THE NATIONAL IMAGE: How Countries Sell Themselves

Disney in Paris
School for Profit
The Urban League
Federal Express
Toys R Us
Marketing a product, or even a personality, is easy compared to marketing a country. For tiny island nations as well as for industrial giants, huge chunks of GDP are funneled into promotional efforts that can be blown away by one terrorist bomb or natural disaster. The American image abroad is a matter of tremendous controversy, not just in terms of business but politically and culturally. The cover package for the 15th edition of Dollars & Sense explores the question of how and why countries sell themselves.

Our feature on Disney's mixed reception in France—"Mickey Goes to Paris"—takes us inside the Magic Kingdom, where one of America's leading corporations and cultural emissaries is regrouping after a rough initial foray into the European market. Federal Express is also taking its lumps in the global marketplace, as "Overnight Success" demonstrates. By contrast the American retail giant Toys R Us has been a hit in Japan, as we learn in "Empire of Toys." American innovations in education, such as Chris Whittle's for-profit school system and the multilevel marketing phenomenon, are still too new to judge, but as "A Lesson in Big Business" and "Have We Got a Deal for You" point out, they will figure in how America is perceived abroad—for better or for worse.

Governments are just as involved as big business in pumping the nation's image for profit. The all-out campaigns waged by federal governments around the globe to attract vacationers are examined in "Take Us for All We've Got," an in-depth look at the importance of the national image in capturing foreign revenues. In addition to the marketplace, international business issues are settled in trade talks, and the importance of the recent NAFTA agreement bringing together the U.S., Mexico and Canada is highlighted in "We've Got to Talk."

The feature section takes on a wide range of business and social topics, covering many success stories as well as a few victims of the worldwide recession. The effort to save the inner city is the subject of three articles. "On the Waterfront" is a tour of Manhattan's changing piers and waterfront, while "The View From The Old Center" takes us deep into one of New York's most tradition-filled neighborhoods, the Lower East Side. The prospects for urban renewal are considered in "The Master Builders," a look at the National Urban League. Among the hot business stories are the birth of a state-of-the-art telecommunications "superhighway" in "The Call of the Future" and the profits amassed by dealers in trading cards, as we see in "Suddenely a Big Deal."

The continuing fallout from the recession is felt in the lawsuits filed by stumbling corporations against major accounting firms, as we note in "Held Accountable," as well as the growing problem of job fraud, according to "Opportunity Knocks Hard." The Transit Authority's long-range plan of service improvements, and fare-hikes, is the subject of "Fare Deal."

A special section devoted to the business of health addresses many of the pressing issues facing First Lady Hillary Rodham Clinton and her Washington advisers as they re-formulate the nation's health care system. The results of corporate employee assistance programs are examined in "Someone to Watch Over Me," and the effect of the Americans with Disabilities Act is considered in "Designs for Life." High profits and high risks are the focus of "Strange Medicine" and "Lean Times in the Weight Loss Biz."

We are pleased to note the recent publication of The Power of News: The History of Reuters (Oxford University Press). Reuters is the main sponsor of this publication as well as a number of other fine educational projects, and Dollars & Sense takes pride in being associated once again with the world's leading news organization.

Rafael A. Olmeda
Editor-in-Chief
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Mountain Bikes

The mountain bike craze in the U.S. has propelled the industry from a sleepy business to a $3.5 billion industry. Despite cautious consumer spending in the U.S., bike dealers estimate that revenues were 30 percent higher in 1992 than in 1991.

Ten years ago, the touring bicycles known as "10 speeds" accounted for 80 percent of U.S. sales. Today, mountain bikes make up more than half of the sales and continue to gain ground. Steve Kaltas of Robert's Bicycles in Bayside, New York, says, "With the creation of the mountain bike, we've been getting a lot of people of all ages coming into our shop."

With the appearance of a new market for mountain bikes, also known as all-terrain bikes, American industry giants Schwinn and Huffy began mass producing them. The thick-tired ATBs borrowed sophisticated metal alloys, titanium lugs, carbon fiber tubing and other materials from the aerospace industry, creating a state-of-the-art lightweight product. Chicago-based Schwinn, better known for inexpensive children's cycles, now makes top-of-the-line Paramount mountain bikes priced as high as $3,000.

In the U.S., domestic bike manufacturers increased their market share to a little more than half of the 10 million bikes sold, reversing a four-year trend. Mountain bikes continue to lead the industry and now account for almost half the nation's $1.5 billion in annual sales. However, Japanese firms, such as Bridgestone and Fuji, are still the top ATB sellers in the U.S., whereas many Japanese consumers prefer American bikes such as Diamond Back, Specialized GT, Schwinn, Trek and Cannondale.

Although American companies have the largest world market share, most of their cycles are made in Taiwan or other low-cost manufacturing centers. Last year, Taiwan exported 6.4 million bikes worth over $740 million.

Fisher Mountain Bikes in San Rafael, California sells 40 percent of its products to Germany, Italy, France, Norway, Sweden, Luxembourg, Spain and the United Kingdom. During the last five years growth in European sales has increased to four million-plus bikes a year. If 30 to 40 percent growth occurs, as predicted by industry analysts, they will surpass sales in the U.S. In Germany, Austria and Italy, more than 50 percent of all bikes sold are off-road models despite highly inflated prices for imported bikes. Europeans pay as much as double U.S. retail prices, and a mountain bike that sells for $299 in the U.S. will cost more than $500 in England.

—Jerry Poulomas

Squash Racquets

Some think it's off the wall, but a revolution in squash racquets is bouncing around the market. To everyone's surprise, Ektelon enlisted Prince, one of the four major manufacturers of squash racquets, to produce their unconventional STS design. The STS was an improvement on the failed Kennex which lost a decided edge in accuracy—although many enjoyed the increased power. Kennex lost its market share and was no longer one of the "big four." They abandoned the concept and turned to the STS which became an instant success. Head and Dunlop-Slazenger soon followed suit and produced their own versions of the STS. Prince modified the STS design into a normal-size, 50-square-inch version called the Extender while retaining a market share of 23 percent.

Ektelon's light weighs 6.8 ounces and has an unorthodox box-like design that makes it an excellent hardball and softball racquet in one. Ektelon seems to have anticipated the results of a 1991 United States Squash Racquets Association survey on the future of squash racquets in the United States. In the 1992 official yearbook of the USSRA George A. Haggarty reports, "Forty-one percent of the re-
spondents to the survey indicated a preference for softball, 54 percent indicated a preference for hardball. This represents a dramatic increase in softball from a survey taken only two years previously.”

“The larger heads provide more power and therefore require less follow through when playing softball,” says Milt Russ, head squash pro at the Harvard Club of New York. “The bottom line is that people are constantly looking for ways to improve their game and these racquets help.”

Others haven’t quite given their stamp of approval. “They ain’t worth s— to a good player!” says Ray Wideliski, the 1960 World Men’s Professional Champion from the old school. “It’s harder to dig the ball out of the corner with that big mamoo of a head, they cost an arm and a leg and they don’t last a lick. But if people got the money and they weren’t gonna get them corner shots anyway I guess it’s worth it.

Over-sized racquets are the wave of the future. “What I lack in talent I can now make up for with technology,” says Tom Plaskett, president of the now bankrupt Pan Am airline. “For one helluva price!” adds Plaskett. Head’s retail oversized racquet’s priceweight is $140 to $200, Dunlop-Slazenger’s range is $135 to $175, and the Ektelon series run $120 to $150. Plaskett marvels at the changes. “I remember playing with a $20 wooden racquet. Now I’m playing with a $200 graphite kevlar composition racquet from outer space.”

—Andrew Dowicz

Light Bulbs

The market for electric bulbs in the U.S. is worth $3 billion, according to a study conducted by Colorites, Limited, a British firm specializing in applying ceramic color coating to glass bulbs and tubes used in the manufacture of incandescent and fluorescent bulbs.

Consumer and residential consumption accounts for 80 percent of the industry's output with industrial and commercial consumption being the remainder.

The three shining lights of the industry are General Electric Lighting, GTE Sylvania and Philips Lighting which collectively control about 85 percent of the market.

Headquartered in Somerset, New Jersey, Philips Lighting markets more than 4,000 bulb types to the retail, commercial, consumer and original equipment manufacturers. The Philips Lighting Center, the most technologically advanced lighting education and demonstration facility of its kind, offers a full schedule of lighting application and education courses throughout the year. As part of the largest company in the world, Philips employs more than 6,000 people in over 35 manufacturing, sales and distribution facilities throughout the United States.

The incandescent lamp and light bulb was invented in 1879 by Thomas A. Edison. The lamp produced light by electrically heating high-resistance tungsten filaments to intense brightness. Before the turn of the century, over two million incandescent lamps were used in the country. Today there are nearly 6,000 bulbs being manufactured.

The basic components that comprise an incandescent lamp are fill gas, filaments, supports and base. Early lamps used pure nitrogen as the filling gas. It was later discovered that heat loss from the filament could be reduced by using argon. Argon allowed the filament to operate at a higher temperature without oxidation. Today’s bulbs use a mixture of 85 percent argon and 15 percent nitrogen.

Lead-in wires, which carry current to and from the filament, and a glass rod called a button serve as supports. In the neck of the bulb are exhaust tubes and a heat deflecting disc. The disc is used to reduce circulation of hot gases into the base region. Exhaust tubes were originally used for adding and exhausting gases through the top of the bulb. Contemporary methods exhaust through the bottom of the bulb and seal the tube off inside the base. The base itself is made of brass or aluminum with a screw-type or bayonet design.

Incandescent bulbs on the market today have higher efficiencies than early bulbs because argon is now replaced with krypton gas. The krypton is a denser molecular gas than argon and it further reduces the evaporation of tungsten from the filament. This produces the same light output at a lower wattage. Incandescent bulbs are manufactured in two ways. The first process is used for general service bulbs which have blown bulbs and are generally of soft or lime glass with a maximum bulb temperature rating of about 650 kilowatts. These bulbs are mass produced by a ribbon machine, which was first introduced by Corning Glass Works in 1927. The process takes molten glass from a furnace, which is then pressed into a ribbon and is automatically blown into molds as the ribbon moves along a conveyor belt. Current ribbon machines can produce 50,000 bulbs per hour.

The second process, the pressed glass technique, is used to manufacture scaled-beam bulbs. These bulbs are made of hard, heat-resistant lead and borosilicate glass. The glass is softened by heat, and then cut into chunks and is placed between two halves of a metal die. When the halves are closed, the glass is pressed into the shape of the die cavity. The process allows the accurate forming of reflectors and lenses, which are later fused together to complete the bulb.

Environmental awareness coupled with new technology has led the industry’s brightest to market an environmentally friendly bulb. GTE Sylvania’s Compact Fluorescent Bulb, GE’s Compax Long-Life Fluorescent Bulb and Philips Lighting’s Earth Light Fluorescent Bulb retails for about $10 to $15. It is considerably higher than a standard bulb which costs about $8.80. Retailers have indicated a cool reception from consumers in part because of their price tag. "Con-
consumers may opt for a lower cost standard bulb rather than paying premium prices for the environmentally sound bulb,” says Mike Sullivan, employee of Fina Supermarkets in the Riverdale section of the Bronx. The energy savings represent an average cost savings of $43 over the life of the bulb. With an average rated life of 10,000 hours, a single bulb lasts as long as 10 standard incandescent bulbs.

The environmental benefits of these new bulbs are also significant. One bulb can prevent 688 pounds of carbon dioxide emissions from entering the atmosphere through power generation. In addition, five pounds of sulfur dioxide emissions can be eliminated.

—Carline Murphy

Baseball Gloves

Imagine a small solid sphere hurling right at you. Now imagine having to catch this ball with your bare hands. Ouch! Until the invention of the baseball glove and its evolution, fielding the ball bare-handed was the way it was done. Many players retired in the late 1800s and early 1900s with their fingers twisted like pretzels.

According to Sal Hyman, assistant manager of Herman’s sporting goods store in New York, Rawlings gloves are easily the most sought after. “They are the class of baseball glove asked for more than any other brand.” Rawlings strives to live up to the motto they print on every glove they make: “The finest in the field.” Part of Rawlings’ great success comes from the variety of gloves they offer. They make gloves for all positions, but most importantly, they have a wide price range, from as little as $40 to as much as $400.

Rawlings’ biggest competitor is Spalding. Spalding also offers a great variety of gloves in all price ranges. In the last few decades, Spalding has been targeting the younger market, issuing less expensive gloves. Macgregor and Mizuno are among the companies producing more expensive hardware, and are also the leaders in inventing special gadgets to make their gloves seem more sophisticated.

The retail prices of baseball gloves have been known to send ill-informed purchasers into a state of shock. Many sporting goods stores often push their more expensive gloves by placing their more costly products in front of the cheaper models. A very good glove can be purchased for a moderate price of $30 to $60. However, if a player is serious about the game, it is wiser to choose a more expensive model, between $70 and $100. Catcher’s gloves run higher because of the excess padding and its odd round shape. Huge discrepancies in prices are due to technology, nylon backs, welting and dyeing. These factors have to be taken into account when pricing a glove. Regardless of how much money a purchaser may want to spend, a more expensive glove can usually be found. Rawlings’ Gold Glove series sell for $197 to $254. Mizuno’s MZ GPTS is around $200.

When Abner Doubleday invented baseball in 1838 what he left out of his blueprint was the need for a glove. The early 1900s brought on the modern era of baseball and the end of the belief that using a glove was sissified. While less was better for most players in the early going, catchers enjoyed the extra padding. In 1880, a half-fingered glove went for $1. In 1900 a full hand glove was $2.50. In the 1930s webs, traps and claws became a part of models, replacing gloves that were basically mittens of flexible leather. From there, the baseball glove changed rapidly in appearance and price. The webbing went through the greatest change. Spalding in 1944 invented double webbing, which is the pocket of the glove. Along with the necessary changes the gloves have gone through have also come some shifts in style. With the emergence of the pump for sneakers, there is now a pump to tighten the all-around feel of the glove. A plastic shield that is tinted like sunglasses and fits into the glove’s webbing prevents the glare of the sun from being an obstacle in a fielder’s attempt to catch a flyball.

—Joseph Sopcu

Snowmaking

While golfers and tennis players fill the lodgings and recreation areas of the Northeast’s largest ski resort, Killington snowmakers are preparing for winter. Summertime in Vermont brings thoughts of snow.

It is the machine-made stuff that has kept the ski industry alive in the Northeast. Killington in particular has increased its number of skiers during an eight-year period that has seen a dismal amount of snowfall. “We haven’t had a really good snow season in the past six years. We have 107 trails and haven’t had them all open to skiers since 1986,” says Robert Pressman, manager of the resort. The number of skiers has declined after reaching a peak in 1987. “You can blame the economy for part of it,” says Pressman. “This is not a cheap sport. Families with children are doing other things with their recreation dollars.” Killington continues to make money. It is the first area in the East to open, usually early October, and the last to close in mid-June. Killington consists of five mountains that are interconnected by 107 intersecting trails. Snowmaking covers 80 percent of the terrain, and the goal is to reach 100 percent coverage by the year 2000. Snowmaking is crucial to the industry. Insurance liability has increased in some areas by as much as 500 percent, forcing the smaller, family-run places to close. Sherburne Killington Industries Limited owns Killington and Mt. Snow in Vermont along with Bear Mountain in California.

Located in a large office at the base of one of its five lodges, the snowmaking headquarters is a hub of state-of-the-art technol-
ogy. Behind dark wooden doors underneath the wood frame base lodge, lights, cameras and computer boards keep track of over 1,000 individual snow guns. The patent for them, really just a pump and nozzle with select openings inside it, is held by Nielo Osmokan, an engineer who is head of snowmaking at Killington. Other resort managers, some from as far away as New Zealand, come here to learn about snowmaking.

The trick is simply blending the right amount of water and compressed air squeezed through the nozzle of a high-pressure gun. With an eye on the air temperature, humidity and wind, the air/water mix must be constantly adjusted and the guns remain to blanket the mountain evenly. Normally, it takes about 175,000 gallons of water, about one-third the amount in an Olympic-sized swimming pool, to cover an acre of slope with a foot of snow. A wrong twist of the spigot or sudden change in the weather can ruin the result. Too much water, rising air temperature or an incoming fog bank will quickly turn a man-made white-out into a tab of slush, wasting energy and water. Too much air makes wispy snowflakes that can easily blow off the slopes and into the woods. Air compressed at the base and sent to snowguns around the mountain also requires large amounts of electricity.

Snowmaking can account for as much as four dollars out of the price paid for a lift ticket. The cost of installing a new snowmaking system runs to $30,000 an acre, according to industry consultant Nielo Eriksen. It takes another $300 to $1,000, depending on the air’s temperature and moisture content, each time snowmakers cover the acre with a foot of snow. Killington spends about 11 percent of the resort’s revenues, over $10 million each year. Mid-winter rains melted away the snowmaker’s miracles three times last year. “We bank it,” says Nielo, and mounds of it sometimes 40 feet high are a common sight by mid-March. This bank of a different sort is just that, a stash for unexpected hot weather or rain, and a hedge against the Spring melt-off which begins in April. In the final analysis, snowmaking is a form of insurance.

—Lilliane Clarke

**Frozen Yogurt**

If you live on 2,000 calories a day, you’re allowed 22 grams of saturated fat, most of which will be used up in one six-ounce dish of Häagen-Daz, Frusen Gladje or Ben & Jerry’s ice cream. Frozen yogurt is one of the new kids on the block.

The frozen base is made in various ice cream factories, and it comes in an individual paper-wrapped chunk. All or part of it gets tossed into the stainless-steel mixing machine together with the chosen flavorings. Real ice cream is about 60 percent water, but some clones exceed 90 percent. The clone makers simulate creaminess with guar, carrageenan, cellulose, tapioca starch, oat fiber, carob bean gum, modified cornstarch and pycodextrone, all large carbohydrate molecules that absorb water, provide bulk and shape up into a noncaloric, nonnutritive cloud of dreamy enjoyment. Carrageenan is made from red seaweed, locust bean gum from Saint John’s bread and maltol from the bark of young larch trees.

Six ounces of Häagen-Daz’s vanilla frozen yogurt has 230 calories and six grams of fat, still a great savings when compared with the 390 calories and 25.5 grams of fat in its ice cream. Columbo Lite is thick and delicious, with 150 calories and no fat, tinted a tasteful yellow and given a stronger vanilla flavor than Columbo’s low-fat version. Chunks of real fruit clog up the machines. The cost of these machines is about $5,000.

There is a reason why ice cream clones have such a broad assortment of names. Ice cream, by regulation, must have a minimum of 8 to 10 percent milk fat. Light ice cream is allowed a range of 5 to 7.5 percent milk fat. Frozen yogurt is generally lower. In 1990 some of TCBY Enterprises, the largest franchiser of soft-serve frozen yogurt stores in the U.S., lost almost two thirds of their market value when everyone from McDonald’s to Dairy Queen began serving frozen yogurt too.

—Gilda A. Carrion

**Band-Aids**

The boo-boo business is a booming million dollar market. The first-aid bandage division generates an estimated $650 million in annual retail sales, approximately $250 million coming from regular consumer bandages, such as Curad and Johnson & Johnson’s line of products. Another $250 million in sales is generated from wound care products geared to consumers with more serious cuts and abrasions, such as absorbent pads and gauze.

J&J is the world’s largest integrated health-care company with $12.45 billion in sales. It is the leader and the first to have marketed adhesive bandages and it holds an estimated 70 percent of the market share.

The runner-up is Curad, a division of The Kendall Co. of Cincinnati, Ohio. Its market share has risen from approximately 25 to 28 percent in the last year. Curad is fiercely competing for a larger share of the market against its forerunner. J&J’s consumer products, the largest business segment, showed a total sales of 36.8 percent. Its products range from Band-Aids to sanitary protection and baby
toiletries which are available in more than 100 countries. Domestic sales in the consumer products accounted for 53.7 percent of the total segment and the international subsidiaries accounted for 46.3 percent. Its domestic sales improved by 17.8 percent in 1991.

Innovative products drove the adult bandage's sales in the mid-1980s, but today the fastest growing market segment—thanks to product launches—caters to children. "In the 1980s there were a lot of different 'flavors,' by which I mean different bandage backings, such as flexible, medicated and clear. But the last new product introduction in that segment was the clear, and that was way back in 1987," says Pete Ball, marketing manager for first-aid products of Kendall-Futuro.

According to Paul Amatangelo, market director for personal care products at Kendall-Futuro, children make up 67 percent of the bandage users. Manufacturers now feature cartoon characters with bright colors on bandages and many of them are designed to match the contours of a child's body. There are bandages specifically for knees, elbows, knuckles and other frequently bruised areas. "Kids don't wear adult-size clothes. Why should they wear adult-size bandages?" the ads ask. The new theme is, "Finally, bandages that fit kids."

Kendall-Futuro and McDonald's joined hands in introducing Curad Kid Size Happy Strips which features Ronald McDonald and company, sized smaller to fit kids. "Both Kendall-Futuro's and McDonald's line did well in our stores," says Christie Frazier, HBC merchandiser for Bashas Chandler. "They scaled down so that they're even more appealing to the kids. Manufacturers are smart because they're trying to appeal to the child in order to force their moms to make a buying decision."

Curad's Happy Strips were the hot sellers during the last quarter. Within one year of inception, Curad has enjoyed a 30 percent share of the children's novelty bandage category. Ralph Larsen, CEO of J&J, explains that his products are geared to mothers and babies. J&J in collaboration with Disney and other animators introduced a line of children's products to strengthen the line by segmenting it to children and infants.

J&J introduced Sesame Street Band-Aids featuring the Children's Television Workshop's Big Bird and Cookie Monster. According to John Kelley, Johnson & Johnson's Band-Aid director, the size of the Band-Aid isn't everything. Research shows that mothers care most about the thickness of the bandage pads.

No matter what size the "boo-boo" there is a Band-Aid for you. Competitively priced in the neighborhood of $1.99 for a box of about 40 strips, various sizes and shapes are available to kids of all ages. Kids can choose from a box of clear bandages, wacky colored glow-in-the-dark or a tin pencil box with Mickey, Minnie, Goofy and Donald. The Children's Television Workshop features Sesame Street characters. Profits go to support educational projects.

The children's segment is fast approaching 10 percent of the total market, a major increase from just a couple of years ago. But how did this million dollar idea first come about? In 1920 when an employee of J&J, Earl Dickenson, was working with adhesives, the idea of a Band-Aid came to him while he was aiding his wife, who regularly cut herself in the kitchen.

Dickenson applied gauze to the wound while using adhesives to secure it. The son of a New England doctor wanted to invent something that would be sterile and would be able to firmly hold the gauze in its place. So he centered gauze on the adhesive strips and laid it out on the table for his wife to cut herself a piece, to the length she needed. Dickenson then told J&J about his brilliant invention and in 1921 J&J introduced one of the best-known and most widely used of its products—Band-Aid.

—Jennifer P. Lee

Coffee Makers

Coffee makers are not the old-fashioned drip numbers any more. Now they are very sleek, ultra modern and simply cute from the smallest one-cup portable heater which costs $16 to the sleek super-Italian monsters which make 18 cups of cappuccino and espresso and retail for $289. Krups has them.

Mr. Coffee, Braun, Black & Decker and Farberware are the only noticeable competition for Krups. While Black & Decker and Farberware are manufactured in the United States, Braun is manufactured in Germany and is the grandfather of coffee makers. Mr. Coffee is assembled in mainland China.

The industry grew rapidly during the '80s. With the introduction of the cappuccino and espresso makers there is really no telling where the industry is about to go. Krups has even named one of its larger machines "Il Primo Grande," which is very Italian. This espresso and cappuccino machine sells for $189. The new look of the coffee maker is something else. No more neutral or faded colors that blend with the walls. On the contrary, the bold and racy styles of European sports cars are racing to the top of the market. The texture of the new machines is dominated by durable plastics, and the color variation is simple. If you want Krups, anthracite black and bold white are the only available possibilities.

—Alex Naroditsky
Mickey Goes to Paris

Disney's castles in the air meet the hard realities of global business
by Stanley H. Wong

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Once upon a time, the sun never set on the British empire. As corporations became the colonial powers of the 20th century, the flag with the mouse ears was hoisted around the globe, much as the mighty Union Jack once flew over distant lands. Conquering the world has not been easy, however, as they are learning in Anaheim. While cultural purists railed against the damaging effects of American consumerism, the Disney dynasty made bold moves into foreign markets, starting with Japan, and this year testing out France.

The latest venture rose in a former sugar beet field 20 miles outside of Paris. Sprawling across 1,500 acres, Phase I of the Euro Disney resort now teems with children and others who, in the footsteps of Disney addict Michael Jackson, refuse to grow up. On April 12, 1992, as the first guests charged past the ornate gates into the French Magic Kingdom, they were intercepted at Main Street by a 500-piece marching band and drill team, Mickey and all his famous friends, a children’s choir, scores of circling doves and 12,000 mechanically cheerful cast members. To some it looked like the liberation of Paris by the Allies in 1944—others were less amused.

GREAT EXPECTATIONS
Within hours of its opening, Euro Disney was under fire from all quarters, and a year later the fantastic profits forecast by analysts have not materialized. The dismaying results are forcing Disney officials, and other corporate heads, to re-evaluate American corporate and cultural expansionism. In a way, you can’t blame Disney Chairman Michael Eisner and his marketing team for their optimism. Over a million Europeans had paid $1.74 just to see a model of the park 15 months before its opening. Expectations regarding the boom that was going to follow Europe’s unification were high, making the $4 billion gamble seem worthwhile. Just three months before the opening, a special offering for Euro Disney replaced Source Perrier as one of the 40 stocks that make up the French equivalent of the Dow Jones Average on the Paris Bourse.

To guarantee what seemed a certain success, Disney launched an unprecedented marketing campaign. The company spent two years flooding European TV with children’s programming and looked for a boost from the heavily promoted re-release of several animated features, including Fantasia, Snow White and Pinocchio. Robert Fitzpatrick, chairman of Euro Disney, views the new venture in cultural as well as commercial terms. “I think we’ll help change Europe’s chemistry,” he says. To raise consumer awareness, four Disney Stores opened in England, and more are scheduled to appear throughout Europe. Millions of advertising dollars were spent with assistance from Disney’s corporate partners including Coca-Cola, Mattel and American Express.

Planning for the European invasion started in the mid-1970s. Venues in Britain, Italy, France and Spain were all considered, but the site at Marne-la-Vallée was picked on the basis of demographics. Over 60 million people live within a four-hour drive, and its central Continental location makes it look like a magnet for 300 million others. Disney officials believed the French would make up almost half of this year’s expected 11 million visitors.

THE FRENCH SET A MOUSETRAP
Disney didn’t count on the backlash that greeted the resort’s opening. It started as a public relations disaster. During a promotional event, Eisner, Disney’s chairman, was showered with eggs thrown by French political protesters. Farmers demonstrating outside the park tarnished the Disney magic. During construction, problems arose when architect Aldo Rossi walked out on a Disney hotel project due to unfavorable criticism, and a much-publicized contractor’s dispute over payment or late changes added to the imbroglio.

The media launched an all-out public mouse bashing. Prominent cultural and intellectual voices had a field day. Powerhouse theater director Adrienne Mnouchkine called Euro Disney “a cultural Chernobyl.” French novelist and critic Jean Cau described it in an issue of Le Figaro as “a horror of cardboard, plastic and appalling colors, a construction of solidified chewing gum and idiotic fairy tales lifted straight from comic strips drawn for obese Americans.” As far back as 1988, Gilles Smadja, in his book Mickey: The Sting, denounced the government’s financial support for the infrastructure needed by the park. Even the British piled it on. The Guardian ambivalently complained, “Disney is both crass and seductive. We hate it, but we still want to go there.” The European news media universally agreed that Euro Disney was a dangerous example of American neocolonialism.

It wasn’t just the bad press that hurt. The numbers did not add up, either. Attendance was far less than expected, and souvenir sales did not cover the gap. The excuses were legion. Euro Disney opened amid a global recession and had to compete with the Olympics and the World’s Fair in Spain. Price resistance was a problem. A one-day pass costs 225Fr for an adult and 150Fr for a child, approximately $42 and $28 respectively in terms of U.S. dollars. Even the airfare wars for transatlantic routes had a depressing effect on the gate, because a package to Walt Disney World in Florida, turned out to be a better bargain for Europeans than an excursion to Euro Disney. Karen Gee, marketing manager of Airtours...
PLC, a British travel agency, points out, "Europeans were bound to pick the American destination because of favorable exchange rates." Disney did not help itself with its price structure. The new park does not yet have a range of hotels, and there are still no budget accommodations. A family of four can easily spend $300 a day at the park, not including lodging which starts at $110 a night. Even after cutting room rates as much as 25 percent, and knocking down the prices on some meals, the receipts suffered. Euro Disney hopes to stimulate attendance by slashing roughly 30 percent off regular one-day passports for Parisians, their smallest market. Euro Disney SCA reported a consolidated net loss of 492 million francs for its first quarter ending September 30, 1992 and an operating revenue of a mere 944 million francs. Disney management attributed low attendance and occupancy to the seasonally low statistical norms.

**JUST SQUEAKING BY**

At the current rate, Euro Disney can expect about 8.8 million visitors for 1993, a substantial drop from their original projection of 11 million. Although high occupancy figures were reported for 1992—as good as 100 percent at one point—the merchandise division revealed that sales were off 10 percent from previous projections. The company has only invested $581 million to date, including capital goods, on its European project. Profit or not, Disney will get 10 percent of ticket sales, 5 percent of merchandise sales, management fees amounting to 3 percent of gross revenues, 5 percent on food sales and an "incentive management" fee which increases from 30 to 50 percent of the pre-tax cash flow until 1997. The present situation at Euro Disney may force the parent company to renegotiate a number of its financial agreements. Eisner, in an interview with the *Financial Times*, explained, "This renegotiation will be feasible. Some payments can be deferred, but the management fees and the royalty structure won't change."

Disney still has to make up its mind about developing over 3,000 more acres. Nigel Reed, an analyst at Paribas Capital Markets in London, predicts, "We'll have to wait several years before we see a profit."

Analysts at Morgan Stanley say that by 1997 at least 57 percent of Euro Disney's total operating profit will go to the parent company. The Walt Disney Company maintains a 49 percent share of Euro Disney, the maximum foreign ownership allowed by France. France will eventually get some tax revenue from the venture, due to the potential increase in the

© 1993 The Walt Disney Company
Is Goofy after the Stanley Cup or just a pot of gold?

The National Hockey League awarded a franchise, the Anaheim Mighty Ducks, to the Walt Disney Company. Disney will pay $50 million to the San Jose Sharks and the Los Angeles Kings for sharing territorial rights in Southern California. Analysts figure that Disney is not just looking for profits, but public relations value as well from the team.

The Ducks will paddle into the league in 1994 into the Shark-filled waters. San Jose, despite a horrendous on-ice performance, actually finished second in all of professional sports, in merchandise sold. The NBA’s Chicago Bulls finished first.

Many skeptics feel that this is a well-orchestrated plan to get in good with Anaheim officials, so that gridlock on the Westcot project, a proposed sister park to Florida’s Epcot Center, will be less tense. “The Company never makes frivolous decisions,” says Margo Vignola, an analyst with Salomon Brothers. The team will enhance Disney’s image and presence in California. Disney officials quickly pointed out that this decision had nothing to do with the park’s expansion. Michael Eisner, chairman of Disney, hopes to create “cross promotional opportunities” between the Ducks, Disneyland and its affiliates. “Hockey will be another avenue to which Disney can market a stream of the products,” notes Vignola.

—S.W.

tourism and the newly created jobs around Marne-la-Vallée. Tourism will probably increase in Paris as well.

OF MICE AND MORES

What went wrong? Experts point out that the aggressive marketing drive relied heavily on the French exhibiting the same craving for American pop that the Japanese had shown nearly a decade before. Pierre Lelouche, adviser to Parisian Mayor Jacques Chirac, knew better. Just before the opening of Euro Disney he warned, “The Japanese are sponges of foreign culture. It will be harder here.” The view from Japan confirms his thesis. “The French may be hesitant about American culture, but the Japanese yearn for it,” comments Fusaho Awata, co-author of a book about Tokyo Disneyland.

It was not enough for the marketing mavens to simply draw a straight line upward from the growing demand in Japan to what they assumed would be the same remarkably high level of enthusiasm in Europe.

