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- Coney Island
- Troubled Waters
- 1989 World’s Fair

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DOLLARS and $ENSE
BARUCH COLLEGE BUSINESS REVIEW

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*On the Cover: Photograph by Joe Spasiano; Design and Hand Tinting by Jo Marie Fecchi*

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DOLLARS and SENSE, May, 1985
Haute Cuisine Frozen by Lloyd Shakes

When Clarence Birdseye went ice fishing one winter morning in 1920 off the coast of Labrador, the idea that one day he would be a pioneer of food preservation was probably far from his mind. But on that morning he discovered that the fish he pulled from the ice froze instantly. He took them back to camp, had them cooked and found that they were as delicious as any fresh fish. Birdseye was fascinated with the concept, and a year later organized the first company to package frozen food. The revolution in food processing had begun.

A Cold Shoulder
The early years of the frozen food industry were marred by crudely designed equipment that resulted in enormous losses of processed food. Another early problem was the public's hostile attitude toward any cold storage food. As new techniques of freezing developed, enabling foods to be stored for longer periods with remarkable retention of freshness, processors turned their attention to changing consumer attitudes. By 1938, the annual dollar value of frozen food was still a small $68 million. "One of the reasons for this," says Cathy Chang, publicity manager for Swanson's Le Menu frozen entrees, "was that marketers in those days had to convince people of the merits of a technology they had never heard of, and products they had never seen."

By 1942, the dollar volume of all frozen foods rose well over 100 percent to $182 million. Seventy million dollars of this reflected sales of prepared foods such as chicken fricassee, beef stew, criss-cross steak and roast turkey. Advertising, increased from $20 million in 1938 to $52 million in 1942, played a vital role in selling the public on the virtues of frozen foods.

The Heatable Feast
Campbell Soup Company's Swanson TV dinners, introduced in 1953, were the first complete meals on the market. Each dinner came packaged in a metal tray, with sections for sliced turkey (or beef or chicken), mashed potatoes and peas, each with its dab of sauce or pat of butter. Prices ranged from 88 cents to $1.50 depending on ingredients. The original TV dinners offered limited variety, so consumers had to be content with only a few choices.

Today, an extensive variety of frozen foods are available, and competition for freezer case display is heating up, especially among premium entrees. "This tremendous growth in product variety," says Marguerite Dannemiller, product manager of Stouffer Corporation's Lean Cuisine meals, "represents a dramatic shift in consumers' attitudes. Frozen foods once viewed with skepticism are now accepted for the quality, value and convenience they offer."

When frozen foods were just becoming welcome dinner guests, traditional American dishes like pot pie and stews dominated almost 90 percent of the market. Today's appetites require lighter foods of consistently higher quality. These tastes mirror social trends that include awareness of nutrition and calories among a population that as a whole has become older and more affluent. Convenience products like frozen foods and microwave ovens to heat them in are popular with the 25% of adult Americans that are unmarried and living alone, but the real catalyst in this rapidly expanding market is the number of working women—about 55% of all adult females.

Fear of Fat Boosts Low-Cal Sales
Competition in the workplace has contributed to tremendous weight-consciousness, and some companies have successfully zeroed in on this segment by offering low-calorie meals. Stouffer's Lean Cuisine line of frozen entrees has been the choice of scale-watchers since its introduction in 1982. First year sales of $125 million rose to $200 million in 1983, reports Marguerite Dannemiller. Still, this is only a fraction of Stouffer's total frozen food sales, which she estimates accounted for 28% of 1983's $13 billion market. (Quick Frozen Foods magazine calculates total industry sales for that year at 15.3 billion.) The Lean Cuisine line is expanding rapidly—15 entrees, each under 300 calories, will be joined by several more in the coming months.

Maintaining the edge against the ranks of low-cal contenders vying for freezer space will be difficult. Classic Lite dinners from Armour also count in under 300 calories, including a vegetable and starch. The secret for reducing calories, says Susan Hanley, manager of Product Publicity, is in the sauce. Retailers ask $2.99 to $3.79 for the nine dinner combinations, like Chicken Burgundy, Chicken Oriental and Turkey Parmesan. The meals come inside gray and burgundy boxes on round, white heatable plates of clay and plastic, like airline trays. Most often calorie-counting
women buy the meals for themselves, according to Hanley, while “their families eat something else.”

Seeking to recapture that mostly feminine attention in the low-calorie section of the freezer case, Weight Watchers have fancied up their entrees and their formerly clinical pink packaging. Armour’s parent company, ConAgra also produces 13 Light and Elegant entrees sold under the Banquet name.

Frozen Food Fans Are “Yuppies”

Hanley classifies the buyers of Classic Lites and her company’s other line of frozen dinners, Dinner Classics, as “yuppies” from 25 to 35 years old. Older, retired people buy them too, but singles and two-member families are the primary purchasers. She says “younger couples heat and eat these together, or one at a time if they’re on staggered meal schedules.” Sixteen varieties of Dinner Classics come in elegant black boxes, and six more will be added in the next several months. Weighing between 8 and 12 ounces, dinners like Chicken Fricassee or Swedish Meatballs average 500 calories. Prices range from $2.69 to $3.79.

Armour’s dinners sell particularly well in the Midwest, according to Hanley, who notes that supermarkets there are “newer, and enormous, with much bigger freezer cases than the older urban areas of the East.” Because people in the West are “into trying new things, and convenience items,” frozen foods are popular there. Hanley says 85% of Western homes have microwaves, capable of zapping a dinner to table-ready temperature in 6 or 7 minutes. (Conventional ovens require 40 to 45 minutes.) The national average of microwave ownership is one-third. In the East, she says “high rents, smaller kitchens and stores are taking...
away from frozen food sales.”

Frozen dinner production, at least, thrives on the East Coast at New Jersey-based Campbell Soup Company, home of Swanson Le Menu frozen entrees. “These premium entrees are aimed at the well-heeled singles between the ages of 25 and 40, and working couples who want both convenient and fancy dining, and who don’t mind paying a price from $4 up to $7 for a single premium dish,” says publicity manager Cathy Chang.

Le Menu entrees come in classy packaging—beige box, script logo, and an attractive photo of the food with a pretty napkin tucked alongside. A recent TV commercial showed beautiful people eating the dinners, with fine wine, aboard a yacht. “When Le Menu was first test-marketed in 1983, Swanson was unable to meet demand,” says Chang. The products were soon released nationally, and sales soared beyond the $100 million predicted for the year.

Newest Manufacturer on the (Ice) Block

“A Le Menu or Stouffer look-alike would never get in the freezer case,” says savvy Ernie Townsend, president and creator of The Budget Gourmet. He realized “No one was offering high quality entrees at reasonable prices,” and search revealed “consumers were not buying as much as they’d like, and were not serving premium-price dinners to kids—it was a treat versus a regular serving occasion.”

Bingo! The Budget Gourmet, a line of 12 premium entrees that sell for $1.69 each, was conceived. Beginning April 10, 1983 Townsend’s concept was researched and tested; production, packaging, advertising and distribution strategies were devised. An astounding five months later, on October 3, 1983, The Budget Gourmet was rolled out into the marketplace.

Townsend had worked for years as Vice President of Marketing for Van de Kamp’s frozen fish line, a division of General Host recently sold to Pillsbury. Though General Host is basically not a food manufacturer—its main concerns are running retail cheese shops, garden centers and pretzel stands—it is the proud parent of The Budget Gourmet.

