

Citi's
Jane Fraser

wants

to

CHANGE

your

mind

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The first woman to run a top U.S. bank is trying to lead a long-shot comeback—and torment her rivals

Tech Goes Green

How Gaming and Streaming Fit into a Low-Carbon Future

Every time someone streams a video, posts a picture or powers up a game, a computer's memory chip is used. Although each click draws a seemingly insignificant share of power, when added together worldwide, these requests and processes require an enormous amount of energy.

As the demand to process ever-increasing volumes of data grows, the energy needed to support that data comes with a significant carbon footprint. With digital processes continuing to proliferate, information and computing technology is expected to account for up to 20% of global energy demand by 2030.

To lessen the impact of energy consumption on the environment, it's important to start with the biggest users of memory chips: data centers.

The future needs more efficient data centers

Data centers have an outsized impact on the planet. All the data sent over networks and the internet—videos, email messages, streaming games, music—is stored on a growing number of solid-state drives (SSDs) and hard

disc drives (HDDs) in data centers. Keeping these data centers running 24/7 and cooling the equipment takes a vast amount of energy: Data centers currently consume around 1% of global energy production, but could end up using more than 20% of global energy by the early 2030s unless the industry makes some big changes.

That's why Samsung has invested considerable effort to produce more sustainable memory chips that can save energy in data centers and reduce its overall environmental footprint.

"For decades, Samsung has been striving to incorporate environmental sustainability into every aspect of the semiconductor manufacturing process," says Seong-dai Jang, Senior Vice President and Head of the DS Corporate Sustainability Management Office at Samsung Electronics. "We'll continue to pursue more environmentally sustainable policies, beginning at the product development stage and across the entire production and supply chain."

Data centers use both HDDs and SSDs to store data. HDDs store data using spinning disks, while SSDs utilize flash



memory. Without moving parts, SSDs generate less heat and typically consume less than half the power of HDDs.

But not all SSDs are the same. Samsung SSDs feature industry-leading power efficiency; replacing all the world's server HDDs with Samsung SSDs could save an estimated 3 terawatt hours (TWh) of power annually, while replacing all DDR4 server DRAM with the latest Samsung DDR5 DRAM could save an additional 1 TWh. As data centers become more efficient, the energy required to cool their servers will also decrease significantly. The total energy savings of around 7 TWh gained from using low-power memory chips would be enough to power all households in New York City for four months.

Low-impact manufacturing

The environmental impact of data centers goes beyond their power usage, and includes the power and resources used to make the chips. As the world's demand for semiconductors surges, the amount of power and water required to create these complex chips has also increased. Samsung is leading the way in creating cutting-edge chips in an eco-friendly way—by using extremely fine and precise patterning technology that can reduce the number of steps needed to print microscopic circuits, while enhancing both chip performance and energy efficiency.

Samsung's global sites are also managed as greenly as possible by using 100% renewable energy for all its operations in the U.S., Europe and China; the company is presently adding solar arrays and geothermal power generation to its South Korean manufacturing campuses at Pyeongtaek, Giheung and Hwaseong.

Semiconductor manufacturing typically requires large amounts of ultra-pure water. To lessen the impact on the

planet, Samsung uses advanced filtration technology to recycle and reuse the wastewater; in 2020, Samsung reused about 70 million tons of water, 12% more than the year before. Samsung has also reduced wastewater sludge—a byproduct generated in the treatment of industrial waste—by using alternative materials and optimizing their use so there is less waste.

Additionally, Samsung has expanded its efforts to eliminate waste in landfills by developing innovative waste management and operational processes, such as recycling wastewater sludge and resin. Samsung received a Gold Level Zero Waste to

Landfill validation from UL, a global safety science leader, for all of its semiconductor operation sites worldwide. This signifies that Samsung's semiconductor sites in South Korea, U.S. and China meet the requirement of more than 95% waste diversion through methods that do not involve thermal processing. Samsung's DSR building in Hwaseong, Korea, home to most of Samsung's local semiconductor research and development, also received a platinum-level validation from UL for 100% waste diversion.

These efforts helped Samsung's nine semiconductor facilities to become the first semiconductor sites to earn the Triple Standard for carbon, water and waste, awarded by the U.K.-based Carbon Trust in June. In the past year, 14 of Samsung's memory and logic products also earned carbon footprint certifications from the Carbon Trust, which review each product's carbon impact, from the raw material extraction stage through production, distribution, use and disposal.

"We are committed to improving environmental sustainability across our semiconductor business operations through the continuous reduction of our carbon footprint," says Chanhon Park, Executive Vice President of Global Infrastructure Technology at Samsung.



HELP YOUR CLIENTS KEEP MORE OF WHAT THEY EARN

Tips for minimizing tax drag



Quick: Picture the last fund you bought for a client's portfolio. What was its expense ratio—that magic number that—in addition to performance—is often the primary influence for an investment decision?

Great, now when does that same fund

distribute capital gains, and at what rate? If you could answer the former and not the latter, you're not alone. As the end of the year approaches, **Michael Lane, Head of iShares for U.S. Wealth Advisory at BlackRock**, explains why it's never too late to aim to maximize returns by minimizing tax bills.

Do you find that financial advisors—not to mention personal investors—focus too much on fees at the expense of thinking through the tax implications?

Absolutely. Investors prioritize cost in almost every aspect of their daily lives, and rightfully so. Investing is no different. But saving very small amounts on fees may be less important than determining how taxes from potential capital gains distributions will affect portfolio returns.

What is it that tends to make ETFs more tax efficient than mutual funds?

Indexing as a strategy makes ETFs more tax-efficient than mutual funds due to lower portfolio turnover. Then there's the ETF product structure. Because investors buy and sell ETF shares on an exchange, it helps managers avoid selling securities within the ETF to fund redemptions from other shareholders. In turn, that helps reduce capital gains distributions.

It can happen, of course, but the probability of a capital gain being distributed by an ETF tends to be lower.

“Indexing as a strategy makes ETFs more tax-efficient due to lower portfolio turnover.”

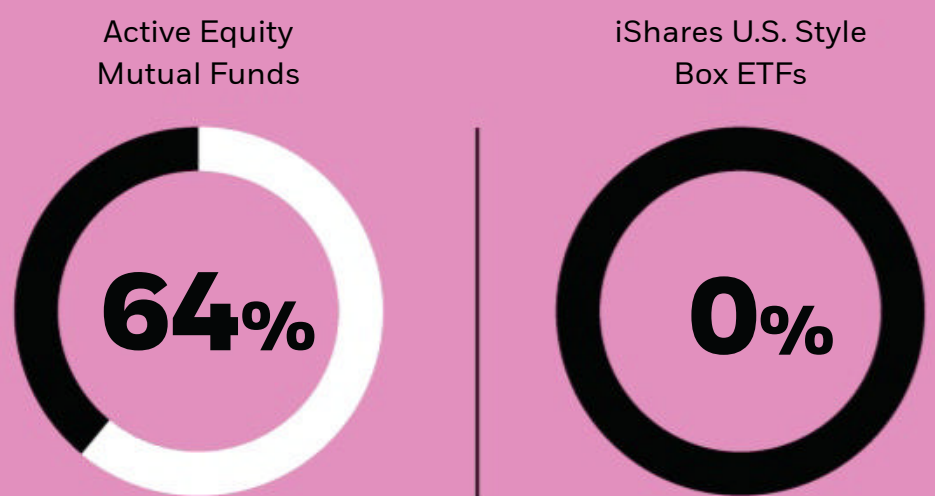
How can BlackRock's Tax Evaluator Tool help financial professionals avoid this pitfall on behalf of clients?

With the Tax Evaluator tool, financial professionals can save time, make their practice more efficient and, most importantly, help clients keep more of what they earn. All they have to do is upload a client's legacy holdings, and the tool tracks the date and amount of any estimated capital gains. Then, it offers potential alternatives if you decide to trade out of that mutual fund into an ETF. Finally, the Tax Evaluator will provide price return data, which helps financial professionals identify significant tax-loss harvesting opportunities.

Have you added any new functionality since it was launched?

The Tax Evaluator tool has always offered cost-efficient iShares ETFs as potential investment ideas, which we consider the basic building blocks of a portfolio. Last year we added factor-based ETF ideas for those interested in capturing exposures to factors such as Size, Quality, Minimum Volatility, Momentum and Value. And this year, we're adding environmental, social and governance (ESG) ETF ideas for those clients that may be interested in investing with an ESG focus.

Over the last five years, nearly two-thirds of active equity mutual funds have paid a capital gain, but 0% of iShares U.S. style box ETFs have.



*Source: BlackRock as of 12/31/2020; Morningstar, average of years 2016-2020 as of 12/31/20. Past distributions are not indicative of future distributions. *Represented by the oldest share class of each Active Open-End Mutual Fund available in the United States inception before 10/31 in each year and excludes funds that closed before 10/31 in each year as of 12/31/20.*

If you shouldn't time the market, then you really shouldn't try to time Washington, D.C. But looking to next year, do you think FAs should be preparing for an increase in the capital gains rate?

We always suggest trading based on what you know today, but there is some level of agreement that an increase is in our future. So talking to your clients over the next few months, looking at what they own and deciding if they should move from mutual funds into ETFs—that's a conversation that every advisor should be having with their clients.

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Transactions in shares of ETFs may result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. Certain traditional mutual funds can also be tax efficient.

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No proprietary technology or asset allocation model is a guarantee against loss of principal. There can be no assurance that an investment strategy based on the Tax Evaluator will be successful.

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PROGRESSIVE
COMMERCIAL



◀ The Crown Act, for Create a Respectful and Open World for Natural Hair, is stalled in the Senate, but many states have adopted versions of it

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PERSUASION
ISSUE**

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■ COVER TRAIL

How the cover gets made

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"So this week's cover story is about Citi's turnaround bid."

"Can we photograph the CEO?"

"We did!"

2

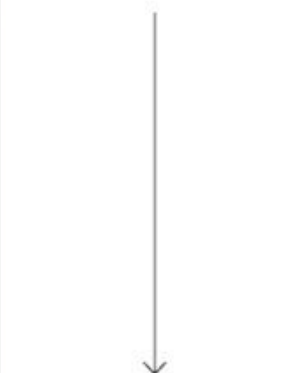


"Wait, this isn't a dude!"

"Indeed. Her name is Jane Fraser, and she broke Wall Street's glass ceiling."

"It's like she's floating on the clouds!"

"Well, yeah. I think Wall Street just wants her to help Citi stay afloat. It's still hard out there for a massively huge multinational bank."



Cover: Photographs by Annie Tritt for Bloomberg Businessweek

How to Contact *Bloomberg Businessweek*

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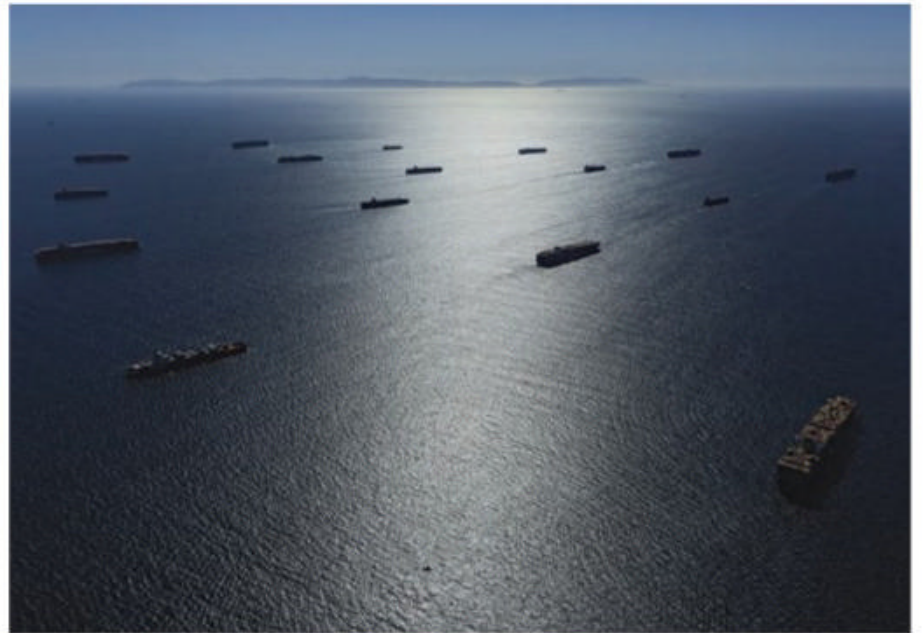
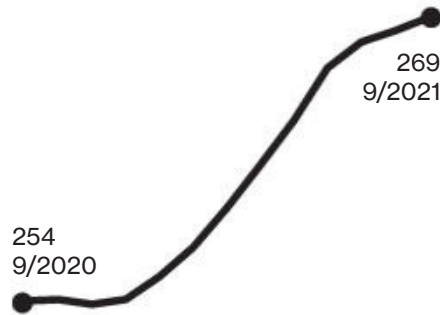
Worldwide coronavirus cases have topped

239m

Almost 4.9 million people have died, and about 6.6 billion vaccine shots have been given. Merck and Ridgeback Biotherapeutics sought emergency use authorization in the U.S. for molnupiravir, which would be the first oral antiviral treatment for Covid-19.

U.S. Social Security benefits will rise by 5.9% in 2022, tied to increases in the cost of living.

Consumer price index for urban wage earners and clerical workers



The global logjam of container ships continues. Outside the ports of Long Beach and Los Angeles, 60 vessels waited for a berth to offload on Oct. 9. The average wait is now more than 11 days, up from a high of about 8 days in April.

Expressing concern about the world's two-track recovery from the pandemic, the IMF lowered its 2021 forecast for global GDP growth from 6% to

5.9%

Most of the revision reflects difficulty getting people in the developing world vaccinated, but the fund also cut its projection for U.S. growth from 7% to 6%.

In a bid to turn some of its hit shows into full-on franchises, Netflix will soon offer merchandise on Walmart's website, including toys tied to *CoComelon*, baking kits from the *Nailed It!* cooking show, and T-shirts from the dystopian Korean thriller *Squid Game*.



Texas vs. Business



Goldman Sachs, Bank of America, Citigroup, and others are exiting the public-finance business in the state. New laws bar Texas from doing business with any bank that curtails ties with gunmakers or shuns fossil fuel producers. Barclays, TD Securities, and Wells Fargo are among the underwriters stepping in.

Defying an order from Governor Greg Abbott, IBM, American Airlines Group, and Southwest Airlines, three of the state's largest employers, have said they will follow President Joe Biden's mandate requiring that employees be vaccinated against Covid.

"The Afghan people should not pay the price of the Taliban's actions"

European Commission President Ursula von der Leyen, announcing a support package of about €1 billion (\$1.15 billion) for the Afghan people and neighboring countries during a G-20 call hosted by Italy.



China has begun work on a facility that will generate

400GW

of renewable power. Construction of the first phase, which will generate 100GW of wind and solar—more than what the entire country of India produces—is going smoothly at an undisclosed location in the country's western desert, President Xi Jinping told a UN biodiversity conference.

Ending years of gender-based marketing, Lego will no longer target boys and girls with different play sets. The Danish company isn't changing its popular products, only how they're sold.



The Ethical Investment Industry Has Tough Questions to Answer

Fund managers have long been eager to satisfy global investors' appetite for assets that meet environmental, social, and governance standards. But the ESG movement is facing a backlash—and not without reason. As Bloomberg News has reported, many of the promises made to claim ESG virtue turn out to be meaningless, and corporations issuing “green bonds” aren't always very green. Former champions of the movement have been speaking out about weak or contradictory assurances, describing an industry more devoted to virtue signaling than to real action.

The ESG sector does have questions to answer. Many funds are run in a way that will do little or nothing to advance the movement's stated goals. Even at their best, these efforts are no substitute for wise government policy. Yet prudent ESG investing serves a useful purpose, especially in helping to finance the fight against climate change.

This isn't a fringe segment of global markets. ESG investments surpassed \$35 trillion last year and are on track to reach more than \$50 trillion by 2025, roughly a third of the world's assets under management. That's a colossal pool of capital. But how dedicated is the sector to genuine ethical principles?

The former chief investment officer for sustainable investing at BlackRock Inc., the world's largest asset manager, has published damning essays dismissing the whole idea as “marketing” and a “dangerous placebo.” Others have decried “ESG Lalaland” and reckless “wishful thinking.” Deutsche Bank AG's asset management arm, DWS Group GmbH, is the latest to find itself accused of greenwashing by a former sustainability chief and is now grappling with reputational damage and regulators' questions. (ESG accounted for almost two-fifths of DWS's net new assets in the first half of this year. The company rejects the allegations.)

One study discovered that funds committing to the United Nations' Principles for Responsible Investment increased their inflows but, after signing, voted less frequently on environmental issues. Another found that climate funds' investment strategies were uncomfortably close to the traditional kind.

No question, a reality check was overdue. Sustainability officers have become ubiquitous; effective external scrutiny of their claims, not so much.

The European Union has formally outlined what counts as a sustainable investment. The U.S. Securities and Exchange Commission is reviewing climate-related disclosure and has set up an enforcement task force to identify ESG-related wrongdoing. That's a good start, but more must be done to improve the quality of reporting by companies and their external raters. Money managers ought to demand no less.

And fund investors, for their part, should hold to account those who make fine promises and then fail to follow through.

Ethical investors would also be wise to rely less on simplistic negative screens—that is, excluding companies investing in coal, say—and more on recognizing new investments that serve ESG goals. This would help to shift capital to purposes where faster progress is needed. In addition, investors serious about sustainability could put greater emphasis on emerging markets, paying particular attention to borrowing by state-owned enterprises. At the moment too much effort is focused on Europe's equity markets and too little on larger polluters elsewhere.

Addressing climate change requires a deep economic transformation, and we won't achieve this without correctly aligned public policy. Even so, ESG can still be a valuable ally—if it gets better at keeping its promises. **B** For more commentary, go to [bloomberg.com/opinion](https://www.bloomberg.com/opinion)

■ AGENDA



► Big Numbers for Big Oil?

Baker Hughes, Halliburton, and Schlumberger, the world's largest oil and gas contractors, report quarterly earnings this week. The industry is ramping up drilling and fracking in response to the recent surge in prices.

► The CDC's Advisory Committee on Immunization Practices meets in Atlanta on Oct. 21-22 to consider broadening the use of vaccine boosters against Covid-19.

► The People's Bank of China will set its benchmark lending rate on Oct. 19. Analysts expect the one-year prime rate to hold steady at 3.85%.

► Canada and the U.K. report their September rates of inflation on Oct. 20. Forecasters say prices should continue to trend upward on both sides of the Atlantic.

► IHS Markit publishes its Euro Area Composite PMI, tracking business trends in the service and manufacturing sectors, on Oct. 22. Expansion in the region has slowed from a peak in July.

► The NBA kicks off its season on Oct. 19, but star players in some cities—including Kyrie Irving of the Brooklyn Nets—won't be allowed to play until they get a Covid vaccine.

► A Sotheby's auction of Fab Four memorabilia winds up on Oct. 19 in London. The starting bid for a fragment of the stage at the Cavern—“the birthplace of the Beatles”—is £1,500.

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Let's Make Covid Testing Part of Our Morning Routine

● A Harvard immunologist champions low-cost, at-home rapid tests to beat the pandemic

● By Emma Court and Jason Gale

On a sunny Monday in mid-September, scientist Michael Mina sits down at his desk at Harvard for the first time since the pandemic began. It's been so long that, through the window behind him, an entire gleaming 11-story building has sprung up. A neglected office plant is brown and withering, and a stack of scientific journals nearby date to February and March 2020.

The 37-year-old epidemiologist, immunologist, and physician says it didn't have to be this way: Workplaces, schools, event spaces, and more that have been desolate for better than a year could have stayed open—and safely—with a technology that's been here all along. Mina has long been a

tireless champion of inexpensive, do-it-yourself SARS-CoV-2 antigen tests that can return a positive or negative result in about 15 minutes, arguing for their wider deployment in op-ed articles, on Twitter, and in conversations with health authorities.

The idea is that when used widely and frequently, the detectors, similar to a home pregnancy test, could stop outbreaks before they begin. Countries such as Germany and the U.K. have invested heavily in the tests, making them available cheaply or even free. Others, including the U.S., have stuck with a more sensitive laboratory test that often must be administered by trained personnel and can take days to return results, depending on the lab's processing capacity.

"I've just been banging the drum about this really simple tool that, frankly, could have prevented the outbreaks of last winter," says Mina. "It could have—especially when we had no vaccines—saved hundreds of thousands of lives."

Rapid testing may finally be having its moment. Even in countries with plenty of vaccine supply, policymakers are coming to the realization that shots alone might not be

enough to stop the virus, especially its more infectious delta variant. President Joe Biden said on Sept. 9 that he would spend \$2 billion on 280 million rapid tests, and his administration announced an additional \$1 billion purchase this month—part of a group of measures that officials say should quadruple the number available for home use by December. It's not enough, but it's a start, Mina says.

The tests are also gaining support in countries that previously spurned them, including the "Covid Zero" nations such as Australia and New Zealand that until recently relied on international travel bans and lockdowns to avoid deadly outbreaks.

Limiting the use of antigen tests has been the question of whether the technology is good enough. The best tests work especially well at identifying people with more virus in their noses—likely spreaders of Covid—but they may miss 40% or more of those whom laboratory testing would flag as positive.

"We've needed very high-sensitivity tests, because the big issue in the past has been that we don't want to either miss cases or have so many false positives that we're overreacting to things," says Jodie McVernon, director of epidemiology at Melbourne's Peter Doherty Institute for Infection and Immunity, whose Covid modeling is informing the Australian government's plans to phase out lockdowns. The proportion of double-vaccinated adults there is forecast to surpass 80% in November. Australia's medical regulator recently approved rapid antigen tests for use at home, starting on Nov. 1.

Mina likes to compare the rapid technology to fire engines at a burning building while the laboratory test is emergency responders arriving to a building after it's burned down to embers. In other words, the rapid tests are good enough to catch what they need to, picking up the people who are likely more infectious. Modeling he's done shows that twice-weekly rapid testing is effective at stopping significant viral spread, even if only half the people do it and some mess up the test or it simply fails.

So while rapid tests may not be perfect, they can play an important role in helping businesses—and by extension, entire economies—chart a path back to normalcy. In one of the first randomized clinical trials, same-day screenings paired with N95 face masks and ventilation prevented transmission at a 500-person, five-hour indoor dance party in Barcelona in December of last year.

Covid is still depriving the U.S. economy of \$12.5 billion a month in output and employment, something that tests producing quick results could help remedy, says Paul Romer, a Nobel laureate and economics professor at New York University who was also an early proponent of vastly expanding access to testing. "The way to assess the degree to which we've failed in the U.S. is how much time and money would someone have to spend to get a test right now," he says. "And it's just crazy compared to the rest of the world and crazy compared to what it could be."

The global Covid market for antigen tests, worth \$5.3 billion in 2020, is projected to expand about 6.7% a year to reach \$8.3 billion by 2027, according to Grand View Research Inc.

Abbott, Roche, SD Biosensor, Access Bio, PerkinElmer, and Becton, Dickinson & Co. are among the biggest suppliers.

Covid isn't the first public-health emergency Mina has witnessed first-hand. During his college years, he spent a summer working at a clinic in Sri Lanka. Instead of returning to his college studies in the fall of 2004, Mina—an American who grew up in upstate New York—stayed in the country and joined a Buddhist monastery, where he spent long days meditating and was eventually ordained. When Sri Lanka was hit by the Indian Ocean tsunami that December, he witnessed the devastation. "It primed me for this," he says.

Mina went on to get a medical degree and doctorate, joining the Harvard T.H. Chan School of Public Health as an assistant professor in July 2019. He now tests himself as often as every other day. Boxes of tests that companies had sent him to try out were at one point piling up in a corner of his home, a stash too big to fit into a closet, he says. But rapid tests still remain difficult to purchase in the U.S. and are much more expensive than the 50¢ or a dollar per test that Mina says should be the goal. Even the world's most affordable versions cost at least a couple of dollars.

A large part of the blame for the status quo falls on those whom Brett Giroir, who led testing efforts in the Trump administration, calls "the lab snobs." Doctors, policymakers, and regulators have emphasized laboratory testing above all else. The U.S. Food and Drug Administration has authorized more than 400 Covid tests and collection kits, but only 13 are for at-home use, according to the agency's website. These types of tests have come a long way, Giroir says, though he thinks "there are still opportunities to improve upon that," either via the FDA or outside it.

Mina proposes regulating the technology through a different U.S. agency that could judge tests on speed, cost, and how well they measure contagiousness—what he describes as a public-health standard instead of a medical or diagnostic standard. Giroir says he supports the idea, noting that early this year he greenlighted tests developed by universities through the U.S. Department of Health and Human Services.

Others are more cautious. At the start of the pandemic last year, the FDA allowed blood-based screenings for prior Covid infection, known as antibody tests, to become available to the public, and "it was kind of a disaster," says Kelly Wroblewski, director of infectious disease programs for the Association of Public Health Laboratories. "You ended up with many, many, really poorly performing tests," she says. "You don't want that to happen again." Wroblewski says there should be more rapid testing but that realistically, the products may not be widely used.

Sitting in his office, Mina holds up a clear Ziploc bag that contains a swab and plastic collection tube inside. He wields it with palpable frustration. It's a test Harvard is distributing to those on campus, who can self-administer it but must send specimens to a lab for processing. "This is like, useless," he says. "This is the dumbest shit in the world, and this country is still doing it." **B**



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The Hunt for the Most Lucrative Patients



Privately run Medicare Advantage programs get paid more when members look sicker—even if they don't receive more care

Medicare is big business for insurance companies such as UnitedHealth Group, Humana, and CVS Health's Aetna unit. Selling private versions of the U.S. government health program for seniors—known as Medicare Advantage plans—is among the fastest-growing and most profitable markets in health care. About 26 million Americans, or 42% of all Medicare beneficiaries, choose to get their Medicare benefits through private plans, bringing more than \$300 billion annually into insurers' coffers.

Now federal authorities are raising alarms about the program's cost. Private Medicare plans, pitched as a way to deliver better care at lower costs, have never saved the government money, according to the Medicare Payment Advisory Commission (MedPAC), a panel of independent advisers to Congress that earlier this year noted

that some "policies are deeply flawed and in need of immediate improvement."

The private plans in fact collect 4% more from the government than what the feds would pay to cover the same enrollees in the traditional program, MedPAC says. Those higher costs go toward perks such as vision and dental care that aren't covered by traditional Medicare—a key draw for new members—as well as administrative expenses, marketing, and profits for private insurers. But they also reflect payments to companies that have mastered Medicare's arcane "risk adjustment" insurance coding system to generate higher payments from the government, maximizing their revenue and boosting their bottom lines.

The Department of Health and Human Services Office of Inspector General has urged the ▶

BUSINESS

◀ government to boost oversight of Medicare Advantage “so that plans will ensure practices drive better care and not just higher profits.”

Starting on Oct. 15 private companies will compete for new members during the annual sign-up window, with pitches that Medicare Advantage provides more comprehensive benefits and lower out-of-pocket costs, particularly for low-income seniors. “It delivers affordable coverage with lower cost-sharing [and] additional benefits that traditional Medicare doesn’t cover,” like caps on total out-of-pocket costs, says Matt Eyles, chief executive officer of America’s Health Insurance Plans, which represents insurers.

Critics say reform is overdue. Two former Medicare officials recently co-authored a critique of what they call the Medicare Advantage “money machine” on the blog of the journal *Health Affairs*. One of them, Don Berwick, ran Medicare early in the Obama administration. They urged Congress to make the risk-adjustment program “resistant to gaming.” Berwick says it distracts doctors from focusing on patients’ needs and diverts billions of dollars in public funds. “It’s taking money away from care,” he says.

Traditional Medicare pays doctors and hospitals directly for each procedure or test, a system known as fee-for-service. In Medicare Advantage the government pays insurers a per-member fee to take on the risk for the total cost of members’ medical care. In 2019 it was about \$12,000 a year per member. But health plans can get higher payments for signing up sicker enrollees. This policy, known as risk adjustment, is meant to compensate plans for additional costs and discourage them from cherry-picking healthy members.

The risk-adjustment system is at the heart of what drives the Medicare Advantage business, and federal authorities say it’s vulnerable to manipulation and fraud. By calculating a patient’s “risk score,” plans get paid more for higher-risk patients with more documented conditions, such as depression, diabetes, vascular disease, or pulmonary disease. The bump is usually \$1,000 to \$5,000 annually per diagnosis, according to MedPAC, but some illnesses can add \$10,000 or more.

This system creates incentives for Medicare Advantage plans to add diagnostic codes to patient records that, in the traditional Medicare program, doctors might not include. In the government program, with payment being based on service provided, doctors record the diagnosis only to justify why an office visit, test, or procedure took place.