Euro Disney faced major cultural challenges. One of the toughest involved the training of some 12,000 new “cast members,” or employees, encompassing over 30 nationalities and 20 languages. Their different customs clashed with Disney regulations, and the corporation’s attempt to “Americanize” the locals was seen as the pinnacle of foreign arrogance. Opening day was marred by what some called inadequate orientation. Disney’s detailed training manual, which emphasizes a “quality guest experience” consisting of safety, courtesy, showmanship and efficiency, was impossible to follow. Visitors complained about the service, specifically a lack of pharmaceutical products made available from retailers in and outside of the park. Since the next town is miles away, they felt stranded.

Robert Fitzpatrick backed off from his early enthusiasm. “We’re learning. We make mistakes,” he admitted. To ease hostilities, Euro Disney named Frenchman Philippe Bourguignon as its president, a major move in handing over the reins to European management. He quickly succeeded Robert Fitzpatrick as chairman early in January. The company also increased its efforts to attract local labor. Larry Barron, an analyst at S.G. Warburg, expects that this should help ease a delicate situation.

WALT’S DREAM: MOUSE CITY

Walter Elias Disney first conceived of a theme park in the 1930s, while frustrated by the poor service and lack of imagination at amusement parks he visited with his daughters. Already famous for his innovative film-making, he created the first Disneyland in Anaheim, tapping into the ideas of his studio designers. Corporate sponsors like General Motors and Kodak were rewarded with a resounding success almost from the opening bell on July 17, 1955. The rest, as they say, was history. Florida’s Walt Disney World Resort opened in 1971, Japan’s Tokyo Disneyland came in 1983 and now the Euro Disney resort in France joins the highly successful group. Although Walt Disney died in 1966, his philosophy still guides Chairman Michael Eisner and the rest of the Disney team. “You don’t build it for yourself—you know what people want and you build it for them,” Disney insisted.

Eisner plans to expand Euro Disney with the addition of Disney MGM Studios in 1996. Competitors are closing in. MCA’s Universal Studios is scheduled to open in Paris or London in 1994, and Anheuser-Busch will soon finish Busch Gardens in Barcelona. Six Flags plans on placing Magic Mountain in Marbella, Spain and Lego Group of Denmark is surveying sites in Western Europe for several Legoland theme parks. As the industry becomes more crowded, goofy cultural mistakes like the ones Disney made will become more costly. One of the chief exporters of American culture will have to keep its big ears to the ground in the future.
We've Got to Talk
The key international issue facing Clinton is avoiding a trade war
by John Chiou

I believe GATT represents the biggest economic opportunity currently before us, and the Uruguay Round of the GATT is the grand prize that will benefit many nations," Jim Fites, chairman and CEO of the Illinois-based Caterpillar Inc., said. As far as Washington and corporate insiders are concerned, the skillful handling of global trade agreements has to be President Clinton's number one priority. When the top-level administration posts were handed out last winter, the withdrawal of Zoe Baird from the attorney general's position grabbed headlines, but experts knew that a more important drama was being played out behind the scenes when Mickey Kantor was awarded the spot of top U.S. trade negotiator. Although Kantor is a seasoned political campaign veteran, he lacks the international experience of his predecessor, Carla Hills, who fiercely guarded American interests throughout the forging of the NAFTA and GATT agreements. While Kantor is not likely to become a household name, the importance of the job should not be underestimated. He will be viewed abroad as the standard bearer for the United States in a series of high-profile trade negotiations with Europe, Japan and China, and eventually South America. Simply put, before IBM, Coca Cola or GM open up new operations on distant shores, Kantor's signature has to be on the agreement.
“Trade is emerging as the key economic factor which will dominate the world’s business activity in the foreseeable future,” predicts Andre Alkiewicz, whose Connecticut-based think tank, Perception International, advises corporate giants like AT&T and several investment banks. Alkiewicz points to the service sector—specifically telecommunications, transportation and financial services—as the major beneficiaries of the new trade orientation, as manufactured exports become more accessible, but ultimately less profitable. All this depends, of course, on nations getting down to business at the negotiating table. As Kantor is about to find out, it’s tougher than it looks.

NORTH AMERICA: ONE BIG HAPPY FAMILY

Now that it is a done deal, the NAFTA pact looks simple and logical. On August 12, 1992, trade officials of the U.S., Canada and Mexico put the finishing touches on NAFTA after two years of hard-fought proposals and counter proposals. For President Bush, the completion of the talks came too late. He wanted to see the agreement ratified during his tenure—despite a growing outcry over the potential loss of jobs to the cheap Mexican labor market—but legal technicalities held it up. To hustle along the ratification of the treaty, Bush adopted the “fast track” procedures spelled out in the Trade Act of 1974. Under fast track, the president is authorized to submit the text of an agreement for review to Congress for what is called “initialing.” A minimum of 90 days must then pass before the foreign leaders sign the agreement. After the signing, Congress is given another 90 days to ratify or reject the treaty. The Bush administration submitted the text of the agreement in early September, and the earliest possible signing became early December. Congress had 90 days to ratify, and that would mark early March as the date of the smoothest treaty enactment ever signed—two months into the Clinton administration.

It will be some time before the full impact of the treaty is felt. For some, it means little or no change. In an interview with Forbes magazine, President Carlos Salinas of Mexico said, “The economic relationship between Mexico and the U.S. is already so strong that the agreement would only recognize that reality.” For others, however, it redraws the map for development and commerce. The first assumption made about NAFTA is that it might pull small- and medium-sized manufacturers out of the Sun Belt states of the U.S. and down into the inexpensive labor market in Mexico. In return, increased revenues could encourage higher production and help to jumpstart the economy’s growth. Following Alkiewicz’s suggestion, NAFTA might reshape the service sector, opening telecommunications and energy markets from high definition television in Mexico City to the high voltage power resources of Quebec.

NAFTA did not come about suddenly. Mexico paved the way when it joined the 250-nation General Agreement on Tariffs and Trade last year. The nation’s membership comes up for ratification in March, and to ensure membership in the club the Mexican government has made many changes in its policies. When Salinas became president in 1989, he reduced the maximum import tariff rate from 100 percent to 20 percent. He did away with licensing requirements which prevented many eager but frustrated investors from providing Mexico with their products in 98 percent of all import categories. To speed up the pace of foreign investments, he cut bureaucratic red tape. The result was a dramatic influx of American and other foreign capital into the roaring Mexican stock market, which outpaced the Dow Jones Industrials as well as the struggling Nikkei index through most of 1992.

The U.S. exported $33 billion in goods to Mexico in 1991, which is three times the amount exported five years earlier. In 1992, the U.S. sold $43 billion in goods to Mexico. Canada and the U.S. had already arranged a trade pact in 1989. Since that time, trade between the two nations reached $176 billion in 1991, making them the world’s largest trading partners. Each of these gains took place without a formal agreement.

So what’s the big deal over a piece of paper? North American leaders were driven by the competitive threat of regional pacts forming or likely to form in Europe and Asia. Without NAFTA, trade growth among the three nations has continued unabated, while each has become increasingly dependent upon the others. The worry is that the partners might take advantage of each other, or take free trade for granted. Growth is still the goal. Trade authorities watched with concern while the Uruguay Round of GATT negotiations stalled over farm subsidies. A minor panic consumed the currency markets during August and September 1992 when central banks in England and Italy pulled their currencies out of the Exchange Rate Mechanism. At the same time, the international race to obtain freer access to Asian securities markets was heating up. The global picture suggested that the only way to create the kind of stability needed for growth was to forge a solid agreement among neighbors.

GOING FOR GROWTH

The crux of the argument is that while every major continent is sharing resources and forming regional alliances, with multinational corporations rapidly expanding international operations, the North Americans have to keep up. In a global economy where only the lowest cost producers can lay claim to any advantage, economic trade efficiency has ascended to paramount importance. Without cooperation, the North American economies may be left to devour one another. In other words, fear prodded the three to come together. The pressure is particularly keen because all three nations are finding that there is a levelling of growth and profit potential in manufacturing which has to be made up for by the service sector. “With goods, no matter how sophisticated, becoming a mere commodity, the value added to any national economy will depend on the service industry. Trade is the bread and
butter of an economy based on service,” comments Perception International’s Alkiewicz.

Demographics provides the key to the development of this service-based upsurge. The combined size of the three North American markets is $9 trillion. The aggregate population is estimated at 363 million, and is expected to reach 400 million by the year 2000, surpassing the population of the 12-nation European Community and the surrounding Eastern European countries. One of Mexico’s main exports is expected to be workers, unless cost-conscious manufacturers decide to build assembly plants south of the border. In either case, the value added comes from the handiwork of a mass labor force rather than from technological or industrial innovation.

UNITY AT A PRICE
While the benefits of the combined industrial markets and populations look attractive, there is dissent over the pact in all three countries. Americans worry about probable job losses in labor-intensive sectors such as textiles and automotive assembly work. According to a study conducted at the Institute for International Economics, U.S. job losses are estimated at 150,000 for the first five years after the treaty becomes effective, Vice President William H. Bywater of the AFL-CIO, the largest U.S. union, protests, “NAFTA will turn industrial communities into ghost towns.” Clinton made a campaign issue out of the possible dangers of the pact. He criticized the Bush administration’s handling of the job security question. “The president made clear representations on labor standards, and there appears to be very little of that in the agreement,” Clinton asserted during the campaign. Clinton’s administration will, however, stand by the pact, and attempt to work out differences in subsequent agreements.

The other major concern is environmental protection. Environmentalists charge that the accord does not do enough to prevent companies from relocating to Mexico to benefit from less stringent environmental laws and regulations. This concern may be justifiable. The General Accounting Office, Congress’s economic investigative agency, found that many U.S.-owned plants regularly violated poorly enforced Mexican environmental laws. House Democrats expressed their concerns. Rep. Ron Wyden of Oregon said, “A free trade agreement without environmental protection is like a balloon without helium. It’s simply not going to fly.” Sen. Max S. Baucus of Montana, chairman of the Senate Finance Subcommittee on International Trade, added, “Adequate enforcement of environmental laws is a critical precondition to concluding a free trade agreement with any nation.” U.S. business leaders might also find less altruistic reasons for sharing environmental concerns. As Tim Carrington in the Wall Street Journal reports, “If the U.S. enforces environmental rules strictly, and Mexico, barely at all, the U.S. ends up carrying an unfair financial burden as well as contending with environmental hazards that would travel north.”

A CHILLY RECEPTION IN CANADA
Of all three nations, Canada seems worried most about the consequences of free trade. Proponents contend that the economy must bear the brunt of transitional convulsions before it can reap benefits in the future. Judging from the opinion polls, however, an overwhelming majority of Canadians think that the previous U.S.-Canada pact, known as FTA, did more harm than good. Canadians equally cited high interest rates and the free trade agreement for the as yet still rising unemployment rate of 11.6 percent. Manufacturers, especially automotive parts makers, have been devastated. Integrating North American operations did precious little to help unemployed Canadians, as the viable factories are usually near the large-market vicinities, which are on the American side of the border.

The major Mexican complaint is that their many small- and medium-sized firms will be threatened by the voracious appetites of huge American companies, who will either buy them out, or run them out of business in highly competitive industries. Five hundred small engineering companies in Mexico City alone have already dissolved, citing American competition. Even some large Mexican companies are breaking up and closing unprofitable operations. Yet the Mexican economy is generally viewed as the market that will benefit most by NAFTA, and with a high predicted margin of growth it continues to draw foreign speculators into its equity markets.

The plus and minus picture for the U.S. is also somewhat ambiguous. The IIE study shows a net gain of 175,000 jobs by deducting the 150,000 job losses from the creation of 325,000 new jobs. The chief U.S. negotiator who worked on the treaty, Carla Hills, claims that for every $1 billion in new trade, 20,000 jobs will be created. She projected American exports to Mexico will be $17 billion in five years. This level of activity should equal 340,000 jobs, very close to the projection of IIE. Considering environmental concerns, William K. Reilly, the Environmental Protection Agency administrator, said that the NAFTA draft includes provisions that allow any nation to adopt and enforce stricter environmental standards than the international criteria. The National Resource Defense Council supports the creation of a commission involving all three nations to monitor and enforce environmental regulations. As for Canada and Mexico, a trade agreement is alleged to be in their best interests, as both are highly dependent on U.S. trade. U.S. trade accounts for 69.2 percent of all Canadian trade, while it accounts for 72.9 percent of all trade in Mexico.

THE FREE RIDE IN FREE TRADE
For business, the key to NAFTA is its elimination of tariffs and barriers over transitional period of 15 years—a condition spelled out under the rules of GATT. Some of the major new developments include the removal of tariffs on half of all U.S. farm exports to Mexico, with the
remainder phased out within 15 years. Tariffs on U.S. autos will be cut to 10 percent from 20 percent immediately, and will be completely removed in 10 years. Automobiles must have 62.5 percent North American content to be consistent within the "rules of origin," which require a finished product to meet a certain percentage of domestic content to qualify for duty-free status. The effect on the bottom line should be profound. Although it looks like a loss of revenue for Washington, the cost of monitoring compliance was high and the potential for downsizing regulatory agencies and cutting waste is great.

Barriers on trade and investment in most petrochemicals will also be lifted, and U.S. companies will be allowed to sell goods to Pomex, the state oil monopoly, and the Mexican State Electricity Commission. Banks and securities firms will be permitted complete ownership of foreign subsidiaries, and by the year 2000 all tariffs and non-tariff barriers will be eliminated. Trucking companies will be able to carry cargo into Mexican-border states by 1995, and by 1999 throughout Mexico. Safeguards against illegal duplications of "intellectual property," including movies, computer software and records, will also be imposed. The complete control and ownership of energy and oil resources, Mexico's chief concern, will remain in the hands of the Mexican government.

Canada insists on placing limits on the amount of foreign programming that will be permitted on Canadian TV, a "cultural exemption."

There are still many issues that must be resolved before the Democratically controlled Congress backs the agreement. The two key issues are preservation of the environment, and the protection of U.S. workers from the fearsome competition of Mexican workers, who, on average, make $5.57 an hour. Senator Baucas has already said that more stringent environmental codes are a precondition before any trade agreement will receive his support. House Majority Leader Richard A. Gephardt has even threatened to try and hold up approval, until Mexico eliminates all human rights, labor rights and environmental abuses. Finally, President Clinton is still examining the job loss problem.

**GETTING OUT OF THE GATE FAST**

While government officials waffle, corporations are acting on opportunities. Blue Diamond, a U.S. seller of almonds, is already working on a marketing strategy for Mexico, and is engaged in creating new flavors to suit Mexican tastes. Dynamo Corp., a maker of coin-operated amusement games in Texas, will simply step up its current marketing campaign. Last year, Dynamo generated close to $7 million of its $45 million in game system revenue in Canada and Mexico. Caterpillar, an American manufacturer of construction equipment, sold 1,200 pieces of equipment to Mexico last year, 10 times the amount in 1983. By building its first Mexican production plant, Magna International, Canada's biggest auto parts maker, has also followed this trend. Alfredo Brener, the largest shareholder of the newly privatized Mexican airline, Mexican de Aviación, recently made an offer of $385 million to purchase Continental Airlines. "NAFTA isn't just a good agreement, it's a great agreement—great for U.S. business and great for working men and women," Fites, chairman and CEO of the Illinois-based Caterpillar Inc., comments.

Is multilateral trade preferable to protectionism? Multilateral, free trade is the choice of the majority of economists, especially those who agree with Milton Friedman of the University of Chicago. While there has yet to be any action or progress on the negotiating table at the Uruguay Round of GATT, the North Americans may not be able to stand still and wait for results. The daunting fortress of the EC, and the awakening giants that loom on the Pacific Rim, make preemptive action a necessity. If defensive strategies are not in place, many argue that the inefficiencies of protectionism will spell disaster in a rapidly expanding global economy.
Take Us for All We’ve Got

To lure high-spending tourists, countries learn to sell themselves

Tivoli, the famous Danish amusement park open since 1843, is located in the heart of Copenhagen.
(Courtesy: Danish Tourist Board)
From Ouagadougou to Paris, the question is the same: How are we going to get them to come here on holiday? So much depends on the answer that tiny nations are ready to dump huge chunks of their federal budgets into lavish ad campaigns and developments, while established players like France and the United Kingdom are pressured into continuously coming up with new ways to lure visitors. A major role is played by state-supported airlines, which are often the key to travel success. The prize they strive for is a bigger piece of the huge global tourism pie, which now amounts to a staggering $3.5 trillion. It is, quite simply, the world’s largest industry.
One in every 15 employees in the world is in tourism. Between 1990 and 1993, tourism employment is expected to grow 50 percent faster than world employment, and the travel and tourism industry is growing 23 percent faster than the world economy. The industry spent $351 billion in 1990, representing 6.7 percent of worldwide capital investment. Expenditures are expected to create $276 billion in new gross revenues and 11 million new jobs.

One way to measure the widening gap between tourism and other industries—most of which have been heading south during the last year—is by the simple measure of “value added” to basic goods and services. According to a 1987 study by the Wharton Econometric Forecasting Association, “value added” from travel and tourism is more than twice that of the agricultural or electronic sectors, and exceeds the auto, steel and textile industries combined.

HOLIDAYS—A SURE CURE FOR TRADE DEFICITS
With this kind of money involved, competition is bound to heat up. The game is not just played by private airlines and agencies. The public sector is a major player. Governments see tourism as a solution to balance of payments problems, and an excellent source of hard currency which is a hedge against inflation. For most countries in Eastern Europe, tourism is a means of attracting joint business ventures with Western investors. In China, for instance, the link between the Chinese International Tourism Service and a number of Beijing-based development agencies is so pronounced that personnel—partly because of their language proficiency—move freely back and forth between them.

As these nations are learning, marketing a country as a tourist destination is different from marketing almost any other product. First, a travel destination is not a single product, but rather a conglomerate of products. Each country has a variety of attractions, natural and man-made, cultural and recreational, and each of these hot spots is promoted at the national, regional or local level. To make matters even more complicated, unlike most other economic exchanges, it is necessary to transport the market to the product, where it is consumed on the spot. So the travel element is key.

Most tourism professionals agree that advertising is the main factor in the marketing battle. The top 20 advertisers are a surprising group. Naturally, the big spenders like France and the UK ($2.5 million each) are up there, but so are some colorful upstarts. Jamaica shells out an astonishing $6.3 million annually, and the tiny Cayman Islands finds $2.7 million for television and radio spots as well as a strong print campaign. Even more unlikely, it would seem, is the $8.9 million that Mexico manages to find for its tourism campaigns. If tiny or impoverished nations can come up this kind of cash, you know that the return on investment has to be significant. In many cases, well over 75 percent of GDP is directly attributable to tourism. Image is everything, but controlling public opinion can be tricky. A destination’s popularity can be influenced by everything from scientific research on skin cancer to highly publicized social or political events. “The fact that Denmark said no to the Maastricht Treaty has given us enormous publicity,” says Jarl Boye-Moller the director of the Danish Tourist Board. Translating the attention into tourist revenue is his job.

IMAGE PROBLEMS—ANYONE FOR LIBYA?
The reputation of a destination can swiftly be reversed. Incidents in Libya, Tiananmen Square and the Persian Gulf all had a devastating impact on the number of visitors—not just short-term, but for years. In China, the slaughter of students and demonstrators in Tiananmen Square in June 1989 came on the eve of the heaviest season expected by CITS. Within a day, cancellations poured in and nearly $400 million in revenue was lost. The next year, China’s number of visitors was still less than 5 million, but by 1992 over 38.1 million visitors arrived, bringing in $3.4 billion.

The burden of drawing visitors is partly shouldered by national tourist offices, which are government-sponsored outposts for information and promotion that most countries maintain in major urban markets like New York, London, Berlin, Tokyo and other cities around the world. The NTO’s ability to work wonders is limited to available funds, and strategies are subtly devised for each target market. Much of the efforts are aimed at travel agents, tour operators and other middlemen.

Using the media can be extremely expensive. Publicity in the form of travel articles, which represents free advertising, is a vital source of promotion for tourist offices with limited funds. While travellers from the United States and Japan are the biggest consumers, France and Spain are the world’s leading international destinations. In all, 70 percent of all trips worldwide are to destinations in Europe or the Mediterranean.

The world’s top tourism spender is the United States, which shelled out $39.4 million on travel expenses in 1991. “Americans are good tourists, and spend considerably more money than other travelers,” says Sigfus Erlingsson, the director of Icelandair in North America. According to the 1992 Travel and Leisure Study, safety is the primary concern of American travelers, and obtaining high value for the dollar is also an imperative. The U.S.’s long-term stability makes it an attractive market for almost all destinations which spend millions competing for American tourist dollars.

Australia, one of the fastest growing tourist destinations since the late 1980s, spent $2.5 million on advertising in the U.S. market in 1990. According to the Australian Tourist Commission, which is largely funded by the government, tourism employs 400,000 people and accounted for 10 percent of all new jobs created in Australia during the 1980s. However, due to worldwide restructuring, the ATC is closing its offices in Chicago and Toronto. Counting on further growth
in the Pac Rim, the ATC plans to make Los Angeles its regional headquarters, overseeing consumer marketing, advertising, public relations and direct marketing in North America, including all marketing operations in Latin America.

GOING DUTCH
You never know what is going to be the next tourist hotspot. Although Denmark—true to the frugal Dutch image—spends less on advertising than Australia, tourism receipts were $3.4 billion. “Since Denmark now has a trade surplus, the focus of the government is the effect of tourism on employment,” says Boye-Møller. The DTB has a basic marketing budget of 105 million Danish Kroner (about $16.6 million) for 1993, and an “action program” budget of 85 million DKK ($13.5 million)—an increase of 20 million DKK from 1992. Although the DTB stresses the importance of advertising, it also strongly emphasizes targeting the travel industry directly. The DTB office in North America—with the support of domestic travel operators—runs a direct mail program to “S.T.A.R. agents,” and offers workshops for tour operators as well as supporting ones producing tours to Denmark with promotional funds. “We have a very clear strategy on working with tour operators, and placing Denmark in with operators focusing on Europe,” says Boye-Møller.

Denmark’s single biggest attraction is Tivoli Gardens, a 150-year-old amusement park that pulls in over 5 million visitors a year. The park, along with the Legoland amusement park, is the main draw in DTB’s new direct mail campaign designed to appeal to grandparents traveling with their grandchildren.
In 1992 the government of Singapore officially banned the import, sale and manufacture of chewing gum.

Japanese investors now own in full or in part 206 hotels in the U.S. These hotels contain about 6 percent of the upscale hotel rooms available in the nation.

Psychiatrists in Israel call it the “Jerusalem syndrome.” It is a form of hysteria that turns 50 to 200 previously healthy tourists into Messiahs, King Davids or Virgin Marys.

The European Commission has set aside $496 million to retrain or re-employ 250,000 customs agents whose jobs will disappear in 1993 when trade barriers fall.

A South Korean traveling overseas is likely to spend five times as much as an American per night away.

The three top-grossing restaurants in the U.S. for 1991 are all located in New York City: Tavern on the Green ($26.1 million), the Rainbow Room ($25.4 million) and Windows on the World ($25.1 million).

Former Federal Reserve Chairman Paul Volcker, recently predicted that in five years, you will find a fixed exchange rate among the Mexican peso, the U.S. dollar and the Canadian dollar.

Hong Kong spends over 6 percent of its GNP on travel abroad; the U.S. spends under 1 percent.

Japan has one vending machine for every 22 people. You can purchase anything from hot food to whiskey to flowers.

China has 300 million bikes on the road. Most of them are the domestic “Flying Pigeon” brand.

Source: EIU International Tourism Forecast and Travel Industry World Year Book-The Big Picture 1992

For some destinations—like Israel or Singapore—the national carrier becomes the focus of marketing efforts. Icelandair, a privately owned carrier founded in 1937, is the country’s trump card in attracting tourist dollars. With 18 destinations and three gateways in the United States—New York, Baltimore and Orlando—the airline is one of the best buys in European travel.

The low prices have an interesting history. Since Icelandic Air, Icelandair’s predecessor, was not a member of the International Air Transportation Association, it did not have to comply with the strict fare regulations on transatlantic flights, and became a leading low-fare carrier with over 800,000 passengers in 1991. “Our main goal and a very vital goal is the traffic to Iceland,” says Sigfus Erlingsson, director of Icelandair in North America. “We are selling Iceland as a destination, simply because there is no other carrier flying to Iceland.”

Icelandair cooperates with the Iceland Tourist Board and other Scandinavian countries on promotional campaigns in the U.S. Erlingsson believes Americans are not very knowledgeable about Iceland. “For a small country it is extremely important to focus everything on creating an image of the country, whether it is through its nature, products or people,” says Erlingsson.

**RUSSIA—READY FOR TAKEOFF?**

The big mystery in the industry is what will become of Russia. The travel industry in the Commonwealth of Independent States has to deal with a disturbing international image, as well as the novel concept of the free market. Before the days of Glasnost, VAO Intourist, a government-owned company, had a monopoly on inbound travel to the Soviet Union. Today, it is an independent travel organization owned partly by its employees, and now has a stake in Rahim Tours, a Florida based travel wholesaler. Rahim’s main product lines include a variety of escorted group tours to the CIS, China and Mongolia, as well as extensive customized arrangements for leisure and business travelers.

Headed by Alexey Mesiatsev, the former Intourist assistant director, the Ali Sadik-Ogli, Rahim’s former owner, VAO has placed itself in a potentially very profitable position. The operator has developed important relationships with both Finnair, a solidly expanding airline, and Aeroflot, the former Soviet carrier now split into 80 companies operating throughout the CIS. Geographically, Rahim could potentially cash in on Aeroflot’s inbound Miami service since citizens of CIS will soon have the right to travel freely.

Russia is just one example of how the re-drawn global map affects the business. During the past two years, a succession of dramatic events shattered the world’s political and economic structures in ways that will affect every sector of the tourism industry. Old geopolitical dilemmas of the past half-century have suddenly become irrelevant. A new era of greatly increased international communication, freedom to travel, international trade and greater investment across international borders is likely to commence.

**DOLLARS AND SENSE**
Whittle’s for-profit school system is still on the blackboard. Will it survive the Clinton era?
by Massimo S. Salerno

Can the invisible hand of capitalism succeed in the delivery of education where government and philanthropy have failed? This is what the Edison Project and its privately run schools hope to accomplish by 1996—and make a buck in the process. The pioneer in this venture is Chris Whittle, chairman and founder of the publishing company which bears his name, Whittle Communications.

In essence, Whittle is proposing to base schooling on choice and let the free market allocate tuition money to its most efficient use. “The Edison Project is not a reform movement, it is a revolution in education,” says Whittle. Parents and students will choose the better schools and force the inferior ones to either improve or close. All students, according to Whittle, will prosper in the long run.

Proponents and opponents disagree about the potential impact of this privatization attempt, but all agree that education in the United States must be reformed. Whittle’s plan offers a model in which to test new ideas that can trickle down to public education. In standardized science tests administered to 13-year-old students, the U.S. ranked 13th among industrialized nations, according to The Educational Testing Service. The exam, the International Assessment of Educational Progress (IAEP) was administered to a random sampling of 175,000 students from 20 countries in 1991. The only two major countries which did not participate were Germany and Japan.

ONE FOOT IN THE DOOR
Whittle already has command of over eight million students, one third of all high school children, for 12 minutes a day through the use of Channel One. A private quasi-network owned by Whittle Communication, Channel One operates in over 10,000 schools across the country. One goal of Channel One’s daily 12-minute news show, which includes two minutes of paid commercials, is to expand student’s knowledge of daily events in the world. All programs must be watched in their entirety—even teachers do not have the right to turn them off.

In exchange for this undivided attention, Whittle provides the satellite hook up and a television set in every classroom. Since each student is required to attend school and each school is required to show Channel One by contract, Whittle’s Channel One offers advertisers something no other network can provide: a captive audience obligated to watch advertised products and services.

At $157,000 for a 30-second ad, this is almost double the network rate. From its Channel One operations, Whittle Communication grosses over $630,000 per day and 40 percent of Whittle communication’s revenue each year. If Whittle believes owning, running schools and teaching children is the next logical step, it may be because Channel One has been an intricate part of this task for well over a year.
FORTUNE IN SINGLE-ADVERTISING MARKETING

After attending the freshman orientation class at the University of Knoxville, Whittle and fellow classmate Philip Moffitt founded a highly successful magazine, *Knoxville in a Nutshell*, designed to orient freshmen students to the university. "In my senior year I sold my equity for $2,500 and went to Columbia Law school where I lasted a couple of weeks," admits Whittle.

From there Whittle worked in a political campaign and later taught history in a private school before deciding to buy back into 13-30, the company he created four years earlier.

The "Nutshell" concept, which 13-30 successfully used in Tennessee, was tried in 20 cities and lost $60,000 in its second year and $500,000 by the fifth year. 13-30's turning point came when the Nissan Motor Company contracted Whittle to be their sole advertiser in one of Whittle's niche magazines. Whittle and his partners went on to successfully develop single-advertiser magazines and targeted the magazines to specific audiences aged, not coincidentally, between 13 and 30 years old.

When the partnership between Whittle and Moffitt soured in 1983, Whittle received control of 13-30 and Moffitt received control of *Esquire* magazine, which had been purchased and turned around a few years earlier by 13-30. Whittle Communications, the successor to 13-30, has grown from $70 million in sales in 1986 to an estimated $185 million in sales.

Nancy Young, director of media relations for the Edison Project and one of its 50 employees, says the Edison Project will build schools in the suburbs and inner cities alike. "The schools will be a part of the local economy, bringing in jobs, as well as providing community centers and sponsoring activities for the neighborhood," says Young.

PUBLIC MISSION OR ELITIST?

Time Warner currently holds 38 percent of the stock in the Edison Project. One quarter of the stock is owned by Associated Newspapers and a British tabloid publisher. In an effort to prove this relationship is long-term, both Time Warner and Associated Newspapers have sizeable holdings in Whittle Communication stock as well.

Tuition is estimated at around $5,400, which is currently what the government spends nationally on public education per pupil. Young says that the aim is to provide more resources to students, not just spend more money on them. "Tuition and generous scholarships from the Edison Project will enable many students from diverse backgrounds to enroll." Among new ways to defer expenses and teacher salaries, parent volunteers, classroom aides and computerized instruction are to be implemented. In order to teach responsibility and hard work, "students will take responsibility in the schools," says Young. These duties have yet to be worked out but they may include custodial, lunch room and other types of tasks.
The Edison Project is a private project with a public mission. It aims to provide a laboratory of educational innovation, new models that public schools can emulate if they wish," states Edison Project President Benno C. Schmidt Jr. in the Wall Street Journal. The former president of Yale University, Schmidt adds that the Edison Project offers the best hope for radically improving the education of our young. "Schools operate around an agrarian calendar which keeps them closed most of the year. They are all based on the same static models and use papers, pencils and blackboards untouched by modern technology," writes Schmidt. "We want to start from scratch using fresh eyes toward education," adds Young.

Whittle's school of the future may look like today's modern college rather than current high schools with their century-old architecture. Enclosed campuses with buildings serving different age groups are to be built by 1996. According to Young, technology will play an important role in educating students. "The aim is to augment teachers, not replace them," says Young. This will enable teachers to spend more one-on-one time with students. One scenario for the school of the future proposed by the Edison Project calls for an eight- or nine-hour school day to better serve working parents. Another possibility might be "an electronic learning system which may include a monitor, printer, CD-ROM, paint board, fax—even a phone and stereo. The TV sets were only the start."

Critics of the venture doubt that the Edison Project can provide schooling to the masses. One is the New York City Board of Education. Bob Terte, director of public affairs for the Board of Education, declined to comment on the Edison Project because the Board has barred public discussion of Whittle Communications or Channel One. According to Channel One's Director for Public Affairs, Jim Ritts, back in 1989 the New York State Board of Regents deemed advertising in school inappropriate and banned Channel One. Ritts does not know if Channel One will be used in the Edison Project, but says, "I would be surprised if it does not play a part down the road." The New York State Board of Regents also declined comment, citing the ban. According to Young, Channel One and the selling of commercial advertisements inside the schools has also yet to be decided.

Whittle and Schmidt claim the Edison Project will be a model for the public school system to emulate. But school choice could force public schools to compete and advertise against the Edison Project, diverting already scarce funds from teaching to marketing and further lowering school standards.

