. 4. That day, Los Angeles County instructed ambulance crews not to transport patients with little chance of survival, as its hospitals are at full capacity.

● President-elect Joe Biden has

selected Merrick Garland to be his attorney general.

The federal appeals court judge was snubbed in 2016 by Republicans for a seat on the Supreme Court.

● Employees of Google and its parent company are unionizing.

The Alphabet Workers Union will collect dues, pay organizers, and have an elected board of directors. In addition to addressing compensation and other employee concerns, it plans to pressure the search giant about ethical issues in its businesses.

● Amazon.com, Berkshire Hathaway, and JPMorgan Chase will disband their Haven business next month. Their joint effort to overhaul employee health care, initiated in 2018, struggled to make an impact beyond the three founding companies.

● Among U.S. companies with more than $50 million in liabilities, there were

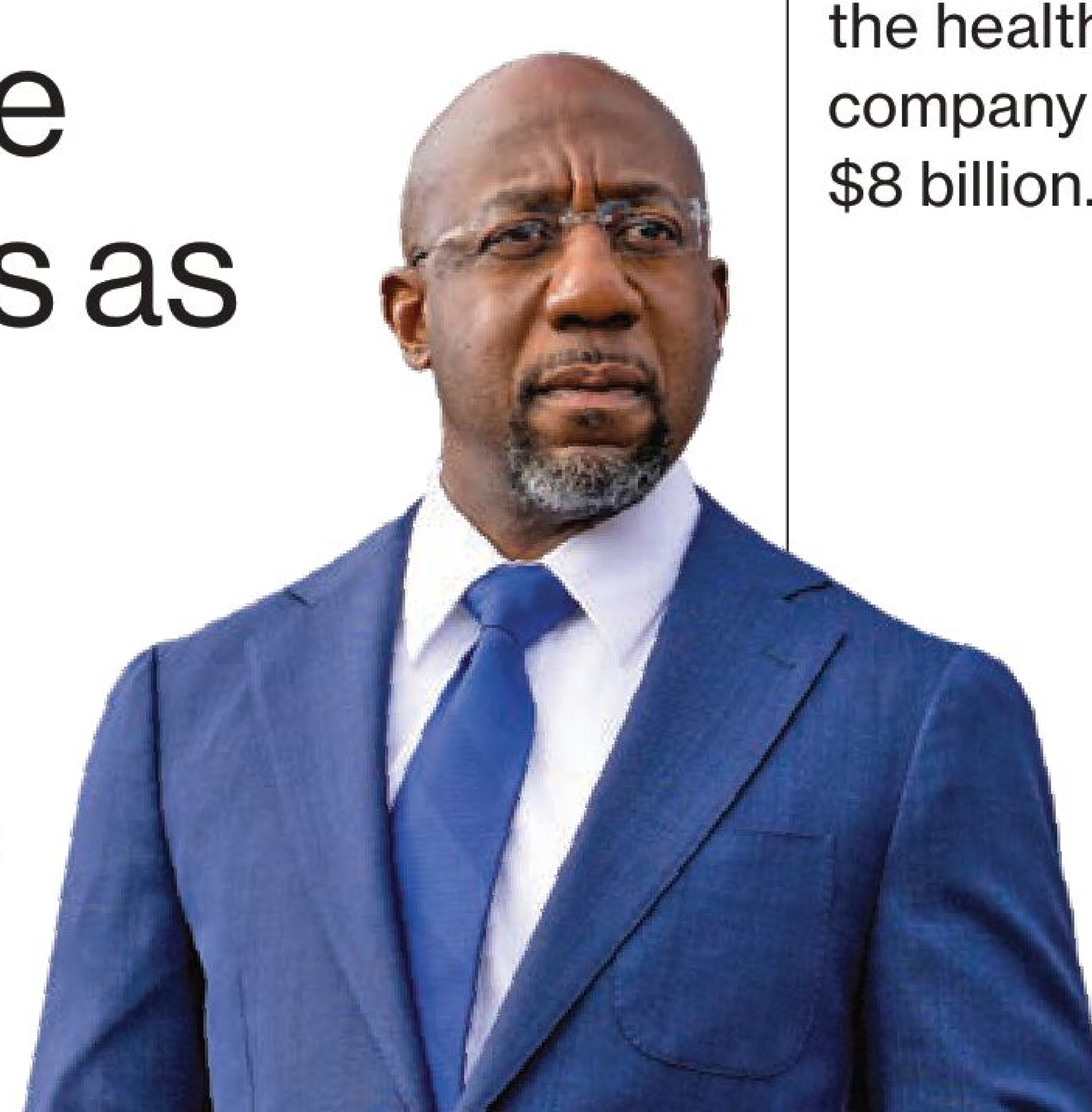
244

bankruptcy filings in 2020. That's the highest annual total since 2009, data compiled by Bloomberg show.

● Saudi Arabia reopened its air, land, and sea borders with Qatar after more than three years.

The regional dispute over relations with Iran had isolated the emirate, the world's largest exporter of liquefied natural gas and one of the richest countries per capita.

● "Will we continue to divide, distract, and dishonor one another? Or will we love our neighbors as ourselves?"



Raphael Warnock will become Georgia's first Black senator, after he and fellow Democrat Jon Ossoff won the state's Jan. 5 runoff elections. Their narrow victories hand control of the Senate to the Democrats.

● UnitedHealth Group agreed to purchase Change Healthcare. The deal—one of UnitedHealth's largest acquisitions—values the health technology company at about $8 billion.

● In the year's ceremonial first auction on Jan. 5 at Tokyo's Toyosu market, a giant bluefin sold for

$202k

That's a tenth the size of 2020's top bid; with few people dining out, demand for sushi remains low.

LOS ANGELES: RINGO H.W. CHIU/AP PHOTO. GARLAND: KEVIN LAMARQUE/REUTERS. WARNOCK: MEGAN VARNER/GETTY IMAGES. TUNA: KIYOSHI OTA/BLOOMBERG

A Push to 'Buy American' Won't Make the Country Stronger

The coronavirus pandemic has shaken Americans' faith in global commerce. After witnessing sometimes life-threatening shortages of medical supplies and goods such as parts for household appliances, politicians have been leaning toward a blunt solution: Compel companies to produce what's needed on U.S. soil.

The problem is real, but this approach–supposing that domestic production of all necessities was even possible–would be enormously costly. A judicious shift from "just in time" to "just in case" manufacturing is required, but it needs to be done intelligently. Maximum resilience doesn't mean maximum isolation.

The Covid-19 crisis exposed serious flaws in supply chains, which over the past several decades have come to depend heavily on precisely timed deliveries from far-flung locales. These vulnerabilities perhaps shouldn't have come as a shock, but they did.

As of 2018, China accounted for more than half of the world's imports of personal protective equipment including N95 masks, as well as most of the rare-earth minerals needed for electronics and defense production. Companies have so many suppliers, and suppliers of suppliers, that they're typically unaware of vulnerabilities lurking several tiers down.

When the pandemic cut trade links and disrupted supplies, the global market to a large extent adapted. But in crucial areas, not enough. Nurses are reusing disposable N95 masks, because hospitals kept only a week's inventory, producers lacked surge capacity, and the U.S. Strategic National Stockpile was depleted and decrepit. Items such as bicycles needed for transportation and kitchen appliances necessary for preparing meals also remain in short supply because of foreign factory shutdowns and the complications of coordinating deliveries from the other side of the planet.

The spectacle of such dysfunction creates a strong temptation to go it alone. President Trump and President-elect Joe Biden both campaigned with promises to bring in "Buy American" plans, aiming to identify all goods that might prove strategic and ensuring that they're produced locally. Yet no country can be both prosperous and self-sufficient. Suppressing trade would raise costs and impair competitiveness, leaving everyone worse off.

Governments need to see resilience in broader terms and focus on their own particular responsibilities. On the international front, that means reviving the World Trade Organization, so nations can agree to keep their borders open in times of crisis and curb trade-distorting practices as seen in China. At home, it means supporting private surge capacity with long-term contracts and equipping the Strategic National Stockpile with up-to-date inventory and distribution systems capable of getting supplies where they're needed in an emergency.

True resilience also means making the U.S. a more attractive place to produce things. The government should invest more in infrastructure, in research and development, and in the long-term financing and advanced manufacturing capacity needed to support the industries of the future.

Companies, for their part, would benefit from reflecting on the past year's experience and doing a better job of mapping and managing their supply chains–an effort that, done right, should pay off in added resilience and process innovation. They shouldn't need governments to direct this work. It's in their interests: Sooner or later, there'll be a next time.

Ⓑ *For more commentary, go to bloomberg.com/opinion*

■ AGENDA

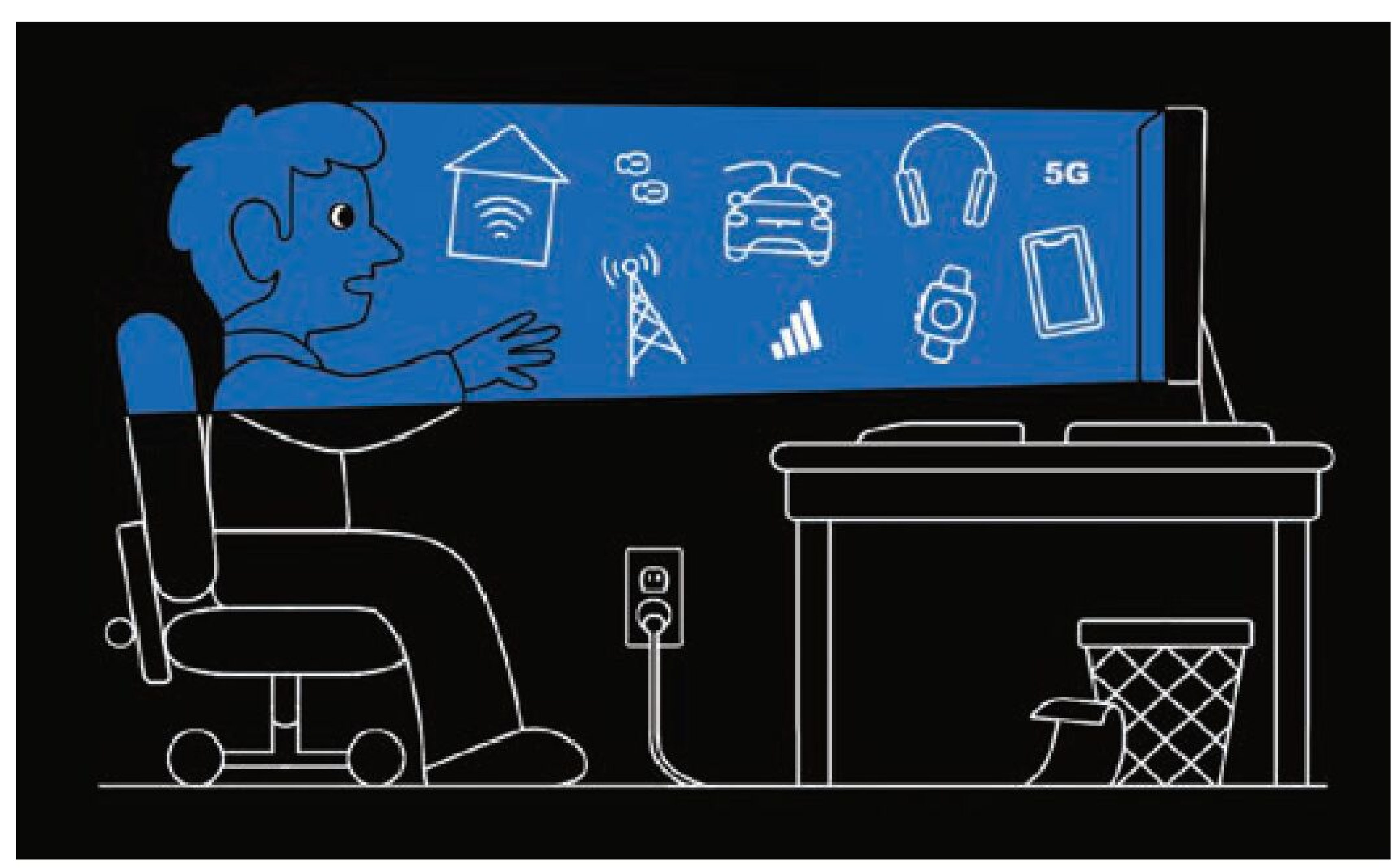


ILLUSTRATION BY JACKSON GIBBS

▶ Virtual in Vegas

The annual CES technology fair, in Las Vegas on Jan. 11-14, will be an almost entirely digital event this year. LG, Sony, and other companies will unveil new high-resolution TVs, wireless headphones, and other products.

▶ JPMorgan and Citigroup report their fourth-quarter earnings on Jan. 15. With the pandemic roiling markets last year, trading was among banks' most profitable businesses.

▶ Germany's CDU party holds a conference on Jan. 15-16 to pick a leader who will take the country's biggest political group into the post-Angela Merkel era.

▶ The Bank of Korea meets Jan. 15 to set monetary policy. The bank has said it can step in and stabilize currency markets, though economists see rates staying steady this year.

▶ At Jeff Gundlach's annual webcast on Jan. 12—an event investors watch closely—the billionaire fund manager will discuss his trading ideas and outlook for 2021.

▶ TSMC reports fourth-quarter earnings on Jan. 14. The results of the Taiwanese maker of the iPhone's processors are typically a good indicator of how Apple is doing.

▶ The 2021 World Men's Handball Championship brings 32 nations together in Egypt on Jan. 13-31. Reigning champion Denmark is favored to retain the title.

JANUARY 6, 2021

A LONG DAY FOR DEMOCRACY

"The enemies of democracy will rejoice at these inconceivable images," German Foreign Minister Heiko Maas tweeted on Jan. 6.

Followers of President Trump had stormed the Capitol that afternoon to stop the certification of the Electoral College ballots that elected Joe Biden. As lawmakers went into hiding, the mob roamed the marble halls, occupied the Senate chamber, and trashed offices. Live video showed a party atmosphere, with some of the insurrectionists posing for pictures in House Speaker Nancy Pelosi's office and the seat where minutes before Vice President Mike Pence had presided over the ballot counting.

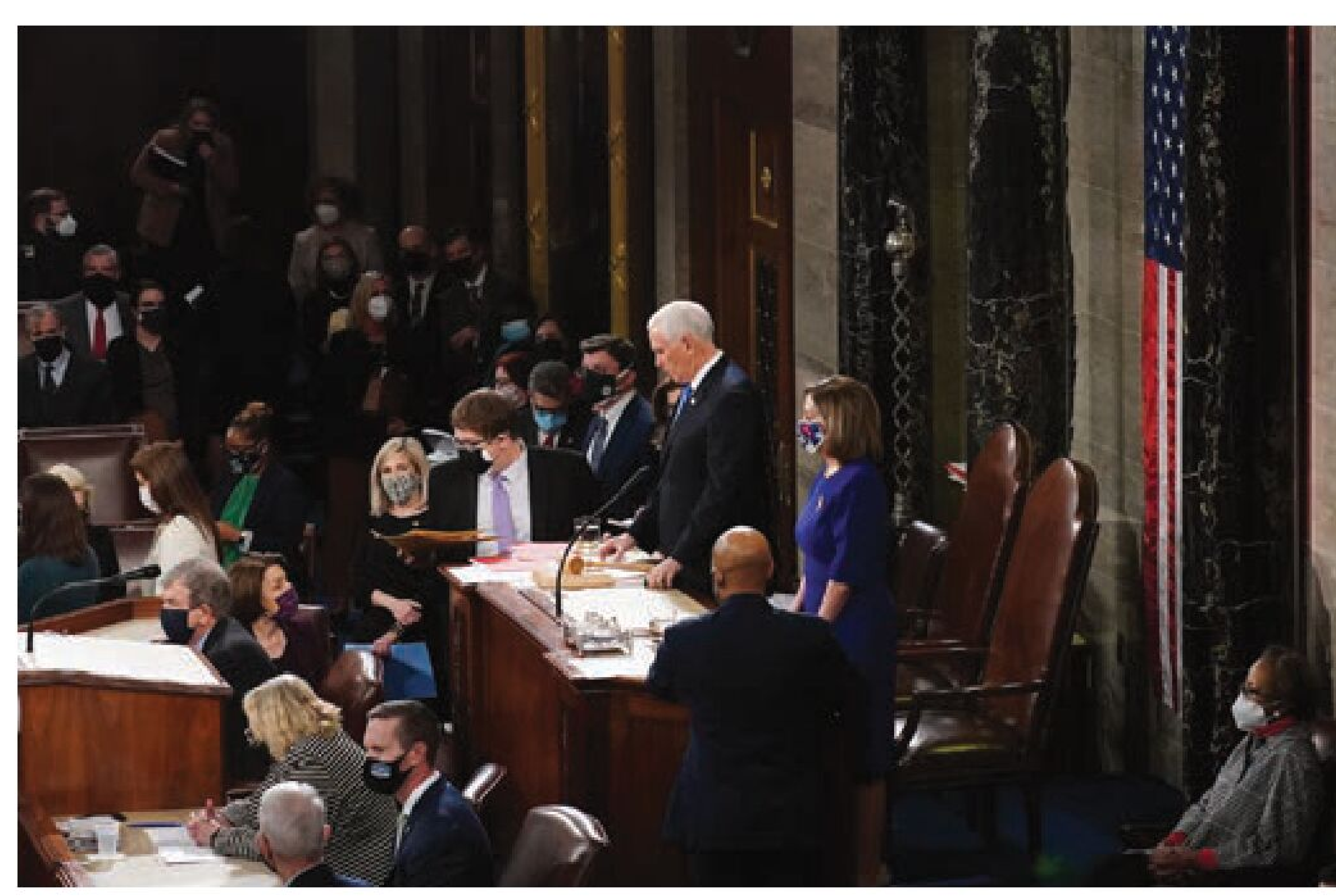
Trump incited the riot by telling his followers the election was stolen and urging them to march on the Capitol. When he finally told them to go home in a video message, he added, "We love you." Trump showed every sign of believing his own warped narrative of mistreatment, which, scarily, means that the U.S. government is in the hands of a full-blown narcissist who can't distinguish reality from fantasy.

As this photo essay shows, Jan. 6 was one of the most shameful days in U.S. history. The next question: When Trump self-destructs, what becomes of Trumpism? —*The Editors*

● At 12:30 a.m., Democratic Senate candidate Raphael Warnock declares victory in his Jan. 5 Georgia runoff.

The networks soon confirm his win. Overnight, fellow Democrat Jon Ossoff retakes the lead in his race as well. He's later declared the winner, ensuring Democratic control of the Senate.

● At about 1 p.m., House Speaker Nancy Pelosi gavels in a joint session of Congress to certify the election of Joe Biden as president.



The number of Republican legislators who say they will object to the certification of the Electoral College results has grown to more than a dozen senators and 100 representatives. Addressing the session, Vice President Pence says he doesn't have the authority to reject electoral votes. "The Senate has a higher calling than an endless spiral of partisan vengeance," Mitch McConnell tells the assembled lawmakers at 1:30 p.m. He calls for the "patriotic courage our forebears showed."

● At about noon, Trump takes the stage at a rally of his supporters near the White House.

The president says he doesn't want to see "our election stolen by emboldened radical Democrats. We will never give up, and we will never concede." He tells the assembled crowd he'll "be there with you" as they walk to the Capitol to protest the certification of the results. Trump warns that they'll have an "illegitimate" president for the next four years, "and you can't let that happen."

● By 2 p.m., crowds have massed at the West Front of the Capitol.

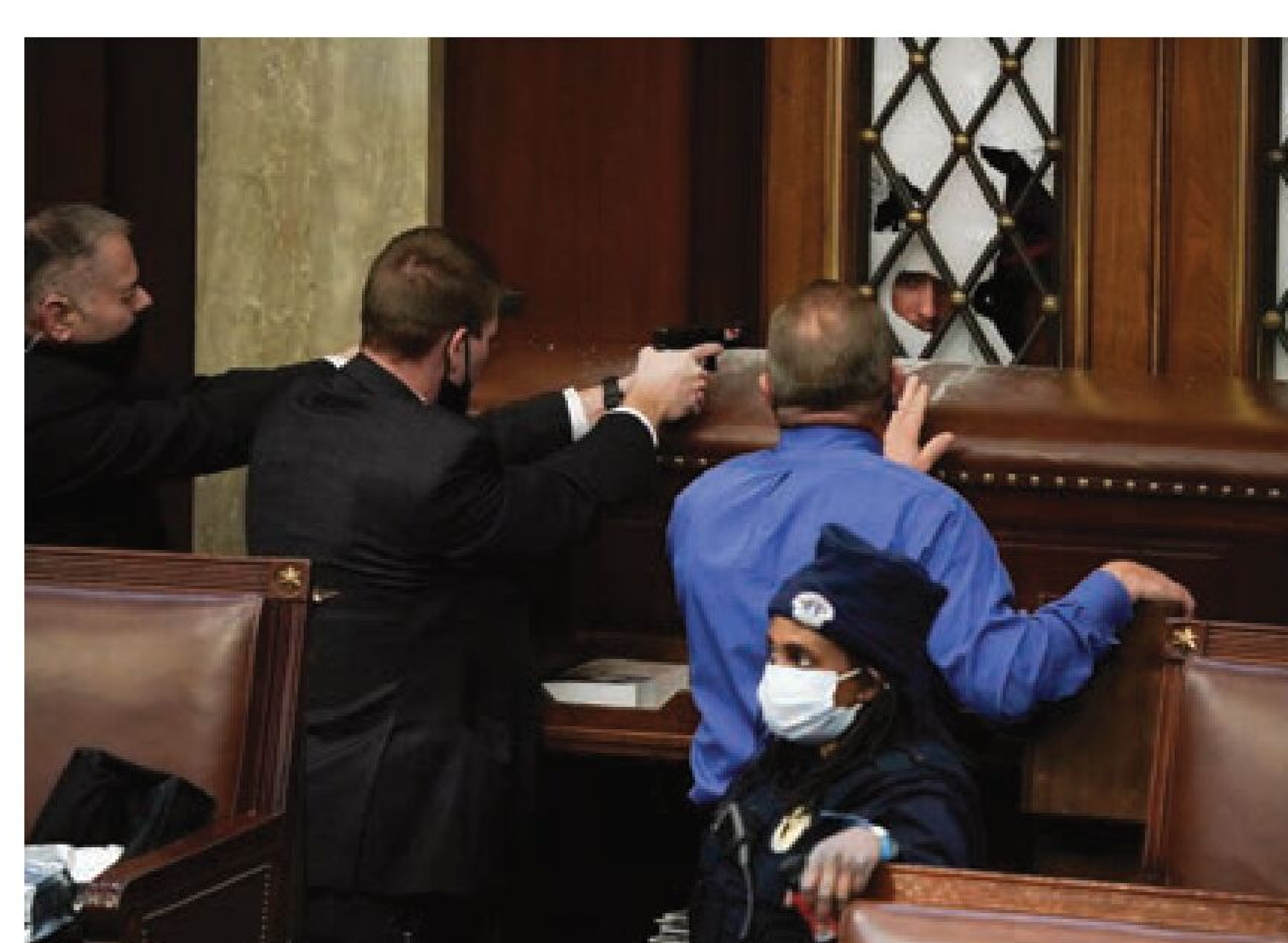
Security officials say "lots of people" have broken the perimeter they'd set up. Protesters are seen climbing the rotunda stairs. Officers in riot gear stand on the other side of the door leading out to those steps. By 2:15 p.m., the Senate seems sealed off, and Capitol Police begin taking charge of the situation, telling senators to stand away from the doors. By 2:30 p.m., Pence and Senator Chuck Grassley of Iowa, fourth in the line of presidential succession, are taken to a secure location.

PHOTOS, THIS SPREAD, CLOCKWISE FROM TOP RIGHT: SHAWN THEW/EPA/BLOOMBERG/GETTY IMAGES. TAYFUN COSKUN/ANADOLU AGENCY/GETTY IMAGES. J. SCOTT APPLEWHITE/POOL/GETTY IMAGES. KEVIN DIETSCH/POOL/GETTY IMAGES

● At around 2:30 p.m., police inside the Capitol use tear gas to try to disperse the mob. On their side, Trump supporters set off fire extinguishers.

Washington Mayor Muriel Bowser institutes a citywide curfew from 6 p.m. to 6 a.m. Over the course of the afternoon, Virginia and Maryland both send state troopers to the Capitol. Elsewhere in the city, there are bomb scares at the headquarters of both the Republican and Democratic national committees.

● About the same time, police evacuate the Senate chamber.



Security rushes senators, staff, and media to a secure location. Staff grab the boxes containing the Electoral College certificates. In the House, Susan Wild of Pennsylvania, along with scores of other representatives, staff, and the press, shelters in place and tries not to panic.

● After 2:45 p.m., rioters take over the Capitol.

Trump supporters break into the Senate. One man gets up on the dais, yelling, "Trump won that election!"

By 3:30 p.m., the gangs are roaming the halls of the building, yelling, "Where are they?"

They force their way into and loot offices, including Speaker Pelosi's.

Despite dozens of injuries and untold damage, only a handful of rioters are arrested by day's end.

● At 4 p.m., Trump still hasn't said anything publicly.

President-elect Biden, speaking in Wilmington, Del., condemns the "Godawful display today" and calls on Trump to "step up." He tells reporters: "Enough is enough is enough."

At 4:20 p.m., Trump releases a video. "I know your pain, I know your hurt. We had an election that was stolen from us," he says. "Go home. We love you, you're very special." Twitter puts a warning on it and then removes the video and blocks his account for 12 hours, citing "repeated and severe" violations of its rules. Facebook also blocks Trump's page for 24 hours.

● In the evening, Congress resumes the certification of Biden's election.

Scores of world leaders decry the day's events. Boris Johnson tweets, "Disgraceful scenes in U.S. Congress. The United States stands for democracy around the world and it is now vital that there should be a peaceful and orderly transfer of power."

Senators Ted Cruz and Josh Hawley are scaling back their vote challenges as dozens of elected officials call for Trump's immediate removal from office.

PHOTOS, THIS SPREAD, CLOCKWISE FROM TOP LEFT: ROBERTO SCHMIDT/AFP/GETTY IMAGES. JOSE LOUIS MAGANA/AP IMAGES. WIN MCNAMEE/GETTY IMAGES (2). SAUL LOEB/AFP/GETTY IMAGES (3). JIM WATSON/AFP/GETTY IMAGES. DONALD J. TRUMP/TWITTER. BRENDAN SMIALOWSKI/AFP. J. SCOTT APPLEWHITE/AP IMAGES. TOM WILLIAMS/GETTY IMAGES

Latinos are 18% of the U.S. population… …but only 3% of corporate directors

● Even big Latin-themed restaurant chains have no Hispanic board members. Activists want to change that

Racial justice protests last summer brought attention to the lack of diversity in just about every power center in America. But while calls for policing reforms and a reduction in income inequality have commanded headlines, some Hispanic leaders have used the moment to cast a spotlight on a less noticed uphill diversity initiative: boosting the representation of Latinos in boardrooms of a nation where they're already the largest ethnic group.

Hispanic activists think the time is ripe for making advances. In September, California approved a law that will require public companies based in the state to have more women on their boards and at least one director from an underrepresented minority by the end of 2021. Nasdaq in December submitted a proposed rule to the Securities and Exchange Commission that would require its more than 3,000 listed companies to have at least one female director, and one from an underrepresented minority or LGBTQ group.

Giant fund managers Vanguard Group and BlackRock Inc. this year will begin tracking gender, ethnic, and racial diversity on public companies in which they invest. Vanguard will focus on boards, saying it may vote against directors at companies where progress on diversity falls short starting in 2021; BlackRock will take the same approach starting in 2022, but will start this year to push companies to release their overall ethnic and racial data.

These changes are meant to update the demographics of boards that remain mostly White—the race of 8 in 10 directors at S&P 500 companies in 2019—and 72% male. While companies aren't required to publicly disclose the racial or ethnic composition of their boards or employee ranks (though some have begun releasing data voluntarily), surveys suggest there's a dearth of diversity in Corporate America. Consultant KPMG says only 2.7% of board members at Fortune 1000 companies were Hispanic in 2019. And among boards of S&P 500 companies, 37% lack at least one Black director, according to a study that executive recruiter Russell Reynolds Associates released in October.

That study found that ethnic minorities on boards across all companies on the Russell 3000 index surpassed 10% for the first time in 2019. Yet Esther Aguilera, chief executive officer of the Latino Corporate Directors Association (LCDA), knows that many companies view diversity as simply a numbers game, with some failing to make sure that a range of different minorities is considered when a director slot gets filled. With only a limited number of public company board seats available every year, the competition is getting harder—especially as other women's groups and racial organizations simultaneously push for greater representation. The Board Challenge, an initiative that started last fall, has gotten more than 60 companies to sign its

Edited by James E. Ellis

pledge to hire one Black director within the following 12 months. Nine Black directors have already gained seats through the program. LCDA is working to make sure Latinos don't get left out.

So far, Latinos have been one of the most underrepresented groups, particularly in California, among the most aggressive jurisdictions in trying to increase diversity in corporations. Hispanics make up almost 40% of the state's population but hold just 2.1% of board seats at companies based there, according to data gathered by LCDA and corporate data provider Equilar. By comparison, Black people account for 6.5% of California's population and make up 2.9% of directors at the state's companies, while Asian Americans make up 15.5% of its population and hold 9.7% of board seats, according to LCDA's data. Even after California passed its gender diversity law for boards in September 2018, only 3% of the 511 women named new directors as of March 2020 were Latina, LCDA found.

"Some companies might want to say that they have checked the box and they are done," says Aguilera. "That's where our effort comes in." In September the group joined with organizations including the U.S. Hispanic Chamber of Commerce, the League of United Latin American Citizens, and UnidosUS, the largest Hispanic nonprofit advocacy group, to launch Latino Voices for Boardroom Equity. The campaign is lobbying some of the biggest U.S. corporations to consider Latino directors for their open spots. Their ambitious goal: to have Latinos someday hold 20% of board seats, roughly their share of the U.S. population.