In Medicare Advantage, submitting an additional diagnosis means a plan gets paid more, whether

it affects that patient’s treatment and even if no treatment is given for the specified malady. Medicare paid private plans \$9 billion more in 2019 than if the same patients were enrolled in traditional Medicare because of Advantage plans’ more intensive use of coding, MedPAC estimates.

The incentive to collect diagnostic codes has led to practices that authorities say may inflate payments without benefiting patients. Insurers regularly review charts and use software to mine patients’ medical records for diagnoses that doctors didn’t submit. They also send their own clinicians to patients’ homes to conduct “health risk assessments,” which can unearth other illnesses or conditions that can be added to patients’ records, raising their reimbursement value from Medicare.

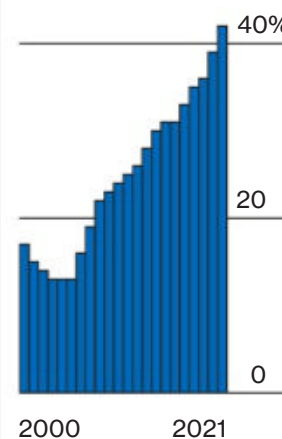
An HHS Office of Inspector General report identified \$2.6 billion in payments made in 2017 for diagnoses that were reported solely on health risk assessments, not linked to any other care beneficiaries received. Only 10 companies drove almost all the payments related to in-home risk assessments, the OIG says. Records obtained by Bloomberg News show that UnitedHealth, Humana, and Aetna were among them.

Medicare plans also earned millions of dollars in payments from in-home health assessments for thousands of people who apparently received no other Medicare services that year, “which calls into question the treatment and follow-up care provided to these beneficiaries,” the inspector general wrote. Records obtained by Bloomberg show those plans were largely operated by UnitedHealth Group Inc. and Humana Inc. Together, the two companies cover more than 11 million Medicare Advantage members, almost half the total.

UnitedHealth and Humana declined to make executives available for on-the-record interviews. Tim Noel, CEO of UnitedHealthcare’s Medicare & Retirement business, said in a statement that “our in-home clinical visits are the gold standard for how seniors should be evaluated for physical, mental, and social needs.” Humana spokeswoman Kelley Murphy said in an email that “by being in the home we’re better able to evaluate and care for the personal needs of members, including their social and behavioral challenges,” noting that Medicare recognizes chart reviews and health-risk assessments as “valuable tools” for managing members’ health.

A spokesperson for the Centers for Medicare & Medicaid Services said in an email that the agency “is committed to ensuring that payments to Medicare Advantage plans are appropriate and that risk adjustment works as intended” to pay plans for the risk they take on.

▼ Share of Medicare beneficiaries enrolled in Medicare Advantage



Federal prosecutors and company insiders allege in a series of whistleblower lawsuits that some risk-adjustment tactics cross the line into fraud. The U.S. Department of Justice has brought cases against insurers, providers, and vendors involved in risk adjustment, including UnitedHealth, Anthem Inc., Kaiser Permanente, and others.

In the suit against Kaiser Permanente, six separate people came forward independently to file complaints under seal against the HMO. The Justice Department intervened in the cases this summer. The unsealed complaints open a window into how the incentive to add codes plays out. One of the whistleblowers described mandatory “coding parties” in which physicians gathered in a single room with computers to update patient records with retroactively added diagnoses.

A spokesman for Kaiser Permanente wrote in an email that “our policies and practices represent well-reasoned and good-faith interpretations

of sometimes vague and incomplete guidance.”

Kaiser Permanente and other insurers say they followed the program’s rules and will fight the suits. An Anthem spokesman said in an email that “the government is trying to hold Anthem and other Medicare Advantage plans to payment standards” that don’t apply to the traditional program and that guidance was unclear.

Democrats in Congress are weighing changes to Medicare, including adding dental and vision coverage to traditional Medicare, which could diminish one of the main draws for Medicare Advantage customers. But those proposals may be pulled to reduce the spending plan’s cost. Either way, the growth of Medicare Advantage plans—which have doubled enrollment in a decade—shows no sign of slowing down. —*John Tozzi*

THE BOTTOM LINE About 26 million Americans belong to private Medicare Advantage programs. Critics say the plans have financial incentives to boost the numbers of maladies members report.

China’s Unlikely EV Proving Ground

● It’s using Norway, the world’s No. 1 market for electric cars, to hone its international sales skills

Kjell Emil Kallestad never pictured himself in an electric vehicle. But when his partner traded in her diesel SUV for a battery-powered crossover last year, the 67-year-old machine operator in Straume, Norway, followed suit. In one sense the purchases by the residents of this tiny island village were nothing out of the ordinary in the country, where EVs have caught on faster than anywhere else in the world. But what’s unusual is where the two models, an MG ZS and an Xpeng G3, came from: Both were produced in China.

“It says ‘Made in China’ on almost everything,” says Kjersti Midttveit, Kallestad’s partner. “I was not afraid of that at all.”

More than a dozen Chinese automakers are or will soon be exporting electric models to Europe and the U.S., and most are using Norway as a sort of proving ground. Companies including Berkshire Hathaway-backed BYD, Nio, Xpeng, and China’s biggest automaker, SAIC, have all floated fleets of EVs to Western Europe’s biggest producer of oil and gas.

What’s playing out in Norway is an experiment by companies that are both increasingly competitive at home and no longer content to stay on their

own shores. So far, sales in Norway are relatively low. But the carmakers are after more than just volume. They’re looking to gain experience as to what it takes to succeed in overseas markets.

“We’ve had a long-standing thesis that China will use battery-electric vehicles as the medium to become a significantly more powerful player in the industry,” Joe Spak, a U.S. auto analyst at RBC Capital Markets, wrote in a report earlier this year. “So this bears monitoring. First Norway, then Europe, then...”

A substantial package of incentives rolled ▶



◀ Midttveit and Kallestad with their Chinese EVs

◀ out starting in the early 1990s has put Norway on course to be the first country to eliminate combustion-engine vehicle sales. Hydropower has rendered electricity cheap, particularly relative to gas, which costs the equivalent of more than \$8 a gallon. The sales tax on EVs is zero, while the fees for transporting them via ferries, parking them in public lots, and driving them on toll roads are all discounted at least 50% relative to cars that run on fossil fuels.

While Norway's parliament has set a non-binding goal for new-car sales to go entirely zero emission by 2025, the Norwegian Automobile Federation's *Motor* magazine recently pointed out the trend line for gasoline and diesel car sales suggests this could be achieved as soon as April 2022. Of the 17,992 new cars registered in Norway in September, 13,946, or 78%, were zero-emission vehicles—a record.

Chinese automakers first harbored ambitions to sell cars in Europe in the early 2000s, with companies such as Geely Automobile Holdings, Great Wall Motor, and Chery Automobile looking to export but largely not following through. Geely has been an exception largely because of its parent's acquisition of Volvo Cars from Ford Motor Co. in 2010. "The last time China tried to sell cars in Europe, many, many years ago, it went very badly," says Christina Bu, secretary general of the Norwegian Electric Vehicle Association. "Now, they have really done the job well."

Per Roar Johansen, who lives in Uthaug in central Norway, had a combustion-engine vehicle from when he got his driver's license until March of last year, when he bought an MG produced by SAIC Motor Corp. The 32-year-old chef used to spend about 3,000 Norwegian kroner (\$350) a month on diesel; now his driving cost has fallen to 500 kroner. The top-of-the-line version of the ZS crossover he bought costs about 280,000 kroner, just 60% of the price of a South Korean-built Kia Niro crossover, with more cabin space and a panoramic roof. "I'm very pleased," he says. "There's no doubt in my mind: I will go for an electric car next time, too."

The MG ZS was the first Chinese electric car to arrive in the market last year. Since then, Bu says, the number of Chinese EVs "has exploded."

"There is a lot of interest in learning, and they think it is smart to test it out in an established market," she says. "Here, they don't have to crack down on two skeptics at once: whether it is skepticism for a Chinese car or skepticism for an electric car."

Among those that quickly followed were Xpeng Inc., which delivered its first G3 electric SUVs to

Norway in December. Xpeng's president, Brian Gu, left a top investment banking post at JPMorgan Chase & Co. in 2018 to help lead the carmaker to its debut on the New York Stock Exchange in August 2020. The shares have more than doubled since.

"You have to be international if you want to be a true leader in the industry, and there's no way to neglect the huge European market," Gu says. "It is a place we must fight for."

Nio Inc., which almost went out of business before a Chinese municipal government's rescue early last year, mounted an epic comeback with the help of electric SUVs that have competed head-on with Tesla Inc.'s Model Y in China. On Sept. 30 the company started sales of its all-electric ES8 model and opened a Nio House—both a sales center and clubhouse for the brand's aficionados—in Karl Johans Gate, the extremely expensive main parade street of Oslo, between the Norwegian Royal Palace and the nation's parliament. No typical car showroom, the space includes a fireplace, a library, and displays of gifts from Nio owners in China. "Here, we'll see lessons learned, and we're going to adapt the Nio processes and Nio services into other European countries going forward," says Marius Hayler, general manager of the company's Norway operation. Founder William Li has said he wants to expand next to Germany, by late 2022.

BYD Co., which attracted Warren Buffett's Berkshire Hathaway Inc. in 2008, plans to export about 1,500 of its electric Tang SUVs to Norway this year. The company is considering bringing a smaller version of the model to the Norwegian market along with one or two others by early 2023, says Isbrand Ho, the head of BYD's Europe business.

BYD has already learned that features it offers at home to its relatively younger customer base aren't necessarily a good fit for customers in Norway. "We offer, for example, technology such as karaoke in the car," Ho says. "Can you imagine a 45-year-old European gentleman driving his Tang SUV in Oslo, holding up his microphone and doing some singing? I cannot imagine that."

Strong interest in BYD vehicles has encouraged the company to consider opportunities beyond Norway, where—like almost all of continental Europe—cars are driven on the right-hand side of the road. The company plans to begin offering left-hand-traffic versions of its vehicles. Says Ho: "I guess I don't have to tell you which country I'm looking at." —*Craig Trudell, with Lars Erik Taraldsen, Chunying Zhang, and Tian Ying*

THE BOTTOM LINE Norway has the highest share of new EV sales, with zero-emission models accounting for 78% of cars sold in September. Chinese EV makers want to ride that wave.



● MG ZS
Manufactured in Zhengzhou, Henan province

\$35.3k



● Nio ES8
Manufactured in Hefei, Anhui province

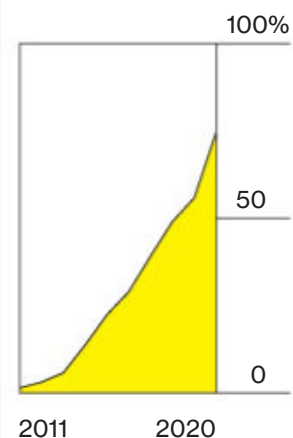
\$71.6k




● Xpeng P7
Manufactured in Zhaoqing, Guangdong province

\$51.7k

▼ Battery-electric vehicles and plug-in hybrids as share of new passenger vehicle registrations in Norway





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The **Unproven** Covid Remedy That's Selling Like **Gangbusters**

● Despite widespread doubts about the deworming medicine ivermectin, some producers see a jackpot

Before the pandemic, Taj Pharmaceuticals Ltd. shipped negligible amounts of ivermectin to Russia for veterinary use. But over the past year it's become a popular product for the Indian generic drug maker: Since July 2020, Taj Pharma has sold \$5 million worth of the pills for human use in India and overseas. That's a bonanza for a small, family-owned company with an annual revenue of about \$66 million.

Sales of the drug, which is primarily approved to treat diseases caused by parasites in livestock and humans, have surged globally as anti-vaccine propagandists and others tout it as a Covid-19 cure. They claim it could end the pandemic if only people like Dr. Anthony Fauci, the director of the National Institute of Allergy and Infectious Diseases, would open their eyes to it. "We are working 24/7," says Shantanu Kumar Singh, Taj Pharma's 30-year-old executive director. "The demand is huge."

The company, which has eight production facilities in India, is among a raft of drugmakers—many of them in developing countries—seeking to cash in on ivermectin's sudden popularity, unfazed by advisories from the World Health Organization and the U.S. Food and Drug Administration saying that clinical studies haven't shown conclusive evidence of the drug's effectiveness against coronavirus infections. Undeterred, manufacturers have sharpened their sales pitches and cranked up output.

Ivermectin shot into the limelight last year after some initial studies indicated it held promise as a potential Covid treatment. After world leaders including President Jair Bolsonaro of Brazil and celebrities such as podcaster Joe Rogan seized on ivermectin, doctors worldwide have come under pressure to prescribe it.

Since the patent held by original manufacturer Merck & Co. expired in 1996, small generic drug makers like Taj Pharma have taken up production, accounting for a slice of the global supply. Merck, which still sells ivermectin under the brand name Stromectol, warned in February there was "no meaningful evidence" it was effective against Covid.

Yet all those advisories haven't discouraged millions of Americans from getting prescriptions from like-minded physicians on telemedicine sites. Outpatient prescriptions have shot up more than 24-fold from

pre-pandemic levels, to 88,000 a week in the seven days ended on Aug. 13.

Typically used to treat roundworm infections in humans and livestock, ivermectin won its discoverers, William Campbell and Satoshi Omura, a Nobel Prize in 2015. Some studies have shown the drug can reduce viral load for Covid, according to researchers at Oxford University. But many studies on ivermectin's benefits for Covid patients are small and lack good evidence, according to Cochrane Infectious Diseases Group, which evaluates medical practices.

Health officials have warned that improper dosing of even the human version of the drug could cause nausea, dizziness, seizures, coma, and death. Media in Singapore this month detailed a woman's Facebook post about how her mother avoided vaccination but took ivermectin instead, influenced by friends at her church, and fell seriously ill.

Despite safety concerns and a rash of poisonings, the drug's popularity among those who see the pandemic as a conspiracy is enduring. It's also become a drug of choice in poorer countries where Covid treatments are hard to come by and regulation is lax. Available over the counter, it was much sought after during India's delta wave.

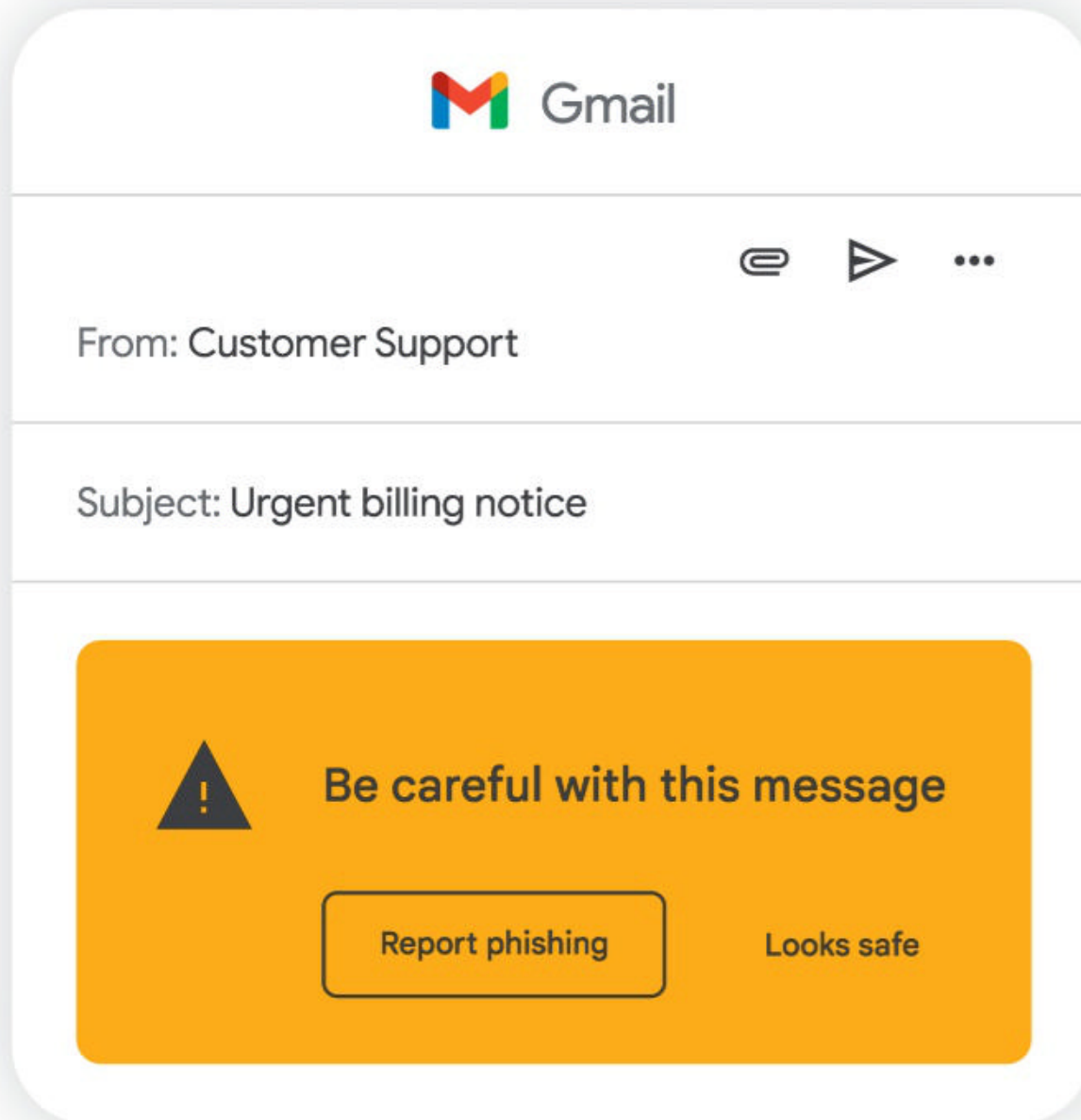
Some drugmakers are feeding the interest. Taj Pharma—which says that it doesn't ship to the U.S. and that ivermectin isn't a large part of its business—has courted believers and publicized on social media an oft-used line that the vaccine industry is actively conspiring against the drug. The company's Twitter account was suspended briefly after touting the medicine with tags such as #ivermectinworks.

In Indonesia the government initiated a clinical trial in June to test ivermectin's effectiveness against Covid. The same month, state-owned PT Indofarma began producing a generic version. It has since distributed more than 334,000 bottles of the pills to pharmacies across the country. "We market ivermectin in line with its main function as an antiparasitic drug," says the company's corporate secretary, Warjoko Sumedi, adding that some published reports say the drug is effective against the disease. "Its use as other therapy is the prerogative of the doctors who prescribe it," he says. ►

"It may or may not be effective. People are desperate"



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keeping scammers
out of your inbox.

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◀ So far, the ivermectin business is small for Indofarma, which had total revenue of 1.7 trillion rupiahs (\$120 million) last year. The drug has brought in 36 billion rupiahs in the four months since production started. The company sees more potential, though, and is preparing to introduce its own ivermectin brand, called Ivercov 12, by yearend.

Last year, Brazilian maker Vitamedic Industria Farmaceutica sold 470 million reais (\$85 million) worth of ivermectin, up from 15.7 million reais in 2019. It spent 717,000 reais on ads touting ivermectin as an early treatment against Covid, Vitamedic director Jailton Batista said on Aug. 11 during testimony to Brazilian lawmakers investigating the government's handling of the pandemic. The company didn't respond to requests for comment.

In countries where there's a shortage of ivermectin meant for humans or people are unable to get prescriptions, some are seeking out the veterinary variant, which can pose the risk of severe side effects. Afrivet Business Management, a major South African maker of animal medicines, has seen prices of its ivermectin product at retailers there jump tenfold, to almost 1,000 rand (\$66) per 10 milliliters. "It may or may not be effective," says Chief Executive Officer Peter Oberem. "People are desperate." The company, which imports the active ingredient for the drug from China, has at times been out of stock.

In September the Indian Council of Medical Research dropped the drug from its clinical guidance for management of Covid in adults. Even so, a number of Indian companies—which produce about a quarter of the world's low-cost generics—market ivermectin as a Covid drug, including one of the biggest, Sun Pharmaceutical Industries, and Emcure Pharmaceuticals, a Pune-based drugmaker backed by Bain Capital. Bajaj Healthcare Ltd. said in a May 6 filing that it would introduce a new ivermectin brand, Ivejaj, which Anil Jain, the company's joint managing director, said would help to improve the health of Covid patients and offer them a "much-needed and timely therapy option." Spokespeople for Sun Pharma and Emcure declined to comment, while Bajaj Healthcare and Bain Capital didn't immediately respond to requests for comment.

Sales of ivermectin products in India in the year through August tripled, to 3.87 billion rupees (\$51 million), from the previous 12-month period, says Sheetal Sapale, president of marketing at Indian researcher Pharmasofttech AWACS Pvt. "Many companies have entered the market to seize this opportunity and have made the most of it," she says. "As incidences of Covid come down significantly, this may not be seen as a long-term trend."



While some companies are actively promoting the drug's misuse, many have stayed silent, says Carlos Chaccour, an assistant research professor at the Barcelona Institute for Global Health who's studied ivermectin's efficacy against malaria. "There are people that have fished in a wild river, taken advantage of the situation to get some profit," he says.

Bulgarian drugmaker Huvepharma, which also has factories in France, Italy, and the U.S., didn't sell ivermectin for human use at home until Jan. 15, when it won government approval to register the drug to treat strongyloidiasis, a rare infection caused by roundworm. There have been no recent cases of strongyloidiasis in Bulgaria. Still, the approval helped the company get ivermectin to pharmacies, where people could buy it as an unauthorized Covid treatment with a doctor's prescription. Huvepharma didn't respond to requests for comment.

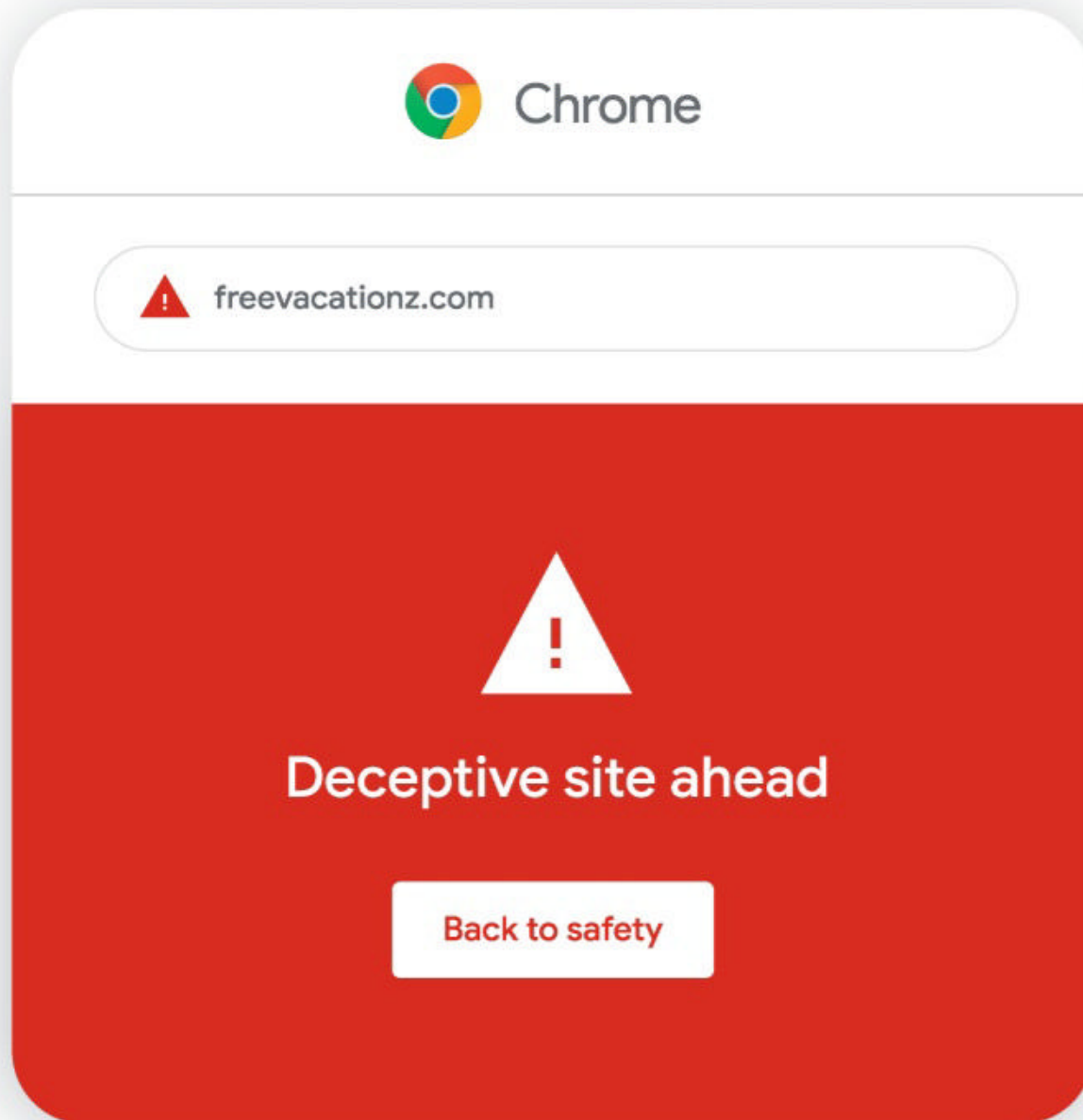
Like Merck, some makers of the drug have been vocal in their warnings against ivermectin's misuse. That includes Ireland's Bimeda Holdings, Missouri-based Durvet, and Germany's Boehringer Ingelheim. But others are less hesitant about making the link between ivermectin and Covid. They include Taj Pharma, which has posted articles on its website touting the drug. Taj Pharma's Singh says the company is being responsible. "We do not claim the drug has any effect on Covid," Singh says. "We really don't know what is going to work."

Still, the company is again hawking the drug on Twitter, where its account has been restored. An Oct. 9 tweet promoted its TajSafe Kit, ivermectin pills packaged with zinc acetate and doxycycline, with the hashtag #Covidmeds. —Bruce Einhorn and Chris Kay, with Daniel Carvalho, Fathiya Dahrul, Slav Okov, Antony Sguazzin, Janice Kew, and Cynthia Koons

THE BOTTOM LINE Antiparasitic drug ivermectin has seen sales soar during Covid, as demand from anti-vaxxers and patients in countries without vaccines has encouraged some generic makers.



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from malware.

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secure by default, private by design, and put you in control.

Thank you for not holding

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Here We Goes Again



WeWork's second attempt at going public involves smaller numbers and less drama

When WeWork Cos. tried to go public two years ago, it was an unmitigated disaster. The company was burning cash at a rate as high as \$2 billion a year, and its erratic and egomaniacal chief executive officer, Adam Neumann, had enriched himself by selling off stock while persuading private investors to value WeWork at an inflated \$47 billion. Public investors balked at the price, the startup was forced to pull its initial public offering, Neumann resigned, and thousands of employees lost their jobs, all in the span of a few months.

Then Covid-19 hit. Seemingly the last place people would want to be was an enclosed space shared with hundreds of strangers, breathing the same air and touching the same elevator buttons and seltzer dispensers. WeWork occupancy dropped from 67%

to 46% during the first nine months of the pandemic.

Now WeWork is giving it another try. The company is preparing to go public via a \$9 billion blank-check merger in late October. It's telling investors that it's emerging from the Covid crisis stronger than ever and argues that customers are increasingly looking for flexible offices to accommodate workforces that want to split time between home and the office. At an investor presentation on Oct. 7 the company said it brought in \$228 million in revenue in September, its best month of the year, and its occupancy has inched back up to 60%.

WeWork is also eager to highlight all the ways it's broken out of the Neumann chaos spiral of 2019. In early 2020 it named a new CEO, real ►

TECHNOLOGY

◀ estate industry veteran Sandeep Mathrani, who is best known for his turnaround of mall giant General Growth Properties and has little of the spotlight-grabbing, hard-partying, barefoot-on-the-sidewalk proclivities that made Neumann infamous. The overarching task for Mathrani is to prove to investors that WeWork's core idea was always sound, even if its original management wasn't. "Flexibility is at the core of what the future of the office is," he said at a recent investor day.

Under Mathrani's more frugal guidance, the company has shed many head-scratching Neumann-era investments and side businesses, such as an elementary school (where some of Neumann's children were students) and a wave pool company.

WeWork has also hacked away its 500 worst building leases, either by exiting them entirely or renegotiating the deals, and says it's trimmed its lease expenses by \$400 million and administrative expenses by \$1 billion. It's started handing off lease liabilities overseas by signing franchise agreements with other operators instead of running its own buildings. The company now counts enterprise customers—who tend to be stabler, longer-term clients than individual workers—as more than half of its tenant base.

