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★ ★ ★ ★ \$2.00

Last week: DJIA 11659.90 ▼74.42 -0.6% NASDAQ 2452.52 ▲1.6% NIKKEI 13019.41 ▼1.1% DJ STOXX 50 2905.88 ▼0.8% 10-YR TREASURY ▲26/32, yield 3.854% OIL \$113.77 ▼\$1.43 EURO \$1.4673 YEN 110.51

What's News—

Business & Finance

World-Wide

A sharp drop in commodity prices is raising hopes that inflation is peaking in many parts of the developing world, providing welcome relief for the global economy. Prices for oil, food and other commodities remain a challenge for poor countries like Haiti. Economists warn prices could rise again, spurred by fresh geopolitical problems or weather disasters. **A2**

The dollar's rise should help quell domestic inflation by making imports and commodities cheaper. But it could hurt multinational companies like Coca-Cola. **C1, C8**

Manufacturers are embracing broad new legal powers enabling them to set minimum prices on their products and force retailers to refrain from discounting. **A1**

Coca-Cola, GE and Visa are among the winning advertisers during NBC's coverage of the Olympics, according to an ad-performance tracker. **B1**

With Lehman's third quarter ending in less than two weeks, some analysts are girding for a loss of \$1.8 billion or more instead of a modest profit. **C1**

Saks is expected to post a wider loss because of slumping sales and profit-sapping markdowns on designer clothes and other items. **B1**

Japan's MUFG is expected to acquire the 35% of UnionBanCal it doesn't own for about \$3.55 billion. **C3**

The rebound by small-cap U.S. stocks belies fundamentals and shows why many investors are having a hard time picking market winners. **C1**

BHP is expected to report strong earnings Monday, but the miner still could face increased hurdles in its bid for rival Rio Tinto. **A2**

Auto makers are angling to carve out their own niches in fuel-efficient design with new offerings in the U.S. **B4**

GM has pulled out of its longtime sponsorship of the Academy Awards amid a sharp downturn in automotive advertising on TV. **B10**

Macau gambling magnate Stanley Ho is betting a new casino and a public offering will help put the company on the offensive as it faces Las Vegas casino operators. **B1**

Economists said Japan's economic downturn likely won't be too sharp—but it might carry on for a while. **A6**

Qwest and unions representing over 20,000 of its telecommunications employees agreed to extend talks, holding off a planned strike. **B4**

Hershey raised wholesale prices nearly 10% to offset raw-material and fuel costs. **B4**

An arbitrator has imposed a contract on a Wal-Mart Canada auto center in Quebec that received union certification three years ago. **B4**

Russia will begin to pull troops from Georgia Monday. Moscow's forces will leave a battered Western ally after a concerted effort to destroy infrastructure, damage investment projects and humiliate the government. The U.S. and Europe are exploring actions that could isolate Russia from the West. Rice will attend an emergency session of NATO Tuesday to discuss the West's response to the actions. **A1, A11**

Chavez praised Russia's military actions, describing the offensive as a necessary response to U.S. aggression.

Phelps won a record eight Olympic gold medals, setting off a rush of business proposals to keep the swimmer in the spotlight after the Games. **A1**

Possible vice presidential candidates hit the airways to audition for the job as speculation rises in both parties. **A4**

McCain and Obama spoke back to back at an evangelical church providing a look at the candidates' debating styles. **A4**

The Obama campaign beat McCain in fund-raising, but it is spending at a record clip. **A4**

Pelosi's proposal to expand offshore drilling got a skeptical reaction from Republicans. **A2**

Pakistan's ruling coalition raised pressure on Musharraf to resign, as his team prepared to challenge impeachment. **A6**

A Baghdad suicide bomber dressed like a woman killed a Sunni neighborhood leader who had turned against al Qaeda. **A9**

Afghan police put 7,000 officers onto the streets of Kabul ahead of Independence Day celebrations on Monday. **A9**

Southern African leaders concluded their summit but said Zimbabwean negotiators have the basis for a deal. **A9**

Indian police arrested a group they say was behind blasts that killed more than 50 people last month. **A6**

Florida Keys officials urged visitors to leave as Tropical Storm Fay threatened to strengthen to a hurricane. **A3**

A dam broke near the Grand Canyon, flooding a tribal town and forcing helicopter evacuations of hundreds of people. **A3**

Israel approved the release of 200 Palestinian prisoners as a goodwill gesture to the government of President Abbas.

Muslims marched in India's portion of Kashmir in honor of a separatist leader killed in a recent wave of violence.

Sri Lankan troops captured a Tamil Tiger training base with 100 underground bunkers, lecture halls and a cemetery.

Texas authorities asked a judge to return to foster care eight children ages five to 17 who are in a polygamist sect.

Native Hawaiians claiming to be the state's legitimate rulers occupied the grounds of a historic palace for two hours.