During the last four months of 2020, the group sent about 240 letters to publicly traded companies. It expects to send 400 more through January. The message is simple: Given "the economic strength" of the Hispanic community, it is in the "interest of your stakeholders and shareholders" to appoint a Latino or Latina as a director. The request is accompanied by data highlighting how Latinos contributed an estimated $2.6 trillion to U.S. gross domestic product in 2018 and have consistently been increasing their consumption spending over the past decade. Latinos are "a vibrant and growing employee and customer base," the group said—not only the biggest minority but also one that's adding one million people each year.

The Latino Voices for Boardroom Equity campaign asked for a meeting with each company's CEO, or a representative of its board. With its first round of letters, the group wanted to make a statement. It selected nine companies from across a wide swath of industries with strong Latino customer bases. Three of those businesses also profit off Latino culture and serve as gathering places for the community: restaurant chains El Pollo Loco, Del Taco, and Chipotle. But among the trio's 25 board members, not a single one is Latino.

The results of the campaign have been mixed. El Pollo Loco Inc. didn't respond to LCDA's letter, but it told Bloomberg it was "on track" to comply with California's law and would begin a selection process with "new standards embedded." It didn't clarify what those standards would be. Chipotle Mexican Grill Inc. responded to LCDA's letter saying it is "committed to actively seeking out highly qualified women and minority candidates," working with recruiting firms to "add gender and other diversity," and said it was "committed to considering" Latino candidates. In a statement to Bloomberg, Chipotle pointed out its latest board hire: Mary Winston, a former interim CEO of Bed Bath & Beyond Inc., and a Black woman.

"Some companies might want to say that they have checked the box and they are done. That's where our effort comes in"

▲ Aguilera

PHOTOGRAPH BY WILFREDO MARTINEZ FOR BLOOMBERG BUSINESSWEEK

LCDA has had Zoom meetings with only about half of the initial nine companies it targeted and is awaiting responses from others. It's been disappointed in the tepid reception so far. "I think we were all shocked" at the Latin-themed restaurant chains' lack of Hispanic directors, Aguilera says. "We just assumed that they would have a special ▶

◀ interest in representing us at the board level, because who you have at the decision-making table speaks of your values and what you care about."

Things may look more promising at Del Taco Restaurants Inc., where Chairman Lawrence Levy sent a letter to the campaign saying the company was "actively seeking for Latino and other diverse candidates for the past several months." Like Chipotle, Del Taco said it's "aligned" with the Hispanic directors initiative to increase Latino representation, but it hasn't set up meetings with the organization. LCDA has sent both companies a list of Latino candidates.

The Hispanic group's most successful meeting has been at PG&E Corp., where it shared a list of viable potential directors directly with representatives of the energy company's board. "People don't realize there is a huge talent pool of Latino candidates that can bring a lot of value," says Aguilera. LCDA is scheduling meetings with four other companies this month.

These types of efforts are just what might be needed to create more diverse boards, according to Institutional Shareholder Services (ISS), which provides investors with governance and diversity data on companies. Brett Miller, ISS's head of data solutions for ESG, believes California's law will result in an uptick in women, Black, and Latino directors. But it might not be a consistent increase.

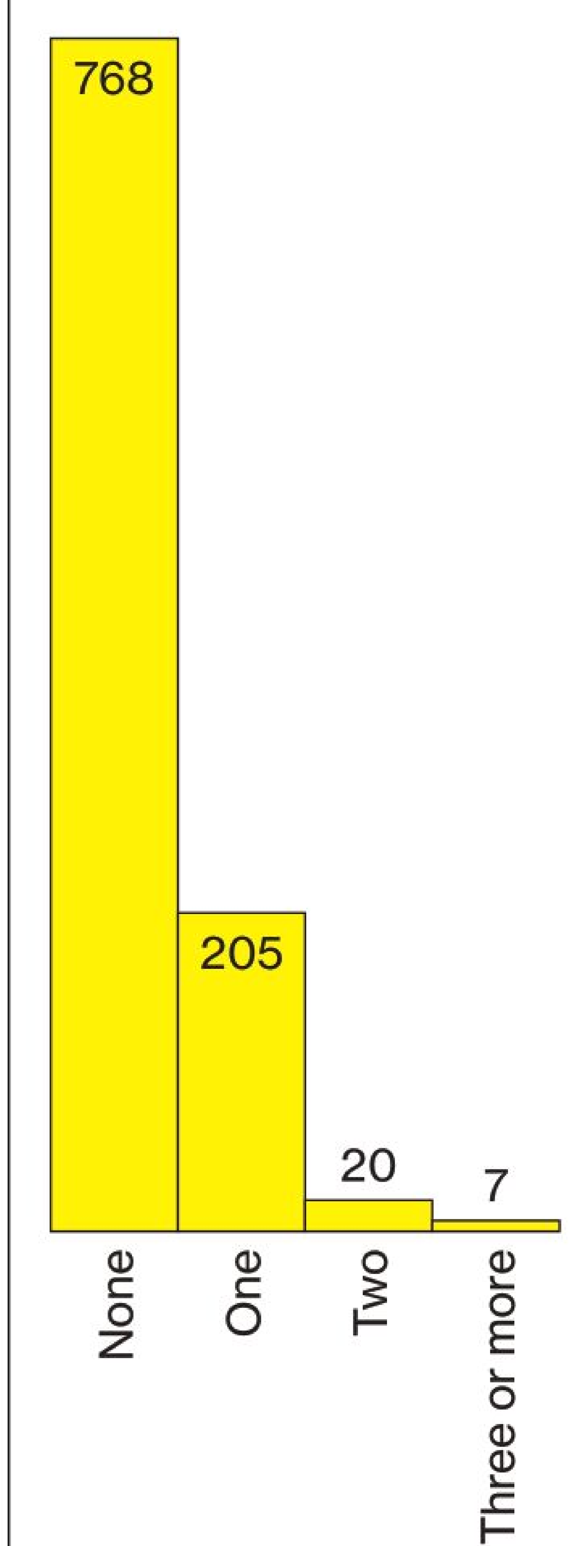
"The trick is that there's gonna be a plateau," Miller says. "Companies that are committed to diversity will exceed expectations, but those who are not will only make sure they have one diverse director. That's unless the expectation increases–for example, if investors push for more diversity."

ISS will start reporting this year on the racial and ethnic diversity among companies' directors and chief executives. Next year it will begin recommending votes against boards that aren't diverse. "But if you don't understand your stakeholders, whether that's your community or your customers, it's going to affect your bottom line," Miller says.

Latino activists say that diverse boards lead to diversity of thought and experience and are therefore beneficial to companies. Ramiro Cavazos, CEO of the U.S. Hispanic Chamber of Commerce, knows just how crucial it can be to have varied voices among top decision-makers. As the only Latino on the loan committee of a small community bank, he often spoke up for Latino businesses that were initially rejected. "If I didn't raise my hand and ask why, they didn't get a second look," he says. The problem: The board was mostly White and didn't know those clients. "We need to have a champion on the board," Cavazos says, "someone who will ensure equitable representation." *—Maria Eloisa Capurro, with Carolina Gonzalez*

THE BOTTOM LINE Latinos are heavily underrepresented in boardrooms. Even in California, where almost 40% of residents are Hispanic, only 2% of directors of companies based there are Latino.

▼ Fortune 1000 boards, by number of Latino directors, in mid-2019



China's Next Big Auto Market: Used Cars

● The world's largest new vehicle market is only now developing secondhand sales

Although China has more than 270 million vehicles on its roads, only an estimated 15 million secondhand models were sold in 2019. That's in sharp contrast to places such as Australia, the U.K., and the U.S., where people buy more used cars than new ones. So policymakers, intent on stimulating domestic consumption, want to change that. China is aiming to double the size of its secondhand-car market to about 2 trillion yuan ($306 billion) by 2025. To get there, Beijing has slashed taxes on used-car dealers, in May reducing the levy to 0.5% from 3%–far less than the 17% tax on new vehicles. It's also making it easier for dealers to trade used cars among themselves by classifying a secondhand vehicle without a license plate as a commodity rather than a personal asset, which simplifies the transaction. "The used-car-trading business is about to enter a brand-new chapter," says Xiao Zhengsan, secretary general of the China Automobile Dealers Association (CADA). "We will see more positive policies in this area."

The reasons China doesn't have a sizable used-car market are twofold. First, China's overall car market is relatively young–the first foreign joint venture, between Volkswagen AG and SAIC Motor Corp., wasn't established until 1984, and growth in auto sales to individuals took off only in the early 2000s. Even now, car ownership lags other developing nations. About 173 of every 1,000 people in China have a car, vs. 433 in Malaysia and 373 in Russia. In the U.S. and Australia, McKinsey & Co. data show, it's 837 and 747, respectively.

Many people in China are still on their first car.

The second reason is largely cultural. In China, buying a first car or first home was typically a big deal, a declaration of social status and a symbol that not only the person but also the whole family had arrived. In recent years that mindset has shifted. Younger consumers are becoming more sophisticated and less likely to embrace the concept of saving face by having nice possessions. Parents would rather get an older apartment near a good school than a brand-new one farther out. Similarly, forking over extra money for a new car when a perfectly good secondhand one is available is considered to make more economic sense.

Those changing attitudes will ignite demand for used cars, according to CADA, which sees annual sales rising to 25 million units over the next five years. The shift can already been seen. Leonardo DiCaprio was featured in a 2018 ad for Uxin Ltd., a Nasdaq-listed used-car e-commerce site, and outdoor markets for secondhand cars have started to sprout up in major centers, including one in Beijing that resembles a sprawling parking lot.

Xiao predicts a robust used-car market will spur new-car sales, particularly electric vehicles, because a more efficient trade-in system will make it easier for consumers to upgrade. Almost one-third of people shopping for a car in China by 2030 will be single, according to a study released in August by a unit of Bitauto Holdings Ltd., a research firm founded by William Li, the chairman of electric carmaker Nio Inc. These younger, single buyers will place more importance on environmental features, it found, so they're more likely to want to trade in their existing fossil fuel vehicles.

For older cars that don't sell, China has started an export program, sending them primarily to surrounding "Belt and Road" nations such as Azerbaijan, Bangladesh, and Tajikistan, trading partners where the car market is less competitive and developed. About 3,000 used cars were exported in 2019, a figure the government wants to increase to about 500,000 by 2025. Still, that would be well behind Japan, another developed nation with a thriving secondhand auto export business. It shipped 1.2 million pre-owned cars overseas in 2019.

Efforts to spur used-car sales are expected to help the mom and pop businesses that dominate the nascent industry. More than 80% of secondhand-car dealers are small outfits with fewer than 30 vehicles in stock on average and just a handful of employees.

While Uxin doesn't fit that category, the business is benefiting as well. Chairman Dai Kun started Uxin in 2011 after founding one of China's first online used-car websites, CarResume.com, in 2005. To address the growing problem of how to accurately value used cars, Uxin in October started a proprietary rating system that gives vehicles on its website a "like new" score that gauges their condition and enables easier comparison with other automobiles. Beijing Jingzhengu Information Technology Co., founded by Bitauto and others in 2014, offers a similar service.

▲ A used-car lot in Shanghai

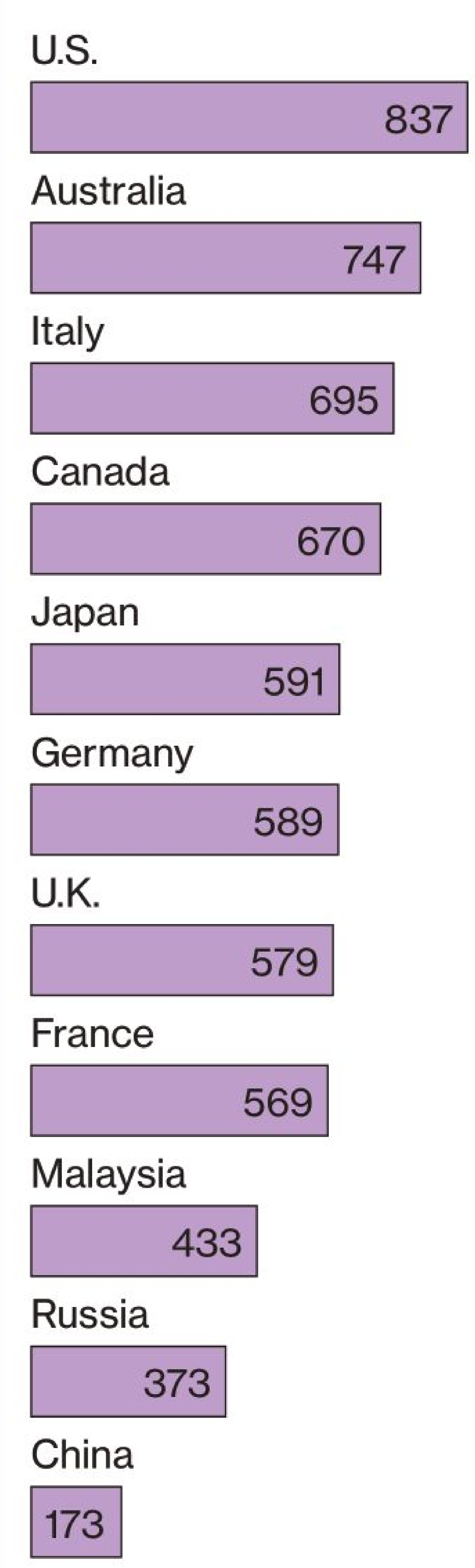
Using the services is straightforward. Sellers just plug in some basic information such as the car model, when it was purchased, kilometers on the vehicle, and in which city the license plate is registered. The next page shows the average offering prices made by dealers and individuals.

Uxin's online sales totaled 2,653 for the three months ended Sept. 30, vs. 1,702 in the June quarter. "Secondhand trading will definitely accelerate over the next five years, and the policy changes are enabling companies like ours to grow," Dai says.

Li Rui is one happy customer. He bought his first used car off Uxin's site in September—a 2-year-old black Magotan (known outside China as a Volkswagen Passat)—for 140,000 yuan. He was so impressed by the experience that he says he'll buy only secondhand cars from now on. "Life is short, and the amount of money I can spend is limited," says the 34-year-old, who lives in Taiyuan, the largest city in China's northern Shanxi province. He's now eyeing a secondhand BMW Mini for his wife. "Why not use this as a way to try out as many brands as I can?" *—Katrina Nicholas, with Tian Ying*

THE BOTTOM LINE The low percentage of people who own cars in China—one-fifth the level in the U.S.—has stunted the development of a used-car market there. That's set to change.

▼ Cars owned per thousand people



QILAI SHEN/BLOOMBERG. DATA: KPMG AND LATINO CORPORATE DIRECTORS ASSOCIATION (LEFT), MCKINSEY & CO. (RIGHT)

The Golden Age of Tech Cafeterias Is Over

The pandemic threatens to permanently upend a unique attribute of the Bay Area's food service industry

Mohammed Badri became a cook at the Tuck Shop, Dropbox Inc.'s corporate cafeteria, early in 2019. By most measures, the gig in what was then known as one of Silicon Valley's best cafeterias was a dream job. He made such dishes as marinated ahi tuna with spiced watermelon water and pickled vegetables, and kofta flatbread with arugula salad—and never had to make the same thing twice.

Badri wasn't a Dropbox employee, having been hired instead through a third-party contracting firm. Still, working in a tech company's kitchen paid competitively and offered more stability than his previous restaurant jobs. He also didn't have to do the brutal 12- to 15-hour shifts he'd endured in the conventional food industry.

Everything changed last March, when Dropbox Chief Executive Officer Drew Houston tweeted that the company would ask employees to work remotely for two weeks to help slow the spread of Covid-19. Dropbox continued paying Badri until late April. He's been at home ever since.

Badri, 31, hesitated to take a new restaurant job, even when the Bay Area's restaurants were largely locked down because of the pandemic, because he had a baby at home and was worried about safety protocols in unfamiliar kitchens. "It's a scary disease," he says.

Over the past decade, the over-the-top cafeteria has become one of the hallmarks of tech office culture, along with hoodies with corporate logos and permissive bring-your-dog-to-work policies. Tech companies have hired thousands of workers from some of the best restaurants in the Bay Area to staff their kitchens, providing them with a bounty of local produce from which to churn out breakfast, lunch, and dinner.

The free meals became such a fixture in tech offices that San Francisco has considered banning or restricting new employee cafeterias, because some officials worried that in-office dining options were damaging local restaurants. At the same time, the boom in corporate dining created a new class of jobs that offered more stability than typical restaurant positions and could pay over 20% more.

Tech's hiring spree made it hard for restaurants to hold on to top talent, says Gabriel Cole, who ran Airbnb Inc.'s global food program before co-founding Fare Resources, which designs corporate dining programs. "It also created some better quality of living for a lot of cooks, which is the upside," he says. "I did it because I wanted a 9 to 5, I wanted benefits, and I wanted a better quality of life."

In the early days of the pandemic, many companies pledged to keep paying their cafeteria workers, but the tech industry is now embracing remote work as a more permanent phenomenon. Cafeterias probably won't disappear entirely, but they'll likely need fewer people on staff and might not serve up three meals a day plus constant snacks.

Alphabet Inc.'s Google and other companies have continued to pay hourly service workers, including cafeteria staff. A report published in November 2020 by labor group Silicon Valley Rising found that tech companies in Santa Clara and San Mateo, the two counties that cover much of Silicon Valley—but not San Francisco—still employed 14,000 unionized cafeteria, janitorial, and security workers. The group estimates that 70% of those cafeteria workers are Black or Latino.

"These cafeterias are homes for these workers," says Maria Noel Fernandez, the campaign director for Silicon Valley Rising. Most large tech companies haven't let their service workers go, according to the group's report. "What does the future look like? My very honest answer is that I don't know," she says.

Many food service workers, both contractors and direct employees, have lost their jobs. Some, like Badri, have decamped from the Bay Area. With no job to cover rent, he recently moved his family into his parents' home in the suburbs of Paris, ▶

Edited by Joshua Brustein

● Chef April Word lost her job at Thumbtack in October

PHOTOGRAPH BY CAYCE CLIFFORD FOR BLOOMBERG BUSINESSWEEK

◀ where he grew up, and is applying for jobs there. He says he wouldn't have left—at least not anytime soon—if he hadn't lost his job at Dropbox.

A Dropbox spokeswoman confirmed that the company had ended contracts for cafeteria workers but said it kept some direct employees on in food service. She added that the company is still figuring out what its office food offerings will look like after the pandemic. Airbnb, Twitter Inc., Verizon Communications Inc., and others have also let chefs, cooks, and dishwashers go. A former manager at Airbnb's cafeteria, who asked not to be named because of a nondisclosure agreement, says the company continued to pay its contract kitchen staff through June and offered them $3,000 grants. Airbnb declined to comment.

April Word spent five years making pasta, grilling, and working the line at the iconic Berkeley restaurant Chez Panisse before joining Thumbtack Inc., the local services marketplace, where she eventually became the head of the culinary program. Word was attracted to Thumbtack because it made her an employee rather than hiring her through a contracting firm, unlike many other corporate cafeteria jobs. Her 17-person team supplied employees with breakfast, lunch, dinner, and snacks, such as pastéis de nata, Portuguese egg tarts, and elote.

At the start of the pandemic, Word's team created a Slack channel called #ChefSupport to help homebound employees feed themselves. It also held cooking classes over Zoom. At the end of March, most of the team was let go, part of cuts that cost one-third of Thumbtack's workforce their jobs. Word remained, but over the summer the company said her job would end in October. She spent her remaining months donating and distributing food from the company's kitchen, making sure the grease traps were cleaned and ensuring the range hoods were up to code.

A Thumbtack spokesperson says the kitchen staff was a "beloved part of our team" and describes terminating their positions as one of the more difficult decisions the company has had to make because of the pandemic. Thumbtack expects its entire workforce to be working remotely until at least July.

Erika Sanchez, who spent a decade working in Verizon's cafeteria in Sunnyvale, learned in August that she'd be terminated in a week. The company paid out her vacation time, and Sanchez, 46, thinks she has enough savings to make it until February or March. In the meantime she's looking for work and volunteering at a food bank, where she also receives her own meals.

Sanchez doesn't know if Verizon will call workers back when it eventually reopens offices. But she was happy there, earning about $19 an hour, or roughly $38,000 a year. "It's one of the few places where I would go to work and people would say thank you for the things that I did," she says.

"These cafeterias are homes for these workers"

Companies such as Uber Technologies Inc. and DoorDash Inc. have established or expanded programs allowing employers to distribute meal credits to their staffs. Farms that previously supplied produce to corporate kitchens have pivoted to delivery boxes as well to make up for the lost revenue.

Vincent Attali, who was the executive pastry chef for LinkedIn, started a pop-up French pastry shop in San Francisco after raising money on Kickstarter. Many of his backers were LinkedIn employees, he says. Attali is also selling subscription boxes with matcha éclairs, molten chocolate crackle cookies, ube coconut mochi, and other pastries, an effort to lean into the growing appetite for on-demand food delivery.

▲ A dish prepared by Badri at the Tuck Shop, Dropbox's corporate cafeteria

Martin Nguyen, a former chef at LinkedIn, formed a catering company called Kraving Foods. He says starting a business during a pandemic is tough. Nguyen sold about 24 full Thanksgiving meals, but weekly orders have fallen about 50% since he opened this summer. "It's very difficult to break through," he says. "People aren't getting together." —*Priya Anand, with Kurt Wagner*

THE BOTTOM LINE Tech company cafeterias proved to be an attractive option for food service workers, but the shift to remote work during the pandemic may permanently alter the landscape.

Bezos Bets On Podcasts

● Amazon's acquisition of Wondery could further bolster the upstart industry

The joke in the podcast industry is that the year ahead is always the year that on-demand audio will finally go mainstream. In some respects it's already there: More than 100 million people in the U.S. listened to podcasts each month in 2020, while such popular programs as the *The Joe Rogan Experience* and the *New York Times' The Daily* have amassed large, loyal audiences, though podcasting is still dwarfed by over-the-air radio in terms of both overall audience and revenue.

Amazon.com Inc.'s Dec. 30 announcement that it was acquiring 4-year-old podcast network Wondery has industry insiders again saying the medium could turn a corner in the new year. The investment follows Sirius XM Holdings Inc., Spotify Technology SA, and a string of others spending hundreds of millions of dollars to buy podcasting companies.

At the time of its deal with Amazon, Wondery remained one of the largest existing independent podcasting studios and networks. Bloomberg reported in November that Apple Inc., which has bought at least two other podcast companies, and Sony Music Entertainment had each held talks about acquiring it. Terms weren't disclosed, but the *Wall Street Journal* reported that Amazon paid about $300 million. The company declined to comment. (Bloomberg LP, which owns *Bloomberg Businessweek*, has partnered with Wondery on the podcast *The Shrink Next Door*.)

Amazon is well-positioned to translate Wondery's audience into advertising revenue, something the industry is still figuring out. "Podcasts have huge audiences, but they're still the most undermonetized media around," says Dave Zohrob, chief executive officer of Chartable, a podcast analytics firm.

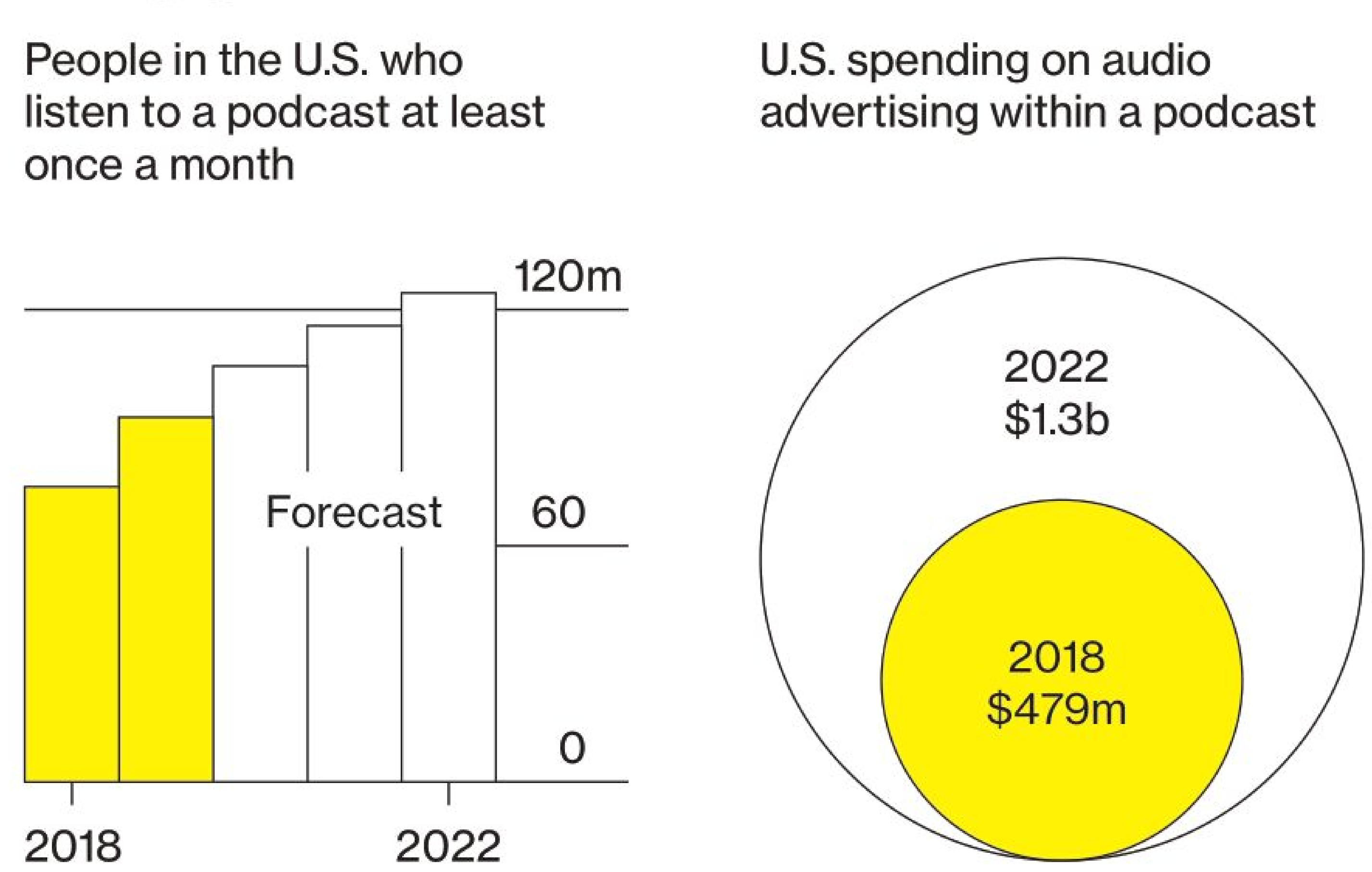
Although some podcasts earn money from subscriptions, a significant part of the business proposition is based on their potential to draw advertising dollars that go to traditional radio. Ad revenue for U.S. radio totaled $12 billion in 2020, but it's on the decline; podcast advertising revenue, which reached $1.1 billion in 2020, will keep growing, according to market researcher EMarketer Inc. Wondery could fit well into Amazon's $13 billion advertising business, which is gaining on industry leaders including Alphabet Inc.'s Google and Facebook Inc.

Founded by former TV executive Hernan Lopez, Wondery reaches a monthly audience of more than 8 million, according to Podtrac, an industry measurement firm. Listeners can hear such hit shows as *Dirty John* and *Dr. Death* free with advertising or subscribe for $5 a month to hear them without ads. Wondery will become part of Amazon Music, which is included in the company's $120 annual Prime subscription. Amazon also tries to lure its 50 million Amazon Music listeners to a bigger content catalog for an additional $8 a month. Its audiobooks business, Audible, and its video game streaming service, Twitch, are already working on podcasting as well.

In a statement announcing the deal, Amazon said nothing would change for Wondery's existing listeners, but the company could experiment with its new podcast network in various ways, such as turning shows into video programming for Prime Video or using Wondery programming to increase engagement for its smart speakers.

● Lopez

All Ears



DATA: EMARKETER

Amazon's main advantage may be its ability to improve targeting on podcast ads, given its rich data on customers' preferences and purchase histories. It has a platform that lets advertisers use algorithms to buy ad space on its e-commerce website, which it's also using to sell more audio advertising on Amazon Music. Amazon could also provide performance metrics to convince advertisers they aren't wasting their budgets on commercials nobody hears, a problem that's made big brands skittish about podcasts.

"Amazon knows who you are and what you've been looking into," says Chartable's Zohrob. "They can really make the ads effective." —*Spencer Soper*

THE BOTTOM LINE Amazon is well-positioned to help leverage the increasing audience for podcasts into a major source of advertising revenue.

FOOD: COURTESY MOHAMMED BADRI. LOPEZ: COURTESY WONDERY

Is It Time To Worry?

There are signs that the market is getting ahead of itself, but price gains have been even crazier in the past

The initial public offering market is manic. Stocks haven't been this expensive since the dot-com era. The Nasdaq 100 has doubled in two years, leaving its valuation bloated—all while volatility remains stubbornly high. It's a setup that's left investors sitting on fat returns after a year that defied easy explanation. It's also one that has a growing cohort of experts warning about a bubble.

Knowing when market rallies turn from logical to excessive is always tough. It was almost impossible as 2020 ended, with interest rates pinned near zero and the federal government unleashing an additional $900 billion to stimulate the pandemic-stricken economy. But history offers clues, and several current market conditions meet criteria likely to be found on a bubble checklist. "Are there areas of the market that are in a bubble? Yeah, clearly," Peter Cecchini, founder of AlphaOmega Advisors, said in late December on Bloomberg's *What Goes Up* podcast, adding that "many of those are obviously speculative technology companies."

A study by Harvard researchers published in 2019 said that while not every stock market surge meets with disaster, those that do share some attributes, including increased share issuance, heightened volatility, and a sector or index that both doubles in price and beats the broader market by more than 100 percentage points over two years. Check, check, and almost check.

Start with share issuance. U.S. companies sold $368 billion in new stock last year, 54% more than during the previous high in 2009, according to data compiled by Bloomberg. IPOs raised $180 billion, the most ever, as companies including Snowflake, Airbnb, and DoorDash took advantage of the rebound in equity markets. First-day pops in share price among the newcomers were the biggest in two decades, according to Bill Smith, chief executive officer and co-founder of Renaissance Capital LLC. "Those are telltale signs," says Robin Greenwood,

Edited by Pat Regnier

a professor at Harvard Business School and co-author of the 2019 study. "The probability of a market correction is much greater today than in the historical average."