Even as its revenue model tilts away from individual workers, WeWork's appeal still relies heavily on the idea that it provides fun working experiences for freelancers and entrepreneurs who'd otherwise be toiling from coffee shops or at their own kitchen tables. In some cases the pandemic increased the appeal of WeWork's key selling points: convenience and community.

Adam Cohen-Aslatei, the founder and CEO of dating app S'More, used to have a small office in a Midtown Manhattan WeWork location for his eight employees. The office was shut down temporarily for a scrubbing after a Covid exposure in March 2020, and Cohen-Aslatei was the only one to return when it reopened. WeWork had six floors of offices at that location, but most days it was he, a few others, and the cleaning and administrative staff. "I really felt like I was fancy," he says. "I had a whole six floors to myself. I could run around here naked, and no one would ever know."

Cohen-Aslatei walked to his WeWork location every day, mostly as a refuge from his one-bedroom apartment, where he and his husband were too crammed in to work together. After a few weeks he befriended the one other person consistently coming in, the founder of a similar-size startup who worked across the hallway. The two started waving hello through the glass panels,

began asking each other for advice on which attorneys to hire and which analytics tools to buy, then progressed to after-work beers. "For a year it was just us two, and we became best friends," Cohen-Aslatei says. The two startups moved their 15 employees into a shared office at a different WeWork location in August.

The office in Midtown started to fill up with WeWork employees who were working there while the company's primary location was being renovated. The office perks returned in May—kombucha, lime seltzer, passion fruit iced tea, and nitro coffee, Cohen-Aslatei says—albeit without some of the excesses of WeWork's previous incarnation. "There's no more beer, which is fine," he says.

Companies are still uncertain about what to do as they settle into a new reality, where many employees would prefer a mix of working from home and in the office. WeWork has introduced products such as on-demand and all-access passes, which allow for spur-of-the-moment co-working drop-ins.

It's also courting real estate companies whose businesses have been complicated by the pandemic. It recently joined with Cushman & Wakefield to provide flexible office space to tenants uncertain about how much they'll need in a post-Covid future. WeWork has started to explore deals to convert underused retail space into company-branded co-working spaces, including a recent one with Saks Fifth Avenue, allowing it access to more real estate without having to take on new leases.

Whatever the solution, WeWork will need to make sure its offices are exciting enough to be worth the money and the commute. Tommaso Tosi, founder of the startup Titanss, says he was disappointed early in the pandemic when he tried WeWork offices and was the only person on three empty floors. But more recently he came to San Francisco from London and found what he was looking for: some friendly office networking.

In May, at a WeWork location in San Francisco's Financial District, tenants were ready to mingle, the coffee was flowing, and, most important, there was a pingpong table and willing paddle partners. By summer the office felt crowded again. That was fine with Tosi, who was hungry to meet other entrepreneurs. "I go and work at a hot desk, and we meet other founders there, doing their own startups," he says. "Silicon Valley-style, you know?" —*Ellen Huet*

"There's no more beer, which is fine"

THE BOTTOM LINE Its infamous IPO flameout was an illustration of excesses among startups, so WeWork is returning to investors with a humbler vision.

Recipe for a Food Revolution

Startups are developing ways to produce meat substitutes from thin air

By Agnieszka de Sousa

The traditional way to make a burger is to raise cows, kill them, and use their meat.

This is straightforward but involves massive amounts of land and water and sends a lot of carbon and methane into the atmosphere.

The burger experience can also be approximated by assembling fake meat from peas, or fungus, or by growing cultured meat in a lab.

Several startups are betting the most environmentally friendly—and profitable—technique is to make protein using a process similar to brewing beer or making pickles.

Air Protein in California says it builds on NASA's work from the 1960s and compares its process to making yogurt.

The Finnish startup Solar Foods is building a facility to make protein, backed partly by the government.

In the U.K., a company called Deep Branch is focused on making animal feed.

Here's what it takes:

AIR FOR NITROGEN AND CARBON

WATER FOR HYDROGEN AND OXYGEN

ENERGY

MICROBES

The microbes are simple organisms that feed on nitrogen and carbon from the air. They grow in the process, producing what will become protein.

The microbes go into tanks known as fermenters, then air is pumped in.

The microbes feast for a few hours or days. As they do, liquid can be removed and dried, forming a protein powder.

The powder can be used to make meat substitutes, or mixed with pasta or bread for fortified versions of nonmeat foods.

In theory, this should be more efficient than making protein from cows. It also avoids the pesticides and hormones that go into large-scale cattle farming.

Making mass quantities of the stuff will be hard. Producers will need access to large amounts of clean energy, and they'll have to reduce the cost enough to compete with other sources of protein.

Oh, and there's also the question of how to persuade people to eat it.

Other than that, it's a sure thing!

Cisco Is Back! (Says Cisco)

● The networking company says a long-simmering revitalization plan is finally paying off

For a fleeting moment in the year 2000, Cisco Systems Inc. was the world's most valuable company. Then the networking company failed to capitalize on fundamental shifts in computing that followed the dot-com crash, and it fell out of the top tier of U.S. technology companies. Cisco's market value is now about half its peak, and less than 10% the level of today's most valuable company, Apple Inc.

Cisco is hardly a failure. It produces billions of dollars in annual profits and is generally regarded as stable and well-run. But investors feared that its steady operations could lead to a slow-motion descent into obsolescence in an industry that can be brutal to anyone who falls a half-step behind.

The best example of a tech giant stumbling then regaining its dominance is probably Microsoft Corp., and analysts regularly hold it up as a role model for Cisco. Microsoft's decline, which began about the same time as Cisco's, was largely the

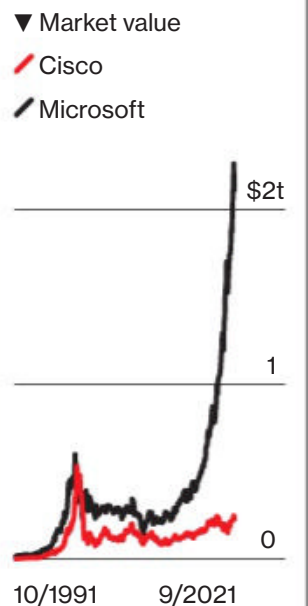
result of a progression of disappointing products. That began to change in 2014, when new Chief Executive Officer Satya Nadella started selling tons of copies of popular software such as Excel and Word as subscription services rather than one-time purchase products and built a formidable cloud computing division. Microsoft is now the only company other than Apple with a market value of more than \$2 trillion.

Chuck Robbins has held his job as Cisco's CEO just one year less than Nadella. In recent months, he's begun to insist that his company has finally reached its inflection point. Cisco acknowledged years ago that it had failed to capitalize on the chance to build the initial infrastructure for cloud computing, says Robbins, and responded with a significant, if slow-developing, overhaul of its strategy. "We were going to build technology for the next transition," he says. "We did that. Now we're seeing the benefit."

Cisco's initial problem was partially a lack of flexibility. When Amazon, Google, and Microsoft began building cloud computing data centers, they wanted components, software, and machines that were tailored to their needs. Cisco insisted on selling the same expensive, uncustomizable equipment that was always the core of its business. The burgeoning cloud companies were only too happy to take their business elsewhere.

Robbins can point to significant changes during his six-year tenure. Cisco has made a string of acquisitions that have turned it into one of the top 10 software companies in the world by revenue. Software and services have surpassed hardware and now make up more than half of Cisco's revenue. Its expected future revenue for outstanding fees from these products totals \$30 billion.

Cisco forecasts it will outpace investors' expectations for growth in the coming years.



● Robbins



Robbins recently predicted the company's revenue would grow 5% to 7% every year until fiscal 2025. Investors, though, are struggling to understand Cisco's story. In part this is a reflection on the complexity of its offerings. Cisco sells conferencing software, networking monitoring and management software, various types of security products, chips, Wi-Fi routers, and Wi-Fi management software, along with its traditional array of hardware. An online listing of its software products has 191 entries, from the straightforward "Video Analytics" to the mystical-sounding "Cisco Fog Director," which controls computing for remotely connected devices. "It's really hard for people to get their head around where the software is coming from and how it's all working," concedes Robbins.

This confusion could also deter customers, says Simon Leopold, managing director at Raymond James. "If they don't understand, they can't buy it," he says. Cisco needs "to figure out how to simplify the narrative."

Cisco's breakdowns of its finances sometimes seem to obscure rather than illuminate its attempts to remake itself. Take its rebound in sales to the giant internet companies, where it boasts 160% growth in its most recent quarter. This seems less central to Cisco's story once you realize that it boils down to just 6% of its overall revenue, according to Leopold.

Cisco also missed an opportunity to have its own pandemic consumer hit when Zoom Video Communications surpassed Webex as the household name for videoconferencing. "Webex was the premier brand," says Erik Suppiger, an analyst for JPM Securities. "The perception now is that Zoom has considerable market share advantage." Cisco pushes back on this, saying Webex is the favored choice of corporate clients, who value its stability and security, but the company doesn't report metrics that allow for a direct comparison.

Robbins says the continued development of cloud computing presents Cisco with the chance to make up for lost ground. That requires the company to come out ahead of the array of companies eyeing the same opportunities for themselves. Robbins knows that people want to compare his company to Microsoft, but he says Cisco's turnaround may be even trickier. "The challenge that we have," he says, "is that no major technology hardware company has gone through a transformation like this." —*Ian King*

THE BOTTOM LINE Cisco's transition to software sales and services for the cloud is showing results, but it faces a challenging path back to a central role in the tech industry.

BW Talks

Michael Dell

The founder, chairman, and CEO of Dell Technologies talks about Covid-related supply shocks, high-tech competition with China, and what he learned when he went to Carl Icahn's house. —*Carol Massar and Tim Stenovec*



- Founded Dell when he was a 19-year-old college student ● Ranks 24th on Bloomberg's Billionaires Index with a net worth of around \$53 billion
- Took his company private in 2013, then public again in 2018 ● New book is called *Play Nice But Win: A CEO's Journey From Founder to Leader*

Companies spent a lot on IT during the pandemic. Do you have concerns about slowing growth, since much of that may have been an acceleration of spending that would have happened anyway?

If you think about hybrid work, that feels like it's becoming more of a permanent way that work gets done. That's been an enormous stimulant for us.

When will supply and demand for things like semiconductors get back in step?

It takes about three years to build a new semiconductor plant. We're only 18 months into this. We've heard from our customers that our supply chain is functioning well. They may not like the lead time, but it's predictable and reliable.

The chip shortage has revived talk of European or U.S. hardware and chip manufacturing. Is that necessary?

When you have China investing so aggressively in these strategic areas and the U.S. and Europe not, it creates a real challenge. Having government support to create the infrastructure

of the future, given the importance of these industries, I'd support that.

Other executives have said recently that the labor crunch we're seeing has driven up wages for everyone from hourly workers to executives. Have you had to raise wages to retain talent?

We're always adjusting compensation and benefits, and I'm pretty pleased with our attrition. Our job is to create an inspiring and passionate environment where people can do their best work. I think if we keep doing that we'll be just fine.

The title of your book is *Play Nice But Win*. Was it hard for you to play nice with Carl Icahn when he bought a stake in Dell and tried to block your plans to reenter the public markets?

I didn't really have much experience dealing with someone who would just go on television and lie. Ultimately, as I talked about in my book, I did go to his house and confront him, and I saw he didn't have any plan whatsoever for the company. To him it was just a big poker game.

● Interviews are edited for clarity and length. Listen to *Bloomberg Businessweek With Carol Massar and Tim Stenovec*, weekdays from 2 p.m. to 5 p.m. ET on Bloomberg Radio.

Wall Street's Toughest Turnaround

● Jane Fraser is rethinking Citigroup and what it means to work at a megabank

One of Citigroup Inc.'s more serendipitous real estate investments turned out to be the roof deck it built into its renovated downtown New York headquarters. With sweeping views of the Hudson River, it's a thoroughly ventilated space that investment bankers and traders can slip away to for some socializing or after-hours cocktails. Not a bad perk for those back in the office in the midst of the lingering pandemic.

Kicking back at a patio table, Jane Fraser, Citigroup's newly installed chief executive officer, is discussing one of her first wins on the job. Early in the summer she broke with bank CEOs who were cajoling workers back to their desks just as the delta variant of Covid-19 was spreading, leading to infections that forced them to revise their plans again. She's taken a more relaxed approach, mostly letting employees decide when they want to return. While this sounds warm and fuzzy, it's also a weapon for recruiting and retaining talent.

"I want to crush the competition," Fraser says, sipping her coffee. The first woman CEO of a top U.S. bank makes it easy to forget she's assumed one of the toughest jobs in global finance. Citigroup's stock price is languishing below the levels it notched a bit more than three years ago, even as some of its U.S. peers' shares sit near record highs. Fraser says she has a plan to reshape the bank, starting in its wealth management and global consumer businesses.

She's trying to turn around the original banking behemoth—one that investors think has grown too complicated, with the wrong mix of businesses and a lot of baggage. The modern Citigroup was bolted together in the 1990s by Sandy Weill, who persuaded Congress to repeal the Depression-era law that had separated federally insured deposit-taking banks from riskier Wall Street businesses. Then, in true *Titanic* fashion, Citigroup showed why that's dangerous. Slammed by losses tied to bad mortgages and other distressed holdings in 2008, it required more U.S. taxpayer support than any other bank in the

financial crisis. Fraser's predecessors spent much of the following decade whittling down an \$800 billion pile of bad and unwanted assets.

Of the six major Wall Street banks, Citigroup is the only one trading for less than the net value of its assets per share, a common measure of a bank's worth. Even so, it's a formidable player. It operates in more than 160 countries, moves \$4 trillion in payments a day, and houses the world's largest credit card issuer. Regulators deem it one of the three most systemically important banks on the planet.

By the late 2010s, Citigroup was "slowly but surely" catching up with its rivals in profitability, says Chris Kotowski, an analyst at Oppenheimer & Co. "Then Covid just knocked them back to square one again." The bank's credit card business hindered results, for a counterintuitive reason: Thanks to government efforts to keep the economy alive, people were able to pay down balances even as lockdowns caused them to spend less. Citigroup also has a smaller branch network than JPMorgan Chase & Co. and Bank of America Corp., so it struggled to keep up as they soaked up deposits from consumers.

Wall Street's standard for measuring how much a bank earns with every shareholder dollar, known as return on tangible common equity, was a mere 6.9% at Citigroup last year. JPMorgan achieved 14%. The No. 1 thing shareholders want to see, according to Fraser, is "closing the return gap with our peers and focusing more on higher-returning businesses."

She has little room for error. The bank is in the midst of a yearslong campaign to shore up its internal systems and data programs that will end up costing it billions. Last year the Office of the Comptroller of the Currency and the Federal Reserve singled out Citigroup for "long-standing" failures in its risk management and controls. They ordered it to fix the problems, and the bank has to seek approval from the OCC before making any acquisitions.

Like every CEO right now, Fraser also has to deal with the immediate challenge of managing a totally disrupted workplace. The first inkling Fraser might do that differently came just days after she took the job in March, when she promised that most of the bank's staff would be able to work from home at least two days a week on a permanent basis. ►



◀ She's also letting employees rewrite their schedules. It's fine if people need to pick up their kids from school and log on in the evening to finish their work. "Maybe see your kids or avoid a particular time of commuting that's hellacious," she says. That's huge on Wall Street, known for junior bankers' 100-hour workweeks. The bank is watching how people respond, and so far there's no sign of slacking off. "You can see from the output," Fraser says. "You get rid of some old anachronistic cultures or ways of doing things, and you unleash this energy."

One place Citigroup hopes to see new energy is in its wealth management business. The bank's sale after the financial crisis of its Smith Barney brokerage to Morgan Stanley marked a heralded transformation—for the buyer. Morgan Stanley's expansion in wealth management and advice helped its stock price soar; it recently bought another asset manager to bolster that bet.

Citigroup, hamstrung by the OCC's order, is in no position to try to mimic that move. But as a number of global banks pursue versions of Morgan Stanley's strategy, Fraser says she thinks they're actually making a mistake. The usual idea is to marry an asset management unit that cranks out products to a fleet of advisers who help sell them, but that approach is vulnerable to online robo-advisers and free trading platforms. "A lot of the U.S. model is very broker-driven, which I think is going to get obliterated in the years ahead," Fraser says. Citigroup wants to position itself as an objective counselor. "Because we don't have an asset manager, we're very clear that we're there to serve our clients," she says.

In her final months as the company's president, just before rising to CEO, Fraser merged Citigroup's wealth unit for retirement savers with its private bank for the ultra-rich. The combined division will lean on a pipeline of customers including those from Citigroup's commercial bank. The thinking: Help entrepreneurs build their companies, then work with them on tending their wealth. "Uber and Airbnb started off in our commercial bank in the U.S. as a client, the unicorns in Latin America and Asia started off in our commercial bank as a client," Fraser says, referring to private companies valued at more than \$1 billion. Some in the U.S. banking industry might snicker: Citigroup's wealth management business isn't nearly the biggest in its home market. But it ranks No. 3 in Asia.

If international reach is one of Citigroup's advantages in wealth management, it presents other problems. "They have banking operations around the globe, and I think that has put a lot of pressure on efficiency," says Jim Shanahan, an analyst at Edward Jones. That critique strikes at the heart of Citigroup's

identity. A sitdown with the bank's leaders a decade ago would've meant listening—a lot—to glowing descriptions of its global might.

Fraser has spent much of her career selling off pieces of Citigroup's international empire, first while overseeing operations in Latin America. Currently up for bid: consumer banking operations in a dozen markets across Asia and Europe that failed to turn a profit last year. Her team is going to be "clinical and dispassionate when we're looking at things," she says. "We make sure that we are going to be simpler."

Time and again, Citigroup has set targets for cutting costs and improving results and missed them. Fraser has given herself and her deputies a tight deadline to show that things will improve. The bank will host an investor day in March, its first in almost five years. Fraser, who cut her teeth as a

Citigroup's Stock Price Has Languished



DATA: COMPILED BY BLOOMBERG

McKinsey & Co. consultant, will be in her element. "Investor Day is likely to be McKinsey on steroids," predicts Mike Mayo, an analyst at Wells Fargo & Co. "There's no question in my mind that it's going to be crisp with strategic plans." But he wants Fraser to go further. "What she's done so far is more like elective outpatient procedures," he says. "They need some more serious surgery." For instance, Mayo would like to see more focus on the company's sprawling treasury and trade solutions business, which moves money for many of the world's largest corporations.

Fraser spent much of this summer traveling, meeting employees, investors, government officials, and clients. Now the listening tour is over. "We're going to craft our own path," she says. Whether that happens at the desk, over Zoom, or on the roof doesn't matter. —*Jenny Surane*

THE BOTTOM LINE Of the major Wall Street banks that survived the crisis, Citigroup has been the slowest to win back investors' favor. Fraser has to improve profits while investing in needed repairs.

Death of a Stock Market

● Mexico hasn't listed a company on its exchange in 15 months

A global listings bonanza that's already seen companies raise \$500 billion this year is bypassing Mexico.

It's been 15 months since the last initial public offering by a company there, and that lone deal was for a minuscule outfit whose stock trades on the rarest of occasions. So dead is the market in Mexico City, and so desperate are bankers to drum up business of any kind, that they now spend much of their time undoing these deals: In the past year five companies have started the process to delist from the stock exchange.

"This is about as bad as it ever has been," says Mauricio Basila, a lawyer in Mexico City who specializes in capital markets. Basila has witnessed the great shrinking of the Mexican market from up close over a two-decade career that included stints at the Finance Ministry and the Comisión Nacional Bancaria y de Valores (CNBV), the country's banking and securities regulatory agency. Like most frustrated dealmakers here, he's quick to rattle off the factors stunting the market.

For starters, there were years of lackluster economic growth and poor stock market returns that even the strong recovery of the past 12 months can't reverse. That's fueled deeper problems including weak demand for stocks from ordinary investors. Then, many banks are owned by foreign financial powerhouses that prefer to keep a grip on these companies instead of taking them public. Similarly, many of Mexico's biggest corporations are controlled by families who don't want to bring attention to their wealth in a country where kidnappings are common. On top of it all, 60% of Mexican listings over the past decade have traded below their initial price, far worse than in Brazil or the U.S., according to data compiled by Bloomberg.

All this means Mexico's stock market has failed to become an engine of wealth for companies, investors, or the broader economy. It's yet another drag on a country that already suffers from a lack of savings, low use of formal financial services, and a dearth of desperately needed foreign investment, says Bernardo González, a former head of the CNBV who now runs Mexico's pension fund association. "The lack of a sufficiently deep and strong stock market is holding back the growth of the country," he says.

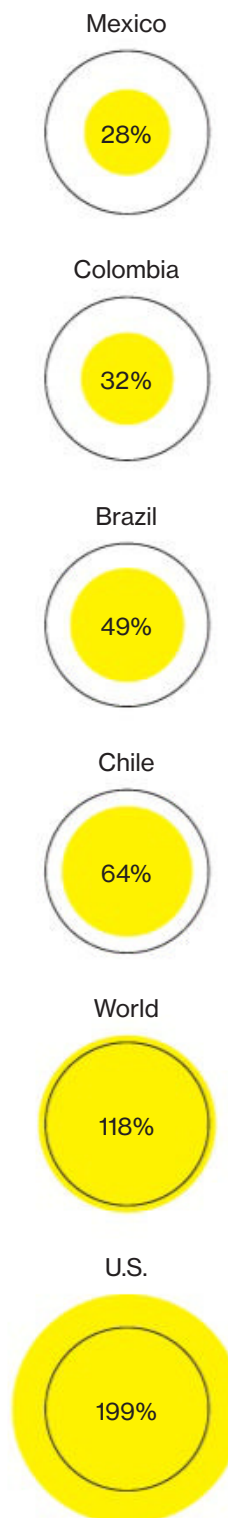
Mexico's deficiencies are especially stark when compared with its longtime regional rival Brazil, which has seen \$12 billion of IPOs this year. Brazil benefits from a larger ecosystem of independent investment banks and brokerages, and it has a bigger and more diverse economy than Mexico. But crucially, Brazil's regulator fostered better governance and disclosure rules over the past decade, which drew in foreign investors.

Investment bankers in Mexico now work to convince companies that their best bet is to leave public markets entirely. Bankers target listed companies with few actively traded shares, some cash on hand to buy them back, and disappointing stock performance. Milk producer Grupo Lala SAB repurchased almost all of its shares in September, paying 37% less than the stock's initial price when it went public in 2013. Industrial chemicals supplier Grupo Pochteca SAB is the latest company to consider exiting the market, according to an exchange filing; its shares, which trace their roots to a company acquired by Pochteca in 2005, are down 98% from a peak in late 1997.

One way Mexico could try to bolster its equity markets would be to sell stakes in state-owned companies, such as Petróleos Mexicanos. Although that tactic helped deepen markets in Brazil and China, it seems unlikely to take hold in Mexico anytime soon, because President Andrés Manuel López Obrador says he prefers keeping public companies under government ownership.

Mexican companies' easy access to funds from global investors and the U.S. has also contributed to the lack of listings in the country, says Alan Alanis, head of Mexico research at Banco Santander SA. Mexican companies such as used-car seller Kavak, cryptocurrency exchange Bitso, payment processor Clip, and small-business lender Konfio get enough funding from private investors, so they may not need to go public. If they do, they may be more tempted to list in the U.S. "This is not all Mexico's fault," Alanis says. "Some companies want to bypass listing in Latin America." —*Michael O'Boyle, with Drew Singer, Oscar Muñoz González, and Vinícius Andrade*

▼ Stock market capitalization compared with GDP



THE BOTTOM LINE Delisting companies is bigger business in Mexico than taking them public, after years of poor stock market performance that's hurt investor and management appetite.

Stuck on the Sidelines of The U.S. Job Market

Conversations with some of the 5 million out-of-work Americans shed light on why so many jobs are going begging

It's a riddle dogging employers, the White House, and Wall Street economists alike: Where are the 5 million workers still missing from the U.S. job market—and when will they return?

Nationwide there's more than one job opening for every American who wants to work. Yet September had the smallest monthly gain in payrolls this year, at 194,000, defying predictions by some politicians and economists that the expiration of emergency federal unemployment benefits would prod more people to find work. The contradictory data speak of a labor market that has been profoundly disrupted by the Covid-19 crisis—and may remain so for some time.

To find out why so many working-age people remain on the sidelines, Bloomberg News spoke at length with 10 of them. Several said they were reluctant to accept a part-time position when what they needed was a full-time one. Others are caring for kids or elderly family members, which limits their ability to work. Still others are in the middle of changing careers and need to skill up. Many are scared of contracting the coronavirus.

About 2.6 million people remain on state jobless benefit rolls. Others are tapping federal and local safety net programs, such as rental assistance. Some are relying on the kindness of relatives.

In the U.S. the pandemic abruptly severed the relationship between employers and employees. That's in contrast with European countries, where millions of workers were furloughed rather than fired and therefore had a job to come back to. Rebuilding those connections will take time. "Having the same number of job openings and unemployed or underemployed workers does not imply that there will be a very simple direct match," says Julia Pollak, chief economist at ZipRecruiter Inc., an online jobs marketplace.

Precious Briggs was laid off from her job as a server at a casino in Las Vegas in April of last year, at the start of the lockdowns. When restrictions lifted, she expected her former employer

to summon her back, but the call never came.

While surveys show that many workers have abandoned the hospitality industry, Briggs, 32, says she loved her old job. "It was a dream of mine to leave my little Louisiana town and come here and cocktail," she says. Other casinos have offered her part-time work at the state minimum wage of \$9.75, well below the \$14 an hour she used to make before tips. Her old job also came with health insurance and other benefits. "They're hiring for positions that's only one day a week, two days a week, and people cannot make it off of that," she says.

Briggs, who exhausted all her unemployment and pandemic benefits, is getting by on rental assistance, Medicaid, and support from her family. As Vegas continues to reopen, she says she's confident she will land a job.

There were 10.4 million open positions in the U.S. in August, according to the Department of Labor. And there's no shortage of news stories quoting employers who say it's impossible to find workers. Melisa Gillett's experience shows the reality is more complicated.

For about three decades, Gillett worked from home transcribing medical documents from hospital visits until Covid restrictions sent demand for her services plummeting. The 57-year-old says she can't find similar work that pays more than \$9 an hour, which is about a third of what she used to make.

Gillett's small town in Ionia County, Mich., doesn't have much in the way of well-paying jobs. Also, she has lupus, an autoimmune disease, which puts her at higher risk of contracting Covid. That made her reluctant to check for openings at the local grocery store, the Walmart, and a poultry plant nearby. "They cut you off and then they go, 'OK! We have these 11 million jobs available!' Well, I'm in rural America. The jobs are not here," she says, speaking on the phone from the one-bedroom apartment she shares with two dogs and a cat. "I had good training. I know my stuff. I just never dreamed that I wouldn't make it to retirement."

Gillett says she has no money left in her checking account after using up the government’s emergency Covid payments. Her landlord served an eviction notice, and she figures the food in her refrigerator and kitchen cabinets will only last her three weeks.

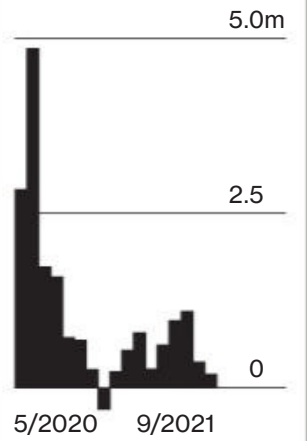
Earlier this month, Gillett accepted an offer from an employer. Not long after, she learned she’d been infected with Covid and reached out to the company to ask if they’d hold the job until she was well enough to work. She hasn’t heard back. (More than three-quarters of job seekers surveyed by Indeed, a jobs website, report being ghosted by prospective employers since the start of the pandemic.)

Zach McGrath, the single father of an 11-year-old

son with special needs, worked in TV and film production before the pandemic. He’s looking outside the industry now, because 16-hour days won’t allow him the flexibility to look after Maxwell if classrooms shut down suddenly as a result of Covid cases. “The school closings, the random four-day quarantines are like the sword of Damocles,” says McGrath, 36, speaking from his home in Richmond, Va. “There are a few jobs around, but for the amount I would have to pay for child care, it doesn’t make sense for me to do it,” he says. Maxwell’s mother lives more than 300 miles away in New Jersey.

McGrath doled out much of the government assistance he received in the past year to needier ►

▼ Monthly change in U.S. nonfarm payrolls



◀ Briggs



“They’re hiring for positions that’s only one day a week, two days a week, and people cannot make it off of that”

◀ family members. He was receiving about \$575 a week from expanded emergency unemployment benefits that he no longer qualifies for. He now relies on his son's Social Security payments, child support, and gig work to help with the \$800-a-month rent and other bills. The basics are covered but not the extras—like car repairs.