One critic of school choice is Princeton University economist and new member of President Clinton's Council of Economic Advisors, Allan S. Blinder. He says to focus on choice as the be-all and end-all is to miss the point. "Economic theory assumes that choices are made by rational and well informed consumers who know their own best interests." Blinder, in a Business Week column also writes, "Some children are handicapped by 'incompetent' parents: substance abusers, criminals, mentally ill or people who are just irresponsible and not connected to mainstream society."

According to a spokesperson for the President of the Teachers' Union, Albert Shanker, "There should be a nationwide competition that schools—not school systems would
join." Blinder and Shanker believe that the competition should last three years and should be judged not by educational attainment at the end but by improvement over that period. The winning schools should receive prize money for their employees as incentives. Blinder believes that education should be judged by the end result: performance. "In the economy we examine the car not the factory," writes Blinder. This approach empowers the people in charge of the schools to make effective changes, not some outside body.

SCHOOL SYSTEM LYING READY IN THE WINGS
Whittle's program coordinated perfectly with the Bush administration's plans for "America 2000." Former President Bush stated that by the year 2000, America's educational standards would lead the world. In order to let parents send their children to schools of their choice, private schools would use taxpayer funds by voucher.

Former United States Secretary of Labor Lamar Alexander fully endorsed school choice. Alexander is a close friend of Whittle's for over 20 years, as well as consultant to Whittle's board and a small investor in his company.

Whittle also hired Chester Finn Jr., professor of education and public policy at Vanderbilt University, to consult on the Edison Project. Finn, a longtime Bush and Reagan administration official, is acknowledged to have authored "America 2000." Although these former high ranking Bush Administration officials give Whittle's lobbying power a strong

influence, Clinton and the Democrats also support the plan. "Clinton and the administration reacted favorably to us and believe in our innovations," adds Young.

A DEFECTIVE ASSEMBLY LINE
If there is one area that many educators can agree upon, it is the decay of our school system. Business leaders, like Apple Computer's Chief Executive John Sculley, claim that "lack of a good education is a primary drawback to the industrial competitiveness of the U.S." According to the Work In America Institute, 30 million Americans are functionally illiterate. With high technology jobs in manufacturing employers need "tasks that many of today's graduates are not equipped for," according to the Work in America Institute.

According to the Education Commission for the States, a Denver research group, part of the problem with our educational systems is its antiquity. Eighty percent of 18 year olds finish high school today, compared to 50 percent back in 1950, with similarly proportionate increases in college enrollment, thus overwhelming the system. And 60 percent of high school graduates enter college versus 40 percent in 1960. The sheer increase is overwhelming the system. The ECS claims that teachers "pass along" ill-equipped students in an assembly line way. Even Schmidt writes: "Nearly half of all high school graduates have not mastered seventh grade arithmetic. One third of 17 year olds cannot place Spain on a map. And only about one in 10 graduates can write a reasonably coherent paragraph or handle pre-college mathematics." According to Blinder, students lack incentive. "Only a small percentage of students who aspire to top colleges work hard, the rest either already have jobs lined up or know that somewhere some college will admit them."

The great impact of this trend has forced companies to pick up where our educational system has stopped. Today there are over 140,000 academic-corporate partnerships sponsoring 30,000 schools. Top American companies spend billions of dollars per year training and retraining employees.

If education is the next great market, Whittle and Time Warner may well be positioned to step in and reap the taxpayer's spoils just as defense contractors did during the cold war. In the future, education may be delivered by corporations acting in their own best interest to create a better equipped job force. With the end of the cold war, corporations will focus on the government's education budgets rather than defense.

For a new school system to succeed in the next century, Blinder and Schmidt say it needs to incorporate many of the successful systems in use around the world today— with longer hours and shorter vacations, greater emphasis on directing students toward certain occupations and a greater reverence for teaching reflected in higher salaries. "We are not claiming to change the entire educational system in the U.S., only the way in which it is delivered," says Whittle. [Dollars and Sense]
Empire of Toys

Toys R Us brings American-style marketing and prices to Asia

by Yvette Towe
Illustration by Bill Tomaras

When Toys R Us first opened its doors in 1957, wiseguys used to come in off the street daily and remark to founder Charles Lazarus, “You know, you got the R in your sign backward.” Lazarus laughs about it now, with “the world’s largest toy store” adding 45 new outlets a year and basking in the glow of Wall Street’s approval. The high point of 1992 for Lazarus and Toys R Us had to be the opening of its second branch in Japan, with President Bush on hand to deliver a glowing paean to the firm’s persistence in hanging tough—with help from Washington’s trade specialist Carla Hills—through the brutal fight against Japan’s Ministry of International Trade & Industry as well as the intimidating “Large Store Law,” that protects Japanese retailers from foreign invaders.

“We have much to learn from the three-year battle Toys R Us waged to pry open the $6 billion Japanese toy market,” Bush said. “This is the first time a large U.S. discount store has opened in Japan—it has blazed the trail for all kinds of companies.” It was a triumph for the White House’s Structural Impediments Initiative, a plan to pry open new markets for American goods and merchants. Officials at Toys already have their eye on as many as 100 sites for new stores in Japan.

Every day is Christmas at Toys R Us, even in Japan. The gleaming white, three-story temple of toys in the prosperous Ibaraki pre-
fecture is expected to pull in sales of at least $15 million a year, chipping in its share to the firm’s annual $6.4 billion in revenues. Inside, hundreds of parents are tugged here and there by spoiled brats pleading, “Sore hoshi” (“I want that!”), while haggard, bilingual salespeople with walkie talkies beg the stockroom to get the merchandise on the floor. Toys are strewn all over the place, and it’s not even noon. The selection dwarfs the local competition, with 8,000 items in stock due to rise to 15,000 as soon as possible) compared with the 1,000- or 2,000-item typical Japanese outlet, and the prices at the American store are 10 to 15 percent lower. Outside, patrons are treated to a vast (by Japanese standards) 850-car parking lot. Deeper discounts are unlikely because of the high start-up costs, including a real estate market that is still overinflated, and punishing tax bills.

But the strong response among Japanese parents as well as the prosperous gaijin (“foreigners”) who live in and around Tokyo is encouraging. “We made our trip to the new Toys R Us the other day, and the place was jammed,” reports Robin Ahrens, an American whose husband was stationed in Tokyo by Bankers Trust two years ago and whose year-old son Christopher makes out like a bandit with every trip. The popularity of the new store is raising eyebrows around Japan, which has the second largest toy market in the world after America. It also annoys some Japanese that about one third of the merchandise in the store—like Huffy bikes, Barbie dolls, Monopoly games and Fischer-Price educational toys—is imported.

The new Japanese store is just the latest in what is projected to be a 406-store, $4.2 billion a year foreign network that is meant to break Toys out of the saturated U.S. market, where competitors—chiefly, Kmart—are crowding in. In addition to 76 stores in Europe (including 24 in Germany, 11 in France and 33 in Britain), Toys has focused on moving into prosperous Asian markets, with three stores in Hong Kong and Taiwan, and two each in Malaysia and Singapore. As far as Lazarus is concerned, expansion is natural. “Kids are the same all over the world. They all know what Nintendo is; they all know what Ninja Turtles are,” he points out. The revenue from international stores is expected to triple by 1997, from $1.3 billion currently to $4.3 billion.

Crossing borders is not always easy for American businesses, and retail is a sensitive area, ripe for cultural misunderstandings. Toys is learning to adjust. When they moved into England, they had to change the rule requiring cashiers to stand up because in Europe it is not the style. Merchandise has to be tailored to local tastes, from the porcelain dolls in Japan to the Hong Kong version of Monopoly that puts Repulse Bay and Sheko where Boardwalk and Park Place used to be. In Singapore, where drug possession is punishable by death, the testing requirements for new employees
were dispensed with. But in some locales, such as Japan, the American flavor is part of the marketing appeal, and the signs in English have the same alluring effect as brand names.

AN AMERICAN SUCCESS

Back home, Toys R Us is still on a significant roll, capturing 20 percent of the domestic toy market annually. Even in the recession, the growth rate of the company is phenomenal. Overall, the toy retailing industry has grown by 37 percent since 1980, but Toys’ sales have increased 185 percent in the same period. In its fiscal year ending February 1, 1992, net earnings increased to $339.5 million from $326 million the year before, and the company’s earnings per share reached $1.15 compared to $1.11 a year ago. The stock, heavily traded on the New York Stock Exchange, followed the seasonal pattern of sales (nearly 47 percent of the year’s sales come in the fourth quarter because of Christmas), rising from $27 a share to $37, where it seems to have firmed up. Analysts at A.G. Edwards and other major investment banks continue to support it.

Experts attribute the success of Toys to superior management and innovative technology. Starting way back in 1974, the firm tracked their inventory through state-of-the-art computer systems located in the company’s Secaucus, New Jersey headquarters. The secret to good service lies in treating the mid-level employees right. “I have been working here for six months, and I got a promotion after five months,” says Letitia Montgomery, an assistant manager at the Manhattan store. “They promote people as long as they do a good job, and the pay is nice.”

The Toys R Us tale begins in a little bicycle shop in Washington, D.C., where Lazarus’ father rebuilt old bicycles. The next step was to add toys and children’s furniture. The first Toys R Us store opened in Washington in 1957 and was designed to put supermarket sales methods to work in the toy business. Within 10 years, Lazarus was able to open 10 more stores, and sold the chain to Interstate Stores for $7.5 million, giving him capital to expand. Interstate went bankrupt in 1974 but Toys R Us survived, hitting sales of $2.5 billion by 1986. Since that time, it has never looked back. The annual compounded growth rate for the company is a sterling 20 percent.

The company mascot is a goofy giraffe called Geoffrey whose elevated point of view demonstrates how handy it can be to be big. Toys R Us has kept its head above the competition, scouting out new growth areas as the traditional market—-toys for kids under 12—tightens up. Recent efforts to lure teenagers and adults, along with the expanding Kids R Us clothing operation (now up to 74 stores), have diversified the basic formula. At this rate, could a magic market share of 40 percent be far behind?
Does the ad above sound familiar? Every day, under the dubious heading of “Business Opportunities,” hundreds of similar offers are hawked, trapping thousands of eager but naïve entrepreneurs. It’s all part of a new wave of business called multilevel marketing, a completely American invention that is enjoying a mixed reputation these days for high profits and low ethical standards. Also known as “network marketing” or, more elaborately, “network direct-selling organizations,” multilevel marketing is gaining ground fast enough to start making its presence felt overseas, where it is bound to annoy and enrich distant trading partners just like previous American business exports.

Multilevel marketing represents part of the direct-mail sales industry. Where MLM companies differ from catalogue houses is in their use of what is euphemistically called a multilevel compensation technique. Instead of just selling a product, sales representatives sign up other people to sell, and take a percentage of the recruit’s profits. Some well-known national MLM organizations include Amway, Herbalife, Shaklee, Nu Skin, Mary Kay Cosmetics, A.L. Williams and the Fuller Brush Company. Most sell personal-care, health or dietary products. Others, like Amway, also offer telephone services, dog houses and televisions. A.L. Williams sells insurance.

They made their inroads by capitalizing on the high unemployment rates of the ‘90-’92 recession, when many were forced to look for alternate and unconventional ways of making money from their homes. The MLM sales pitch is based on the claim that it can open the door to self-employment at a low cost. Some companies charge only $50 for a “start-up” kit—others hit you up for as much as $10,000.

CRUDE BUT EFFECTIVE
Multilevel marketing is a form of direct selling in which manufacturers authorize independent contractors to sell their products directly to consumers, bypassing middlemen and retail stores. Many distributors use a garage or spare bedroom to warehouse products bought wholesale from their company, to sell to customers at retail prices. Recruiting also plays an important role in MLM. To build a large distribution force, distributors are permitted to sign up other individuals. In this way they receive a commission on the wholesale products purchased by recruits.

A typical multilevel compensation system works like this: You try to excite your friends, family or strangers about
your MLM company’s earning potential. Get them to sign up, and your sales organization will include everyone you sign up as well as everyone those new distributors, in turn, recruit. Those recruited by you are called your “front line.” Distributors recruited by your “front line” are part of your “second-level.” Anyone recruited by your second-level are part of your third-level and so on down the line. Hence the term multilevel. Commissions are earned on purchases made by everyone in your down line sales force. However, limitations may exist as the particular agreement with the MLM company determines how far down the line you will receive compensation.

MONEY-MAKING MACHINES?

Every distributor is an independent, self-employed subcontractor of the MLM company. They have no formal authority over anyone in their sales network. This forces them to develop strong interpersonal relationships throughout their organization in order to accomplish goals. “Everything looks good on paper,” says Don Samuel, a former recruit. “But this business isn’t the perpetual money-making machine it’s made out to be.” Many distributors find that their aspirations are not realistic.

You never know who’s going to surface in this game. Jerry Rubin, the former left-wing politico of Chicago 7 fame, is an enthusiastic multi-level marketeer and the industry’s most prominent cheerleader. He told Home Office Computing, “The nineties will be the decade of incorporate America!” At an MLM recruiting event, Rubin proclaimed, “MLM is capitalism at its most supreme.” Rubin jumped into his MLM enterprise with the same energy that fueled his Youth International Party movement of the ’60s. “I believed that I had found a gold mine,” says Rubin, as he recalls his first encounter with MLM. For all of his gusto, Rubin’s first MLM venture did not turn out well. “Sure, people got excited about the program,” he says. “The top producer in the company was making $85,000 a month, and I was building a lot of excitement with all the people I was signing up. But nobody seemed to be in love with the product. Trouble was brewing, but I was too excited about the concept of MLM to see it.” The business soon went into Chapter 11. “I was very embarrassed,” he says, “I had the horrible, sinking feeling that I let a lot of people down.”

Bankruptcy isn’t the only problem facing those in the MLM industry. Federal investigations have been launched against many systems. Amway was thoroughly investigated by the Federal Trade Commission in order to determine whether it was promoting an illegal pyramid scheme. The FTC decided it was not. More recently Nu Skin, a company that markets cosmetics, has come under similar scrutiny by several state authorities.

Another MLM pitfall is the high attrition rate. People get caught up in the hype of the compensation system not realizing that it takes a lot of work and commitment to retail, recruit and manage. Most recruits do not last more than a few months. Don Samuel threw in the towel after he ran out of money. “I found it difficult to create a down line. If you cannot create a successful selling and recruiting system, you will inevitably fail,” he warns.

BRUSHING UP THE IMAGE

One of the most reputable names in direct marketing is the Fuller Brush Company. The “Fuller Brush man” became part of the American vernacular, symbol of an operation that was created with an original investment of $400. At its height in 1960 it grossed $190 million in sales. In recent years the company has fallen on lean times, with its market share falling below one percent. It is trying out the multilevel compensation technique to fight its way back. By permitting its direct-sales force to recruit as well as sell, it hopes to increase the number of Fuller Brush men and women from the current 12,000 to more than 100,000 by 1995.

The Fuller Brush compensation plan, called Filcher, offers a variety of financial incentives for selling and recruiting. Retail profits range between 20 and 40 percent. There are retail bonuses of up to 10 percent based on sales. Fuller’s products range from the famous Fuller hairbrush, to clothes hangers, household cleaning products, vacuum cleaners and skin lotions. The company’s biggest-ticket item is the Fullguard Water Filtration System, a water purifier for the home.

For Fuller and devotees like Jerry Rubin, MLM is still the wave of the future. Rubin believes that the MLM industry is synonymous with individual autonomy and rights. He owns and operates the Jerry Rubin Network Marketing Center in West Los Angeles, where he sells Omnitrion products. At one of his MLM seminars, Rubin declared, “There is a worldwide yearning for freedom. Network marketing is about freedom, financial freedom, time freedom, personal freedom to do and be whatever you want to do and be.”

Sally Heale
OVERNIGHT SUCCESS

Federal Express beats the odds—and competitors—
with an aggressive mix of savvy and speed

by Andrew Dowicz
Illustration by Bill Tomaras

The man with the ace in his hand at Federal Express is Chairman Fred Smith, widely renowned for being the genius behind the company's continued success in the domestic overnight market. Smith is looking for new cards, though, as he hopes to duplicate overseas the kind of dominance—a whopping 55 percent market share—he enjoys inside the U.S. Right now, FedEx lays claim to 33 percent of the overnight shipping trade worldwide. The strength of its U.S. operations has enabled FedEx to leapfrog many older companies and obtain the 139th most powerful brand name in the U.S., ahead of corporate giants like 149th-ranked American Express, Texaco (158) and even Cadillac (162), according to a survey conducted by industrial analysts Landor Associates. Smith initiated foreign expansion as early as 1984 with many acquisitions, including Gelco Express, a Minneapolis-based packaging and courier firm that serves 84 countries. FedEx does nothing on a small scale. The company was soon serving the United Arab Emirates, Holland and Great Britain. FedEx's most recent, and highly controversial, acquisition is Flying Tiger Air, bought for an astounding $800
million in 1989. Not only did this bring in international routes, but it involved unions as well—which FedEx had fought for years. The new addition brought 6,500 of Flying Tiger's unionized workers and 39 cargo jets which joined FedEx's 151 planes and 65,000 employees. FedEx gained landing rights in hard to penetrate Pacific Rim countries, including Malaysia, Australia and the Philippines.

The deal cost FedEx dearly. It means taking on $2.1 billion debt, more than two and a half times FedEx's initial balance, leaving the company susceptible to economic down swings. For 1991, FedEx's added costs amounted to $625 million over the three previous years, taking the company's net income from $184.5 million in fiscal 1989 down to just $5.9 million in fiscal 1991, a drop of 96 percent. Yet analyst William Clarke, senior associate at the Airline Economics consulting firm, feels that Tiger's international landing rights alone are worth it. Before the acquisition, FedEx had only five foreign slots: Montreal, Toronto, Brussels, London and Tokyo. This was a sore point because FedEx didn't have the right to use Tokyo as a jumping off point for deliveries to the rest of Asia. Tiger's air rights solve the problem. "We realized if we wanted to be dependable overseas, we had to fly our own routes," says FedEx chief operating officer James Barksdale. "Flying other people's planes just doesn't work. We were looking for a solution and Flying Tigers was it."

**FACING THE FAX**

With the U.S. overnight document delivery business being undercut by the speed and economy of fax machines, and expected growth in the international package delivery market estimated at 20 to 30 percent a year through the '90s, it looked grim for FedEx, which depends largely upon its U.S. operations. But being big helped. It would seem that FedEx's $7.7 billion in annual revenues eclipses all competitors. There are rivals, and they are putting the pressure on. Upstart DHL, with a meager $2 billion in revenues, controls 45 percent of the international air express market, compared to FedEx's mere 7 percent.

United Parcel Service is determined not to be left out of the race to internationalize. UPS, known at home for its excellent management and $7 billion in debt-free assets, balked at an early offer to buy Tiger Air, because then Chairman John W. Rogers felt that cultural differences, union squabbles and the high asking price outweighed any advantages. "We looked at it and didn't like what we saw," he says. Instead, he spent a year negotiating a sweeter deal to buy DHL, which quickly soured. Rogers, acting swiftly in January of 1988, acquired Allmando, DHL's partner in Italy. Rogers' strategy was to use its German and Italian operation as a base for introducing ground service across Europe. Not completely satisfied, UPS acquired eight smaller European air freight companies, as well as Hong Kong's Asian Courier Service. Present UPS Chairman Kent Nelson remarks, "There's a strategic advan-

tage to being there first with the largest offering."

With the domestic picture as crowded as it is, ultimately the market share battle will have to be decided overseas. Because neither FedEx or UPS is making money internationally, the ability to maintain losses is critical. Clearly UPS has the edge in this category, with assets of $7 billion, minimal debt and $480 million in cash. Some argue that the risk UPS runs is in being too conservative—an error Smith's FedEx simply won't make.

Smith never shied away from risk. He first proposed the idea for his "hub and spoke" system, which revolutionized the overnight delivery market, in an economics paper he wrote while attending Yale University. Giving further credence to the notion that most A students go on to work for C students, Smith's plan received a now-infamous C.

**THE NEED FOR SPEED**

In getting FedEx off the ground, Smith needed to find a way to serve the widely dispersed regional and outlying cities and towns, while eliminating two main entry barriers to the industry: capital requirements and government regulation. The hub and spoke system, a multi-tiered delivery plan that
capitalizes on scale economies and return-trip efficiency, enabled FedEx to serve America's growing need for speed in its emerging high technology and service industry economy.

Using his own funds from the sale of his Arkansas Aviation Sales and Enterprise Capital, a company bequeathed to him and his two sisters, Smith hired two consulting firms to conduct feasibility studies. Each separately concluded that FedEx could compete with initial capital requirements of $6.5 to $15.9 million at an expected break-even point of $1.6 million in fees on 10,000 tons of cargo annually. Smith signed an agreement to buy eight Falcon-20 jets with an option to buy 20 more. He was gambling that he could win approval of the Falcon-20, which was prohibited for use in the industry by point 298 of the Civil Aeronautics Board code. Smith’s first gamble paid off. He hired the right Washington attorney, Ramsey D. Potts, and won the necessary approval. FedEx had just taken off.

**BUMPY LANDINGS**

However, FedEx soon nearly crashed. At the end of 1973, in a last-minute deal, Smith was able to borrow $2 million from the Union Bank in Little Rock. The loan was supported by a resolution securing the debt with additional Enterprise capital, and was signed by Memphis attorney Robert Cox. It was later learned that the resolution was a fake, and Smith actually forged Cox’s signature. Smith was charged and acquitted. His defense team contended that he and Enterprise were one and the same. On the forgery charge, it was proved that the bankers knew Smith had forged the entire document. Once again, Smith obtained the right people for the right job, illustrating his trademark extraordinary crisis management skills.

FedEx weathered the regulatory storms in November of 1977. Through continued lobbying efforts, President Jimmy Carter signed the PL-163 resolution, eliminating CAB control of domestic cargo flights. Not surprisingly, Smith’s planning group had been banking on this new freedom. By December 1977, FedEx bought its first Boeing 727-100, which has a capacity of 42,000 pounds. The deregulation led to strong profits and the need for a more efficient record system. The Computer Oriented Service Management Operating System was introduced in 1978 to handle a flood of business.

Success did not blind Smith. He saw the fax coming, and in 1984, FedEx began implementing its Zapmail electronic transmission service. It was an uncharacteristic failure. Its main problems were high initial prices: $35 for a poor quality 10-page document. The Challenger disaster in 1986 prevented FedEx from launching any satellites which might have corrected the problem. Smith hated giving up on Zapmail. He argued, “Most innovation doesn’t look like it makes much financial sense when you’re right in the middle of battle—it looks like you never should have done it. It’s only when it’s been done and it’s out there that everyone says, ‘Oh, but of course, that was easy.’ Then the money starts flowing in and you become a very big deal, and it all looks very logical.” The final nail in the coffin of Zapmail was the rapid advancement of office fax machines. FedEx was forced to discontinue the effort in 1987, costing the firm $350 million.

**BETTING THE WORLD ON IT**

There are critics out there who feel FedEx has even more dramatic problems that are only beginning to manifest themselves. The costly acquisition of Tiger Air, the failure of Zapmail and higher than anticipated losses in Europe have had devastating effects on FedEx’s bottom line in recent years. These factors, combined with the U.S. recession, have forced FedEx to sell off most of its operations in Europe. Tom Plaskett, president of the now bankrupt PanAm says, “FedEx badly miscalculated on its globalization. It tried to do too much by itself and took such a loss, they were forced to sell off in Europe in order to maintain their domestic dominance.”

The idea of the global hub and spoke system is too logical for a visionary like Smith to just give up on. It would seem that history is poised to repeat itself, yet Plaskett contends, “For FedEx to get back into the global market, it almost certainly would have to be in some sort of joint venture.” Smith asserts, “It is an inescapable fact that the U.S. economy is becoming more like the European and Asian economies, entirely tied to global trade.” It’s hard to believe that this guy doesn’t have at least one more ace up his sleeve.
Coming to Terms with America

As never before, this issue’s Inside Out selections ask the question that life in a multicultural society demands an answer to: How does each person define himself or herself in this incredible mix of people that makes up New York City? These articles do not address the tried and trite means to a perceived self-identity—the clothing, music, jewelry, hair styles—that often suggest clownish clones. Rather, they seek and sing of the determination in our emotions and hearts that lets us stand tall in the knowledge of our own self-worth. Sun talks about suffering chilling racial discrimination as a child in “Coming to America,” and a decision to defend his little sister from the same cruelty. Peter Caldwell wonders why Americans need so much to identify the origin of other Americans and then discovers the grip that his own origins have on him. Vanya Mason is angry that some blacks claim their self-identity by making divisive judgments based on physical characteristics rather than by uniting around shared skin color. There’s an article on breaking away from ethnic identity in order to find oneself, and another on the need we all seem to have to claim geographical territory as a means of maintaining a sense of self.

What rings clear from this year’s selections is that we struggle mightily in this city, probably in the entire country, so that each of us be given a fair chance to excel. The fight to free ourselves so we can be ourselves requires inexhaustible courage.

—Christopher Hallowell
My little sister Melissa sits on the porch. She's only nine but she is looking at a biology book that my father probably gave her. My parents always encouraged my sister and me to read. Now Melissa is reading about dinosaurs.

Melissa is the type of sister that everyone wishes they could have. When she was only a year old, she jumped up and down on the sofa every time I came home. At three, she was always willing to help out with chores. At five, she would sit at the kitchen table to read a book with Dad.

As Melissa tries to pronounce the unfamiliar Latin names for dinosaur species, the snickering of little voices becomes clearer. They turn to whispers, then giggles. Suddenly, a hand reaches out to grab Melissa's book. Demonic laughter ensues as the book is tossed from child to child. Melissa looks confused. She sees some of her friends in the group, friends who have told her that they will always be her "best friend." She does not understand why they are acting that way. She begs for the book. Danny responds by laughing all the louder. Then some of the "friends" begin chanting "Go home! Go home!"

The kids begin to kick the book. Melissa reaches down to grab it, tears blurring her vision. Someone knocks her to the floor. Someone else snarls "Her type of people are so dirty." Another child starts to spit on her. She gets up and runs to the door crying. She sees me inside; the only words that come out as she runs to me are "Why? Why?"

That's when I woke up, my heart pounding with horror, my muscles aching from the unventable rage. Many nights I woke up with my pillows soaked and my eyes dry. I didn't know why I kept dreaming the same dream. Sometimes in the dream there would be more boys than girls. Sometimes neighbors would be watching and doing nothing.

Fortunately, the dream was not about something that happened to Melissa, but about something that happened to me. I started dreaming the dream after...
Melissa came home one day from school and asked me what a “chink” was. Another child had stolen something from her. When she confronted him, he had punched her and called her that name. She told me that he had also said that “gooks always lie.”

I remembered the day my parents and I first came to America. My parents were young and naive. With only their courage, $200 and a very young son, they had left a comfortable life in Hong Kong that now seems worlds away. America must have seemed like a mountain of gold to them. My Mom always used to say, “My children will be raised in the land of the brave and the free.”

Their opinion of America must have changed when our house in Buffalo was robbed and the words “Go home” were painted on our door along with a caricature of Charlie Chan. In school, Danny, the same boy who had bothered Melissa in my dream, beat me up every other day. One day he and another boy, Sean, came over to my house. My parents were not there. They said they wanted to make peace but I would not open the door. They convinced me, though, and let them in. Danny started to throw my toys around the living room. Sean tipped over the couch. They pushed our television onto the floor. Then they went into my parents’ bedroom and threw clothing around. A picture fell and the glass shattered.

I snapped. I ran to the kitchen and grabbed my Mom’s meat cleaver. As I went for the boys, Danny told me that he would “burn the house down and send us back home where we belonged.” I began crying and threw the cleaver. Luckily I missed. They ran away.

When my parents returned, they never said anything about the mess that I was only partially able to clean up.

Then it clicked. The dreams I had been having were out of anxiety for little Melissa. I did not want the kids in her school to do to her what they had done to me. The next day I went to Melissa’s school to find the boy who had been bothering her.

I found her in a small crowd. She was crying and was bruised. It had happened again. As I tried to comfort her, I heard a thump behind me. I turned and there was the boy on the ground, bleeding. Menacing students surrounded him. They would not let him run away. They made him apologize to Melissa.

Afterwards, she told me what had happened. Word had gotten out that the boy had been bothering her because of her appearance. But this time, no one joined him. Other students got angry and decided to fight the racism. When I learned of this, I knew the spark of hope that had brought my parents here had been rekindled.

*Sum Way Sun*

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**INDEPENDENCE**

Why would you want another job. Don’t you like working here?

My parents asked in disbelief when I told them that I wanted to quit in their small Chinese take-out restaurant. No, I did not want to work here anymore. Overwhelming disappointment hung daily in my mind as I sat on the tall chair at the cash register, frustrated and unhappy that my parents had held me back.

Yes, I did love them. But the love I gave them stopped me from moving forward. Being born Chinese with an Americanized viewpoint was not easy. I was a “jook sing” with traditional Chinese parents. They expected me to be obedient, to dedicate myself to the family and to do well in academics.

For three years, I worked in their small restaurant every Friday and Saturday night from 11 p.m. to 1 a.m. Loyalty and obedience kept me there. But now, they had not only told me that they would not let me go upstate to college, but that I could not get another job. I was trapped in my parents’ restaurant, trapped within the constraints of my culture. No, I said to myself, I could not take it anymore.

A deep feeling of betrayal dug into my heart. The frustration and sacrifice I had put into working there amounted to nothing. I had truly believed that my reward would come in the end—that I would finally find independence from my parents.

When they said no to Syracuse, I settled for State University of New York at New Paltz, which is much closer to home. But even then, they told me they would never pay the tuition. I knew that without my parents’ financial help I would never be able to afford college away from home. Once again, they were trying to stop me.

“You want me to do well in school,” I told them. “Then you tell me I can’t go away for college when you know I can’t stand being home and I can’t study here. And now, when I want a real job, you don’t want me to get one!” My heart was pounding to get out of the stifling wall of Chinese tradition, so I screamed at them.

“You don’t know what the world is like out there. You’re just too naive,” they replied in a parental, know-everything tone.

“Well! Then how am I ever going to find out if I don’t go out there and learn for myself,” I retorted.

They must have realized the final determination in my voice. It went beyond just getting a job; it was a sign of rebellion against their walls.

“Well, if you want a job, then go look for one, but if you can’t find one you know you have a job here.”

It was strange to finally win a battle with my parents. Even if it was just half a battle. I did not expect them to let me leave home. Nor did I expect them to give me the same rights my brothers had. Daughters are expected to stay home until they marry. But they had given me some freedom at last!

*MAY 1993*

*May Yee Chan*
A FAMILY AFFAIR

There seems to be no end to Manny’s trouble. We have to just accept it. He’s the only son, and the youngest of three, and because of the bullet still lodged in his neck, he’s destined never to walk again.

They say that tragedies bring family members close together. In our case it has split us further apart. Now that Manny is living at home, the static is very apparent. I stay behind the scenes. Mother continues her nurturing role. But she surprises me when she stumps her foot in irritation whenever Manny calls, “Ma! Can you come here a second?”

Dad goes off to Brooklyn to his sister’s house to wait out his agony. He cries while listening to his old time favorites, thinking about his great lustful past, about Manny, about how things have changed, about the future but most of all how we treat him now.

Mom used to devote her life to Dad as the ever serving slave wife. Now her attention is focused on Manny, who really needs it.

My sister, on the other hand, dropped out of school for four months following Manny’s accident so she could help out in the family. Her action allowed me to stay in school.

But, now she’s basking in the sun in the Dominican Republic. She calls on occasion when she remembers we exist, saying, “Manny sounds so depressed. Is he okay?”

What I love the most, though, is the way the whole family has now delegated the job of “taking care of Manny” to Edelis, the mother of Manny’s children, without even asking her if she minded.

Boy, if it weren’t for her, this family would be in a rut. Who would be here 24 hours a day with him? Someone would have had to quit school or work. Let’s just hope that Manny doesn’t throw her out again.

A typical night at home: Mom and Dad watch TV in their room; I have locked myself in my room to do whatever; Manny, Edelis, Julian and Clinton are in the living room watching TV. Delegated posts, I call these nightly stations.

I feel sometimes as though I have the worst family in this world because we have cheated each other out of being together. There was a time when things looked good. We seemed to have the family bit under control but problems just started pulling us apart. I sometimes envy friends who have a close relationship with their parents and are very happy with each other.