A subclass of IPOs took off in 2020 as well. Special-purpose acquisition companies, which use proceeds from a stock sale to acquire another business, raised about $80 billion in 2020, more than was notched in aggregate over the previous decade. SPACs that made a purchase have gained about 100% on average for the year, according to research from George Pearkes, global macro strategist at Bespoke Investment Group. "That's pretty bubbly stuff," he wrote in a recent note, though he added that what's "more remarkable" is that SPACs that have yet to announce deals were up about 20%. "Obviously, this is pretty speculative behavior."

Then there's volatility. When the pandemic hit the U.S., the S&P 500 lost about a third of its value, then more than recovered in a wild rally. The Cboe Volatility Index, a measure of the stock market volatility traders expect in the near future, is still elevated.

Stock prices remain the one ambiguous signal. While certain assets exhibit worrying signs, the broader market may not be in for an immediate comeuppance. The Federal Reserve has promised to keep interest rates pinned near zero, making stock valuations look more reasonable when compared with bond yields. The tech-heavy Nasdaq 100 has doubled in price in just two years, but the Harvard researchers say it's still not as exorbitantly elevated relative to the S&P 500 index as it was in past bubbles. So it doesn't meet their bubble criteria.

Still, crash talk has simmered for months, prompting plenty of warnings from the likes of Greenlight Capital's David Einhorn and GMO co-founder Jeremy Grantham, who on Jan. 5 wrote that the bull market was now a "fully fledged epic bubble." Grantham is famous for his warnings on the 2000 and 2008 crashes, but being bearish early can also be painful: GMO's flagship fund lost money in 2020.

As the S&P 500 closed out 2020 with a solid gain of 16%, spots on the market's fringes have recently seen trouble, suggesting some investor anxiety. Since peaking in December, vaccine heroes Moderna Inc. and BioNTech SE have both plunged more than 30% without any obvious catalyst for the selling. FuboTV Inc., a TV streaming service, was up 596% as of Dec. 22, then lost almost half its value as share lockups, which restricted some selling after its October IPO, expired. Shares of the fintech insurance company Lemonade Inc. have swung violently as similar restrictions were lifted.

Bubble warnings are liable to get louder in 2021, when companies will have to deliver profits that justify stretched valuations. The S&P 500 ended the year trading at almost 30 times profits, meaning it started the new year at the highest point since 2000, before the dot-com bust. The Nasdaq 100 is at 40 times earnings, a level not seen in two decades.

Other trends have raised eyebrows: Bitcoin's record-breaking advance; Tesla Inc.'s 743% gain in 2020; trading by retail investors that's inflated previously little-known companies. "You can slap the 'disruptor' name on something and have it go up 10 times for no real reason," says Jon Burckett-St. Laurent, senior portfolio manager at Exencial Wealth Advisors. "So yeah, there are pockets of the market that don't make a ton of sense to me." —*Vildana Hajric and Elena Popina*

THE BOTTOM LINE The tech-heavy Nasdaq 100 has doubled in price in two years, but the Fed's promise to keep interest rates low helps explain a broader rise in stock valuations.

▼ Nasdaq 100 price-earnings ratio at month's end

Copper Is Booming. So Is Scrap

● Car parts, pipes, and wires coming in by the truckload could dull the metal's rally

Traders around the world are betting on a post-lockdown economic rebound. You can see that in stock prices and oil futures—and also in the copper scrap piling up amid the twisted screen doors and burst radiators at Regional Metal Services' processing plant off Interstate 75 near Knoxville, Tenn.

With the price of copper surging—it rose 26% in 2020 on the London Metal Exchange, to $7,766 a metric ton on Dec. 31—more trucks full of discarded wire, pipes, and car parts have been showing up at operations such as those of RMS as sellers look to cash in. RMS buys the scrap and resells it as a cheaper substitute for the refined metal used in autos and electronics. Garey Rittenhouse, the company's president, says he frequently gets calls from smaller dealers, including junkyards and electronic waste centers, asking whether they're likely to hit a "jackpot" if they bring in metal today. ▶

ILLUSTRATION BY 731. DATA: COMPILED BY BLOOMBERG

◀ China needs a lot of copper. So do electric cars

◀ The copper boom has been fueled in part by voracious demand for commodities from China, which was hit first by the Covid-19 pandemic and has already begun to recover, and now by optimism that vaccines will allow the rest of the world to get back to normal. The shift to greener technology is part of the story, too. For example, analysts at BMO Capital Markets say a typical battery electric vehicle contains 83 kilograms of copper, which is used for high-voltage wiring, rotors, and more. That's compared with 23kg in an internal-combustion vehicle.

At the same time, there's a threat of disruptions to the copper supply, which traders are anticipating will help keep prices high. Mines in Chile and Peru have kept up production, but running flat out with a workforce reduced by Covid restrictions may be unsustainable. Some producers have been forced to defer crucial mining activities such as maintenance and stripping of waste ore. Analysts at Goldman Sachs Group Inc., Credit Suisse Group AG, and elsewhere have reiterated or boosted bullish copper forecasts in the past few weeks. "This current price strength is not an irrational aberration, rather we view it as the first leg of a structural bull market," wrote Goldman Sachs analysts in a note.

All that old metal flowing into recycling centers could undercut the rally, though, says Ed Meir, an analyst at ED&F Man Capital Markets. "Scrap remains plentiful and could be a significant source of supply, at least through next year," he says. "This suggests any shortages we could see from the mining side could be offset." Signs of ample scrap supply can be seen in the discount for so-called No. 2 copper, a grade of recycled metal, compared with the price for the primary metal. The discount widened to about 42¢ a pound, from less than 30¢ in July.

Scrap wasn't so common during past booms, Meir says. This time around, when Covid brought everything to a halt, the regular flow of secondary materials got temporarily bottled up. "What we're seeing is material that might have been held off is coming in," says Mark Lewon, president of Utah Metal Works Inc. in Salt Lake City. He recently bought some bare bright copper wire, one of the most expensive grades of scrap, from a dealer in Wyoming that had been hoarding materials since March.

Scrap is a huge part of the copper business, says Andrew Cosgrove, a senior analyst at Bloomberg Intelligence. And it's about to become even more important: China has recently clarified its import rules on scrap metal shipments, which should allow producers there to use more scrap instead of the pricier top-grade copper, known as cathode. This may be good news for anyone holding on to a lot of old pipes and tangled wire. —*Yvonne Yue Li*

THE BOTTOM LINE Revived demand from China and green technologies have powered the copper market, and high prices are bringing old metal back into the market.

Wells Fargo's Next Move

● Regulators have it on a short leash, but it sees higher profits in investment banking

▼ U.S. investment banking market share in 2020*

Wells Fargo & Co., still struggling to recover from a fake-account scandal several years ago, is plotting its return to growth. The retail and commercial banking giant wants to become a bigger force in dealmaking and trading.

It's part of a strategy Chief Executive Officer Charlie Scharf has been developing since taking over the bank 14 months ago, according to senior executives. The push to expand in investment banking would take the fourth-largest U.S. bank a step closer to emulating some of its biggest rivals, including JPMorgan Chase, where Scharf spent more than a decade before running Visa and Bank of New York Mellon. Today, Wells Fargo ranks a mere ninth

COPPER: GETTY IMAGES. STAGECOACH: WELLS FARGO. MAN: SHUTTERSTOCK *REVENUE MARKET SHARE FROM EQUITY, DEBT, AND LOAN UNDERWRITING AND M&A ADVISORY THROUGH DEC. 30. DATA: DEALOGIC

in capital markets and deal advisory. "We, obviously, on the investment banking side don't have the same market share that we have on the commercial banking side," says Jon Weiss, head of the corporate and investment banking business. "The opportunity that we have is to narrow that gap."

Scharf has been running the San Francisco-based company from its offices in New York with a mission to overhaul operations. The scandals that began erupting in 2016, when branch workers were found to have created millions of unauthorized accounts to meet sales targets, eroded earnings and led the Federal Reserve to slap a cap on the bank's size, so its assets can't go above $1.95 trillion. (They're currently about $1.92 trillion.) Although Scharf has made appeasing authorities his top priority, he also instituted a deep review of the bank's units. Some parts of the company, such as its branch network, are being streamlined. Others, including its asset management arm, have been tagged for potential sale. The emerging plan underscores Scharf's interest in building up the investment bank. But it will take a few years for the expansion to gain momentum, especially with the asset cap in place.

The CEO began setting the stage last year when he broke the company's three business lines into five, putting the investment bank into a division that reports to him. He placed Weiss atop the unit, which is expected to begin publishing standalone results this month, giving shareholders numbers to assess its progress. Giving the investment bank a direct line to the CEO's office, rather than wrapping it into a larger division, had a "huge energizing impact on the entire team," Weiss says.

Part of the offensive relies on Wells Fargo's strengths in other areas. The company already runs a powerhouse commercial bank, providing loans and services such as cash management to legions of midsize companies across the U.S. It's also the nation's top commercial real estate lender.

Executives plan to lean harder on those relationships to win more business underwriting sales of bonds and stocks. Operating committee members including Scharf are reaching out to company leaders to ensure Wells Fargo is included when they pursue deals, say people with knowledge of the conversations.

Goldman Sachs Group Inc. and other rivals are also offering more Wall Street services to midsize companies. But Wells Fargo executives say the bank's long-standing connections to many such enterprises can give it an edge in landing roles in capital markets and advisory deals. They also see opportunities to use the bank's lending prowess to do more business in markets, such as financing bets by hedge funds.

Industry veterans will recognize elements of this approach: The company telegraphed similar ambitions more than a half-decade ago. Back then the bank had just successfully navigated the financial crisis and was churning out record profits while competitors were still retrenching.

JPMorgan Chase & Co. CEO Jamie Dimon told his shareholders in 2014 that Wells Fargo would be "a major investment bank" within five years. Rainmakers at other companies soon began grousing privately that Wells Fargo was bidding more aggressively to win business including underwriting. Then the accounts scandal put all that in limbo.

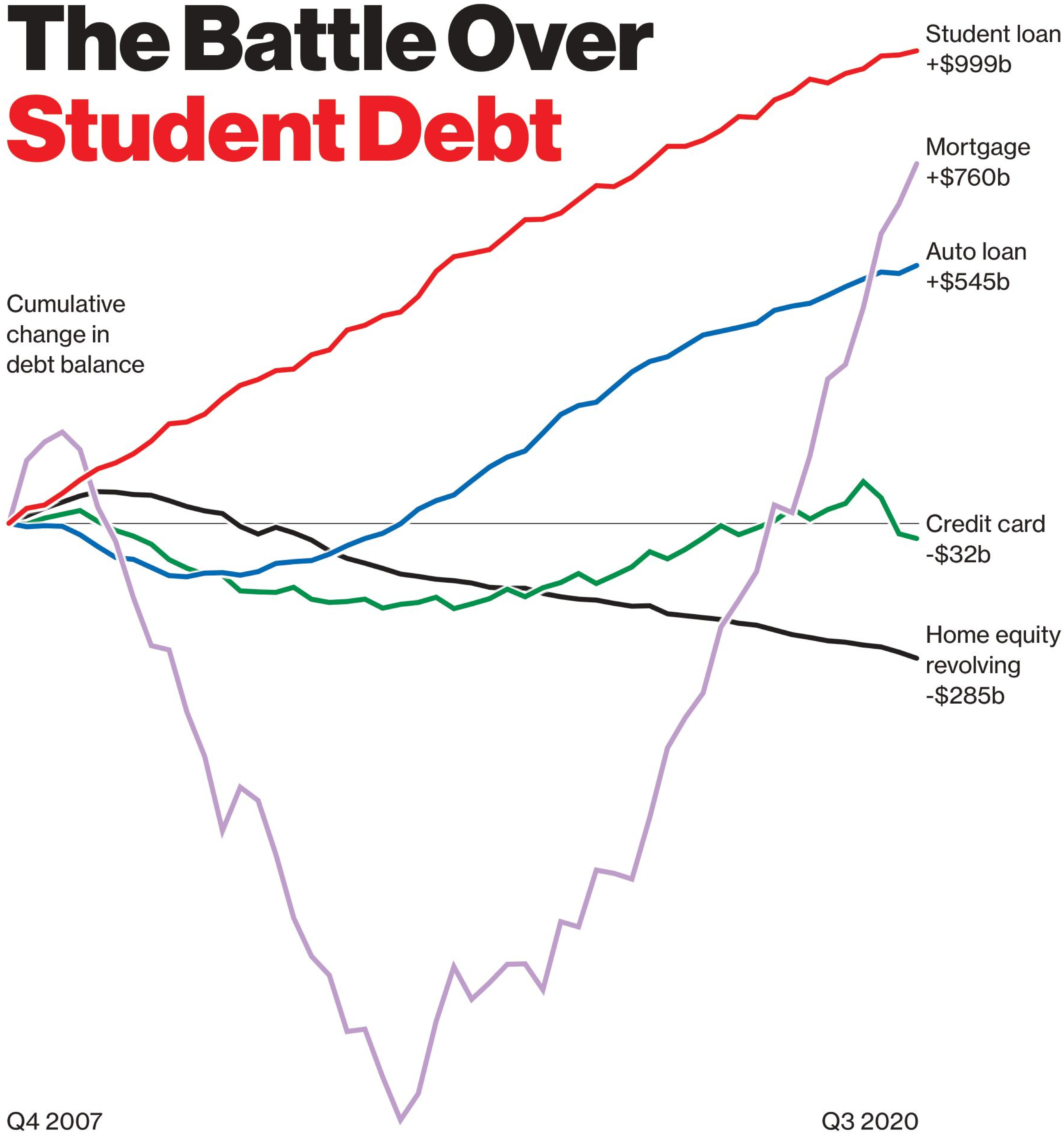
The Fed won't lift its cap on asset growth until the regulator decides Wells Fargo leadership has addressed its lapses in management. Privately, executives expect it won't be lifted until late this year at the earliest. "All other priorities have taken a back seat to risk and regulatory over the last four years, including whatever priorities the investment bank had," Weiss says.

Even with the cap, managers see ways to earn more from the division. The need for doing so became all the more apparent amid the economic shocks of 2020, as rivals with larger trading operations pulled in billions of dollars in revenue from a flurry of market activity, offsetting their potential losses on loans. Wells Fargo's stock tumbled 44% over the year, the worst performance among the largest U.S. banks.

Senior executives still hit the notes that long accompanied Wells Fargo's past restraint in investment banking. The company likes stability and won't pursue growth at any cost, Weiss says. "You can grow pretty quickly in investment banking," he says. "All you have to do is misprice a bunch of risk, and you can grow as fast as you want. That is not what we're going to do." —*Hannah Levitt*

THE BOTTOM LINE The fourth-largest bank in the country is a smaller participant in the investing business. It was narrowing the gap when scandal hit, and now it's trying again.

The Battle Over Student Debt



DATA: FEDERAL RESERVE BANK OF NEW YORK

● Biden is under pressure to forgive student loans. Here's what's at stake

Just a few years ago, writing off large chunks of the U.S.'s $1.7 trillion in student debt seemed like a fringe idea. In a few weeks' time, it could be government policy.

Joe Biden ran on a promise of forgiving at least $10,000 in student debt per borrower. As president-elect he's getting bombarded from all directions with advice on how to scale up that plan—or back away from it.

In Biden's Democratic Party, many want him to cancel a bigger portion of the loans via executive order right after taking office this month. They say it's a way to aid the economic recovery without getting bogged down in congressional wrangling. Biden told journalists just before Christmas that he's unlikely to go that far.

Critics of debt forgiveness at liberal think tanks as well as some congressional Republicans want him to abandon the idea altogether. They say channeling resources to college grads who are already better off than most Americans is unfair and ineffective as stimulus, because it won't trigger a jump in consumer spending.

What follows is a roundup of some of the main arguments—and the numbers attached to them—in a debate that's set to heat up in the coming weeks.

Edited by Cristina Lindblad

HOW WE GOT HERE

Since the financial crisis, U.S. households have added more student debt than any other kind—almost $1 trillion compared with $760 billion in mortgage loans. Some 43 million Americans owed money for their college education (or a family member's) as of 2019, when the typical monthly payment was $200 to $300.

Borrowing has risen in tandem with college costs, which have outpaced incomes for a generation, and accelerated after the 2008 crash—partly because state governments cut funding for higher education and public colleges covered the shortfall by charging their students more. There's also been a decades-long expansion of higher education that has drawn in students from lower-income families more likely to depend on loans. And unpaid debts can snowball, because even in an era of ultralow interest rates, student loans are pretty expensive. Interest rates have ranged from 4.5% to 8% in recent years, with graduate students and parents who borrowed on their kids' behalf generally paying more.

For years now, delinquencies and defaults on student debt have been running much higher than for those on other types of loans. That's in large part because, even amid the longest expansion in U.S. history, the economy hasn't been creating enough of the well-paid jobs that all these graduates had counted on. High dropout rates, especially at for-profit colleges, are also a factor. In 2019 only about 40% of borrowers were current on their payments.

Those numbers underpin one of the key arguments for writing off the debt. "You're not getting it paid off now, and you probably never will," says Scott Fullwiler, an economics professor at the University of Missouri at Kansas City and co-author of a landmark 2018 study on loan forgiveness. "So what's the bigger bang for your buck—cancel it now or just let it keep going?"

THE COVID FREEZE

Borrowers got a break in 2020. The pandemic rescue plan Congress approved in March put repayments on hold and stopped interest from accruing. The freeze—which applies to all loans owned by the federal government, or more than 90% of the total—expires at the end of January.

That's the state of play that will confront the Biden administration on Day 1, and it practically guarantees some kind of early action on student debt. Otherwise, the restart of loan payments will act as a drag on the economy just when Democrats are promising a boost.

Action doesn't necessarily mean mass debt forgiveness. Biden could just renew the payment freeze. President Trump did that by executive order in August, so it won't trigger a dispute over presidential powers. But if Biden tries to use the same instrument to cancel student debt, bypassing a Congress where he may not have a Senate majority, some analysts foresee legal challenges. Democratic leaders including Senators Chuck Schumer of New York and Elizabeth Warren of Massachusetts see no obstacle to writedowns via executive order and are urging Biden to go well beyond his election promise and forgive $50,000 per borrower right after he's inaugurated.

"So what's the bigger bang for your buck—cancel it now or just let it keep going?"

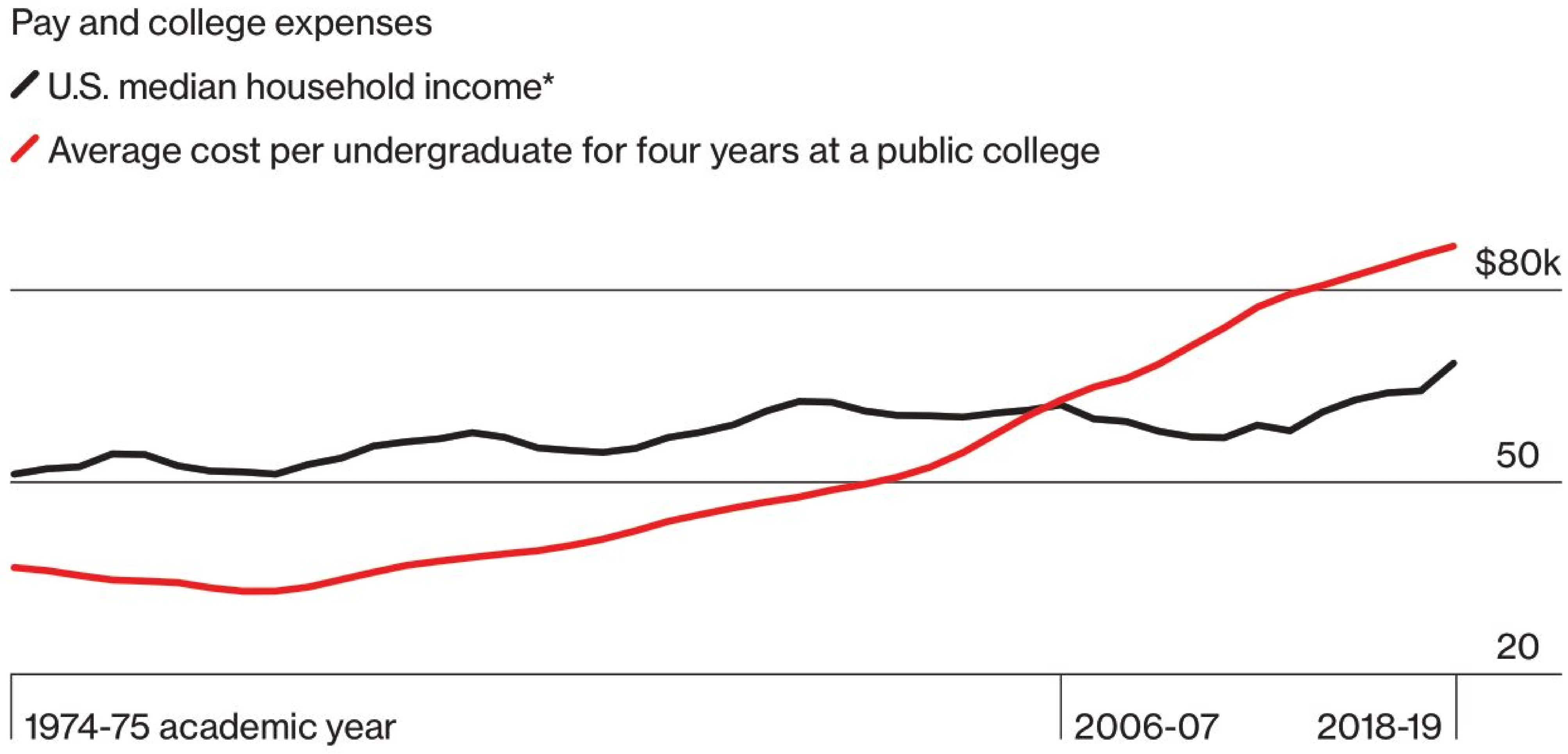
THE BILL

Biden's $10,000 plan would wipe out about $370 billion in loans, a figure that rises to almost $1 trillion in the more generous Schumer-Warren version, according to the Urban Institute. Because the large majority of the debt is owed to the U.S. Treasury, which has already issued bonds to cover it, writing off the loans won't trigger a sudden jump in the national debt. Instead the cost will show up in the budget each year because the government ▶

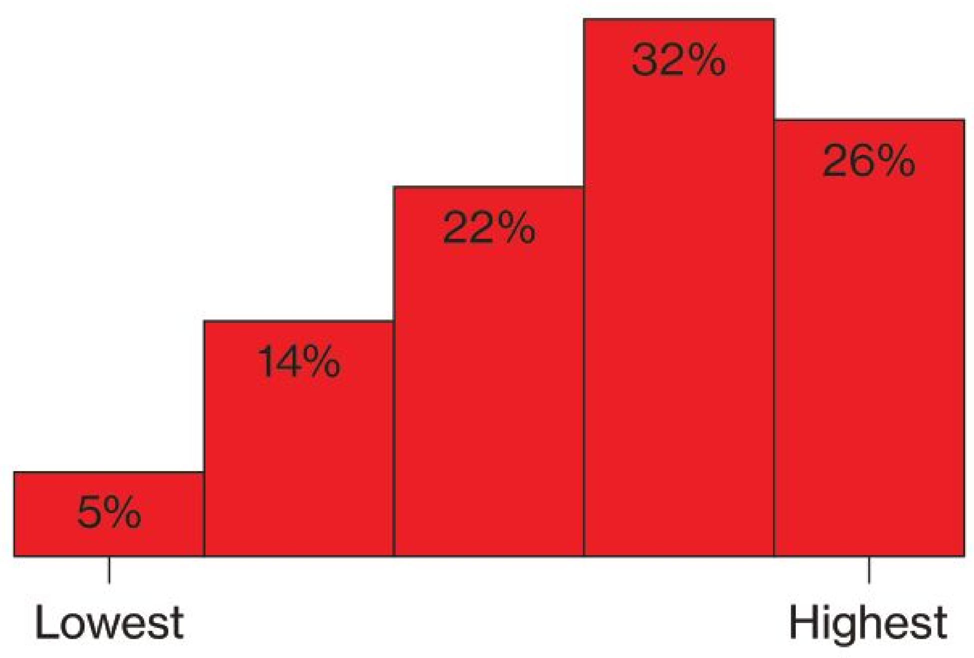
Anatomy of a Crisis

Prepare to be barraged by numbers as the debate on how to tackle student debt heats up. Here are some key statistics.

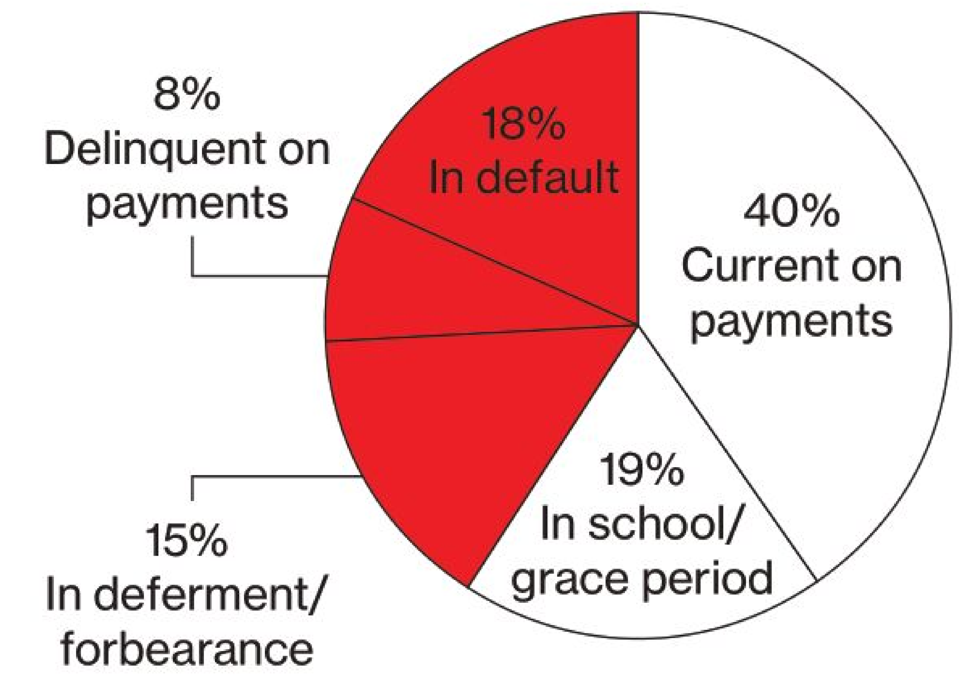
Pay and college expenses



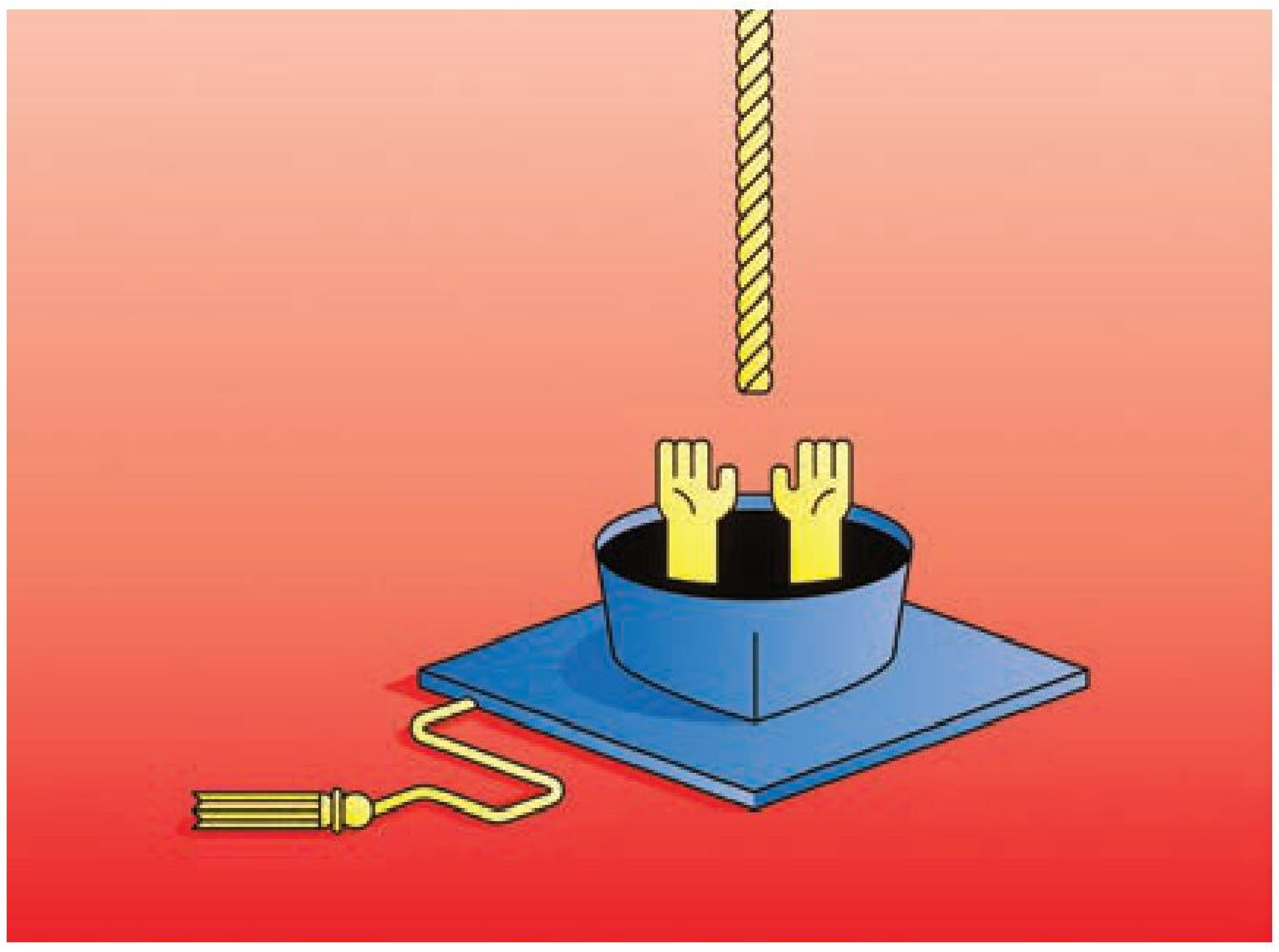
Share of outstanding student debt in 2019 by income quintile



Share of student loan borrowers in 2019



*FOR YEAR IN WHICH SCHOOL YEAR ENDS.
DATA: COLLEGE BOARD, U.S. CENSUS BUREAU, BROOKINGS INSTITUTION, PAYITOFF ANALYSIS OF DATA FROM NATIONAL STUDENT LOAN DATA SYSTEM



◀ would forgo revenue from loan repayments—worth about $80 billion, or 0.4% of gross domestic product, in 2018. So essentially forgiveness would function like a tax cut.