“It’s a labor market that hasn’t fully healed,” says Bruce Kasman, chief economist at JPMorgan Chase & Co. He and other economists forecast the unemployment rate will revert to the pre-pandemic level of 3.8% sometime in 2023. Experts also anticipate further gains in wages. Many mid-tier earners, though, say that’s not what they’re seeing.

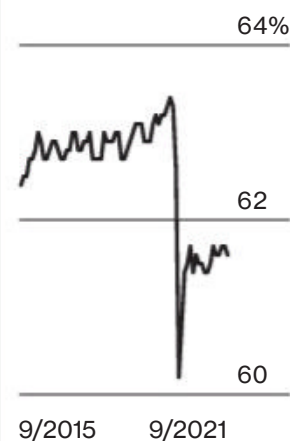
Veronica Correa, a 43-year-old in Philadelphia, worked in administration for a decade, with her last job at an educational nonprofit paying about \$55,000 a year. Despite that experience and an

associate degree, she’s being offered similar roles for as little as half that. “I do get interviews, and I get job offers. The problem is the pay,” she says. “They want you to do a job with major responsibilities, and they’re offering you a salary that when you turn around, you’re like: Well, how am I supposed to live?”

Correa and her husband, a parking enforcement officer, are having to make do on the workers’ compensation he collects after sustaining an injury while on duty, plus about \$700 a week in unemployment benefits. At the moment, she’s applying for every job she can, hoping one a little closer to her former salary will come along.

She’s not the only one who thinks she can afford to be choosy for a while longer. About 65% of respondents in a September survey by ZipRecruiter said they don’t feel the financial pressure to accept

▼ U.S. labor force participation rate



▼ McGrath with his son, Maxwell



the first job offer they receive—roughly unchanged since April.

In Chicago, construction worker Abel Peralta is among the 4.5 million workers in the U.S. who are underemployed, according to government statistics. Building projects in the city are stalled because of shortages of materials and labor. Where he once reliably got 40 hours of work a week at \$16 to \$20 an hour in cash, Peralta says, now it's a day or two a week—three if he's lucky.

The 44-year-old wasn't eligible for government stimulus checks or unemployment benefits because he's undocumented. He tapped his savings until they ran out last year. He's now getting by on sporadic jobs and rental assistance from a local nonprofit, hoping demand for construction labor will pick up. "I'm in limbo right now," he says, speaking in Spanish. "I wouldn't want to leave construction. It's what I like doing best."

Economists have struggled to evaluate how much of the labor shortage is the result of people switching industries, which requires retraining.

Artist Wendy Bantam, 52, of Lincoln, Neb., has painted canvases and murals for three decades. She went back to school this year for a certificate in electrocardiography. Many of the residencies, projects, and part-time teaching work she lost in 2020 haven't come back, she says. Income from the sale of her paintings isn't enough to pay a mortgage and other bills, even though she now grows a lot of her own food.

"Ultimately it would be great to get a full-time job as an electrocardiographer, but I don't know yet," Bantam says. "I have a master's degree, you know? I taught university-level in the arts."

Among those who left traditional employment with no plans to return is Josh Dorgan. He worked as a pediatric nurse and hospital unit manager in Omaha and in 2018 began trading cryptocurrency. During the pandemic, the 31-year-old Dorgan began to feel increasingly frustrated. "It was really hard sitting in my office making a few hundred dollars a day or whatever it was and then taking a trade on my lunch break and making my whole day's wage in five minutes."

After hiring a financial adviser—his wife insisted—he quit in August of last year. Since then, Dorgan says, he's made more than seven figures and the family has been able to purchase a vacation home. He relishes the flexibility of choosing his own hours and being able to care for his newborn. He also has more time for exercise and meditation, which he says he ignored for the better part of the last decade.

The number of Covid-19 infections may be ebbing in the U.S., but its threat is still present.



More than 3 million respondents in a U.S. Census Bureau survey from September cited concerns about contracting or spreading the coronavirus as a reason for not working.

Sandra Bolinger, 48, and her wife, Donna, 47, are both social workers who were in regular contact with elderly people. They're also immunocompromised. In Adams County, Pa., where they live with Sandra's mother, less than half the 100,000 residents are fully vaccinated.

Sandra says managers at her workplace didn't heed the state's safety recommendations, even in the second Covid wave in January, so she quit that month. Donna hasn't worked since June.

They have savings to cover about four months' worth of expenses, money they socked away from the sale of their previous house in 2018. Donna is debating whether to accept a job offer, because there's a trade-off—work remotely, part time without benefits, or go in person and be paid in line with her prior job, including benefits. "We are left back with that decision of: Is it worth the risk?" she says. "Today we can still ask it. But I don't know how much longer we are going to be able to ask that question." —*Katia Dmitrieva and Jill R. Shah*

THE BOTTOM LINE A smaller-than-expected increase in payrolls in September is evidence that the pandemic's impact on livelihoods will take longer to overcome than economists initially hoped.

▲ Peralta

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High Stakes

On the Lake

Justin Bibb wants to be Cleveland's next mayor. If he beats Kevin Kelley, he'll inherit serious problems—and a windfall to fix them



PHOTOGRAPH BY DANIEL LOZADA FOR BLOOMBERG BUSINESSWEEK

When Monique Jones moved from Atlanta to Cleveland last year to care for a sick family member, she was shocked by the poor condition of the roads and that she couldn't get high-speed internet at home. "It's like they're back in the past here," says Jones, 47. "Atlanta is just so far ahead. This city has a lot to deal with."

By U.S. Census Bureau figures, Cleveland is the poorest big city in the U.S., with 30% of residents and 46% of children living below the poverty line. Its

digital divide is one of the country's worst, with 31% of residents lacking reliable high-speed internet. The city has lost 6% of its residents since 2010, and its current population of 372,624 is the lowest since the 1800s. The post-recession recovery that's lifted other Rust Belt and midsize cities seems to have bypassed Cleveland altogether.

That's the troubled backdrop for the race to elect Cleveland's first new mayor in 16 years. The Nov. 2 election pits longtime City Council President ▶

Edited by
Amanda Kolson Hurley

◀ Kevin Kelley, 53, against a political newcomer, 34-year-old Justin Bibb, a business and nonprofit executive who's positioned himself as a millennial outsider. (Although the election is officially non-partisan, both Kelley and Bibb are Democrats.)

Whichever candidate replaces four-term Mayor Frank Jackson faces economic turmoil and deeply entrenched inequality as the city moves out of the pandemic. But he also has a unique resource. The federal American Rescue Plan sent \$511 million to Cleveland—money that could jump-start a new chapter in the city's history. Richey Piiparinen, director of the Center for Population Dynamics at Cleveland State University, says the next mayor has a “great opportunity” to use that money to train workers and correct the city's health disparities.

Bibb placed first in a seven-person primary in September with 27% of the vote, drawing a coalition of minority and young voters to defeat better-known candidates including former mayor and U.S. Representative Dennis Kucinich. Born and raised in Cleveland, Bibb studied urban policy and politics at American University and interned in Barack Obama's Senate office in 2007. After working in development in several other cities, he returned to Cleveland in 2014 and has worked in finance at KeyBank and as chief strategy officer at the nonprofit Urbanova.

“I think in this post-Obama, post-Trump world of electoral politics, we're seeing not only a hunger for change but a hunger for urgent change,” Bibb told *Bloomberg Businessweek* right after speaking at a rally against gun violence. (A recent homicide spike is another issue that's bedeviled the city of late.) “Voters want leaders that are going to fight, bring results, be relatable and honest and transparent.”

Bibb wants Cleveland to follow the lead of cities such as Pittsburgh and Louisville, which moved beyond their industrial pasts and transitioned to more tech-based economies after the 2008 recession. He would use the federal relief funds to create an economic recovery office to help close the digital divide and clean up lead pollution. He also proposes to revitalize neighborhoods from the ground up, “hyperlocalizing” new development and initiatives based on community feedback, rather than having city hall impose one-size-fits-all solutions.

Several Rust Belt mayoral races this fall are pitting progressive outsiders such as Bibb against more establishment candidates. Farther up Lake Erie, socialist India Walton topped incumbent Byron Brown in Buffalo's mayoral primary and will face him again—with Brown a write-in candidate—in November. In Cincinnati voters will choose

between 81-year-old former Mayor David Mann and 39-year-old Aftab Pureval, Hamilton County's clerk of courts. And Pennsylvania state Representative Ed Gainey is poised to replace incumbent William Peduto and become Pittsburgh's first Black mayor.

In Kelley, Bibb faces an opponent who represents establishment politics—albeit with a progressive agenda of his own. Following a career in social work and the law, Kelley has served on the city council since 2005, the last eight years as its president. Kelley says he has a unique blend of experience and liberalism. From his city hall office window overlooking Lake Erie, he can often see a line of cars outside a food bank—evidence, he says, of the unequal recovery that dogs the city.

“Right now the city of Cleveland is in a very fragile place,” Kelley says. “We need somebody who has experience not just with government but with follow-through and accomplishments you can point to.”

He's proposed using the rescue plan money on a New Deal-style jobs program: training and hiring local workers to remove and refurbish vacant homes, remove lead contamination, create public art, and install solar panels.

Kelley points to the broadband network he installed in his Old Brooklyn neighborhood and investments in local parks as proof that he can do the work Clevelanders need. “Change is an easy message for people to grasp,” he says. “My message is that anyone can say ‘change,’ but change in government is hard.”

Kelley has been endorsed by the Cleveland Building & Construction Trades Council and other unions, three sitting council members, and outgoing Mayor Jackson. He reported more than \$500,000 cash on hand in August (the last reporting deadline), compared with Bibb's less than \$400,000.

Bibb touts support from local and national Democratic groups, including the Bernie Sanders-affiliated Our Revolution Ohio, Senator Sherrod Brown, and a pair of former Cleveland mayors,



● Kelley

Cleveland Is Still Waiting for Its Rust Belt Revival

	Population change, 2010-2020	Median household income, 2019	Population in poverty, 2019	Percentage-point rise in unemployment, 8/2019-8/2021
Cleveland	-6.1%	\$32k	31%	2.5
Milwaukee	-3.0	44	22	2.2
Pittsburgh	-0.9	54	19	1.5
Buffalo	6.5	41	29	2.6

AUGUST 2021 UNEMPLOYMENT FIGURES ARE PRELIMINARY. DATA: U.S. CENSUS BUREAU; U.S. BUREAU OF LABOR STATISTICS

Michael White and Jane Campbell. The *Cleveland Plain Dealer* also endorsed Bibb.

CSU's Piiparinen says both candidates propose bold agendas. He sees momentum for progressivism in Cleveland because of its college-educated millennials: A 2016 study by his center at CSU found that the city was eighth in the nation for attracting them.

The choice Cleveland will make reflects some broader political forces, says Richard Schragger, author of *City Power: Urban Governance in a Global Age* and a professor at the University of Virginia School of Law. Cities typically see a "cycling between machine and reform politics," but local races are increasingly reflecting the national leftward shift of the Democratic Party in the past two years, he says: "The way the federal government has come in very big with pure cash support, that has in some ways reflected a wider acceptability of the arguments of the progressive left at all levels." —*Jason Plautz*

THE BOTTOM LINE Cleveland's mayoral candidates have different road maps but share the same goal: changing the fortunes of America's poorest big city.

'Polexit' Fears Send Poles to the Streets

● A court ruling that challenges EU law raises worries about the country leaving the bloc

Poles demonstrated around the country on Oct. 10 to show support for European Union membership, after a court verdict sent the nation's already fraught relations with the bloc to a new low.

Tens of thousands of people thronged Warsaw's historic Old Town to protest the ruling, which held that the Polish constitution overrides some EU laws. The judgment—from a court stacked with justices appointed by the ruling Law and Justice Party—threatens billions of euros in EU funding for the nation and has sparked worries of a "Polexit."

At the Warsaw protest, former president of the European Council Donald Tusk told the crowd that the ruling party wanted to take Poland out of the EU to trample democratic principles. Prime Minister Mateusz Morawiecki has insisted that Poland will remain in the EU despite the standoff, calling talk of a departure "fake news."

The EU has been battling Poland and Hungary, both ruled by right-wing nationalists, over their



▲ A pro-EU rally in Krakow on Oct. 10

stances on LGBTQ rights, media freedom, and other issues. So far that's led to little concrete punishment for the renegade states. But the court decision puts the European Commission in a bind as it weighs conditional approval of Poland's delayed pandemic recovery plan.

"If we do not keep the principle in the EU that the equal rules are respected in the same way everywhere," the union "will start collapsing," commission Vice President for Values and Transparency Vera Jourova said in a speech on Oct. 11.

The EU has new budgetary authority it can use to withhold funds from Poland. It's not clear how hard Poland intends to pursue the challenge, though, since the country remains dependent on EU funding, and EU membership is broadly popular.

European Commission President Ursula von der Leyen is under pressure to take a stand against Poland's defiance, but she also has to consider how the government could act to obstruct other plans, as some EU initiatives depend on unanimous support from member nations. If the commission metes out a significant financial penalty for Poland, it could prompt the government to block key proposals, including a sweeping plan to address climate change.

Some member nations are urging the bloc to hold firm. "The primacy of EU law is key.... This Polish government is playing with fire," Luxembourg Foreign Minister Jean Asselborn said on Oct. 8. In a joint statement, the French and German foreign ministers said Poland has a legal and moral obligation to abide by EU rules.

At the same time, member countries other than Poland have their own conflicts between national and EU laws. Last year, Germany's top tribunal accused EU court judges of having overstepped ►

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◀ their powers when they backed the European Central Bank’s quantitative easing policy. The commission started legal action against Germany in June.

The loss of even some EU funds could be painful for the \$635 billion Polish economy, the bloc’s largest outside the euro area. On top of the €36 billion (\$42 billion) from the pandemic fund that now hangs in the balance, Poland was expecting to receive €72.3 billion in regional aid through 2027.

Morawiecki says Poland’s finances are strong enough to ride out any holdups in EU financing,

but the funds have been key in transforming the country since it joined the EU in 2004. “I would highly doubt that the leverage is on the Polish side,” says Lucas Guttenberg, deputy director of the Jacques Delors Centre, a think tank in Berlin. “If you are a net beneficiary of the EU budget, it’s also a lot of cash that you could potentially lose.”

—Piotr Skolimowski and Stephanie Bodoni

THE BOTTOM LINE The court ruling deepens the rift between Poland and the EU and puts the country at risk of losing billions of euros in aid—though it also holds the power to block EU plans.

Sue the Left

● Stephen Miller’s America First Legal brings Trumpism to courts across the U.S.



Stephen Miller, the firebrand political operative known as the architect of former President Donald Trump’s anti-immigrant policies, is reviving his cultural crusade at the helm of an activist legal group.

The 36-year-old former speechwriter and senior White House aide is heading up America First Legal (AFL), a conservative nonprofit that boasts of close ties to the former president, disdain for the “radical left,” and a wide-ranging plan to challenge the Biden administration in court. The group has already scored some early victories, including in lawsuits accusing the U.S. of discriminating against White business owners.

Earlier this year federal judges granted AFL’s requests to temporarily block the U.S. from earmarking billions of dollars in pandemic-relief

funds for minority-owned restaurants and farms. AFL also won permission to intervene in the U.S. Department of Justice’s high-stakes challenge to a new Texas ban on abortion. The group represents anti-abortion activists in the case, which could ultimately be decided by the U.S. Supreme Court.

It remains to be seen whether AFL, which is based in Washington, can sustain its early victories as the politically charged cases wind their way through the legal process. But prevailing in court may be secondary to using the underlying issues to raise money and keep Trump voters pumped up.

A Trumpist answer to legal groups such as the American Civil Liberties Union (ACLU) and Common Cause, AFL is the latest example of the former president’s inner circle seeking to rouse his movement as he weighs a possible 2024 run to return to the White House. AFL’s board includes Miller, former Trump White House Chief of Staff Mark Meadows, former Office of Management and Budget Director Russ Vought, and former acting U.S. Attorney General Matthew Whitaker.

Conservatives have been successful in reshaping the federal courts with like-minded judges, and there are established right-leaning legal advocacy groups, such as the Alliance Defending Freedom and Judicial Watch. But those in the industry say they are out-funded by left-leaning groups that seem to have more mainstream appeal.

AFL is too new for its tax returns and finances to be publicly available, and it didn’t respond to requests for comment. Its outside public-relations company, itself founded by former Trump

officials, also didn't respond to calls and emails seeking comment.

Paul S. Ryan, vice president for litigation at Common Cause, says AFL is using fear and hyperbole to tap Trump supporters for money while waiting for the next election cycle. "They seem to be using the Trump playbook—using highly divisive, hot-button culture-war issues—which isn't surprising," Ryan says.

The former president has endorsed the effort. "As we know, the Radical Left has been relentless in waging their battles in court," Trump was quoted saying in AFL's first news release in April. "Conservatives and America First supporters badly need to catch up and turn the tables, which is why I applaud Stephen and Mark Meadows for rushing to fill this critical void."

One of AFL's first clients was the state of Texas, which sued the Biden administration in April for allegedly violating federal law by "causing an influx" of migrants and unaccompanied children with Covid-19 by failing to kick them out fast enough. AFL and the state's Republican attorney general, Ken Paxton, are seeking a court order barring the administration from putting migrant children in home care, ostensibly to stop the spread of the virus.

AFL and Texas have already gained traction with the case's Trump-appointed judge, who said in a recent ruling that "negligently allowing even one Covid-19-positive" noncitizen child into the country is wrong, but willfully admitting thousands "is deplorable." The Justice Department argues that the case is without merit and is fighting to have it dismissed.

The Biden administration has taken note of AFL's ties to Trump and his policies. The Justice Department on Oct. 6 asked the judge overseeing the migrant children suit to boot AFL from the case, because it's giving the state an unfair advantage. AFL board member and top lawyer Gene Hamilton, who's leading the suit, worked on the policies at issue while serving in the Trump administration.

Miller's group is also challenging pandemic aid earmarked for minority-owned farms. John Boyd, a fourth-generation Black farmer and the founder and president of the National Black Farmers Association, says AFL is ignoring the long history of racism at the U.S. Department of Agriculture, which left Black farmers on unequal footing for decades.

"It's greed, in my opinion," Boyd says of the White farmers represented by AFL. "The whole time that Black farmers weren't getting loans or debt relief or subsidies, White farmers didn't have any problem with that. So now all of a sudden when we get a chance for a little justice and redress, here

they are saying it's some kind of discrimination."

As for Miller's assertion in the complaint that White farmers are suffering from racial discrimination, Boyd says, "I invite him to identify and live his life as a Black man—I'm sure he'd change his opinion."

AFL's website says the group is "committed to fighting for all Americans—regardless of race, color, religion, or creed," adding that it will "defend the rights of all Americans from attacks by anyone, in any party, who would seek to attack their freedom, their dignity, and their equal rights under the law."

The cases AFL has brought so far make it clear the group intends to have national reach and a high profile. In May it offered pro bono legal help to the state of Louisiana in a suit accusing the Biden administration of trying to "abolish" U.S. Immigration and Customs Enforcement (ICE). Miller, in a statement, called the case "one of the most important lawsuits happening anywhere in the country."

AFL's Freedom of Information Act requests are arguably even more political than its lawsuits, touching on the latest outrages being condemned by guests on Fox News, Newsmax, and OAN, where Miller and other AFL representatives make frequent appearances. The FOIA requests seek to uncover suspected wrongdoing by the Biden administration and Democrats on a range of issues.

One way the group is able to juggle so many legal issues at once is by joining litigation that's already under way, as it did with the Louisiana case over ICE and the suit over Texas' abortion ban. In June the group joined a suit challenging the U.S. Equal Employment Opportunity Commission's interpretation of Title VII to bar workplace discrimination on the basis of sexual orientation or gender identity, with no religious exemption.

Alexandra Jordan, a staff attorney with the Southern Poverty Law Center, which has been critical of Miller in the past, says she attempted to file a brief in AFL's suit that alleges racial discrimination against White people, but a judge denied her request. She says AFL seems determined to stop the federal government from assisting racial minorities in a way that could help make up for past wrongs.

"It's quite apparent from Stephen Miller's actions and priorities that he doesn't really believe in racial equality—he believes in White supremacy, and that's what he's trying to advance with these lawsuits," Jordan says. "Stopping that sort of remediation is an attempt to rewrite that history, act like it didn't happen." —*Erik Larson*

THE BOTTOM LINE Filing lawsuits on a range of hot-button cultural issues, the Trump allies behind America First Legal aim to rival the clout of the ACLU while keeping Trump voters energized.

"When we get a chance for a little justice and redress, here they are saying it's some kind of discrimination"

the *persuasion* issue

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can twitter ● *get* us to be **nice?**

Social networks are all designed to make people angry and keep them coming back for more. Now, one of the worst offenders is trying to be less of a hellscape

By Kurt Wagner Illustration by Joel Plosz

Twitter is great for lots of things. It's one of the best places on the internet to get news. It's full of funny and interesting commentary by comedians, celebrities, and journalists. It's also a great place to watch people ruthlessly mock one another and very good for picking a fight with a stranger. No other technology is referred to as a cesspool more often. The app is great at being a cesspool.

But Twitter Inc. is trying to change that. It has spent the past year experimenting with subtle product tweaks designed to encourage healthier online behavior. It now alerts people who are about to retweet misinformation on topics such as elections and Covid-19, and it recently began asking people to actually read articles before retweeting. In some cases, if users try to tweet something mean or offensive, automated pop-ups now ask them to think twice before doing so.

These changes may sound modest, but they're radical as far as tech companies go. The big social networks—Facebook, Twitter, and YouTube—have historically relied on rules to keep users in line, and even those haven't always been clear or consistently enforced. But Twitter is unusual in that it's been exploring changes that would discourage users from deliberate provocation or belligerence—behaviors that the service (like its peers) tacitly encouraged by turning the number of followers and likes into a sort of game. Chief Executive Officer and co-founder Jack Dorsey has said that the prominence of these metrics, in retrospect, was a mistake. Likes, he said at a 2019 conference, don't "actually push what we believe now to be the most important thing, which is healthy contribution back to the network and conversation to the network." As Twitter's head of product, Kayvon Beykpour, puts it, the company wants "to build health more natively into the product."

Twitter, in other words, is trying to do what may sound impossible: make its users nice—or at least nicer. The challenge may seem hilarious for a social network best known for the bellicosity of Donald Trump, whom it finally banned in early 2021. Twitter is the home of the "ratio" and the birthplace of the "dunk." To get ratioed is to have thousands of strangers shout at you for saying something about Bitcoin, climate change, Covid-19, or any number of other polarizing topics. To be dunked on is when somebody takes your tweet and adds his own commentary, often with a witty or clever insult appended—though not all dunks are witty. Among the most popular is the classic "F--- you."

Dunk if you must, but Twitter's efforts here seem at least a little bit promising, especially in light of new revelations from Facebook whistleblower Frances Haugen about that company's reluctance to do anything about its impact on mental health and the spread of misinformation. If Twitter can somehow make people more civil, it would have implications for Facebook and other companies. "We don't know whether these are just tweaks that mainly produce some good PR for Twitter" or if they might be "fundamentally shifting things in the right direction,"

says Susan Benesch, faculty associate at the Berkman Klein Center for Internet & Society at Harvard. "Only Twitter can really find that out."

In its early years, likes and follower counts were Twitter's main draw. They gave newcomers a sense of validation—and the prospect of amassing a giant audience drew in celebrities and world leaders. In 2009 actor Ashton Kutcher was dubbed the King of Twitter by the Queen of Daytime Television, Oprah Winfrey, when he beat CNN in a race to become the first account with 1 million followers. He celebrated the feat by popping a bottle of Champagne in a livestream video.

In retrospect, the stunt probably helped normalize unhealthy behavior, but back at Twitter headquarters in San Francisco, executives were just happy to be growing quickly. "Had we known our little project was going to become a big deal—which was a stretch at the time—then yeah, I wish we had sat down and said, 'What would we like people ideally to do?'" recalls co-founder Biz Stone. Like Dorsey, Stone knew that displaying metrics such as a user's follower count meant people would try to make those numbers go up. It just didn't seem like an issue at the time. "We were like, 'This is fun,'" Stone says.

The attraction for Kutcher and other famous people back in 2009 is the same thing that draws in users today: reach. Not only can you amass an audience, but there is a mechanism, the retweet, to get your message beyond your fans. Retweets, when a Twitter user broadcasts someone else's message to her followers, also happen to be ideal for spreading misinformation and encouraging harassment. Dunks are just retweets with a dollop of mockery on top.

The retweet evolved organically. In Twitter's early days, people were reposting manually by typing out the original tweet and then adding "RT" and the person's name before hitting send. Twitter decided to make this easier and hired software developer Chris Wetherell to lead the project. Wetherell, who now runs the audio startup Myxt, would later have misgivings, though retweets didn't feel dangerous at the time. Twitter "wasn't known for being a place where a great deal of harm could happen," he says. His co-workers and bosses seemed more worried about keeping up with Facebook Inc., Wetherell recalls, and users just wanted their likes and followers to keep going up.

It wasn't until Wetherell saw how retweets could quickly spread hate during GamerGate, a 2014 trolling campaign, that he really started to worry. Alt-right trolls harassed female game developers and journalists, publishing their home addresses and even threatening to kill or rape them. A prominent developer, Zoë Quinn, had to leave home because of these threats. Meanwhile, Twitter just kept growing. "Social media companies don't have an obvious stake in what we become when we use their products," Wetherell says. "Like if people become radical and they abandon truth, the companies aren't harmed, because often outraged people use their product more." ▶

◀ Shortly before the 2020 U.S. election, the company started a test where it showed a pop-up if a user tried to retweet a news article without first clicking on it. “Headlines don’t tell the full story,” the alert read. Twitter said the prompt was intended to “promote informed discussion,” a polite way of saying it was meant to cut down on the sharing of misinformation and inflammatory headlines.

The prompt was effective. People who saw it opened articles 40% more often, the company said when it announced that the change would become permanent. Another retweet-focused test from the same time led to more ambiguous results. When people clicked to retweet, Twitter would automatically open a text box encouraging them to add their own commentary to the post (known as a “quote tweet”) instead of just sharing it on its own. The prompt led to a 26% increase in quote tweets and a 23% decrease in retweets, Twitter said, but quote tweets and retweets in total declined 20%. It was a clear sign that the prompt was discouraging people from simply passing along someone else’s post to their own followers, and Twitter acknowledged that it “slowed the spread of misleading information by virtue of an overall reduction in the amount of sharing on the service.” Yet Twitter ultimately abandoned the prompt, claiming that many people didn’t really add their own thoughts to a post before sharing it. In fact, 45% of those quote tweets contained just one word. “Quote Tweets didn’t appear to increase context,” the company concluded.

A few other tests have been more successful. If someone tries to say something that Twitter deems offensive in reply to a tweet, the company will run interference. It uses software to detect curse words, slurs, and epithets, some of which trigger a pop-up. “Want to review this before tweeting?” the warning asks. The intervention seems to be working: In 34% of cases, people either edit their post or don’t send it at all, Twitter says. Another test it started in October tries to warn people about the “vibe” of a conversation before they chime in, using an algorithm based on, according to the company, “the Tweet topic and the relationship between the Tweet author and replier” to detect if a conversation “could get heated or intense.” Fittingly, Twitter was dunked on when it made the announcement by users who pointed out that it still won’t let you edit a tweet after it’s been sent. “Everyone: can we get an edit button?” tweeted @AngryBlackLady. “Twitter: we’re introducing the vibe-o-matic 3000.”

Other fixes attempted to address the “reply guy” problem. The issue, a subset of the ratio, involves men (reply guys) who chime in and mansplain to strangers (typically women) at every opportunity. Twitter started letting users hide replies on their posts

two years ago, and now it’s testing a voting system whereby people can “downvote” replies, which it uses to decide how prominent they should be. What, exactly, is Twitter trying to weed out? “Low-quality replies,” Beykpour tweeted. “Jerk-like behavior or irrelevant commentary.”

Beykpour tends to emphasize that Twitter’s new interventions are modest—“speed bumps,” he calls them—but they represent a radical change in strategy for a social network. Tech firms, as a rule, design products that push people to interact more often and more quickly. Bumps of any kind are unnatural. “It is a bit counterintuitive for designers, because we generally want to design for engagement,” says Anita Patwardhan Butler, Twitter’s design director for “health,” the word it uses for its effort to make people nicer to one another.