Every family carries its own idiosyncrasies. Sometimes I’m even excited to get home so that I can play with the children and spend some time with Manny sharing comics. And even if it’s not often, I invite him to go out with me just so I can see him smile without effort.

If we go to the pet store, he has to wait outside because the place is too small for his wheelchair. I just hate that he’s cooped up all day in that stuffy apartment always lying down, always watching TV, always playing with his new collection of Sega Genesis cartridges. I’m not embarrassed by his disability but I think he is, which is why I encourage our few escapades.

The other day he asked: “If you were in my position, would you do anything to walk...”
NOT MY COUNTRY

No. There is no place like my country. She said it with a slight tone of animosity. Nonna, as I call her, sat in her armchair in her sparsely furnished living room. She was remembering her childhood in Calabria, Italy. I sat on the floor by her chair, waiting to hear about her life and her journey to America.

It is difficult for her to explain clearly what went through her mind back then. Her English no longer flows as easily as it used to now that she is 86 years old. I try my best to decipher her words; at other times I do not need to hear her speak in order to understand what she needs to convey.

I can see that her life was not easy for her. The deep wrinkles in her face and the heaviness of her brow show years of hard work and worry. She is a tiny woman but possesses enormous strength. Anyone who knows my grandmother understands that frailty is not a word used to describe her.

“I came with two young children to this country, on my own,” she told me. “Where was Nonno?” I asked.

“He was already here. He came to find work and a home. I was scared and alone.”

I was not able to understand why my grandfather came before she did. I had always imagined them facing this unknown as a family but that is not how her life was meant to be. There would be many things that my grandmother had to face on her own.

Nonna was not eager to leave her family and her country but she was not asked her opinion or if she was ready for a change. She had fears about starting in a strange land with strange people, customs and a foreign language that she did not speak. Back in those times it was what the men wanted that determined the coarse of a woman’s life. She followed his lead and made the best out of each situation.

In the past I had tried to find out what it was like for her then but she would not volunteer the information. Now I was getting the opportunity to listen to what she wanted to share. I was ready to listen intently because I knew this time would not come again. “I was alone most of the time with my babies. My husband was already settled here. He did not have time to help me. He worked long hours because we were poor,” my grandmother said with tears in her eyes.

My grandparents settled in the South Bronx, near Arthur Avenue. It was an Italian neighborhood of hard working people who did not have much more than my grandmother. I would have thought that being around people in a similar situation would make the transition easier for her, but the familiar culture did not fill her longing for her country or her family back home.

Soon her two children expanded into a family of nine. As the family grew the money had to be stretched more and more. The pressure on my grandmother intensified as she had to raise her children on her own. My grandfather was busy working two jobs to bring money home and put food on the table. He would take whatever job he could to make ends meet. He was too tired to assist with nine young ones around the house so he let his mind and thoughts drift elsewhere.

With all that my grandmother dealt with, she never complained. Her large brown eyes always seem to smile, hiding away the times of her past. She had an obligation to her husband and her children no matter what the circumstances. She pushed on even though she may not have been happy. She endured for her children so they would someday have a better life.

“Nonna, aren’t you glad you came to this country?” I asked her. I figured she would respond in a positive way.

I was taken aback by her lack of eagerness to answer the question. She spent more than 50 years of her life in this country so naturally assumed she would have developed some positive ties to this nation.

The reality of her feelings soon became clear to me. My grandmother left her country not ready to experience new places or people. She had to follow her husband. She resented that and took it out on the place where she had to be. This country gave her children a better life and they in turn gave her a better life. She may always blame this country for her hardships but she knows deep down that this land gave opportunities not possible anywhere else.

Adele Bruno

IN DUBIOUS TRAINING

Take a walk on the wild side. Go up Broadway to the Upper West Side of Manhattan or to Washington Heights. Turn right or left onto streets above 150th. What you see is an American nightmare come true— tough teenagers standing in groups, displaying gold rings on their fingers, telephone pager and vials of crack.

“My role models were people who made a lot of money,” says Randolph Deloach, 17, of the Bronx. “They drove nice cars and wore expensive gold chains. I could see that drug dealing was the quickest way of making money.” Randolph
started selling marijuana and cocaine at 14, and now specializes in crack. His freckled nose and innocent black eyes belie his prodigious street smarts.

Not all these youngsters go into dealing for selfish reasons. Some do so to help their struggling families. The parents look the other way while their children are heading into trouble. “We didn't have any food or money. Why should I watch my mother suffer? I had to be the breadwinner because it was the only manhood thing to do,” says Randolph.

Mike Owens, 20, of Brooklyn, started out as a “look-out,” the entry level position for nine and ten-year-olds. He was promoted to “runner,” transporting drugs to dealers on the street. “I outsold all other dealers in my neighborhood by offering free samples and running Sunday two-for-one sales on crack,” said Mike.

I first met Mike at the Brooklyn Deliverance Church. His mother had brought him in, hoping that “the Lord’s word” could deliver her son from drug running. She thinks it must have worked because today, in addition to being in a rigorous two-year rehabilitation program, Mike tries to convince his ex-drug associates to turn to religion.

Byron Harrington, 18, grew up in Rosedale, Queens, and was an honor student in the 10th grade. By the 11th grade, he had become a crack addict and eventually failed all his classes. He got a job as a look-out. “It was scary all the time,” Byron recalls. “I would sit in the van needing a hit, but couldn't stop looking out the window for the police or a shadow.”

The situation came to an end when a menacing dealer forced his way into Byron’s mother’s home and demanded that she pay him $200 that he claimed her son owed him. Byron later got busted by the police and was ordered by the court to enter a rehabilitation program. Around this time, one of his close friends died from an overdose. The shock brought Byron to his senses. After four months, he emerged shaken but sober. He has dropped all his crack-smoking friends but still worries about temptation. “Crack is still all around me,” he says.

Afraid that Byron’s younger brother would get involved in the drug scene, Byron’s father joined a group of parents determined to get to the bottom of the crack problem at the local high school.

“One of the other fathers hauled out the school’s yearbook and demanded that the kids show us who was doing the drugs,” says Byron’s father. “They told us that it would be much easier to show who wasn’t.”

As a volunteer at the Flatbush Boy’s and Girl’s Club in Brooklyn, I have been able to learn a lot from and about the youths who attend the club. What is really frightening is that many who are selling drugs are articulate and bright. They understand how to work the system. They can keep track of money and they know how to run a business. It's almost as if they have developed their own kind of corporate mentality. In a better environment, these kids could really contribute.

Many children have grown up in fatherless homes, watching their mothers labor at low-paying jobs or struggling to stretch a welfare check. With the alarmingly high unemployment rate for black teen-agers, little work is available to unskilled, poorly educated youths. The few jobs that are open—flipping hamburgers and packing groceries pay only “chump change” in the street vernacular. That youngsters turn to the most lucrative option they can find is frighteningly understandable. It
makes criminals and victims not only of them, but of society as well for standing by and permitting this talented youth to waste away.

Ann Marie Gill

ANTHONY’S CASE

happee?” Anthony would ask while he watched my face for the answer. If he thought I was happy, he would end his question with a high-pitched squeal. But if something in my expression told him I was sad, the e was shrill. I would scoop up his little frame into a tight ball against my chest and lap and rock him with, “Ohyes, Grammy’s happy because her special baby boy is here.”

He’s like a little lost ship sounding the depths with every step. He’s lived many places and has endured a world of changes. Until recently, the fragile constant throughout his life was his Mama, my daughter. Lately, she’s been disappearing and reappearing. To him she must seem like the Cheshire Cat. Her lingering smile may be his most tangible memory of her.

His seven-year-old sister, Tina, and I are part of his nightmare, too, but we don’t want it that way. Mama and Anthony came home to us after he was born two-and-a-half years ago. While Mama was pregnant with him, she lived on park benches and in the tunnels of Grand Central Station. The blistery New Year’s Eve that she went into labor, she groaned in the warmth of a cash machine cubicle on Fifth Avenue.

Her friends had dwindled to a solitary protector, a fellow crack addict who called an ambulance. In the last months he had carted their belongings, saw to it that she ate and guarded her sleep. They helped each other stay off crack, and they dreamed of playing house when the baby was born.

But Mama thought the hospital might take the baby away from her, so she called me. It was a hard call to make. Five years earlier she had given me her baby girl, Tina, to care for while she got herself straight. It didn’t turn out that way, and she half-despaired of ever mothering her again.

But this time, when Mama came home with Anthony, the celebration welcomed the past. Neighbors and friends bustled in and out bringing clothes, toys and even a bassinet.

Though she went through all the proper motions, Mama was struggling on another level we neither could or wouldn’t see. Conflicting with our ‘normalcy’ was the overwhelming chagrin Mama felt about her past, the ache she experienced when she saw how completely I had become Tina’s mommy, and the guilty longing for the friend she had left out in the cold. It became too much for her. She left without warning, leaving Anthony behind.

Three days later she came back vowing never to leave Anthony again. While she was out there, she and her friend had rekindled the fantasy of family, so it wasn’t many weeks before she left again to join the friend with Anthony.

This began Anthony’s odyssey from shelter to shelter, interspersed with homecomings of two or three month duration whenever her friend became abusive. Anthony began to recognize us as pegs in his erratic life. He’d come back to us fretful with irregular sleep patterns, biting and hitting, always with a cold.

As time passed, he became articulate. He’d cry and reach for us over Mama’s back whenever she’d take him out the door. For our part, we’d be left stunned.

A year ago, Mama’s friend exploded. He swung a shopping bag weighted with a bike chain and lock at Mama, but the lock flew out and hit Anthony in the head. He had to have stitches, and now the friend is writing apologetic letters from jail.

Mama and Anthony began staying with an older woman near Washington Square Park who deals pot and mush-

rooms to professionals and graduate students who gather in her tiny two-room apartment.

As spring turned to summer, Mama fled the cluttered apartment to Washington Square Park where she and a mix of dealers, users and homeless co-opted the bocci courts. Late at night Mama and Anthony would return to the apartment and Anthony would be passed from person to person like a wind-up toy.

Mama started to lose weight rapidly. Her expression darkened. One day she brought Anthony to us saying, “I won’t take him to a shelter or a crack house - you take him.”

A month later she rejoined the pot woman. Twice they came together and took him back. The last time they took him from his bed, and Tina threw her arms around Mama’s knees and sobbed, “Please, ple-e-ease don’t take him.” The sound rang out like the e in Anthony’s “Happee?” I called the police. The officers stood there with tears in their eyes. There was nothing they could do.

The next morning Tina and I went to Family Court to sue for custody of Anthony. Now, we can’t find Mama in order to serve her the court papers. She’s gone and left Anthony with the pot woman. The Bureau of Child Welfare says I can’t prove a case of abandonment because Anthony has been left with an adult. Tina and I will continue to fight. We want Anthony with his family, and we don’t think its greedy to want Mama restored, too.

Lani Miller

WHO’S TO JUDGE

On a particularly slow afternoon on the job, a co-worker, Zina, and I were passing the time talking about race relations. The topic made me remember another co-worker, Vanessa,
from a former department. The collection both angered and saddened me.

"Zina," I said, "just get so outraged when I hear Vanessa describe someone like, 'You know, she has Negro hair like yours.' I mean, I realize people of the same culture generally tend to stick together, but Vanessa has made comments on several occasions that makes it clear that she feels she is better than me."

"Well, don't you realize how many people think like that?" Zina responded.

"Some things you come to tolerate or at least get used to. The inequity between black and white, the unfairness between the poor, middle and upper classes, but to think, this is a person black like me, who because she is a Trinidad Indian, looks down her nose at people with a darker complexion," I answered morosely.

Why can't black people stick together? Why can't Vanessa with her brown skin, high cheek bones and straight black hair look at me as her sister without pointing out our differences?

Somewhere, way back, aren't we all descendents from the same place?

The dismal reality is that Vanessa and those who think like her, do not fathom that virtually anyone of European descent sees someone of a dark complexion as African-American or simply black. Do they stop to check the differences among Africans, Jamaicans or Southerners? When I see someone who is white, I don't immediately stop to wonder if he or she is Polish, Italian or Irish.

This is not to say that Vanessa is a bad person. Habit dictates, after all, that we tend toward our own kind, but statements like, "I'm glad my nose is straight and narrow," subtract from a person's character when seen in its true context. How, you say, do I know that she is not simply appreciative of having an "attractive" nose?

While looking through an issue of *Ebony* magazine, Vanessa and I came across an article about Miss America. The title holder at the time was a woman of Haitian descent. She had typical features, medium brown skin, full lips and a broad nose. "Why in the world would
they pick someone who looked like that to be Miss America? Couldn’t they find someone more attractive?” Vanessa asked. “Look at those big lips and that ugly nose.” “What you’re saying then, is that if they had picked someone who is black, she should have looked more like Vanessa Williams?” “Well, yeah, at least Vanessa Williams is pretty,” she responded, without a bit of modesty.

Who is it that judges the standard of beauty? And why should one of an olive brown skin and features be so judgemental? You know, my friend, not thought this way, she’d be one of the most beautiful people I know. Because she does think this way, she’s a lot less than a ten.

Vanya Mason

ONE MORE HELPLESS CHILD

Every time my Mom beats me, I pray that someone will help me,” Laura tells her grandmother.

Laura, 10, is the oldest of two children. She was born on Long Island to parents who are both college graduates and held management positions at a bank. When she was eight, her parents, Brian and Trish, moved to Dallas partly in the belief that it would be a healthier place to raise children than New York.

When Laura was six months old, I was honored by the invitation to be her godmother. I watched her blossom into a beautiful rose, caught between two thorns—her parents. “What a beautiful, happy baby!” everyone said when she was two. Trish tried to get her into modeling. At three, Laura was agile and outgoing. People used to say, “She is so smart!” But her Mom had her tested and learned she was intelligent.

When Laura turned four, Trish faked her age to get her into a higher school grade. Laura crammed and memorized and passed the entrance exam. “Laura is going to be a doctor!” said Trish. “Did you do your homework, Laura?” Let me see, ” said her Mom during one of my visits to the family. “Only a 96 in spelling? Did I not tell you to pronounce words phonetically so you can spell correctly?” continued Trish, as she pinched Laura and pulled her hair. “If you don’t do better I shall cut off your hair,” she added.

“I’ll do better Mom. Please don’t cut my hair,” cried Laura, as she looked to her father pleadingly.

“No darling, I wouldn’t let her do that,” said her father, reassuringly.

“I don’t want you intervening when I’m teaching her,” Trish snapped at her husband. “Did you do the dishes? Get the children ready for bed,” she ordered him. Brian succumbs—it’s the easy way out.

When Laura attended a Catholic school on Long Island, her teachers called every week to complain of Laura’s daydreaming in class. “We know Laura is brilliant. However, recently she has been stealing other children’s homework and writing her name on it,” claimed one teacher. Trish confronted her daughter with the teacher’s accusation. “Do you daydream in class and steal homework?” she asked, as she grabbed her hair and slapped her head.

When Laura’s grandmother learned of the family’s intention to move to Dallas, she was scared for Laura. Brian had no relatives there to look out for her. Trish had only an older sister. For the first six months, everyone seemed happy. The children liked their school and the warm climate. Trish got a job with an airline; Brian, with an insurance company, but their happiness was shortlived.

Now Laura hides her homework from her mother. She fears more abuse for not getting it all correct. The pinches have gradually turned to punches. Laura began to develop stomach aches, and vomits every morning. She has lost her appetite, but is forced to finish her meals.

One Saturday, when Laura thought that she was all alone in her misery, the phone rang. “Grandma! You’re coming to see us, when? Next Friday? I can’t wait!” exclaimed Laura happily. That Friday night Laura slept with her grandmother. It was a night her grandmother will always remember. Laura swore her to secrecy.

“Why does no one like me?” My Mom tells me so. She beats me everyday. I don’t know why. She tells me I’m fat and ugly, and to jump from the window and kill myself. I don’t want to die, Grandma,” the girl declared. Laura claims her father is afraid of her mother. Sometimes her mother scratches her father on his face and arms so he bleeds. “When my mom is angry with me or my Dad, we’re not allowed to speak with each other. I wish you would stay, Grandma. I feel safe with you,” says Laura. Her grandmother told her that her father’s sister, Barbara, and her two children would be visiting in Dallas for a while. “Your aunt will look after you,” she promised.

Barbara witnessed Laura’s torment. She is beaten every night for not doing homework properly or not cleaning her room. Most of the time no one can touch her bruised body. Trish has begun drinking every night. Sometimes she mixes drinks and takes Tylenol with codeine.

Recently she punched Laura in the jaw. The force knocked the girl to the floor. The episode finally prompted Brian to act. He carried her to the car. As he pulled out of the driveway, Trish tried to open the door, yelling, “I’ll kill her.” Two days later when they returned, Trish accused the father in Laura’s presence of taking her away to sexually abuse her. She described in detail what she meant.

The downward spiral continues. Though Brian is now seeking psychological help for Laura and himself, Trish’s abusiveness seems to be increasing. Laura is not alone. Just open any newspaper or listen to the news.

Arlene Rampal 43
RAISING RACIAL PRIDE

The family was watching television when a commercial advertising tours to Italy came on.

“Black people can’t go there,” my son, Mario, then seven, commented halfway through the scenic shots of Rome and Venice. He said it as a statement of fact, devoid of emotion. My wife, Kathleen, and I looked at each other. “Who told you that?” I asked.

“Nobody,” he quietly replied.

At this age Mario already understood the concept of race. We had tried hard to foster a positive racial identity, but up to then there had been no overt discussions about race relations because we had not felt that he could handle complicated explanations. He always played well with children of different races.

“Anybody who can afford the price can go on a tour,” I said to Mario. “Some people may not like you because of your color. But people who think like that are foolish. Besides, that’s their problem, not yours.” I hoped that this was the right response.

Every black person in America knows that racism exists and that subtle segregation and inadequate educational opportunities imply inferior ability. The resulting exclusion from important decision-making and social roles create a morass of insecurity and feelings of inadequacy. Yet, that racism exists does not mean that there is a need to go looking for it. Labeling every injustice or unfair situation as racism can make minority children feel that they are drowning in an ocean of bad feelings and have no allies to rescue them. It can make them want to become only other minority children. And this is not a happy solution. Friction within black groups suggests that finding peace of mind in this manner is just an illusion.

Two years have now passed since the day my son informed us that blacks can not go to Italy. Now our conversations about race relations and black issues are more out in the open. He asks questions; I try to give honest responses, stressing that although white society created many of the problems confronting blacks, it is mainly blacks themselves who must come up with the solutions. Taking it out on “the man” is not a solution. Those who decide to take this easier road are the ones who take a toll on the black community.

Enrique Newhall

ARE YOU IRISH?

Are you Irish?

The question was posed to me by an elderly diner at the Rainbow Room. I was standing at his table waiting to take his order. Shrunk with age, he still had a rosy complexion and a full head of fine, white hair. His wife, whose hair was piled up in neat blue-grey swirls was seated to his right next to the window.

I hesitated; I had moved to New York expecting new sights and experiences, but I had never foreseen someone asking if I was Irish. “I’m American,” I finally answered.

“Yes, but where are you from?” she asked. Because of the oil bust, I was part of the reverse migration from Houston to New York during the ’80s. In Houston, one of my friends had been from Detroit. She had moved there during the height of the oil boom in the seventies. Texas wholeheartedly became her home.

Murphy wore boots, acquired an accent, learned to two-step. She liked driving west, past the city limit to towns kept on the map by virtue of having a post office. She would pull into roadside ice houses where old metal troughs filled with beers were packed down with ice. We would sit on a table drinking our longnecks, watching the sunset. She would chat with the locals. She fit in. I would feel ill at ease.

“I’m Texan,” I said. “Then where is your family from?” they asked, confounded. My family had migrated from Louisiana to the southeast corner of Texas soon after the turn of the century. They settled on the fringe of marshlands that extend across the border, along the Gulf coast, from New Orleans. Pap-pa brought them to Texas after several poor rice harvests. He took work in the oil fields, for Texaco.

I have several old books of his, fragile and decayed, returning to dust. Some are on accountancy, one an atlas. None are in the language he grew up speaking—Cajun, an American dialect of French. Gone must be the text from which he learned to read and write English. Mama, by necessity, learned English when they came to Texas, and mother when she entered public school. My great aunt Lucille in Crowley, Louisiana never had to learn English. When visiting her, Mama would labor to translate my questions, until grew I tired of the process. At home, conversations between my mother and grandparents were in English, except when it was not for my ears. Mother recently has begun to forget her native tongue. I do not know Cajun.

“They were from Louisiana,” I told them, knowing this would not satisfy them either. “But what are you?” he asked, finally getting to the point. His rosy complexion was now flush.

Mama and Papa, up until they died in the mid-70s, held huge family gatherings. The week would be consumed in
preparation, and the house would fill with the mingling smells of roux and home baked bread. Underneath huge pecan trees planted long before I was born, tables and chairs would be scattered across the pasture. Rare was the family member who could not make it.

Late in the evening, when everyone had left, I would settle down and again assemble the family. I would gaze at a family tree, spread across the wall-to-wall carpet, of Papa’s lineage. My first cousins would all be there, preceded by my aunts and uncle. The namesake of the family, Pierre Vincent, headed the page. Nine generations ago, he came from France to Louisiana. The United States did not exist. Little changed from that time up to my parent’s generation. At that point first names commonly use, like Cleoma or Cleodis, fell from use and became Helen or Hazel. Offshoot branches from the tree gained last names of Chester or Eversole, instead of Trahan or Hebert. History was lost between my grandparents’ generation and mine, and the gulf became too wide, the loss too great ever to regain.

“If you go way back, I am French.”

A knowing look of contentment settled on their brows. This seemed to answer more than they had asked. “Of course you are French,” she said, “The high cheekbones, the brown eyes and hair. Yes, of course.” They settled down to place their order.

Peter Caldwell

Oxygen! Man, roll that tank over. We got an M.I.! Gimme the mask!” My father was lying on the floor, gasping like a gaffed fish. “Please, God, let him live,” I said. His body started to jump. The EMS attendant banged on his chest, gave him CPR. “Get him on the gurney, hurry, or we’ll lose him. I gripped his hand, still warm, willing him to live. In the emergency room, triage took one look, and wheeled him in.

I stayed outside while he fought for his life. As long as they were in there working on him, injecting the epinephrine into his heart, I knew he had a chance. He was still alive.

Twenty minutes later, the hospital resident walked towards me, slowly pulled off his cap, took my hand and told me my father was dead. The tears came. All the adrenaline drained out of me, leaving my legs shaking like Jello. I called my sister and gave her the news. She came over to the hospital to take me home.

Trying to fall asleep that night, I was a prisoner of my memories. Just last month we had passed a car showroom. My father pointed out the Plymouth he wanted. Now it was too late. Too late — the watchwords which turned the wheels of his life. He knew exactly what he wanted, right down to the paint on the trim, the cloth of the seats, even the buttons on his shirt, but he’d never follow through with his plans.

His hopes, dreams and ideas always failed to materialize. He never seemed to get beyond wistful dreaming about some far away future gleaming with shiny cars, sleek boats, and a big business, while his daily life consisted of a conventional job with boring weekends broken by an occasional fishing trip.

MAY 1993
The first thing I remember he wanted was a boat. Not a little motorboat, but a twenty-footer. Problem was, my mother didn’t want him to waste money on frivolous things. “Sol, what do you need with a boat? Where are we going to keep it?” she asked. “Get on a fishing boat in Sheephead Bay. Once you’re on the water, it’ll be just like having your own.” But a boat with 20 unshaven men in crumpled hats and baiting hooks with smelly chum wasn’t at all like owning your own, and every time we passed the ChrisCraft showroom, his eyes grew hungry for those big boats.

He never did buy that boat. Maybe he was too afraid to make big decisions. Or maybe he just put them off, thinking he had plenty of time, not knowing he would die when he was 51. Whatever the reason, one decision he’d fail to make cost him his life. He owned a small grocery store in a changing neighborhood. The smoked fish and herring he sold to his Jewish clientele didn’t appeal to the West Indian families moving in. Instead of stocking foods like baccala and plantain, he continued to cater to the dwindling Jewish population.

He nurtured a fantasy for 15 years—to enlarge his store into a full-sized supermarket. “See those track lights? I’m gonna put them in when I expand the store.” He cupped his hands around his face, blocking the glare from the glass of the fixture store. “I’ll have ten aisles. Stand up freezers with glass doors. Energy efficient.” He’d sketch it out on a rough floor plan. As his imaginary store got bigger, the number of customers coming into his real store got smaller. Five years later, a fire forced him to sell. He got a series of temporary jobs, but it was never the same.

His death changed my life. At 27, I wasn’t going to wait around for things to happen. I wasn’t going to dream my life away anymore. I’ve ridden an elephant in India, and climbed the Great Wall in China. I got a degree in administration and tried a different job. I don’t want to wake up one morning to find that all the exciting things in life have passed me by, that on the balance sheet, I’ve collected more regrets than triumphs. Humans are happiest when they fulfill their dreams.

Minette Greenberg

**DOG TERRITORY**

In the inner city, territories are everything. Yet restless boys on the edge of adolescence will often dare to cross boundaries and experience the unknown. Dogs do, too. When there wasn’t much for a couple of 12-year-olds to do in the projects, my friend, Arnold, and I would go to dog territory, a grimy industrial part of Brooklyn occupied by abandoned as well as working factories and filled with rubbish-filled vacant lots. We called it dog territory because the owners of the factories kept junk-yard dogs there behind the fences to scare off vandals and trespassers.

Every time we went to dog territory, about a mile from the projects, we traveled dangerously. We always had to figure out the safest way to get there. We lived in an ethnically diverse neighborhood; if we crossed the wrong street or cut through the wrong park into the wrong neighborhood, we could end up in the fight or flight of our lives. Once we got near the factories, we never quite knew when a snarling dog was going to spring out of the long grass and attack us.

One humid summer morning Arnold and I were in dog territory throwing rocks at old barrels. We saw a German Shepherd puppy on the other side of a fence. Arnold reached underneath and petted it. I did not understand at first what he was planning. Suddenly, he grabbed it and went flying by me with it in his arms. Stealing was the farthest thing from my mind. Besides, my father was reason enough for me to stay out of trouble. But I began to run, even though I didn’t see anyone chasing us. I slowed to a walk after a few blocks. Arnold was nowhere to be seen.

“Hey you, I’m gonna get you, too!” a man shouted angrily as his car raced by. He clearly had Arnold in his sights. I looked over at the car in total disbelief. It seemed to be going by in slow motion. Snapping out of my momentary trance, I turned and fled straight for the projects. I knew that no outsider would dare enter the projects, my territory. Later on that day I saw Arnold. “Why did you take the puppy, man?” I asked.

“The puppy came up to me and he started licking my fingers. So I took him,” he innocently replied. “Then, I had to drop him to make it back to the projects.”

One day, while we were in dog territory catching grasshoppers to feed to some praying mantises, a junk yard dog started following us. He was a mutt with large brown spots. He was big and his ears were down. He looked like he was going to attack us. He was only hungry, though, and probably thought we would feed him. We petted him. He was our dog now. We named him Brownie and he trotted beside us. Wherever we went became his territory.

Whenever we came across another dog, Brownie would snarl and chase until it crouched in submission. That dog then joined us. Soon about 15 dogs were escorting us through the abandoned cars and rusting baby carriages. When we left dog territory, the dogs came with us. They offered us protection. When people saw us coming, they got out of our way or fled into their homes. At the Trunz Meat Factory, a processing and distribution warehouse, we kicked over some barrels full of meat scraps. The dogs foamed at the mouth, growled and fought over pieces of fat. Terrified, we jumped on the nearest fence and climbed over it to safety. Standing on the other side we...
for a while. The dogs ate their fill and headed back to dog territory. We headed back to the projects.

Roderick Wildgoose

I'LL NEVER GO BACK TO BROOKLYN

After the road, after the Greyhound routes through the 4 a.m. Colorado towns, after the blazing afternoon bicycle runs through the New Mexican desert and the glazed wanderings through antiseptic airports, I came back to Brooklyn, my broken city by the sea.

All winter long Barbara and I had looked forward to our annual trek out to Coney Island. We would ride in the first car of the Cyclone, the creaking wooden roller-coaster, something we had never done. So on our first weekend back from the West, we took the D-train out to the end of the line, to where land and water meet. For a Labor Day weekend, Coney Island was unusually empty.

For me, going to Coney Island is always a bitter-sweet affair. My mind cannot help but splice in freeze-frames from old home movies. Some of the rides I took as a kid are still there. Most are not. Steeplechase, the great house of laughter and amusement, where, in the dimmest of all possible memories, I remember riding with my father on one of the steel horses that raced around the building, is long gone. And earlier last year, Stauche’s Baths, the last of the old Coney Island bath houses, with its terracotta reliefs of Neptune, seahorses and shells, was demolished.

Barb and I turned off the midway onto one of the side streets, heading towards an archery range, one of my favorite secret haunts. Gone—another victim of time. Where the limp balloons and out-of-date Khomeni targets used to be, there now stood a drowsy pony, waiting to give someone a ride.

But it was a brilliant late summer afternoon with a sharp wind cutting off the boardwalk and the scent of the sea lolling up from the surf. We walked up the long pier lined with fishermen, where middle-aged ladies sold roasted pork delicacies and turkey cooked over shopping cart stoves. Sea gulls hovered just above our grasp, their fat gray bodies seeming to defy gravity. The man next to me reeled in a palm-sized silverfish. His line caught in a tangle of nylon from three other poles left unattended, and as the fish dangled above the water, the lines made a web of red, green and yellow angles. With our six hands in a weird cats-cradle, Barb and I helped the man separate the lines, no easy feat considering the impossible snarl of knots and twists they had become.

Later we rode the Cyclone three times, screaming our fool heads off and laughing hysterically. Then, before buying chocolate jells from the old taffy stand near the subway, we strolled along the broken pavement past the overgrown lots thick with weeds and memories, silently wishing we could travel back to the days of Luna Park and Dreamland. I'll never go back to Brooklyn. Not until next year.

Richard Younger
THE CALL OF THE FUTURE

With a national data "superhighway" on the horizon, America's telecommunications industry is poised to take off

by Rafael A. Olmeda
Illustration by Bill Tomaras

Brace yourself. A communications revolution is practically upon us, and toys you only saw in sci-fi movies are about to make an appearance in your briefcase. Vice President Al Gore vows that during his regime a national digital infrastructure will open the doors to a host of new, information-based industries that will bring more data to more people in more ways than ever before. Gore's active role has already energized the lively debate over whether the new telecom infras-
structure should be a private or public sector enterprise. Chief among the proponents of privatization is AT&T Chairman Robert Allen, along with the heads of other phone systems, while the major computer makers are lining up on the government's side in the hope that the demand for equipment will land them fat contracts.

For the average American, the advantages of the fiber-optic network will be staggering. A converter for high-definition television sets will open up over 500 channels, unless you decide to watch any movie you want, any time you want, through interactive video systems. Medical records, including X-rays, will be transmitted to any hospital or clinic in the country instantly, saving critical time that could easily mean the difference between life and death. Personal hand-held communicators that allow you to transmit electronic mail from anywhere will make today's cellular phones look like tin cans tied together.

All of this depends on the construction of a nationwide fiber-optic superhighway that many project will be built in the United States before the end of the next decade. It will be capable of moving information—including words, music, movie, medical images, blueprints and more—at speeds that are thousands of times faster than today's digital systems like Internet or the numerous private networks.

George Gilder, author of Life after Television and Microcosm: The Quantum Revolution in Economics and Technology, a senior fellow of the Hudson Institute, is one of the prophets of this new gospel of informational technology. While praising the opportunities the network will make available, Gilder warns of what would happen if the U.S. government and industry don't heed the word. "At stake are U.S. computer and telecommunications markets that might otherwise be lost to Japan if obsolete regulations cripple U.S. companies in the face of enormous opportunities of the next several years," he wrote in the March 1991 Harvard Business Review. Another pioneer is Lawrence H. Landweber of the University of Wisconsin, who developed an early version of the superhighway. Landweber asserts that the infrastructure can be built only by a peaceful joint venture between public and private agencies. "The complexity of the task is so great that it is absolutely essential that government and industry work together," Landweber warns.