THE BENEFITS

Tax cuts are stimulative. They also raise questions of fairness and effectiveness: Who benefits, and how much does the economy gain overall?

Critics say debt forgiveness helps college graduates at a time when low-paid service workers, mostly without degrees, have been hit hardest by the pandemic. It would sow more division in a country where education levels are one of the clearest fault lines. And they say it's unfair to student borrowers who paid what they owed. Left-leaning think tanks like the Brookings Institution and the Urban Institute have argued this point strongly. Broad debt write-offs "will exacerbate the long-term trend of economic inequality between those who have gone to college or graduate school and those who have not," wrote economists Sandy Baum and Adam Looney in a piece published on Brookings' website in October.

Also, some argue that debt forgiveness won't do much for the economy right now because the extra cash it frees up will be spread over years, will flow disproportionately to wealthier households less likely to spend it, and may incur tax liabilities that cancel out the stimulus effect.

Advocates agree that wealthier families tend to have larger student debt totals, so they might get a greater break in simple dollar terms from forgiveness. But, they say, student debt is even more of a burden for lower-income families, so relief would benefit them more even if the value of loans forgiven is less.

There are other ways to slice the distributional question. Black borrowers, for example, typically have bigger loans and have found it especially hard to make headway repaying them. They're more than twice as likely as White counterparts to be in deferral, according to a JPMorgan Chase & Co. report, so cancellation can help narrow racial wealth gaps.

THE BIGGER PICTURE

Student debt forgiveness can't solve the root problem that college is unaffordable for many families, which is why everyone who's proposed the policy has linked it to other measures that would lower costs for future students. Biden wants to make tuition at public universities free for families earning less than $125,000 a year. That would require steering legislation through a divided Congress.

Proponents of debt cancellation also say the attempt to calculate dollar-for-dollar returns on the policy misses the importance of shoring up household balance sheets, the same mistake Democrats made after the housing crash, when foreclosures threw millions of Americans out of their homes and unpayable mortgage debts were allowed to linger, sapping the recovery's strength. Sometimes, they say, wiping the slate clean is best for growth.

"Sure, many people can probably do well enough, and constrain themselves, and manage to pay off their debt," says UMKC's Fullwiler. "But do we want an economy where that's what people have to do?" —*Ben Holland and Alex Tanzi*

THE BOTTOM LINE Proponents of canceling student loan debt argue that it will help stimulate the economy. Others say it's a bailout for Americans who are already better off.

In Praise of the Nordic Model

● Generous welfare systems and high levels of digitization are assets in a pandemic

The novel coronavirus has highlighted the advantages of the Nordic economic model—the same one that President Trump's advisers trashed in a 2018 report titled *The Opportunity Costs of Socialism*, saying it reduced living standards.

Almost a year into the pandemic, Denmark, Norway, Sweden, and Finland have exhibited remarkable resilience compared with larger countries in Europe. The region's top two economies, Sweden and Norway, contracted by 3.3% in 2020, according to estimates by Bloomberg Economics,

● Share of Swedes and Danes who said they were worse off in July compared with the previous three months

11%

ILLUSTRATION BY JOEL PLOSZ. SWEDEN: MAGNUS LAUPA while output in the 19-member euro zone shrank by more than 7%.

The most recent edition of *The Global Competitiveness Report*, published in December by the World Economic Forum, called out the Nordic model as offering "the most promising" path out of the Covid-19 crisis because it strives to be environmentally sustainable as well as socially inclusive.

That's not to say there haven't been missteps along the way—some large, others smaller. In Sweden, King Carl XVI Gustaf joined a chorus of international health experts in condemning the government's anti-lockdown strategy, which has been blamed for the country's comparatively high death rate. (Sweden's rate, at 85.7 per 100,000 people, is by far the highest of any of the Nordic countries and above those of Germany and the Netherlands, according to data published by Johns Hopkins Coronavirus Resource Center.) And in Denmark, the fight against a coronavirus mutation decimated the country's farmed mink industry, after the government ordered the entire herd of 17 million be culled.

Nevertheless, these small export-oriented nations had certain advantages going into the crisis, says Bloomberg Economics' Johanna Jeansson, including "deep public coffers, a tight social security net, and a larger reliance on sectors that have been able to work from home and sell online."

Nordic governments have more leeway to spend their way out of the coronavirus recession because voters in those countries long ago embraced high taxes as a means of ensuring more equitable—and stable—societies. That, coupled with fiscal prudence, has kept sovereign debt levels among the lowest in the European Union. Norway, home to the world's biggest sovereign wealth fund, is essentially debt-free. Sweden and Denmark have debt equal to about 40% of gross domestic product. Finland is almost at 70%, but that's still less than half Italy's debt burden and is less than the EU average of almost 90%.

"The starting position, with low public debt and households and companies with sensible finances, means that we can get through better," said Denmark's central bank governor, Lars Rohde, in a Dec. 9 interview with Bloomberg News.

State-funded universal health care and generous unemployment assistance are also sources of strength for the Nordics. Danes and Swedes scored at the top of an EU survey in which respondents were asked to assess their financial situation in July compared with the three previous months: Just 11% in each country said they were worse off, compared with an average of 34% across the 27-member EU, according to a study by the bloc's Eurofound agency. "It's a good example of how putting money in people's pockets essentially has been shown in the pandemic as the best way to keep things going," says HSBC Bank Plc economist James Pomeroy, who predicts economic activity in this corner of northern Europe will rebound more quickly than in the rest of the continent once restrictions are removed.

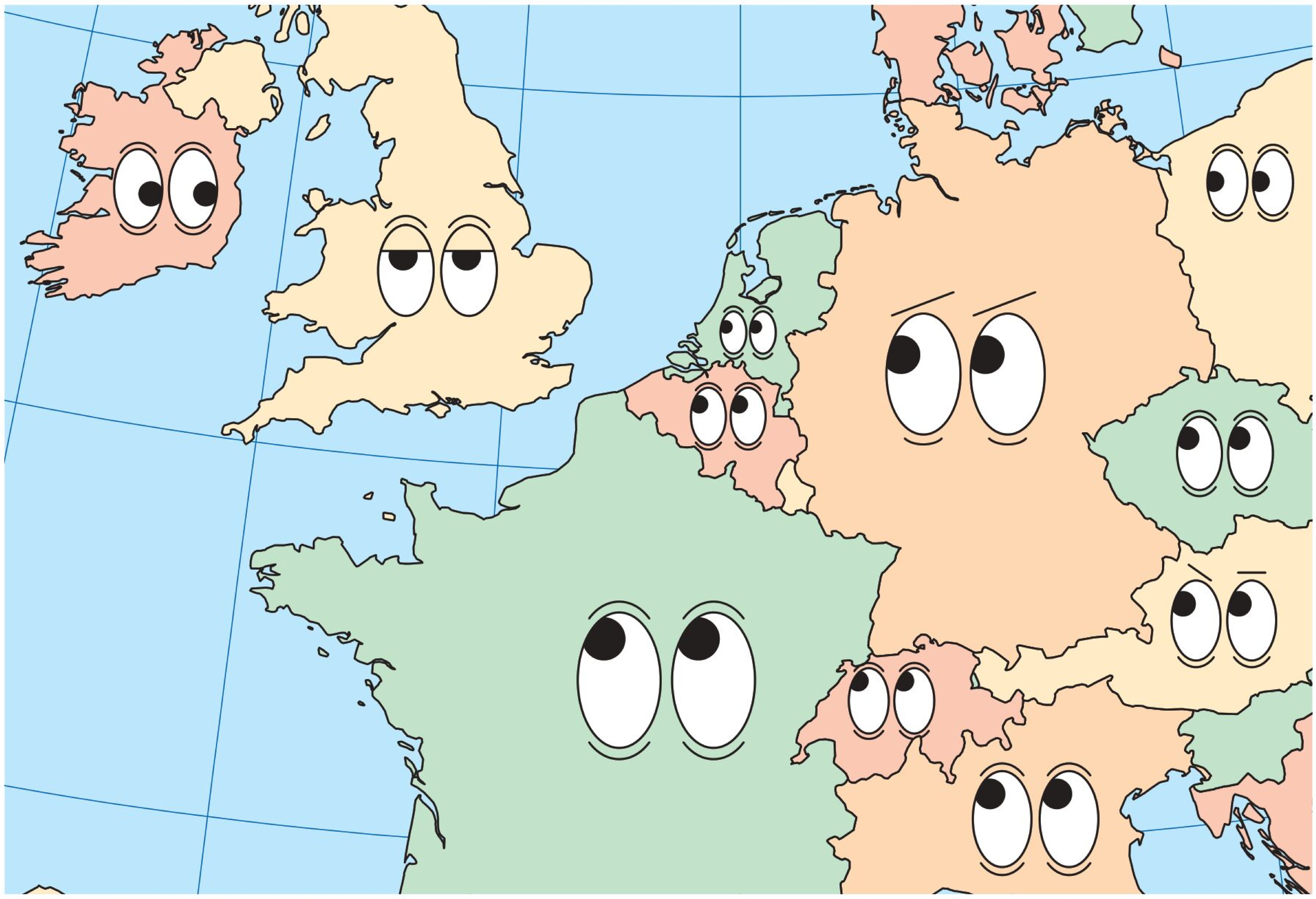
Nordic countries have some of the highest female labor participation rates in the world, a legacy of decades of government policies to promote gender equality. The fact that Swedish schools and kindergartens remained open may help explain why unemployment among women rose less than male joblessness at the height of the pandemic compared with the EU average, says Jeansson. In Norway the gender gap in labor force participation even declined in 2020 after the government expanded paid time off for taking care of small children.

▼ Swedish schools staying open helped keep women in the workforce

When the pandemic forced the world to adopt social distancing measures, remote work, and digital schooling, few regions were as well prepared as the Nordics. Years of investment in computer technology, connectivity, and teaching digital skills are paying off.

Finland and Sweden reported the EU's smallest decline in working hours for the second quarter of 2020 compared with the last three months of 2019, at less than 5%, according to Eurostat data. Norway was at a similar level. Denmark took the sixth spot in the bloc. "The parts of the world that have suffered the most in the pandemic are those that aren't able to go digital at the flick of a switch," Pomeroy says. "If you have a very digitally savvy population, that sets you up very well going forward in terms of productivity." —*Niclas Rolander and Ott Ummelas, with Morten Buttler*

THE BOTTOM LINE Sweden, Norway, Finland, and Denmark are expected to emerge from the Covid-19 recession with fewer scars thanks to policies that have limited the hit to jobs and incomes.



Britain Still Can't Escape Europe

● Brexit will not end the U.K.'s long, fraught relationship with the Continent

The memorial to the Gatow air disaster of 1948 is easy to overlook in a city with more than its share of 20th century ghosts. A simple plaque in Berlin's Westend district commemorates the midair crash that claimed the lives of 15 people during the early days of the Cold War. The stone inscription may be inconspicuous, but its location in St. George's Anglican Church reflects a long-standing British presence in the German capital, and the events it marks are a window onto the U.K.'s pivotal role in shaping the postwar European order.

With Brexit now final, the U.K. may discover that it's not so simple to shed a European identity anchored in history and geography. Indeed, that reality—and a political culture perennially dogged by questions over the relationship with its European neighbors—seems destined to bind Britain to the Continent for years to come, despite all the government's efforts to rebrand the nation as the globe-trotting champion of international free trade.

After striking a trade deal with the European Union on Christmas Eve, Prime Minister Boris Johnson said it was time to move on. The U.K. must leave "old, desiccated, tired, super-masticated arguments behind" and "keep Brexit done," he told the House of Commons on Dec. 30 as he rushed the accord into law.

Given Britain's postwar history, that finality may be wishful thinking. Indeed, the pro-Brexit camp has been playing down the European dimension of the country's past, according to Helene von Bismarck, a German historian who studies Britain's role in 20th century international relations. It presents "a highly selective view of British history," she says. "This whole idea that now we're free to return to who we really are—history really doesn't substantiate that."

Britain's role in postwar Germany affords a

Edited by
Amanda Kolson Hurley

sense of the extent of those Continental ties. Berlin in 1948 was a city on edge when, in April, a Vickers aircraft flying from London to Berlin via Hamburg was involved in a collision with a Soviet Yak fighter on its approach to the British airfield at RAF Gatow, killing all 14 passengers and crew as well as the Soviet pilot. Each side blamed the other for an international incident that contributed to the rapid deterioration of East-West relations.

Within two months, London was the setting for a declaration of allied plans to create a West German state, enraging Soviet leader Josef Stalin, who ordered Berlin be cut off from the rest of Germany. It was Britain's foreign minister, Ernest Bevin, who persuaded the Americans to take the lead in airlifting in supplies and breaking the blockade, historian Tony Judt wrote in his 2005 book, *Postwar*. The Continent would be divided until the fall of the Berlin Wall in 1989.

Washington and Moscow may have been the key Cold War actors, but Britain was at the heart of the events that forged the new European reality—even if it wouldn't be until the 1970s that the U.K. hitched its fate to that of the Continent by joining the forerunner of the region's defining political project, the EU.

In February 2020, days after the U.K. made good on the 2016 referendum result and officially left the EU, Johnson used a speech on Britain's post-Brexit future to say that the U.K. was "re-emerging after decades of hibernation" and ready to resume its historic role as the world's leading advocate of free trade.

Recent research by the European Council on Foreign Relations, a think tank, suggests the U.K. won't be able to airbrush Europe out so easily. A majority of U.K. policy experts from government, think tanks, academia, and the private sector see the country's future role in global politics as one of close association with the EU, a study by the ECFR found. Leading a "resurgent Commonwealth" of nations was seen as the least realistic outcome, favored by less than 2% of those polled.

While the Brexit deal sealed on Dec. 24 delineates the extent of future ties, the study shows there's scope for a return to closer collaboration—especially in fields including climate change, EU-U.K. migration, and foreign policy—if London chooses.

Both sides had better not wait until it's too late. A parallel study found Ireland to be the only one of the EU's 27 members that saw U.K. relations as a top priority. Overall, the U.K. ranked less of a priority for the bloc's members than China, Russia, the U.S.—or even the western Balkans. "There is a certain fatigue, and I think that has an effect on the readiness to engage," says Jana Puglierin, head of the ECFR's Berlin office and director of the research project. "Those states that have been traditionally close to the U.K. have moved on."

That's unlikely to be a luxury afforded the U.K., which has been traumatized by questions of European integration since World War II. As far back as 1950, when plans for the European Coal and Steel Community were floated, Britain refused to take part because of suspicion of Continental influence in its affairs. It was also an economic decision: In 1947 the British economy, helped by trade with the empire, looked in far better health than those of its neighbors. But by the end of 1951, West German exports were fueling a "European economic renaissance," historian Judt wrote.

By 1955, Britain had signed an association agreement, and in 1961 it applied to become a full member of what was then the European Economic Community—its application famously vetoed by French President Charles de Gaulle. The U.K. under the Conservative government of Edward Heath was finally admitted to the EEC on Jan. 1, 1973. Accession was quickly followed by a referendum on membership called by a Labour government dogged by party infighting over Europe.

In the 1980s, the Conservatives under Margaret Thatcher turned increasingly euroskeptic, and Europe played a major role in her downfall in 1990. Her successor, John Major, struggled for control of his cabinet on the issue throughout his time at No. 10 Downing Street. Prime Minister David Cameron sought to lance the boil by granting another referendum on EU membership. The vote to leave cost him his job and that of his successor, Theresa May.

All that controversy is "receding in the past," Johnson said in February. "We have the opportunity, we have the newly recaptured powers, we know where we want to go, and that is out into the world," he said. His aim is to forge a "Global Britain."

The U.K. risks being on the wrong side of history by going it alone at a time of great rivalry for power between the U.S. and China. Turning its back on a half-century of economic and political alliance with Europe looks increasingly risky, especially as Brexit-supporting President Donald Trump exits the White House and Commonwealth countries Australia and India band together with Japan to better fend off the challenge from China.

The EU has its own challenges around leadership, according to Matthew Goodwin, professor of politics and international relations at the University of Kent in England. With the U.K. prerogative now to forge trade agreements with non-EU partners, the two sides "will move increasingly in different ▶

"The U.K. has been traumatized by questions of European integration since World War II"

ILLUSTRATION BY 731

◀ directions," he told Bloomberg Television.

History suggests those paths are destined to converge again. Even Johnson acknowledges that the U.K. is a European power "by irrevocable facts of history and geography and language and culture and instinct and sentiment," just not "by treaty or law."

In 1948, Prime Minister Clement Attlee's Labour government faced an historic decision over the country's ties with the Continent, and chose to break with previous British thinking in favor of allying with Europe. Again, it was Bevin, his foreign minister, who committed the country to "engagement with her continental neighbors in a common defense strategy, a 'Western European Union,' on the grounds that British security needs were no longer separable from those of the continent," Judt wrote.

That union became the North Atlantic Treaty Organization, signed into being in April 1949 by the U.S., Canada, and 10 European nations and still the bedrock of trans-Atlantic relations today.

The following year, the foundation stone for St. George's Church was laid in the British sector of Berlin, replacing an older English chapel that was destroyed in a wartime bombing raid. The plaque for the victims of Gatow was added later.

The ties of history may yet trump Brexit. For Puglierin, at the ECFR, policy areas of mutual interest hold out the promise of future U.K.-EU cooperation, despite the current British government's desire to cut loose. "Not everything is lost," she says. *—Alan Crawford*

THE BOTTOM LINE Johnson's vision of an emancipated "Global Britain" belies the U.K.'s close postwar alliance with Europe and carries risk in a world polarized between the U.S. and China.

Clemency for Cronies Runs Out

● Biden is set to bring back the DOJ pardon process that Trump has spurned

The week before Christmas, President Trump issued a series of pardons and commutations, many of them for his personal associates and political loyalists: his son-in-law's father, Charles Kushner; former operatives Roger Stone and Paul Manafort; and two former GOP congressmen. Hardly any of the 49 people who received clemency were vetted by the U.S. Department of Justice's pardon office.

Trump has largely wrested the clemency process from the Justice Department, turning it into a lobbying bonanza that's outraged Democrats. But he's also given hope to people like Hershy Marton.

For months, Marton, the 26-year-old chief executive officer of a small home-care agency in Brooklyn, has addressed a long string of impassioned tweets to the president. He's contacted dozens of legislators, urging them to write letters to the White House. And he's promoted a website featuring endorsements from the likes of Alan Dershowitz.

The goal of Marton's campaign is to secure a presidential commutation for his uncle, Sholam Weiss, a New York businessman who was sentenced in the early 2000s to more than 800 years in prison for money laundering and other crimes. Weiss, 66, isn't an inherently sympathetic figure. He fled the U.S. while out on bail and partied with prostitutes at a luxury hotel before the authorities tracked him down in Austria. But the case has haunted Marton's family for two decades. "It's been like a stone in the heart," Marton says.

In the waning days of the Trump administration, he sees a chance for redemption. "Trump doesn't care what anyone says. I think we have a shot," Marton says. "He's on Twitter. He sees what's going on in the world. We had some pretty big people retweet [us] sometimes."

The president's willingness to do favors for his friends and to champion causes promoted by conservative media has emboldened everyone from fringe figures in the Mueller investigation to desperate relatives of lower-profile prisoners to lobby the White House for clemency. "There's no doubt a great deal of opportunity in the dysfunction," says Margaret Love, a former U.S. pardon attorney who helps clients navigate the process. "There's no pretense of it functioning fairly. Anyone who can spend full time lobbying and full time writing letters and full time trying to get access to the levers of power may well have a pretty good chance."

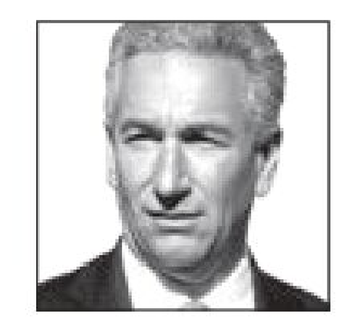
For years, criminal justice reform advocates have campaigned for a fairer, more streamlined pardon process. They expect to see President-elect Joe Biden revert to a more rational system in which the White House evaluates clemency petitions that meet clear criteria—for instance, a petition from a longtime prisoner who would face a shorter sentence under current laws. And Biden has promised to use his powers broadly to help people convicted of certain nonviolent drug crimes.

But consensus is growing that any serious solution to the chaos of the clemency system will have to reckon with issues that long predate Trump.

● Four of the people who received pardons from Trump in 2020

PAUL MANAFORT
Pardoned: Dec. 23

Trump's former campaign chair was indicted on multiple charges in 2017 as part of the Mueller investigation, which Trump assailed as a "witch hunt."

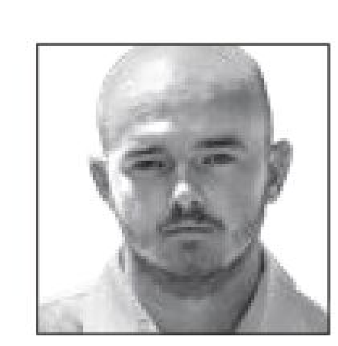


CHARLES KUSHNER
Pardoned: Dec. 23

The real estate developer pleaded guilty in 2005 to making illegal campaign donations, evading taxes, and witness tampering. He's the father of Jared Kushner, Trump's son-in-law.

ALICE JOHNSON
Pardoned: Aug. 28

In 2018, Trump commuted Johnson's life sentence after Kim Kardashian West came to the White House to plead her case. Johnson praised Trump at the Republican National Convention last August; he granted her a full pardon the next day.

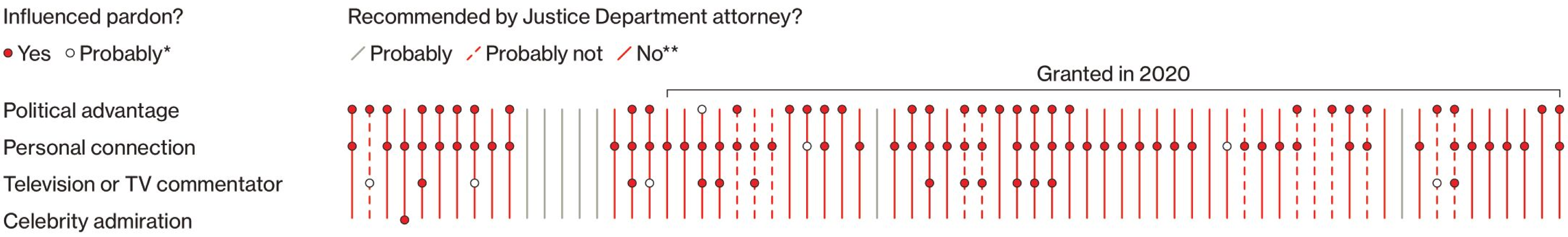


NICHOLAS SLATTEN
Pardoned: Dec. 22

A former Blackwater contractor in Iraq, Slatten was given a life sentence for his role in a 2007 shooting that left 14 civilians dead. The White House statement on the pardon of him and three others cited the support of Pete Hegseth, a Fox News host.

Trump's Pardons

As many as 60 out of 70 of Trump's pardons were influenced by personal or political connections, according to records analyzed by the Lawfare Institute



*EXCLUDES FINDINGS "PERHAPS" AND "UNCLEAR." **NOT IN DATABASE, NO PETITION PENDING, OR NOT FILED IN TIME TO BE FULLY INVESTIGATED BY DOJ.
DATA: JACK GOLDSMITH AND MATTHEW GLUCK, LAWFARE INSTITUTE/BROOKINGS

Under the standard process, clemency seekers submit applications to the Justice Department, where the Office of the Pardon Attorney determines whether the petitions meet the criteria for a pardon or commutation. Then the deputy attorney general reviews those recommendations and submits a set of files to the White House.

Trump has essentially cut the department out of the process, establishing a White House panel to oversee clemency and accepting informal recommendations from celebrities such as Kim Kardashian West, who successfully lobbied the president in 2018 to grant clemency to Alice Johnson, a nonviolent offender convicted for her role in a drug operation.

"I don't know what process they're doing. I have no idea," says Norman Reimer, who runs the National Association of Criminal Defense Lawyers, which delivered a set of clemency petitions to the White House in October, including one for Weiss. "It's an amorphous situation."

Trump has granted a total of 94 pardons and commutations, far fewer than Barack Obama or George W. Bush issued, and only seven of those cases appear to have been recommended by the pardon attorney, according to data compiled by Harvard Law School Professor Jack Goldsmith. More than 14,000 clemency seekers are waiting for verdicts on their applications to the Justice Department.

But that backlog is hardly a new phenomenon. In 2014 the Obama administration unveiled a clemency initiative that created new criteria for commutations, with as many as 10,000 inmates expected to qualify. The administration ultimately granted 1,696 commutations, disappointing many reform advocates. To reach the president, each petition had to travel through a bureaucratic maze consisting of at least six layers of review across multiple government offices. A staffing shortage meant that thousands of petitions were never reviewed.

President Obama's pardon attorney, Deborah Leff, resigned in early 2016, complaining that higher-ups in the Justice Department were reversing the pardon office's recommendations and that the administration hadn't provided sufficient staffing.

Larry Kupers, the deputy pardon attorney at the time, remembers hiring a batch of new lawyers to work on the department's team evaluating clemency applications. After blowback from Congress, he says, then-Attorney General Loretta Lynch cut his budget. "I had to call 10 lawyers and say, 'Thank you, I'm sorry, but we have to withdraw the offer we made,'" Kupers says.

A 2018 report on the Obama clemency initiative by researchers at New York University documented a trail of missed opportunities and seemingly arbitrary decisions. In one case, the report said, two brothers with similar profiles who'd been sentenced for the same drug operation sought clemency; one petition was granted, while the other was denied.

The NYU report called for the creation of a commission outside the Justice Department to make clemency recommendations. Kupers advocates a different approach: Keep the process in the department, but give the pardon attorney the power to send recommendations directly to the White House, eliminating layers of review.

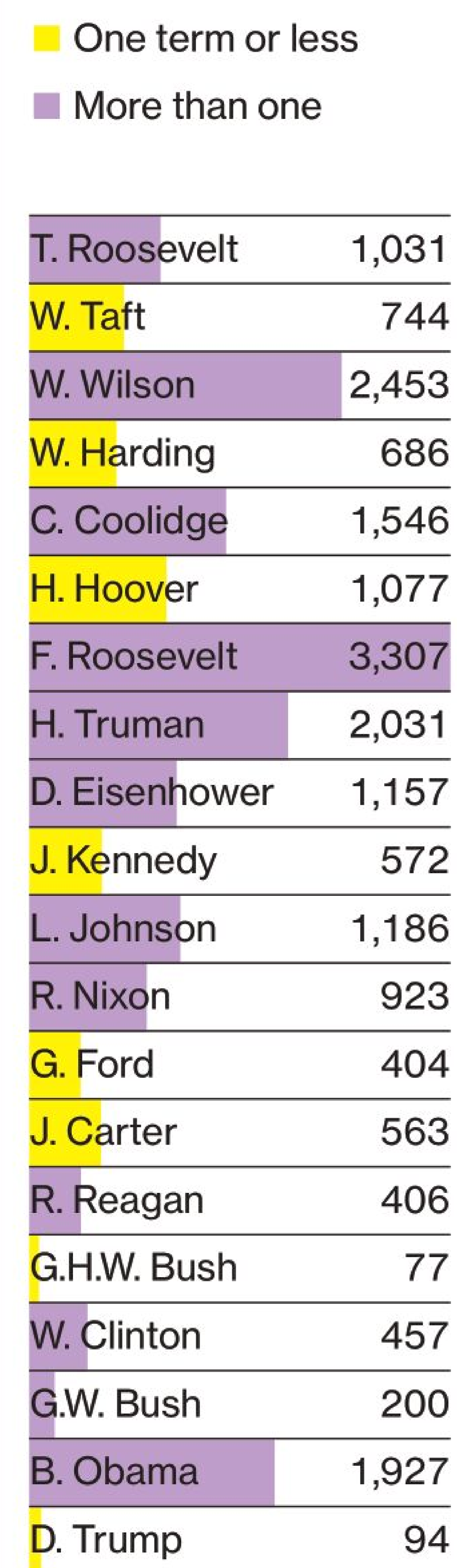
In his final days in office, Trump is expected to continue issuing pardons and commutations—subject only to his usual unpredictable impulses—and a wide array of white-collar prisoners are reportedly jockeying for his attention. That group includes Weiss, who's hired the Tolman Group, a lobbying firm, to work on his clemency case, according to federal records.

In early December a judge revealed that prosecutors were investigating a possible bribery scheme in which a federal prisoner may have offered political donations in exchange for clemency. Weiss wasn't involved. But Marton, his nephew, worried that all the talk of bribery and scandal would intimidate the White House, leading to fewer pardons and commutations. He was relieved when he saw Trump's reaction—an all-caps tweet decrying "fake news."

"I thought, 'Thank God,'" Marton says. "We've still got a chance." —*David Yaffe-Bellany*

THE BOTTOM LINE Trump has dispensed pardons as rewards to loyalists and according to his whims, but the conventional process that will likely resume under Biden could also use reform.