First-year sales passed $100 million, and the entrees boast a very high repeat rate—those that try the product buy it again. Some measure of this success is due to concept testing in the Midwest and on the West Coast. Users of key competitors were asked why they used that category of frozen food, how they felt about it, and what improvements could be made. Findings were applied to The Budget Gourmet.

The alluring $1.69 price is achieved, not through skimping on quality ingredients, but through less expensive packaging. Polyester-paperboard cartons are cheaper than plastic serving plates, and require less space in shipping and warehouse storage. Though it is unusual for a manufacturer to dictate the selling price of a product, Townsend says few retailers have complained. In several cities, however, he conceded to a sales price of $1.79.

For extra convenience, all entrees are cooked at the same temperature for the same amount of time. The reason for marketing entrees, and not dinners like some other manufacturers is “we couldn’t improve on macaroni and cheese, or the other side dishes they offer.” Also, Budget Gourmet’s pricing strategies would have been broken up, affecting value perceptions.

Consumer opinions are important, but consumer taste tests, such as those used by Armour, are “absolutely out of the question.” Townsend has found that “no matter what the samples taste like, one-third of those polled will think it’s just OK, another third will always find it too spicy. In order to maintain good flavor levels we develop products for ourselves, based on our experience in dining.”

“I still eat our stuff all the time,” volunteers Townsend, whose own favorites include Sirloin Tips with Country Vegetables and Linguini with Bay Shrimp and Clams.
Although his entrees are eaten by everybody in the consumer's family, it is still primarily women 18 to 49 who actually do the buying.

Where the larger supermarkets on the West Coast stock 10 to 12 of his entrees, Eastern stores have room for only 6 or 8. But "complaining that space is tight is what you say when you've got nothing to sell." Budget Gourmet sales double when the number of products stocked is increased 30% from 8 to 12.

Surprisingly, The Budget Gourmet's low prices and strong sales have not affected the other premium producers. Townsend explains "we are exciting the market, expanding the category of frozen foods. Lower-end brands are losing their shares first, but people are still buying Stouffer's and the other up-scale foods."

Some Like It Hot

Consumers are demanding heaping portions of better taste as well as quality ingredients in their frozen foods, and producers are responding by serving up ethnic dishes. In the early days of frozen food production, only starchy, beefy American dishes were considered good enough for the sophisticated palate. But when immigrants began entering the U.S. in large numbers, bringing along their cultural heritage and culinary art, ethnic foods, or as Stouffer's Dannemiller would prefer to call it, "international cuisine" was introduced to America.

In 1983, prepared frozen food retail sales totalled 6.9 billion, up from 6.1 billion the previous year, according to Ross Chamberlain, senior editor of Quick Frozen Foods magazine. Ethnic food sales rose 21.62% in that time. In 1982, ethnic foods represented 8.7% of the total prepared retail market with sales of $532 million. By 1983, they accounted for 9.4% of the market with sales of $647 million.

Italian-style dishes are the favorite in terms of total pounds produced, while Mexican foods hold a steady second and Oriental foods are listed in third place, according to the National Frozen Food Institute yearbook for 1983. However, regional preferences vary, says Dannemiller, with the demographic and psychographic characteristics of a particular population. The Northeast, the traditional stronghold of Italian Americans, shows a definite liking for Italian and Oriental foods. Mexican and Oriental dishes are popular in the West, Southwest and Southeast, where the majority of the U.S. Hispanic population is concentrated.

"The ethnic boom is here to stay," quips Le Menu's Cathy Chang. Intent on a bigger slice of the pie, Swanson will spice up consumers' lives with such ethnic favorites as sweet and sour pork, corn tortillas filled with cheese and chili sauce, and Oriental beef.

As Always, Caveat Emptor

Nutritionists at the Center for Science in the Public Interest, a non-profit research group in Washington, have charged that many of these upscale dishes are drenched in saturated fat, loaded with sodium, and chock full of preservatives. The Center urges all consumers, especially those with high blood pressure, to be aware of the contents of their frozen dinners. Stouffer's Marguerite Dannemiller denies these allegations, pointing out that the Lean Cuisine entrees use a special processing method to remove all fat from the meats.

The Budget Gourmet uses no preservatives, but admits to some MSG in 4 of its 12 entrees. (Few frozen foods aside from vegetables are without this flavor enhancer.) Ernie Townsend says it's used to keep "a high flavor profile" in those dishes whose "flavor notes" do not fare so well when frozen. He adds, "We're trying to get it out, and we've almost perfected the method."

In recognition of consumer concern with salt, Swanson lists sodium levels with other nutritional information on Le Menu and TV dinner packages. But says Cathy Chang, "in spite of all these charges about frozen foods, there is an audience out there—people who are tired, busy, and trusting."

The Approaching Cold Front

Over 10.8 billion pounds of frozen food were sold in retail markets in 1983, reports Chamberlain. 1983 retail sales of $15.33 billion were up from $14.30 billion the previous year. Sales of institutional frozen foods to restaurants, hotels and schools totalled $17.52 billion in 1983, up from $16.12 billion in 1982. Chamberlain expects the industry will continue its steady growth of 5 to 7% for the next few years.

Saul Beck, publisher of Quick Frozen Foods for over 20 years, knows this business. "You become smart because of longevity," he says, summing up the state of the industry: "The main trend is upscale: an upscaling in packaging, quality and content of frozen food entrees, and not only in retail but in the food service area. All of the big companies—Armour, Campbell, Stouffer—are involved. The really surprising thing is that in the last three to five years we have seen an upswing in the food service market above the retail market. In other words, that little bite you go out to eat is now frozen food."
For thousands of college students across the country, college radio means nothing. For Jim Cardillo, Music Director at WNYU (New York University) "college radio must be taken seriously because it is a business." Free from the pressures of commercial radio—like ratings, audience response and trends in format—college stations are necessarily less structured than their high-frequency counterparts. But as with any business, there is no escaping responsibility.

"We depend on college radio," says Loren Gerson, National College Promoter of IRS Records, a subsidiary of A & M. "College markets are the primary purchasers of our products, but college radio's impact on sales is very difficult to measure." College Media Journal president Robert Haber estimates "college radio airplay alone can sell 25,000 to 50,000 copies of a record."

Capitalizing on a direct link to potential buyers is the reason record companies send college stations free albums to play. The promotional process is two-way, however. Record promoters have limited budgets, and want to see and hear things in return.

The Promotion Process

Music directors of college radio stations communicate, most often by phone, with college representatives from record companies such as Warner Brothers, RCA and CBS. A few quick calls can tune the companies in to campus preferences, but tangible evidence is also vital.

- **Playlists** - These are simply pieces of paper sent to stations by college promoters of record companies, usually monthly. Divided first by music type (Rock, Soul, Jazz, etc.), the playlists are subdivided to reveal heavy, medium, and light rotations—how much airplay a particular artist gets.

  Mary Conroy of Atlantic Records says, "Although I promote jazz and adult contemporary artists, I read about 200 playlists every month." John Sigler, National College Promoter of RCA Records feels "playlists are good immediate indicators that college radio stations are filling a void in the marketplace by supporting developing artists as well as already established stars."

- **Developing New Artists** - College radio is the ideal venue for testing new acts, developing existing acts, and sometimes reestablishing former stars. A record that stays top-10 on the college charts for six or more weeks almost always reaches and climbs the commercial charts. Sigler says college stations can "give a high degree of visibility and support." Cultivating this exposure is the goal of promoters. "We have approximately 340 college radio stations on our mailing list," says Karen Glauber, National College Promoter of A&M Records.