FIBER-OPTICS BEATS RED TAPE

Fiber-optic technology is already used by some long-distance telephone carriers, but Gilder says federal regulations hinder businesses from realizing its full potential. The regulations, aimed at preventing monopolies and credited with breaking up AT&T in the '80s, are sure to be modified by the Clinton administration, which has made construction of the fiber-optic superhighway the cornerstone of its long-term plan to invest in the nation's infrastructure. At President Clinton's pre-inaugural economic summit in December, Gore argued
that the responsibility for building the mammoth network should fall on the shoulders of the federal government as the only way of ensuring that the expected wave of benefits is accessible to all Americans. But Gore met with stiff opposition from AT&T Chairman Robert Allen. "I think the government should not build or operate such networks," Allen said at the nationally televised conference. "The private sector can be, and will be given incentives to build the networks." Allen was supported by Mitchell Kapor, co-founder of the Electronic Frontier Foundation, a Washington-based lobbying group that is pushing for the establishment of the Integrated Services Digital Network by phone companies. "The government should declare victory and get out," Kapor told The New York Times in January.

**PLANS ON HOLD**

Almost the only barrier to paving the last fiber-optic mile to the home is money. Even the most conservative estimate of the cost of the operational network—$200 billion, according to Gilder—seems high in light of the budget problems inherited by Clinton. But government can only blame itself for the high price tag. As Gilder points out, "In fact, the only thing that makes fiber costly is the present regulatory environment, which prevents U.S. phone companies from laying fiber to homes."

While the two sides continue to square off over private or public control, the pressure of global competition builds. Gilder warns that Japan plans to have fiber-optic systems installed in every home by early in the next decade, and its Ministry of International Trade has projected that it will generate one third of Japan's Gross National Product by the year 2020. If American industry is going to remain competitive in the expected flood of available products and services, it's going to have to come up with a compromise in the battle over private or public financing.

John Sculley, CEO of Apple Computer, is one of the voices of compromise. At a House Subcommittee hearing on the subject in January, Sculley called for the creation of a team made up of government and business leaders, headed by Gore, to devise ways to make the superhighway a reality. Gore wants the government to finance the construction of the superhighway and then pull out, allowing private business to operate it. A similar plan helped launch Internet, the largest data network in the world, which has its roots in a 1969 plan to link universities, research laboratories and military bases. Two years ago Congress passed the High Performance Computing Act, sponsored by Gore, to help upgrade Internet from a capacity of 45 million bits to 3 billion, capable of processing volumes of information per second.

**GOING FOR IT**

Privateer Kapor believes the best way to go forward with the project is through an intermediary step, using existing cop- per phone lines, called Integrated Services Digital Network, which he says could be upgraded when necessary. For those like Gore, Sculley and Gilder, who believe a fiber-optic network would make existing copper lines obsolete, ISDN is a practical interim solution at best. As Sculley told New York Newsday in January, "it would be a mistake" to settle for ISDN in the long run at the expense of a far superior network.

Critics of government spending on the superhighway are afraid of risk. They worry that markets for the new technologies may not materialize. Grand schemes in the past have produced dismal failures, they say, including an embarrassing Picture Phone project tried out by Bell Laboratories in the 1960s. Gilder's response: "For all of fiber's possible applications in education, culture, medicine and research, the initial profits must necessarily come from the only fully proven market—entertainment video."

In many ways, the true test of the network's success will lie not only with its capabilities but with how accessible it is to the general public. Gore's insistence on the network's availability to general consumers will prevent the U.S. from repeating an embarrassing scenario that occurred 20 years ago. At that time, a new technology was developed and marketed only to an industrial and scientific elite. Japan stepped in and has dominated that market—video cassette recorders—ever since. Nobody wants to replay that tape.

For public institutions such as libraries, schools, hospitals and government agencies, private control could be a problem. Many view them as the primary means of access for individuals. "In the final analysis, the success of Gore's information superhighway won't be measured by frames per second, but by who has access and on what terms," says Marc Rotenberg, director of the Computer Professionals for Social Responsibility. Internet, which now has more than 10 million people connected up worldwide, is still far from accessible to the average citizen. Started up by the Department of Defense to link universities, research groups and military bases, it retains its high-security character. If the new system is similarly restrictive, there will be a lot of disgruntled taxpayers knocking on its doors.
what do we believe?

CROWN HEIGHTS COALITION
On the surface, Miniscribe, a computer-parts company, had pretty good-looking financial statements. Revenues were way ahead of expectations and the firm was comfortably in the black. But suddenly an internal investigation painted a picture that was the complete opposite of the earnings report. The senior managers of the company were shipping bricks in boxes that were labeled as disk drives and recording them as sales. When the plot was uncovered, Miniscribe's bondholders sued—gasp!—the outside accountants for not conducting a full and proper audit. In February 1992, a jury ordered Coopers and Lybrand to pay damages of $200 million, until recently the largest judgement ever posted against an accounting firm.

Once upon a time auditing was a quiet, snug profession for number crunchers who preferred to stay out of the limelight. No longer. Today accountants are the latest potential scapegoats in business disasters. With shareholders gaining victories in their fight for the accountability of board members and dumping chairmen left and right for poor performance, the trend is worrying the heads of the Big Six firms. An accounting firm being sued by its clients' investors for issuing fraudulent financial statements would have been almost unheard of 20 years ago. Today it is an everyday concern. Accountants have watched the number of liability suits against them double in the last five years. Moreover, the amount of damages paid out by accounting firms has reached $15 billion.

Roughly two-thirds of the increase in litigation arises from the savings and loan disaster. The plaintiffs in civil suits include creditors and depositors, and on top of that government regulators are suing. So far, accounting firms have paid around $9 billion, and that's before paying compensatory damages. One of the big hits was taken last year by Ernst & Young, which agreed to pay $63 million to settle negligence claims for the Lincoln Savings and Loan debacle. Just as Ernst & Young thought it was getting off relatively easily, the amount was upped to an unprecedented $400 million by the Resolution Trust, the government organization formed to bail out the S&L's. Ernst & Young was not the only firm to be stung by Lincoln. Earlier, Arthur Andersen, the largest accounting firm in the country, paid out $22 million for fraud claims to Lincoln. The public, and politicians, have shown no sympathy. "Accountants didn't cause the S&L crisis. But they could have saved taxpayers a lot of money if they did their jobs properly and set off enough warning alarms for regulators," Congressman Ron Wyden (D-Oregon) asserted.

LOST IN THE SHADOWS
The S&L crisis wasn't the only major blow to the Big Six. Since the Bank of Credit and Commerce International was shut down in July 1991 for a variety of illegal services and transactions, Ernst & Young and Price Waterhouse, the two firms in charge of BCCI's books, have been under
investigation. It is almost certain that they will be dragged into court and end up paying millions in additional fines.

Lawsuits against accounting firms don’t always get headlines. Credit Alliance sued Arthur Andersen for fraud after relying on Andersen’s audited financial statements to loan money to L.B. Smith of Virginia. Roughly two years later, Smith went bankrupt. The case was settled out of court for an undisclosed amount. It is a typical case. Most suits involve an attempt by creditors or investors to recoup their losses from defunct businesses. When something goes wrong, increasingly they are looking to blame the accountants for not detecting problems, or willfully hiding them.

Some say that the accountants are taking the fall for bonehead moves on the part of investors. Accounting firms, still relatively flush from the major gains of the ’80s, make attractive targets for lawyers. “People come after the auditors because they are usually the ones with money in their pocket,” says Philip Chenok, president of the American Institute of Certified Public Accountants. One sign of how risky the auditing business has become is the fact that insurance agents are suddenly backing away from handling malpractice insurance for accounting firms. The average amount of annual insurance for a Big Six accountant is $5,300. Insurance premiums are climbing at a rate of 15 percent per year. Insurers have no way of measuring the risk of performing some audits, especially for financial service companies, because problems arise years after the initial audit.

BLIND FAITH

One of the difficulties in the accounting profession is that what accountants can’t see can hurt them. The purpose of the independent auditor’s report, the letter that accompanies the audited financial statements, is to clearly express an opinion on the financial statements, which are provided by the company’s management. Auditors do not set up the financial statements—they just test the transactions conducted by management. Anything management does not want the auditor to see can be hidden, and apparently this is frequently the case. John Hill, assistant professor of accounting, in the accounting department at Indiana University, states, “No audit is going to uncover cleverly disguised fraudulent schemes concocted by management.”

Dennis Beresford, chairman of the Financial Accounting Standards Board, the profession’s chief rule maker, feels that investors and creditors are at fault for relying on the signature of the firm. “The auditor’s signature is not the Good Housekeeping Seal of Approval,” he told Time magazine. He says there is no 100 percent guarantee against misrepresentation. Creditors and investors are taking a risk when they invest, it’s that simple. “Auditor’s opinions do not deal with the competence or quality of a company’s management, the on-going profitability of a company, or indeed the wisdom of investing in a particular company,” according to the Journal of Accountancy.

All this means that accounting firms are starting to be more choosy about taking on clients. They are staying away from the high-risk industries such as banking and credit unions and are going with safer, smaller companies. “We’re being very selective about which clients we accept,” says Michael Conway, partner in charge of professional practices at KPMG Peat Marwick. Firms are also trying to increase the scope of their audits with substantive testing of their clients. The old method of testing used the internal controls of the company. If the controls are strong, less testing is done. Now accounting firms want to stress care and accuracy in their audits. As a result, there will be many clients lost to other smaller, less expensive firms.

Even Congress is getting into the act with new audit legislation. Congressman Ron Wyden is leading the way with a bill which would force accountants to report to the Securities and Exchange Commission any actions of a client that are fraudulent. “They’re called certified public accountants because they are accountable to the public,” Wyden claims. “But accountants are not living up to their public duty. If they find wrong doing, they have an obligation to come forward.”

ON THE DEFENSIVE

The profession is heading off over-regulation by introducing its own reforms. The AICPA is trying to make its independent auditor’s report letters less ambiguous. The letters are explicit in some areas yet vague in others. For example, they don’t state that the company is a “going concern” but is understood to be. It could be on the verge of bankruptcy, yet the letter will state that it is a continuing operation. Statement of Accounting Standards number 58, reported on audited financial statements, helps by creating a new format for the report letter. This letter differentiates management’s responsibilities for the financial statements from the auditor’s role of expressing an opinion. It clearly states that the audit provides reasonable assurance within material bounds. It even gives a brief explanation of what comprises an audit. The letter is currently used by all accounting firms.

Where will this leave the profession in the future? Many accounting firms are not fighting for auditing work anymore. The Big Six is steering more clients into its consulting services, an area with profit potential and less risk. Of course, auditing will always be a part of accounting. Investors want to see that Good Housekeeping stamp on these financial statements. They rely on the accuracy of the Big Six companies, which audit 90 percent of the Fortune 500.

Accountants are finally learning the lessons of the ’90s: When something goes wrong, sue. Anything can happen, fast. Paragon International, an importer of diversified products, found their bank accounts frozen in a matter of just a day in 1990. Just 45 days later, they filed for bankruptcy. Their case is now pending. Paragon’s auditors are braced for the civil suit. It will not come as a surprise.
Before answering that want ad, be sure you check the fine print
Raymond Rodriguez was psyched. After six months of joblessness and hours of resume polishing, he had finally secured an interview through a *Westchester Pennysaver* ad. Decked out in his best pinstripe suit, his hopes for a job as a computer graphics designer were high. Little did he know it was all a setup. The $40 he paid for his background check was just money in the bank for an elaborate scam that had probably collected similar fees from thousands. After logging hours of long distance time on the telephone, he realized that no job would materialize. Demoralized, he finally gave in and applied for public assistance.

He’s not alone. Thousands every year are stung in elaborate schemes that rip off unemployed optimists. It comes as a shock to many novice job seekers that prospective employers are just in the business of making money from them. Job fraud scams can include illegal “pyramids,” quasi-legal multilevel marketing schemes and other opportunities with hidden costs. They lure their prey with deceptive job titles and work descriptions. “The offers look too good to be true, but you sometimes have to go along with them. If not, you get scared of missing out on that one real opportunity,” says Rodriguez.

Take a closer look at the job listings in the newspaper. While most of the entries describe real openings, there are offers of “help wanted” that should be labeled “business opportunities.” The difference is important. In most newspapers, including the *New York Times*, the two are organized under separate headings. It is plain from the wording of the ads that “business opportunities” require an investment from the applicant—usually startup capital or franchise fees—while job postings require no expense of fees. But the scams hit applicants for fees, and let employers retain employees at virtually no cost, no matter how much revenue the employee generates.

**THE OLD PYRAMID TRICK**

The most notorious of these schemes is the illegal pyramid. A pyramid marketing group sells a particular product as a “dealership.” The dealers must buy their inventory up front, and then push their stockpile of product to other dealers at a higher cost, who in turn find their own dealers at a slight profit. Eventually the product’s retail value is too expensive to be of interest to consumers, and the market is over-saturated with distraught sales people who can’t get rid of inventory that they paid for in advance.

In an attempt to avoid prosecution, pyramid scams now legally sell inventory as “starter kits,” and promote a wage that is ostensibly not contingent upon sales. The salary is, however, never paid because the contracts disguise the next to impossible stipulations that leave loopholes for the organizers. Such stipulations include meeting an impossible number of sales appointments, obtaining vast numbers of sales leads from each customer or filling out mountains of paperwork for each assignment. The naive “employees” are lured into the feeling of security, not realizing that they are independent contractors taking risks with their own money. The trick is so lucrative that conspirators usually over-recruit and flood the market with their product.

**TURNING CHECKS INTO CASH**

Another classic scam is phony “background checks.” A fabulous—often “executive”—position is advertised by a marketing group in a remote part of the country. Rather than opening an office in the candidate’s territory, the parent company states that it wants a “self-starter” to work autonomously. They promise to invest thousands of dollars for the candidate’s training and resources. It sounds great, but there is a catch. The applicant pays for the background check which the company requires for its security. According to Jonathan Edelstein, a journalist and scholar of urban affairs and an expert on scams of this nature, “Background checks may cost applicants hundreds of dollars, and the company may get thousands of them. They then either dissolve or hire one or two people for token work, so as to beat any mail fraud charges,” says Edelstein, who was once defrauded by a minor scam himself. He is currently planning lectures in the New York City area to advise job seekers in recognizing and avoiding fraudulent propositions.

Help-wanted ads headlined “driver” or “delivery,” with their unceremonious connotations, may lead a candidate to a commission-only sales job, where the only driving involved is to and from scheduled solicitations. Commission-only sales may or may not be viewed as legitimate by the law, not to mention those who work under it. The occupational hazard for the employee is that the employer can build up a “staff” without incurring any increase in costs, regardless of the existing sales representatives’ needs. The technique is not just limited to small-timers operating in relative obscurity. Nationally famous retailers, such as the department store giant Abraham & Strauss, employ a commission-only sales staff. Each salesperson has to move a fixed quota of merchandise. Failure to meet the quota results in commissions being deducted from future sales. Abraham & Strauss, however, maintains that the company does not over-hire.
Sorting through the job ads can be like walking through a minefield. Even the position of “interviewer” could turn out to be another nightmarish, quota-driven sales job. The position of “interviewer” is interpreted in many ways. The employer may claim that when you are selling, you are actually “interviewing.” This is a common technique for pyramiders who are out to sell their starter kits while expanding their sales force. Moreover, employment agencies have come under scrutiny for charging job seekers for publicly available, and generally outdated, information.

**QUESTIONABLE TECHNIQUES**

Showbiz has always been a cozy haven for con artists. Spurious “modeling agencies” may really be in the photography business, promising exclusive modeling engagements, while swindling hopefuls with needless portfolio costs and services. Since studios can charge as much as $2,000 for even a modest portfolio, against costs of $200, the profit margins are high. The stream of bright-eyed innocents who are convinced they have what it takes to be the next Christie Brinkley seems endless.

A favorite target for fraudulent entertainment promoters is the musician who is so in love with his sound that he is blind to a good con. Joe Vitale, 25, bass player and struggling New York area alternative rock musician, remarks, “I’m doing all right now, but when I started out, I couldn’t go to a party without meeting someone claiming to be with a major label, who was just trying to get my money. Those phonies really had my hopes up for a while.”

“I can’t recall how many times I’ve been asked to front money for some phony service to help my career. For instance, a promoter from upstate New York promised my band work every night. He only wanted us to pay $3,000 for an immense quantity of color photos. I talked to some other bands that did it, and they told me that the photo shoot was the only gig they got,” claims Vitale.

The list of scams goes on and on. It would be easy to assume that this kind of thing only happens to the gullible or destitute, victims who have no business sense whatsoever, but even the seasoned veterans can be caught. Benedict Caccia of Hastings, New York, a retired IBM executive who spent over 20 years as a manager for Big Blue, lost hundreds on an NSA water filter dealership in a pyramid scheme. He was talked into it by another alumnus of IBM. “I bought the product, and did alright selling it until my friends and relatives ran out. I was lucky, others lost thousands.”

For the confidence man who trapped Caccia and other marketing schemers, there is new literature that could be used for motivation, if not to keep them up-to-date on the latest techniques. For instance, David Roller’s _How To Make Big Money In Multi-Level Marketing_ reports, “Money you earn from your networking business is pure profit. In most entrepreneurial businesses, you must give up the job you originally had. In networking you come close to having your cake and eating it too.” Roller’s book does not advocate pyramid scams or any multi-level marketing plans that aren’t aimed at getting products into the actual hands of consumers. Roller does, however, show how to strategically deny individuals information regarding the nature of the business they must consider before getting involved. This is one of the telltale signs a job seeker can recognize before taking the plunge into a bogus offer. Some of the other signs include denied requests for more and better information, inflated salary quotes that seem too good to be true, and prodigious numbers of successful applicants. Advertisements offering “management” positions to college students with no experience, terse interviews conducted in a recently occupied office, and testimonials of wealthy employees enriched through the path you are afforded—these are the signs of deceit.

It could be argued that from a purely pragmatic perspective, making a profit at the expense of an employee is the least cost-effective way of getting a product to a consumer. The accounting figures on the lost time and money of the defrauded employee, including unsellable inventory or unneeded services, would show the grand waste these scams create. From a more personal perspective, the costs are much more dear. In an age in which legitimate businesses attempt to create a partnership between the goals of the organization and the employee, the experience of a fraudulent job offer threatens to destroy that paradigm, and that is a consequence that cannot be ignored.

Raymond Rodriguez continues to search for substantial job offers. He remarks that he is often unable to fathom what it takes, or who he needs to be, in order to get a legitimate job.

The experience has shaken his belief in himself and others. “If only I could know in advance what I’m up against, I wouldn’t feel so demoralized. Always running into these scams, makes me really lose faith in the American way of doing business.”
A Personal Brush with Fraud

When I was an 18-year-old freshman, I applied for a job with Vector Marketing. It was the middle of summer, and I found nearly all temporary jobs taken. Vector Marketing had placed fliers on campus, advertising positions in retail at $11 an hour. I called Vector’s office and was read a short message. There was little opportunity to ask questions. They said it was imperative for me to attend a meeting at the company’s headquarters.

When I arrived at Vector’s headquarters, I joined several dozen other college age men and women. We waited in a large office that showed signs of recent occupation. We were then individually called into the office of Dan Kelly, the marketing director. Kelly gave me a two-minute interview, taking great pains to assure me of how selective he would be in choosing from the applicants, and how few positions were actually open. He offered me a position, and asked me to attend an information session. By this time I had become suspicious of Kelly’s studied approach in lauding the position and proclaiming my good fortune. Unfortunately, I made the assumption that nothing could be amiss. I left Vector’s headquarters as the next shift of applicants made their way in.

The information session I attended the next day was also conducted in shifts. The hour-long meeting was presided over by Kelly, with one dozen of the other most fortunate applicants. Kelly gave each of us a handsome prospectus, which made us feel particularly important, and spoke about management opportunities for which we were considered potential candidates. He praised the products of the Cutco knife company which we were to sell by appointment. Kelly also lauded the achievements of the Vector Marketing group, and showed us charts revealing astounding growth in sales. We were given photographs and statements of employees who testified to the incredible income they had generated for themselves with Vector. Kelly asked us to read the prospectus and then attend three days of unpaid training at the headquarters.

During the training, we were instructed in how to give a one-hour verbatim sales presentation, which we were obliged to follow at all times explicitly. We were told how to generate sales interviews by “requiring” customers to give us personal references for cold calling. It was then related to us that we would not only be receiving $11 an hour for our efforts, but we would also receive $50 an appointment for transportation expenses. It was, however, necessary for us to purchase a demonstration kit of knives, for either $99 or $250, the logic being that the greater the kit, the greater our sales. Our only other obligation was to make 80 appointments for each three work weeks. Including time allowed for phone calls and a well planned driving route, this would amount to just 30 hours a week.

I cannot really do justice to any description of how convincing and inspiring Kelly seemed to all of us in attendance. In youthful naivete, we left believing Kelly’s words which proclaimed that our commissions alone would far exceed the $11 an hour “guarantee.” After a disheartening three weeks, I had only managed to generate $300 in commission, and fell far short of the required presentations. The $300 did not include the $99 I had spent on the demonstration kit.

While I was turning in my last sales receipts, convinced that I had played the stooge, I spoke to a young woman. Despite similarly poor sales, she remained convinced of the legitimacy of Vector Marketing. She said that all of her trouble stemmed from the fact that she lived in Dan Kelly’s old neighborhood, and all of the people she contacted had already bought the product from him. That day, I dawdled after the sales meeting, and overheard Kelly telling his administrative assistant that someone had actually claimed 80 appointments. Expected to pay $11 an hour, Kelly scoffed and remarked that such a claim was impossible, and he would dismiss it on the grounds of fraud. —S.W.
FARE DEAL

New York's Commuters Pay the Price for Albany's Problems

by Allyson Murray

That look of disgust on the faces of passengers next to you has nothing to do with the deplorable smell of the City's subway system. It stems from the extra quarter they have to ante up after the Metropolitan Transit Authority pushes subway and bus fares to $1.50 in April. The increase comes right on the heels of a 20 percent addition to tolls on the nine bridges and tunnels operated by the MTA that took effect in January. As if that isn't enough, a fare increase is expected—perhaps within the year—for rapid and surface transit as well. Was it something we said? Why punish commuters like this?

Because the New York City Transit Authority, a subsidiary of the MTA, faces a budget deficit of $266 million for 1993, the NYCTA will need an additional 25 cents per token. The toll increase will provide the NYCTA with $45 million—which is not enough to offset the deficit. The only alternative to raising the fare more is a state subsidy approved by Governor Mario Cuomo and the Albany legislature.

MARIO, HELP!

"What the governor wants, happens," says Joseph Rapaport, coordinator for the Straphangers Campaign, a commuter advocacy group. "Things like the fare go up largely because the governor and the state legislature says that it's okay." Cuomo and the state legislature are considering a number of proposals to prevent further fare increases and finance the...
MTA's ambitious five-year capital improvement plan. One idea is to approve the transfer of funds from the cash-rich commuter railways, like the Long Island Railroad and Metro-North, to the comparatively impoverished City subway system. Currently, the approval of the state legislature is needed before transferring government subsidies between MTA operations, which include the LIRR, Metro-North, NYCTA and the Triborough Bridge and Tunnel Authority. The alternative involves allocating proceeds from the state petroleum business tax, which brings in an annual $700 million, to New York's mass transit system. The MTA is asking for 50 percent of these revenues.

The problem is that highway construction is largely subsidized by petroleum tax revenues, and with bridges falling to bits and the sounds of battle over the City's decrepit infrastructure reaching powerful decibel levels it is unlikely that Cuomo will make the switch. He and the state legislators have not met to discuss these proposals, let alone make concrete decisions about them. In a recent speech, Cuomo chastised the Assemblymen for avoiding transportation issues: "I can't imagine any legislator, especially one who has any interest in eight million people in New York City, saying 'We didn't want to go back to Albany because it was the holiday season and we had a tough election, so we let the fares go up.'"

DEJA VU

New York City's mass transit problems are due at least in part to Albany's bitter political wrangling and lousy accounting. The situation is all too familiar. Commuters faintly remember a similar stalemate in January 1992, when the MTA threatened to raise the fare from $1.15 to $1.40. The fare did increase, only by $.10 to $1.25—but with no thanks to Cuomo. "The mayor actually came up with a good bit of the money from the City and the governor didn't come up with a penny," Rappaport recalls. "The traditional role of the mayor to not be interested in transit works out perfectly for him, but it does not work to transit's advantage." In addition to City funds, the MTA cut internal expenses. "We lowered the level of inventory we keep and we instituted a pay increase freeze for management employees," says Termaine Garden, a spokesman for the Transit Authority. "We implemented a pay-lag system wherein management employees, while they work 52 weeks a year, were only paid for 51 weeks, and that saved us a lot of money." Garden concedes that the MTA is not planning any more cost-saving cuts.

DROPPING PASSENGERS

Nobody can say that New York City commuters don't pay their way. Annual token revenues of $1.6 billion account for approximately 65 percent of the total cost of running the subway system, according to MTA figures. "This figure is very high," says Rappaport, "the highest in the country." But there are not enough riders around, and chances are the new fare increase will depress the figure further. A 1985 study by the MTA revealed that for every one percent increase in the fare, ridership declines by .2 percent. "With the price of the fare increasing, I'd think twice about taking the subway into Manhattan," says Miriam Levy, a student who commutes. Another reason for low ridership is the nation's lagging economy. Real estate sales have declined precipitously, and with them goes a prime source of state funding which caused the MTA's tax revenues to plummet from $302 million in 1988 to $188 million in 1992. Corporate downsizing—read unemployment—also takes its toll. "Subway ridership is driven heavily by employment," says Garden, who claims that ridership has fallen by almost 9 percent since 1988. He points out that the largest drop occurred on Manhattan's lower east side, where there were a lot of layoffs in an area that is subway-dependent. MTA figures show that for every one percent increase in employment, subway riding rises by 5.6 percent.
REASON TO RIDE

On the heels of a multimillion dollar “We’re coming back, so you come back” ad campaign aimed at bringing riders back to the subway, the MTA last summer announced Fare Deal, a long term, $5 billion strategy that is awaiting the state legislature’s approval. MTA Chairman Peter Stangl hopes Fare Deal will lure reluctant riders back to the subways by rectifying many of the service problems encountered by commuters, such as improving the unintelligible public address systems and offering more frequent service.

One of the most conspicuous components of the new plan is the implementation of Automated Fare Collection, a computerized turnstile using fare cards that is scheduled to be in 69 major subway stations by March 1994. By 1997, transit officials hope to have this system replace the token entirely. The benefit to commuters will be discounted fares through the offering of unlimited ride passes and, finally, the elimination of two-fare zones, a move strongly supported by the Straphangers Campaign. Garden says the MTA would lose $157 million annually by getting rid of two-fare zones, which would be made up by increasing efficiency and combating revenue-eating fare evasion.

The AFC is a computerized turnstile which uses a plastic card as payment. The system is currently being tested on a limited number of bus lines and subway stations. Discounted rates will be offered to commuters which will be similar to the pricing structure of the commuter railways. Passengers will be able to purchase unlimited ride weekly, monthly and yearly passes with what Garden calls “steep discounts.” Shorter token booth lines, says Garden, will be another side benefit. Garden also notes that the proposed new price structure will also include different fares for rush hour and off-peak travel. “If commuters travel during midday, it will be less for the same ride,” he says.

The AFC turnstiles are designed to prevent fare evasion. The MTA estimates that 169,000 people take them for a free ride daily. Although the AFC turnstiles, currently in place at one midtown station and one downtown location, present an imposing image, there is no way of telling yet whether they will be any match for New York’s experienced fare-beaters.

The jury is still out on whether the various proposed changes will be enough to save the subways. With other metropolitan areas dipping into state funds for major commuter projects—Los Angeles just unveiled its shining new $75 million subway system in February—there is clearly a trend toward building and maintaining mass transit systems. But legislators and commuters in New York are unlikely to give up their cars or take revenues from gas taxes just to subsidize underground travel. It will be some time before we can come up for air on this issue.
Suddenly a Big Deal

Trading cards are not just for kids anymore

by Tushar Gandhi and Ronald Anderson

R emember how, when you were a kid, you would squander your allowance on baseball cards and your mom would yell, “How are you going to college if you keep throwing your money away?” You stored the cards in an old shoebox and stuck them in the attic. It was still a hobby.

Topps was the only game in town. A handful of eccentrics were buying older cards to spice up their collections, browsing through flea markets, looking for bargains. Little did they know, they were on to a goldmine. “This was before anyone put a formal price tag on any of this,” says Josh Evans, a collector of baseball cards from all eras. But things were starting to change.

Today, the $1.1 billion card market is increasing almost as fast as major league players’ salaries. Prices for vintage cards are going up an average of 30 to 40 percent a year. The market made headlines last spring when hockey superstar Wayne Gretzky and Bruce McNall, owner of the Los Angeles Kings and an internationally renowned numismatics collector, bought a rare Roger Hornsby card at a Sotheby’s auction for just over half a million dollars.

FLIPPING OUT

With consumer demand for trading cards continuing to hit new heights and more card varieties being introduced, dealers and retailers are gearing up for a sizzling trading card season. Art Skina, marketing director for The National Collectors Exchange, a marketplace through which collectors can buy and trade, says, “Trading cards are no longer an in-and-out program and card sales get better in the fall as sports seasons overlap.”

Gar Miller, an oil company executive and long time card collector, put together one of the first price guides in the hobby. Miller hit upon the idea when he noticed that demand
was heavy. No one knew what the cards were worth. So in 1973 he put together a book that included a baseball card price guide. Sanity was restored.

At the same time, Miller and a few friends put together a card show. By today's standards it was small-scale stuff—just a few collectors sitting in somebody's basement and trading. Slowly but steadily, other dealers started to set up in hotel rooms instead of basements, and business boomed. In the late '70s an average dealer could net up to $40,000 a year. "We were all so thrilled we could make a house payment on baseball cards," exclaims Kit Young, an ex-banker turned card dealer. Today Young lives in Hawaii, a few houses away from TV star Jack Lord, in a home worth $4.3 million. "We just hoped it would keep going on," adds Young. It did.

With the highly publicized auction of the 1910 Honus Wagner card for $450,000 and the improved quality of modern cards, the popularity of trading cards has re-emerged with a vengeance. In recent New York Times article, when Denny's, a chain of family restaurants, ran a promotion offering baseball cards with their Grand Slam lunch and dinner entrees in 1990, "One guy tried to order a thousand Grand Slam dinners just to get the cards," states the writer. Now a set of these card moves for $150-$225.

IT'S IN THE CARDS
For the card manufacturers, this has meant a drastic increase in sales. Topps, which issued its first cards in 1951, is the granddaddy of the business. It was reporting losses as recently as 10 years ago. In 1990, its profits were more than $10 million. Analysts attribute 87 percent of its success to the card market.

Donruss, which entered the market in 1981, would only say that the company's sales have increased significantly since it came into the market. As for Fleer, the company made a comeback in 1981 after an absence of nearly 20 years. Donald Peck, vice-chairman, says, "The company's sales are extremely strong." In 1991, Marvel Comics bought the Fleer Company for $265 million or about $28 per share according to Wizard: The Guide to Comics.

Upper Deck is belting home runs largely on the muscle of the colorful, action-filled photos that grace their cards. Upper Deck's success with its premium product has prompted Topps to bring up pinch-hitter. In 1990, it introduced a super premium line of cards called Stadium Club. Alan Silverman, the managing director of Ladenburg, Thalmann and Co., who tracks the industry, states, "Stadium Club's introduction was a huge success, adding as much as one-third to the company's sports cards sales.

In addition to premium cards, companies are inserting limited series cards and subsets, bonus cards that are frequently inserted in packs. In 1988, Score introduced its premium line, Pinnacle. They plan to survive in the market with their randomly packed limited series called Team Pinnacle. This 12-card set rose in value as much as $550.

Upper Deck's subset, Home Run Heroes, which features team home run leaders, ranges from $40 to $50 for the 26-card set. Upper Deck also has a subset called Heroes of Baseball, which features each year's Hall of Fame inductees. This four-card set costs between $80 to $100. An interesting development is that Fleer has raised the retail price of its baseball cards by 78 percent to $ .89. Leaf doubled the price of its Donruss cards to $1. Topps raised the price of their packs by 10 percent charging $ .55 this year.

GOAL FOR THE RETAILER
Since supermarkets have become more involved in selling trading cards, they have become an even bigger category. "People shop the stores for the cards, even though the category usually isn't advertised," says Stephen Sham, manager of non-food items at a Pathmark located in Whitestone, Queens. "Retail selling space for sports trading cards has increased by 25 percent in dedicated locations."