Price-Fixing Makes Comeback After Supreme Court Ruling

By JOSEPH PEREIRA

Manufacturers are embracing broad new legal powers that amount to a type of price-fixing—enabling them to set minimum prices on their products and force retailers to refrain from discounting.

For the better part of a century, punishing retailers for selling at cut-rate prices was an automatic violation of antitrust law. However, a Supreme Court ruling last year involving handbag sales at a Dallas mom-and-pop store, Kay's Closet, upended that original 1911 precedent, potentially altering the face of U.S. discount retailing.

Retailers say an array of manufacturers now require them to abide by minimum-pricing pacts, or risk having their sup-



Brighton Collectables

Price Controls

Selected manufacturers with price-setting policies:

- Britax Childcare
- Old Mother Hubbard
- Stanley Furniture
- L.D. Kichler
- Leegin Leather (shown at left)

plies cut off. Jacob Weiss of BabyAge.com, which specializes in maternity and children's gear, says nearly 100 of his 465 suppliers now dictate minimum prices, and nearly a dozen have cut off shipments to him. "If this continues, it's going to put us out of the

baby business," he says. BabyAge is now suing about a half-dozen major baby-gear makers and retailers alleging price collusion.

The new rules mean "it's becoming a nightmare operating Please turn to page A12

Russia Set To Leave A Battered Georgia

Russia, under intense diplomatic pressure, announced it will begin pulling troops out of neighboring Georgia—but it leaves behind a battered Western ally.

Since a separatist dispute flared into open war Aug. 8, Moscow has occupied chunks of Georgia's territory, strangled its economy, cut transport links and damaged key investment projects.

For many former Soviet states ringing Russia, the show

By Guy Chazan in Poti, Georgia, and Marc Champion in Gori, Georgia

of force was a clear warning. "They want to show nothing is safe here if it isn't under their control," said Georgian Economy Minister Yekaterina Sharashidze, of the Russian government. "The goal is to create an economic and humanitarian disaster that will rebound on the government" and topple it.

There's also widespread skepticism in Georgia that Moscow will stick to its commitment to withdraw. Previous pledges to pull back its troops from Georgian territory haven't been honored. In making an announcement Sunday, Russian President Dmitry Medvedev gave no timetable for the completion of the pull-out.

On Tuesday, Secretary of State Condoleezza Rice will attend an emergency session of the North Atlantic Treaty Organization in Brussels to fashion a more detailed response to Russia's actions.

A White House spokesman, Gordon Johndroe, said NATO countries are likely to put Georgia and Ukraine on the track to becoming members of the Western military alliance at a meeting of foreign ministers in December. The U.S. failed to persuade other NATO members to do that at a summit earlier this year, in part because of Russian pressure. (Please see related article on Page A11.)

In a speech in the Georgian capital of Tbilisi Sunday, Germany's Chancellor Angela Merkel said NATO could help with reconstruction and rebuilding Georgia's military once Russia withdraws.

A full reconstruction program will likely require significant external aid. Georgian officials have only just started drawing. Please turn to page A11



CENTER OF ATTENTION: Michael Phelps greets his family in the stands as he is surrounded by photographers after receiving his gold medal in the Olympic 4x100-meter medley relay. More Olympics coverage on A16 and B1.

Now, Phelps Chases Gold on Land

By CHRISTOPHER RHOADS

BEIJING—If no one in Beijing was happier—or busier—than Michael Phelps this past week, his agent Peter Carlisle had to be a close second.

A new race is now on for Mr. Phelps: the rush to transform the swimmer's Olympic feat into a marketing juggernaut, akin to Michael Jordan or Tiger Woods. But the window for marketing Olympians—even those with the rising stature of Mr. Phelps—can close fast. Many of the new legions of so-called Phelps Phans likely will not see his muscled torso in a pool again until 2012, an eternity for advertisers.

As Mr. Carlisle, the agent, shuttled between meetings Saturday on the eve of Mr. Phelps's historic eighth Olympic gold medal Sunday, proposals for business opportunities far and wide streamed into his BlackBerry. Some were appealing, others less so.

A man in Omaha, Neb., offered to sculpt a statue of the chiseled swimmer. As strange as that sounded, a similar offer came from China. Several book and movie deals were suddenly on the table. A dog-food idea was pitched, given Mr. Phelps's well-known love for his British bulldog, Herman. And still more: bobblehead

dolls, acrylic paintings, commemorative coins, car rims and tuxedos. Some just wanted to give him things, like all the pizza he could eat for a year, or free dental work. And certain female celebrities and athletes wanted an introduction from Mr. Carlisle.

The number of such messages started as a trickle on the first day of the Games, Mr. Carlisle said, but then grew with each successive gold. Five the first day, then 10, then 20, eventually around 50 a day over the weekend, he said. Mr. Phelps in recent days became the most searched name on Facebook, surpassing teen singer Miley Cyrus and other celebs, he said.