▼ Pardons and commutations



AP PHOTO (3); GETTY IMAGES (1). DATA: U.S. DEPARTMENT OF JUSTICE, JACK GOLDSMITH AND MATTHEW GLUCK, LAWFARE INSTITUTE/BROOKINGS

A protest on the deck of the *Majesty of the Seas* in May

Confined mostly to tiny cabins as the pandemic unfolded, crew members struggled to cope

THE CRUISE SHIP SUICIDES

By Austin Carr

At first, Jozsef Szaller's crewmates didn't think much of his absence. Szaller, after all, usually skipped going to dinner on the *Carnival Breeze*, the cruise ship where they were all living under the strange and surreal conditions of a floating Covid-19 lockdown. The socially distanced buffet line could take 30 minutes to get through, and cruise workers were allowed outside their cabins at mealtime for only an hour or two. Instead of eating, he preferred using the open-air breaks to smoke on deck or grab a $1.75 vodka soda from one of the bars that was still open. Anything to survive the monotony.

Szaller had been working on Carnival ships since January, but the new coronavirus brought the industry to a halt. After pausing sailings in mid-March, Carnival Corp. and its main competitor, Royal Caribbean Cruises Ltd., went to great lengths to repatriate vacationers, sending passengers home by chartered flights. Crew members didn't receive the same treatment. After the guests went home, tens of thousands of workers stayed at sea for months. Some described feeling like prisoners or pieces of cargo with no ETA.

It was May 9, a Saturday, when colleagues realized Szaller had missed his daily temperature checks. Friends said they hadn't seen him since Wednesday. According to interviews with crew and official documents, a team was dispatched to check on him but found his cabin door blocked by something heavy. They managed to push it open a crack. A crew member reached through, felt a shoulder, and shook it. No response. Then they went into the adjacent room, stepped out onto the terrace, and, with the Atlantic Ocean swelling below, climbed over the railing onto Szaller's balcony. Once inside his cabin, they found their colleague's slumped body. Szaller's face and arms were blue. Blood trailed from his mouth to his white T-shirt. A belt was around his neck.

Two time zones away, in Domsod, Hungary, Jozsef's parents, Vilmos and Ildiko, were tidying up their weekend cottage and stocking the fridge in anticipation of their son's post-travel quarantine. They figured a countryside escape would buoy his spirits after his isolation at sea, and they'd be able to check in on him from their home near Budapest, an hour's drive away. But when they returned home that evening, the police were waiting. An officer had Vilmos dial a Hungarian consulate in the U.S., which gave him a number for Carnival. He called and was put in touch with what sounded like a roomful of company representatives, along with a Hungarian-speaking interpreter. "They said they found my son dead on the ship," Vilmos recalls.

He struggled to make sense of what he was hearing. Jozsef was 28 and in perfect health, at least as far as his parents knew. Something terrible must have happened. Was this an accident? Could foul play have been involved? Carnival offered few details. "We were told 15 times that we're not being told for our protection," Vilmos says.

He says he pressed until something resembling a story emerged. "I asked them where they found the body," he recalls. "They said, 'In the room.' Where in the room? On the bed? 'No, not on the bed.' In the bathroom? 'Not in the bathroom.' On the floor? Finally they said, 'Yes, on the floor.' " They mentioned that crew had gone in by way of the balcony, so Vilmos figured that Jozsef had been pressed against the door, blocking their entrance. He asked whether a doorknob was involved—had his son hanged himself on it? "They didn't clearly answer, but they kind of suggested it," he says. Jozsef, as far as his parents could tell, had taken his own life.

Vilmos says communications with Carnival broke down soon after. As the Szallers tried to organize the retrieval of their son's body, including figuring out which jurisdiction would have to declare him legally deceased, they began to see the cruise company as having had a role in their son's death. Its labyrinthine corporate structure—a web of international entities designed to lower Carnival's tax liability—compounded their grief.

"We are saddened by the passing of our crew member and extend our deepest sympathies to his family and loved ones," says Chris Chiames, the chief communications officer for Carnival Cruise Line, the subsidiary that operates Carnival-branded ships. Chiames says that crew health and safety were a priority throughout their repatriation and that the company provided counseling resources and regular communications about self-care. He adds that Carnival supported the Szallers in returning Jozsef's remains and personal belongings and responded to additional family concerns.

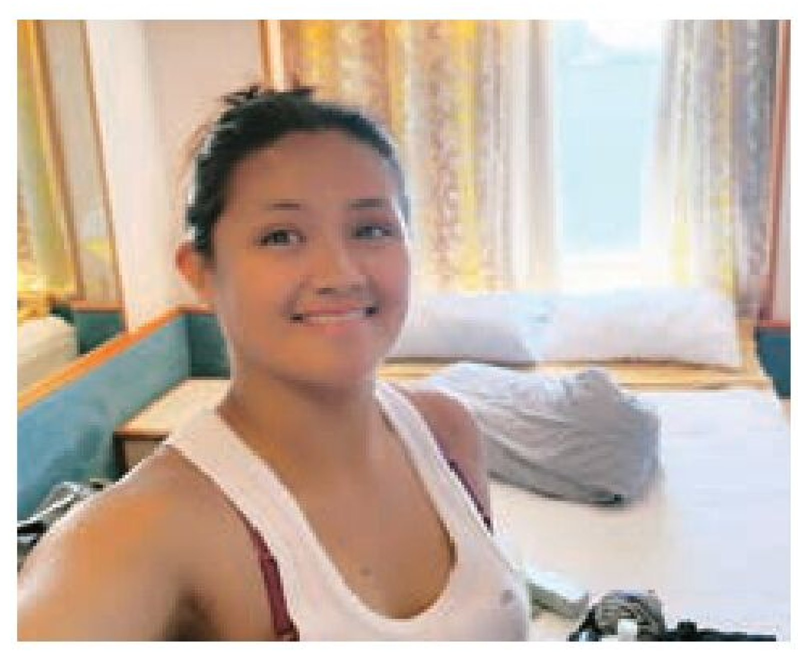
On Dec. 21, the Szallers served Carnival a demand for arbitration, alleging that the company forced Jozsef to stay in his cabin for prolonged periods, failed to routinely monitor his well-being despite days of absence, and didn't provide adequate training on how to deal with the mental effects of isolation. Chiames says Carnival "made every effort to make this situation as comfortable as possible," and that Jozsef's interactions with onboard medical staff and human resources never suggested he was having mental-health challenges. Chiames says the company would have taken quick action if there had been signs of trouble.

The Szaller family is seeking monetary damages, but Vilmos stresses that he's only interested in the truth behind what caused this tragedy. "Nothing will bring back my child, but it may give us some peace," he says. "If the cruise company did something wrong, then I don't think we'll ever find out, because it's such a huge entity and there's such a vast financial network behind it. They just ignore us."

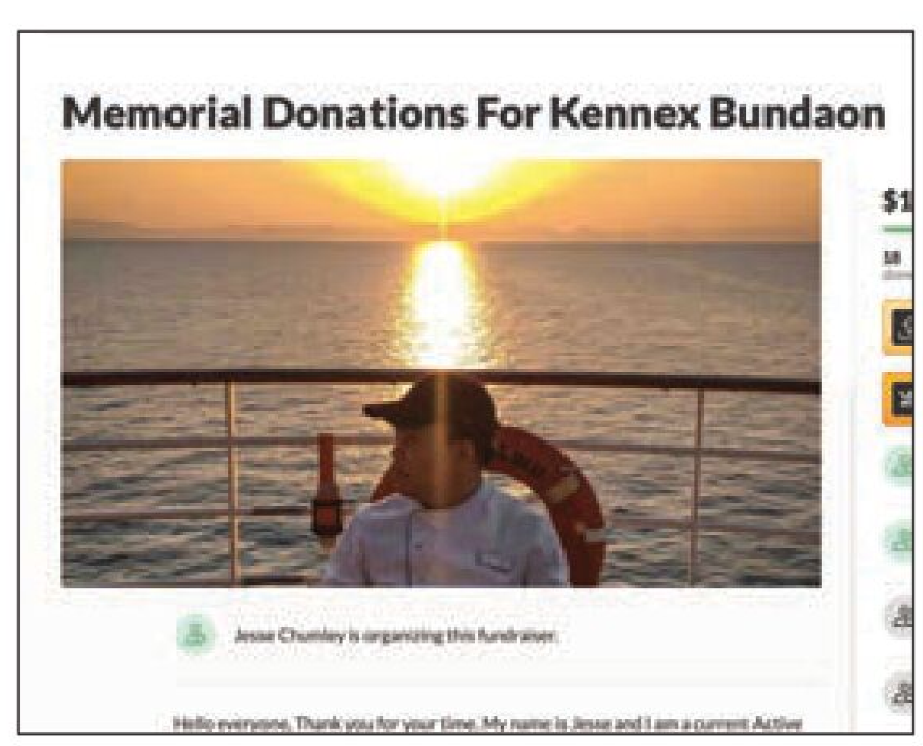
Cruise ships were an epidemiological nightmare during the early days of the pandemic—combining prolific international travel with line dancing, endless buffets, and indoor karaoke—and they've also been a disaster for the mental health of some of their crew. Separated from families, confined mostly to tiny cabins, with no obvious legal recourse and at times no pay, sailors experienced a more extreme version of the household lockdowns that have sent people tumbling into depression.

It's a trend Dr. David Cates, of the University of Nebraska Medical Center, calls a "pandemic within the pandemic." He cites a report by the Centers for Disease Control and Prevention in August that showed a startling 11% of 5,470 adult respondents among the U.S. population had "seriously considered suicide" over a 30-day period this

Szaller, who planned shore excursions for guests, wanted to study photography and hoped someday to go shark-cage diving in South Africa



Mariah Jocson, a ship waitress, had always dreamed of becoming a seafarer, according to her father



A GoFundMe page in honor of cook Kennex Bundaon described him as an avid traveler with the "chillest vibe"

Evgenia Pankrushyna, a waitress, "was a person with her own original perspective to life, with a positive attitude and a nice smile," a friend says

spring, compared with 4.3% in another large survey in 2018 who reported considering suicide during the previous 12 months. "Being stuck on a ship for an indeterminate amount of time, in a small space—that really checks all the boxes," says Cates, who treated some of the first rescued cruise passengers at UNMC's national quarantine center. In addition to the estimated 100 or so passengers and crew who died of causes linked to Covid, there have been at least a half-dozen other fatalities among crew members who were trapped at sea. Most of these are suspected suicides.

Interviews with affected crew members and their families suggest that despite assurances from cruise operators that crew were well cared for, their mental health was at times an afterthought. An October 2019 study on the mental well-being of crew, commissioned by a group affiliated with the International Transport Workers' Federation, the big maritime trade union, found that even before the pandemic about a fifth of mariners surveyed said they had suicidal thoughts. High levels of depression stem from the jobs' long contract lengths and stressful demands. Lower-level crew—such as junior housekeepers and galley staffers—often come from poorer countries and commit to half-year stints or longer at sea, working 8 to 10 hours seven days a week. Their salaries can range from about $650 to $2,000 a month depending on seniority. The pay per hour is low by American standards, but workers say that it's more than they could earn at home and that they appreciate the opportunity to travel the world.

After the pandemic hit, workers had to put their lives on hold as Carnival and Royal Caribbean clashed with government authorities over how to get them home safely. It was one thing to offload a group of American passengers in California or Florida and arrange private transport stateside. But what about the convoluted logistics of repatriating crew from India, the Philippines, or Ukraine—all while most of the world was closing its borders to stop the virus's spread?

Workers blamed the CDC for imposing onerous restrictions on travel, ▶

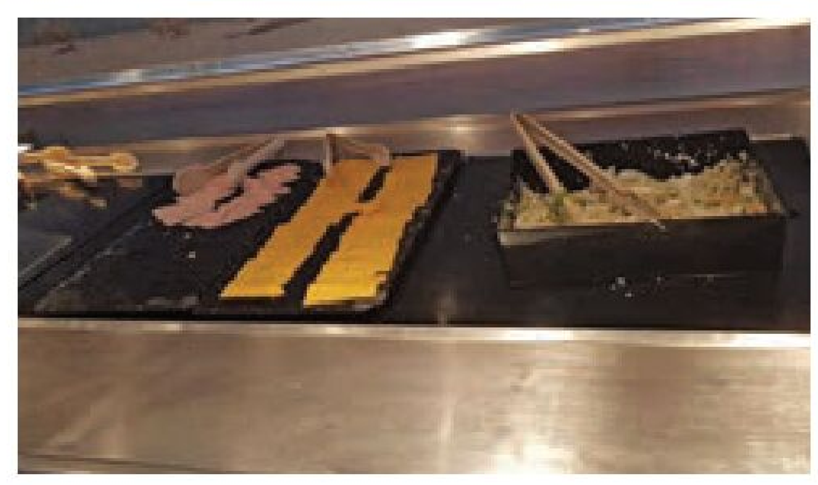
ALL PHOTOGRAPHS: COURTESY CARNIVAL AND ROYAL CARIBBEAN CREW MEMBERS AND THEIR FAMILIES

◀ such as requiring company executives to sign off on a litany of health processes for disembarkation through U.S. harbors and airports at the risk of criminal penalties. But they also faulted cruise operators for seeming unwilling to pay for chartered flights abroad. A Carnival spokesperson says the conglomerate ended up spending $300 million and chartering 225 flights to get crew home to more than 100 countries, but fluctuating travel rules made it so "even the simplest crew movements required weeks of diplomatic work." A Royal Caribbean spokesman says that "constant changes in government restrictions" caused delays and that they worked for months to get crew home through private and commercial transportation.

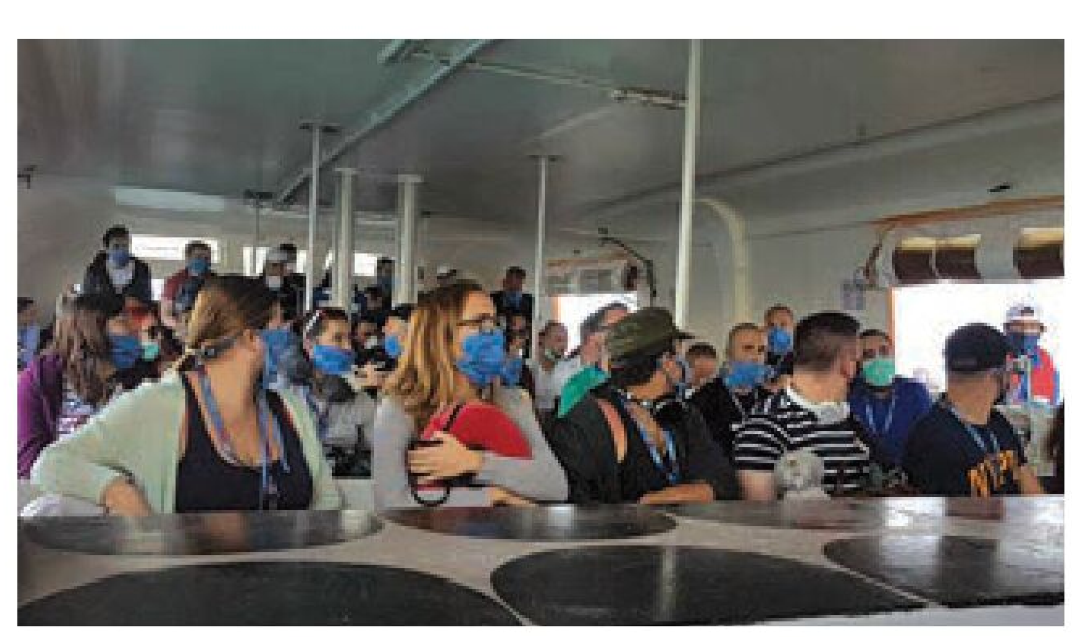
This left many crew members with a tedious confinement that started in March and April after passengers disembarked. The ships were eerie—like an "empty ghost ship," as one Royal Caribbean worker puts it—especially for those who had to quarantine after being exposed to the coronavirus. For some, that meant being stuck for nearly three weeks in an economy room, one that barely fit a bunk bed, desk, and minifridge, with a porthole window.

It wasn't just the claustrophobic environment that was distressing. Workers say cruise companies constantly changed repatriation schedules, offering only vague guidance on when or how they'd return home. Without customers on board, Carnival moved many contractors off duty, meaning they could sort of enjoy the amenities of the ocean liners. But that also meant their salaries were eventually cut off—a scary situation for those supporting families on land. The weeks dragged on with limited entertainment options. Internet access was complimentary on some boats, but it could be painfully slow or only strong enough for social media and texting.

Inevitably, some struggled. Karika Neethling, a shop employee on a luxury liner run by MSC Cruises SA, a big European operator, grew terrified upon learning she was pregnant while aboard the ship. The strong curries served to employees made her nauseous, and



The lines at Carnival buffets could take as long as 45 minutes



Carnival often moved workers between ships, a process that involved crowded transfers on lifeboats

after developing stomach pain in May, she sought prenatal vitamins from the ship's doctor. She was told they didn't have any. "You just need to stay calm and stay in the cabin," the doctor told her. Neethling recalls spending hours on her bunk, while her mind circled around the indefinite stay. She was in a dark place. "If I couldn't get off, I wouldn't have wanted to have a baby on the ship," she says. (An MSC spokesperson said pregnant crew were provided extensive medical care and prioritized repatriation. Neethling made it home to South Africa in June and gave birth to a healthy baby boy on Dec. 17.)

On April 29 an electrical engineer from Poland on Royal Caribbean's *Jewel of the Seas* disappeared while the ship was anchored in the Saronic Gulf, south of Athens. Ship security cameras captured him leaping into the water that morning, according to Greek authorities. Two weeks later, on May 10, Evgenia Pankrushyna, a waitress from Ukraine, died after jumping overboard from Carnival's *Regal Princess* near Rotterdam. Around this time a Chinese contractor was found dead on Royal Caribbean's *Mariner of the Seas*. A crew member aboard the ship says many believed it was another suicide, though the company said he'd died of natural causes. Next was a Filipino cook, Kennex Bundaon, who was found dead in his cabin on Carnival's *AIDAblu*. Four days later another worker from the Philippines died in an apparent suicide on Virgin Voyages' *Scarlet Lady*. (Virgin Voyages didn't respond to requests for comment. Royal Caribbean says the company doesn't comment on individual deaths out of respect for crew privacy.)

Morbid news continued into June. Mariah Jocson, a waitress from the Philippines stranded on Royal Caribbean's *Harmony of the Seas*, which was docked in Barbados, was last seen asking a friend to borrow a teapot. According to her father, on June 9 crew heard a code "Alpha" blared over the ship's intercom system—shorthand for a medical emergency. Jocson was found hanged over her cabin's balcony railing, police say.

To those hunkered down on board, it felt like every week brought news of another death on industry blogs. Soon after Pankrushyna's death, workers began passing around a video on WhatsApp and email that apparently showed, in graphic detail, her limp body being dragged onto a rescue boat. Carnival and Royal Caribbean each offered a confidential phone line to dial a therapist for psychological support, but several crew members say they abstained from calling those numbers or disclosing emotional problems to human resources staff on board because they worried it might jeopardize future employment.

Back on land, Krista Thomas, a former crew member living in Canada who'd started a Facebook group to advocate for seafarers during the pandemic, was receiving increasingly panicked private chats from distraught crew members. "I'd get messages like, 'The doctor gave me anti-anxiety medicine, and my plan is to take the whole bottle,'" she says. She enrolled in an online suicide prevention course to learn how to respond.

Not all workers suffered in silence. In mid-May acts of desperation erupted on several ships as workers tried to call attention to their plight. On Royal Caribbean's *Navigator of the Seas*, crew members started a hunger strike to pressure the company to get them home faster. On the deck of *Majesty of the Seas*, another of the company's ships, protesters raised a banner reading, "How many more suicides you need?!" Royal Caribbean says the company "understood the frustration behind the protest" and that the ships' captains took steps to resolve each situation.

Szaller, friends say, was never one to complain. He'd started doing gigs on cruise ships in 2014 and was always bubbly and social. A regular at the crew bars, he played card games like Exploding Kittens and was forever buying his co-workers beers and bags of chips. He was also known as a hard worker who woke before dawn most mornings. The alarm on his Casio watch was set for 5:52 a.m.

He'd been an assistant shore excursion manager on the *Carnival Elation*, a job that involved organizing touristy adventures in ports of call. In early March, a little over two months into Szaller's contract, the *Elation* docked at Freeport in Grand Bahama for a few weeks of scheduled repairs. By this time, Covid outbreaks on several ships had resulted in scores of infections. "It was very scary," says Jessica van Rooyen, a colleague of Szaller's on the *Elation*. "You'd put on the news, and it's all this horrific stuff."

In mid-April, Szaller was transferred to *Carnival Magic*, where he remained in limbo for about two weeks. Some members of the crew, normally relegated to the lowest quarters of a ship, were allowed to move to the now-vacant guest suites. But Szaller was stuck in a spartan staff cabin, according to his family. "He was effectively in a private cell," says Vilmos, his father. "How would you feel if you were confined to a windowless cell and could only go out once or twice a day?"

Life on the *Magic* was regimented. Workers were allowed outside their cabins only during set times, were required to wear masks, and had mandated curfews. About an hour was allotted for breakfast, but the lines were slow and crowded. It could take 45 minutes just to get a coffee. With free internet, Szaller was able to stay in touch with his family and his girlfriend. Every other day, he Skyped with his parents or chatted with them on Facebook. They tried to stay upbeat. "We were supporting him morally and emotionally," Vilmos says. "Whenever we could and it was convenient for him, we talked. But you don't want to overburden your child."

"How would you feel if you were confined to a windowless cell and could only go out once or twice a day?"

Szaller passed the time in his cabin drinking red wine, or playing video games, or binging on TV shows he'd downloaded onto his laptop. He watched *Breaking Bad*, *Dexter*, and *Modern Family*. Otherwise his refuge was the smoking area of Deck 11, where he'd puff Marlboros and shoot the breeze with friends. But even getting cigarettes could be a pain: The line at the ship's convenience store often snaked with more than 100 people. When his stash ran low, he joked that he'd happily trade his phone for just two more packs, Vilmos recalls.

In their conversations, Vilmos was struck not just by how isolated Jozsef seemed but also that he was kept in a "state of total uncertainty." Back home in Hungary, the government had extended its nationwide lockdown indefinitely, which helped Vilmos "understand what my son was going through—what it's like to feel enclosed."

But Vilmos, an arborist for the city of Budapest, was confined at home for only three days before receiving permission to work outside again. ("They realized that it'd be kind of difficult to transport a massive tree to my house," he jokes.) Jozsef, meanwhile, told his parents about Carnival's ever-changing plans for him. First he was informed that he'd be home by Easter, but the date was postponed without explanation, then postponed again. He told his dad a co-worker was advised to pack a suitcase for a flight home, only to be sent back to his cabin at the last minute. Crew kept a close eye on a third-party travel app that listed plane tickets Carnival had booked in their names. A close friend of Jozsef's says they ▶

◀ saw about five different flights home issued for them and then canceled. A Carnival spokesperson says the company provided frequent updates to crew and blamed the reschedulings on constantly changing travel restrictions.

Cruise operators ultimately decided to sail remaining employees to seaports in their continent of origin, where it'd be easier to get them home by land or air. In an effort to consolidate crew by home region, the *Magic* transferred European crew by lifeboat to the *Carnival Breeze*, which was set to travel to England. By May, Szaller had moved into a guest cabin on the *Breeze* with a window and, even better, a balcony. He told his dad he was happy to finally be able to see the sun and the sea from his room. He started making post-pandemic plans, telling friends and family he wanted to learn photography when he made it home. In the near term he would quarantine near Budapest in his parents' weekend cottage. Colleagues say he never even hinted at being depressed. If anything, he'd tried to cheer others up.

Life on the *Breeze* that May was still structured—Carnival issued a precise timetable dictating when crew could leave their cabins for food or a twice-daily "60 min fresh air break." Just as on land, people began to let their guard down, socializing more and worrying less about the virus. Everybody seemed to be at the ship's bars a lot. "What else can you do?" Szaller's close friend asks. "On *Breeze*, we had limited time to let the steam off. Without the alcohol, things could've been even worse."

On the evening of Wednesday, May 6, Szaller got drunk with a group before everybody went their separate ways. The close friend says that was the last night they saw Jozsef. He missed temperature checks that week and didn't respond to texts. His body was found three days later. "I absolutely blame myself," this friend says. "Even now, when I think about it, I feel responsible. How is it possible I didn't see something like this would happen?"

Vilmos says his own grief was worsened by Carnival's refusal to discuss the specific circumstances of his son's death. He theorizes it's in the company's legal interest to disclose as little information as possible. He was especially rattled by their first call, when representatives said it was for his own "protection" not to go into detail about the matter. A Carnival spokesperson says that the company's crew medical coordinator had at least 15 subsequent email exchanges with Vilmos, and that at no time did he indicate his questions weren't being answered. Carnival says it suspended contact after learning of the family's pending legal action.

Like Vilmos Szaller, Cirilo Jocson is desperate for closure. His daughter, Mariah, was the waitress discovered hanged on a Royal Caribbean ship in June. "We just want to know how they found my daughter," he says, sounding on the verge of tears. "Really, even just a photo of the crime scene. We need the truth."

"She kept on telling me, Daddy, I will be home on this day, on this day, on this day," he says. "The schedule was always changing." He is still in disbelief over her passing. When asked if she ever showed signs of depression, he responds, "No, nothing, nothing, nothing, nothing at all."

In the months that followed his son's death, Vilmos says he contacted as many crewmates as possible to find out what happened. He's frustrated that, as far as he knows, nobody from the ship's management or medical staff bothered checking on Jozsef for several days after he began missing temperature checks. Carnival declined to comment on this matter.

In November, a coroner in Winchester, England, concluded that Jozsef had died due to hanging and suggested it was likely "an impulsive yet intentional and self-administered act under the influence of alcohol." A previous postmortem examination of Jozsef's body noted that his blood alcohol had been triple the legal driving limit. This last fact is a key point in the arbitration demand the Szallers filed. A Carnival spokesperson says its bartenders are trained to identify overindulgence and deny service accordingly. The Szaller family attorney, Holly Ostrov-Ronai, says the company should have known the hazards of isolating employees for indefinite periods and provided them with the appropriate mental health support—not "unfettered access" to booze, wine, and beer. "They allowed [employees] to purchase as much alcohol as they wanted, confined them to their little cabins, and then didn't check on them," she says. "They had a duty to make sure [employees] were safe physically and mentally."

"She kept on telling me, Daddy, I will be home on this day, on this day, on this day. The schedule was always changing"

The no-sail order from the Centers for Disease Control expired on Oct. 31. Before allowing cruises to resume in U.S. waters, the CDC will require ship operators to simulate voyages with volunteer passengers to prove their new protocols, which include social distancing rules and onboard testing, are sufficient to prevent outbreaks. It's unclear whether these efforts will work. A Royal Caribbean cruise in early December from Singapore, following similarly strict protocols from local health officials, was forced back to port after an 83-year-old traveler tested positive for Covid-19 during the four-day trip. (Royal Caribbean says the case was later determined to be a false positive and that the ship has continued sailing without incident.)

Seafarer advocacy groups are pushing for better cabin conditions and more control over working hours and contract length. Crew members say it would also help to have onboard psychologists among the medical staff, instead of having to call a hotline. Lena Dyring, director of cruise operations for the Norwegian Seafarers' Union, based in Oslo, says one of her biggest concerns is that ship workers may again get trapped at sea if Covid outbreaks reoccur. The Maritime Labour Convention, ratified by 97 countries, limits stints aboard ships to 11 months and requires participating nations to disembark ill seafarers, but Dyring says those conditions were violated with impunity numerous times during the pandemic. "They're blatantly disregarding the convention," she says. "It's just atrocious."

Despite these concerns, cruise companies will have little trouble persuading crew, many of whom have gone months without pay, to return to sea. Van Rooyen, Szaller's colleague on the *Elation*, says she reached her "mental breaking point" when she heard about Jozsef's death and other suicides. She found herself sitting in her cabin on a different ship for hours, "looking at the four walls" and waiting for someone in a position of authority to acknowledge Szaller's death. No acknowledgment or condolences came. "It was shocking," she says.

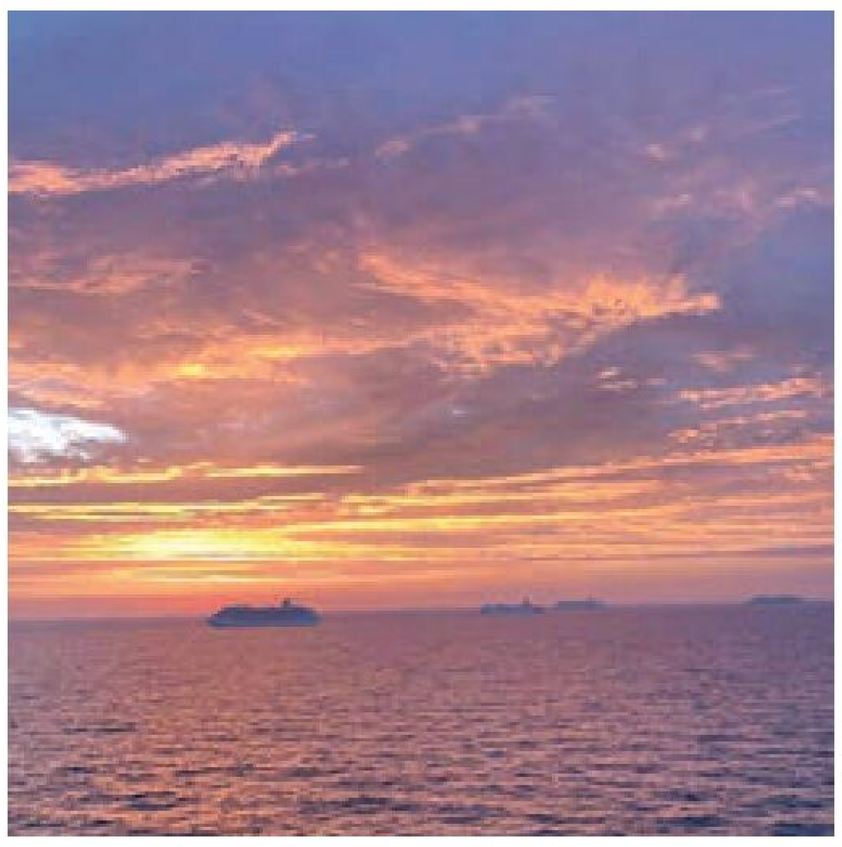
Even so, van Rooyen says she definitely wants to get back to cruising with Carnival, echoing a discordant sentiment expressed by almost every worker interviewed for this story. Crew members described disturbing conditions during their time at sea, while lauding cruise operators for providing free food, housing, transportation, and other support during the complex repatriation. "The company was amazing," she says. "Carnival looked after us."