One factor to consider is that in some places there may be only a couple of buyers who account for much of the volume. Those buyers, more often than not, are dealers. Dealers are the individuals who have turned the hobby into America's forte, capitalism.

The dealers dictate...
price in the market. They have a tendency to corner the market, where the collectors suffer. Though the dealer has to make a profit after cutting overhead costs, they usually, depending on how "hot" the product is, have a 100 percent markup of the retail price.

If there is any doubt that the card business has developed from a hobby into a business, consider this: Some dealers are using metal detectors to search unopened shipments for rare, metallic holograms. Some holograms can sell upwards of $1,000. "At $1,000 a pop, isn't it worth renting a metal detector for $50?" asks one New York dealer. Another method used to find these holograms is opening the box and removing the top four packs of cards. The companies usually place packs containing holograms on the top to prevent them from being damaged during shipment.

The small collector has two options to counteract the dealer: membership warehouses and mail-order outlets. Membership warehouses are set up for the small scale collector. They require a small annual fee to join which is usually between $15 and $35. This can be recovered by buying as many as 10 wax boxes each year. Collectors receive regular issues early.

Mail-order outlets require membership fees that range between $15 and $25 annually. Collectors receive newsletters with opportunities to buy cards at 15 percent above wholesale. Media ad spending in this billion-dollar industry is escalating into a million-dollar business for ad agencies. In 1989, cardmakers spent just over $1 million on advertising. That figure jumped to $3.3 million in 1990 and skyrocketed over 300 percent in 1991. Upper Deck is the leader in the field. After all, how many accounts come with superstars like Michael Jordan, Wayne Gretzky and Joe Montana as spokespersons?

FROM GRETZKY TO MADONNA TO MARVEL
The collecting business has gone beyond sports cards. Eclipse, which produces True Crime cards, states that the cards are for kids. The cards, which feature pictures of Jeffrey Dahmer, Charles Manson, David Berkowitz and other convicted killers, are educational tools, according to a spokesperson for Eclipse.

In an attempt to ban the cards, protesters have inadvertently stirred up more interest in them. Their initial shipment was 10 times that of its previous best-seller, Iran-Contra cards.

Does sex sell? In the card business it does. Among the various types of these cards are Playboy cards, which feature women in provocative poses. Currently there are cards of women in active wear called Bench Warmers. Their slogan is, "Trading cards never looked so good."

To capitalize on the M.T.V. generation, Pro-Set, which manufactures hockey and football cards, introduced, MusiCards, which features the hottest performers in the music industry.

HEROIC DEVELOPMENT
In 1984, Comic Images crashed onto the scene with its comic book related cards. Since then, they have come out with 15 sets depicting Marvel Comics superheroes. Some of these sets have spotlighted works by such artists as, Jim Lee, Todd McFarland and John Byrne. It all started in 1966. Topps put out the first of three Batman card sets that year. The next year, they released two more sets. Today, all of those sets are worth over $100 each.

That same year, Donruss issued a 66-card set titled Marvel Super Heroes. This set featured Marvel's top five superheroes, Thor, Spiderman, Ironman, Daredevil and Captain America.

In 1992, Impel flew onto the scene with their release of Marvel Universe. This was a 162-card set. It was the very first comic book card set to feature hologram cards. The set of five hologram cards sells for about $50.

With baseball cards dominating the sports card market, other sports are trying not to lag behind. Upper Deck, the only company with licenses in all sports, is establishing their place in history. Football and basketball cards are starting to pick up. Shaquille O'Neal, "The Shack Attack," has signed a contract with Classic Cards, a major company with low revenue.

As for hockey, Upper Deck is revolutionizing the sport, and with Eric Lindros (the next Mario Lemieux) signed, hockey cards will be enjoyed even more.

Who would have thought that the cards on cigarette packs in the late 1800s and early 1900s would be worth so much?
On the Waterfront

New York’s Piers Are Springing to Life Again

by Tom Kennedy

Your helicopter lifts off over the East River from the 34th Street heliport and swings south toward the historic spans of the Manhattan and Brooklyn bridges. Passing slowly below are the 771 miles of waterfront that make New York what it is today—the world capital of trade. With its deep natural channels, seven major bays and 67 anchorage grounds, the 92,500 acres of New York’s waterfront are considered to be second only to Hong Kong as the finest natural port in the world.

After decades of neglect, the shoreline is suddenly the target of major developers from Donald Trump to the Department of the Navy, and you can already see the big changes that are going to alter the face of the Manhattan skyline within the decade. These days it’s happening on the waterfront.

SOUTH STREET SUCCESS

One of the first signs of new life you see on your swing around Manhattan is the South Street Seaport. Its $351 million facelift was performed by the Rouse Corporation, which had similar waterfront success in Boston and Baltimore. The centerpiece of the project is the three-story Fulton Market, which places a produce market, pub and open-air fish stalls on the ground floor, topped by two more floors of retail shops and restaurants—both formal and fast-food.

The South Street complex also brought $21 million to the rebuilding of Pier 17, with additional funds earmarked for the expansion of two piers to house the South Street Museum where vintage sailing craft and a charming old fireboat attract out-of-towners. Encompassing a seven-block area just south of the Brooklyn Bridge, including the restoration of two dozen existing buildings from the late 18th and early 19th centuries, the development allows for the renovation of piers to handle more fish and produce. “The project involves the combination of historic buildings with the stylistically sympathetic new construction of retail shops and restaurants,” explains Benjamin Thomas, an architect with the Rouse Corporation.

The City hopes the project will net them a nice catch. The tourism revenue and sales tax alone bring in about $4.6 million a year. The City can expect $2.9 million in rent and $2.1 million in commercial taxes through a complicated 39-year lease and sublease with Rouse and the Seaport Museum. But the Seaport isn’t just a tourist trap. On summer evenings, all the yuppies on Wall Street can be found romancing the secretaries and sales assistants over Rolling Rocks and oysters in the bars. Noisy urban teenagers upstairs at Pizzeria Uno tear into side orders of buffalo wings and Dumb Monkey sundaes. The Seaport has managed to satisfy even the picky locals.

The commercial heart of the Seaport is the Fulton Fish Market, a rare example of living history in the city of New York. The market has been doing business in more or less the same fashion for over 150 years. It started out as a retail outlet for meats, vegetables, and other produce, but was slowly turned over to the fish merchants because of its proximity to the fishing piers. The fish market is a $1 billion-a-year business, the largest of its kind on the eastern seaboard. The market delivers close to a million pounds of fish a day,
providing the City with nearly $12 million in revenues. Just south of the Seaport, the old green shells of the Staten Island and Governor's Island ferry terminals have drawn the eye of developers. The Port of New York announced last fall that the Staten Island Ferry Terminal, which suffered partial damage in a serious fire and was already in need of dire repairs, would be overhauled. The first architectural plans for the venture—which will be designed by renowned architect Robert Venturi—were met with some criticism. The most prominent feature of the projected overhaul is a giant clock, 12 feet in diameter, on top of a tower.

**RECHARGED BATTERY**

As the helicopter swerves west around the tip of Manhattan, flashing past the office towers that are home to the securities industry, the gleaming new buildings of Battery Park City come into view. It was proposed by Nelson Rockefeller in the mid-1960s, but was started in 1981 after 22 previously unsuccessful ground-breaking ceremonies. In addition to the office and apartment buildings, the Battery Park City Authority, a state agency, has leased 3.75 acres of harbor space to Watermark Developers for a private dock. The lease terms—50 years at $2 million—and the cost of construction—$10.5 million—make the 3.75-acre North Cove Yacht Harbor one of the priciest piers in the world. The minimum slip space is 80 feet in length by 30 feet in width. The largest slip will be 150 by 30 feet, and costs $16,441 a day. Leases are for a minimum of seven years. The cost over the lease life is $1,575,000. The 80 by 30 foot slip will only cost $560,000 over the lease’s life. This does not include electric, phone, cable TV, fresh water, sewage removal, maintenance or concierge fees—all extra. Edward Marcus, Watermark’s manager, explains the benefits. “The cost may seem high to the average boat owner, but the location of the marina is second to none. It will be hard for the executives of the companies in Battery Park to say no to such a convenient location and the possibilities of a power lunch with a top client is very inviting.” The dock will be home to 26 yachts.

**THE SINKING SHIPPING INDUSTRY**

The years have not been kind to the commercial piers along the West Side. Their economic lifespring used to be the great transatlantic lines—Cunard and the French Line among them—bringing glamour as well as hustle and bustle to the edge of the City. The airlines brought people to and from Europe inexpensively and drove many of the liners out of business. When ordinary commuters could finally afford cars to drive to work in the City, the ferry industry collapsed—although there have been recent attempts to revive private ferries from both New Jersey and Queens. The construction of a greater number of Hudson River crossings made it easier for people to get into New York by car. The port that used to boast 110 active shipping piers now only has two on the West Side. Presently only 6,000 ships enter the port of New York, whereas in the 1940s an estimated 30,000 ships entered these ports annually. In the '40s New York received 85 percent of all liner business; these same ports now receive only 20 percent.

In 1986 New York lost its ranking as the number one port in the world to the port of Los Angeles at Long Beach. One reason was the shift in economic power from Europe to Asia and the massive increase of imports from Japan, Taiwan and Korea. New York is also losing its share of the shipping industry because it is not competitive in its pricing with other ports on the eastern seaboard. This is a result of the strong opposition from the Longshoreman's Association to any cutbacks in the number of dock workers. In the mid '60s the industry introduced the use of containers which made ships easier to unload and using machinery and far fewer longshoremen. The longshoremen's union won guar-
The Navy Homeport

Since 1986 the Naval Station New York has given a new look to the borough notoriously known for huge landfill. Yet for the most part, the Staten Island economy is still awaiting the boost the increased military presence is supposed to bring. The Navy has spent nearly $200 million in the construction of northeast port, and the area of Stapleton, Staten Island has undergone a face-lift in the wake of the Navy's presence.

"There are more new shops and stores to help accommodate the servicemen," claims Kathy Dudley, a Rosebank resident. The idea of seeing sailors in the streets is now well accepted. Lieutenant Roxie Thomsen, a Navy spokeswoman, reports, "By the end of 1993 the Navy projects that more than 3,000 active duty personnel will be stationed on Staten Island."

Local businesses have nothing to complain about with $790,000 in pending construction contracts, and $3 million budgeted for further Naval expansion. Furthermore, the Navy is inviting merchants onto the base itself. With the Staten Island economy in dire straits, residents are happy to welcome the Navy to their community.

— Ronald Gentile

with the times and new technology was an even larger share of the monetary benefits containerization made possible. It was a price that continued to be paid even after profits dried up," explains Anthony Tuzzoli, head of the industry's Shipping Association.

The guaranteed annual income is only half the problem. Gangs that unload the containers are estimated to be double the size needed to unload the ships, and a dock foreman is required at all unloading sights. Wage and fringe benefit packages have gone from $7.40 an hour in 1970 to a little over $30 an hour in 1986. Compared with a Baltimore port, a 23-ton container can be unloaded in four hours at a total man-hour assessment of $41.96. In New York costs would be assessed at $204. In their last contract, the Longshoreman's Association began giving back benefits by reducing the guaranteed salary, putting a cap on wages and reducing gangs from 24 to 20. The New York Shipping Association has been offering incentives for early retirement and hopes to reduce the number of workers on guaranteed salary from 3,500 to 2,500.

THE GOLDEN AGE

At their zenith in the 1930s and '40s, the piers were the cultural and commercial crossroads of New York. Luxury oceanliners carried the rich and famous across the Atlantic, New Jersey ferries delivered commuters, ships were built in Brooklyn's Navy Yard and the Hudson served as a hub for ocean and railroad transport. From lower Manhattan to West 59th Street, 110 piers, 24 ferry slips and eight floating bridges were constructed. The floating bridges served the railroad freight cars which crossed to and from New Jersey. Railroad lines from all over America stopped in New Jersey to pick up and deliver merchandise. Railroad companies had over $35 million dollars invested in towboats, carfloats and barges that employed 3,400 workers.

New York was home to many famous ships. The Cunard Line's Hudson River berth held the Queen Mary and the Queen Elizabeth. The French Line docked its flagship, The Normandie, at pier 88. The Normandie was later destroyed by fire while being refitted for WWII. Over 200 ships were tied up in New York every day; New York received 85 percent of all foreign passengers into its harbor. It was also the center of ship construction. The world-famous Brooklyn Navy Yard produced warships in record numbers. The port also boasted 26 ship building plants and 50 floating docks for repair work.

TRUMP CARD

Today, the old wooden piers adjoining Greenwich Village and the midtown are spectral reminders of their former glory—half collapsed, rotting and deserted except for the odd dogwalker or the people cruising in the evening for or drug deals. Some have been closed for safety reasons. The development of Westside has been a minefield for speculators because of legal battles. One of the most controversial revitalization plans for revitaion is the brainchild of Donald Trump who wants to turn the old rail yards of the midtown into an elaborate landfill similar to Battery Park. His dream includes a major-league television and media complex as well as recreational and residential areas.

The waterfront around New York has seen some tough times. Even with revitalization efforts, in recent years piers and waterfront industries have experienced a continued decline. The City arose because of the natural harbor, which has changed. In a way, the City owes its waterfront more than just a facelift.
The Heartbeat of Downtown New York

by Richard Younger

One quiet New York afternoon, travel south from the frantic world of midtown, swing east to First Avenue and cross the stately expanse of Houston Street. Press further past that frenetic boundary line, and the stores and parking lots of Delancey Street, stopping momentarily to appraise the Williamsburg Bridge. Pass the Essex Street Market, and continue along the side of the new high-rise apartment houses, cross Grand Street, one of the City's first great shopping districts, and slow your pace as the tenements rise up on the west side of Essex Street. Set your sights on the Forward Building with its Chinese and Yiddish characters. At the intersection of Canal Street and East Broadway, the blue framework of the Manhattan Bridge is visible against the not-so-distant shores of Brooklyn. You have arrived. This is Manhattan's Lower East Side, a neighborhood rich in history and now in flux, bounded on the north by 14th Street, on the south by Catherine Street, on the west by the Bowery and on the east by the East River. A century ago, it became home to a million Jewish immigrants who nurtured dreams of what they imagined to be American success. Today, the immigrants still come from China, Cuba, Malaysia, Puerto Rico, Vietnam and Taiwan. Now as always, the neighborhood is known as "The Old Center."

The great boom came in the mid-1870s when a huge influx of immigrants, mostly Eastern European Jews fleeing Bismark's anti-socialist campaigns in Germany, settled into the tenements lining the Bowery. By 1882, the area just below Houston Street developed into a thriving garment district. The area was quickly identified as the first exclusively Jewish community in New York City. It was a square mile of squalor and overcrowded cold-water flats, where the sweltering summer heat forced families to sleep on rooftops and fire-escapes. The tightly knit, struggling community inspired Jacob Riis to document its conditions in his famous photo journal.
Children of the Poor, published in 1892. By the turn of the century the Lower East Side was the most populated area on the planet, with almost 1,000 people per square acre. The Johnson Act of 1924 and other changes in the baffling laws governing naturalization after WWII led to a sharp reduction in European Jewish immigration during the balance of the 20th century.

BUSINESS IN RENEWAL
Today, “The Old Center” retains its distinctly Jewish character, coloring the character of the schools, synagogues and businesses bordering East Broadway. But many of the older inhabitants have died off, and most of the “second generation” were able to realize their ancestors’ dreams of prosperity and moved to the boroughs and suburbs.

It is decidedly a neighborhood in transformation. Businesses are constantly emerging. Newly immigrated families are moving into century-old tenements, attending religious services in buildings that were originally built for other denominations. In the past 15 to 20 years, the flood of Asian immigrants has pushed the boundaries of Chinatown northward and eastward into “The Old Center.” According to recent statistics released by the Census Bureau, the mean income on the Lower East Side is over $32,000 a year. Yet approximately 20 percent of the estimated 1.5 million inhabitants live below the poverty line, and 25 percent are foreign born. More than 19 percent of the inhabitants over the age of five do not speak English.

Shapiro’s Winery on Rivington Street

Further up, on Ludlow Street between Rivington and Stanton Streets, a $6 million renovation of four dilapidated tenements is scheduled for completion in July. The eight-year project will introduce 52 low-to-middle income apartments into the housing market. But what is more intriguing is how many of the older structures have been altered to conform to the needs of the changing community. In addition to residential renovation, businesses have found opportunities in the depressed real estate market for large commercial structures by converting them to spacious retail quarters. The old Delancey Street Theater is now a lumber and refinishing outlet and a former supermarket has a new life as the home of the Hester Tile Company.

One example of this transformation can be found at the ABC Appliance Store on Canal Street. The present establishment occupies the site of Loew’s Canal, a silent movie house which closed in 1963. “Television killed these old theaters,” says Robert Lipton, owner of ABC. “A week after it closed, we took the sign down and opened for business.” Deep within the recesses of the store, far beyond the counter and wall-to-wall inventory of merchandise, the darkened movie theater sits in silence, its seats now occupied with rows and rows of storage boxes, like a patient audience awaiting the next showing of It Came From Outer Space, the last movie which played at the theater before it closed.

The changes have attracted supporters and detractors. Ruth Becker sits on a wooden bench in the small park near Seward Park Public Library, and translates a Polish proverb which sums up her feelings: “That which was, and is no more, you don’t put down in the register.” Becker, a former seamstress, has lived at the Senior’s Home of the Educational Alliance for the past 25 years. She speaks with no hint of bitterness when she says, “Around 40 years ago the neighborhood changed, and not for the better.”

Crime has never been a stranger to life on the Lower East Side. In the mid-
1800s, the area off Chatham Square was the sight of one of the worst crime districts in the City's history—the notorious "Five Points," an area so dangerous that the police would not venture into it without firearms.

Today's gangs have a different face. Large and deadly organizations such as the "Ghost Shadows"—armed to the teeth with illegal automatic weapons—draw their membership as well as protection money from the Asian community. Robert Chan, a counselor at the Immigrant Social Services on Market Street, relates how the younger kids are enrolled into the gangs. "The gangs offer you money just to hang out. They get it from watching gambling joints, shaking people down and extortion," Chan says.

RELIGIOUS FOUNDATIONS
Kerry Gotlib swears by the magnetic attraction of "The Old Center." He is particularly drawn to its sense of tradition. "I love the neighborhood," says the 37-year-old lawyer as he sits on the stoop of his co-op tenement on Jefferson Street, resting after his evening jog. "It's a good place." For Gotlib, who moved 15 years ago from the West Village to "The Old Center," the change brought a renewal of his Jewish heritage. He is a regular congregant of the Mesithva Tifereth Jerusalem synagogue on East Broadway, headed by renowned Talmudic scholar Rabbi David Feinstein.

Religion is crucial to "The Old Center." The longevity of the Mesithva Temple, the Bialystoker Synagogue on Willet Street and Young Israel Temple further down East Broadway are in sharp contrast to the fate of some of the other synagogues and religious schools in the area. Three blocks away on the second floor of the Chang-Te Buddhist Church, which occupies the former Anchei Mamod Temple, Hong-Quan Pan flicks a light switch that turns on the modern chandelier hanging over four rows of kneeling stools used for prayer in the large Buddhist temple on Henry Street. As soft daylight filters through the Star-of-David-shaped window, the aroma of incense fills the air. A few of the aged residents who live on the upper floors of the five-story structure sit in an adjoining alcove, sip tea and talk quietly.

Pan, a doctor who emigrated from Shanghai 12 years ago, maintains an acupuncture clinic on the building's first floor. Sitting in a wooden chair next to an elaborate marble fireplace, he explains that the church is owned by a non-profit organization which caters to the growing Buddhist community in New York City. Proud to be caretaker of the holy rooms, Pan smiles as he says, "All people are welcome here."

Many of the older establishments have survived, and these help to maintain the Jewish character of the neighborhood. Both Shapiro's Winery and Streit's Matzos are still located on Rivington Street, right near the famous Guss's Pickles with its huge barrels lined up on Essex Street. However, the future of the Essex Street market, built in 1940 to house the vendors whose pushcarts were outlawed by Mayor La Guardia, is unclear due to the recession. Though establishments such as Lord & Taylor and Macy's moved uptown long ago—first to the Ladies' Mile district in 1915, and later to midtown—Orchard Street continues to lure bargain-hunters.

"The Forward Building," for years the tallest building on East Broadway, was originally the home of the Yiddish newspaper The Forward, whose circulation at its heights in 1924, was over one-half million. In 1985, due to decreased readership, The Forward was forced to move to a smaller uptown office. Besides changing its address, the newspaper now publishes in English as well as Yiddish, and is a weekly rather than a daily. The building that The Forward once occupied is now being used by the Ling Liang Protestant Church.

The secret of the Old Center is its miraculous ability to renew itself. Roberta Granz, head of a project to restore the Eldridge Street Temple, is impressed with the recent plan by a Chinese group to restore the now-closed Allen Street Public Baths. Granz recently told a reporter from the New York Daily News, "It's a complete circle with the Asian immigrants taking over old buildings, and reviving the old neighborhood. This neighborhood won't die. It keeps getting reborn."
The Master BUILDERS
Good News for America's Hard-hit Cities: 
The Urban League is Alive and Well

By Craig E. Eastman

If it was a public company, its stock would be heading for the stratosphere. Against a backdrop of urban unrest and election year promises for inner city development, the National Urban League Inc. is looking good. Yet they certainly have their work cut out for them. America’s cities are in an abysmal state of decline. With unemployment at twice the national average, and development in a tailspin, the need for an institution devoted to improving the economic welfare of minorities in the inner cities has never been greater. The Clinton economic and social agenda is seen to dovetail with the Urban League’s mission, which augurs well for federal support during the coming four years.

The National Urban League is a non-profit corporation funded by endowments in excess of $22 million, including grants and membership dues. The grants—from government as well as large corporations like Ford and General Electric—generally range from $25,000 to $30,000 for particular programs. It also receives individual contributions, such as the generous $20,000 given by the late Reginald Lewis, former chairman of TLC Beatrice International.

THE URBAN MARSHALL PLAN

Donors like what they see in the League’s programs, which focus on education, employment, economic development and social advocacy. Dennis Walcott, president of the New York affiliate, notes, “We have really put emphasis on job training programs, networking activities and community assistance.” This is all part of an idea conceived in 1990 when the League, along with several other organizations, proposed an “Urban Marshall Plan” to revitalize the downtown areas of America’s major cities. The crux of the plan involves putting to work two-thirds of the projected $150 billion peace dividend that should materialize in the absence of the Cold War. With Clinton cutting the Pentagon’s budget by a projected $14 billion in the first year, there is a chance that the peace dividend will become a reality. According to the plan, interest rates can stay low to spark economic growth, job creation and increase tax revenues. Coupled with capital investment, the stimulus ought to bring growth to areas that were stagnant even before the recession set in.

GETTING THE MESSAGE OUT

A big part of the League’s operation involves publishing a long list of books and publications that present League-sponsored research. One of the most influential works released is The...
Price: A Study of the Cost of Racism in America by Billy Tidwell, the director of Urban League research. Tidwell’s conclusion sums up the economic policy of the League perfectly: “Since African-Americans will become an increasingly more important human resource, the cost of racism could bankrupt the nation as a global competitor.”

Right along with communications, education is a priority. According to League CEO John Jacob, “The League is concentrating its resources into two major areas: education and career development, as well as job training and employment.” Jacob was instrumental in launching the National Education Initiative. In just over four years, the League’s affiliates have raised more than $15 million for programs aimed at improving the quality of education. Over 400 full-time staffers work with parents, schools, businesses and, most importantly, the children themselves, particularly in the areas of math and science. The Initiative has drawn support from the National Science Foundation, which donated $572,000 to conduct a Preschool Collaborative Project for low-income minority households. The Honda and General Electric corporations have also been heavily involved.

Early indications are that the program has been a success. According to the League’s annual report, a Lansing, Michigan school superintendent attributes a decrease in the dropout rate directly to the League’s local affiliate. In Cincinnati, Ohio, where the organization conducts an SAT preparation program, there has been a 400 percent increase in students taking the test and a significant improvement in scores. In Minneapolis, Minnesota, where the League developed the Early Childhood/Parent Education Center, 99 percent of participants passed the benchmark test issued by the school board. In all, some 300,000 children have been involved.

For the adults, the most valuable programs involve opening up doors for career advancement. The League’s Black Executive Exchange Program is a chance to make connections, harness information resources and find support. Minority undergraduate and graduate students often face a difficult transition from school to the job market. Over 3,000 volunteers in BEEP and related programs provide free supplemental education to minority undergraduate and graduate students. Prominent black corporate leaders, government officials, scientists and other professionals bring their career secrets to aspiring students at regularly scheduled events in lecture halls, banquet rooms and classrooms across the nation.

The Urban League also sets up internships in business, law, science and engineering under the Summer Internship Program. More than two dozen Fortune 500 companies including American Express, IBM and Metropolitan Life, volunteer to take on interns and to conduct Job Readiness Seminars. It’s not unusual for the internships to lead to jobs.

JOBS, JOBS, JOBS

For the past 80 years, the League has been synonymous with employment training and job placement. Over 250,000 people participated in job programs in 1990 alone, and an impressive 89 percent of them found work. The need is urgent. The Bureau of Labor Statistics predicts that by mid-decade more than a third of the labor force will be composed of minorities. The League received a $30 million federal grant from the Job Training Partnership Act, administered nationwide by the Department of Labor, and locally by the Private Industry Council. The League targets JTPA funds for job training in technical, communications and computer skills.

The League identified another under-utilized asset: senior citizens. It has placed more than 14,000 seniors in subsidized jobs. In 1990, the League began its Seniors in Community Service Program in conjunction with the Labor Department. Some 650 senior citizens were placed in non-subsidized jobs, surpassing original goals. One notable success story occurred when the League placed 112 seniors with the Environmental Protection Agency, where they performed technical and administrative jobs, garnering high marks from the EPA’s top brass.

The Urban League was founded in 1911 to deal with the problems associated with the migration of African-Americans into New York City. The organization was the product of
merger between the Committee for Improving the Industrial Conditions of the Negro in New York, the National League for the Protection of Colored Women and the Committee on Urban Conditions Among Negroes. Starting out with a measly $25,000 budget and two employees, it has grown exponentially. Today, the League’s national headquarters are in New York, and there are two major offices in Washington, D.C. as well as 114 affiliates in 31 states.

The key to the League’s upward mobility has been its outstanding ability to win the support of political leaders. The League is the darling of presidents. In 1947, Harry Truman awarded the League’s executive secretary Lester Blackwell Granger with the Presidential Medal for Merit for his work with the Navy. Granger’s work became the model for desegregation of the other military branches.

A POLISHED POLITICAL PLAYER
During the ’60s, the League’s political savvy paid dividends in the Civil Rights Movement. After a meeting between League executives and President Kennedy in 1962, the federal government hosted an historic three-day conference with 89 League officials. More recently, the Urban League’s prominent role in the passage of the Amendment to the Civil Rights Bill in 1989 demonstrates that the League has not lost its political touch around Washington.

Even the best intentions need funding. The organization grew from a staff of 15 in 1915 with a budget of $45,000 to a staff of almost 400 in the ’50s with 58 affiliates and a budget of $1.5 million. The League established The Fund for a New Era in 1985, and the response was enough to demonstrate capital-raising ability that would be the envy of any Wall Street firm. Starting with a $4.5 million grant from the Ford Foundation, the organization raised $50 million privately. The chairman of the board is Robert C. Larson, CEO of the Detroit-based Taubman Company. According to the by-laws, no less than 15 percent of the board must be female or under the age of 30, guaranteeing diversity of leadership.

One look at the desperate economic situation that is decimating the inner cities is enough to remind us that the League’s mission is far from complete. Memories of the South Central Los Angeles riots are still enough to impress upon Americans the importance of an organization dedicated to rebuilding ravaged areas. Ironically, if the League ever does fulfill its goals—the total re-invigoration of the cities—nobody will need it anymore, a kind of suicide that is not going to happen, it can be safely predicted, for a century.
Sisterhood

Women gain a stronger voice in the struggling national labor movement

by Yanick Thermidor

One look across the floor of a national labor convention is all it takes. Up on the dais, the successors to Hoffa who beam down at the crowd are predominantly older, white men. With all the talk about diversification, it seems as if management has done a better job of bringing women and minorities into the boardroom than the unions charged with the representation of those very same employees. With 6.2 million female members, the nation's unions had better find a way. Compared to the situation abroad—where women play a major role in labor politics—the glass ceiling remains intact.

Behind the scenes, the picture is changing. In the '70s, there were almost no women vice presidents in the nation's largest unions, even those—like the International Ladies Garment Workers Union—with mainly female membership. "Now, you can't find a major union without at least one female vice president," says Joyce Miller, the first woman to be elected president of the Coalition of Labor Union Women, which regularly sends representatives to the conventions of the American Federation of Labor.

The need for representation is pressing. According to the U.S. Department of Labor's Bureau of Labor Statistics, by the year 2000 two out of three new entrants to the labor force will be women, who are expected to account for 45 percent of all union membership. The number of working mothers has increased from 17.8 million in 1986 to 22.2 million in 1991. With that kind of growth in the demographic profile, women are staking claims on their own, even outside of the traditional, male-dominated labor structure. They are forming organizations—such as the CLUW—which are separate from and more extensive than official unions.

Remarkably, only 12 percent of women workers are enrolled in labor unions. That means that non-members are not enjoying the higher wages, better fringe benefits and regulated working conditions of their unionized counterparts.
No employer having employees subject to any provisions of this section shall discriminate, within any establishment in which such employees are employed, between employees on the basis of sex by paying wages to employees in such establishment at a rate less than the rate at which he pays wages to employees of the opposite sex in such establishment for equal work on jobs the performance of which requires equal skill, effort, and responsibility, and which are performed under similar working conditions, except where such payment is made pursuant to (i) a seniority system; (ii) a merit system; (iii) a system which measures earnings by quantity or quality of production; or (iv) a differential based on any other factor other than sex: Provided, That an employer who is paying a wage rate differential in violation of this subsection shall not, in order to comply with the provisions of this subsection, reduce the wage rate of any employee.

Equal Pay Act, 1963

Independent women’s organizations, both inside and outside of formal labor unions, are working to rectify this deficiency. One of the main approaches involves pressing the new Clinton administration for more comprehensive labor legislation. Among the activists supporting new Congressional measures is Jack Goldnmen, president of the AFL-CIO’s Department of Professional Employees. “Women are a strong and vital part of the work force, and without them, society would be deprived of many talents and resources,” says Goldnmen.

TOP ISSUE IS EQUAL PAY

The old chestnut—equal pay—continues to be the big problem. It’s been a full 30 years since the Equal Pay Act passed through Congress, ostensibly ending wage discrimination, but as of 1988 the median hourly earnings for women were 74 percent of what men earn. For full-timers and salary workers, women’s median weekly earnings were a mere 70 percent of men’s, according to a survey released by the Bureau of Labor Statistics. While the shortfall is typically attributed to the time lost bearing children, a debate over employer responsibility is shifting the focus to other reasons. Groups such as the National Organization for Women contend that employers must compensate women for the service they provide society in raising families. Industry representatives, for the most part, deny any responsibility for a woman’s choice in leaving work for family. The recent passage of the Family Leave Bill indicates that Washington is leaning toward NOW’s position.

For their part, labor organizations are helping women attain higher union posts by providing child care during conventions to free up women members, who can then fully participate in meetings. Inter-organizational studies have indicated that most working mothers are absent from union meetings because of child-rearing responsibilities. They have also revealed that most labor leaders begin their careers between the ages of 24 and 32, the prime child-rearing years for women members and also the time when careers in union leadership are forged. This pattern has perhaps been the greatest impediment to women’s access to labor’s executive boards.

THE LEADERSHIP PIPELINE

The change is just now making itself evident, as union analysts report increasing numbers of women in the leadership pipeline, particularly at the local level. The office of Professional Employees and the National Education Association report that more than 50 percent of local presidents are female. The difference is showing up in the field of education, too. The American Federation of State, County, and Municipal Employees along with the American Federation of Teachers and the National Education Association report that approximately one half of their current local officers are female. The Service Employee’s International Union reports 40 percent of its officers are women, the Communications Workers Association is at 35 percent, while the International Union of Electrical Workers reports 12 percent. It’s not quite the Teamsters yet, but the figures are making an impression.