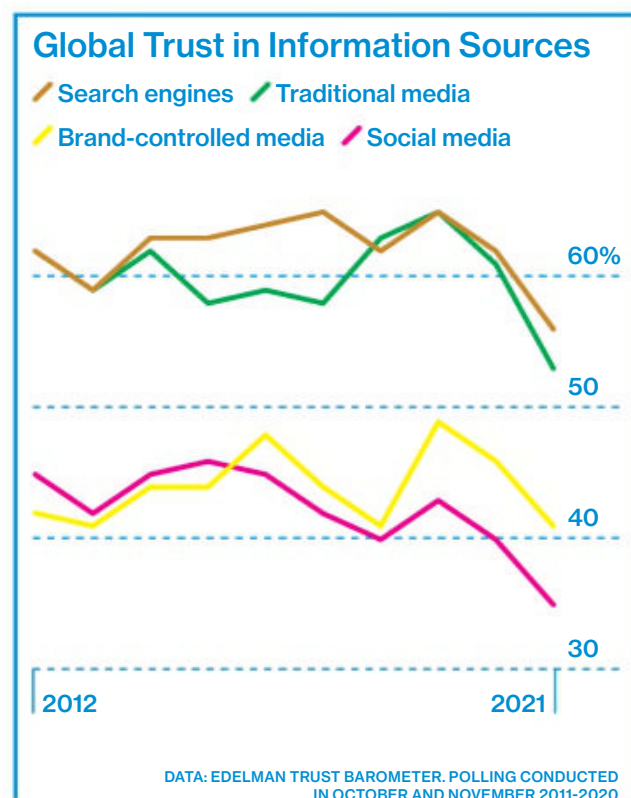
Not all the changes are as simple as tweaking design. The site has historically operated as a place where people follow other people, but the company has added “topics” so that users can follow tweets about an interest area instead of a person. It’s building “communities” as well, where people can share tweets with small groups of others with a common interest. In both instances, the features diminish the need to follow other individual users.

Changing the follower mindset will be “a huge fundamental shift,” Dorsey said in 2019, and pushing people toward following topics could decrease the importance of follower counts while helping people find the stuff they care about faster. “More relevance means less time on the service, and that’s perfectly fine,” he said.

But is it really? Like Facebook, Twitter makes money through advertising, and the more time people spend on Twitter, the more ads they’re shown. It’s been a lucrative business model—Twitter generated more than \$1 billion in advertising revenue in the second quarter, though that’s a drop in the bucket compared with Facebook’s \$28.6 billion for the

same period. It’s a conflict that may not be fixable, says Rebekah Tromble, a George Washington University professor who has studied Twitter for years. “Until the business model changes in a way that people are no longer incentivized to just say outrageous things over and over and over again, Twitter—and really just about every other large social media platform—is likely never going to be a truly healthy place,” she says.

Twitter still shows the metrics associated with inflammatory or aggressive behavior online, such as like counts and retweets, even though Dorsey and others have said they regret their existence. Unlike competitors, such as Instagram, Twitter



has never tested hiding “like” counts inside the app, for instance. Beykpour says the idea is on the table. “There are no sacred cows here,” he says.

Moreover, Twitter’s recent history gives critics reasons to be skeptical. The company has often been slow to make changes of any kind, and it hasn’t been especially responsive to outside researchers hoping to clean up the service. In 2018 the Berkman Klein Center’s Benesch announced an experiment in which Twitter would send specially crafted messages to users reminding them about the company’s content rules to see which reminders would discourage offensive and inappropriate tweets. After she negotiated details of the study with Twitter employees and got the company’s permission, her project was shut down unexpectedly after just one month. (Benesch says Twitter blamed a coding error.)

She worked with Twitter to launch the experiment a second time in 2019, but the company again shuttered it just after it started. In the end, she says, she received only a small subset of the data she needed from the first effort and none from the second. “We were trying to shift the behavior of Twitter users on a very large scale,” Benesch says. “It was very disappointing.”

Tromble, the researcher from George Washington, had a similarly frustrating experience. At the beginning of Twitter’s push to make cleaning up the service a priority, Dorsey announced plans to create metrics to measure health on the service. “If you want to improve something, you have to be able to measure it,” he tweeted.

Tromble was part of a group of outside researchers selected by Twitter to help create these new metrics, including one that’s designed to see if people will engage with others who have different beliefs and another to measure intolerance. But red tape delayed the project, and it took Tromble almost three years before she started getting data. A second research group selected for the project abandoned the effort entirely.

Finally starting the research has been encouraging, Tromble says. “It was a long, very, very bumpy road, but I think Twitter is showing a lot of signs of finally understanding what this process needs to look like,” she says. Twitter says it regularly works with researchers and created a Trust and Safety Council of outside groups. The Dangerous Speech Project, a group founded by Benesch that studies online speech, is on the council.

The goal to measure Twitter’s health is an important step. “When you give a team a metric to optimize for, you can get really good at optimizing for that metric,” Beykpour says. Among the new metrics Twitter is now tracking: “uninformed sharers,” which measures how many people retweet articles before

Be Convincing On Social Media

According to Andrew Bullock, aka Drew Comments, whose video about vaccinations has been viewed millions of times on TikTok, YouTube, and Twitter

The key is make it plain. Make it relatable. Make it funny if you can. I believe the things that catch the most momentum online are the things that come from regular people. I just happen to be one that knows what I’m talking about.

What you see on TikTok is the real me. The durag, the bandanna—I happened to wear those the day I recorded the video that went viral because I was supposed to get my hair cut and hadn’t yet. I originally started researching vaccine stuff just because I wanted to be informed enough to have substantive conversations with my parents, my family, my old college football

reading them. The objective is to get the figure down.

Twitter is also tracking (and trying to reduce) “violative impressions,” the number of times people see tweets that violate the company rules before they’re removed.

These efforts have been greeted warmly even by those who’ve been frustrated by the company’s past failures. “I am encouraged that there are quite a lot of people at Twitter who are really trying hard,” says Benesch. After almost 15 years fostering epic ratios and world-class dunks, Twitter is trying to change its own behavior. Soon we’ll see if it can do the same for the rest of us. **B**

teammates, some friends. But I was also aware that I had a following online, and once I started seeing the misinformation online I had to respond.

As a viewer you wouldn’t necessarily know this, but my degree is in journalism and communications, and I had a great teacher: DeWayne Wickham, now at Morgan State. The techniques I use in creating these videos come from that training. Early on, as I researched, I spent a lot of time on the app Clubhouse, listening to discussions with both the doctors and doubters, learning the medical information and understanding regular people’s concerns and hang-ups. Then I supplemented that information with peer-reviewed sources like the *New England Journal of Medicine* and *Nature*. The videos may look off the cuff, but everything is scripted. I’ll write it all down on paper—the metaphors I want to use, the tone, the wording of the jokes, and the looks I give the camera. It’s really about anticipating how your words are going to make the audience feel.

Interviews by Burt Helm



DEB

radicalizing

48



the

Extremists

Parents for Peace enlists ex-believers to help families win back loved ones drawn to Islamism, QAnon, and other ideologies. Demand has never been higher

By David Yaffe-Bellany and Sophia Cai

One morning in November 2018, Amy awoke before dawn to the sound of pounding on her front door. Clad in a T-shirt and underwear, she leaped from bed and rushed outside with her husband. On the front steps stood three FBI agents; behind them were several others, armed with guns. The agents pulled Amy and her husband away from the house and ordered them to stand underneath a raised deck that overlooks the front yard. They'd come for the couple's teenage son.

Jack had been diagnosed with autism at age 3, and like many children on the spectrum, he was prone to obsessions: He loved learning about snakes and tried to catch them whenever he could. His parents were protective; they limited his access to the internet and wouldn't let him play violent video games. But in seventh grade a group of classmates had started showing Jack videos of Islamic State fighters beheading prisoners, and the clips piqued his interest. Soon he grew fascinated with radical Islam. He purchased a copy of the Koran and asked his teacher to find a place for him to pray. He found more videos online and used material from Amy's sewing kit to make an IS flag.

Amy and Jack are pseudonyms; the family asked to remain anonymous to protect its privacy. At the time of the FBI raid on their home in the southern U.S., Jack was 16, but he operated at the developmental level of someone years younger and had trouble understanding complex emotions. He saw the world in black and white, which seemed to explain his attraction to extremist ideas. Although Amy was worried—the family was Christian, and she couldn't understand why her son was obsessed with radical Islam—Jack's therapist dismissed his interest in jihad as a phase. But neither Jack's parents nor his doctors were aware of just how radicalized he'd become. In violent messages posted to online chatrooms, he was threatening an assault on the White House and the Washington Monument. “We are planning for guns and body armor,” he'd written a few days before the FBI showed up. “It will take years of preparation.”

The FBI found little during the raid to suggest that Jack was capable of launching a terrorist attack, according to a report later filed in court. No bomb-making kits, no secret trove of weapons, only some matches he'd filed down, possibly for use as an incendiary device. “He was just talking big online,” Amy says. “Like a big, tough jihadi or whatever he thought he was.”

Jack was charged in juvenile court with making terrorist threats against the federal government and tampering with evidence, because he'd deleted a chat app from his phone when the FBI arrived at the house. A judge sentenced him to a year of probation. But the legal consequences did little to diminish his commitment to radical Islam. After all, he considered the U.S. government a force for evil. Amy sent Jack to a residential school for children with behavioral issues and introduced him to new doctors and therapists. At times, Jack seemed to express remorse. “I should've stayed with the good Muslims online,” he wrote in a journal in late 2018. “Why did

I choose the bad ones!!!” Before long, though, he'd drift back into extremism. “Answer the call,” he wrote in another journal a year later. “Kill them all...it is now time to rise...slit their throats...watch them die.”

Amy felt helpless and overwhelmed. Memories of the early morning raid haunted her. Over and over she asked herself, “Where do I go, who do I call, to get this taken out of his head?”

Years earlier, Melvin Bledsoe had wondered the same thing. His son, Carlos, once a bright, happy-go-lucky hip-hop fan, had fallen in with Islamic radicals as a college student in Tennessee. He'd dropped out of school and moved to Yemen before returning to the U.S. to help his father expand the family's regional tour bus business into Arkansas.

One spring day in 2009, Bledsoe set out from Memphis to Little Rock to look for Carlos, who hadn't been answering his phone. As he sped west on the highway, Bledsoe got a call from an FBI agent: Carlos had shot and killed a soldier at a U.S. military recruiting office in Little Rock. “I felt my heart drop to my shoes,” Bledsoe says. “It was the most difficult thing in the world to pull that car over and to tell my wife what this agent just told me.”

Carlos was sentenced to life in prison. As the family struggled with a mixture of anger and grief, Bledsoe kept returning to a tantalizing hypothetical: What if he'd found someone to help Carlos before it was too late? “We didn't know where to turn,” he says. “We had no help.” In 2015, Bledsoe founded Parents for Peace, a nonprofit that specializes in deradicalizing people who are drawn to extremist ideas, from jihad to QAnon.

The group's services have never been in greater demand. During the pandemic, Parents for Peace has seen a threefold increase in calls to its national hotline. MSNBC aired a short segment on the nonprofit in April, leading to a burst of 25 calls in four days. Researchers at Harvard and Boston University are studying its methods, as academics, therapists, and social workers nationwide grapple with combating extremism in an increasingly polarized political environment. Much of that work has focused on identifying and combating the roots of extremism in the Internet Age, such as the misinformation proliferating on social media. But Parents for Peace is focusing on a narrower, more pragmatic question: how to respond when a loved one subscribes to a radical ideology. “We're not well-equipped to know what to do if a person walks in with this kind of a problem,” says Ellen DeVoe, a social work expert at Boston University who's been observing Parents for Peace. “They're absolutely onto something.”

Run by a five-person staff and a rotating cast of volunteers, the organization has refined a treatment approach that sits somewhere at the intersection of family counseling, addiction recovery, traditional therapy, and cult deprogramming. Five years ago, Bledsoe handed control of Parents for Peace to Myrieme Churchill, a fast-talking French Moroccan whose history in social work dates to the 1980s, when she counseled prostitutes in Marseilles.

To develop a treatment strategy, she conducted ▶

◀ interviews with former extremists and the families of radicalized people. Partly, she realized, she needed to find a way to talk about extremism that didn't stigmatize families wrestling with it. "As parents, we all make mistakes," she says. "I started really kind of building compassion, being less judgmental." These days, Churchill spends hours on the phone each week with extremists' parents or siblings. She often repeats the same deceptively simple-sounding instructions: Never argue with extremists; ask them probing, open-ended questions. Treat them with respect, not derision. And work on your own problems: Sometimes the key to helping a family member is addressing the household's broader dysfunction.

In these conversations, Churchill compares extremism to an addiction. Like an alcoholic reaching for a bottle of liquor, she says, an extremist turns to internet conspiracy theories or violent hate speech to numb a deeper pain. Often she's found that young people become susceptible to radicalization as a result of underlying social anxieties, loneliness, or past traumas. A developmental disability such as autism can make children desperate for a sense of belonging, she points out, leaving them vulnerable to predatory recruitment. Extremism becomes "the drug of choice," Churchill says. "It's really trying to find a way to be somebody, to have control."

That notion is the subject of a growing body of academic research. A 2017 study by a group of sociologists found that extremists who disengage from White supremacy experience "substantial lingering effects" that some of them compare to addiction. But the research remains preliminary. It's still "very, very early in the identification of the problem," says Andrew Dreyfus, the chief executive officer of Blue Cross Blue Shield of Massachusetts and an adviser to Parents for Peace. "This is where we were with opioid addiction 10 to 15 years ago."

Since its founding, Parents for Peace has worked with about 300 families, and Churchill is courting donors and seeking government funding in a bid to expand. The group tries to remain apolitical, counseling people drawn to environmental terrorism and left-wing violence as well as White supremacists and QAnon adherents. In the most complex cases, Churchill deploys a team of former extremists to mentor radicalized people and encourage them to disengage from hate groups.

One of those ex-extremists is Chris Buckley, a 38-year-old veteran of the war in Afghanistan and a former Ku Klux Klan leader. In the mid-2010s, Buckley was such a committed White supremacist that he brought his 4-year-old son along to a Klan rally, dressing the child in a miniature robe and hood. The Klan became an outlet for Buckley's pent-up anger and an easy way to service his addiction to narcotics—he found drugs in abundant supply at meetings. Eventually, Buckley's wife intervened, enlisting a former neo-Nazi she found on the internet to help deradicalize her husband. "He didn't confront the ideology as much as he confronted the more pressing matter of my addiction," Buckley says. "I knew what I was involved in was f---ed up, crazy, made no sense, but it was a trauma loop."

After Buckley left the Klan, he joined Parents for Peace.



Churchill

In one of his first cases, he flew to the West Texas oil fields to counsel a teenager with a growing interest in White supremacy. Recently, Buckley worked with a New Hampshire high school student who embraced far-right nationalist theories. He tries to maintain friendships with those he helps; as he's learned from his own experiences, recovery is a long-term process. "I still find myself having political thoughts when I'll watch something on Fox," he says. "I'll be like, 'F---ing liberals.'"

Amy heard about Parents for Peace from one of the counselors she'd approached for help with Jack. The group's website features videos of Buckley and Mubin Shaikh, a former Taliban supporter who joined Parents for Peace after a stint as a government informant in Canada. Earlier this year, Jack seemed to be moving away from Islamic extremism on his own, as he watched YouTube videos of the anti-Islam preacher David Wood. Then, in the spring, he again started poring through the Koran and discussing Islam online. "He fell off the wagon," Amy says. "That's when I called."

In her first sessions with Churchill, Amy recounted Jack's descent into radical Islam. For years, she said, she'd had hardly anyone to confide in. When the FBI raided her house, she was too embarrassed to ask her family for help. "People understand porn," she explained, "but they don't understand 'Your kid is doing ISIS.'"

"It's very much misunderstood," Churchill replied. "It's really a public-health issue. It's the same as reaching out for a drink. If you focus on 'Don't take that drink,' you're battling with the coping mechanism." The best way to help Jack, she said, was to show him love and attention—and not to overreact when he spouted extremist propaganda. "Nobody wins fighting with a coping mechanism," she said. An extremist "will fight to the death for that."

In the 1970s, new religious groups such as the Reverend Sun Myung Moon's Unification Church attracted young followers in the U.S., some of whom made drastic life changes that shocked their friends and relatives. The result was a moral panic: American parents spent tens of thousands of dollars on cult experts known as deprogrammers, who sometimes used unethical or illegal tactics to reverse what they called brainwashing. "They're kidnapping people, they're isolating them, they're eliminating access to food and water," says Megan Goodwin, a religious studies scholar at Northeastern University. "There's a lot of money in trying to help wealthy White families get their kids back."

The deprogramming industry has transformed since the 1970s, as authorities have cracked down on the most dubious methods. Many practitioners now call themselves exit counselors or cult intervention specialists. Patrick Ryan, who's based in Philadelphia and describes his work as cult mediation, says he'd never use physical force to intervene in a family crisis. Sometimes, however, he engages in elaborate deceptions, gradually insinuating himself into the life of a cult member or designing a complex ruse to lure someone into a room for a stage-managed intervention. During Donald Trump's presidency, Ryan and other deprogrammers began using their techniques to fight right-wing extremism, as families recruited them to treat loved ones who'd adopted racist views or subscribed to QAnon conspiracy theories.

Perhaps the best-known example of the pivot from cult deprogramming to right-wing deradicalization is Steven Hassan, a former Moon follower and the author of *The Cult of Trump*. Hassan charges \$5,000 a day for his services—"a shitload of money," he acknowledges. "The clients that aren't a match for my approach are the single parents," he says. "If they have no funds, that's not a match for me." A frequent guest on cable TV, Hassan frames his work as combating mind control—an interpretation of Trump's appeal that cult experts have often disputed. Hassan also expects clients to read his books.

For-profit deprogrammers and groups such as Parents for Peace are helping fill a specifically American void. Deradicalization groups have been around in Europe since the 1990s, starting with an effort in Norway that offered therapy and job counseling to neo-Nazis who were attempting to disengage. No similar organizations found traction in the U.S. until the 2010s, when an ex-skinhead named Arno Michaelis helped establish Life After Hate, a coalition of former extremists dedicated to coaxing people away from far-right violence. Michaelis left Life After Hate in 2012, following a fundraising dispute, and the group has recently been riven with internal battles that have spilled into court. But it remains, along with Parents for Peace, one of a handful of American groups that offer deradicalization services free of charge.

The work is delicate. The former extremists operate largely

Get People To Check Their Privilege

According to Ai-jen Poo, executive director of the National Domestic Workers Alliance



The organizations I lead represent the workforce inside our homes: nannies, housecleaners, and home-care workers. It's some of the most undervalued and insecure work in our economy; 82% of domestic workers didn't have a single paid sick day going into the pandemic.

In my work as a labor organizer, we're not up against Walmart.

"Management" is just everyday families who need care and assistance.

But there's a tremendous amount

of on instinct, and they can make mistakes.

For years, Michaelis

counseled an ex-Klan member

who had become a fervent Trump sup-

porter. "He really just swapped the White race for Trump," Michaelis says. "Trumpers are the good guys, and everybody else are the evil scum of the Earth. The hate was every bit as intense." Last year the relationship turned antagonistic: The ex-Klansman needled Michaelis about Trump until he got a reaction. Eventually, Michaelis lost control. "I screamed at him. I told him he's an idiot, Trump's a piece of shit, I hope he loses the election," Michaelis says. "Any influence I had on him all went completely out the window."

Aware of the potential for damaging confrontations, Churchill urges families to take a gentle approach. In ►

defensiveness. People have deeply held beliefs about domestic work—that it's a private matter, that it's not real work, that the people who do it are more like family members than employees. Telling them, "Hey, your approach to running your household is associated with our country's history of racism, sexism, and slavery" won't get you far. Those are tough things to talk about, much less ascribe to families who think of themselves as simply needing help.

So we don't approach employers with guilt. Instead we try to depersonalize it and say, "You can be part of a cultural movement to recognize this work as real work," to create the context for people to do the right thing. We try to call people up to that, to give them an opportunity to be a part of the solution.

◀ phone calls this summer, she warned Amy not to react angrily when Jack watched disturbing videos. A strong negative response, Churchill told her, might prompt him to dig in deeper and seek out more alarming content online. Instead, she said, Amy should ask Jack how the videos made him feel or other open-ended questions. The advice seemed to pay off. As the summer progressed, Jack appeared to lose interest in radical Islam, renouncing his old beliefs and watching more and more David Wood videos.

But he was also developing a new fascination: the Confederacy. Parents for Peace often sees extremists swing from one form of radicalism to another. “The ideology is very much a superficial Band-Aid for whatever they’re going through,” Churchill says. Jack decorated his bedroom with Confederate memorabilia, including a bayonet that once belonged to his great-great-great-grandfather, who fought for the South in the Civil War. He also started wearing a baseball cap emblazoned with the Confederate flag, prompting complaints at church. And in an argument with one of his siblings in August, he used the phrase “White power,” alarming Amy. Later she asked him not to wear his cap in public, and he

pushed back aggressively. “This is my history,” he responded. “This is my heritage.”

“I’m almost more worried that I’ll have to call again and enroll in a different side of Parents for Peace,” Amy says.

Still, she didn’t think her son was becoming a White supremacist. Jack didn’t express animus toward Black people, and he seemed to understand that the flag could offend others: He’d never wear the cap around his trainer at the gym, who’s biracial. Most of the time, his obsession with the Confederacy seemed to stem from a genuine interest in the history of Civil War battle flags. It was a classic conundrum: Skeptics of deprogramming and deradicalization have long noted the difficulty of determining whether a troubling set of beliefs warrants intervention. “What counts as extreme?” asks Joe Uscinski, a political scientist at the University of Miami who studies conspiracy theories. “If we’re talking extremism, extreme what? Extreme willingness to act on a violent impulse? Or something else?”

One evening in September, Jack agreed to meet over Zoom with Churchill, Buckley, and Shaikh, the former Taliban supporter. He gave them a tour of his bedroom, turning

his iPad toward the collection of snakes and turtles housed in tanks along one wall. It turned out Buckley was also a snake enthusiast: He brought out a 5½-foot red-tailed boa and wrapped it around his neck. “You seem like the type of dude—I could show up at your house, we’re going to do country-boy shit, and we’re going to run out to the woods, and we’re going to wrangle snakes,” Buckley said. “I want to get to know you more.”

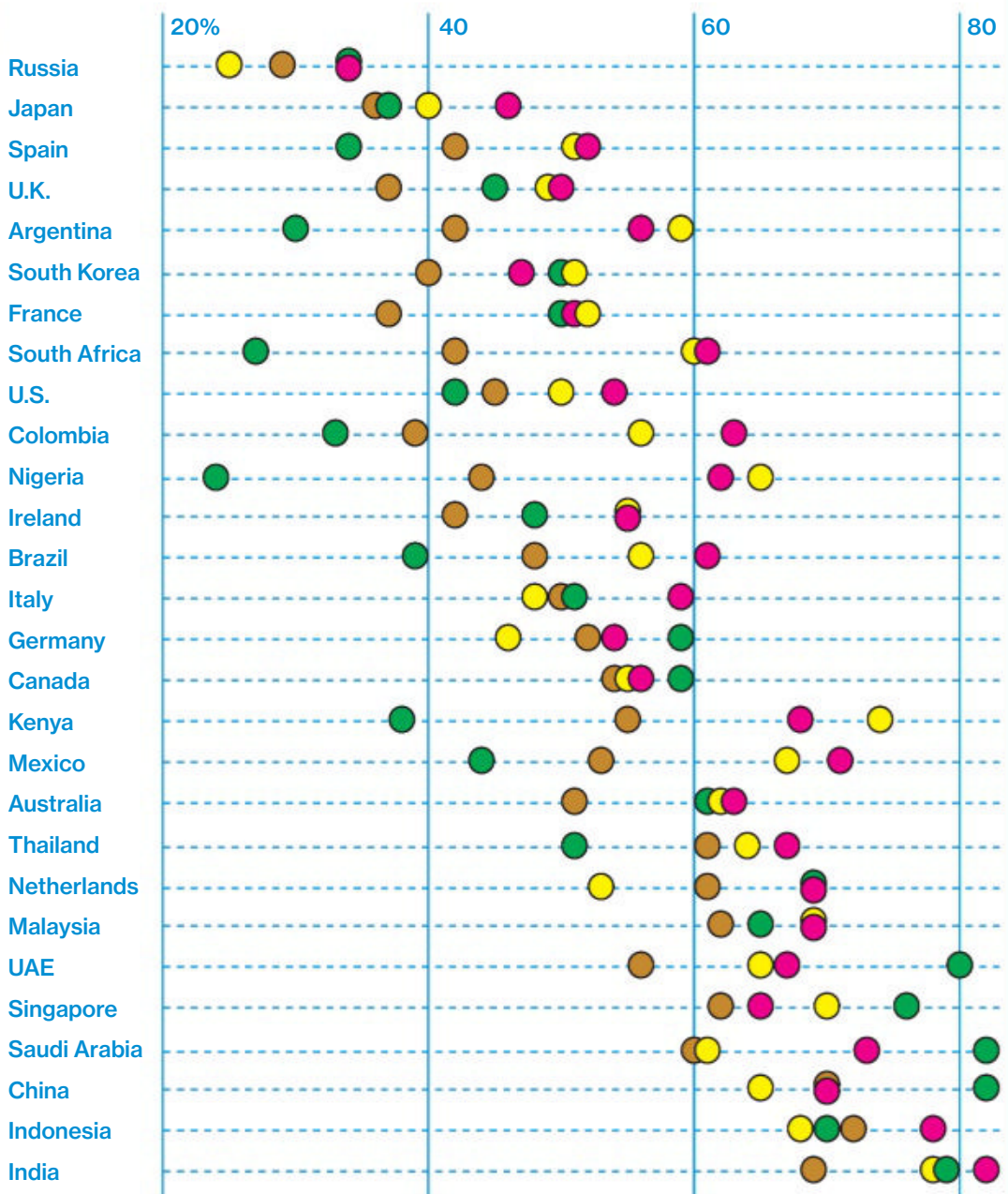
Shaikh asked Jack about his descent into radical Islam. Part of what drew him, Jack responded, were the videos of men hugging and kissing each other, the sense of brotherhood and camaraderie. He wanted to be part of that. Throughout Jack’s childhood, he’d struggled to make friends and was sometimes bullied. In seventh grade a group of boys put goods they’d stolen from an Army supply shop in his backpack. “There’s a difference between a healthy brotherhood and an unhealthy brotherhood,” Buckley said. “Keep that in your mind, man.”

Jack paused. He seemed to be listening carefully. “I will,” he replied.

By her own admission, Churchill is better at counseling than at fundraising. In 2020, Parents for Peace generated a little more than \$289,000 in revenue, mostly from donations, with expenses totaling almost \$213,000. “It’s such a messy issue,” she says. “Donors will donate much easier for the puppies and children with cancer, because it makes them look good.” In the long term she hopes Parents for Peace can expand across the U.S., training local clinicians.

Global Trust in Institutions, by Country

Share of people who trust ● Business ● Government ● Media ● NGOs



DATA: EDELMAN TRUST BAROMETER. POLLING CONDUCTED IN OCTOBER AND NOVEMBER 2020

“There’s a difference between a healthy brotherhood and an unhealthy brotherhood”

But she’s faced setbacks: In September the Department of Homeland Security turned down the organization’s application for \$750,000 in grant funding. For now, Parents for Peace has only about 20 active cases, most of which involve White supremacy or QAnon.

Over the summer, Buckley and Shaikh held a series of video meetings with Ty Garbin, an airplane mechanic in his mid-20s who pleaded guilty to helping orchestrate the plot to kidnap Michigan Governor Gretchen Whitmer in 2020. Garbin’s lawyers had reached out to the group. The aim was not to deradicalize him, exactly; he’d already expressed remorse. Rather, Parents for Peace hoped to help him avoid falling back into extremism while in prison, after his sentence was handed down. On the calls, Buckley bonded with Garbin over their shared interest in military-style weapons. “We talked about what his favorite type of rifle was, his favorite rounds, body armor,” Buckley recalls. Then the conversation turned to weightier topics: ethics, duty, honor, loyalty. “I’m going to do everything I can to make sure he stays healthy,” Buckley says. “The dude was superauthentic.”

During a sentencing hearing in August, Garbin’s legal team cited the meetings with Parents for Peace as evidence that his commitment to reform justified a lenient sentence. He ultimately got 75 months, well below the maximum penalty. Lawyers for the Jan. 6 rioters have followed a similar playbook: Anna Morgan Lloyd, the first to be sentenced, told a judge she’d been reading books about Black history and studying inequality in America. In the same way a drunk driver might attend Alcoholics Anonymous meetings to impress a judge, extremists facing criminal charges can invoke the deradicalization process to avoid lengthy sentences. That could expose Parents for Peace and other groups to manipulation.