Vilmos says the pandemic complicated the return of Jozsef's remains to Hungary from England, where the *Breeze* had docked. (Carnival says it had repatriated 99% of crew by early August.) He requested his son be cremated, and the family received his ashes in July. Two packages of Jozsef's belongings, including his Casio wristwatch and a wallet with $12 inside, came separately. Vilmos asked Carnival about missing possessions such as his smartphone, which might shed light on the circumstances leading to his death, but he says the company told him they couldn't locate the device. Carnival declined to comment.

The May protest on the *Majesty of the Seas*

Even now, the Szallers have been unable to have Jozsef declared legally deceased. Vilmos says the coroner's report should move things forward, but it's been frustrating enough coordinating with U.K. authorities on behalf of his son, a Hungarian citizen. And that's not even half the headache. As Vilmos frames it, how do you officially process a death that occurred in international waters, on a ship registered in Panama, that's owned by a company operating in America?

Vilmos says he's sometimes felt suicidal himself. "The first question you ask is, 'What the hell am I still doing here? Why don't I just get in the car, push down on the accelerator, and ignore the next curve?' "



The view from the deck of a Carnival ship during repatriation

He has coped by burying himself in his job. As an urban forest specialist, he's tasked with spotting sick trees before they fall. The work requires an eye for environmental vulnerabilities. (Trees don't cry when they're hurt, he said at a public forum earlier this year.) He says the work gives him meaning. Lately he's been putting in as many as 18 hours a day, often collapsing into bed afterward. He wears his son's old Casio watch, its alarm still set for 5:52 a.m., so that Jozsef can wake him up each morning. "I know I'll never have a chance to cuddle my grandchild," Vilmos says. "But I can talk to other children about why they should love trees and how to treat them." Ⓑ *—With Zoltan Simon and K. Oanh Ha*

If you or someone you know is having suicidal thoughts, the National Suicide Prevention hotline is 800 273-8255.

How a Philanthropic Darling Became

A Canadian development charity courted celebrities, enlisted legions of schoolchildren to raise funds, and built a new, commerce-fueled model of philanthropy.

Then a Covid relief deal got people asking who was benefiting most

By Natalie Obiko Pearson, Danielle Bochove, and David Herbling

Outside Baraka Hospital in Kenya

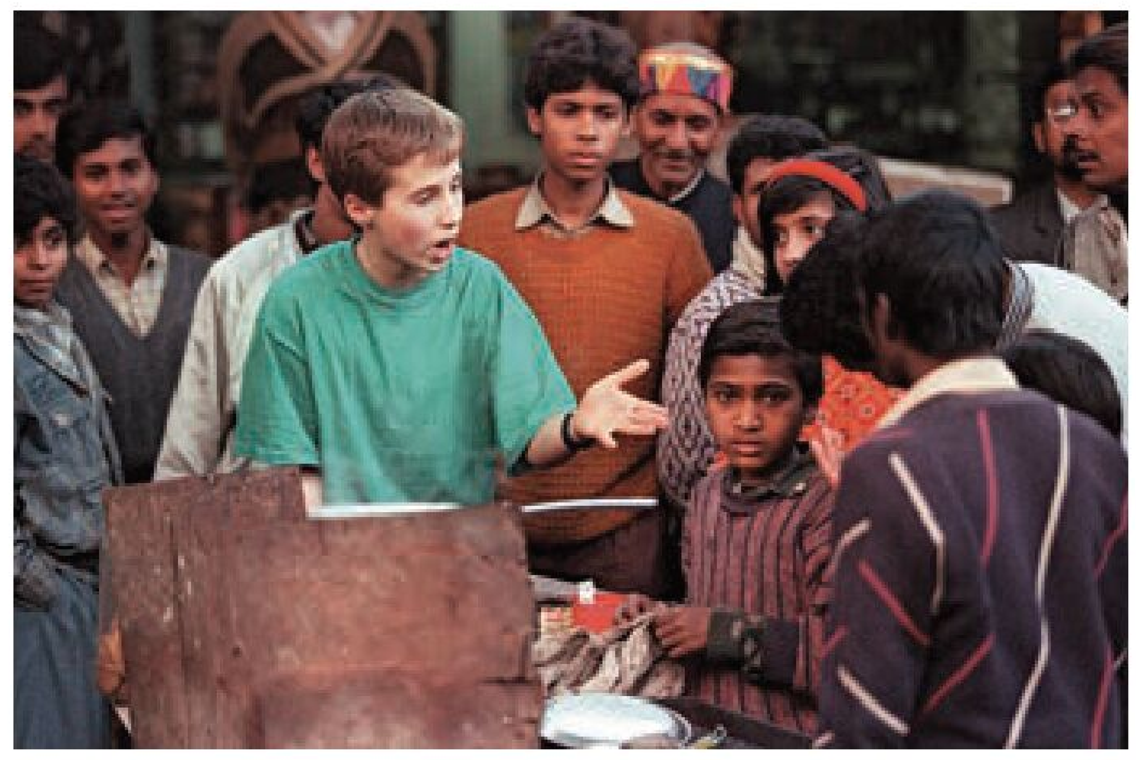
a Political Scandal

One morning in early March, 12,000 schoolchildren and their teachers gathered in London for the world's loudest field trip. Screams filled cavernous SSE Arena, the party a reward for good deeds done. Through a four-hour extravaganza of strobe lights and celebrity cameos, tween-age "change makers" bopped their way through dance and musical performances interspersed with motivational speeches. Singer Leona Lewis and Sophie Grégoire Trudeau, wife of Canadian Prime Minister Justin Trudeau, talked self-empowerment. Formula One legend Lewis Hamilton spoke out, despite his day job, against climate change. There was a shoutout to Virgin Group Ltd., the main corporate sponsor. Obligingly, the kids waved their light sticks and roared.

The spectacle, known as a WE Day, was the brainchild of two Canadian brothers, Craig and Marc Kielburger. In the 25 years since a 12-year-old Craig started a charity devoted to ending child slavery, they'd added a for-profit wing and won over the young, the rich, and the powerful to an uplifting if sometimes controversial brand of do-goodism. Their philanthropic behemoth, WE Charity, had development projects in nine countries and was bringing in some C$66 million ($52 million) a year; its U.S. fundraising alone placed it in the top 5.5% of American public charities by revenue. Mentored by the likes of Oprah Winfrey and Richard Branson, the Kielburgers had galvanized Fortune 500 boardrooms, regulars at the World Economic Forum in Davos, Switzerland, and thousands of schools. And their charity/business empire was unlike anything the philanthropic world had ever seen, featuring a for-profit voluntourism operation that hosted billionaires and politicians, as well as events that drew luminaries on the order of Prince Harry and Archbishop Desmond Tutu.

Within months of the London festival, though, WE Charity would be on its knees, and the Kielburgers would be facing an unfamiliar level of scrutiny. First, the novel coronavirus halted big gatherings and international volunteer trips, two pillars of the brothers'

Craig Kielburger in New Delhi in 1996 ...



business model. Then their talent for courting elites backfired, following a June announcement by Trudeau's government that WE would be the sole administrator of a C$544 million Covid relief program offering grants to support student volunteers. It soon came to light that WE had been awarded the deal uncontested and had previously paid hundreds of thousands of dollars in speaking fees and expenses to Grégoire Trudeau and other Trudeau family members, setting off a controversy that would help unseat Canada's finance minister and trigger an ethics investigation into the prime minister himself.

Journalists, opposition politicians, and others started taking a closer look at WE. They found that beneath its virtuous messaging lay a complex corporate structure that mixed philanthropy with for-profit activities and featured a dense web of political connections that held the potential for conflict of interest. Former employees also stepped forward with allegations of racism and exploitative behavior. The organization quickly backtracked from the government contract, but the damage was done. By fall the brothers were on TV, tearfully announcing the shutdown of their main philanthropic endeavor in Canada.

Still, the question remains: Whom did the charity benefit most—the developed or the developing world, the organization or those it intended to help? In interviews with *Bloomberg Businessweek* or in public testimony, ex-employees, former students and a teacher at WE's charitable schools abroad, and others who've had close dealings with the Kielburgers allege a pattern of obfuscation and lackluster oversight, with unusually intricate corporate structures, funds spent on a real estate portfolio that was large for a charity, and pupils in impoverished areas used as props and sometimes subjected to corporal punishment by teachers.

In a 71-page reply to queries sent by *Bloomberg Businessweek*—accompanied by more than 400 pages of supporting materials, including third-party assessments, testimonials, employee statements, and a separate 22-page set of responses from its lawyers labeled "Exhibit 1"—WE disputed the criticisms and allegations that have been levied against it, including assertions that corporal punishment took place at one of its schools. The response stated that the organization's complexity was dictated by Canada's and other nations' laws and regulations, that its real estate holdings and for-profit businesses were the best way to support WE Charity; that, far from being exploitative, its activities benefited many people around the world; and that some of its critics are disgruntled former employees and students.

How two brothers redefined philanthrocapitalism only to see their work collapse around them is still being untangled. But the fallout has shaken the development world, prompted accusations of white privilege, and exposed the insularity of Canada's establishment that had for years ignored questions surrounding an organization that traded on liberal, progressive values.

It all started with two 12-year-old boys.

In April of 1995, Craig Kielburger was scanning the newspaper for cartoons as he ate breakfast in his suburban Toronto home when a story from Islamabad caught his eye. It was about Iqbal Masih, a boy who'd been sold to work at a Pakistani carpet factory, then escaped to become a prominent child activist. Masih had recently been murdered. He, like Craig, was 12.

The story shocked and inspired Craig,

"He was sharp, motivated, impassioned... the only student I ever taught who asked for an extension so that he could travel to Sri Lanka to open a school"

PREVIOUS SPREAD: PHOTOGRAPH BY SARAH WAISWA FOR BLOOMBERG BUSINESSWEEK. THIS SPREAD, FROM LEFT: TOM HANSON/CP PHOTO; ARTHUR MOLA/INVISION/AP PHOTO who rallied his classmates and Marc, five years his elder, to form a group called Free the Children. Child labor was one of the biggest trade policy issues of the 1990s, and Craig quickly developed a near-evangelical pull on his audiences. In a video of an impassioned speech to a convention of labor unions in Toronto in November 1995, he pauses at times with his eyes closed, effortlessly commanding the attention of 2,000 adults. When he concludes, labor leaders step forward to pledge money. He left the event with C$150,000, 15 times his stated goal.

Before long, Craig's campaign to free child laborers from bondage came to international attention. He addressed U.S. congressional committees, appeared on *60 Minutes*, and met with Al Gore, Mikhail Gorbachev, and Pope John Paul II. He wrote a book and starred in a documentary. (He also brought a libel suit at age 14, over a magazine profile, and later received a reported C$319,000 in a settlement.) Within three years, the brothers were running a global philanthropy, now with a focus on establishing schools in Ecuador, India, Kenya, and Nicaragua (though they kept the name Free the Children until 2016). In 1999 they founded a business that became a pioneer of voluntourism, selling service trips abroad.

That same year, at 16, Craig landed a spot on Winfrey's famous set. "You have no idea what's about to happen when this goes to air," Tim Bennett, then one of Winfrey's top executives, told the Kielburger brothers, according to a 2018 book they co-authored, *WEconomy: You Can Find Meaning, Make a Living, and Change the World*. In a spur-of-the-moment pledge, the talk show queen committed to funding 100 schools. She became a key mentor, introducing Craig and Marc to a more high-powered tier of philanthropy.

As Craig built the charity's profile, Marc amassed diplomas—from an elite Swiss high school, then Harvard (international relations), then the University of Oxford (law). Spurning lucrative offers from Wall Street, he brought his world of elite connections back to the small charity that as of 2003 was still being run out of the Kielburgers' living room. Craig had

...and at a WE Day in Toronto in 2018

by then begun his undergraduate studies at the University of Toronto's Trinity College. "He was sharp, motivated, impassioned," recalls one of his former professors, David Welch. "He was also the only student I ever taught who asked for an extension so that he could travel to Sri Lanka to open a school and receive a prize." An executive MBA followed.

By 2004, the brothers were looking for ways to generate stable revenue to counterbalance the vagaries of donations. They opened Bogani, a safari-style camp for volunteer travelers who paid to stay on the doorstep of Kenya's Maasai Mara National Reserve. An eco-friendly T-shirt business soon followed. Those efforts would eventually crystallize, backed by a key investment from Jeff Skoll, the former president of EBay Inc., into ME to WE Social Enterprises, a for-profit business selling volunteer trips and fair-trade goods, such as beaded Maasai bracelets and chocolate made from Ecuadorian cacao, sourced from the charity's overseas projects. ME to WE pledged to donate at least half its profits to the charity and touted the "highest of governance standards," according to one press release.

Also in 2004, the charity launched an initiative, later named WE Villages, that expanded its purview from education to clean water, health care, and sustainable farms and other income-generating projects. The villages became destinations for volunteer tourists from ME to WE. Depending on one's inclinations and means, a trip could entail two backbreaking weeks digging foundations someplace remote or a glamping excursion where the chore list was short and the wine list long. ME to WE started operating a string of luxury properties in Ecuador, India, and Kenya, which became base camps for wooing donors and celebrity ambassadors, as well as a source of local tourism jobs.

To underpin it all, the Kielburgers began refining a simple and seductive philosophy, one David Jefferess, a professor of cultural studies at the University of British Columbia's Okanagan campus, describes as consumption for the betterment of others. "We want to see ourselves as good people without having to give up, or risk, or sacrifice anything," he says. "The language they use is fortune and misfortune. They don't talk about privilege."

In 2006 the Kielburgers and Winfrey teamed up to start providing North American teachers with curriculum aids—a program eventually sponsored by Dow Inc., Walgreen Co., and others—and encouraging students to set up fundraising clubs. The strategy got WE into thousands of Canadian, U.K., and U.S. schools. Staff would go out to give talks on various social issues, giving out mail-in slips the students could send back to the charity with their contact information, which it would use to offer kids guidance on pursuing their chosen causes. According to a post on the *Medium* platform by a former speaker named Matthew Cimone, the more that were returned, the better a candidate the school became for a major WE fundraising program. (WE says that it's "cause inclusive" and that it encourages young people to fundraise for whichever ones they choose. A report the charity provided says that, in the current academic year, about half of WE-affiliated school groups raised funds, and four in 10 of them did so for WE.)

The charity also struck more than 50 media partnerships, covering ABC and Fox television, MTV, the *Seattle Times*, the *Chicago Tribune*, Facebook, Twitter, and most of Canada's largest outlets. It all came together at its WE Day jamborees, which served to reward student activists, sell merchandise, and elevate the profile of the charity and its founders. The first WE Day was held in Toronto in October 2007, with a lineup that included Trudeau, then campaigning for his first parliamentary seat. The events grew ▶

◀ in scale and glamour, expanding to more than a dozen North American and British cities annually. Corporate partners footed the bill, which could top seven figures. Celebrities donated time to speak for such unimpeachable causes as anti-bullying, self-empowerment, and equality. Sales booths and advertisements plugged ME to WE trips and trinkets, while a "Teacher Zone" offered educators ideas on how to fundraise.

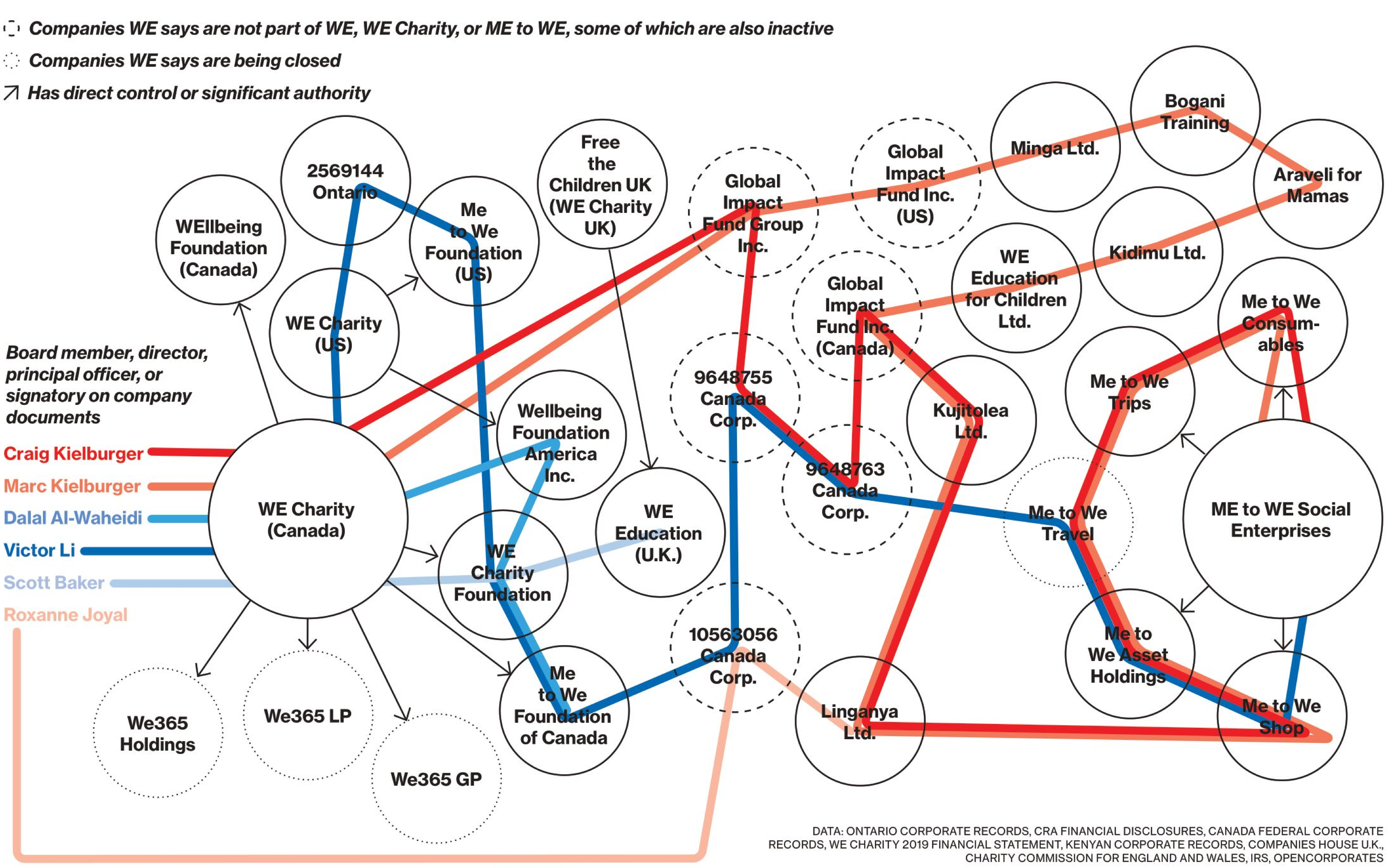
Within three years of the first rally, WE Charity's annual revenue had more than doubled, to C$22 million, and it had opened offices in Palo Alto, Calif., and London. Some 55,000 children in seven countries were studying in the 650 schools and classrooms it had built, and the Kielburgers could fairly claim credit for raising awareness about global poverty and embedding the concept of helping into educational curricula. Almost a half-million North American and British youth were active in affiliated clubs, and 36,000 children attended WE Days in 2010 alone.

As the charity grew, some people started to ask whether it was becoming more visible in the countries providing the money than in the places it had set out to help. The unease percolated among some development experts, teachers, academics, and even staff and donors. "Every year you answer more and more questions about WE Charity than any other," says Kate Bahen, managing director of Charity Intelligence Canada, an independent researcher that conducts due diligence on nonprofits and began covering WE in 2011. The questions would center on the public face of WE Charity, she says. People wondered about its deep presence in schools and asked how $5,000 student trips and celebrity-studded youth rallies contributed to philanthropic work. Bahen's own research indicated blurred lines between the charity and for-profit that could make it difficult to tell what share of revenues ended up where.

The tensions inherent to WE's approach were perhaps nowhere more evident than at Bogani, the camp situated near the Maasai Mara, a few miles from "the strip," a string of showcase projects that included a hospital, a college, and boarding schools for girls and boys operated by WE. Guests could have an *Out of Africa*-style experience, complete with colonial undertones, learning to throw Maasai "rungu" clubs or laying bricks before retiring to a beverage on a veranda overlooking the savanna and a sound night's sleep in cozy cottages or luxury tents adorned with African fabrics

The WE Organization's Structure

A number of entities in North America, the U.K., and Kenya are linked to the Kielburgers or to top WE executives, who include WE Charity Executive Director Dalal Al-Waheidi, WE Charity COO Scott Baker, WE Charity and ME to WE CFO Victor Li, and Roxanne Joyal, a ME to WE executive and Marc's wife



DATA: ONTARIO CORPORATE RECORDS, CRA FINANCIAL DISCLOSURES, CANADA FEDERAL CORPORATE RECORDS, WE CHARITY 2019 FINANCIAL STATEMENT, KENYAN CORPORATE RECORDS, COMPANIES HOUSE U.K., CHARITY COMMISSION FOR ENGLAND AND WALES, IRS, OPENCORPORATES and masks. A six-night stay, pre-Covid, was priced at $5,450 per person, with an optional $5,595 safari add-on. On a 2011 episode of *MTV Cribs*, Craig gave viewers a tour, swigging cow blood from a gourd before arriving at a simple wooden guest-cottage staircase, where he marveled, "God, it's amazing what they manage to build in the absolute middle of nowhere, Africa."

VIPs staying at Bogani could expect a tour of the strip, trying their hand at various chores before receiving a seemingly spontaneous blessing from a Maasai elder. After that, hopefully, would come a big donation or business partnership. "They create this highly curated, seemingly singular experience that is surely life-changing for the people that experience it but in reality is deeply problematic and scripted," Sarah Koff, who formerly led WE's California office and visited Bogani three times, said in a video posted this summer to Instagram. "But it gets people to donate, it inspires them." (In its response to *Businessweek*, WE said that the trips are designed to be respectful of local cultures and that it would be incorrect to say that their purpose is "for any reason other than benefiting the community.")

A former student, Branice Koshal, recalls being told after enrolling in the girls' boarding school on the strip in 2013 that she would have to remain on campus, in uniform, during school holidays if they coincided with high season for VIP visits—to "entertain the guests," as she puts it. "Our parents wanted us home, but because we were getting scholarships, they had no power to complain," says Koshal, who's now 22. "If they were paying fees, probably they could have boycotted." (WE says meetings with volunteers and donors during holiday breaks were "optional opportunities.") If guests arrived when school was in session, classes could be disrupted twice a day. Teachers had students rehearse for the 30-minute interactions over tea and mandazi pastries: show appreciation, say how much the schooling and materials had helped them, then solicit more help.

There was a grave taboo, Koshal says, that would land a student "in hot soup": mentioning the canings students sometimes received. In her second year, she remembers, she was thrashed for not doing well enough on exams, one of what she describes as many such incidents. Two other former students, who asked not to be identified for fear of retribution, say they, too, were caned multiple times—on the back, the legs, the buttocks, the hands. Jointly, they say their experiences span from 2012 to 2016 on two separate campuses the girls' school used at the time. A former teacher at the school, who also asked not to be identified, further confirmed that corporal punishment took place there during that period.

Corporal punishment was outlawed by Kenya's 2001 Children Act, but a Unicef report from 2014 found that it remained common there afterward, and that teachers were among the most common perpetrators of violence against single girls. The students say it didn't take much to incur the punishment: tardiness, an unfinished assignment, oversleeping. One recalls that in November 2015, her entire class was caned after some pupils were caught using a phone to prepare for their final exams. All three of the former students say that, despite such episodes, they're grateful for the free education they received and the opportunities it created for them.

In responding to the allegations of corporal punishment, WE said that in its educational framework model, caning is "forbidden" and that there had never been a reported incident of caning at the schools it operates. "There was no 'caning', in any manner, taking place," said a statement from Carolyn Moraa, the WE director overseeing the schools. WE also provided statements signed by a student, a parent, and a volunteer community leader that said they'd never heard of canings at the schools.

Former employees who requested anonymity because they'd signed nondisclosure agreements recount that Kenya projects were sometimes built as slowly as possible to ensure a steady supply of feel-good tasks for donor groups, which could number as many as 100 people. A running joke among staff was that donor plaques hanging on buildings should be made of Velcro because they were swapped so frequently. (Several ex-employees say this practice was eventually abandoned.) A wall at Baraka Hospital, the medical facility on the strip, was rebuilt at least four times by volunteers, according to three people with direct knowledge. The same three sources say that so-called community mobilizers cajoled villagers into donning traditional garb and cheering with requisite enthusiasm when donors arrived.

In one memorable incident recalled by former employees, a major benefactor came for the opening of a women's empowerment center. The night before, Craig realized the donor had specified the center was to have a kitchen. Mayhem ensued. Employees were instructed to cobble together a makeshift kitchen with equipment from a nearby high school. Photographs of the result show pots and pans hanging neatly on the wall and tidy shelves stacked with cups and plates. When the donors left, it all went back to the school.

In its response to *Businessweek*, WE said that no kitchen was constructed temporarily to show donors, though one was built and soon dismantled at the request of local community members, who wanted the space repurposed. It said, too, that it would have made no sense to slow down projects or redo tasks because "there is no shortage of good work to be done in Kenya." It also said that it doesn't require local villagers to wear traditional clothing for donors, that existing donor plaques are cemented into buildings, and that it didn't swap them.

The Kielburgers' greatest demonstration at Bogani may have come in March 2017, when Chip Wilson, the billionaire founder of Lululemon Athletica Inc., arrived. Wilson was seeking a candidate to take over Imagine 1 Day, a charity he and his wife, Shannon, had set up a decade earlier with a simple mandate: to help every Ethiopian child have access to education, free of foreign aid, by 2030. The organization had little of WE's flash, but it had a reputation for being smoothly run by its Ethiopian project staff, ▶

◀ extremely effective, and fastidiously transparent. It built schools in remote and sometimes restive areas, asking communities to come up with 10% of the cost to test their commitment to sustaining the school after Imagine 1 Day withdrew. "They were doing the real work," says Mary Anna Noveck, a board member of Imagine 1 Day's U.S. fundraising arm until it was dissolved in December 2019. "They were in the trenches."

Marc was at Bogani for the Wilsons' arrival, hoping a stay would convince Chip that WE was the one to take Imagine 1 Day to a new level. The visit was to be flawless, right down to the elder's blessing, according to two former employees. The pitch apparently worked: In early May 2017, Wilson transferred Imagine 1 Day and C$10 million to WE. Within months, ME to WE expanded its voluntourism packages to Ethiopia, beckoning young travelers in a slick video "to change the world" while also climbing up the steps of 1,000-year-old churches, sipping local coffee, and tasting fermented flatbread. In Kilte Awlaelo, in Ethiopia's northern Tigray region, Imagine 1 Day purchased a 2-acre plot near one of its school projects, promising villagers a farm project and irrigation system in keeping with the grand vision the brothers had outlined to Wilson.

It wasn't long, however, before the amount of money making its way to Imagine 1 Day's operations in Ethiopia began to drop, a lot. The charity's financial statements show that program spending there steadily fell from almost C$4 million in 2016, before the takeover, to C$1 million in fiscal 2019. (WE says it encountered a two-year delay in expected funding from a major sponsor.)

WE also started taking roughly C$15,000 of every C$50,000 in donations coming to Imagine 1 Day from one of its longtime partners in Ethiopia, Run for Water, according to the latter's chair, Ken Mackenzie. He says WE called the money an "administrative cut" and only dropped the fee after Run for Water threatened to take its donations elsewhere. (WE says the administration rate was 10%.) Mackenzie, Noveck, and two other people with direct knowledge say that after the WE takeover, with Imagine 1 Day's budget stretched, its country director, Seid Aman, had to let some staff go but tried to keep the problems under wraps to avoid jeopardizing relationships with other donors and local officials. "Chip got bamboozled," says Noveck. "I think their sales and their marketing really dazzle a lot of people.... It wasn't just Chip—it was a lot of people with deep pockets and star power."

The Kielburger brothers with the Trudeaus at a WE Day in Ottawa in 2015

CHRIS WATTIE/REUTERS

In Kilte Awlaelo, it took two years for construction to start on the irrigation project. Then in April, as the pandemic began to rage, the funding ran out, according to Negusa Tadesse, the local village chief. Work stopped, and a contractor abandoned the job and began trying to sell off materials to recover some of his investment.

In its response to *Businessweek*, WE said that it would be "inaccurate" to say employees were cut, and that the "total cost" of full-time staff didn't decrease during its period of control. It also said it wasn't informed that a contractor contended he hadn't been paid in Kilte Awlaelo and disputes that funding ran out but referred questions to Imagine 1 Day. And it said that its partnership with the organization had recently ended and that it had returned the unspent portion of the C$10 million endowment to the Wilson family office to support Imagine 1 Day under Seid's leadership. Seid didn't respond to multiple requests to comment. Wilson declined to comment.

Back in Canada, Imagine 1 Day had also been pulled into a parallel business the brothers had been engaged in from an early age: real estate. Their schoolteacher parents, Fred and Theresa, were house flippers, moving the family into a new fixer-upper every year as the boys learned to paint, grout tile, and install sinks. According to a history posted online by WE, when Marc was a toddler, he'd help hang wallpaper; then, while he slept, the "wallpaper fairy" would come and fix his work.

The brothers never lost that fondness for property. Around 2004, they persuaded their parents to sell the family home and buy a three-story building in Toronto's Cabbagetown neighborhood, which became the charity's headquarters. Over the next five years, according to a 2010 *Globe and Mail* story, the charity, ME to WE, and another company linked to the Kielburgers collectively spent more than C$11 million on a dozen properties in Cabbagetown.

WE and WE affiliates next began snapping up buildings along Queen Street in the hardscrabble neighborhood of Moss Park. By 2017, a glass-walled, state-of-the-art headquarters—purchased, refurbished, and equipped by donors, including Microsoft Corp. and Siemens AG—sprouted on one street corner like a high-tech bubble in a sea of graffiti, needle drops, shelters, and struggling small businesses. As the charity moved to the area, it says, it sold its Cabbagetown properties, making a C$4.2 million profit.