- **Feedback** - Since college radio programmers determine what gets airplay and what doesn't, record companies need to speak to these decision-makers to plug their own artists. Playlists aren't enough. Jack Isquith, National Manager of Alternative Music at Polygram Records says, "If I do not get feedback from the college radio stations on which artist has gotten airplay, how much airplay, and which specific 'cuts' are played the most—then they are wasting my time."
• Special Promotions - Periodically, promoters work with stations on special projects like over-the-air giveaways of records or club passes if a particular act is in town. These promotional efforts are naturally popular with audiences, and effective publicity. Record company representatives may also speak at press conferences, and grant telephone or personal interviews.

College Radio’s Impact on Sales

Since college stations cannot tabulate audience response through expensive polling procedures used by commercial stations, and phone-ins are usually only for requests, sometimes college radio’s actual contribution to sales is questioned. Steve Bonilla, College Promoter of Island Records in New York says “The college radio market as a whole comprises 80 to 90% of our sales, so theirs is a definite impact. It’s just not quantifiable.” He adds “Twenty percent of Island’s budget goes into college promotion, because many of our acts, like U2, became successful this way. College radio sold 50,000 copies of U2’s 1983 release War, and it then went on to sell 500,000 copies at the commercial level.”

RCA’s John Sigler explains, “every act has a set budget, and the amount varies from company to company. A new act like The Nails cannot attract commercial airplay, so most of the promotion money is spent on college radio. Established stars like Hall and Oates don’t get any college promotion even though college radio might support them.”

“Eleven on a scale of ten.”

The Independent Labels

The bulk of record companies in the United States are independent or non-major labels. Spurred on by the growth of college radio stations in the past ten years, there are now approximately 550 independent labels. More are joining the market at exponentially increasing rates.

Independent labels promote their artists on college radio the same way the majors do, with one exception—money. “Many independents are on very limited budgets and are struggling to survive,” says Nick Cucci, College Promoter of Thirsty Ear Productions, an independent label in New York. On the average, non-major labels release only five to ten albums annually, and must selectively target stations to receive promotional copies.

Blake Gunprecht of Twin/Tone Records in Minnesota says, “college radio hasn’t proven to sell records for us yet. It will get people to notice our acts. Then again, you’ve got to remember that for us it’s either college airplay or nothing.” Josh Grier of Dolphin Records in North Carolina assesses college radio’s importance to the survival of his label by rating it “eleven on a scale of ten.”

Pam Kent, College Promoter of Landslide Records in Atlanta sees a dismal future for non-major labels. “Sales are low, distribution is mediocre, artists are getting licensed overseas. And now with Reagan’s big conservative swing, may independents will collapse.”

College Radio Publications

Unity is still the best defense, and publications like College Media Journal (CMJ), US Rock, Rockpool and The Gavin Report are attempting to organize and strengthen college radio by sharing information.

CMJ is a bi-weekly magazine started in 1978 by Robert Haber. Music directors of over 250 college radio stations phone in detailed playlists which are statistically analyzed to rate college radio’s top albums, singles and imports, and

DOLLARS and $ENSE, May, 1985
audience response. CMJ also reviews the latest releases of all musical genres. Mary Conroy of Atlantic Records says “Reporting to CMJ gives the station a sense of organization, and is a prerequisite for the station to get record service from Atlantic.”

US Rock, formerly Boston Rock, was started in 1980, and has a monthly readership of 40,000. Featuring reviews and interviews, this publication and others are useful “tip sheets” telling who is playing whom. Regular readers are college radio stations, major and independent labels, distributors and retailers, plus anybody interested in non-commercial music.

Aiding the Alternatives

Any college radio station with access to a computer and a modem can take advantage of a system devised by the Performing Artist Network (PAN). Perry Leopold, Executive Director of PAN says his plan is to “legitimate college radio stations through information sharing.” $125 buys a key into PAN’s radio network enabling a station to send their playlist to all trade papers and over 500 record companies simultaneously. It takes just one short phone call. Network members can find any record released since 1945, with access to the world’s largest record library (aside from the Library of Congress) and can participate in daily news conferences with record industry people. “Hard copy” mail services like Electronic Computer-Originated First Class Mail and Telex are also available.

Rob Burr of QL Records in Florida, a PAN sub-network manager says “Our electronic data base will save money for college radio stations in the long run. However, it’s difficult to say how fast college stations will join PAN.” The reality of subsistence-level administrative funding means few stations can purchase or even gain access to a computer. Cary Vance of WBCR (Brooklyn College) speaks for many stations when he says “No way can we afford $125 a year to be online.”

Intercollegiate Intermediary

650 student-staffed radio stations comprise the non-profit Intercollegiate Broadcasting System (IBS). All types of facilities—closed circuit, carrier current, cable radio, 10 watt and high power FM—are advised by volunteer industry professionals. “With IBS, the college station no longer faces its problems alone,” says President Jeff Tellis. For an annual fee of $90, stations may consult IBS regarding fund raising, advertising, public service announcements, underwriting (when on-air announcements mention corporate contributors) and implications of ever-changing Federal Communications Commission rulings. IBS publishes handbooks on college radio operations and practices, sponsors regional activities, and conducts an annual convention. Tellis says “We try to organize college radio without taking away its freedom.”

Why Students Tune In

Unfettered by commercial concerns, college radio stations enjoy leeway in programming—both an opportunity and a responsibility to attract new listeners. Nan Fisher, College Promoter of MCA Records says, “When your station is small, you’ve got to provide a market for people who aren’t hearing what they want on commercial radio.” The motivation for some students who become involved with their stations is hands-on experience in fund raising, community affairs, image promotion or advertising. Greg Adamo, General Manager of WSIA (The College of Staten Island) says his station members decide how best to spend an $8,000 annual budget on self-promotion.

Other students view college radio as a creative escape from business pressure. Mark Binke, DJ at WBMB (Baruch College) in New York, sums up this philosophy simply: “Here I have the freedom to play what I want.”
Troubled Waters

"There is only one body of water on our Planet Earth, constantly traveling from one river to one lake to one ocean."

Jacques-Yves Cousteau

Hercules, the popular hero of Greek myth is credited with cleaning the long-neglected Augean stables in a single day. These stables confined a herd of 3,000 oxen, whose waste and bedding had not been removed for thirty years. Legend informs us that Hercules accomplished this monumental cleanup by diverting the waters of the Alpheus and Peneus Rivers directly through the stables.

Today the waterways surrounding Manhattan Island are part of a very similar purgative scheme.

Residents and visitors exploring Manhattan's shorelines stroll, hike, or jog through numerous waterfront locations accessible to pedestrian traffic. A scenic parade of pleasure craft, tugboats and barges, tankers and freighters navigate the channels of the surrounding waterways.

Unfortunately, another spectacle awaits those perambulators of the urban shoreline. At many locations where water meets shore, a noxious scum hugs the stone and concrete embankments encircling the island. Wind and water currents slowly propel an offensive, buoyant mass of human waste, paper and latex products, within a frothy homogenous mixture of animal fat, vegetable matter, petroleum and chemical residue. This is the visible portion of the 200 million gallons of untreated sewage discharged each day from New York City’s five boroughs.