“Maybe they go to the AA meetings genuinely,” says Jessica Stern, a Harvard senior fellow who’s studied deradicalization efforts. “Or maybe the lawyer might instruct them to do that. There’s a lot of risk here.”

Stern is planning a formal evaluation of Parents for Peace, hoping to codify its techniques and track outcomes—for years, the group has lacked the resources to maintain reliable long-term data on the families who’ve sought its services. “We’d like to make sure this person isn’t a terrorist not just two weeks later, but two months later, ideally many years later,” Stern says.

With each new case, Parents for Peace is encountering complex family dynamics that lack clear solutions. Recently the group has been coaching a mother whose college-age

son spews anti-Semitic vitriol, dismissing mainstream news coverage as propaganda by the “Jew York Times.” The mother was anxious about introducing him to Buckley; she thought a meeting could help, but she wasn’t sure how he’d react if he found out she was seeking help to address his extremism. Buckley was convinced the son needed therapy to address his underlying struggles with mental health. “Mom needs to set some whole-ass ground rules,” he told Churchill after a call with the woman in September. “You’ve got to require him to go to therapy, and if he says he won’t go to a therapist, then it’s ‘You have to get out.’”

“Many of these liberal families are afraid to set those boundaries,” Churchill said. “He’ll hear it from you, Chris.” Buckley shook his head. “What am I gonna do—make him move out?” he asked. “We’re stuck in a mudhole right now.”

Parents for Peace has made more progress with Jack and Amy. At 19, Jack still lives with his parents, though he recently started a new job tending plants at a local greenhouse. He still keeps copies of the Koran on a shelf in his bedroom, and in one edition he’s highlighted passages he interprets as violent. But he says he’s firmly rejected radical Islam. When he started chatting with Islamic extremists online, he says, he was sure they knew what they were talking about. “But they don’t know what they’re doing at all,” he says. “They’re stuck in the seventh century.”

Recently, Jack has re-immersed himself in one of his earliest obsessions: venomous snakes. His contact information is posted on a registry of volunteers who’ve signed up to help capture snakes spotted in residential areas. On a Friday night in September, he got a Facebook message from a woman 30 minutes away who’d seen a rattlesnake in her backyard. Jack drove to the scene, where he used a long hook to pick up the snake. Afterward he posed for a photograph next to the captive rattler. In the picture he’s wearing his Confederate baseball cap.

The next day, Jack went into his family’s garage to take another look at the snake, which he was storing in a plastic bin. He planned to release it in a remote area later that weekend. After gently removing the pink lid, he dropped onto his haunches and stared as the snake lay unmoving, curled up in the corner of the bin, the afternoon sunlight half-illuminating its gray-and-black skin.

Amy stood over her son, watching him watch the snake. “Sometimes, I think I could just touch him,” Jack said.

“That’s what scares me,” Amy replied. “That you think that.”

Jack turned to her with a grin. “But I wouldn’t,” he said. **B**



this is MY B

Neuroscientists have come a long way in understanding how and when people come around to a different point of view

By Sarah McBride

What exactly happens when we change our mind? Pursuing this question is how I found myself, one recent morning, lying in a fancy brain scanner known as an fMRI machine and watching cartoons at the Waisman Center at the University of Wisconsin at Madison. On the other side of a glass screen, a technician and two neuroscientists watched me—or, more accurately, watched my brain.

Cartoons notwithstanding, this is serious work. Understanding the neural basis of persuasion is a tantalizing prize for scientists and doctors, and obviously (and less nobly) businesses, politicians, and anyone else trying to get others to do their bidding. But the science is difficult enough to border on science fiction. Unlike regions of the brain that control motion, chiefly the motor cortex in the frontal lobe, the portions that control thought and persuasion are spread out. There's no quadrant of the brain that lights up an fMRI machine when we're thinking, "Huh, I guess you're right."

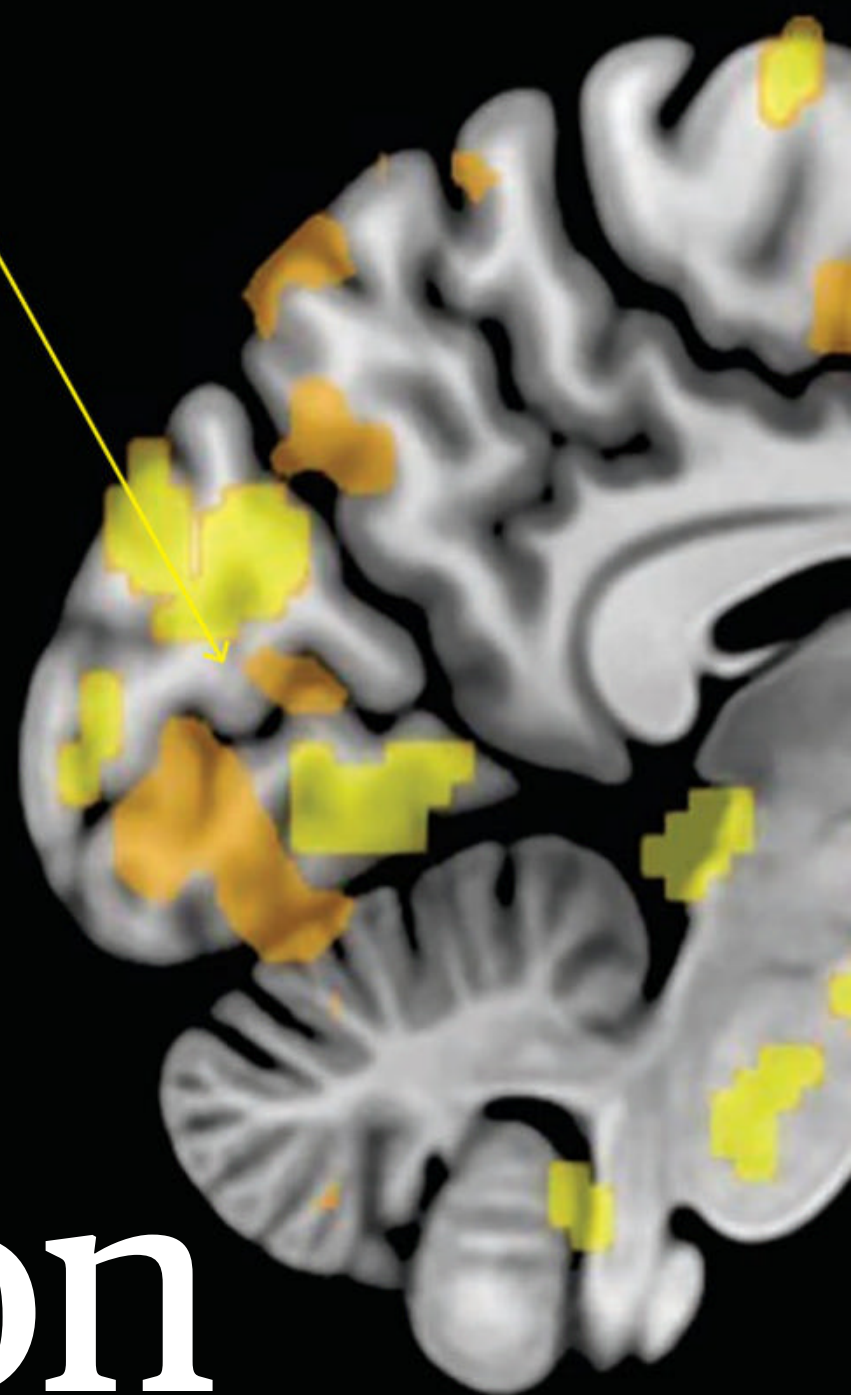
Still, pioneering neuroscientists are trying to decode persuasion. They want to isolate various types of high-level thinking—for example, can you separate neurons used in analysis from those used in memory?—and find out whether it's even possible to identify the moment someone changes his mind. One idea that has gained currency: studying the effects of environment and interpersonal relationships on our openness to a particular message.

That's why neuroscientists Chris Cascio and Matt Minich had me watch goofy video clips. Would I react less favorably to an image of tidy, meticulously sorted recycling bins if I had just watched the animated bear from the 2012 comedy *Ted* toss litter out a car window, or Stewie and Brian from the TV show *Family Guy* dock a small boat at an island composed of trash? Those images were meant to coax my brain into associating piles of garbage with a sense of normality.

Similarly, what would happen if I were shown text about ocean acidification after watching Marge Simpson hack down a forest, or pictures of people exercising after watching the characters from *It's Always Sunny in Philadelphia* sit on a beach snacking on a booze-soaked ham? I won't need to convince you that U.S. males selected these clips.

Occipital lobe

The structure responsible for visual perception, including color, motion, and form. Activation here gives away that I was looking at stuff.



on persu

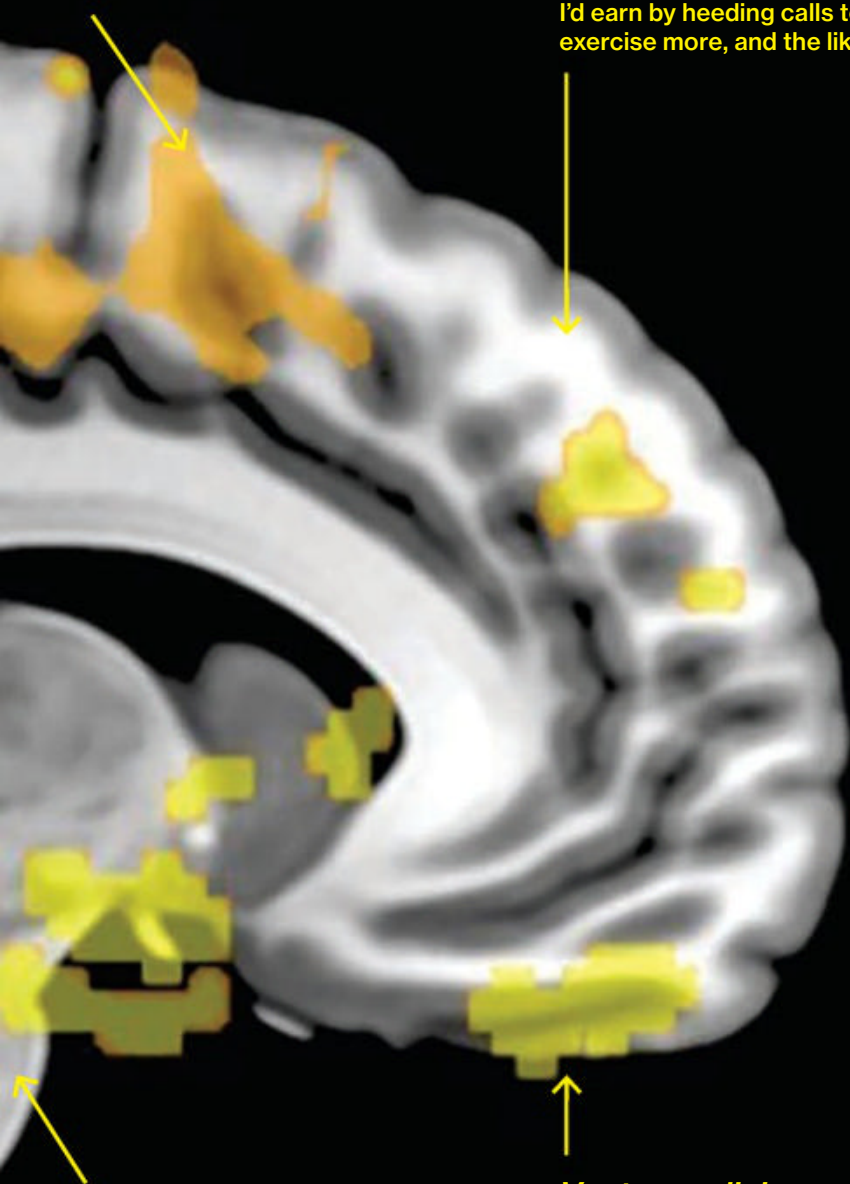
RAIN

Supplementary motor area

Tied to movement control. This lit up probably because I took the technician's parting words seriously as he slid me into the fMRI: "Try not to move."

Dorsomedial prefrontal cortex

Activity here signifies thinking about what others are thinking—what neuroscientists call "mentalizing." It means I could have been weighing the social validation I'd earn by heeding calls to recycle, exercise more, and the like.



Brainstem

Handles basic functions such as breathing, not high-level processes like persuasion. Parts of the brain just randomly light up sometimes. As one of the researchers told me, "Individual brains are messy."

Ventromedial prefrontal cortex

Here's where persuasion researchers pay the most attention. This structure is tied to reward processing and positive valuation—neuroscientist-speak for finding something valuable. Activity indicates I found the messages compelling.

The experiment was run on 45 volunteers. (Excluding me: My readings won't be included in the final results.) Findings are preliminary, and Cascio and Minich are preparing papers based on them.

The work focuses on the ventromedial prefrontal cortex and the ventral striatum, which appear to be important while we're talked into something. These areas kick in when we decide whether something holds value and when we want to gain acceptance or approval from others.

Cascio and Minich, who work in the Communication, Brain and Behavior Lab at the university's School of Journalism and Mass Communication, also check in on conflict detection regions such as the dorsal anterior cingulate cortex and the anterior insula to see what happens when a message is at odds with our beliefs. Minich, a doctoral student and avid runner, got interested in that question after years of pooh-poohing the idea of barefoot running—and then finding himself on a shoeless 8-mile jog after reading the book *Born to Run*. "What was that cognitive process?" he asks. (He's back to running in shoes.)

As I lay in the scanner, taking in images and video clips on a computer screen, the researchers had a good idea of what areas would engage. They also cautioned against drawing conclusions based solely on my brain. "Single brains are messy," says Cascio, the lab's director. "We're interested in what's consistent across people."

I watched the messages—mostly slides with text—and rated them with a clicker in my right hand on a scale of 1 to 4, 4 being most persuasive. Then I looked at cartoons, and then I watched and clicked through more messages. In my other hand was an alarm button in case of sudden claustrophobia. (As anyone who's had an MRI is well aware, these machines are tight.)

Unlike in the movies, Cascio and Minich couldn't see the results right away. They had to crunch the data over the next few days and then formulate brain maps. The data showed that when I watched some of the clips that made unhealthy or ungreen behavior seem normal, and then a persuasive message about the environment or health based on what I'd lose out on by, say, not exercising or recycling, the brain regions associated with value and acceptance showed less activity. But when they showed me messages that accentuated the positive, those regions lit up.

In other words: Persuasive messages are resonant even when they go against social norms, if they're framed in the context of gains rather than losses. That's important for knowing how to convince people when society is resistant to an idea. For example, an asset manager might base advertising on all the traveling, dining out, and home remodeling that could await investors aspiring for an early retirement, instead of dwelling on the potentially penurious future of those who don't contribute to savings plans.

Is that manipulative? Yes, by definition. Creepy? It certainly could be, assuming neuroscientists ever deliver a practical model of persuasion. And they're a long way off. **B**

asion



Black hairstyles

PROTECTIO need N O

In most U.S. states, employers and schools are allowed to discriminate against box braids, locs, and other traditional styles. A coalition of activists and legislators has started to change that. *By Patrice Peck Photograph by Nakeya Brown*

Four years ago, when Faith Fennidy was 10, her mother called her down to the living room to watch something that seemed crazy. On TV was a report about Deanna and Mya Cook, 15-year-old twin sisters in Massachusetts whose school had given them detention, threatened them with suspension, and banned them from track meets, Latin club, and the prom—all for braiding their hair. The twins were wearing the simple box braids ubiquitous among generations of Black women and girls, Fennidy included. Often done using extensions, they're a staple Black hairstyle, because they help protect hair from damage as it grows and are relatively easy to maintain. The sisters' charter school said it had punished the girls because its policies on student hair and makeup forbid extensions.

Faith recalls watching the news report in a daze, shocked that hair like hers could lead to such punishment. At the time, the story made the Cooks' charter school in Malden, Mass., sound very far away from her Catholic elementary school in Terrytown, La. "I don't think I would have ever believed that it would have happened to me," she says.

But a year later, it did. Faith's school amended its dress code to ban hair extensions in similarly neutral-sounding terms, and soon she was sent home for the day for violating the policy. A clip of her leaving school in tears went viral, and a still from the video appeared in the *New York Times*. "I was just so upset in that moment," she recalls. She transferred schools.

Faith, like the Cooks, had joined a fresh wave of Black students and workers over the past several years who were being rejected, punished, or fired for wearing traditionally Black hairstyles, such as cornrows and locs, also known as dreadlocks. Dress codes have been used to justify blocking students from their first day of kindergarten and from walking in their high school graduation ceremony. In Des Moines, a trucking company dismissed a recent hire who wouldn't cut his locs during training, claiming they posed a safety issue. But more often, employers say they just don't like the look. In White Plains, N.Y., a Banana Republic manager refused to schedule shifts for an employee until she removed her box braids, which he deemed unkempt. In Arlington, teens who refused to cut their braids and locs were denied jobs at Six Flags Over Texas, where until 2017 the namesake banners included the flag of the Confederacy.

In some of these cases, the amplifying effect of social media has shamed employers or schools into reversing the decisions. Following national backlashes, Faith's former school, Christ the King Parish School, eventually rescinded its hair policy. So did Mystic Valley Regional Charter School, where the Cooks went. Banana Republic fired the offending manager and said it has zero tolerance for discrimination. On the other hand, Six Flags didn't hire the long-haired teens (it tries to accommodate workers on a case-by-case basis), and the Des Moines trucking company, TMC Transportation, maintained that its trainee's locs violated its safety policies by rendering him unable to wear a hard hat properly, a claim the trainee denied. Throughout the U.S., these kinds of issues

continue to pop up, whack-a-mole style, showing how Black Americans regularly face discrimination that violates the spirit, if not the letter, of the laws protecting their rights in the workplace.

The Civil Rights Act of 1964 prohibits explicit discrimination by employers and public schools on the basis of traits the law considers immutable—unchangeable from birth—such as race and color. But the language doesn't explicitly ban discrimination against mutable traits, leaving many common, implicit forms of discrimination to be adjudicated by the courts. For decades, workplaces have argued, mostly successfully, that hairstyles predominantly worn by Black people are merely cultural practices and should be subject to change by employers or school administrators. The federal judiciary has so far protected only the afro, which was deemed an immutable racial characteristic in 1976. This discrepancy is absurd at best: Not all Black people have afros, and people who aren't Black can have natural afros, or brown skin, for that matter.

Lawmakers and judges have a ways to go to catch up to the reality that race is a social construct, says Wendy Greene, a law professor at Drexel University who's advised efforts to outlaw discrimination against natural hair. "There's a very limited understanding of what constitutes race and therefore a very, very constrained and limited understanding of what constitutes unlawful race discrimination," she says. "I call this legal fiction."

This limited understanding extends to the nuances of Black hair, from its rich history and culture to its morphological differences. Simply combing my hair requires water, a palmful of deep conditioner, a flexi-bristle brush, and a ton of time and patience to tease through each tightly coiled strand. When I was a girl, my mother spent two hours or more every other week washing, blow-drying, and styling my afro, carefully detangling, sectioning, twisting, plaiting, and securing the hair. But even her most meticulous dos were no match for the guaranteed frizzfests that resulted from dance classes, pool parties, or sleepaway camp. And as a single mother, she only had so much time to style me and my two sisters. Altering my hair texture wasn't an option; Mom distrusted the chemicals used to permanently straighten hair and the heat tools that could temporarily do the same. So like Faith, the Cook sisters, and so many sistas before and since, I turned to box braids, Senegalese twists, cornrows, and other protective styles that, like locs, last for weeks or longer, endure water, and generally look pretty damn good.

For me and others who've had similar experiences, it's self-evident that these styles are so historically and culturally tied to Black people that they constitute immutable characteristics protected under the Civil Rights Act. Since 2019, a growing network of government officials, activists, and legal experts have been arguing as much across the country, fighting state by state to eliminate hair discrimination. Within that movement, the Crown Coalition group of more than 80 advocacy and nongovernmental organizations has taken the lead. Its primary tool is a template bill called the Create a Respectful and ▶

◀ Open World for Natural Hair Act, or Crown Act. A version of the bill has stalled in the U.S. Senate, but the basic framework is now law in 14 states and has been introduced in the legislatures of dozens of others.

In some states (California, Connecticut, New Mexico), the campaign to persuade lawmakers to pass it into state law has received a resounding yes. In others it's been more of a grind, as Black people and advocacy groups and their allies lobby a vast sea of melanin-challenged public officials to take action on a problem that doesn't personally hurt or disadvantage them. And wouldn't you know it: Black people have had a little bit of experience in that area.

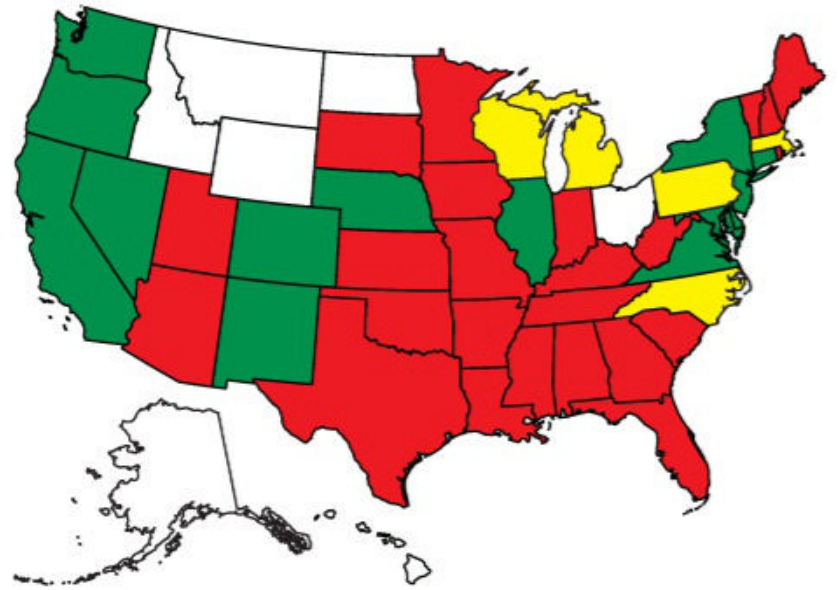
Natural hair discrimination in what's now the U.S. dates to the early 1600s and the trans-Atlantic slave trade. Along with physical violence, slavers used psychological and emotional abuse to instill a sense of inhumanity and inferiority among their victims and to help justify treating them as property. These tactics included pathologizing physical traits that contrasted African enslaved people with European slavers, including tightly coiled hair textures, which were often ridiculed as "woolly." The prejudice outlasted Britain's control of its American colonies, the U.S. Civil War, and abolition, too.

Through Reconstruction and the Jim Crow era and deep into the 20th century, Black people used hair to exercise a measure of control over their individual and collective identities. Those efforts, however, often involved adopting stylistic trends that emulated European beauty standards and glamorized straight hair. During the 1970s the Black Power movement spurred support for natural hair. And a landmark 1988 decision by the federal Equal Employment Opportunity Commission helped catapult the issue's political significance onto the national stage. In the climax to a string of hair discrimination cases involving working Black women, the EEOC ruled that Hyatt Hotels violated the Civil Rights Act when it specifically banned braids and cornrows and fired two Black women for violating that policy.

The EEOC decision has been cited in federal and state discrimination claims and lawsuits as evidence that federal laws protect Black hairstyles, but the case didn't set a binding precedent. For decades afterward, few national media figures or advocates connected the dots between cases of hair discrimination or pushed to keep them in the news, so individual incidents could be dismissed as isolated or apocryphal. That's changed, however, in the era of social media. "Now, within hours of something happening, we can all hear about it and maybe

State of the Crown

- The Crown Act or a similar measure has been enacted
- Legislation is pending
- Legislation lost a vote
- Legislation hasn't been filed



DATA: CROWN COALITION; NEWS REPORTS

even see video," says Ayana Byrd, a co-author of *Hair Story: Untangling the Roots of Black Hair in America*.

The 2010s ushered in a modern-day natural hair movement. It started on the coasts and on college campuses, then expanded via online communities. Aptly, the coalition behind the Crown Act began to take shape in New Orleans at the 2018 Essence Festival, America's biggest annual celebration of all things Black Girl Magic.

At the festival, Adjoa Asamoah, a consultant for political campaigns (including, last year, Joe Biden's) and corporate brands (Anheuser-Busch), met Esi Eggleston Bracey, chief operating officer of Unilever North America's beauty division, and Kelli Richardson Lawson and Orlena Nwokah Blanchard, who run a Washington, D.C., marketing firm called Joy Collective. Hair discrimination had been on each woman's mind, and they saw in one another's strengths a path for reform. That year, the group officially formed the Crown Coalition and began recruiting allies.

"There was no one incident of discrimination that prompted the work," says Asamoah, who developed the legislative strategy. It was an overdue answer to "this prevalent form of racial discrimination." She partnered with state Senator Tremaine Wright in New York and state Senator Holly Mitchell in California, whose signature look is blond locs. A year after the meeting in New Orleans, both states passed versions of the Crown Act, and Unilever's Dove brand joined the Crown Coalition, providing financial support and amplifying its message.

With Dove funding, the Joy Collective conducted a study



Adjoa Asamoah

of 2,067 women that found Black women were 80% more likely than others to change their natural hair to meet social norms or expectations at work, 30% more likely to be made aware of a formal workplace appearance policy, 150% more likely to be sent home or know of a Black woman sent home from work because of their hair, and 83% more likely to report being judged more harshly on looks than other women. The study also found that Black women's hair was roughly 3.4 times more likely than others' to be perceived as unprofessional. Respondents ranked locs, braids, bantu knots (a style resembling stacked spiral knots), and other natural Black hairstyles the least professional.

During the first phase of Crown Coalition lobbying, this sort of data proved galvanizing in some blue states, seven more of which quickly passed the bill. The bar was higher in Nebraska, where Republican Governor Pete Ricketts vetoed legislation inspired by the Crown Act in August 2020, shortly before it was set to become law. In a statement announcing his decision, Ricketts said he agreed with the bill's aim to prevent discrimination based on immutable characteristics. But hairstyles, he said, didn't meet that standard, and employers needed flexibility to adhere to health and safety regulations. "While hair type is an immutable characteristic, hairstyles can easily be changed," he wrote, adding that the hairstyles referenced in the bill, such as twists, cornrows, and locs, are not attributable to or exclusively worn by one racial group. He promised to work with the state legislature to resolve his concerns.

This was the first veto of such a bill. Ashlei Spivey, a lobbyist who founded the Omaha-based advocacy group I Be Black Girl, heard the news while celebrating her 34th birthday. "Being a Black woman, doing this work on behalf of Black women, femmes, and girls, I took it personal," she says. She, her colleagues, and Greene, the law professor, helped prepare a new version for introduction by state Senator Terrell McKinney early this year. Together, they resolved to address the governor's concerns without excising specific hairstyles from the revised bill. It turned out to be something of a tug of war.

McKinney began negotiations by proposing language much the same as the original bill, without much in the way of compromise. Ricketts countered with language that the state senator says would have removed the bill's teeth. McKinney says that even when agreement seemed impossible, he and the Crown Act's other advocates remained cordial and "didn't throw any shots." Instead, they kept communications with the governor's office going and made behind-the-scenes appeals to leading legislators and health officials. This August, a year after the first veto, they had a deal, and Ricketts's signature. (The governor's office didn't respond to a voicemail seeking comment.)

Deal With an Anti-Vaxxer at a Holiday Dinner

According to *Chip Massey, former FBI hostage negotiator and now partner of Convincing Co.*

The first thing to get inside your mind: Facts will not work. I've seen very well-meaning people come "armed" (which is an interesting word, right?) with logic and science to go against red-hat wearers. That will never carry the day. Second: Don't think that you'll resolve anything, or that you'll even discuss vaccines necessarily, over that meal.



But what you can do is begin the

Spivey says her 35th birthday was better.

Nebraska's Crown Act allows law enforcement agencies to set grooming standards—a significant concession, but much better than a fresh veto, McKinney says. Among other things, it's a counterpoint to the gridlock strangling most of the legislative proposals that await votes in Congress. As McKinney watched Ricketts sign the bill into law, his first enacted as a freshman senator, he says, he thought, "I'm here. And I can actually get something done."

The latest round of Crown Act advances has been more stutterstep than Nebraska's. In Washington, a national bill passed the House of Representatives last year, but the legislative session ended in December without a corresponding vote in the Senate. That means both chambers must pass a new version introduced earlier this year by a handful of leading House members and Democratic

necessary prep work for future persuasion. In my work with the FBI, de-escalation was always the first step, followed by asking them a crucial question: "How did we get here today?" You're defusing tension, making them feel heard and understood.