The Kielburgers' plan was to stitch the Moss Park properties together into a kind of incubator for youth activists and socially minded entrepreneurs—a "campus for good." Imagine 1 Day was brought in to the spree, borrowing C$3 million from WE Charity to buy a former legal clinic, according to financial disclosures and property records. Today, the two-story building appears disused, with its windows and doors papered over and "No Trespassing" signs on display. (WE says Imagine 1 Day's ownership was in "name only," was designed to avoid a zoning bylaw problem, and was funded with proceeds from the sale of WE Charity properties in Cabbagetown.)

The brothers have long held that WE's real estate portfolio provided long-term security for its charitable operations. As its property holdings grew in value, though, some questioned whether the focus on real estate was coming at the expense of overseas programming. Last fiscal year, the value of WE Charity's land and buildings was C$44 million, against C$27 million spent on international programs. For comparison, the land and buildings held by World Vision Canada, another development-focused charity, were valued at C$19 million, against C$300 million in international programs. "Clearly," says Mark Blumberg, a Toronto lawyer whose practice focuses on charities and nonprofits, "to conduct foreign activities at the scale that WE Charity was doing does not require that much real estate." WE disputes this, noting that the majority of its programs are today domestic, and that its real estate is required to support them. It says it spent C$30.5 million on projects and education in Canada in 2018 vs. C$20.1 million internationally.

The C$44 million worth of property that WE Charity holds covers what it's required to disclose as a registered nonprofit. It's harder to find details about properties owned by private companies affiliated with WE. And it's also not always clear how the ones that can be identified are related to the organization's development mission. One such property, Toriana, a 4-acre beachfront haven that an agent's brochure describes as "one of the largest and most luxurious private houses on the Kenya coast," lies hundreds of miles from any WE development project. If anyone questioned its purpose, staff could recite from a prepared script that called it "a place to relax and reflect after an intense cultural immersion." Internal records viewed by *Bloomberg Businessweek* show bookings were sparse in 2019. WE says that the property was bought with funds from ME to WE in 2010 "for the exclusive purpose of hosting ME to WE Trips to Kenya" and that revenue from guests staying there after volunteering stints at Maasai Mara "benefits the work of WE Charity."

The WE organization's use of private affiliates can also make it challenging to see how its money moves. Over the years it created enough of them that, in Canadian parliamentary testimony this summer, a longtime board member named Michelle Douglas said she didn't know how many entities it had. The main private company, ME to WE, isn't required to disclose its financials, but WE told *Businessweek* its auditors confirm that ME to WE has given the charity, on average, more than 90% of its profits over the past five years. It also noted that it was awarded a score of 96 out of 100 for accountability and transparency by Charity Navigator, which evaluated its U.S. arm.

Businessweek's examination of WE Charity's audited financial statements from 2014 to 2019 identified more than C$12.5 million in contributions from ME to WE. Over the same period, about C$9.5 million flowed back to ME to WE, as the charity purchased discounted goods and services. Bahen, of Charity Intelligence Canada, describes the latter flow of money as "backwash," and Narinder Dhami, managing partner at social-impact investment firm Marigold Capital, characterizes flows of that magnitude as "highly irregular." In its response to *Businessweek*, WE said ME to WE also provided in-kind support that directly offset the equivalent amount of expenses for WE Charity, and that kept the charity's administrative costs below the industry average. Scott Baker, chief operating officer of WE Charity, said that under this arrangement, "the benefit is clearly going one way: the social enterprise exists to help the charity."

During parliamentary testimony, Craig acknowledged building a "labyrinth" over 25 years, in part to comply with what he described as overly restrictive Canadian tax rules. He said the approach was also intended to ensure that each overseas jurisdiction had separately incorporated entities complying with local laws. (Matthew Literovich, a Toronto-based lawyer at Dentons, has written that while it's standard for nonprofits to rely primarily on the combination of a foundation or holding company to accumulate donations and an operating company to deliver services, "more elaborate entities are not necessarily a sign of wrong-doing.")

"Fundamentally, there are two overarching structures: WE Charity and ME to WE Social Enterprises," Craig told lawmakers, adding, "we probably could find a streamlined system to do this."

Throughout 2019, WE Charity still seemed ascendant. It could boast that it had provided 1 million people with clean water and helped educate 200,000 students. More than a million Canadian schoolchildren had attended WE Days, and ME to WE had sold 42,000 volunteer trips since 2005. WE Charity's U.S. arm alone had raised $140 million from corporate donors in the five fiscal years leading up to that September, with $65 million coming from Allstate, KPMG, Microsoft, Unilever, and Walgreen. Both Kielburgers had been awarded the Order of Canada, one of the country's highest civilian honors, and they jointly claimed at least 25 academic or honorary degrees and 10 books. A generation had grown up associating them with progressive Canadian values.

By the new year, the pandemic loomed. Within months, schools closed, travel halted, stadium-size rallies became impossible, and WE's model began to suffer. In a roughly two-week period in March, it cut about 40% of its global staff. Then, in June, Trudeau's government made the announcement that WE would be the lone administrator of the C$544 million student grant program. The charity would be paid as much as C$35 million, an amount roughly equivalent to a year of donations from corporate partners and foundations.

Accusations of favoritism erupted. The Kielburgers had long been clubby with Canada's elite, and scores of current and former politicians, executives, and their families had made pilgrimages to WE's overseas projects. Trudeau, his mother, his brother, and his wife had all participated in WE events, and Grégoire Trudeau also hosted a podcast for the charity. It emerged soon ▶

A running joke among staff was that donor plaques hanging on buildings should be made of Velcro because they were swapped so frequently

Equipment outside a school funded by Imagine 1 Day in the Alaje District of Tigray, Ethiopia

◀ after the government's announcement that the charity had previously paid the three Trudeau family members a total of C$427,000 in speaker fees and expenses since 2012.

Trudeau's finance minister, Bill Morneau, was no less enmeshed with WE. In 2016 a book his daughter Clare had compiled from a pen-pal program involving refugees in Kenya was blurbed by Marc, which led to a speaking engagement at a WE Day in Ottawa. The next year, Clare and her mother, the french-fry heiress Nancy McCain, sojourned to Bogani, and the family visited ME to WE's Minga Lodge in Ecuador. In April 2018, four months after the latter trip, McCain donated C$50,000 to WE Charity. The following summer, another daughter, Grace Acan, got a one-year contract to work in WE's travel department. So close were Morneau's ties with the Kielburgers that his office once described them as "besties."

Critics of the Covid relief deal also noted that the entity set to run the program wasn't even WE Charity, but rather the WE Charity Foundation—an entity whose purpose eluded WE directors in 2018 when it was set up to "hold real estate," according to testimony from Douglas, the longtime board member. The Kielburgers later testified that they'd routed the arrangement through the foundation to protect the charity's assets from potential liability.

Within eight days of Trudeau announcing that WE would run the program, the government and the charity dropped the agreement. Morneau, belatedly discovering that his family hadn't paid for its trips to Kenya and Ecuador, reimbursed WE

Marc came close to tears about the "political quagmire" bringing down a 25-year labor of love

PHOTOGRAPH BY ZACHARIAS ABUBEKER FOR BLOOMBERG BUSINESSWEEK

for C$41,366 toward the end of July. He resigned abruptly the following month amid a broader rift with Trudeau. The government said it hadn't opened the deal to competitive bidding in the interest of getting the aid out speedily, but it acknowledged that neither Trudeau nor Morneau had recused themselves from the decision-making process. Canada's ethics commissioner is conducting a conflict-of-interest investigation into both men—for Trudeau, the third such probe in as many years. Both have apologized for their lapses in judgment.

Compounding WE's troubles, Jesse Brown, one of the lone journalists to scrutinize the charity before the furor, posted a copy of a report that a private investigator hired by WE's defamation lawyer had compiled on him and his family after he published a critical series on his news site, *Canadaland*. ("WE Charity was not involved in the preparation of the document," the nonprofit says.) The Canadian media also picked up on an Instagram post that Amanda Maitland, a former employee who'd traveled to WE-affiliated schools in Canada to give anti-racism talks, had made not long before Trudeau's announcement. Defying a nondisclosure agreement, Maitland recounted having a speech about the personal injustices she'd suffered as a Black woman rewritten by White colleagues into a bland script about "cornrows" and "the Oscars." "I was supposed to memorize this new speech and perform it," she said in an interview. "I don't know if they understood how oppressive that was." By the time the media picked up her story, others were adding theirs, alleging an abusive and racist workplace culture at WE; 200 past and current employees ultimately signed a petition to demand that the Kielburgers personally apologize for the trauma caused by a "culture of fear, abuse of power, silencing tactics, and microaggressions." In response, the brothers posted a letter apologizing to Maitland and said WE had started a "diversity and inclusion listening tour" to solicit feedback from current and former employees.

Sponsors such as Royal Bank of Canada, Virgin Atlantic Airways, and KPMG mutually agreed with WE to part ways. Then, in a televised interview in September, the brothers dropped a bombshell: They were shutting down WE Charity in Canada. In the hour-long interview, Marc's eyes welled up as he spoke about the "political quagmire" bringing down a 25-year labor of love. Craig insisted WE is transparent. ("People say 'complex entities.' It's actually not. There's only two entities.") And what would they do with their for-profit businesses? Undecided, the Kielburgers said.

WE Charity later wrote in a press release that there would be no more WE Days in Canada, no more WE Schools staff, and no more new WE Village school, water, or agriculture projects. The charity would also sell off an unspecified number of its Toronto properties to fund an endowment to sustain its flagship international projects. A report commissioned by a U.S. donor, the Stillman Family Foundation, said WE could expect to net as much as C$25 million from the sales.

And yet a comeback could still be in the works. WE is evaluating what to do in the U.K. and continues to operate in the U.S. Its American website bears no trace of its troubles back in Canada. The donations page will accept your gift for education in Ethiopia, prompting you to start with a one-time contribution of $75 and reminding you that WE Charity was ranked No. 1 by MoneySense in the international aid category.

In Kilte Awlaelo, in that country's Tigray region, disappointment and confusion linger over the unfinished agricultural project. "The dream was big," said Negusa, the village chief. "They gave us hope, but it was interrupted." That was in September—before WE relinquished control of Imagine 1 Day, before Tigray was beset by civil war.

In the time since, the Stillman Family Foundation has taken out full-page ads in Canadian newspapers touting the results of two reports it commissioned that absolve WE Charity of any wrongdoing in the political scandal. It has set up a new website, Friends of WE Charity, inviting supporters to write in. One parent thanks the charity for her son's trip to Nicaragua—for giving him an understanding of his privileges and an awareness of poverty. Another, a teacher, laments the loss of the WE Days whose performers had so inspired her students.

During their big TV interview, the brothers were asked: Was it fame—their own and the kind they attracted—that had brought about their fall? "We never considered ourselves celebrities. It's not about us," Marc replied. "It's about the kids." —*With Simon Marks, Tom Contiliano, Stephan Kueffner, and Bibhudatta Pradhan*

PICK ONE: YOUR DOCTOR OR YOUR RIGHTS

As private equity investors take over doctors' offices, they're popularizing a controversial legal practice: forcing patients to agree to binding arbitration before they can receive care

BY HEATHER PERLBERG
ILLUSTRATION BY KATI SZILÁGYI

IN the summer of 2019, Jessie Harrell went to see her gynecologist for a routine appointment. She'd been seeing Dr. Tim Baird for 14 years, ever since she showed up at the hospital in labor five weeks early. He'd been on call that morning, and she'd been reassured by his calm demeanor, even as he delivered her first child via an emergency cesarean section.

But this time, right before Harrell's visit, a staff member in Dr. Baird's office in Jacksonville, Fla., called and asked her to watch a video on the medical group's website. She clicked a link and saw an attractive actress in an immaculate office explaining a new policy. All of Dr. Baird's patients, Harrell learned, needed to sign a form agreeing to "binding arbitration," a legal concept that meant she was waiving her right to a jury trial in the event of medical malpractice.

When she objected, the woman on the phone told her she could see Dr. Baird one more time, but she'd have to find a new practice after that. In the exam room the doctor began as he always had, by asking Harrell about her two daughters. He was apologetic about the new requirement but said it was out of his hands. His office and dozens of other locations in his medical group had been sold to Lindsay Goldberg, a New York-based private equity firm with more than 100 physician offices and surgery centers across Florida. This was the new reality, he said, whether he liked it or not.

Harrell was heartbroken, and not just because she trusted Dr. Baird. Harrell is a lawyer—she has her own appellate firm in Jacksonville—so giving up a constitutional right would've been bad enough. What made it even worse was that she recognized every page of the agreement the office was asking her to sign. In 2016 she'd successfully argued a case that involved a woman who'd sued her gynecologist, a doctor with a large group called Women's Care Florida, after signing an almost identical form.

It was a horrible story: Her client, who had symptoms of early labor, arrived late to an appointment and was turned away, with the doctors' office rescheduling for four days later. A day before the new appointment, she gave birth to a stillborn baby. Under normal circumstances, the patient would've been able to go through the state's legal process, which meant either agreeing to arbitration or moving to trial. Women's Care, though, insisted on enforcing the binding arbitration agreement, which meant she (as well as her husband and then-unborn child) had already given up their rights.

Harrell and a colleague, Bryan Gowdy, had argued during the appeal that the Women's Care agreement was unenforceable under state law. The Florida Supreme Court sided with them, saying the agreement was void. And yet somehow here it was again. In the three years since she'd won, Women's Care had been bought by Lindsay Goldberg, which then bought Dr. Baird's practice, too. The medical group had continued using the form—in the hope, she guessed, that even an unenforceable arbitration agreement would be enough to dissuade a malpractice victim from suing.

It was an outrage, she thought, as she walked out of Dr. Baird's office. "Why would I agree to that after hearing the Supreme Court say it was unfair to patients?" Harrell asked in a Zoom interview with *Bloomberg Businessweek* from her home. In the background, Archer, a rescue greyhound who once raced under the name Miami Hurricane, lazed on a white sofa. Harrell's face tightened as she spoke. "People shouldn't be put in this take-it-or-leave-it position after having been shown a five-minute video on arbitration propaganda."

THE argument for arbitration hinges on the rising costs imposed by malpractice lawsuits, which some policymakers and doctors say have made medicine more litigious and led to worse care. One in three babies in the U.S. is delivered via C-section, a procedure that, compared with vaginal delivery, is more expensive for patients, requires a longer recovery period, and carries higher risks of infection and blood loss—but which is less likely to result in a lawsuit if complications occur during labor, at least according to the American Congress of Obstetricians & Gynecologists. The group has said that limiting physician liability would cause C-section rates to drop.

Advocates of arbitration contend that it's a sensible alternative to resolving disputes in a trial. Arbitration, they say, frees doctors to treat patients more holistically and to worry less about how a treatment decision might play with a jury. But it has also helped enable a trend that has very little to do with patients' well-being: the rise of private equity in medicine. Over the past decade, almost 4,000 independent clinicians in women's health have come under private equity ownership, according to a study published in August in the *Journal of the American Medical Association*. The figure is likely much higher, according to the study's authors, but the deals aren't uniformly disclosed.

The Covid-19 pandemic, during which doctors' offices shut down temporarily and furloughed staff, is only accelerating ▶

◀ this trend. The average medical office's revenue dropped 32% in 2020, according to a survey released in November by the American Medical Association, even as rates for malpractice coverage have gone up by as much as 30%. Private equity firms, on the other hand, raised billions from investors last year and have been buying up struggling practices on the cheap.

The private equity playbook involves acquiring practices in fields such as dermatology, gastroenterology, and obstetrics and rolling them up into enormous medical networks with hundreds of doctors' offices and thousands of individual doctors under a single brand. For these big practices, arbitration may be especially useful. Jury trials, even in the era of tort reform, can still lead to awards in the tens or even hundreds of millions of dollars for plaintiffs. Juries, understandably, are likely to have less sympathy for a well-capitalized Wall Street owner than for a grieving mother who's been treated poorly.

In arbitration, the plaintiff (in this case the patient) and the defendant (the owner of the medical practice) each pick an arbitrator. The third arbitrator is generally a neutral party, and the trio's decisions are usually final. The process can be much faster than a jury trial, which can mean lower legal fees. Crucially for private-equity-owned medical groups, arbitration is almost always conducted in private, which means that big brands can avoid the negative publicity that comes with a lawsuit. Jury trials, on the other hand, are a matter of public record. When malpractice verdicts are rendered, patients can use that information to figure out which doctors to avoid and which ones to seek out.

Arbitrators are usually lawyers or retired judges, but they don't have to follow legal precedent, and they don't necessarily even need to explain their decisions. They also, critics say, have an incentive to favor corporate defendants because arbitrators generally want to get rehired and, as a result, tend to come up with lower payouts. In cases in which arbitrators side with a malpractice victim, awards can be strictly limited. By law in Florida, the maximum pain-and-suffering award in arbitration is $250,000 for each person filing a claim.

Of course, speed and privacy can make arbitration appealing to plaintiffs as well, and the decision to seek arbitration is usually voluntary—and occurs after malpractice. By contrast, binding arbitration agreements, which patients have to sign before receiving any care, have historically been seen as infringement of their rights. Since the early 2000s the American Arbitration Association and the American Bar Association have said their members shouldn't participate in these kinds of cases.

But the financial industry has long embraced binding arbitration—especially when setting employment policies, a trend that critics say has been used to cover up decades of discrimination and sexual harassment—and has helped fuel the rise of the practice in medicine. Over the past few years, agreements like the one Harrell's client signed have become pervasive in admission packages for nursing homes, another business popular with investors. Lawyers and insurance brokers say they're also starting to show up in plastic surgery, women's health, and other industries that private equity investors are consolidating.

The insurance industry has encouraged this trend by offering better terms to physician groups that can get their patients to preemptively waive their right to a jury trial. The former chief medical officer of Women's Care Florida, John Murphy, lists under "Key Achievements" on his LinkedIn page that binding agreements have lowered the OB-GYN group's liability insurance costs 20% a year. "The fact that they discount insurance tells you what's going on," says Thomas Edwards, a malpractice attorney in Jacksonville. "They know it will reduce or eliminate awards even in cases where somebody committed malpractice."

This binding arbitration isn't necessarily good for doctors, who often care about their reputations and their relationships with patients more than they care about improving profits or preserving the brand equity of their investor-owners. Arbitration agreements can turn patients off, and some physicians say they'd prefer the option of fighting charges in court if they're accused of wrongdoing, giving them a chance to clear their name publicly. "Arbitration has the real potential to remove some of the rights providers have under a more traditional insurance policy," says Peter Reilly, who leads the North American health-care practice for insurance broker Hub International Ltd. "There's some value there if you get a reduced premium, but I'm not sure it's in the physician's best interest."

WOMEN'S Care started as a small obstetrics and gynecology practice in 1998 in Tampa, but by the time Harrell took it to appellate court in 2015, it had expanded to include 27 practices in the Tampa Bay area and elsewhere in Central Florida. Harrell had started her career at a big corporate firm, Foley & Lardner, where she spent seven years as a commercial litigator, defending claims against Walmart Inc., Bank of America Corp., and other companies. The job was life-altering financially for Harrell, who was the first in her family to go to college, but it was hardly fulfilling, and she eventually left for Creed & Gowdy, a smaller appellate firm in Jacksonville that specializes in, among other things, personal injury cases that wind up in federal or state appeals court.

Working for victims was gratifying, and arguing appeals was an intellectually rigorous process that played to her strengths. Her client in the Women's Care case, Lualhati Crespo, had clearly been mistreated, as Harrell saw it. Crespo had been denied care, then was denied her legal rights, because she'd signed the agreement. "Doctors take the Hippocratic Oath to 'Do no harm,' and that puts them in a position of trust," Harrell says. "You're relying on them for advice when you step through that door. And then you go in, and you're led to believe that if something goes wrong, arbitration is going to be best for you. I feel like they are betraying the trust of their patients."

As she studied the case, Harrell says her sense of indignation grew. Her parents hadn't been able to afford health insurance, and she frequently had to skip checkups. In college, after seeking treatment for migraines, she discovered she had about 10 cavities. "I really have an appreciation for medicine, because I haven't always had access to it," she says.

During oral arguments, Florida Supreme Court Justice Barbara Pariente noted that the binding arbitration agreement presented patients with a false choice. A Florida statute says if both parties don't agree on arbitration, they can go to trial. The agreement Crespo had signed said she and Women's Care could agree to go through either the state's arbitration process or a separate binding arbitration with rules set by the medical group—but a trial was not an option. It reminded the judge of the song *Hotel California*: "You can check out any time you like, but you can never leave." In a 5-to-2 decision, the court noted that Florida already had laws designed to prevent frivolous suits and said the Women's Care agreement was "clearly favorable to one party." (Women's Care appealed to the U.S. Supreme Court, which declined to hear the case.)

It was over—or at least that's what Harrell thought when she read the Florida decision, feeling a sense of pride at having won her first case before the state's highest court. But three years later she found herself walking into Dr. Baird's office carrying a copy of the decision under her arm, streaked with yellow highlighter.

Lindsay Goldberg had bought Women's Care in September 2017, nine months after the ruling. Since then, Women's Care had rapidly expanded—to the point that its providers now deliver 1 out of every 10 babies in the state. As it acquired more practices, including the one in Jacksonville's Southside neighborhood where Harrell went, each group adopted the binding arbitration form, requiring all of its 500,000 patients in Florida to sign.

PHOTOGRAPH BY EVE EDELHEIT FOR BLOOMBERG BUSINESSWEEK

HARRELL

Surprisingly, even though the document is not legally enforceable, there's nothing preventing the company from asking patients to sign it and refusing to treat them in the future if they don't, according to more than a dozen legal experts interviewed for this story. "It's not illegal, but it raises serious questions about what message you are sending to patients," says Andrew Bolin, a defense attorney in Florida. "Women who sign the form will assume it's enforceable." That means, he says, that many who feel they've received substandard care won't even consider hiring a lawyer. And even if they do try to find one, some attorneys may be unfamiliar with the court decision and choose not to take their case because of the agreement. As Harrell puts it, the practice "is tricking people into giving up their legal rights."

Lindsay Goldberg declined requests for an interview but provided a statement on behalf of Women's Care Enterprises. The private equity firm noted that Women's Care has used binding arbitration agreements for more than 15 years. "These programs were instituted by and have always been developed solely by the physicians who own their practices," the statement reads. "These physicians are committed to providing the highest quality patient care in an incredibly challenging legal environment for independent medical practitioners."

It's unclear how many other private-equity-backed groups use binding arbitration, because patient forms are generally kept private. They are well known to doctors, though, who see the agreements as part of a larger pattern in which investors roll up practices and then cut costs frantically in an effort to groom the business for sale, generally to an even larger company. A *Businessweek* investigation published in May found that some private-equity-owned medical practices buy cheaper, and sometimes substandard, medical supplies and hire providers who aren't as well trained as doctors, such as nurse practitioners and physician assistants, to do work that would traditionally have been performed by an M.D. When all this results in substandard care, the arbitration agreements are in place to limit liability.

On Dec. 7, *PE Hub*, a trade magazine, reported that Lindsay Goldberg had agreed to sell Women's Care Enterprises, which also owns other women's health groups in Kentucky and Southern California, to BC Partners, an even larger investment firm based in London. At least one of the groups in California also uses binding arbitration, though Women's Care says the agreement was in place before Lindsay Goldberg invested. BC Partners didn't respond to requests for comment.

Harrell has since found a new doctor who left Women's Care and doesn't use binding arbitration agreements. "There's nothing inherently wrong with investors buying medical firms, as long as doctors can practice the way they always had," she says. But, she continues, "what seems like a business decision can affect patient care if it's using this position of trust that doctors have to mislead patients to do something that's not in their best interest." B

Trips With Purpose

Where to Go in 2021

The global economy needs a travel rebound. You could use one, too. As soon as it's safe, make your plans count with 24 ideas to help heal the world one small step at a time

The plunge pool at Arctic Bath in northern Sweden

January 11, 2021

Edited by Nikki Ekstein

Businessweek.com

Restore The Environment

Breathe New Life Into Reefs in the Maldives

WHY NOW Rising temperatures have made coral bleaching a pervasive and ongoing threat, ever since more than 90% of Maldivian reefs died out during the 1998 El Niño event. The trailblazing effort known as Marine Savers has been a critical lifeline for this ecosystem and inspired similar projects across the archipelago. Staffed by 10 marine biologists at the **Four Seasons Landaa Giraavaru**, the group lets guests help build and install "frames" on which new coral can grow. The hotel's bungalows are perched over the water and have sea-gazing lofts, large-screen TVs, deep soaking tubs, and outdoor showers—leaving you in better shape than when you arrived. Return the favor by pitching in.

Leave No Trace in Costa Rica

WHY NOW When Costa Rica began its Certification for Sustainable Tourism (CST) program in 1998, it was a world's first. Today its Earth-friendly hotels have rippled into something of a global standard. A massive overhaul of CST criteria planned for 2021 will inspire

Snorkeling near a Four Seasons resort in the Maldives

Origins Lodge in Costa Rica

hoteliers to raise the bar higher and acknowledge those who already have. Take your pick of these new five-star openings: **Origins Lodge**, a jungle hideaway with treetop villas; **Nayara Tented Camp**, a glamorous, safari-style resort surrounded by a sloth sanctuary; or **Kasiiya Papagayo**, which holds just seven suites on 123 beachfront acres. All have been built with low- or no-impact construction methods. Meanwhile, the government released a carbon footprint calculator last November to encourage tourism offsets. It's also moving to protect 30% of its land under official conservation programs and encouraging other countries to do the same.

Toast a Greener Future In California Wine Country

WHY NOW Four years of devastating fires haven't dimmed Napa and Sonoma's luster as one of the plushest, lushest—and greenest—wine regions around. Sonoma became the most sustainable viticultural area in the world in late 2019 after 99% of its vineyards were certified as such by third-party auditors, and **Montage** brought the town of Healdsburg a new level of luxury stay when it opened in December. Its 130 bungalows are partially solar-powered, most with ample terraces and outdoor showers. Get in on the spirit with a zero-emissions vacation: Restrictions in Burgundy and Tuscany mean that bike trip operators including **VBT**, **DuVine**, and **Backroads** are doubling down on high-end Golden State adventures. When the **Four Seasons Resort Napa Valley** makes its debut early this year in Calistoga, guests not only can roll up their sleeves and help harvest the property's organically farmed vineyards, they'll have front-door access to bike the 47-mile Vine Trail, which will eventually link the valley from the Vallejo ferry terminal to Calistoga.

Instead of crowded tasting rooms, California wineries opened intimate settings, such as the private cabanas on the Charles Krug and Chandon estates.

Commune With Nature In Swedish Lapland

WHY NOW The tiny new destination hotel in remote northern Sweden, **Arctic Bath**, has a negligible environmental footprint, in part because it barely touches the ground. Inspired by old timber-transporting practices, architects Bertil Harström and Johan Kaupp designed the property to float on the Lule River in the heart of icy, gorgeous Lapland, a veritable winter wonderland with reindeer herds and vast pine forests. The circular main structure resembles a woodland giant's crown; nearby, a dozen cabins poke playfully from the water or perch on stilts ashore. In winter the whole thing freezes in place, affording gorgeous views from the private decks. The restaurant serves local game and aquavit and is heavily influenced by indigenous Sámi cuisine. Despite the bracing temperatures—it's below freezing half the year—most of the action is outdoors, whether snow biking, moose watching, or dog sledding under the northern lights. There's also a plunge pool at the hotel's center, but don't use it to warm up: It's cut right into the ice.

Catalyze Change In Ischia

WHY NOW Italy is eternally magnetic, a place so universally beloved that its early devastation from the pandemic was mourned around the world. Now, with borders slowly reopening to international tourism, it's time to return. Head first to the island of Ischia, which sits opposite Capri in the Gulf of Naples. Italians favor its rugged landscape, millennia-old thermal baths, enchanting beaches, and literary pedigree. (Homer mentioned Ischia in "the Iliad." It also had a star turn in Elena Ferrante's Neapolitan novels.) The destination holds special appeal for walkers: Some of the best spots to eat and drink are accessible only by cliff paths. That proclivity for all things natural inspired hotels such as **Mezzatorre** to band together. Their sustainability-oriented version of "build back better" includes plans to develop electric-car-sharing programs for visitors and reduce carbon footprints through an updated set of best practices. ▶

PHOTOGRAPHS: COURTESY FOUR SEASONS MALDIVES (MALDIVES). COURTESY ORIGINS COSTA RICA (COSTA RICA)

Rewild The Animal Kingdom

Penguins at Paradise Bay in Antarctica

Contribute to Research in Antarctica

WHY NOW A total solar eclipse in December will bring every ice-breaking ship as far south as possible, to witness a phenomenon that only comes every decade or two. While the event itself will last only minutes, several expedition outfitters are creating hands-on opportunities to fill the rest of your days. Throughout the polar travel season (austral summer), passengers aboard **Ponant**'s hybrid-electric, natural-gas-powered *Le Commandant Charcot* can get an immersive scientific experience, retrieving instruments from glacial waters or assisting researchers with data collection. Or choose your own adventure when you charter one of **Pelorus**'s expedition-grade megayachts. In concert with its eponymous foundation, the British outfitter can send ornithologists or marine biologists on your expedition, so you'll come home with not just incredible photos but also the satisfaction of helping contribute to the scientific record.

Champion Biodiversity in Ecuador

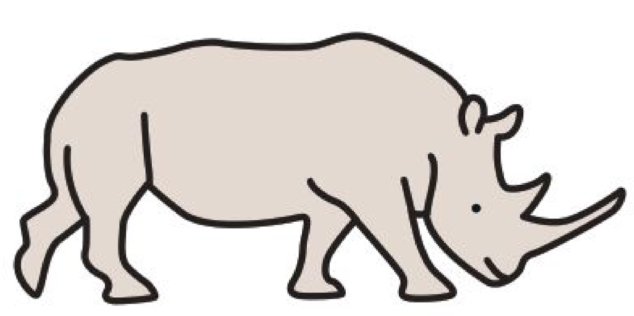
WHY NOW The Amazon, the Andes, the Galapagos: It's hard to believe they're all represented in one tiny, multifaceted country that's roughly the size of Nevada. Start your exploration inland at the new **Cotopaxi Sanctuary Lodge**, named for the world's tallest and most active volcano. Its eight lavishly appointed suites and bubble tents are the gateway to 7,500 acres of privately owned and protected grasslands filled with Andean pumas, wild horses, and speckled bears. To the east, **Intrepid Travel** is offering four-day Amazonian jungle trips guided by Indigenous families who know where to find caimans, sloths, and anacondas. Tack that onto the country's most iconic bucket-list item: a Galapagos cruise. Even those are getting greener (and more luxurious) thanks to **Quasar Expeditions**' forthcoming *M/Y Conservation*, an entirely carbon-neutral, 10-cabin vessel with a first-of-its-kind silent engine. It means those on board will be able to appreciate the area's wonders without disturbing its natural order.