Sewerage

Modern sewerage dates from the middle 19th Century, when systematic waste removal and disposal methods replaced the open trenches commonly used as sewers during the Middle Ages. Sanitary engineering is largely responsible for the increased longevity and improved health we enjoy today. The originators of this science were the ancient Romans, who constructed waste disposal systems more advanced than any found in Europe before the 19th Century. They drained Rome with three large streams channeled through stone tunnels. The largest, the Cloaca Maxima, is functional to this day.

How the Rivers Are Affected

The Hudson River flows for 306 miles from its mountain source in the Adirondacks before opening into New York Bay, the natural harbor at its mouth. Tributaries of the Hudson originate in Vermont, Connecticut, New Jersey and Massachusetts. Tidewater pushing past New York City reaches upstream as far as Troy, New York, 170 miles from the Hudson's mouth.

As the Hudson passes New York City, its volume is daily increased by 150 million gallons of raw sewage.

The East River, flanking the island's opposite shore, is not really a river at all but a narrow ocean strait linking Long Island Sound with the upper bay. This waterway is swollen each day by an additional 60 million gallons of untreated sewage.

New York City Sewage.

Raw sewage pollution is not only a New York problem, but an issue of controversy and concern for many of the 22 million residents of the Hudson's drainage basin.

U.S. Representative James Howard represents the New Jersey Shore, an environmentally sensitive area dependent on tourism, recreation and commercial fishing. Clean water is crucial for much of the region's economic activity. Howard has sponsored many bills in the House which address environmental and water quality issues. His Washington D.C. spokesman Dave Smallen says, "New York City is fifty years behind schedule. It was ordered in 1935 to start making plans to treat its raw sewage and now it's 1985, they're still under court order and haven't yet met the dates."

Reacting to these and similar accusations and criticism by New Jersey legislators and newspapers is Arthur Katzman, chairman of the New York City Council’s Environmental Protection Committee. "New York City's water quality has improved substantially over the years," he says. Katzman believes that many of the city's detractors are politicians and newspapers deliberately inflating certain environmental issues to increase voter support and newspaper circulation.

"New York City engineers are pioneers in the field of water pollution control," asserts Bill Andrews, spokesman for the New York City Department of Environmental Pro-
retection (DEP). This agency has blanket responsibility for providing drainage facilities for the city’s waste and storm waters as well as protecting the quality of the waterways surrounding the city. Other DEP functions include the protection of air quality, noise control and toxic and waste emergencies.

New York City's first water pollution control plant opened in 1886. The small screening station did little more than remove gross debris, but it was the beginning of a pollution control program described by the DEP as "today, unequaled in the world." By 1930, nine screening stations were operating in various parts of the city. A year later, the city committed itself to begin construction of advanced treatment plants capable of high removal rates. These rates measure the percentage of suspended solids and organic material eliminated during treatment. The organic materials consume oxygen during the process of decay and are measured in units of BOD or "biological oxygen demand."

The first of the city's modern plants, the Coney Island facility, opened in 1935. Three more plants were completed before the Second World War forced the program to a halt. By 1968, twelve major plants were treating one billion gallons per day at an average removal efficiency of 65 percent. At that time most other urban areas provided only about 35 percent removals. These twelve plants still share responsibility for processing all the city's sewage, now estimated at 1.5 billion gallons per day.

Clean Water Requirements

The 1972 Federal Water Pollution Control Act, known as the Clean Water Act since its reauthorization in 1977, now requires removal rates of 85 percent. To attain this high standard, both primary and secondary treatment procedures must be employed. Primary treatment removes the aesthetic pollutants, the floatables, grease and also from 30 to 50 percent of the organics or BOD. Secondary treatment is basically a biological process. This technique removes up to 85% of all waste by mimicking nature in an artificially created environment. A few hours of treatment in a modern water pollution control plant accelerates a process that would take many days under natural conditions.

In 1976 a lawsuit was filed by the Federal Environmental Protection Agency (EPA) and the State of New York against New York City. The suit demanded the city's compliance with the 85 percent removal criteria mandated by the Clean Water Act. Settlement was reached that year when all parties signed a consent order placing New York City on a strict construction schedule for two new treatment plants.
The huge North River Water Pollution Control Plant, a $1.4 billion project is scheduled to open in December of 1986. This innovatively designed facility is being built atop a 30-acre platform over the Hudson River at Westside Highway and 137th Street. The new Red Hook plant located at the Brooklyn Navy Yard will come on line the following year in December of 1987. The plants will commence operations with primary treatment only, but under terms of the consent order, they will both be operating at full secondary treatment levels by 1991.

Waivers

Section 301H of the Clean Water Act includes a waiver provision which, if granted, may exclude a facility from some of the rigid Federal standards. New York City sought waivers from secondary treatment requirements for its Red Hook, Coney Island, Owl's Head and North River plants. "We felt that full secondary treatment wasn't warranted in terms of the impact it would have on the waterways. Our engineers measured the cost of achieving full treatment capacity against what they saw as a small incremental water quality improvement," says DEP's Bill Andrews.

The Interstate Sanitation Commission (ISC) reviews applications for Clean Water Act waivers. ISC's Director and Chief Engineer Al Mytelka says, "We opposed New York City and others who wanted to do less than secondary treatment. These requirements are necessary if we're ever going to clean up the environment."

The city ultimately withdrew its original waiver petitions, but now plans to pursue another 301H variance for the Newtown Creek plant on Staten Island. "We bowed to the Federal Government for all but Newtown Creek," explains DEP's Bill Andrews. The Newtown Creek facility currently operates at a removal efficiency in the 60 percentile range, but city engineers believe this performance can be upgraded to the 70 percentile range with some modest improvements. Andrews adds, "If we went to full secondary, which we're hesitant to do, we'd have to condemn some industrial property and put some people out of business. Along with the tremendous added expense, we don't think the small improvement is worth any of this travail."

Nearly ten percent of the city's projected $40.6 billion Ten Year Capital Investment Plan is slated for water quality projects. This investment plan, prepared by the City Planning Department as the Mayor's fiscal proposal is used as a framework for the actual budget. Of the ten year total, $2.1 billion has been forecast for water pollution control projects and another $1.8 billion for sewer replacement.
and construction.

A portion of the funding for water pollution control over the next decade will be used for study, design, and construction of facilities to eliminate raw sewage bypass during periods of heavy rainfall. During rainfall episodes, from five to fifteen times the normal dryweather flow can enter the sewers. This flood exceeds the design limits of the treatment plants. Regulators automatically divert this flow away from the plants and the storm water, along with the raw sewage, is channeled directly into the waterways. This event is known as combined sewage overflow or CSO.

"200 million gallons of untreated sewage are discharged each day from NYC's five boroughs."

Over 6,500 miles of sewer pipes and tunnels are buried beneath New York City. Approximately 70 percent of these are the combined sanitary and storm type which allow raw sewage to bypass the treatment plants. The city hopes to solve the bypass problem by gradually constructing separate storm and sanitary sewer lines. "Because the infrastructure of the Northeast is so old, the CSO problem requires an incredible infusion of funds," says Rich Cahill, spokesman for the Federal Environmental Protection Agency's Manhattan Office. "The cost would be like root canal work for the pocketbook," he concludes.

But a pilot project is now underway in New York City which may remedy the combined sewage overflow problem. The Dunker Method, named for its Swedish inventor, involves an apparatus located in the waters adjacent to the pollution control plants. Plastic curtains hanging from pontoons are designed to slow down and contain the discharges from CSO. As storms cease, trapped materials are pumped into the plants for treatment, before being released into the waterways. This method now successfully operates in Sweden on freshwater lakes, but has never before been tested in a tidal, salt water environment.