So at a holiday gathering, plan a collaborative activity, like a puzzle, or Legos, or prepping dinner. Then get people telling stories—about how they made big life decisions, about lessons from loved ones they never forgot. Personal stories, personal truths—that's how you coax out their values. You allow people to build bridges to their better selves. You'll return to those values to find common ground and make your case. You persuade them by reminding them of the trust you've built and the values you share.

◀ Senator Cory Booker of New Jersey. So far, there's been little progress. Federal response to a once-in-a-century pandemic obviously takes priority, though the Senate did make time last year to pass more than 60 bills renaming U.S. Postal Service facilities.

A version of the bill is already law in Booker's home state and in Maryland, where Mya Cook is now majoring in psychology at the University of Maryland. She says her latent interest in the subject spiked after she and her sister were threatened with suspension in Massachusetts over their box braids. Part of her motivation in choosing her major, she says, was to try to puzzle out the whys of what happened to her in high school. "Just so I could even understand, because it never made any sense," she says. She pauses. "I don't even think even now it would make sense, honestly."

In Massachusetts, getting a vote on the Crown Act has been slow going. State Representative Steven Ultrino, who counts the Cook family among his constituents, says that their 2017 case marked the first time he'd received a complaint about hair discrimination and that he had a lot of learning to do. Staff research and consultation with Crown Coalition leaders helped yield the bill he introduced last year. He held hearings, lobbied colleagues for support,



Candace Newell

and got the bill passed in the Massachusetts House. He says he's since received a flood of calls from workers and parents who've had to deal with hair discrimination.

Key to Crown Act outreach efforts in Massachusetts, Ultrino says, has been relaying to other legislators the horror stories he's heard from constituents, getting those constituents involved, and asking his Black colleagues to share their experiences, too. He tends to describe his advocacy on this issue in terms familiar to people with chronic health conditions in their families—which is to say, everyone. "I support Alzheimer's research," he says.

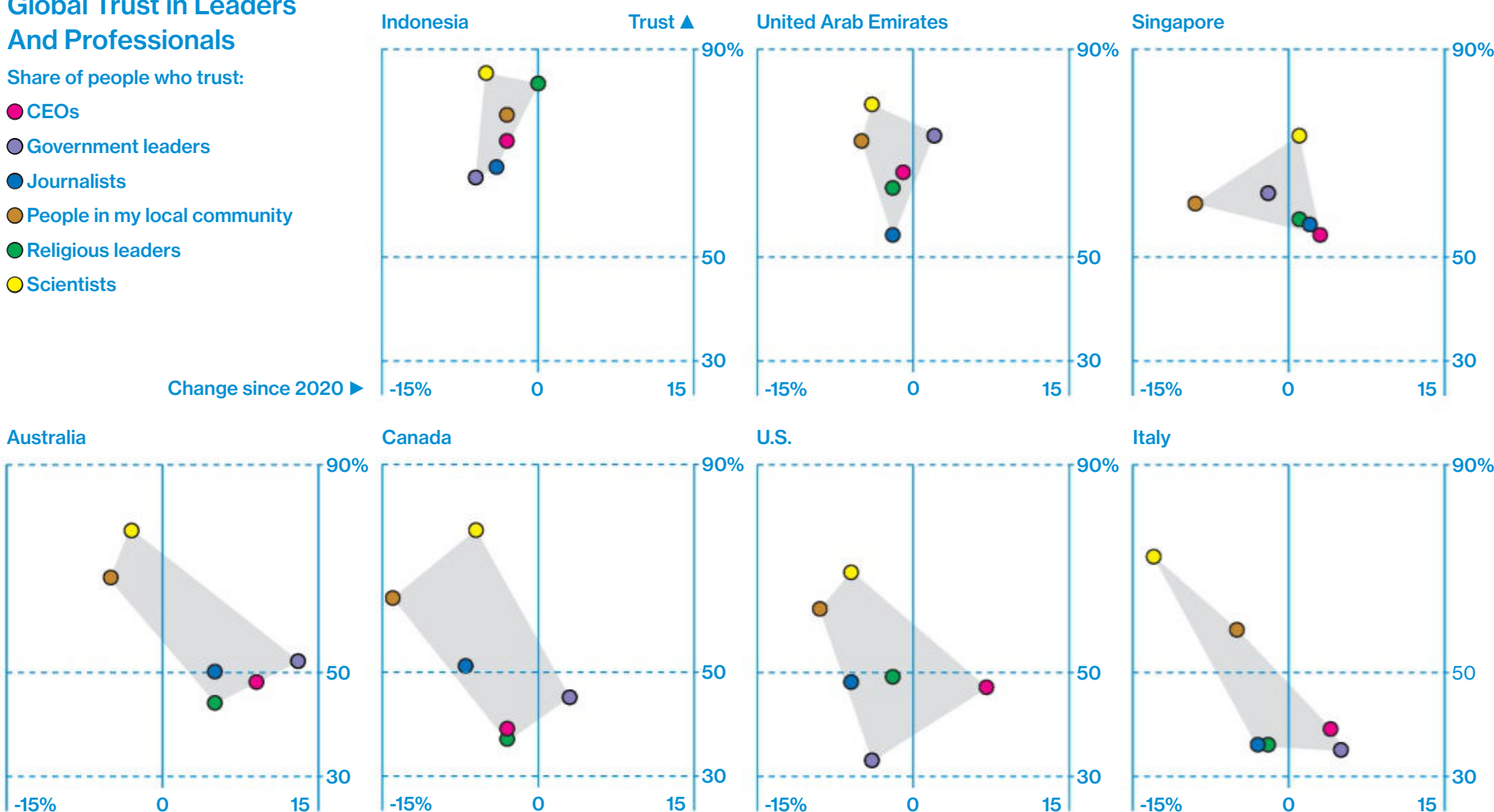
"I don't have Alzheimer's." As was the case in Washington, Covid helped push the bill off the Massachusetts upper chamber's 2020 docket, but the 2021 version is working its way through the state House's judiciary committee, and it stands a good chance of becoming law as soon as it can get full floor votes.

Already, more than 121 million Americans are now protected by Crown Act legislation or something like it. On the Crown Coalition's website, a map of the state-level efforts

Global Trust in Leaders And Professionals

Share of people who trust:

- CEOs
- Government leaders
- Journalists
- People in my local community
- Religious leaders
- Scientists



DATA: EDELMAN TRUST BAROMETER. POLLING CONDUCTED IN OCTOBER AND NOVEMBER 2019-2020

How to Win Over A Skeptical Audience

calls the group's shot with the headline "14 down, 36 to go." Asamoah declined to comment on the next phase of the group's strategy, beyond saying it varies significantly by state.

The odds have seemed tough in redder areas, but earlier this year, Louisiana came close to being the second Southern state, after Virginia, to ban discrimination against natural hair. None of the three bills lawmakers proposed quite got the needed votes before the legislative session ended in June, however. A version introduced by state Representative Candace Newell came closest, with 46 votes in favor and 48 against.

Republicans accounted for nearly all the nays, arguing that Louisiana should let local school districts make their own rules as much as possible. Newell notes that many of these legislators haven't applied this line of reasoning to their efforts to ban public schools from mandating masks or teaching critical race theory. She attributes her bill's defeat partly to intensifying partisan tension and says she'll try again in the next session. "It's going to be a heavy lift," she predicts. Her blond, natural-textured hair is part of her effort to educate people on the issue. "I just try to bring it to my colleagues," she says, that her hairstyle "doesn't affect my capability of trying to bring this state to a better place."

Ahead of the next fight, Newell plans to work with a lobbyist, seek support from the Louisiana Association of Business & Industry, and explore ways to assuage the concerns of moderate Republicans who might be swayed into the yea column. She's also had to learn to translate her arguments for those colleagues who just don't spend much time around locs or cornrows. "I think the most interaction most of them have with Black people is when they come up to the capital session," she says. "It's not a good thing. It's not a bad thing. It's just their reality."

More disquieting to her is the degree to which even some of those writing the laws assume that everyone enjoys the same legal protection they do as White people, rather than recognizing it as White privilege. During one hearing on a different bill seeking to outlaw hair discrimination, a White female colleague was asked how she would feel if she were fired for refusing to get a perm.

"She said, 'Well, that wouldn't happen, because I have the Constitution to protect me,'" Newell recalls. "That just ran through me."

Now 14 years old, Faith Fennidy has a mouthful of braces, a house full of pets, and her own strategies for defending Black hair. Outside her home in Harvey, La., Faith's braces glint in the hot sun as she introduces me to her ducks, Draco and Daisy. In the shaded section of her

*According to
Zoe Littlepage, a plaintiff's
lawyer who's won jury verdicts
totaling more than \$300 million*

*An inner-city Philadelphia jury
hears a case very differently than
one in a small town in Texas. That
jury—the second jury—is very
suspicious of everything about
me. They don't like lawsuits, they
don't like plaintiff's lawyers, and
they don't like people who sue.
When I try a case in a
small town, I subscribe to
the local newspaper for
the month before
the trial. I go to
the local
dive*

bar, talk to the bartender, and listen to the vernacular of that community. You have to start talking in the language they hear where they live. If a liberal jury hears that someone is catastrophically injured, they'll be receptive to the message that they need help and compensation. But a conservative jury won't respond to those words. They need to change to: "That man cannot support his family. You've taken away his ability to have personal responsibility for his family. He's not independent anymore." Freedom, liberty, independence, and patriotism is what sells to that audience.

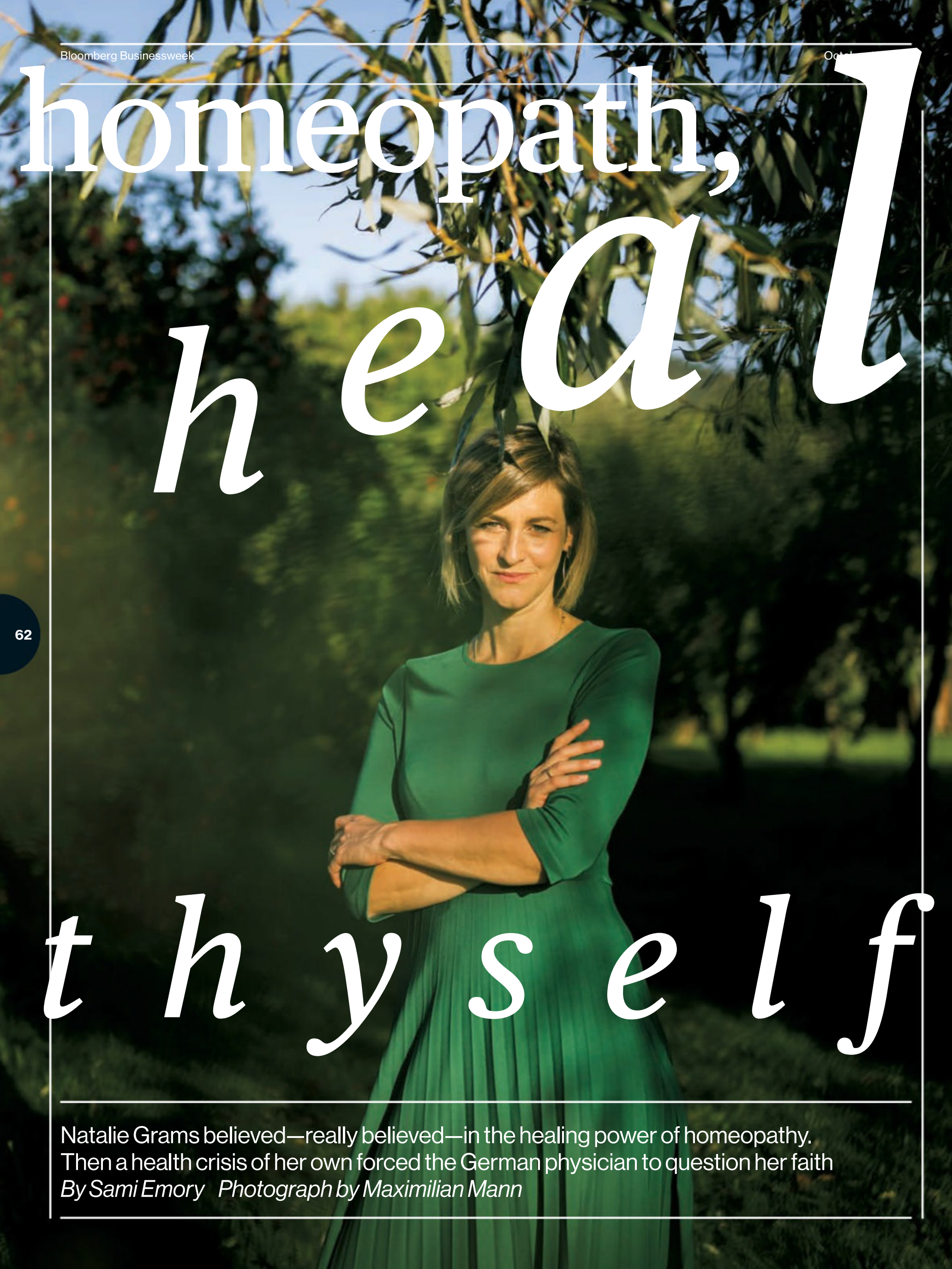


manicured backyard, I meet her dog Mimi, a rambunctious Yorkie. Her bright yellow bird, Lululemon, hops around a large cage on the coffee table before us.

When she's not caring for her pets or playing volleyball, Faith is devouring the books taught in her English class, analyzing the characters' motives and contemplating figures of speech. A good story can go a long way toward building empathy, she says, citing *To Kill a Mockingbird* as an example. The character she most relates to isn't the protagonist, Scout Finch, or Atticus, Scout's fiery lawyer dad. It's Scout's brother, Jem. The boy loses his innocence when he realizes that what happened to their neighbor Tom Robinson, a Black man who meets a brutal end after being falsely accused of a crime, is going to keep happening to more Black men.

"When I saw my video went viral, I thought it wasn't going to happen anymore," Faith says of punishments like hers and the Cooks'. But after seeing story after story of other Black people experiencing the same pain, "I really just felt it was going to keep continuing until there was a way to stop it." **B**

homeopath, healed thymself

A woman with shoulder-length brown hair, wearing a long-sleeved, floor-length green dress, stands in a field. She has her arms crossed and is looking towards the camera with a slight smile. The background is filled with green trees and foliage, suggesting a natural, outdoor setting. The lighting is soft, possibly from late afternoon or early morning.

Natalie Grams believed—really believed—in the healing power of homeopathy. Then a health crisis of her own forced the German physician to question her faith
By Sami Emory Photograph by Maximilian Mann

Behind an arched stone facade in Heidelberg, Germany, Natalie Grams spent years welcoming patients into bright rooms with plastered white walls and hardwood floors. As a homeopathic physician, she listened to their concerns and prescribed tinctures, ointments, and little white pills for their ailments. People trusted her, and Grams was certain that these nontraditional treatments (echinacea for colds; arnica for muscle pain) made them better.

For her, homeopathy was more than a profession. It was something she accepted on faith and an essential part of her identity. She treated herself homeopathically and her young family, too. “I was convinced that homeopathy could heal everything, really everything,” Grams says.

Then one day in 2013 at a nearby lake, Grams fell violently ill with a viral infection. Under different circumstances, she might have turned to a tincture or those little pills, which homeopaths call globules. But there was no time. Her fever was spiking, and her sense of reality was fading away. Her family called an ambulance. Bumping along the potholed country road, the medics tried to distract Grams by inquiring about her work. When she said she was a physician, they asked what field of medicine. Vulnerable and scared, she couldn’t bring herself to tell them. These are real doctors, she thought. They save lives. They were saving her life. She couldn’t do what they did. What, then, did that make her? So she lied and said she was a general practitioner.

It would be a few more years before Grams fully turned her back on homeopathy—becoming, practically overnight, Germany’s most prominent skeptic of the practice. But that afternoon in the ambulance, she began to question her devotion. “I was, somehow, for the first time, not sure whether it was a good thing to be a homeopath,” she recalls.

The pseudoscience of homeopathy was invented in Germany in the 18th century by a maverick physician named Samuel Hahnemann. His theory was based on the ancient principle of like cures like—akin to the mechanism behind vaccines. The remedies Hahnemann developed, meant to help the body heal on its own, originate as substances that with excess exposure (like pollen) can make a patient ill (in this case, with hay fever)—or kill them: Arsenic is used as a treatment for digestive problems, and the poisonous plant belladonna is meant to counteract pain and swelling. These substances are diluted—again and again—and shaken vigorously in a process called “potentization” or “dynamization.” The resultant remedies typically contain a billionth, trillionth, or... well... a zillionth (10 to the minus 60th, if you’re counting) of the original substance.

Today, homeopathy is practiced worldwide, particularly in Britain, India, the U.S.—where there’s a monument to Hahnemann on a traffic circle six blocks north of the White House—and, especially, Germany. Practitioners, however, differ greatly in their approach. Some only prescribe remedies cataloged in homeopathic reference books. Others take a more metaphorical bent, offering treatments that contain a fragment

of the Berlin Wall to cure feelings of exclusion and loneliness or a powder exposed to cellphone signals as protection from radiation emitted by mobile handsets.

Grams, the daughter of a chemist, first turned to homeopathy in 2002. While she was attending medical school to become a surgeon, a highway accident left her car in the ditch with the windshield shattered. Grams walked away unhurt, but she soon began to suffer from heart palpitations, panic attacks, and fainting spells that doctors couldn’t explain. Her roommate suggested she visit a *heilpraktiker*, a type of German naturopath that offers alternative therapies ranging from acupuncture and massage to reiki and homeopathy.

Homeopaths typically spend a lot of time with patients, asking not just about symptoms but also about emotions, work, and relationships. This is all meant to find the root cause of a patient’s suffering and is part of its appeal. The *heilpraktiker* asked Grams about her feelings and the accident, things she hadn’t spoken about with her doctors—or anyone—thinking they weren’t important in understanding what was wrong. The *heilpraktiker* prescribed her belladonna globules and recommended she visit a trauma therapist. Steadily, her symptoms fell away. She was healed.

Soon after, Grams dropped the idea of becoming a surgeon, opting for a future as a general practitioner while taking night courses in alternative therapies. After completing her medical degree, she began a five-year residency to qualify as a GP. But three years in, Grams abandoned conventional medicine and began an apprenticeship with a homeopath near Heidelberg.

Homeopathy is a multibillion-dollar global industry with hundreds of tincture and globule makers, led by France’s Boiron SA, which reported sales topping \$600 million in 2020. German manufacturers had combined revenue approaching \$750 million last year, according to researcher IQVIA Inc. The bulk of that was via direct sales to consumers, as the vast majority of homeopathic products are widely available without a prescription. Roughly half of Germany’s population has used homeopathic preparations, and about 70% of those say they’re satisfied with the treatment.

The Nazis embraced homeopathy as part of their darkly motivated pursuit of a robust German Volk. A homeopath was chosen to lead the working group for the Nazi party’s health policy concept, *Neue Deutsche Heilkunde* (New German Medicine), and in 1937 Deputy Führer Rudolf Hess addressed the 12th International Homeopathic Congress in Berlin. After the war, homeopathy was torn between a supportive West and a disapproving East, but it enjoyed a renaissance in the 1970s as it captured the imagination of anti-establishment youth.

In 1978 the German parliament, under pressure from industry lobbyists, exempted homeopathic remedies from the barrage of tests required to approve drugs for medical use. If, the act states, homeopathic doctors claim that remedies work, that alone is proof of their efficacy under German law. Under this ruling, all homeopathic remedies are considered, by “internal consensus,” to have an effect beyond placebo. ▶

Germany's public health insurance providers reimburse some costs of homeopathic treatment, and more than 7,000 of the country's 150,000 doctors specialize in the practice. Nonmedical professionals such as *heilpraktiker*s can also prescribe remedies after passing an examination, and it's not uncommon for German M.D.s to suggest homeopathic concoctions such as tincture of mercury and dandelion globules alongside more conventional medicines.

During the coronavirus pandemic, this quirk of the German medical system made headlines. In January the press learned that a branch of Charité, Berlin's top hospital, had given Covid-19 patients treatments derived from the remnants of meteorites. "We've seen good progress, that this helps some people," says the hospital's director, Harald Matthes. "Sometimes it didn't do anything at all, and in those cases we stopped using it immediately. We are not dogmatic."

In April 2020 the German branch of the Hahnemann Association, a global group that promotes homeopathy, published an article claiming that the first seven days of a Covid-19 infection could be treated homeopathically—without specifying any particular remedies. By December, when Germany's transmission rate was soaring and ICU patients numbered in the thousands, the group declared that masks were no longer necessary, that vaccines are worse than the virus, and that homeopaths should work in intensive-care units.

Homeopathic success stories frequently start the way Grams's did—with the feeling that conventional medicine has fallen short. Comment sections under articles on the subject are full of feelings of hope and stories of miracles and salvation. The world can feel so much brighter when, even for an instant, you believe in something close to magic.

In her work, Grams frequently witnessed such miracles. So she was happy to participate when a pair of journalists approached her in 2011 while researching a book about homeopathy. When asked how much she believed in the practice on a scale from 1 to 100, Grams answered, without hesitation, 100. And when the book was published in late 2012, she was eager to read it.

But the critical tone of the book, *Die Homöopathie-Lüge* (*The Homeopathic Lie*), dismayed her. Her first response was to fight back; she wanted to make readers see the light. Grams debated commenters online, but few wanted to listen. So she decided to write a book of her own: a well-researched, well-argued defense—"the 'truth' about homeopathy."

Grams consulted chemists and physicists. She read books on

behavioral science and decision-making. She parsed clinical trials and homeopathic texts. "I wanted to use everything I could find to defend homeopathy," she recalls. But as she dove deeper, her line of questioning changed. "I was more and more interested in, 'How can that be? Is it a psychological phenomenon, is it placebo, is it something that goes beyond chemistry or natural science?'"

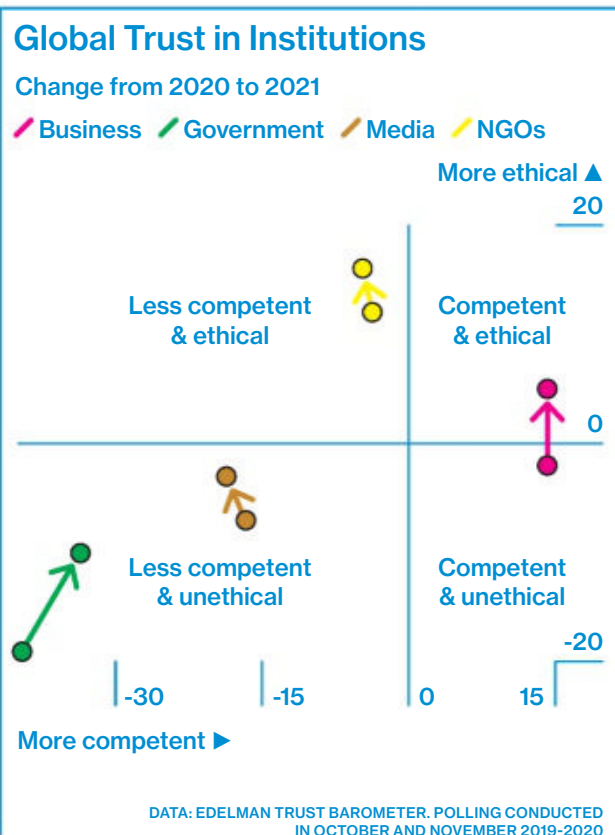
One of the few points of agreement between advocates and skeptics of homeopathy is that the remedies contain a chemically insignificant amount of the original substances. As cognitive psychologist Bruce Hood puts it in *The Science of Superstition*, you would need to drink more than 6,600 gallons of the solution to get a single molecule of the original substance. Or as physician and poet Oliver Wendell Holmes quipped in his 1842 work, *Homeopathy and Its Kindred Delusions*, "the waters of ten thousand Adriatic seas."

Where the two camps diverge is why patients who take these remedies often feel relief. Some advocates lean on Hahnemann's theory that the dilution "imprints" a chemical memory on a substance—he called it a "spiritlike medicinal power"—while others say we lack the capability to understand or test the mechanisms. Skeptics counter that any good the practice might do boils down to the benefits of talk therapy and a simple belief that the treatments are effective.

In 2015 the Australian National Health and Medical Research Council published a meta-analysis of almost 200 studies on homeopathy, seeking evidence that the practice worked beyond the placebo effect. It didn't find any. In 2017 a British group updated the report and came to the same conclusion, recommending that physicians stop providing homeopathic remedies. The National Health Service soon pulled the plug on most funding for such treatments, even though the royal family frequently consults homeopathic doctors and a company owned by Prince Charles has sold a homeopathic tincture made from artichokes and dandelions.

Grams abandoned her practice shortly before she finished *Homeopathy Reconsidered: What Really Helps Patients*. Prescribing remedies she no longer believed were efficacious had become an ethical strain, and she knew the book would be challenging for her patients and fellow homeopaths.

Homeopathy Reconsidered made Grams a media star. Until she came along, Germany's most visible skeptics of homeopathy had tended to be stern-looking men, lifelong critics in their 60s and 70s. Grams was young—36 when the book came out in 2015—attractive, and a very recent convert. She's been featured in German newspapers and magazines and has become a frequent guest lecturer at universities, hospitals, and pharmacist association meetings. On



How to Use Child Psychology on Your Boss

Twitter, she offers her 48,000 followers a steady diet of criticism of homeopathy and advocacy of Covid-19 vaccines. Opponents paint her as a media pawn and a puppet of Big Pharma. She has been called all manner of offensive names—and received death threats, spurring Grams to ask her local municipality to shield her address from the public record.

In May 2019 a reporter from a German newspaper asked her, point blank, if homeopathic remedies work.

Grams's response: "Not beyond the placebo effect."

After the interview was published, she received a letter from German homeopathic manufacturer Hevert Pharmaceuticals LLC ordering her not to repeat those words or risk being fined €5,100 (\$5,900) per utterance.

Although numerous studies have shown Grams's statement to be true, her lawyers told her that under the 1978 "internal consensus" law she risked being sued. Yet Grams refused to comply. Instead, she took to Twitter, posting a photo of the letter under the *Game of Thrones*-inspired caption "What do we say when #homeopathy-pharma tries to silence us? Not today." The post gained thousands of retweets and likes, and the incident was broadly publicized—even garnering a segment on a popular German talk show. If Hevert had been trying to quiet public skepticism about homeopathy, the plan spectacularly backfired. Grams has since made the assertion multiple times; she has yet to hear from Hevert.

As Grams has stepped up her criticism, homeopathy has suffered, even in Germany. Since 2016 the volume of homeopathic products sold has fallen 12%, to 48 million packages last year. In 2019 the medical association in the northern city of Bremen banned medical professionals from seeking further education in homeopathy, effectively barring doctors from getting homeopathic certification. At least nine other German states have since followed suit.

Still, Grams says that as long as homeopathy is treated as a complementary option—and not a replacement for conventional treatments—there's little need to prohibit it. She and other skeptics recommend following the strategy of the U.K. and France, where public-health systems no longer pay for it. The German government, though, has been reluctant to take this step. In 2019, Health Minister Jens Spahn said the public-health system spends only €20 million a year on homeopathic remedies—or roughly 0.05% of the system's budget for drugs. "I simply decided it's OK the way we've got it," Spahn told German public television.

Today, Grams works with nonprofits that promote a rigorous examination of homeopathy and other fields of dubious scientific merit. In February 2020 she published a second book, *What Really Works: A Compass Through the World of Gentle Medicine*, a bestseller that evaluates alternative therapies. And

According to Tovah Klein, director of the Barnard College Center for Toddler Development and author of *How Toddlers Thrive*

The toddler is always looking for control. I coach parents that you can give over that control, but with limits. Like, "I wish we could go outside and play when it's dark and pouring rain. Too bad it's bedtime. But we'll go out tomorrow, right? I'll put your boots right by the



door so we remember." And when your child wakes up and says, "Let's go outside right now," you go with it. And when he gets those boots, you praise him and say, "Great idea!"

Bosses are always looking for control, too. Therefore I'd advise employees the same way. You want the supervisor to feel heard, understood: "Oh, I wish we could accomplish all that. If only we

had five other employees and XYZ additional resources."

You're putting the idea out there and then letting the boss own it. When the boss comes back with the idea you originally suggested, give the boss full credit the same way you would a toddler.

"Look, you decided to wear those boots!"

this year, a German foundation awarded Grams a €20,000 prize for her willingness to stand up to pressure.

But through it all, she has missed working with patients—even if she now feels the treatments she prescribed were ineffective. So a few years ago she started looking for a clinic or a practice that would let her finish her medical residency and finally become a licensed general practitioner. "Nobody wanted me," she says. "Perhaps some people were afraid that the hate I got would be channeled through me into their work." The rejections piled up, and she eventually stopped trying.