In the big leagues, the position of women among top elected leadership is also improving: Three women serve as presidents of national unions associated with the AFL-CIO: Lenore Miller, head of the Retail, Wholesale, and Department Store Union; Susan Bianchi-Sands, the Association of Flight Attendants; and Nedda Cassei, who heads the American Guild of Musical Artists.

Even unions with predominantly male members are seeing the number of women in key local positions rise. Female local union presidents have recently made inroads in all male domains such as steelwork and mining. Bianchi-Sands, the newest member of the ruling AFL-CIO executive council, asserts that there is no reason for women to despair. She remarks to union hopefuls, “Continue to struggle, we are on our way, we’ll get there some day.”
The day of reckoning has arrived. The American health care system is in a shambles and costs have soared into the wild blue yonder. In a nation where medical spending exceeds $800 billion a year, expenditures provide coverage for only 85 percent of the population. In addition, exorbitant insurance premiums have created a cycle of diminishing returns as consumers get less health care for the dollar. "When it
comes to health care, we spend more money per capita than any other country in the world," says Beth C. Weitzman, an assistant professor of Public and Health Administration at New York University. "Unfortunately, many people are not being cared for."

So much for the scale economies of the past. Twenty years ago, health care spending represented roughly 7 to 8 percent of the nation's gross domestic product. But that was then—and this is now. Medical expenditures currently consume 13 percent of GDP. If the projected costs continue in this direction for the next seven years, spending in the year 2000 may reach $1.6 trillion, or 16 percent of the U.S. economy.

An American Crisis
What are the problems that threaten the stability of the American health care system? Among the major worries is corporate health care. Once seen as a benefit to employees, corporate-sponsored health insurance is now regarded as a drag on economic growth. According to a Fortune magazine survey, companies spent $3,605 per worker on average—a total of $196 billion in 1991, an increase from 1990, when corporate health care spending was $186 billion—an average of $3,217 per worker.

According to critics, health insurance tied to employment is ineffective during economic strife. "It's a crazy way to insure people, especially in an economy that does not guarantee full employment," says Nancy Aries, an associate professor of Health Care Administration at Baruch College. With major companies like IBM and GE downsizing, most employment is provided by small businesses. Unfortunately, benefits are usually scant compared to the Fortune 500. "Small firms operate on small margins," notes Aries. "As a result, the number of businesses insuring their workers has been contracting over the last few years."

Compare corporate America's view of health care with the perspective of the U.S. government. The federal bureaucracy seems to treat entitlement programs as "sacred cows." According to statistics from the Office of Management and Budget, the 1993 federal budget will allocate 43 cents out of every dollar to entitlements—much of the cash flow going to Medicaid and Medicare. Medicaid pays the health expenses of over 27 million Americans. Unfortunately, coverage is based on means testing. Recipients have to be poor and employed to be eligible for benefits.

According to some critics, the faulty logic of Medicare is that just because people live longer, it does not mean they are getting healthier. The fastest growing age group in the country is the 85 and older category, and over 20 percent are in nursing homes which cost $20,000 to $30,000 a year. "The health care needs of the elderly are expensive and the costs will continue to rise," says Aries. A major problem with Medicare is the coverage it provides. Medicare currently pays 80 percent of health costs. However, doctors do not have to accept the payment schedule, and can charge as much as they want. As a result, the gap between what the medical profession charges and what Medicare pays has increased due to exorbitant medical expenses.

In all, the biggest quandary facing Medicare and Medicaid is fiscal policy. America is now forced to pay off a $400 billion budget deficit and a $4 trillion debt. These constraints have crippled the country to the point where priorities of health care reform and economic growth are pitted against one another. In addition, it is almost unrealistic to slash the red ink unless the growth of Medicare and Medicaid is restrained, a politically dangerous decision which could hurt those who are dependent on these entitlements.

Medical Waste
Other expenses are excessive, even if the benefits outweigh the costs. Technological innovations save lives and add new dimensions to the health care industry. For example, there are 2,000 magnetic resonance imagers in the U.S. and each one costs $2 million to install—an overall cost of $4 billion. To make up for the installation and operating costs, hospitals will charge up to $1,000 for an MRI scan. Unfortunately, these machines are hardly a boon to any budget. "Every hos-
pital needs one to be competitive, but these are not utilized to capacity,” says Aries.

Other unnecessary expenses are incurred through seemingly innocuous procedures and regulations. The bickering between hospitals and insurance companies over claim forms and reimbursement conditions adds over $60 to $70 billion per year in excess paperwork. Much of the hassle is generated by a fear of insurance fraud. False medical insurance claims add expenses of over $75 billion annually.

Not surprisingly, some of the waste is created by doctors and lawyers. Medical professionals do make mistakes and pay the price—over $5 billion in malpractice lawsuits. To protect themselves from further liability, doctors are now engaging in defensive medicine. Such procedures include unnecessary X-ray examinations and blood tests. According to the American Medical Association, defensive medicine incurs over $20 billion in new costs every year.

**Critical Condition**

With the cost of medical care increasing every year, common sense dictates that the only way to lower medical expenses will be for everyone to take care of themselves. But in a changing society, unpredictable circumstances can rapidly alter the health care system. “There are certain factors that are difficult to control,” notes Aries. “There are diseases that we are dealing with that were never around 15 years ago, such as AIDS.”

The growing threat of AIDS continues to be a burden on the health care system. Unless a cure is found, the expenses incurred by the disease may be unlimited. Annual spending to care for victims exceeds $7 billion. In addition, the Center for Disease Control estimates that over one million people are infected with HIV, the virus that causes AIDS.

Even though AIDS is now regarded primarily as a sexually transmitted disease, drugs have spread the virus through shared use of tainted needles. In general, drug use is a major contributor to spiraling medical costs. A 1990 report by the Senate Finance Committee reveals that over 375,000 newborn babies are exposed to drugs each year. As a result, the U.S. government spends over $2 billion annually to care for the babies. Drug use can also be damaging to corporate America. Businesses lose over $100 billion a year due to drug-related problems.

The problems with smoking and alcohol abuse are just as severe. At least $20 billion annually is spent on treatment and research for smoking-related illnesses such as lung cancer and heart disease. Over 17 million Americans are alcoholics and the future is fraught with new liabilities when the burden of alcohol addiction is shifted from the household to business. According to the National Council on Alcoholism and Drug Dependence, corporate America loses over $70 billion a year in reduced productivity due to this problem.

**Politics and Policy**

What can America do to cure this catastrophe? The first idea that usually comes to mind is a proposal for national health insurance. “The biggest problem in our health care system is the lack of access and a national health care plan would be a good place to start,” says Weitzman. However, skeptics are hard to convert. According to a survey by Fortune, 69 percent of corporate executives were overwhelmingly opposed to a national health care plan. In addition, political rhetoric and economic reality provide new liabilities to an already explosive problem.

Numerous proposals have been under intense scrutiny. At one point, the “pay or play” plan had been considered by President Bill Clinton. Under this blueprint, every company would have to provide health insurance for their employees or contribute to a federal fund to provide coverage for the uninsured. The funding source usually comes in the form of a payroll tax or expenditure, and the Clinton administration had been aware of the problems the tax would cause for small businesses. As a result, the new plan being debated is “managed competition,” an undefined proposal which supposedly controls competition among health care providers through government reforms. The plan was
scheduled for completion in March and the person in charge is none other than First Lady Hillary Rodham Clinton.

If the “managed competition” plan is launched, it will be a far cry from the market-driven health care plan offered by former President George Bush. His proposal shuns government intervention for fear of new bureaucracy in the health care system. Instead, the Bush Plan would have provided tax credits up to $3,750 a year for poor families and tax deductions to the middle class to pay for health insurance. To break the link between health care and employment, the Bush Plan would have sought a mandate for “portable health insurance” so that employees could keep their insurance if they lost their jobs. In addition, the plan would have allowed small businesses to pool their resources to purchase insurance at lower rates.

A tertiary path to health care reform could be to copy Canada’s medical system, a tax-supported plan run by the government. Under this proposal, the government allocates funds to hospitals to pay for operating costs and provides an outline detailing the cost of health services. While some expenses are reduced through disciplined budgeting, the Canadian system is not immune to the costs incurred by technology and an aging population. Adjustments must be made before any radical changes in health care philosophy take place. “It is not a good idea to take a health care system from another country and implement it without any reforms,” says Weitzman. “It must be adapted to fit national needs.”

Even if a health care plan is implemented, don’t expect national needs to be at the forefront of health care legislation—especially if the political action committees speak out for their vested interests. All the problems affecting the health care system might be exacerbated if lobbyists with PAC money start running amuck on Capitol Hill. These groups represent doctors, lawyers, insurers and pharmaceutical companies—all having a stake in the health care industry. A strong case for their interests was recently made in a letter to The Wall Street Journal, in which one individual made the observation that if the U.S. thought the recession was bad, “imagine how bad it would have seemed if it wasn’t accompanied by the corresponding growth in the health care industry. Those dollars don’t just disappear out of the economy.”

Judging by public opinion polls that show Americans deeply concerned about the crisis, Clinton has his work cut out for him in reforming the health care system. But in public policy decisions, everything will be clouded by lip service until a sound proposal is successfully in place. “All decisions on health care, whether they are cost controls or spending, are political questions,” says Aries. “If health care is a right, then it must be made available to everyone.”

MAY 1993
THE NATIONAL IMAGE

where do we live?

[Images of urban and suburban landscapes]
When Jane became pregnant, she decided to change her lifestyle. The 25-year-old accountant was determined to stay drug-free during her pregnancy and nursing, yet she resumed her cocaine habit as soon as she went back to work. “I worked very hard so it wouldn’t affect my job performance. Even when I was feeling awful after snorting cocaine until four in the morning, I’d go in and I’d make myself work,” she says.

Jane is among the thousands of working Americans who use cocaine. They represent thousands of good reasons for U.S. corporations to establish employee assistance programs. Yet the costs are considerable, and now that many of the programs have been in existence for a few years, experts are finding out how effective they are.

Nobody argues with the urgent need for the programs. According to Federal government reports, one in every six adults suffers from drug dependency, alcoholism, depression or other mental health disorders, and in 1980—the last time solid figures were available—such problems led to a $64.2 billion loss in worker productivity for American businesses. According to the Cocaine Helpline in Summit, New Jersey, one of every four callers are women. To date, more than 8,000 EAPs have been developed in the United States. The Foster Higgins Health Care Benefits Survey reports that of the nearly 2,000 employers polled, 48 percent now offer an EAP.

Paying the Price
Corporate America spends $798 million annually to maintain EAPs, a figure which does not include the cost of treatment. The investment has reduced the cost of health care benefits and cut the costly effect of absenteeism. Leslie Stackel, author of EAP’s In the Workplace, claims, “For every one dollar invested in EAP, the company got back seven dollars in reduced absenteeism and health benefit costs.”

According to the Higgins survey, the costs involved in offering an EAP vary. External programs are usually offered as a package of contracted services, with costs determined on a per capita basis. Some EAPs perform diagnostic and counseling services in addition to standard assessment and referral services. Most employers vary their benefits based on whether pre-certification (that is, prior to diagnosis) requirements are met, and whether the company’s services are actually used.

The survey suggests that when pre-certification is required and obtained, 51 percent of the respondents paid a flat percentage of charges subject to a deductible. However, when it is required but not obtained, 36 percent of the
survey's respondents paid a flat percentage of charges, 50 percent obtained base benefits through other procedures, and 6 percent were unable to obtain any treatment at all.

**Getting Personal**

The EAPs are designed to help employees overcome personal as well as job-related problems. Family and marital problems account for the largest portion of cases—35 percent—according to the Higgins survey. An estimated 18 percent of the work force is affected by personal problems that can impede job performance. Of the affected employees, 12 percent have alcohol and drug-related problems, and 6 percent are emotionally disturbed. These problems are responsible for a 25 percent decrease in productivity.

Some large corporations have adopted in-house consultants, putting the EAP on the premises. The advantages include closer surveillance and greater control over the program. However, most companies choose to refer employees to "outside" consultants since confidentiality is such an important factor. Insurance considerations are also incentives to move the problem outside.

The question of whether to work with the employee inside or outside the company is a major concern. In *Drug Problem: The Solution Within*, David Cullen observes, "Effective EAPs believe the burden of diagnosing and treating employees should be shifted from supervisors to trained professionals." Substance abuse affects every organization. At least 25 percent of the work force suffers from substance abuse, either in the case of the employees themselves, or the people who have to work side-by-side with abusers.

Drug abuse costs U.S. business approximately $100 billion a year due to decreased productivity, increased use of medical benefits and time lost due to absences. The American Council for Drug Education reports that 68 percent of drug users are currently employed, and 76 percent are white. The use of drugs or alcohol is related to almost 40 percent of injuries and nearly 50 percent of deaths in the workplace. Half of the Fortune 500 have implemented drug policies, and many of these companies have introduced drug abuse programs. Household International of Chicago, a financial services firm, has a drug policy that includes the testing of new employees and an EAP. Drug testing was made a condition of employment to ensure a safe work environment, and the EAP helps to rehabilitate those employees with a drug-related problem. The program stresses education and communication targeting management, offering training sessions for senior management, corporate officials and field personnel in order to ease supervisory responsibilities. An increasing number of
employers—including the Disney Corporation—are testing for drugs. Tests are more sophisticated and techniques such as hair testing may make the legal challenge of the invasion of privacy issue irrelevant.

More employers are offering EAPs to employees as an alternative to dismissal. A survey conducted by the American Management Association found that 63 percent of employers that responded are engaged in some form of employee drug testing. Screening of job applicants is the most popular way of discovering drug use. However, if a random drug screening is conducted, the results are much more accurate. While polygraph tests are in decline, corporate tests for the presence of the HIV virus are holding steady.

A Losing Battle?
How well do the programs really work? Chemical dependency programs have had mixed reviews because they have one important drawback: lack of comprehensiveness. Programs weak in any of the four critical areas—prevention, assessment, treatment and aftercare—don’t make the grade, in the eyes of experts. The key to prevention lies in breaking through denial barriers, and most EAPs are still trying to sort out this problem. Critics also point to other weaknesses in corporate EAPs, including the counselors’ lack of experience in dealing with business and business politics, and unplanned utilizations of the program that escalate costs. With the development of EAPs, the relationship between employees and employers changes. Ideally, the EAP signifies a new role for the workplace as a source of help, rather than the reason for stress-related problems.

Remember Jane? She did drugs on a regular basis, usually in a social setting with friends or co-workers, and often bought narcotics from co-workers. At times she shared drugs with clients. She was placed in a detox ward with the support of the EAP at her accounting agency. The EAP provided psychiatric assistance and paid for a large portion of the expenses. “My opinion of my agency through all of this is very, very, high. I’m aware of others they’ve helped, too,” she says.

After a month, Jane left the rehabilitation center. The EAP contacted her periodically. She sees a private therapist once a week, goes to Alcoholics Anonymous whenever she can, and feels hopeful about her lifestyle change. She has a desire to warn others: “It was a traumatic experience being at the center. I want to tell others ‘You can be an addict and still function.’ I always thought that because I kept working, I wasn’t addicted. I was wrong.”
Designs for
computers have given Marilyn Hoggatt a second chance at a career in university administration. "The chair is my legs, the computer is my hands," says Hoggatt, who was left paralyzed from the neck down in 1983 after a fall from a second story porch. She rejoined the workforce eight years later—something she says wouldn't be possible without computer technology. She is a part-time facility service adviser at Northeastern State University in Tahlequah, Oklahoma. With the recent passage of the American Disabilities Act by Congress, Hoggatt and others like her are now entitled to having a shot at careers, mainly thanks to the wonders of assistive technology.

Despite her physical handicaps, Hoggatt manages to balance a job, volunteer work, family, friends and church. At home she uses a personal computer with a "sip and puff" device. A tube is placed in her mouth and by inhaling and exhaling she is able to operate her wheelchair and perform various administrative tasks such as checking schedules. The system also manages up to 256 appliances and can be taught an additional 100 commands like lowering the television volume or raising the heat. But the computer cannot do everything. Hoggatt has repeatedly fallen from her wheelchair and must now be accompanied everywhere. She still requires help to perform daily tasks such as going to bed and rising.

A Handicapped Industry
Computers liberate thousands of people like Marilyn Hoggatt from dependency. Helping the disabled has been identified by experts as one of the growth areas in the vast, $45.7-billion-a-year computer industry. The overall leader remains IBM with 26.5 percent of the market, followed by Apple with 14 percent, Compaq with 7.8 percent, Tandy at 2 percent and Digital Equipment at 1.2 percent. Yet, these are troubled times in the industry as a whole. In 1991, for the first time in its short history, computer revenues dropped 8.3 percent. With one out of every four Americans a computer owner, the saturation point may be coming, and that is why new markets are essential.

Price wars and lower costs for computer parts are cutting into profits. Since the introduction of newer generations of processors, demand for the American-made Intel 386 chip has plunged 35 percent and an oversupply of disk drives have caused a 40 percent...
decrease in retail prices. "There are too many PC companies and too many disk drive companies, and there's no differentiation among their products," says Stephen M. Berkley, chief executive officer of the Quantum Corporation. "Layer onto that a very slow growing worldwide demand, and you see these huge price declines." As new technology hits the market, older designs slip in value and prices on new PCs decline. Diminishing gross margins and lower prices have caused PC makers to cut costs. One of the few bright spots has been Apple's net sales in 1991, which grew to $6.3 billion, a 14 percent increase from 1990. Net income was $310 million, compared with $475 million in the previous year.

The disabled boy fills the computer screen with the message: "Just because I couldn't speak, they thought I had nothing to say."

Help from Big Blue
IBM took its hits over the past year. Long-time chairman John Akers was unceremoniously dumped in midwinter after earnings took a nosedive and, for the first time, the stock dividend was cut—in half, to the shock of Wall Street. In 1991, IBM's worldwide operations grossed $64.8 billion, a 6.1 percent decrease from 1990. Revenue in the U.S. was $24.4 billion, down 9.9 percent from 1990. Foreign operations generated revenue of $40.4 billion, a decline of 3.6 percent from 1990.

But for all its faults, Big Blue is renowned among professionals who care for the physically challenged as a perennial leader in training the disabled for highly skilled jobs and devising the equipment they need. As far back as 1972, IBM was working on a computer-training program for people with disabilities, partly in response to the industry-wide need for skilled programmers. The "Computer Programmer Training for Severely Disabled Persons" program acted as a consulting service to rehabilitation agencies. Then in 1987, the computer giant began providing equipment as well. The program has grown from two training centers to 50.

And Apple, Too
Apple is also an active advocate of aiding the disabled computer user. Its Trace Software and Listing of Programs Adapted for Rehabilitation Applications with microcomputers provide a range of programs which have been written or adapted for use by the disabled. In the ad campaign to launch its line of assistive technology, Alan Brighton of Apple speaks of a poster that shows a fifth-grade boy who is unable to speak but can operate a computer through the use of a head wand. The boy watches intently as he fills the computer screen with the message: "Just because I couldn't speak, they thought I had nothing to say."

Perhaps the most visible example of the advanced state of assistive technology is the triumphant career of British physicist Stephen Hawking. Stricken with amyotrophic lateral sclerosis, a degenerative nerve condition also known as Lou Gehrig's disease, he lost the ability to speak or walk. Despite this disability, he has written numerous books—including the bestselling *Brief History of Time*—and his ideas on the condition of the universe are considered to be in the forefront of the field. Immortalized in a feature film as well as an opera by Philip Glass, Hawking conducts seminars at Cambridge University with the aid of a computerized voice synthesizer which speaks for him. "This system has made all the difference," he says.

The Financial Obstacle
Unfortunately, Bob Magee is not as famous or as fortunate as Stephen Hawking. Magee, a retired Air Force photographer, is waging his war against Lou Gehrig's disease as well. Unlike Hawking, Magee can't afford a computer and is relegated to spending his
days in a nursing-home. His wife Claudia developed a crude device for communicating. She uses a piece of paper with the alphabet written out in large block letters. Claudia points to each letter until Bob blinks his eyes or gives a jerking shake of his head to spell out words and sentences. The exercise all too often leaves Bob and Claudia frustrated and they both break down and cry. After one fierce struggle to get his point across, Bob spelled out: “I feel like I am living in a coffin. I want to die.”

Technology is available to help the Bob Magees of this world, but money remains an obstacle. Depending on the severity of the disability, the price for a computer system can range from $3,000 to $12,000. But as technology improves and the demand grows, the cost of computers generally declines. Back in 1980, a Kurzweil Reader, a reading device for the visually impaired would cost $40,000. Today, an improved version of the Kurzweil Reader costs $4,000.

**Historic Legislation**
A breakthrough on the financial and legal front for disabled Americans came with the passage of the American Disabilities Act of 1990. Modeled after the Civil Rights Act of 1964, the new legislation requires changes in everything from computer interfaces to voice mail so that technology does not create barriers for the disabled. The enactment of the law will give rise to a new industry: access-technology. “The market for adaptive devices was previously limited to virtually a handful of customers,” says Bill Tobin, executive director of the Washington, D.C. based Access Technology Association. “The ADA promises to open up an entire corporate arena as organizations coming under the ADA guidelines rush to adopt the most cost-efficient accommodations they can find.”

However, there are some problems. “We create technology but don’t think through how to get it to the people who need it,” says Drew Batavia, director of health-services research for the National Rehabilitation Hospital in Washington, D.C. With limited demand in a small potential market, the prospects for huge corporate earnings seems bleak. According to Mary Pat Radabaugh of IBM, “We invent technology that we think will help somebody with a disability, but time after time it ends up helping all of us.” Among history’s examples are the first successful typewriter, patented by Charles Thurber in 1943 as an aid to the blind and the telephone, invented by Alexander Graham Bell while in search of a communication device for his deaf wife.

It has been a slow but continuous process to bring the needs of the disabled to the American consciousness, but the ADA is viewed as a sign of new freedom for and respect for people with disabilities. Computers have filled our leisure time with pleasure and our professional lives with ease. Now they enable the silent to speak, the blind to see and the paralyzed to manipulate their worlds. In the not-too-distant future, finding the special hardware and software needed to aid the disabled will be as simple as renting a movie or borrowing a library book.
Weight loss, an industry with questionable origins, began with "$1 per pound lost" promotions. Realistic programs were unknown to the overweight consumer. However, through scientific developments and strategic marketing, weight loss has grown into a very serious $7 billion-a-year industry.

Today, there are two types of players in the market. A "high-end" service segment, composed of weight loss programs requiring a weight control center visit, includes the most comprehensive and costly programs such as Nutri/System, Jenny Craig and Weight Watchers. The second segment consists of the low-end, unaided "Do-It-Yourself" diets such as Ultra Slim Fast and Pritikin.
Come on and Nutrisize your body, come on and Nutrisize your life...

and Tommy Lasorda. Ultra Slim Fast has spent an estimated $25 million annually on advertising since 1989. It also expanded its product line beyond the original powdered drink mixes to include food and snack products.

A Bigger Pie

Competition in the industry is fierce, which is reflected in the fact that industry-wide advertising expenditures have increased five-fold in the last three years. One reason for the higher stakes is the successful repositioning of the weight loss message. Customers are accepting the marketing shift that emphasizes end-benefits such as feeling better and living more active lives.

Nutri/System, Inc., founded in 1971, is the leader of the high-end segment with $764 million in sales and 1,700 centers worldwide. Since its founding, Nutri/System has committed itself to research and development to produce the most comprehensive and effective weight loss program available. Yet despite leading the industry, it has not been immune to the effects of a sluggish economy.

What is Nutri/System doing to keep its leadership position in this changing environment? “We want to overcome consumer pessimism toward dietary programs,” says Delphine Caroll, Nutri/System’s public relations director. “In essence, we are trying to overcome consumers’ cautions about spending money on weight loss.”
How fickle Wall Street can be. In 1991, the wonder stocks of the bull market were the biotechnology issues. The Dow Jones Medical and Biotechnology Industry Group shot up a whopping 142 percent in a run that reminded market makers of the old Silicon Valley high steppers of the 1980s. In 1992, the tables were turned and biotechs became the market's most notorious fallen angels. They've been in a coma for nearly a year, but judging from recent trading levels, it appears that the sector may be showing signs of life. Then again, maybe not.

If you were in on the biotech run by early 1991, you'd be one of the happy few who are crossing their fingers hoping that President Clinton doesn't raise the capital gains tax. Let's say you bought shares of Immune Response in January 1991, just before news broke that the company was drawing a bead on an AIDS vaccine. You would have seen the value of your stock skyrocket by 1,265 percent. Immune Response was just one of the issues that rode a generally bullish market last year and a lot of positive press related to new product announcements. But in many cases, investors who were overjoyed by exorbitant prices found fool's gold.

New-Issue Fever
The brutal correction in 1992 knocked off about 35 percent of the biotech group's value. Brij M. Jairath, a vice-president with Kidder, Peabody & Co., cites several reasons for the lackluster performance of the biotechnology sec-
tor. There has been a general slow-
down in over-the-counter markets. 
While the broader market held at 
record levels, the Dow Jones M&B 
Group fell almost 9 percent, mak-
ing it one of the worst-performing 
sectors. Negative announcements 
about products and—more impor-
tantly—earnings brought investors 
down to earth. Companies that 
went public during the “biotech 
craze” and were eventually trading 
at 30 or 40 times earnings had no 
products in the pipeline and saw 
red. Says Jairath, “There is no way 
you can support those levels based 
on hopes. Sooner or later, reality 
catches up with share prices.”

The most notable high flyer to 
take a dive on bad news was 
Centocor, which in April 1992 an-
nounced that approval for its in-
fecion-fighting drug Centoxin 
would not come as quickly and 
easily as the Street had thought. 
The Food and Drug Administra-
tion questioned Centocor’s testing 
procedures and required more re-
search data. After reaching a high 
of $60 a share last year, investors 
headed for the hills and it fell to 
around $15 for months. Similar 
questionable product develop-
ments at U.S. Bioscience and 
ImmuneX hurt public confidence 
and flattened share prices in the 
biotech industry. It didn’t help 
when profit-takers prompted a 
major sell-off in January 1993. 
And then President Clinton blasted 
the greed of the drug companies.

Convalescence

With prices now down to realistic 
levels, investors who had bailed 
ing earlier are reappraising the 
battered biotechs. Short-sellers, 
who profit from a decline in share 
prices, have also begun to buy 
back many of their positions. 
Jairath points out, however, that 
any comeback will only involve a 
select group of stocks. In addition 
to UBS and Centocor, the stocks 
that are expected to rebound in-
clude ImmuneX, Genzyme and 
Amgen—companies that operate 
on more than just promises of 
products and earnings. “It’s not 
going to happen overnight and if 
you are going to invest in the biotech 
sector, it would have to be for the 
long haul,” says Jairath. His picks 
include Amgen and Biogen, simply 
because they have demonstrated 
the ability to create new products 
and make money.

There are biotech bulls out there. 
One optimistic trader with Alex 
Brown & Sons thinks that the top 
company in each market niche will 
be up tenfold within the next five 
years. “They all aren’t worthless 
because a few are,” says the trader. 
He predicts that there will be a 
gradual weeding out process that 
will eliminate many companies 
from the market, including 
Centocor and UBS. Favorites in-
clude Amgen—“it’s making money 
and it’s not stopping”—and Gensia 
Pharmaceuticals. With 21 drugs in 
the pipeline, Gensia is finding more
uses for their lead drug, Arascine, which is currently in Phase III clinical trials. Some are speculating that it can be used in all major surgery to prevent myocardial infarction, and those at Alex Brown & Sons think that it will be the biggest revenue-producing drug on the market by 1994.

**Continued Observation**

Despite growing optimism, biotechs have a long way to go before they once again reach record levels. The biotechnology industry is driven by new products, and there are no major products in the pipeline that are likely to gain FDA approval until 1994 or 1995. Another strike against the comeback of the biotechs is detailed in Paine Webber’s monthly analysis of the biotechnology group, which provides a measure—called the burn rate—of how much money a company is losing compared to how much they are sitting on. This tells the investor roughly how long a company can function without an infusion of cash. It is a particularly useful yardstick for biotech companies, since only a handful show any profits.

Based on '91 year-end numbers, Paine Webber estimates that the industry’s burn rate is 6.2. In other words, if the average biotech continues to lose money at the 6.2 rate, it would be out of cash in six years. Biotechs such as Amgen and Genzyme have large amounts of cash on hand and are making money, so the burn rate does not apply. Others have less than a year’s worth of cash left, if they continue to lose money at the 6.2 rate. For example, Centocor is burning cash at a rate that would use up its existing supply of cash in 11 months. IG Laboratories (IGLL) is even worse off, with a cash supply that may last only six months.

**The Long-term Prognosis**

Paradoxically, the recent demise of the biotech sector comes at a time when the industry’s promise could not be brighter. According to a recent article by Michael Gianturco, president of The Princeton Portfolios, “It has taken us since 1952 to see substantial profits from commercial biotechnology.” Despite a sell-off in these stocks, he adds, “the idea that they are an overnight success or a purely speculative bubble is completely absurd.”

However, the biotechs are facing an uphill climb, as the industry has not attracted enough long-term investors to stabilize their stock prices. “It’s going to take very selective investing to make money,” says Hambrecht & Quist Inc. analyst Jacqueline G. Siegel. This may spell trouble for various mutual funds that specialize in the drug and medical technology fields, including the Oppenheimer Global Bio-Tech Fund, which outperformed all other stock funds last year. And with President Clinton contemplating legislation specifically designed to curb exorbitant drug prices, chances are that the biotechs will continue to turn in an anemic performance. According to Joan Hamilton of Business Week, “Any near-term revival for the biotech group will require a miracle drug.”
States Eye
Video Lotteries

As poker hands shoot across video screens nationwide, quick thrill seekers are flocking to play them. But the biggest thrills are being enjoyed by the companies who make video lottery terminals and the predominantly illegal gaming halls who reap billion of dollars in profit. State governments are sitting up and taking note. Many are unable to cope with soaring budget deficits. They envision video poker, bingo and blackjack lotteries as an innovative way to raise funds for their coffers while pledging “no new taxes.”

Illegal lottery terminals found in a Flatbush car service and an Omaha American Legion hall are identical to those found in the casinos of Las Vegas and Atlantic City. A VLT is usually activated when a $1, $5, $20 or higher bill is fed into a slot. Some video lottery terminals distribute winnings when the player presses a button, while others print out slips redeemable for cash. The VLTs are user friendly and offer the results immediately. Most players are fascinated with the VLT’s interactive touch screen controls, and winnings frequently prime the players to increase their bets.

The major producers of VLTS are International Game Technology, Video Lottery Technology and Bally Gaming International. In the past two years, their publicly traded shares have gone through the roof. While current estimates are that 190,000 VLTs are in place nationwide—far more than the 30,000 found at traditional casino sights—market forecasts have VLT backers ecstatic. If states, especially large ones such as New York, pass legislation to legalize VLTs, the demand for these machines could increase by 300,000 to 600,000 units in the next three years. Video lottery terminals currently sell at an average price of $5,000. This is already a $1.5 billion annual industry, and growing rapidly.

Video lottery terminals are considered the shot in the arm state lotteries need. Last year, state lotteries including Lotto, Keno and instant scratch-off cards brought in $20 billion. The industry is experiencing a dry spell, as a third of the states reported that total game revenues are down. Currently, the states of Montana, South Dakota, Oregon and Louisiana as well as Canada’s Maritime provinces and Manitoba have established legal video lotteries. Several states including Connecticut have legalized VLTs on Indian reservations. Colorado has legalized VLTs as a way to help several economically plagued mining towns. Other states including Kansas, Missouri, Minnesota, South Carolina, Wisconsin, New Mexico, New Jersey and New York are presently debating possible legalization.

Faced with a punishing $4.8 billion budget gap, New York State regulators are biting the bullet and considering legislation which will allow video lottery terminals to be set up in taverns, restaurants and on the
Unicast Demon
On the Loose

Jack crouches, staring determinedly at one of the three computer monitors that flicker in his small, dimly lit bedroom. He is mentally deciphering an alphabet of archaic symbols that make up the assembly language of a local company's private file. In this case, a file designed by the networking computer giant Unix. Instruction by instruction, he picks apart the intricate substructure of the classified Unix security system. Nearby, his notebook computer is busily cracking a downloaded password file. Employing a simple program he developed himself, it de-encrypts passwords encoded using the Federal government's Data Encryption Standard, at a rate of 250 passwords a second.