"CSO is the real insult to the environment," says Bob Alpern, Chairman of the Citizen's Advisory Committee on Environmental Policy (CAC). His position coincides with the city's on this issue. Bill Andrews of the city's DEP says, "We wanted to spend our money to correct the CSO problem rather than spending so much on secondary treatment projects."

"The CAC's viewpoint is not in the mainstream of the environmental movement," continues Alpern. "We try to take into account environmental considerations, but also budget limitations and other needs of the city." An example of a project whose costs far outweighed the advantages of improved water quality, he feels, is the North River Project, which "ballooned in cost to enormous proportions and consequently crushed other high priority upstate projects."

Environmental Action

Numerous environmental groups actively promote water quality issues in the New York area. One of the most visible organizations is the Hudson River Sloop Clearwater, Inc., commonly called Clearwater. The sloop Clearwater can often be sighted sailing in local waters. She is a 106 foot, gaff-rigged vessel, a replica of the Dutch Hudson River cargo sloops common during the 18th and 19th centuries.

"The Clearwater is really a symbol, the vanguard of the environmental movement," explains Sarah Johnson, the group's Environmental Program Director.

Clearwater Inc. often works with other conservation organizations including Scenic Hudson, Hudson River Fisherman's Association, and the Natural Resources Defense Fund. They frequently pool resources to sponsor environmental activities and to undertake legal action. "Today, explains Johnson, "litigation is the lever we have in regard to water quality."

Section 505 of the Clean Water Act, known as the Citizens Suit Provision, is the Federal statute upon which much of this litigation is based. It allows citizens to file suit against responsible polluters, the State government and the EPA.

The Hudson River Fisherman's Association recently alleged that Exxon had been illegally pumping Hudson River water into its tankers and transporting it to the Caribbean Island of Aruba. The multinational corporation agreed to a $500,000 out-of-court settlement.

Clearwater, in concert with other environmental groups, instigated legal action to release cleanup funds appropriated in 1980 by Congress, and frozen by the EPA. In May 1984, U.S. District Court Judge Charles L. Brieant signed an order of consent guaranteeing $20 million to dredge the upper Hudson of PCBs (carcinogenic substances for-
merly used in the manufacture of electrical transformers.) The PCB-contaminated dredgings will be encapsulated in a controlled landfill. However the court order stipulates that all necessary landfill permits must be obtained by New York State within three years of the signing date.

"Litigation is the lever we have in regard to water quality."

"One of the most important problems affecting water quality and general environmental improvement is the dichotomy in thinking within the American voter," says Clearwater's Sarah Johnson. "There's a real split in public opinion. Voters who re-elected President Reagan have specifically supported, in poll after poll, increased government spending to improve and protect environmental quality. Reagan's specific articulated policies are to cut environmental programs in this area."

**New Water Quality Tests**

The condition of our waterways can be evaluated by several different measurements. The Harbor Pollution Survey, conducted annually by New York City since 1909, measures the dissolved oxygen levels critical to the survival of marine life. These levels have improved significantly since the 1970s, but dissolved oxygen is not the sole indicator of a waterway's health.

Dr. Joel O'Connor is Senior Ecologist for the National Oceanic and Atmospheric Administration Research Facility at Stony Brook, New York. He is working to develop new water quality measuring techniques and standards. "These standards, called indices of degradation, are being designed so that scientifically approved standards can be used by decision makers, specifically government officials, in making judgments and plans affecting water quality issues," explains Dr. O'Connor. Contaminants in rivers and oceans now under study include toxic synthetic organic compounds, petroleum compounds, and toxic metals, specifically, PCBs, cadmium and DDT byproducts. (Although banned for many years, DDT residue still washes into the rivers.) The relative importance of these substances in terms of environmental degradation is still essentially unknown.

Concerning the establishment of safe and reasonable limits to pollution, Dr. O'Connor says, "What is unreasonable has no basis in science. It only has a basis in the tolerance of people. In my view things were pretty much fine back in the times of Columbus and I'm not sure we can improve on evolution. That's a matter of morality, not a scientific statement at all."

Although the issue of raw sewage discharge into New York's waterways has received much remedial attention, and substantial progress is being made, other serious environmental issues now loom ominously on the horizon.

Technological progress combines elements both malignant and benign. PCB contaminates our waters, acid rain slowly devastates forests, wildlife and fisheries. Scientists now monitor the atmospheric greenhouse effect, a gradual warming of the earth's climate induced by large scale combustion of fossil fuels. These complex problems are emerging at a time of unprecedented scientific and technological change.

Humankind is no longer stalked by the saber-toothed tiger. Today different forms of environmental menace, ever-changing and perilous, continue to challenge our lives and progress.
Redefining Small

by Andrew Williams

Hopes and dreams of being the first black-owned company in the "Fortune 500" were almost a reality in 1981 for Charles Wallace, founder and president of Wallace & Wallace Enterprises, Inc., petroleum sales. Since 1968, Wallace had won $76.7 million in government contracts. He had subsequently acquired facilities to develop an oil refinery.

The company soared to number 10 on the "Black Enterprise 100" (BE 100) in 1980 and was number 2 in fiscal years (FY) 1980-81 and 1981-2, grossing sales as high as $81 million in 1982. But FY 1982-83 was the year Wallace's well almost ran dry; his company grossed sales of only $32 million in 1982, down 39% from FY 1981-2 and registered as number 16 on the BE 100. Falling further from economic grace in the following year, Wallace & Wallace numbered 84 on the BE 100 with gross sales plummeting to $10 million, a 31% decline from the previous year.

Wallace & Wallace, Inc.'s economic demise coincided with its forced graduation from the Small Business Administration's (SBA) Section 8(a) program. Borne of the late '60s Nixon administration's "Black Capitalism" programs, Section 8(a) "set aside" government contracts for "socially and economically disadvantaged" firms. Wallace & Wallace eventually became a business "other than small," or, too big to qualify for further 8(a) consideration, according to the SBA. But some of the firms whose gross sales significantly declined after their graduation say that they were wronged by the SBA.

Black Business Equals Small Business

In 1970, blacks comprised the largest minority. 22,272,000 blacks represented 92% of the total minority population. Even though the title of "Black Capitalism" was eventually changed to "minority enterprise," the target of these types of government programs remained basically blacks. The typical black-owned business, a 1970 study by the SBA revealed, was a one-man personal service or retail shop grossing less than $20,000 in annual sales. Blacks accounted for 11% of the nation's population but owned only 2.5% of the nation's businesses at the time of that survey.

The median income for a black family of four was $359 above the $5,000 poverty level and the unemployment level was 7%, almost twice the 3.8% unemployment for whites. This, however, did not prevent blacks from spending more than $35 billion on goods and services in 1969, a figure that exceeded the GNP of eight nations at that time. All of this money, however, was not being spent in the existing black businesses. Sixty percent of the black-owned businesses were patronized predominantly by blacks; however, white-owned businesses outnumbered those that were black-owned in many areas with high black populations. For example, in Chicago, 95% of the businesses were white-owned.

Getting Blacks into the Bidding

Black-owned small businesses have a higher mortality rate than white-owned small businesses. The failure rate has been estimated at 50%, a number Time magazine deemed "hard to pin down." To remedy this problem, President Nixon in 1968 signed an executive order that formally committed the government to aid in the development of minority businesses. It was the intention of the Nixon administration to increase the success of or more accurately reduce the failure rate of minority businesses.