"I've been doing this for a while, and I didn't think I'd be super-surprised at what was going to happen here," said the 40-year-old Mr. Carlisle, a managing director with Octagon Inc. "But I am actually."

"I'm looking forward to just sitting, not moving," Mr. Phelps, 23, said Sunday shortly after his last race, another world record as a member of the men's 4x100-meter medley relay, when asked about his plans.

Actually, Mr. Phelps will spend the rest of this week in Beijing making a series of appearances for sponsors such as Omega Ltd.,

Hilton Hotels Corp and Visa: A stop at the Omega pavilion on the Olympic Green on Monday. A lap in the pool at the Beijing Hilton at a party to promote swimming lessons in the inner city. On Wednesday, back to Omega for a formal event. Satellite TV interviews with U.S. media to promote other Hilton initiatives.

"This is about how big a halo Michael has," says Jeff Diskin, senior vice president for brand management at Beverly Hills, Calif.-based Hilton. "What he has done here will enable us to get our message out with a much bigger reach."

As Stephen Urquhart, chief executive officer of Bienne, Switzerland-based Omega, says, "He's a world legend now."

Howard Bloom, who teaches sports management at Algonquin College in Ottawa and has worked with several Olympic athletes, says the key decision for Mr. Phelps will be whether to renew his contract with Speedo, the swimsuit maker that sponsors Mr. Phelps and offered him \$1 million if he won seven gold medals.

"Michael Phelps would be worth \$40 or \$50 million to Nike," Mr. Bloom said. "He could literally allow them to launch a Please turn to page A9

What's Ahead—

MONDAY, AUG. 18

Lowe's Cos. results may reflect the pain in the housing market.

Natural-resources giant BHP Billiton is expected to report fat profits. **A2**

TUESDAY, AUG. 19

Housing starts and building permits likely continued their downward trend in July, analysts predict.

Look for quarterly reports from Home Depot, Hewlett-Packard, Target, Medtronic and luxury retailer Saks. **A2**

Producer prices will be closely watched after last week's report that consumer-price inflation hit a 17-year high of 5.6%.

WEDNESDAY, AUG. 20

Videogame developers gather for a three-day industry conference in Leipzig, Germany.

THURSDAY, AUG. 21

GM will announce investment plans for its Lordsburg, Ohio, plant.

Labor Department releases figures on weekly jobless claims.

Earnings: Gap, GameStop, Buckle and Barnes & Noble. **FRIDAY, AUG. 22**

The U.S. government's voluntary-deportation pilot program for illegal immigrants is scheduled to end.

AnnTaylor and WPP post quarterly results.

Nuclear Ambitions: Amateur Scientists Get a Reaction From Fusion

Homemade 'Fusors' Glow, But Don't Produce Power; Joining the 'Neutron Club'

By SAM SCHECHNER

PITTSBURGH—In the garage of his house, Frank Sanns spends nights tinkering with one of his prized possessions: a working nuclear-fusion reactor.

Mr. Sanns, 51 years old, is part of a small subculture of gearheads, amateur physicists and science-fiction fans who are trying to build fusion reactors in their basements, backyards and home laboratories. Mr. Sanns, who owns a banquet hall here, believes he's on track to make fusion a viable power source.

"I'm a dreamer," he says. Many of these hobbyists call themselves "fusioneers," and have formed a loosely knit community that numbers more than

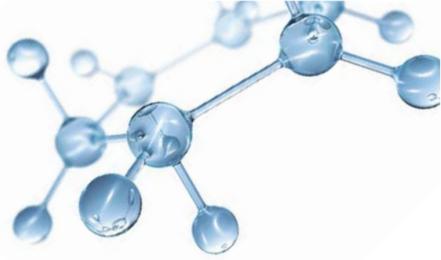
100 world-wide. Getting into their elite "Neutron Club" requires building a tabletop reactor that successfully fuses hydrogen isotopes and glows like a miniature star. Only 42 have qualified; some have T-shirts that read "Fusion—been there... done that."

Called fusors and based on a 1960s design first developed by Philo T. Farnsworth, an inventor of television, the reactors are typically small steel spheres with wires and tubes sticking out and a glass window for looking inside. But they won't be powering homes anytime soon—for now, fusors use far more energy than they produce.

Fusion, which releases energy by forcing two atoms close Please turn to page A12



Frank Sanns



oil, gas, coal, biofuels, nuclear, wind, solar... to fuel the future we need them all.

Meeting future demand will take more than just oil. We'll need to tap every practical source of energy: from natural gas and coal to nuclear and renewables. But whatever the source, we'll need technology to help us use it as efficiently and cleanly as possible. The story continues at exxonmobil.com



ExxonMobil Taking on the world's toughest energy challenges.



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