PREVIOUS PAGE: SLH/COURTESY ARCTIC BATH

Prevent Poaching in South Africa

WHY NOW It's one thing to view animals from the safe confines of a safari Jeep—and yet another to venture out and get hands-on with conservation efforts. This type of close-up encounter is normally a five-figure proposition but is becoming more accessible throughout South Africa. **Marataba Conservation Camps** recently opened with two intimate tented accommodations in a privately managed part of Marakele National Park. Guests can pay $3,500 to spend three days extra notching rhinos and patrolling for snares with an anti-poaching unit that protects those giants as well as elephants, lions, and cheetahs. In the eastern province of KwaZulu-Natal at **AndBeyond Phinda Private Game Reserve,** there's no upcharge to tag and monitor the elusive pangolin, whose status as the world's most trafficked animal may have made it an intermediate host of the virus that causes Covid-19. And in the Kalahari Desert, **Tswalu** lets guests accompany resident scientists to track and collect data on Cape cobras or pangolins, sometimes in the middle of the night. It's a (complimentary) way to contribute to the understanding of these creatures and how their protection as a species is directly linked to ours.

Lockdowns helped white rhinos stay safe, too. In South Africa, the number killed by poachers fell by 53% in the first half of 2020.



THIS SPREAD: LAURENCE FISCHER/STUDIO PONANT (ANTARCTICA). COURTESY MARATABA CONSERVATION CAMPS (SOUTH AFRICA)

Bring Back The British Countryside

WHY NOW If the conversation around climate change usually focuses on curbing damage, an elite gang of eco-warriors with extremely good taste is going one step further: returning their land to its former glory. All across the U.K., aristocrats and wealthy landowners are using their estates for rewilding, focusing less on hunting parties and more on reintroducing native flora and fauna. Financing the efforts isn't easy, but tourism has emerged as the way forward. At **Alladale Wilderness Reserve** in Scotland, recognized by the Boutique Hotel Awards in 2019 as Europe's most eco-friendly hotel, that means fishing for trout in 10 pristine lochs; at **Fritton Lake** in East Anglia, it's learning about regenerative farming before tea at the adjacent Downton Abbey-like manor house. At other cinematic locations such as the sumptuous new **Falcon Hotel** at Castle Ashby, you can take hikes through sheep-filled meadows. Nowhere else in the world is Old World luxury and cutting-edge land conservation so tightly intertwined—though that may change as the European Union looks to ratify similar rewilding-inspired policies across the continent in 2021 and beyond. ▶

The "Cathartic Icons" exhibit at OH Gallery in Dakar

Rediscover Culture

Brush Up On African History In Senegal

WHY NOW Almost 1.4 million travelers came to Dakar in 2019, more than in any year before, mostly to visit the Unesco-protected **Ile de Gorée**, Africa's largest slave trading outpost from the 15th century to the 19th century. The site's preserved pastel-hued homes have dungeonlike basements that served as holding cells for slaves awaiting passage. Whether you're planning to trace your roots or learn more about race relations, you'll also experience one of the world's most exciting centers of art, fashion, and music. Besides traditional souks packed to the rafters with lavish textiles and colorful wicker ware, there are also contemporary titans of African creativity. They include Sarah Diouf, whose Tongoro label of 100% made-in-Africa womenswear is beloved by Beyoncé; Kine Aw, whose cubist paintings can be seen at the West African-centric **OH Gallery**; and swimwear designer Yodit Eklund, who recently opened Dakar's first boutique hotel, **Seku Bi**.

Witness A New Renaissance In NYC

WHY NOW The city that never sleeps took a good nap in 2020. Now she's waking up slowly, showing a side even the locals rarely see. Midtown is uncrowded, as are the museums—so have them to yourself while you can. Outdoor dining has energized every sidewalk and street corner; open-air theater and concerts will follow this spring. Although many fled to the burbs, the die-hards remain, doling out hot dogs, slicing lox, toiling in corner offices, and speed-walking in their masks through Central Park. Hibernation has been lovely, but a big, bold new chapter is on the horizon. By May, Daniel Boulud will open a seafood-centric dining room with soaring 57-foot ceilings in the $3.14 billion **One Vanderbilt** supertall skyscraper across from Grand Central Terminal. The **Frick Collection**'s superb anthology of old masters will take up residence at the Met Breuer while its Fifth Avenue mansion undergoes a two-year, $160 million renovation. And there will be more pampering hotels than ever: see **Six Senses**' first-of-its-kind wellness resort on the High Line in Chelsea and **Aman**'s $1.25 billion takeover of the Crown Building near MoMA, complete with 83 rooms, a jazz club, and a three-story spa.

Sustain Traditional Crafts In Lucknow

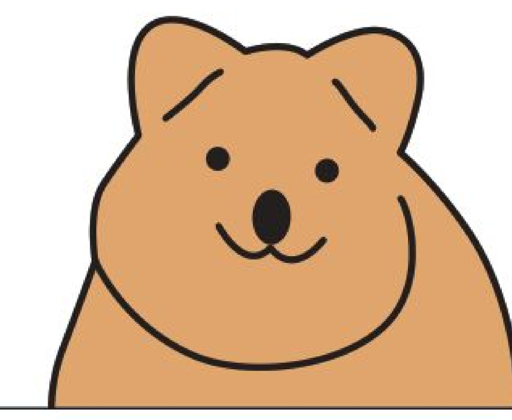
WHY NOW The fine needlecraft of *chikankari* was introduced to India from Persia during the Mughal Empire in the 18th century. Now centered in Uttar Pradesh's capital of Lucknow, 200 miles east of Agra, this exquisite textile art consists of tiny ivory swirls of hand-stitched flowers and leaves, usually spread over pure white *khadi* (cotton). **Qilasaaz** is considered one of the most skilled embroidery collectives, founded by Maharani Vijaya Khan of Mahmudabad as an empowerment project for rural women lacking other employment opportunities. **India Beat** arranges private appointments with her for serious collectors on a two-day Awadhi culture immersion in the City of Nawabs. Stay at the stately **Taj Mahal Lucknow,** tour the Bara Imambara mosque, explore local markets, and join an evening street food walk—the city is famous for a warm-spiced, slow-roasted stew called Khaas Nihari, prepared in large pots and sealed with a veil of dough.

Stitching *chikankari* in the palace at Mahmudabad

Hear Aboriginal Stories in Western Australia

WHY NOW In the Whadjuk Noongar language, *boola bardip* means "many stories." And sharing diverse Aboriginal narratives—through song, painting, sculpture, ceramics, or geology—is just what Perth's new $316 million **WA Museum Boola Bardip** aspires to do. Sitting on Whadjuk Noongar land, it's one in a growing list of attractions that celebrate the oldest continuous culture on Earth. In 2019 the government pledged $10 million to open road access to another: Murujuga National Park, which is located along the Timor Sea, holds the greatest concentration of rock art in the world. It also increased the number of sites for the homestay-like Camping with Custodians program, which allows visitors to immerse themselves in Aboriginal communities, from two to five. Then there's the new **Kalbarri Skywalk,** a pair of hairpin-shaped walkways elevated 330 feet above the Murchison River Gorge—Australia's Grand Canyon—where several First People are among the tour guides. It's all part of an effort to expand Aboriginal participation in the tourism economy—only 339 had full-time jobs in the industry in 2019—and bring their culture into the spotlight.

When Rottnest Island, near Perth, went from Aboriginal historical site to quarantine zone, its native quokkas became the cutest lockdown buddies on Earth.



Write a New Chapter In Latvia

WHY NOW Last summer, Latvian hotelier Aleksis Karlsons decided to temporarily shutter his acclaimed property, Hotel Bergs, in the capital of Riga and turn his family's countryside estate into a socially distanced getaway. It was a resounding success. With five oversize suites in the baroque mansion, another five apartments in the elegantly converted stables, and a lakeside sauna, **Rumene Manor** lured contented guests from all over the region who would normally spend their summer on the French Riviera. Expect this trend of architectural preservation to grow, as Latvian estate owners—whose languishing second homes are mostly relics of centuries of German feudalism—recognize the untapped international appeal. For now, book into **Villa Santa** or **Kuksu Muiza,** two *relais*-style inns that give many French châteaux a run for their money. ▶

PHOTOGRAPHS: COURTESY OH GALLERY (SENEGAL), DITTE ISAGER/EDGE REPS (INDIA)

Rebuild Communities

Support Locally Owned Tourism in Kenya

WHY NOW Maternal leopards with cubs, huge elephant herds, millions of migrating wildebeests: Kenya's Greater Mara Ecosystem is everything an animal devotee could ask for. And because local Maasai families manage the Maasai Mara National Reserve and lease the adjacent private conservancies to luxury camps, its approach to visitors is the gold standard for community-owned tourism in East Africa. A custom-designed trip with Nairobi-based Micato Safaris might include the five-suite, treehouse-inspired **Mara Nyika** camp, which has exclusive access to 50,000 giraffe-filled acres, or the **Asilia Rekero** camp, where you can fall asleep to the grunts of river hippos and the contact calls of lions. These trips are not only ideal for socially distanced times but also critical for ensuring the future success of the area's stewardship. Last year a $5 million fund created by the Maasai Mara Wildlife Conservancies Association and Conservation International helped keep their operations up during the halt in tourism. But returning travelers will be the true linchpin for the area's long-term security.

Affirm Ancient Wisdom In Western Canada

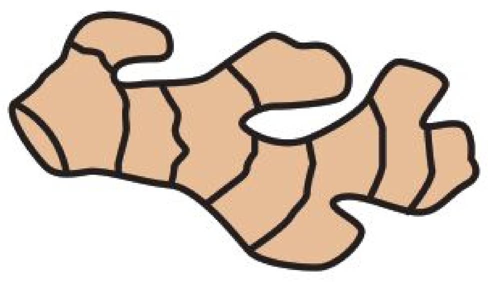
WHY NOW At the start of 2020, growth in Canada's Indigenous travel sector was outpacing the country's overall tourism activity, with 1 in 3 international visitors interested in such encounters. A new online booking platform called Destination Indigenous makes it easier than ever to meet that demand and funnel money back to these communities. It catalogs more than 200 First Nations-owned enterprises from coast to coast, with a concentration of fit-for-the-times, outdoorsy experiences in Alberta and British Columbia. At **Painted Warriors Ranch** in the Rockies, guests stay in glamping tents, learn to identify elk and coyote tracks, and navigate using the shadows of spruce branches. In Banff National Park, Brenda Holder, a Cree guide, leads medicine walk workshops through her company, **Mahikan Trails**. Even the region's most luxurious lodges are joining with First Nations groups to showcase their stunning ancestral lands. The wilderness survivor program at **Siwash Lake Lodge**, for example, trains guests on Indigenous methods of collecting food and water. Later this year, **Nimmo Bay** will introduce a set of activities led by native guides at its brand-new lodge in the Great Bear Rainforest.

The Agafay desert near Marrakesh

Empower Sherpas in Nepal

WHY NOW Covid-19 delivered an untimely blow for Sherpas, who make most of their annual income during the short mountain climbing season in April and May. But it also inspired the community–whose name refers to the entire Indigenous ethnic population–to diversify its tourism economy. When hikers return to the Himalayas, they'll find a kingdom ready to show off more than its world-class peaks. Up in the Tibetan Plateau, the arid Mustang region will become more accessible thanks to a network of new roads–previously, it could be traversed only on horseback–making it easier to visit **Yeti Mountain Home** and other Sherpa-owned luxury lodges. In the 9,000-foot-high village of Jomsom, the 29-room **Moksha** has opened with a hot-springs-fed pool and floor-to-ceiling windows that face Nilgiri, one of Nepal's tallest massifs. Following in the same community-minded footsteps is **Lost Horizons Resort**, coming in 2021 to the lake-filled Pokhara Valley. Its 7,000-square-foot spa, with a zero-edge pool that juts out over a tangle of lush wetlands, is set to rival Asia's most pampering retreats.

Half a million young people returned to rural villages in Nepal during the pandemic, transforming fallow land into farms and bolstering local food systems.



Jump-Start Economic Recovery In the BVI

Rosewood Little Dix Bay in the British Virgin Islands

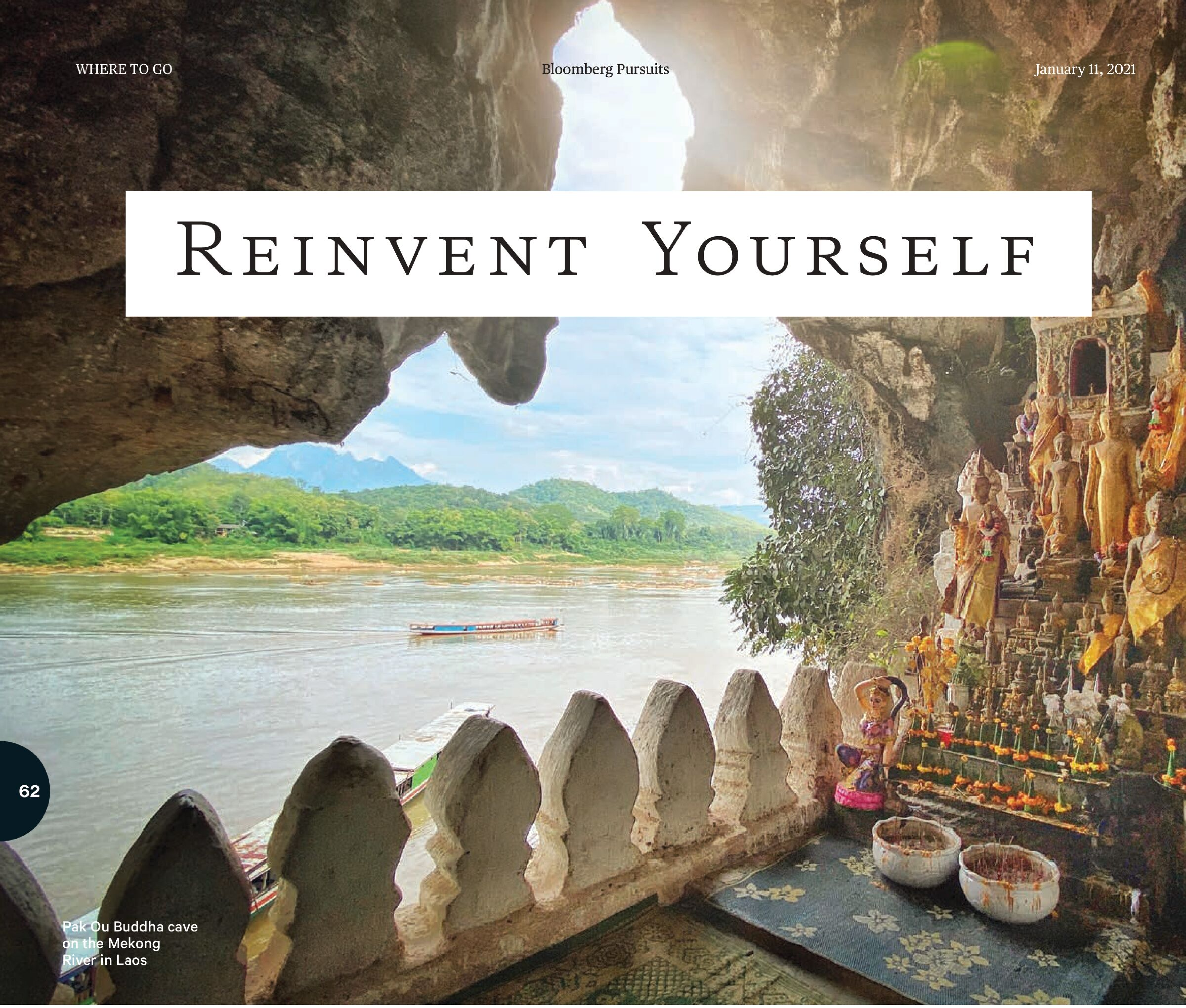
WHY NOW Few Caribbean nations are as dependent on tourism as the British Virgin Islands. The territory credits 57% of its gross domestic product and a third of its jobs to the hospitality sector. That's made the punch of Covid-19 especially profound–it froze visitation just weeks after the islands' best hotels wrapped up yearslong efforts to rebuild from hurricanes Irma and Maria in 2017. The wait will be worth it. On Virgin Gorda, **Rosewood Little Dix Bay** has reintroduced treehouse suites with outdoor showers and wraparound beach views; these secluded cottages, built on stilts to protect the fragile coastline, hark back to Laurance Rockefeller's original 1964 designs for the property. On the opposite side of the island, the ritzy **Oil Nut Bay** has added a "marina village" with an overwater restaurant, floating hammocks, and a suspended pool. Perhaps most thrilling to a certain set of luxury seekers, Richard Branson's exclusive **Necker Island** no longer requires an $80,000-per-night buyout. For the first time in the property's 40-year history, its 11 suites can be booked individually at a relative all-inclusive bargain of $5,000. Take comfort in knowing that Branson is one of the region's largest philanthropic players and that your travel splurge is just what the country needs to get back on its indefatigable feet.

Combat Overtourism In the Moroccan Desert

WHY NOW Rather than add to the crowds at the Jemmaa el-Fna, the bustling main market square in Marrakesh, this is the year to visit far-flung desert locales traditionally accessed with a caravan of camels and where the economic benefits of tourism have yet to spread. **Overland Travel** charts driving trips that begin just outside the Red City and cut through the vertiginous High Atlas before arriving in the rugged beach town of Plage Blanche. With Bliss Mobil luxury expedition vehicles, which are capable of fording rivers and climbing sand dunes as well as any dromedary, guests can reach sites such as the isolated fortress village of Ksar Aït Ben-Haddou, to which Daenerys Targaryen laid siege in *Game of Thrones*. The routes can be customized to make stops at stunning campsites in unnamed desert towns and spend tea time with nomadic communities. ▶

PHOTOGRAPHS: JOSEPH OUECHEN FOR BLOOMBERG BUSINESSWEEK (MOROCCO). COURTESY ROSEWOOD LITTLE DIX BAY (BRITISH VIRGIN ISLANDS)

Reinvent Yourself



Pak Ou Buddha cave on the Mekong River in Laos

Feed Your Spiritual Side In Laos

WHY NOW In 2021, China will finish the last link of rail tracks meant to connect Kunming with Singapore. Its missing portion runs through 400km (249 miles) of Laos's jungle-clad valleys, considered one of the sacred cradles of Buddhism, so travelers looking to find inner peace should do so now before the crowds arrive. Join novice monks for an overnight at the rambling Wat Pha O temple in Luang Prabang, or go on a solemn *tak bat* (alms-giving) boat ride up the Mekong to less visited but no less devout villages. You can also pay a visit to the sanctified Tham Ting and Tham Theung caverns, filled with thousands of images of the Buddha, on excursions arranged by **Rosewood Luang Prabang.** The hotel's staff includes a former monk who leads chanting rituals and Vipassana silent meditations in the on-property sala.

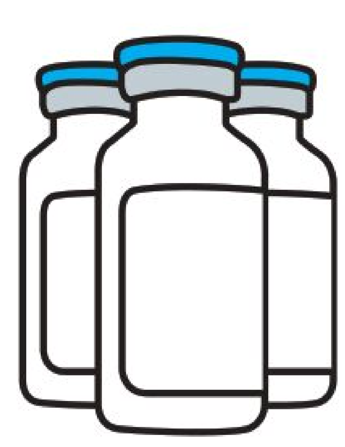
Walk an Entire Country In Andorra

WHY NOW Wedged high in the Pyrenees between Spain and France is the Catalan-speaking enclave of Andorra, a patchwork of jagged, tree-topped peaks whose perimeter is just 77.67 miles. Its diminutive proportions mean you can see it all (on foot!) in five days with luxury outfitter **Epic Andorra**, whose new Travessa Andorra circuit is like a Camino de Santiago for nature worshippers. Hikers tackle roughly a dozen miles of mountain trails each day, winding up and down rugged paths, and staying at traditional stone-and-wood bordas—centuries-old shepherding stations that have been reimagined as stylish chalets. (On some nights, you can opt to sleep in geodesic glamping tents with sweeping views of the starry alpine skies.) Each evening, generous *apats*—charcuterie boards of local meats and cheeses—await trekkers, to compensate for some of the calorie burn. And by the end, there are serious bragging rights for circumnavigating a country. It's a physical feat—with 19,980 feet of total ascent—even if the actual distance is similar to circling the (very flat) District of Columbia.

Study Up On Social Justice In Alabama

WHY NOW Add some context to the contemporary social justice movement by heading to its birthplace. In Montgomery, the state's capital, the **Freedom Rides Museum** will mark the 60th anniversary of the similarly named campaign against Jim Crow laws. Housed in a decommissioned 1951 Greyhound station, the institution is welcoming an exhibit featuring archival audio footage inside a newly restored bus from that time period. Nearby, the poignant **National Memorial for Peace and Justice** is another essential stop that features more than 800 suspended steel slabs commemorating Black lynching victims. In Birmingham, where the smartly designed **Valley Hotel** opens this month, the facade of the **A.G. Gaston Motel**—another key site in the fight against segregation—will be restored by summer. See it on a stroll of the city's Civil Rights District before digging into a "Saw's Soul Pie," a pizza topped with barbecued pork and Alabama white sauce. It's a specialty of **Post Office Pies**, run by Per Se alum John Hall.

Alabama's biotech industry contributed to the development of remdesivir and advances in molecular rapid testing in 2020.



The National Memorial for Peace and Justice in Montgomery

Find True Relaxation In Indonesia

WHY NOW An afternoon at the day spa isn't going to restore your inner tranquility after 2020, but a trip to a wellness-focused tropical resort just might. On Sumba island, about 100 miles south of Komodo National Park, **Alamayah** has just six rooms and an approach that's indulgent and healthful. The fine-dining restaurant serves plant-based cuisine; the "medicinal mixology" program believes as much in roots and tinctures as it does in a good stiff drink. Of course, much of the healing will be done all on your own in Alamayah's suites, which have freestanding bathtubs and private terraces with soothing ocean and jungle views. Meanwhile, Bawah Reserve, a private six-island archipelago northeast of Singapore, has opened its owner's compound to guests. Called **Elang**, it has six cliffside bamboo villas and a spa that's set in a restored *joglo*, or traditional Javanese house. If being on your own island with private butler service isn't enough to ease your stress, a daily spa treatment is included for each of 10 guests in the $15,000 nightly rate.

Discover Your Second Act in Todos Santos, Mexico

WHY NOW Transformative travel is the ultimate industry buzzword, but despite its overuse, only rare trips can spark an existential U-turn. Two resorts on the western coast of Mexico's Baja Peninsula, however, aim to do just that. In sleepy Pescadero, near the surf town of Todos Santos, **Modern Elder Academy** is a 19-room beachfront campus founded by ex-Airbnb executive Chip Conley that promotes itself as a midlife wisdom school. Its new series of two-week-long Sabbatical Sessions includes courses on crafting an encore career, mindset management, and Spanish, along with Shamanic cleansing sessions. A few miles north, the 35-suite **Paradero** resort teaches organic gardening and sound therapy in hopes of instilling skills that guests can take back home. Personal enrichment has never been more playful. Ⓑ

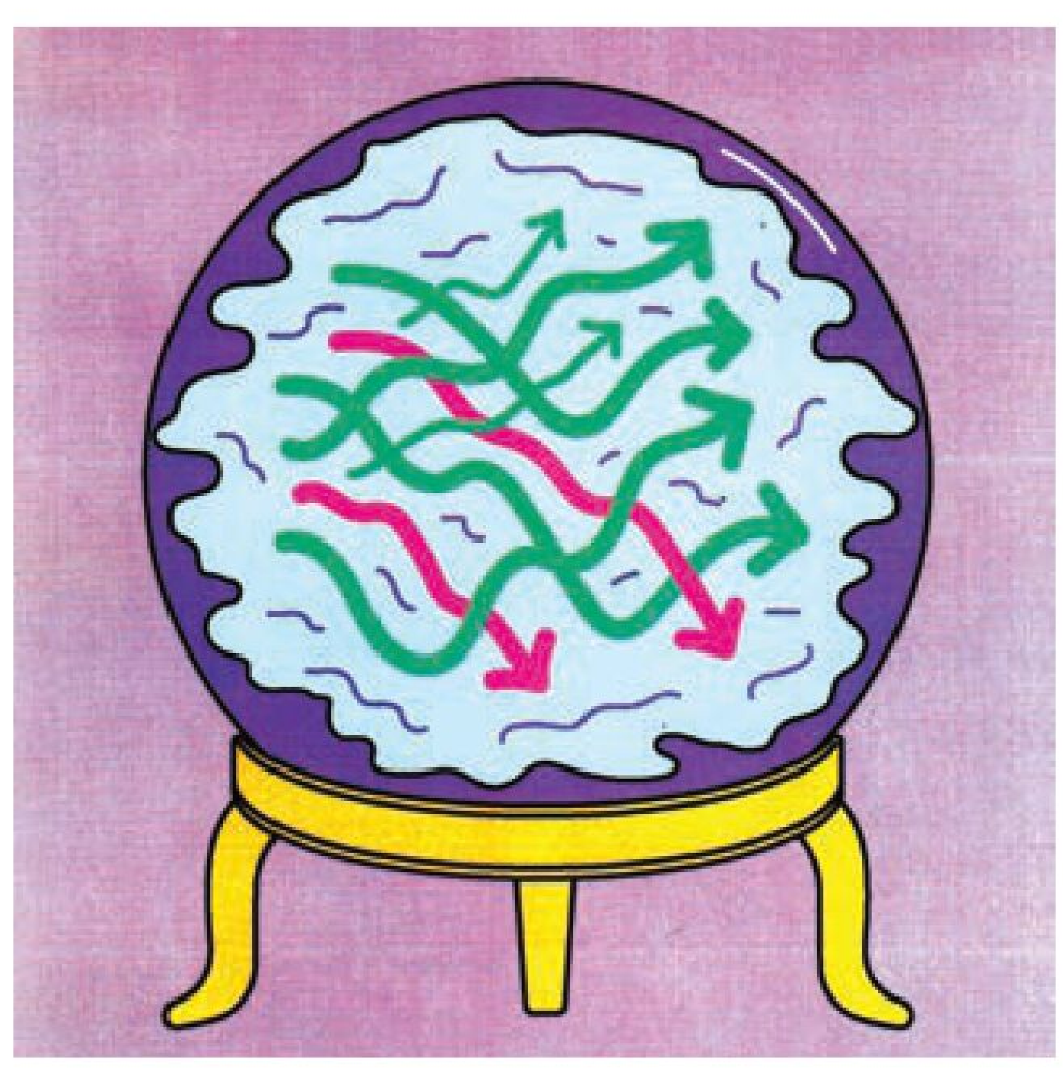
With Sara Clemence, Jacqueline Davalos, Jennifer Flowers, Matthew Kronsberg, Shane Mitchell, Jen Murphy, and Brandon Presser

PHOTOGRAPHS: GETTY IMAGES (LAOS); BARRY LEWIS/INPICTURES/GETTY IMAGES (ALABAMA)

Yet Another Winning Year For Hindsight Capital

By John Authers

With the miserable year of 2020 over, it's time to return to the offices of Hindsight Capital LLC. For those unfamiliar with this great, albeit imaginary, hedge fund—which I visit every year at about this time—it invests with a strategy guaranteed to beat all others: hindsight.



Certain limits are imposed on the fund: Hindsight makes all its trades at the beginning of the year and can't change them; and it must make broad sectoral bets, not buy individual stocks. It can, however, make "long-short" trades, betting on one asset to rise and a different one to fall. Hindsight also bases itself in the country with the year's worst-performing currency—in 2020 that was Brazil—which has the effect of improving its imaginary gains.

At the beginning of 2020, Hindsight was already aware of the novel coronavirus in Wuhan, China, and able to predict its effects. Here are some of its most profitable trades.

The pandemic lowered demand for oil. When the oil price falls, exploration companies are hit the hardest. Normally, lower oil prices also hurt alternative energy; in 2020, however, advances in solar technology meant it was a good time to put money into it. Shorting oil exploration companies and buying solar power producers brought a 435% return.

It was clear to Hindsight the pandemic would freeze travel and any activity that involved people meeting in large groups. Therefore, it logically bet against hotels, resorts, and cruise lines. Meanwhile, the tech giants that make it easier for us to work together or entertain ourselves without physical contact were bound to do well. Buying the FAANG group—Facebook, Amazon, Apple, Netflix, and Google—and shorting the hotels index made 177% for Hindsight.

Keeping people at home was devastating for traditional retailers. Hindsight bet against real estate investment trusts that own regional malls, which had a predictably nightmarish year. That wager, plus a bet on e-commerce, earned 187%.

Central banks kept interest rates extremely low to fight the economic impact of the pandemic. Hindsight played a likely surge in home sales and construction by buying lumber futures. Those ultralow rates squeezed the profit margins of mortgage REITs, which Hindsight shorted. Those trades returned 209% for the year.

The pandemic meant confidence in governments, already seemingly at rock bottom, crashed further. What could be more obvious, then, than to put money into cryptocurrencies, an exciting investment that coheres with libertarian distrust of state overreach? Bitcoin is the best known, but Ethereum, which embeds contracts in the blockchain, was an even more exciting prospect. Buying Ethereum made 643% for Hindsight.

Is Hindsight Capital a fair benchmark for others? No. But it only needed to make a few assumptions to make its trades: The pandemic would affect the economy, the West would deal with it far worse than Asia, and the main response would be cheap money. Throw in the implosion of OPEC+, and it turns out most of these trades could have been put on without much hindsight at all. Alas, the hedge fund won't tell me its trades for next year. Ⓑ
—*Authers is a columnist for Bloomberg Opinion*

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