The government's planned method of operation was to provide assistance through specific agencies in the areas of counseling, management training, and financing. For new businesses, loans became available at very low interest rates. For those businesses already established, Section 8(a) was amended to the Small Business Act enabling minorities to qualify for government contracts if certain criteria were met.

Section 8(a) offers contracts with federal agencies on a non-competitive basis. The contracts are in a portfolio managed by the SBA and reserved for firms that fit their description of "socially and economically disadvantaged." That is, firms owned by minority groups such as "Blacks, Hispanics, Native and Asian Pacific
Americans.” Other groups that do not match the SBA's socio-economic interpretation may still be eligible for the program “if they prove that they are disadvantaged on an individual basis,” says Ambrose Murtaugh, who interviews 8(a) applicants for the SBA.

A firm must also meet the SBA’s criteria for smallness. According to Susan Clifford, public relations spokesperson for the SBA, there are different measurements for different industries based on number of employees and gross sales. For example, “manufacturing eligibility is determined on the basis of employees ranging from 500—1,500 depending on the nature of the manufacturing firms. We look at an average of gross sales over the previous three years,” says Clifford. Gross receipts should not total more than $17 million for a construction firm or more than $9.5 million for a business services firm. “We don’t want start-ups. We must certify that the company has the financial, managerial and technical capabilities to perform,” says Murtaugh.

Another prerequisite the firm must meet is proving that it has been subjected to either racial/ethnic prejudice or cultural/social bias. This information must be documented on the 8(a) Personal Eligibility Statement, a four page form used to determine the extent to which prejudice within the firm’s particular market hindered the company's growth. The form asks that the applicant be “very specific” when describing how the prejudicial experiences led to an inability to acquire necessary financial backing.

The 8(a) Business Eligibility Statement, a second application that must be completed, is an eight page form requiring “business and management” information. The application asks for business data such as the type and legal structure of the business and a three-year sales history. In part
two entitled "Management Information," the names and
titles of officers must be listed along with the names of all
stockholders owning 20% or more of the company and
each employee earning in excess of $25,000 per year. The
third and last form that must be completed is the two page
Capability Review and Requirements Request which con-
tains many questions that also appear on the Business
Eligibility Statement. One of the few questions unique to
this form is a required "Business Plan Projection" of con-
tracts to be held in the future. Divided into categories such
as "8(a) contracts, non-8(a) contracts and commercial con-
tracts," the applicant must list expected monetary amounts
for each category for the next three years.

Once a firm is certified as eligible to participate in the 8(a)
set-aside program, a Fixed Program Participation Term
(FPPT) is assigned. The term specifies how long the firm
may participate in the program. The period of time is "5
years and the firms may be eligible for an extension of 2
years. After 7 years, the firms must graduate. If when the
FPPT expires, if the firm hasn't made it in 7 years, that's
evidence that it won't make it," says Murtaugh. When a
firm actually does graduate, it cannot negotiate any further
contracts with the SBA.

The Economics of Graduation
An eleven-year 8(a) participant is Unified Services, a
janitorial company. According to president Jerry Davis, his
company profited from its participation in the program,
which helped it to foster banking relations. However, Davis
feels that the eleven-year time period was inadequate.
Some companies do successfully graduate from the pro-
gram. But at the time of the Reagan administration's en-
trance in 1981, only about 15% of the firms did leave the
8(a) program successfully.

The newly elected administration considered the 8(a)
program to be poorly administered and ineptly managed.
They felt that the FPPTs were not being monitored properly.
Also unaccounted for were sums of money allocated to
assist companies in purchasing equipment while fulfilling
8(a) contracts. Based on these criticisms of the program and
an August 1982 court ruling which said in effect that
the program was to assist only small businesses, the largest
8(a) firms underwent a forced and abrupt graduation
in 1982.

Some of the graduated firms, however, say that their
graduation was "ill-timed," that the interim between
notification and graduation was insufficient and also
that their graduations were based upon "outdated size
standards, some dating back as far as the 1950s," according
to Black Enterprise Magazine. At the time when the
first group of firms was graduated, Section 8(a) was
under revision and in the process of being reformulated.

As a result of what some firms and Congressman Parren
Mitchell (D-MD), Chairman of the House Small Business
Committee are calling a premature and unfair graduation,
many firms have lost millions of dollars in contracts slated
for their business. Critics point accusing fingers at the SBA's
1982 revision of size and standards requirements for small
businesses. They also take exception to the actual gradu-
ation procedures. Many minority firms surveyed experi-
cenced a substantial decline in their overall financial posi-
tions, according to the "Black Enterprise 100." SBA
spokesman Murtaugh feels this is basically the fault of the
businesses themselves. "There was a tendency to rely
heavily on the 8(a) program," and not aggressively seek
contracts in the private sector.

"Over 500 new businesses
were admitted to the 8(a)
program in fiscal year 1984."

The Origin of BE
Regardless of whether the firms acquire their contracts
through government or private means, black-owned and
operated firms may be eligible to appear on the BE 100.
The BE 100 appears annually in Black Enterprise and details
the state of the economy via the top grossing firms of black
America. This yearly listing owes its genesis to the publisher
of Black Enterprise, Earl G. Graves.

With the push of Nixon's black capitalism programs in
mind, Graves decided that there was a need for a new
magazine. He wanted to create a magazine that could
guide the development of black economic growth by serv-
ing as a "how to" handbook for black business. To help
him sharpen his ideas, he tapped the minds of some of the
most seasoned and knowledgeable leaders of black
America. Serving on his board of advisors were people like
Senator Julian Bond, Senator Edward Brooke, economist
Andrew Brimmer, Henry Parks, chairman of the board of
H.G. Parks, Inc., and Congresswoman Shirley Chisholm.
Claiming such luminaries as supporters, also strengthened
Graves' hand with potential advertisers.

"I wanted to be a part of it because it was a magazine that addressed the unique concerns of the black community," says Shirley Chisholm. Not having served on any other magazine in an advisory capacity before or since, Chisholm says, "I don't go on just any board of advisors easily at all." As an advisor, Chisholm had input in the setting of policy and editorial content of BE.

Determined to succeed, Graves was able to secure a loan from Chase Manhattan Bank's Capital Corporation after rejections from several other banks. Graves borrowed $150,000 in addition to receiving some $25,000 more when Manhattan Capital Corporation bought 25% of the company. Black Enterprise commenced publication in August of 1970, and was immediately devoured by a black community hungry for black business news. "In the black"

"There should be some kind of structure afterward to help sustain the graduating firms."

by its seventh issue and profitable by its tenth issue, BE has continued to grow annually.

BE Debuts

BE has metamorphosed from a "how to" publication into a "business-oriented, consumer service" magazine providing information on money management and investment opportunity advice. In 1982 Graves assembled the BE Board of Black Economists who were to "study and review the economic state of Black America." Their results, published annually in BE, contributed to making BE the foremost authority on black economics.

According to Time magazine, the debut of the first annual BE 100 in June of 1972 was "another confirmation of the growing economic strength of the black middle class." In 1972, the biggest BE 100 firm was Motown Industries, with sales of $40 million, and the sales of all BE 100 businesses totaled $473 million. This figure, however, barely matched the sales receipts of a company at the midpoint on the "Fortune 500." To be considered for the BE 100, a company "must manufacture or own the products it sells." Businesses that provide industrial and consumer services are eligible; professional service firms are not. Gathering statistics on these companies is often difficult because they are privately owned and do not publish annual reports.