Jack's hacking career is an eight-year success story. He's never been caught. "I'm very careful, I like to keep a low profile," he muses. He wouldn't even allow the publication of his "hacker handle," the code name he uses in the subculture of computer banditry, which he describes as "a huge underground cult." Rather than stand or fall with that crowd, Jack primarily works alone. "I'm not really a part of that scene anymore. Too many of those people get busted," Jack reports having logged on to super computers to speedily break passwords, even having employed some users' own computers to break their passwords. "In Unix, you can just leave a small cracker program running in the background. It uses very little power, so most users wouldn't even notice it's there. Just call up the number a week later, and the door's open—mission accomplished," he adds that he rarely utilizes these techniques anymore as they are too easily traced to their source.

Jack has found his way into the private files of car dealerships, public utilities and schools. He has scanned the personal medical records of patients at doctors' offices, all from the privacy of his parents' suburban New York home. At one hacker party, he and his cohorts broke into the inner workings of a major airline. His work is so accurate he even targets the records of specific individuals at their place of employment.

The "cracker" program he designed is similar to many others freely available on private computer bulletin boards, where Jack trades little bits of clandestine information. Unlike other hackers, whom he describes as "ego driven," Jack seeks out every morsel of information for its own sake. "You never know what you can find use for. Otherwise irrelevant information can be traded for something you really need," he says, bristling with vindictive glee. "I keep a copy of everything, because you never know who you might run up against. I save everything in case I need it for revenge," he says.

Jack chose to specialize in Unix systems because of their open architecture, ubiquity and the fact that the on-board password encryption technique is standardized, and therefore negligible in defense against him. Yet he attributes his success primarily to the stupidity of those who define the passwords.

"Most of the time, users just use the company defined defaults, or really obvious words, for their lowest tier of security. I can almost always find a way to get higher level access once I get in at ground level. No matter what, they're all just instructions I can read, even at the chip level." Jack's cracker program can test out every word in a 150,000-word dictionary in just 10 minutes. He reports that frequently changing passwords and choosing less obvious codes with characters other than alpha-numeric make it harder to hack.

Jack admits to finding computer viruses "intriguing," relating the most unusual details of what he describes as "ingenious information devices"—mechanisms that might chill the bones of some network computer users. "The Stealth virus waits, searches for an anti-viral program, and disengages it, without ever letting the user know that his computer is then unprotected," he predicts. He describes the Mutation Engine, a tiny program "created by some genius" that can be added to any virus, which then encrypts itself differently every time it gets copied making it nearly impervious to current detection methods.
Jack's story provides an insight into the covert world of these eccentric, ingenious dissenters. He aspires to someday share his expertise for a fee, for the betterment of organizations' security, much like Robert Redford's character in the 1992 motion picture *Sneakers*. He takes great pride in knowing that, more than the computer, his mind is the most important tool in the process of hacking. When reflecting on his activities, he sees them as an "intellectual challenge" that works much like natural selection, weeding out poor security designs, and thus providing him with even greater challenges for the future. Meanwhile, he enjoys the idea that he might be feared. In his dark bedroom-laboratory an onlooker can virtually see his mind at work-like water, inexorably seeping through the cracks in a weak foundation.

—Steven Wieting

**Book Packaging Comes of Age**

Book packagers are not the people in mailrooms wrapping books in brown paper. Book packaging is a relatively new trade that thrives on developing ideas for books and assembling them for publishers. The merger mania and increased profits in the 1980s have caused many major publishing houses to turn to packagers to cheaply produce labor-intensive books.

Distribution and sales became so important in the last 10 years due to the dramatic increase in profits. Revenues from book sales during the years 1978 to 1988 more than doubled from $5.7 billion to $13.2 billion. The price of the average mass market paperback also more than doubled from a little over $2 to over $4.50 and trade paperbacks from $7 to about $15. At the same time hardcover books jumped from an average $18.95 in 1978 to over $31 in 1991.

Hiring book packagers to work on single projects makes sense because packagers are able to spend more time on the research, writing and design for complex books than publishing houses can. Coffee table books with illustrations or photographs, reference books, historical series and cookbooks are time-consuming and costly. Packagers have been on the fringes of the publishing industry for years. They gained recognition when their association was formed in 1980. The American Book Producers Association, located in New York City, has 70 official members, but estimates that there are twice that many packagers in the United States. The ABPA predicts that the number of members will increase in the '90s.

A typical packager has one to two full-time employees and hires freelance writers, researchers, copy editors, proofreaders, photographers and graphic artists for each project. The policy of hiring freelancers cuts costs because they are paid hourly rates instead of salaries.

Ink Projects, located in New York City, is a typical packager. Lynne Arany, principal officer, and Michael Yawney, administrative editor, are the permanent staff. Ink Projects is considered a full-service development house because they offer the advantages of electronic technology in a "traditional publishing context." They specialize in illustrated titles on popular culture, travel, archeology, art, architecture, sports, how-to, four-color printing, sidelines and children's books. The firm can offer services covering all stages of development from editorial concept to bound books. Arany and Yawney have been responsible for the year-to-year success of such books as *Born To Shop*, an on-going 14-book series, and *Movies on TV and Videocassette*.

“Our success with these projects has made Ink Projects a for-hire department with Bantam Books,” says Yawney.

Bantam's total revenues in the beginning of 1991 was an estimated $630 million, a 5 percent increase from 1990's profits. As a result, they needed to concentrate more on distribution and sales. In 1986, when they wanted to publish a series of travel books, they hired Ink Projects. The series was so successful that Bantam gave the firm the contract for the best-selling *Movies on TV and Videocassette*. "The *Born To Shop* series has been discontinued, but the movie book has done very well in the last few years. This book represents nearly 50 percent of the sales in this category. We are working on the new manuscript right now and we hope to have more than 19,000 entries this year," explains Yawney. Ink Projects writes the text from March to July with the help of seven to 10 freelancers. The book will be in the bookstores by November.

—Cheryl Comeau
Steel Lady

If I had known what this job was really about, I probably never would have gone into it!” Mary Fitzpatrick, 28, relaxes in the living room of her Staten Island townhouse, reflecting on her job as steel salesperson for New Jersey-based Ryerson, the nation's largest steel distributor and a subsidiary of Chicago's Inland Steel Industries. Fitzpatrick stumbled into the job while interviewing for sales positions when she was a marketing major at Rutgers University. A mix-up at the college recruiting office sent her to an interview with Ryerson. “They started talking about the steel industry in the interview, and I said to myself, This is the twilight zone! They must have the wrong person.” But she landed a job as an inside salesperson at Ryerson's New Jersey plant.

Being a woman in a man's industry is not an issue she has had to examine everyday, but that may change in the coming months. Fitzpatrick and her husband, Sonny, just had their first child in June, a boy named Eric. In the steel industry, knowledge of maternity leave is sketchy. When Fitzpatrick asked her manager to investigate the company's policy for her, he told her it had only happened once before, when a woman promised to return but never did. “I wondered if that was a dig,” Fitzpatrick muses.

But Fitzpatrick is not the kind of person management wants to insult. She is one of the top outside salespeople in the plant, bringing in 20 percent of Ryerson's $25 million in annual revenues. She insists her fast-track rise proceeded more by chance than design. When a sales position in the Long Island territory opened up, Ryerson pressed their best inside person into service. “I only spent a year on the sales desk before I went into outside sales, despite the fact that tradition calls for five to eight years there,” she recalls. “They threw me to the wolves.”

Inland Steel Industries has been in business for almost 100 years, and has mills nationwide turning molten steel into sheets, plates and tubing which Ryerson, Inland's distribution subsidiary buys for manufacturing accounts. It all starts for Fitzpatrick when a manufacturer needs steel and calls Ryerson for a price. She makes a face-to-face sales call, representing all 12 of Ryerson's product lines to the account. Then Fitzpatrick will iron out the details with Ryerson.

A self-starter, Fitzpatrick enjoys the flexibility of working outside of the office. She calls on manufacturers' purchasing agents in Union, Hudson and Essex counties in her New Jersey territory, getting around in a blue Pontiac sedan. “It's a company car. I don't pay a cent for it,” she says. She makes four or five sales calls a day, one of which is usually lunch with a client. On the days she doesn't have a lunch date, she sits in the car with a sandwich and does paperwork. “It can be lonely sometimes, but I don't have a boss breathing down my neck,” she notes. “I feel constantly tested. They will almost always ask you a question you don't know the answer to. You have to work 120 percent harder because you're a woman.” She claims, “The story going around the office has one guy commenting on me: 'She's not bad for a broad, but I'll never buy from her.' She also has to face the flip side of this attitude. “Everyone thinks I get so many orders because I'm a woman. The only thing it gets me is the first appointment, because they're curious to see what I look like,” she asserts.

Fitzpatrick says this all-around contact gives her an inside track on the economy. “I knew we were going into a recession before the economists. While Bush was denying the recession, my accounts were singing the blues.” She sees the final destination of her product everywhere. “The new drycleaner in my neighborhood has a conveyor system manufactured by one of my accounts, and I see my truck bodies all over.”

“There is so much to know. A guy in a shop says to me 'I want to make this part, how do I do that?' Working toward solutions and seeing the final product really motivates me.”

—Prudence Chase

DOLLARS AND SENSE
Front Office Forward

In the Nassau Coliseum skybox far above the ice where Bobby Nystrom made his living for 14 years, a longtime Islander fan comes over to shake Nystrom's hand and thank him for the memories, including the famous sudden-death overtime goal he scored in 1980 that gave the Islanders the first of four Stanley Cups. The former star smiles shyly, extends his hand and replies, “It was my pleasure.” Then he returns to working as radio color commentator and director of hockey development, part of the new Islander management's public relations effort to burnish the team's image as they prepare to sell the franchise.

Nystrom is the Islanders' emblem of those championship years. Big, tough and yet modest, on the ice and off he exemplified the hard-work ethic of coach Al Arbour's teams. These days, he checks into his small office in the corporate wing of the Coliseum to work alongside old teammates like Bryan Trottier and Arbour. His pet project is a major overhauling of the Islanders' community relations program particularly in the area of amateur hockey development. Every week he has a full calendar of personal appearances and fund-raising programs, and he still manages to get in a game or two with the Islander Alumni team against veterans of the Rangers and Flyers as well as the better local amateur squads. Even at the age of 41, Nystrom plays in his signature style, his blond hair streaming behind him as he flies down the wing at full tilt. An all-round athlete, last year he completed the New York City Marathon in three hours and 40 minutes.

Nystrom's career ended at a practice session in January 1986 after a series of knee injuries. When the doctor broke the news that his playing days were over, he took it in his typical stoic manner. “I was choked up and I felt tears come into my eyes, but there wasn't much I could say at that point—it was over but it was a pretty good career so I really couldn't complain.” Pretty good is an understatement. Nystrom led the Islanders to four championships. Fans would guess that his Cup-winning goal in 1980 would be the highlight of his career, but he points to the fourth game of the fourth Stanley Cup final. With the Islanders up by one goal, and the Edmonton goalie pulled, Nystrom broke out into center ice with John Tonelli and Kenny Morrow, who fired the puck into the net to clinch the game. As they celebrated there was a touching moment. “Here's Kenny Morrow, who probably said about five words his whole career, and he's repeating in the pileup, 'I love you guys, I love you guys!' and that was really the story of this team,” Nystrom recalls.

Nystrom's story begins in Sweden, where he was born and lived for four years. After a year in Vancouver, the family settled in Hinton, Alberta, a town of about 1,500 people in the Canadian Rockies. His first attempt at hockey at age five was not a success. “I remember spearing myself in the stomach with my stick and thinking what a stupid game it was.” He was drafted out of juniors by the Islanders in 1972, and spent a year in the minors in New Haven before moving up. He considers himself fortunate to have only broken his nose seven times, as well as breaking fingers, a collar bone and an ankle, separating both shoulders and taking hundreds of stitches.

Nystrom moved into Islander management as an assistant coach for two years. He became a marketing director, selling rink board advertising, group tickets and luxury suites and then moved into community relations. He does not travel with the team, preferring to stay home with his wife Michelle and two children, including a son who plays hockey and soccer on local pee wee teams. His son is determined to make it to the pros. The rugged Nystrom notes, “I like to see him play, but I worry about him being hurt.”

—Lidia Floro 97
by the market's sudden preference for machines based on Intel's 80386 chip, AST was then still pumping out PC clones based on the older 80286. Sales growth came to a standstill, and inventories ballooned, but AST couldn't strip costs quickly enough. In the end, AST lost $10 million over two quarters.

"We're being driven to look for value," says David R. Wollin, vice-president for distributed operations at The Equitable Life Insurance Society of America. Equitable, a longtime IBM buyer, recently added AST to its list of approved computer makers. That's also a sign that years of effort to create brand name awareness for AST are finally paying off. "AST puts its advertising where the guys that use them would run across it in airports, bus shelters, taxis," says Lise J. Buyer, a Cowan & Co. analyst.

One of AST's biggest marketing coups has been its two-year-old line of upgradeable PCs. The idea is to make it easy for PC owners to update their machines when new chips came along. To make it work, AST segregates components that are likely to become obsolete, such as the microprocessor and memory chips, onto a separate circuit board that can be replaced by the machine's owner. "It's a great marketing gimmick," says Cowan's Buyer. "Most of them will never upgrade, but it removes the reason for postponing the purchase."

--- Asim S. Saddique

**DDI vs AZT — The Right Choice**

Like thousands of HIV-positive patients before him, John Smith has his weekly follow-up at Dr. Michael P. Mullen's private office. Like many others he has been told that his T-cells are declining rapidly. The HIV antibodies have become resistant to the currently used antiviral drug, Zidovudine, better known as AZT. The new prescription is Didanosine Videx or DDI. For many years the list of approved drugs for AIDS patients began and ended with AZT, a drug that helped expand a patient's lifespan. Now after billions of dollars of research by Bristol-Meyers Squibb, a new hope has been delivered.

Bristol-Meyers Squibb began their research at the end of 1989, testing the white, fluffy powder on qualified patients nationwide. After FDA approval, it was developed into pill form. DDI is provided in sealed foil packets, and is available in various dosages of 45mg to 375mg. The medication, which has slowly taken the place of AZT, preferentially inhibits HIV antibodies and suppresses HIV replication by blocking the synthesis of viral DNA. Studies made by Bristol-Meyers Squibb show that the effects of the present antiviral drug, AZT, appear to wane after one year of therapy.

"AZT was a major break-through in the AIDS crisis, but now there is DDI and it has proven to be the most dependable antiviral," says Joan Miller, a technician at the Videx information line at Bristol-Meyers Pharmacy. The side effects of AZT are associated with severe toxicity, including nausea and anemia. DDI's side effects include inflammation of the pancreas and numbness of hands and feet, as well as chronic diarrhea. Unlike AZT, DDI has a long intra-cellular half-life of more than 12 hours.

During the clinical trials, over 23,000 people received the pills for free, but now that it has been approved, they are expected to pay $2,000 a year. Unlike other pharmaceuticals, Bristol-Meyers says that it will continue to offer free pills to those who cannot afford the drug. AZT, at a wholesale price of $1.44 per 100mg tablet, or $0.40 a week and $2,600 a year, is marginally more expensive than DDI priced at $1.43 per 100mg per tablet, $4.04 per week, and $2,080 per year. Wholesale prices are frequently marked up 100 percent.

The pharmaceutical industry was surprised by the rapid conditional approval made by the FDA—just two years, the average is eight to 10. The FDA's move is largely attributed to the pressures of AIDS activists defining their emotions with posters stating "time isn't the only thing the FDA is killing." On July 19, 1991, after two days of debating, FDA Commissioner David Kessler rejected the conditional approach. "Committees should stick to traditional methods and only turn to the conditional approach if a decision cannot be reached," Kessler remarked. Michael McDonald, a long-time activist, feels this breakdown in the system is what's "killing our brothers and sisters," not AIDS.

DDI is not a cure for AIDS, and many would say that we are not even close—but DDI is a huge step in the right direction.

--- Elizabeth Pizarro

**Jurismonitor**

The little ankle bracelet is not exactly designer quality, but it gained fashionable notoriety when high-profile arraignees like former judge Sol Wachtler and Long Island superbrat Amy Fisher began to wear them. The Jurismonitor is an innovative new tracking device for parolees that cuts police costs. It all began in 1990 when Richard Plotka, a Suffolk County attorney, needed a way to track suspects and convicted abusers who were threatening and pursuing women. The idea was taken up by BodyGuard Technologies of Boulder, Colorado, which brought out the first Jurismonitor in August 1992. David G. O'Neil, co-founder and president of BodyGuard, worked closely with Plotka to design not just the bracelet and tracking mechanism, but an entire monitoring program.

There are three parts to the
The Jurismonitor Project. Perpetrator intervention begins when the stalker puts on a Jurismonitor ankle bracelet that allows authorities to track him. He enters a 12-week, pre-treatment counseling program aimed at helping to stabilize his behavior.

The second part is called Victim/Survivor Empowerment. The victim is given a home Jurismonitor unit. If the alleged stalker comes near the victim or her home, an alarm sounds that alerts her and the police. There is a safety plan mapped out for the victim as well as an optional 12-week stabilization program to provide support. In its third phase, Community Response, a victim advocate, probation officer, treatment provider, and law enforcement officer is immediately notified when a protective order is issued. If there is a violation, the Jurismonitor communications center coordinates the community response by contacting all authorities involved.

Legally, evidence compiled by Jurismonitor is only admissible in court if the alleged perpetrator comes near the victim’s home. Despite these tactics, BodyGuard spokesperson Pat Patterson says that there is no fail-safe way to prevent the stalker from terrorizing the victim. “We need to be cautious of anyone claiming to guarantee victim protection,” she warns. “The reality is that the stalker can find someone else to do their menacing.”

—Charisse Nelson

Neural Nets

The global securities markets of tomorrow may be dominated by “neural nets” and “thinking machines.” The goal of keeping markets open 24 hours a day is prompting financial exchanges and investment banks to spend millions of dollars on research into automated trading. Neural nets are computer models used to simulate the intuitive processes of the human mind. They are designed to capture the elusive “instinct” to which many financial traders attribute their success. Research in this field stems from psychological tests, such as those run by Dr. Pawel Lewicki of the University of Tulsa, who found that the human “cognitive unconscious” is able to decipher patterns of staggering complexity.

Neural nets rely on “parallel computer processing” modeled after the human brain. According to Dr. Robert Hecht Nielson in Neurocomputing, “Neural nets autonomously develop operational capabilities in adaptive response to any information environment.” Experiments in bond trading are already being performed on the “connection machines” of Dr. Daniel Hillis, founder of the Thinking Machines Corporation of Cambridge, Massachusetts.

Hillis, who told Omni magazine that his goal is to “make a computer that will be proud of me,” builds massively parallel super computers. The “connection machine” is an expandable system of up to 64,000 interconnected processing units, capable of performing 4 trillion instructions per second. Hillis reports that while sequential computers get “slower and stupider” when processing more information, massively parallel systems have the same potential as humans to become more competent. Customers of Thinking Machines include Dow Jones and the Mobil Oil Company.

David E. Shaw is a mathematical trader whose work recently received rave reviews from The Wall Street Journal. Shaw, who trades as much as 10 million shares of stock a day for a small group of enormously wealthy private investors, is believed to earn as much as 30 percent on equity. Thoroughly secretive, Shaw and his group of computer scientists have codified the instincts of professional traders. According to the Journal, “They scour global markets in search of tiny spreads in stocks, bonds, futures and options and more exotic instruments, nabbing the eighths and quarters of a point that small investors, and even the pros, never see.”

One critic of high-tech trading is economic journalist Martin Mayer, who, in his book Stealing the Market, asserts, “Much of what has gone wrong in our markets is the result of accepting the advantages in cost and speed the new technologies have brought, without analyzing the changes they dictate in the day to day operations of the markets.”

—Steven Wirtling
what do they think of us?
PETER LYNCH
with John Rothchild

The best-selling author of One Up on Wall Street shows you how to pick winning stocks and develop a strategy for mutual funds.

Beating the Street

By Peter Lynch with John Rothschild
308 pp., New York
Simon & Schuster, $23.00

Peter Lynch, the former manager of Fidelity Investment's Magellan capital growth fund, perhaps the most successful equity fund manager in the history of finance, has penned his second winning effort with the March publication of Beating the Street. As with his best selling One Up On Wall Street, Lynch delivers just what the doctor ordered for the average investor, sickened by the prospects of having to learn technical analysis or fixed income mathematics.

Lynch convincingly argues that the average investor has a bona fide edge over professional stock pickers who are swamped while failing to do their own fundamental research. "Your investo's edge is not something you get from Wall Street experts. It's something you already have. You can outperform the experts if you use your edge by investing in companies or industries you already understand." Lynch uses the first three chapters of his book largely to lament the losses of those who have been frightened away from the stock market. Citing evidence that stocks have always outperformed other instruments under virtually any time table, he largely blames the "unwarranted" mystique surrounding professional money managers for this exodus.

Lynch details the efforts of a seventh grade private school class, who, using hypothetical money, outperform the picks of 99 percent of all equity fund managers in 1990-91. Researching and picking stocks from companies whose products they enjoy, the youngsters racked up a nearly 70 percent return.

Lynch outlines a sweeping plan for stock picking success and mutual fund selection, with just a slightly less glib strategy. A true contrarian, Lynch advises, "Avoid hot stocks in hot industries. Great companies in cold, non growth industries are consistent big winners." He also adamantly opposes short term speculation. "A stock market decline is as routine as a January blizzard in Colorado. If you are prepared, it can't hurt you. A decline is a great opportunity to pick up the bargains left behind by investors who are fleeing the storm in panic."

The second third of Lynch's work is an analysis of his 12-year tenure as the Magellan fund manager, a period that saw the fund grow from an anemic $6 million small fry, to a $20 billion colossus. Lynch's success with asset allocation was well rewarded with an ever expanding customer base, "a portfolio the size of the GNP of Ecuador," while long term shareholders turned their thousands into hundreds of thousands.

Lynch reports that the majority of time spent managing the fund went into fundamental research, visiting company headquarters and picking up industry insights from lunchtime conversations. His travel diary is as useful, peppered with observations such as, "The extravaganza of any corporate office is directly proportional to management's reluctance to reward shareholders." Lynch continuously stresses that the lucrative data he scoured the globe to obtain was all just common knowledge to the people who work in the individual industries, who should, but rarely do, benefit from the privilege of what they know.

The final third of Beating the Street is an in-depth synopsis of the research that Lynch conducted in making his 21 stock picks for the 1992 special edition of Barron's. Judging from the record of his past performance, and the research he so painstakingly details, Lynch's picks could make owning his book an investment of immense value. A convincing, entertaining and effortless read, Beating the Street is a sheer necessity for anyone who has feared the intimidating subject of personal investing. Lynch not only delivers a coherent and persuasive strategy for wealth building and security. He makes the stock market seem approachable, even enjoyable.

—Steven Wiener
SURE this book is full of politics, with a bit of science thrown in. What were you expecting? Vice President Al Gore has spent more than half his adult life as a professional politician, and it certainly shows in his well researched manifesto Earth in the Balance. The book starts out on a promising note as Gore spans the eons of time explaining the Big Bang, Ice Age, Renaissance, Industrial Revolution and our own high tech society, as well as the significance these events and many others have for the environment.

As one reads on, expectations build that the author will unveil some valuable and workable solutions to the many complex environmental problems described. Unfortunately the reader is left empty handed, as Gore the politician takes over the reigns. The solutions the author offers, under the guise of "a Global Marshall Plan," are generally ambiguous suggestions devoid of any concrete details of implementation or financial requirements.

However, you can tell that Gore did his homework. He was, no doubt, building a resolution of policy alternatives amounting to his own battle plan for combatting the environmental crisis. Gore has in his 15 years in the Senate become very knowledgeable about environmental issues. He sponsored the Superfund Bill in 1980, and has stayed at the forefront of the Amazon rain forest issue. Throughout the first half of the book Gore does a credible job describing a number of historical events that he clearly links to a variety of environmental phenomenon. The vice president seems to leave no stone unturned as he dwells on the most prolific causes for environmental problems: CFC's (coolants used in air conditioners, refrigerators, etc.), auto emissions, deforestation and overpopulation.

At times his explanations of environmental problems get murky. "I believe that our civilization is, in effect, addicted to the consumption of the earth itself." Caught in the language of New Age touchy-feely ecstasy, Gore attributes this to psychological and moral causes that, frankly, sound a bit vague. "The froth and frenzy of industrial civilization mask our deep loneliness for that communion with the world that can lift our spirits and fill our senses with the richness and immediacy of life itself," Gore observes.

Gore is not above dumping the blame on the other guys. Several passages in the book blame the problems plaguing the environment on the inadequacies of the Reagan and Bush administrations. Sometimes it seems he goes out of his way to deliver a cheap shot, especially in his recurring references to Bush's waffling about the United Nations summit in Rio and the Superfund legislation.

Unfortunately, the second half of the book leaves a lot to be desired. The rhetoric of the final two chapters—nearly a third of the book—seems to come straight off the teleprompter. It seems strung together by speechwriters looking for the perfect soundbite, and unconcerned with more substantive issues. The climax comes when Gore unveils his Global Marshall Plan for the environment. At the core of the plan is a U.N. "Stewardship Council" modeled after the Security Council. Obviously Gore believes the highly successful Security Council is devoid of political bargaining, which he lists as one of the major causes of current inactivity, impeding the effort to save the environment.

As the grandiose plans unfold, one problem becomes conspicuous. The specifics are missing, including any concrete ideas about who will pay for Gore's grand scheme. Does he think the Japanese are going to do it? The closest the vice president comes to detailing the mechanics of raising the necessary capital to implement his plan, is expressed in a completely open-ended statement: "The second goal of the Marshall Plan should be a highly well-financed program to accelerate the development of environmentally appropriate technologies."

As the book concludes, Gore spends too much time reiterating his earlier complaints about the harm that current technology causes. He proposes the development of new technologies that will take the place of the bad old ones, but again he is weak on the specifics.

Gore takes on a topic of monumental importance and starts out with a full tank of enthusiasm and fervor. He proceeds to do an acceptable job explaining a wide variety of historical events and scientific data, relating them with environmental history and crises. However, towards the end of his work, Gore is running on empty.

—Michael Plotnick
Family Leave

Until early this year, the United States was the only industrialized country beside South Africa without a national family leave policy. On February 5, Congress passed the Family and Medical Leave Act. The bill covers employees of companies with 50 or more workers as well as all government employees, and guarantees up to 12 weeks of unpaid leave for medical emergencies. The FMLA protects about half of the nation's workforce, and requires an employer to provide health care benefits during leave. Critics insist the Federal bill will hurt small business by imposing an unnecessary and disruptive burden.

— Björk Palsdottir

Nannygate

The first week of the Clinton administration was rocked by "Nannygate" when Connecticut attorney Zoe Baird and New York Justice Kimba Wood were forced to withdraw from consideration as attorney general nominees because they once employed illegal aliens for domestic help. The law mandates that social security taxes be paid on workers who earn in excess of $50.

— Yaritza Gomez

Cable TV

Liberty Cable and other metropolitan-area upstarts providing service through the use of microwaves are challenging Time Warner's virtual monopoly on cable TV. The regional Baby Bells are also making inroads as telecommunications and entertainment start jostling for turf in the cable TV and interactive video market. The Justice Department prohibits the regional Bells from owning more than 5 percent in any video/cable business. That did not stop Bell South from getting into a joint venture to provide interactive video via its already installed "house to house" fiber-optic network, the first in the nation. Similar service could appear in the Northeast in the next two years.

— Zelphia Phillips

Sexual Harassment

The EEOC reports that sexual harassment charges filed in the first half of 1994 increased by more than 50 percent over last year to 4,754 complaints. Newly proposed legislation will require jail time for harassment. The proposed statute is opposed by the National Organization for Women which feels that current statutes are sufficient, but enforcement is inadequate.

— Kim Y. Weber

Golden Years

Employers are finding new ways to help with the growing problem of elder care. Travelers of Hartford, Connecticut gives employees direct subsidies of $400 to $1,200 a year for elder care. First Hawaiian, a Honolulu banking concern, offers an elder-care subsidy of as much as $200 a month as an aid in retaining workers in the city's tight labor market. New York State plans to endorse a nursing home insurance plan, which would also cover home care, to keep families from intentionally impoverishing themselves to qualify for state-financed care. State officials hope the program will help slow the hemorrhaging that has drained off New York's already massive $6 billion-a-year Medicaid budget for long-term care.

— Jean Roth

Multiculturalism

After a tumultuous three-year reign, New York Board of Education Chancellor Joseph Fernandez was ousted by a much publicized vote of four to three in early February, clouding the future for his controversial "rainbow curriculum" which stressed multiculturalism. Business groups, which contributed $25 million for projects Fernandez started, may be unwilling to put more in a school system that is severely divided.

— Karen Lam
Antoinette Anderson (assistant art director)
is a junior majoring in graphic communication and
minoring in psychology and sociology.
She is an intern on "The Jane Pratt Show" on Lifetime Cable.

Prudence B. Chase (associate editor)
is a graduating senior, majoring in history with
a minor in women's studies.

John Chiou (associate editor)
is a senior majoring in corporate finance, minorig in
international relations. He served as a translator and a junior
researcher at Progressive Research, an international marketing research firm.

Luz Zoraida Figueroa (designer)
is a senior majoring in graphic communication.
She interned at WPIX-11.

Claudia Flechas (designer)
is a junior majoring in graphic communication,
minoring in psychology.

Anthony Harvey (designer)
just graduated as a management major.
He is a free-lance graphic designer who designed
and produced the BASS calendar.

Heidi Henle (associate editor)
is a senior majoring in corporate communications, minorig in
journalism. She is a free-lance writer/editor interning with the
Investigative News Group's Geraldo show.

Timothy L. Jones (illustrator)
is a junior majoring in graphic communication
and minoring in computers. He is a free-lance designer.

Jennifer P. Lee (associate editor)
is a graduating senior majoring in computer information
systems, minoring in business journalism. She has filed stories
for the Global Information Network.

Rose Liebman (art director)
is a CUNY/BA graduating senior, majoring in fine arts/
graphic communication. She has interned with
Reliable Design in New York and as a junior designer at
Adel/Saatchi & Saatchi in Athens, Greece.

Nina McIntosh (designer)
is a senior majoring in graphic communication.
She recently spent a year abroad in Berlin.

Sally Neale (design director)
worked as a graphic designer for Dun & Bradstreet
for four years. She is a free-lance graphic designer and
graduating senior, majoring in graphic communication.

Rafael A. Olmeda (editor-in-chief)
is a senior majoring in journalism with a minor in political
science. He is a former editor-in-chief of The Ticker and held
an internship last summer at New York Newsday.

Haruo Onodera (designer)
is majoring in graphic communication and minoring in
environmental science. He has interned as an assistant
researcher at Stock Market, a stock photo agency.

Bjorg Palsdottir (associate editor)
is a junior majoring in business journalism, currently working
as a marketing coordinator at the Norwegian Tourist Board.

Vilma Peguero (designer)
is an upper junior majoring in graphic communication.
She recently interned at the Village Voice.

Zelphia Phillips (photo editor)
Senior, is the photo editor of The Ticker and photographer for
Lexicon, Baruch's yearbook, and the Baruch African Student
Senate. She is a contributor to New Directions for Women.

Robert Rechy (designer)
is a senior majoring in graphic communication. He has
interned at Lang Communications.

Bill Tomasas (illustrator)
is a CUNY/BA student majoring in graphic communication
and advertising. He formerly worked as
an aircraft mechanic for Pan Am.

Magdalena R. Veloso (associate editor)
is a sophomore majoring in marketing/advertising and minoring
in graphic communication. She has interned with the National
Academy of Design and The Asia Society.

Kim Y. Weber (associate editor)
is a graduating senior majoring in business journalism,
interning at WCBS-TV in the news department. She has also
interned at the Cable News Network in business news.

Steven Wieting (managing editor)
is a graduating senior majoring in corporate communication,
who has written for Owner Manager magazine and is co-
authoring a book on employment fraud.

Stanley H. Wong (associate editor)
is a graduating senior majoring in business communications,
minoring in journalism, and has interned at Walt Disney
World, Florida.