Lately, Grams has lowered her public profile and makes headlines less often. She hosts a biweekly podcast, *Grams' Sprechstunde (Consultation Hour)*, where she's discussed everything from childhood medicine to nursing home scandals and has interviewed mindfulness coaches, vaccination advocates, and palliative-care specialists. She gets less hate mail, and while at first she was terrified to speak without a script on her podcast—for fear of retribution, legal or otherwise—she's now more relaxed. "I like being an activist," she says. "It's a lot of hate, but it's really fun." **B** — *With Stefan Nicola*

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SKI SPECIAL

The most rugged resort in Montana gets speedy lifts, luxury hotels, and fine dining to match its extreme slopes

By Jen Murphy



Big Sky's Moment of Glory

A skier tackles
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October 18, 2021

Edited by
Chris Rovzar

Businessweek.com

When Dave Stergar started skiing at Montana's Big Sky Resort in the early 1990s, few lifts had safety bars, and most moved at a snail's pace through 15 degree temperatures and 30 mph winds. After offloading, he'd then have to hike an hour to reach the extreme runs off the 11,166-foot Lone Peak.

Stergar, a 54-year-old retired middle school teacher from Helena, Mont., was one of the many die-hards happily willing to forgo the comforts of a full-amenity resort to race down Big Sky's 50-degree chutes; narrow, no-mistakes couloirs; and leg-burning, 6-mile bowl runs all by himself. With more skiable acres than Telluride and Jackson Hole combined—and 4,350 vertical feet—it rivaled anything he'd experienced in France or Italy.

Now, some 30 years later, Big Sky has a lift system to match. When Stergar checked into his vacation home there in December, he found himself zipping along on a heated chairlift (shielded by a wind-resistant bubble) to his favorite double blacks in the high alpine terrain.

In 2016, Michigan-based Boyne Resorts, owner of Big Sky, unveiled a 10-year, \$150 million capital investment plan to transform not just the resort but also the small mountain community bearing the same name from a remote outpost to a full-fledged luxury destination.

Boyne Resorts was founded in 1947 by late visionary Everett Kircher. It purchased Big Sky in 1976. Since then it's acquired other properties such as Sugarloaf in Maine and the Summit at Snoqualmie in Washington, making the family-owned company the third-largest ski operator in North America behind conglomerates Vail Resorts Inc. and Alterra Mountain Co.

Now run by Kircher's son Stephen, Boyne is looking to make Big Sky more of a diamond and less "in the rough." Fast, comfortable chairlifts are just one part of the enhancement plan. The Chamonix-inspired lifestyle—with its posh après-ski spots and leisurely, on-piste lunches—is

up next. "Our goal is to be America's Alps," says Kircher.

His dream has a ways to go. But on opening day this year—slated for Nov. 25—the resort will welcome the fastest six-person chairlift in North America as well as two huge hotel renovation projects. On Dec. 15 the area's first five-star resort, Montage Big Sky, will open with 150 rooms and ski-in, ski-out access. The town itself will get an ice rink this season, just one piece of a \$20 million community center that's expected to open by March, complete with a climbing wall and art galleries.

Some locals and devotees had wondered what took so long. A sort of Wild West for skiers, Big Sky had no historic min-

ing town, like Steamboat Springs or Park City, to anchor a resort. Given Big Sky's reputation among freeskiers for extreme thrills, Boyne long focused on servicing its most gnarly peaks, leaving the beginner-area chairlifts in such decrepit shape that they'd frequently break down. When the Lone Peak tram opened in 1995, a decade before the town of Big Sky received a medical center, it tripled the resort's expert terrain—runs that, at the time, most resorts considered liabilities.

Prioritizing adrenaline and adventure above all else became Big Sky's selling point as much as its limitation. There wasn't even a grocery store to stock up your rental condo until 2014. So anyone seeking thrills both on- and off-mountain headed to Jackson Hole and Whistler Blackcomb instead.

But it's becoming easier than ever to get to the town of Big Sky. In the last year, its closest airport, Bozeman Yellowstone International, began welcoming direct flights from 29 major hubs, including all three New York City-area airports, Chicago, and Los Angeles. The unincorporated community around it, which had barely 500 residents in 1990, grew 56% in the last census and now has a full-time population of just over 3,600. Like in many mountain towns, demand increased amid the pandemic: Real estate sales doubled, to \$725 million, in 2020.

Even without all that, powder hounds have been catching on. The resort experienced 46% growth in skier visits over the past five years—a boost that can be attributed, at least in part,



A home at Moonlight Basin resort

to its participation in the multiresort Ikon Pass since 2018. As a result of its infrastructure upgrades, more than 41,000 riders can be moved per hour across 39 lifts and 5,850 skiable acres. Add its proximity to Yellowstone National Park, roughly an hour's drive southeast, and there's nothing else like Big Sky in the lower 48.

Boyne maintains that it hasn't lost sight of Big Sky's appeal as an uncrowded destination, noting that other major resorts have 200% to 400% more skier density per acre. And yet, bottlenecks have emerged. This past winter, Big Sky resident Ashley Dodd, 44, rode the Lone Peak tram just once because of two-hour waits.

"Last season the lines grew beyond what we thought was acceptable," says Troy Nedved, Big Sky Resort general manager. As a result it will now charge \$20 to \$80 extra per day for tram access—on top of regular lift ticket prices, which during the winter holidays can cost \$222 a day.

The biggest change, though, is that for the first time, Big Sky has tempting reasons to take a break from the slopes. There's a food hall with sushi and ramen restaurants, plus craft cocktails at renovated après-ski hangout Westward Social—both products of a \$13 million overhaul to the base area that made its debut last year as part of the broader investment plan.

Loyal fan Stergar still thinks they can do more. "In Europe, you can stop in a little mountain hut for hot chocolate or wine and cheese," he says. He wishes that U.S. ski areas would fixate less on "things that are all about making money" and more on adding perks that contribute to the overall experience.

December's opening of the Montage at the base of Spanish Peaks will add some Zermatt-worthy glitz, at the very least. Building on the exclusivity of the Yellowstone Club, a private skiing and residential community introduced on a neighboring mountain in 2019, the hotel is certain to attract a luxe-loving crowd to its 150 rooms and 39 residences, which are priced from \$8 million. Its amenities include a 10,000-square-foot spa, a Northern Italian-inspired fine-dining restaurant, and ski lockers and valets.

One&Only Resorts is coming next: The nature-focused five-star brand has chosen adjacent Moonlight Basin, also owned by Boyne, for its first U.S. location. (Details surrounding that project remain confidential, though representatives have confirmed that it has broken ground.)

Some locals, like Dodd, a cafeteria worker at Ophir Elementary School in nearby Gallatin Gateway, wonder how these high-end venues will fit into the laid-back Big Sky vibe—or whether they will even be able to afford an après-ski cocktail at Montage's Alpenglow lobby bar.

"I really hope we can keep the community feel," adds

Chris Walch, a ski instructor at the Yellowstone Club and founder of Women of Winter, a nonprofit that helps women of color become ski instructors.

Ultimately, Walch doesn't think Big Sky will turn into a corporate resort, pointing to the fact that Boyne has "promoted a lot of local voices into some of the highest positions of leadership" and invested heavily in workforce housing, parking, and shuttle capacity. It's also prioritized sustainability by announcing a commitment to operate with net-zero carbon emissions by 2030.

Montage Big Sky Vice President Rick Riess is optimistic, too; then again, he probably has to be. "Over half of our food and beverage revenue at our Laguna Beach and Healdsburg [California] hotels comes from the local community," he

says. And at first, "they were very wary of us."

The capstone of the enhancement plan is an ambitious gondola system by 2025, but smaller improvements will continue to roll out before then. So far, even long-time visitors such as Stergar welcome the changes. "Our lifts now, in my opinion, are awesome," he says. "It used to take 20 minutes or more just to reach the base of the bowl without any wind stops. Now I can get there in less than 10 minutes."

And he's unfazed about crowds descending on—much less ruining—his happy place. "Big Sky is so big, there is always good snow somewhere," he says. "And we veterans have our secret stashes." **B**



The powder-coated peaks at Big Sky



Get Out of the Cold In a Hot New Hotel

Whether you're willing to venture halfway around the globe or looking to stay closer to home, the latest lodgings in ski country have you covered

By Nikki Ekstein

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U.S. Vail and Aspen in Colorado don't typically see a lot of turnover among their hotels, but this year is an exception. Aspen's Westin is being reborn as the **Viewline Resort Snowmass**, part of Marriott's elite Autograph Collection, with 254 woodsy ski-in, ski-out rooms, plus an Ayurvedic spa and kids' club. A castlelike hotel in Vail's Lionshead Village, **The Hythe** is just steps from

the Eagle Bahn gondola. The Luxury Collection property is actually the old Marriott Mountain Resort christened with a new name and \$40 million of enhancements, including dramatic leather headboards in its 366 rooms and a floating brass fireplace in the lobby.

CANADA Pack your warmest clothes: While Le Massif de Charlevoix lays claim to the largest vertical drops in eastern

Canada, average winter lows hover at -3F to -6F. The upshot, though, is lots of fresh powder—typically 119 inches each season, which can now be explored from the new **Club Med Québec**. The all-inclusive resort offers direct access to runs that overlook the St. Lawrence River, and it has a range of options for child care. Club Med Québec will also organize dog sledding, ice skating, and day trips to sugar shacks around the broader Charlevoix region.

FRANCE Eleven Experience has made its name on extravagant chalets, such as Deplar Farm in Iceland, that serve as hubs for epic heli-skiing trips. Now the luxury

travel outfitter is expanding to the Rhône-Alpes in France, where its new four-bedroom **Chalet Pelerin** has an outdoor hot tub, an indoor pool, and incredible wood detailing throughout its interiors, plus access to seven Savoyarde ski resorts including Tignes and Val d'Isère.

SWITZERLAND In the last eight months, **Cervo Mountain Resort**, the only ski-in, ski-out hotel in Zermatt, has received a top-to-bottom makeover. Its minimalist alpine interiors have been designed with an eye toward sustainability, and geothermal energy now provides 95% of the heat in all 54 rooms. The three on-site restaurants include a globally inspired, plant-based spot called Bazaar, as well as an Italian kitchen that sources heavily from local farms.

JAPAN Niseko is already the holy grail for deep, feather-light powder. And now it's opened its most luxurious hotel to date with the arrival of the **Higashiyama Niseko Village, a Ritz-Carlton Reserve**. One of just five Reserves in the world, it features a hot spring *onsen*, an omakase sushi restaurant, and oversize Japanese soaking tubs in its 50 slopeside rooms.

A City Kid Takes Over at Vail

The resort operator's new CEO on the importance of data, diversity, and little-known ski areas. *Interview by David Rocks*

Coming off one of the weirdest years in a long time for skiing—and just about everything else—Vail Resorts Inc. is predicting a strong season this winter. Although the delta variant will continue to weigh on the industry, Vail has reported robust sales of season passes after a 20% price cut in March. The company, which operates 37 destination resorts and regional ski areas around the world, has detailed plans for \$320 million in spending on new lifts, restaurants, and other improvements next year, helping to cement its position as the biggest player in the industry. On Nov. 1, Kirsten Lynch—who brought to life Vail's EpicMix app and oversaw the pass business as the company's marketing head—is set to take over as chief executive officer from Rob Katz, who will become executive chairperson after 15 years in the job. We spoke with Lynch about where Vail will be headed in the coming years. The interview was edited for clarity and content.

When did you start skiing?

I grew up in downtown Chicago, a total city kid. I first skied at the age of 6 at Wilmot, a small area outside Chicago that we bought a few years ago. Then we went to Breckenridge for the holidays, and ultimately we moved on to Vail. One of the reasons we've acquired smaller areas is that we recognize it's how you grow the sport, introducing kids and families to skiing. We spend a lot of time talking about Vail or Park City or Breckenridge, but the growth will come from local urban ski areas outside major metropolitan areas.

How do you bring in more people but also control crowds on your mountains?

These mountains are huge. There is so much room and opportunity for people to experience them. The pain points tend to be the lifts at resort bases that get people up onto the mountain. But once they're up there, there's so much terrain. It's really making sure that the lifts are the best capacity and speed, so guests can enjoy their day.

As Vail's chief marketing officer, you've been a big advocate of using data. How can ski companies better tap the data they collect?

There's huge potential to use data on the operational side beyond just how we're driving revenue, to understand how we operate the mountains and improve the experience. We can use lift-line waiting time data to focus our capital investments where the impact will be the greatest. Each lift has a certain capacity, and the operational efficiency affects how long the line is and how fast it moves. If you can use data to understand the optimal configuration of the line maze and the right approach for loading, that affects the guests' experience.

What tech innovations do you think will help the ski industry?

Our EpicMix app is a good example. It started with kind of gamification of the experience. How much vertical did you ski? How many runs? Harking back to the history of skiing, people talked about the runs they skied at the end of the day—and we've brought that into the 21st century. But it's moved beyond that with interactive trail maps, so we can reduce the number of paper maps we print. You can look in your app and see the wait times and make decisions about where you want to go on the mountain. And you don't need a paper grooming report. You can see exactly what runs are groomed, what's open, what chairlifts are running.

Ski area expansions tend to be fairly incremental. How do you keep growing in an environment like that?

We do have two terrain expansions, at Beaver Creek and Keystone, which create new opportunities for our guests to explore the mountain. But long-term growth for us is really around diversity and inclusion. How do we introduce more people to the sport? This is not a particularly diverse industry, and it's imperative that we change that as we think about future growth.



Earning Your Turns



Uphilling in Aspen

Here's the next big thing on two skis—and the gear you'll need to try it. *By Gordy Megroz*

“Uphilling,” the slightly masochistic practice of waking up before dawn and trekking up a mountain in special boots and skis before swooshing back down, was already gaining popularity among intrepid adventurers before Covid-19 lockdowns forced chairlifts to stop turning in early 2020.

Fast-forward 18 months, and the heart-pumping strategy to scoring first tracks has become such a phenomenon that many mountain resorts are betting it won't go away. According to the National Ski Areas Association, 57% of the 462 ski areas in the U.S. now allow uphill, up 27% from 10 years ago.

Although the pastime has been largely unregulated, Aspen Skiing Co., Winter Park Resort, Whitefish Mountain Resort in Montana, and a handful of others have started selling uphill season tickets, charging guests a nominal fee to “earn their turns,” as enthusiasts put it. The sport is just one version of alpine touring, a catchall for climbing disciplines that also includes backcountry skiing, which focuses on accessing ungroomed, avalanche-prone slopes. Uphilling,

by contrast, sticks to maintained trails within ski areas.

The proof that the sports are here to stay, however, is the market that's grown around the gear, which is used by both the daredevils and their more conservative counterparts. That's because it's impossible to go uphill without a few additions to a ski kit. Specifically, you need special bindings that unlock the heels of the boots from the skis to walk uphill, as well as compatible boots and nylon skins that coat the skis' bottoms so they can glide forward (but not slip backward) when climbing. For snowboarders, brands such as Burton and Jones sell “splitboards,” which divide into skilike halves for the way up.

It may not be surprising that online sales of skins spiked in March 2020—a month when they were suddenly needed. But in November 2020, as winter sports enthusiasts were gearing up for a more normal season, U.S. sales of alpine-touring gear hit \$10 million, up 132% from the year before. Over the course of the 2020-2021 winter season, alpine touring equipment became a \$91 million industry in the U.S.—a

122% jump from two years prior—according to market research company NPD Group.

Those numbers are largely driven by people who are staying in bounds. “Five years ago, most people were looking for gear to take into the backcountry,” says Doug Stenlik, co-owner of Cripple Creek Backcountry, a sporting goods store with four locations in Colorado. “Now the vast majority of people coming into the shops are uphill at a resort.”

That’s likely to continue as more ski areas greenlight uphill and more people catch on to its many advantages: It’s relatively inexpensive, gives a turbocharged cardio workout, and doesn’t require waiting in long lines. Maybe best of all, the practice can yield exclusive run of the slopes—if you get started early enough.

Resorts aren’t planning on making significant money off uphill ski passes, at least not all of a sudden. Eldora Mountain,

near Boulder, Colo., led the field by becoming one of the first resorts to sell uphill passes when it did so in 2016. At \$199 for the season, it charges one of the highest prices for them. (They’re valid for certain days of the week starting at 7 a.m., two hours before the lifts start spinning.)

For most resorts, though, this move to legitimize the activity is less of a revenue play and more of a way to deflect liability if uphillers get injured. “Signing the waiver used to be on the honor system,” says Jen Miller, communication manager for Colorado’s Winter Park, which charges just \$15 for a season uphill pass. “Now, when people buy a pass, they sign a waiver.”

Aspen Skiing Co., likewise, added a season pass for uphill this year for a still-modest fee of \$69. “Uphillers use our bathrooms and parking lots and other facilities,” says Jeff Hanle, vice president of communications. “It helps offset costs, but we’re not profiting off it.”

Buyer’s Recourse

When it comes to uphill equipment, one quality is the most important: It has to be lightweight. These products fit that bill



DYNAFIT BLACKLIGHT PRO SKI

These carbon and paulownia wood skis weigh in at just over 2 pounds each, making for easy climbing and quick pivots on the descent. Think of them as the all-mountain equivalent of uphill skis: rigid enough to carve turns on groomed trails and wide enough to float on light powder. \$800



LEKI TOUR STICK VARIO CARBON POLE

A flick of a lever adjusts the length of these durable carbon and aluminum poles, which also snap in thirds for easy backpack storage. \$200



HAGAN ULTRA WORLD CUP BINDING

This superstrong titanium and steel boot binding clicks easily in place with a small amount of pressure from your foot. Adjust the ramp angle midaction with a simple lever in the heel. \$590

POMOCA FREE PRO 2.0 SKIN

Skins from this brand are preferred by competitive uphillers for their impressively smooth gliding motion, which helps you ascend faster amid frigid temperatures. \$200



JONES SOLUTION SPLITBOARD

When split in half, its wavy edges are like serrated knives that cut into hard terrain, improving traction on the hike. And for the way down, the board’s underfoot cambering produces powerful, snappy turns. \$900



DYNAFIT TLT8 CARBONIO BOOT

The laminated carbon-fiber shell was developed in partnership with Formula One engineers—so you know it’s aerodynamic. But the boot is also comfortable, with a 60-degree range of motion in walk mode and custom-molded liners. \$850



Hate Buying Ski Clothes? Rent Instead

A British startup lets you cheaply borrow brand-name parkas, pants, and more for a season or just a day. *By Nikki Ekstein*

After shelling out for one too many expensive new ski outfits for her three fast-growing kids—and denying herself the same indulgence—U.K.-based retail and real estate investor Rachael Westbrook had an idea. In January 2020 she decided to bring high-end skiwear into the circular economy. After all, her youngest was about to start school; it was perfect timing to start a business.

The 11 months that followed didn't go exactly according to plan. But amid homeschooling chaos, Westbrook managed by December to start EcoSki, so users could rent, buy, sell, or recycle pieces from upscale winter sports designers. A teal-and-green colorblocked women's parka with pink trim by German label Ortovox that retails for £600 (\$818) rents there for £12 a day; for kids, a sweet bunny snowsuit from Dinovski (normally £185) goes for £6 a day.

"It makes sense," says Carolyn Shafer, director of sustainability for academic affairs at Pratt Institute in Brooklyn, N.Y. "The circular fashion economy started because people didn't want to splurge on a dress they were only planning to wear once or twice—and the clothes you wear skiing fall very much into the same category. They're seasonal, occasional-use, and expensive." They're also likely to go in and out of style, which in part explains why Grand View Research Inc. in 2018 valued the global snow sports apparel market at \$2.4 billion a year.

EcoSki is the first company dedicated to outerwear rentals, but it joins a number of fashion startups that are driving the growth of the global clothing rental market, which is expected to climb by 10%, to \$990 million, in the next four years, according to market research company Technavio.

Rent the Runway Inc., which was valued at \$750 million in fall 2020 (short of its 2019 unicorn status), is the industry leader. It started offering a limited collection of skiwear in 2019 for its U.S. customers and can send pieces directly to resorts such as Little Nell in Aspen, Colo., and Deer Valley's Stein Eriksen Lodge in Park City, Utah, through a partnership with Tripadvisor's new subscription service, Tripadvisor Plus. A spokeswoman for the company, which filed for an initial public offering on Oct. 4, says skiwear has become one of Rent the Runway's "most sought-after categories."

For now, EcoSki ships only within the U.K., but Westbrook says her partnership with the fashion rentals platform My Wardrobe HQ in London will make it easy to scale. Up first will be Australia and New Zealand. Shipping to the U.S. and the Alps will come further down the line.

For Westbrook the value proposition is as much about sustainability as it is about fashion. The designers she features on EcoSki use non-polluting or responsibly sourced materials and textiles, according to criteria that are established by Rachel Fortune, creator of the Sustainable Fashion Awards, and vetted by Martin Hartley, a polar explorer and consultant who's spent his life conducting climate research with organizations such as NASA. "What we wear on the mountain is one of the small ways we can chip at the very big problem of climate change," Westbrook says. Reuse and resell programs are like recycling for clothing, preventing materials from going into waste streams prematurely or at all.

Skiwear "can be especially polluting," she continues, because of its use of synthetics, chemically derived materials, and chemicals known as PFCs, or perfluorinated compounds, that help make performance gear waterproof. Both the U.S. and U.K. have outlawed the very worst PFCs because of their extreme environmental toxicity, but many more still-harmful ones remain in circulation.

"Sustainability in fashion isn't just about sourcing better materials," says Pratt's Shafer. "It's also about ensuring that materials get recycled. This is why the circular economy matters: If companies make 10 products and 1,000 people share them, their impact can be reduced by orders of magnitude." **B**

10%

Estimated growth in the global clothing rental market in the next four years

\$750m

Valuation of industry leader Rent the Runway in fall 2020

\$2.4b

Size of the global snow sports apparel market in 2018

Poles are usually an afterthought when it comes to ski equipment. Sure, they help with balance and mobility, but go on enough runs and they'll eventually warp or break—no matter the price point. Grass Sticks, out of Steamboat Springs, Colo., has designed retro-looking ski poles (\$98) that are built to last. Made with a sustainable bamboo shaft, recycled polyester straps, and no-slip carbide on the tips, they're

also customizable: Choose from 100 color combinations and multiple basket options as well as any length.

THE COMPETITION

- The \$100 Leki Detect S aluminum poles are so stiff, they're unlikely to bend under pressure, let alone crack. The straps release with tension, a safety feature, and offer convenience for gloved hands.
- If you like to hit the backcountry,

Black Diamond's adjustable Razor Carbon Pro poles (\$170), made with an aluminum upper and carbon-fiber lower, are a strong choice. Dense, soft-touch rubber provides a comfortable touring grip, while the SwitchRelease straps make separating easy.

- Soul Poles, a small producer in Park City, Utah, makes the \$149 SoulLites from sustainably sourced bamboo in nine sizes, with colorful tips, baskets, and grips.

Baskets are available in eight colors and three sizes and are interchangeable to adapt to snow conditions



In Pole Position

Custom-made in Colorado, bamboo Grass Sticks are light—but durable enough to survive serious wipeouts

*By Kiran Herbert
Photograph by Yudi Ela*

THE CASE

Fed up with trashing his poles every season, engineer-turned-ski-bum Andrew Beckler created Grass Sticks poles to be eco-friendly, stylish, and long-lasting. The secret is bamboo, a lightweight material

that's also incredibly strong, stiff, and flexible—it will never snap, which you can't say for aluminum or carbon fiber. And unlike most brands that only offer adjustable or preset sizes, you can get your Grass Sticks cut to any

length. The wooden look gives an old-school vibe, a nod to skiing's origins. (Prepare yourself for compliments in the lift line.) Still on the fence? The company offers 30-day returns and a lifetime warranty. \$98; grasssticks.com

The Goods Boom Will Run Out of Steam

By Justin Fox

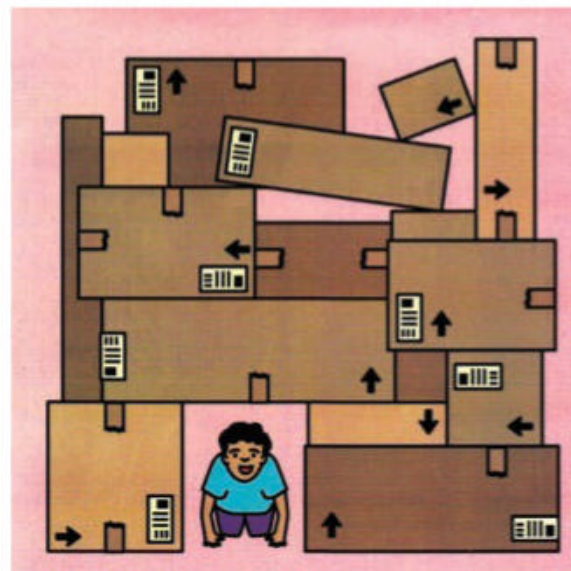
Even before they emerged from the Covid-19 lockdowns of spring 2020, American consumers began buying lots of tangible, durable things—initially home office equipment but soon also appliances, furniture, televisions, cars, trucks, motorboats, recreational vehicles, and even books. There’s been something of a pullback recently, caused in part by supply constraints at automakers, but real consumer spending on durable goods was still running 21% above pre-pandemic levels in August, the most recent month for which data are available.

A key characteristic of durable goods is that they’re, well, durable. They don’t need to be replaced every month or year. Such a sharp acceleration in the pace of purchases, especially in the face of a long-running economic shift toward services and away from goods, is clearly not something that can continue indefinitely.

“If something cannot go on forever it will stop,” the late economist Herbert Stein once said. The durable goods spending boom will end, and with it the port backups, product shortages, and price increases that have accompanied it. But when?

The rise of the delta variant already thwarted predictions of a big summer return to spending on travel and entertainment. Supply bottlenecks mean some consumers are still waiting on cars, bikes, or boats they ordered months ago. The prices of used cars and trucks, which were the biggest driver of the jump in inflation last spring, appear to be rising again after subsiding over the summer. It’s a temporary situation, sure. It just keeps refusing to go away. **B**

—Fox is a columnist for Bloomberg Opinion



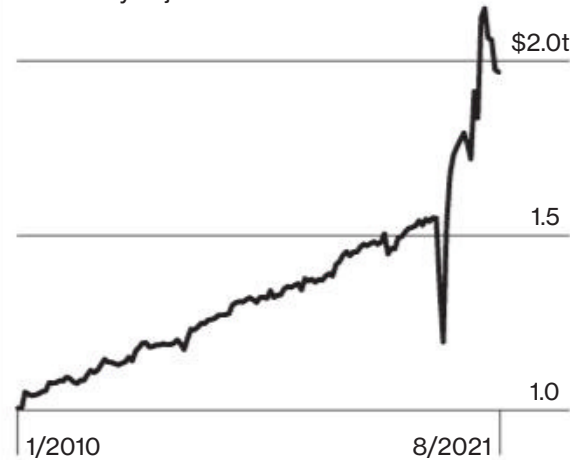
● **SHOPPING SURGE**
Consumers spent 13% more on durable goods from March through August 2020, adjusted for inflation, than if the trend of January 2010 through February 2020 had continued. In August spending was 21% above trend.

● **LESS SERVICE**
Services’ share of U.S. consumer spending rose from 39% in 1950 to

69%
in 2019. In August it was just under 66%.

● **PICKUP AND GO**
Used light trucks saw the biggest non-inflation-adjusted spending gain since February 2020, \$63.8 billion annualized, followed by furniture, jewelry, sporting equipment (including guns), and computer software and accessories.

● **U.S. consumer spending on durable goods, seasonally adjusted annual rate**



● **TRAFFIC JAM**
Real durable goods spending is down 8% since April, but two-thirds of that decline is in new motor vehicles, the manufacturers of which have been unable to keep up with demand because of semiconductor shortages.



I

Live a Life of
Climb



I left the Army in 2005 with no business experience but with the desire to launch a company with my dad. After a few years, he graciously stepped back so I could take the reins. I was struggling to find clarity and making mistakes, so I joined Vistage for guidance.

I learned how to identify my blind spots and ask for help. I also realized I had been making bad decisions, and my peers helped illuminate key issues that were getting in my way. Vistage has fundamentally changed who I am and how I lead the company.

Today the company is significantly more profitable, has doubled in staff since 2015 and is growing steadily. With Vistage, I know that I'm not climbing alone. I am climbing with a multitalented group of folks who are all headed in the same direction.

I'm Shaun. I live a life of climb.

Shaun

Shaun Castillo
President, Preferred Technologies Inc., Houston, Texas
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