As chronicled by the BE 100, Motown Industries consistently led the countdown until June 1984 when it slipped to the number two position with sales of $108.2 million. Number one is presently Johnson Publishing Company, Inc., with sales of $118 million. In 1984, BE 100 gross sales set a new record with total receipts of $2.3, up 7.3% from 1983.

8(a) and the BE 100

Despite the new all-time sales record, there were significant shifts in the industry make-up of the top 100 companies. These changes, some would argue, may be traced directly to the Section 8(a) graduation of several BE 100 companies. Before all the largest BE 100 firms were graduated, Congressman Mitchell unsuccessfully appealed to the Reagan administration to enact a one-year moratorium on graduating firms, to prepare for the transition into the private sector. But in early 1982, the firms nonetheless were denied continued participation.

"FPPTs were assigned prior to 1982 but they were not enforced," says Murtaugh. For this reason some firms spent as many as eleven years in the program. Although actively protested in congressional hearings in 1981 by members of the minority business community, the five year FPPTs are being taken as a sign that the Reagan administration "will not be as concerned about helping a company to real economic viability." Many consider the Carter administration to be the true 'culprit' under which mismanagement concerning FPPTs actually took place.

David Smallwood, managing editor of Dollars & Sense magazine, a black-owned and operated national bi-monthly with a light business orientation, thinks that more government assistance is needed. "I think that there should be some kind of structure afterward to help sustain [the graduating firms] in the private sector. Something to wean them away from the program without hurting them." Smallwood believes that the government should ensure that the graduating firms "do just as well once they're out of the program," as they did during their participation. Otherwise, says Smallwood, "it is tantamount to a kind of welfare program."
8(a) Personal Eligibility Statement

COMPLETE THE FOLLOWING AND CHECK IF ATTACHED

7. SALES:

a. Company Fiscal Year ___________ to ___________
   Present Number of Employees ___________
   Subsidiaries and Affiliates ___________
   (Month, Date) ___________________________ (Month, Date) ___________________________
   (4) Any other person, including a hired manager, who is concerned in the management of the business.
   List the names of attorneys, accountants, agents or other representatives filing of this application.
   (5) All stockholders to be disadvantaged.
   Non-8(a) Government Sales ___________
   Commercial Sales ___________
   Total ___________
   Is or was any U.S. Government contract or staff an appointed consultant?
   Is additional financial information available for private industry upon request? ______ Yes ______ No
   Annual credit opportunities Hours Weekly
   Compensation

DOLLAR VOLUME REQUIRED

List the names of each proprietor, partner, officer, director, and each stockholder owning 20% or more of the stock, plus each stockholder who is claiming to be socially and economically disadvantaged and each employee earning over $25,000 per year. Place check (x) in appropriate space by each name indicating if the person is claiming to be socially and economically disadvantaged, indicate percentage of ownership, annual compensation and numbers of hours each person is, or will be, working for applicant concern.

anticipated Government customer agencies

2. I am socially disadvantaged because I have personally been subjected to: (Check one or more)
   Does applicant concern or any person listed in 2a above have or intend to enter into any relationship with any other concern or organization of the applicant?
   ( ) Racial prejudice
   ( ) Ethnic prejudice
   ( ) Racial or cultural prejudice
   ( ) Ethnic or cultural prejudice
   I am a U.S. citizen. If yes, attach a copy of any oral or intended agreement and mark as Exhibit A.
   Yes ______ No ________ If yes, attach a copy of any oral or intended agreement and mark as Exhibit A.
   SIZE OF BUSINESS: (a) Number of Employees
   (b) Floor Space (Sq. Ft.): MFG. ______ Warehouse ______
   Annual Sales History (Including Subsidiaries & Affiliates)
   CONTRACTS HELD WITH FEDERAL GOVERNMENT DURING PAST 3 YEARS (List separately)
   Use an attachment if more space is needed
   Procuring Agency Product Service Code Description
   Small Disadvantaged Native Hawaiian
   Native American (American Indian, Eskimo, Aleut)
   Has any person listed in 2a above, including spouse and immediate family members ever had a prior
   employer-employee, supervisor-employee, co-workers, investor?
   If yes, identify the person and describe the relationship below.
   Fixed Program Participation Expiration Date ______
   Previous Editions are Obsolete
   INSTRUCTIONS: If the answer is yes, document inability to obtain adequate bonding.
   restriction of your markets very specific SBA Form 1017 (10-81) REF: SOP 80-03
   ( ) If a corporation, Applicant Concern
   Hours Per Week Outside
   DOLLARS and SENSE, May, 1985

   Andrew Williams
   SBA Form 1010A (9-79)
A New 8(a) Firm

Ebbon Services is one of 149 companies to receive a share in almost $300 million in 8(a) contracts distributed in Region II for fiscal 1984. Region II is comprised of New York, New Jersey, Puerto Rico and the Virgin Islands. According to Nat Nelson, Ebon Services staff supervisor, after having a "substantial number of private accounts" but subsequently incurring financial losses, the firm applied for 8(a) contracts. Nelson does see definite advantages to the program. "It gives us the opportunity to function with the "big boys." It enables us to get financial backing and helps us to establish fiscal responsibility." Nelson, however, also maintains that the government could do a little more to help firms make the transition from total or partially aided government businesses to the private sector.

In fact, according to the law, the government is required to assist the graduated firms by providing management assistance and advice on financial and marketing strategies. This area does not seem to be receiving sufficient attention by the Reagan administration.

Over 500 new businesses were admitted to the 8(a) program in FY '84. But the Administration's policy of herding new firms in and then shuffling them out of 8(a) in a five to seven year period, leads to what Congressman Mitchell refers to as a "revolving door policy" regarding the 8(a) participants. Much of the small business community feels that more emphasis should be placed upon building a solid foundation for the firms participating in 8(a) and less attention given to the number of firms filtered through the program and the dollar amounts of contracts received.

The SBA and the minority business community both agree that Section 8(a) has been a boon to minority business. Even though many of the largest firms depend on either the government or the "highly income-elastic ethnic market," these firms have been a source of increased employment opportunities and have contributed to black participation in minority business. While the smallest company on the BE 100 today has $9 million in revenues (1972's smallest firm had $1 million) a significant percentage of black-owned and operated companies are "small retail and selected services."

Small businesses can be the backbone of the American economy in that they react and adapt to technological and environmental changes more quickly than larger businesses. Smaller businesses, if successful, can also produce higher returns on equity than those of established national and multinational corporations. But smallness also means instability which necessitates the existence of programs such as Section 8(a). With the recent reforms in 8(a), the Reagan administration has been labeled 'anti-small business' by certain circles. According to BE, the "Reagan administration has given small business the back of its hand." Whether 8(a) graduates will succeed in the private sector—only time will tell. Although the odds seem to be against these companies, on their side is the savvy and determination that enabled them to tackle markets and industries that just sixteen years before denied their entrance.

"the back of its hand"

$®
Cooking Up a Career

by P. S. Bartholomew

There is a phenomenon going on called going out to eat. As a matter of fact, Jeff Weinstein, food columnist for The Village Voice, calls the trend “the preferred urbanite board game.” Dining out is fast replacing dining in with the older generation, and going to clubs or discos with the younger set.

“Restaurants are now filling a critical social gap,” according to a recent article in New York magazine. The Yuppies who grew up in sprawling suburban homes or West End Avenue apartments are now living in tiny spaces. A combination of factors, including more disposable income, a recovering economy, women in the work force, and a truly widened appreciation and awareness of good food, have combined to make the restaurant the place to socialize.

And this phenomenon is not confined to the upper reaches of society: witness the 50 billion McDonald’s hamburgers sold and the countless other chicken dinners, tacos, pizzas and doughnuts sold by similar chains. It’s obvious that the beef is where the restaurants are—fast-food or gourmet.

The Food Institute reports that per capita spending at fast-food restaurants increased by 72 percent between 1977 and 1982. “On the average, consumers spent $153 per person at fast-food outlets in 1982 compared to $89 in 1977,” says Frank Panyko, vice president of The Food Institute.

This tremendous surge in the growth of foodservice has spawned a smaller explosion of its own—the numerous new schools teaching and training those who want “in” to this lucrative market.

There is a basic entrepreneurial itch in some people which goes like this: “I am a fine cook; my friends all rave about my dinners, why not open up a restaurant?” But what a treacherous dream this can be. Two out of three restaurants fail in their first year. George Lang, a restaurant consultant, says, “We used to have a saying that a classic restaurant was one that stayed open during the life of a ten-year lease...now you become a classic if you last a couple of years.”

But, still people want the dream; they want the limelight and they want the bucks; so they continue to open restaurants.

The foodservice industry seems to offer people a fantasy they can’t refuse: be a star, be your own boss, be rich. And, in truth, working in some of the better restaurants can fulfill that dream plus—it is a job with almost instant gratification combined with the ability to create anew each day. And so, one begins to understand the attraction of this industry.

The restaurant business and foodservice industry are a highly publicized, growing job market. According to the National Institute for the Foodservice Industry, there are 85,000 openings a year for chefs and cooks. Restaurant and foodservice institutions are expected to need 1.75 million workers in the next 10 years according to the United States
the Department of Labor. The industry is the number one retail employer in the country.

All of these statistics have created a stampede by colleges and schools around the country to provide the necessary training to fill these jobs.

What the numbers don’t reveal, however, is that more than 75 percent of these jobs will be in the traditionally low paying service jobs in fast-food. Professor Gerald Griffin, associate director of the Hotel and Restaurant department at New York Technical College asks, “Do you need an associate degree to work in McDonald’s?” The answer to the question seems to be no, considering the fact that these jobs offer virtually no security, low pay, no wage or benefit packages and very little chance for advancement.

**Hot Schools**

Despite the less glamorous reality that the most openings in foodservice are in low paying jobs, the number of schools offering a curriculum tailored to would-be chefs, owners, and managers continues to grow. The current “hot” school for training chefs is the Culinary Institute of America. Founded in 1946 and located in Hyde Park, New York, it recently had five alumni named to the “Who’s Who of Cooking in America.” This was the highest number from any school, including highly regarded European schools.

The CIA, as it is known in the trade, graduates almost 1,200 students per year. Tuition for the 21-month program is $11,344, plus room and board. One current student estimates his costs at about $16,000. Not surprisingly, graduates currently receive four to five job offers at an average annual starting rate of $16,800.

The program is serious. Students are exposed to the broadest culinary education possible. The four 15-week semesters are crammed with courses on such diverse culinary subjects as Oriental Cuisine, American Regional Cookery, Classical Baking, Coffeehouse Operations, Menu Planning, and Culinary French. Each student is required to spend an 18-week internship at regular salaried positions in commercial foodservice/hospitality establishments approved by the school. The final semester includes work in all three of the Institute’s public restaurants or dining rooms.

Recently, the Educational Department has established a competency-based system for evaluating a student’s performance. Students must demonstrate specific, basic competencies in order to pass each course.

“Do you need an associate degree to work in McDonald’s?”

The teaching staff is heavily populated with award-winning European chefs, all with extensive professional experience. Frederic Sonnenschmidt, head of the Educational Department, was apprenticed in Bavaria, worked as a chef in England, Sweden, and New York City and is the author of Professional Chef’s Art of The Carde Manager. He was a member of the 1976 Culinary Olympic Team and was awarded the 1973 “Escoffier Chair” at the Institute.

Another school which has been around for a long time is the Hotel and Restaurant Department of New York City Technical College, in downtown Brooklyn. Established in 1946 to accommodate the returning World War II veterans, it is a fully accredited college with two- and four-year management programs. It also offers the best bargain of all the local schools, costing only $1,500 per year for New
York City and State residents and $2,500 for non-residents. The two-year program awards students an associate degree in applied science and includes three semesters of both culinary arts and baking and pastry-making techniques, along with basic management tools like accounting and law. The relatively new four-year program offers the same culinary courses but beefs up the student’s grasp of managerial techniques considerably. Some of the courses include Convention and Banquet Management, Quantitative Mathematics for Business Decisions, and Operations Analysis in the Hospitality Industry. Students receive a Bachelor of Technology degree upon completion of the expanded program.

Alumni include famous entrepreneurs like David Liederman of David’s Cookies and Rocky Aoki of the Benihana of Tokyo chain. Perhaps the school’s proximity to ultra-competitive New York City markets produces a more aggressive and profit-oriented graduate.

**Fast-Track Programs**

During the last five years, another genre of cooking school has entered the market, offering a certificate program for a six-month course of study. Such “fast-track” programs are aimed at the more mature student changing careers. In many cases students have advanced degrees in other disciplines, ranging from law and dentistry to education and police science. These shorter programs seem particularly well-tailored to their needs.

The New York Restaurant School, a division of The New School, located on 34th Street in Manhattan, offers a twenty-week program which costs $5,175. This “crash” program is divided into two stages—fifteen weeks of daily instruction in culinary techniques and management skills, followed by five weeks of on-the-job training in all phases of the school’s well-reviewed restaurant.

Students are taught the quantity cooking and baking techniques necessary to prepare stocks, soups, salads, appetizers, entrees and desserts in a restaurant kitchen. They are also exposed to basic management skills including menu development and design, food and menu costing, inventory and storage controls. In the “On-The-Job Training” portion of the program, they serve daily luncheons or dinners to the public as they work in each aspect of restaurant operation including food preparation, on-line cooking, table and bar service, food costing, storage and purchasing.

Judy Lewis, a recent graduate of the program who currently runs her own catering business, said, “It was a good course for the money. But it’s hard to put it all together until you actually start working somewhere; you learn so much, so quickly.”

This would be true of any of the schools. It seems that no matter the length of program, the reality of the work situation is always a shock at first. Apparently skills are best honed in a real job situation.

Elsewhere across the country, there are several two- and four-year programs offered by various colleges. The Council on Hotel, Restaurant and Institutional Education reports that the number of schools offering two-year programs has gone from 136 five years ago to 416; and four-year programs from 35 to 99—another example of the boom in culinary education.

Ten years ago, there were three schools offering Culinary Programs in the immediate New York City area. Currently, there are 14 two-year programs and 7 four-year programs within easy commuting distance.

With a shrinking number of the population reaching college age, established junior and senior colleges are looking for career-oriented programs to attract new students and their tuition dollars. One sure-fire way to accomplish this seems to be to add a “Culinary Arts and/or Restaurant Management” program to the catalogue.
Blue Collar Jobs

The larger question is: what are these students being trained for? Will there be jobs for chefs and managers when these students begin to look for work?

A slippery statistic currently bandied about the food industry promises “1.75 million jobs in the next ten years.” But the majority of these jobs, well over 75 percent, will be for fast-food cooks, kitchen help, waiters and waitresses and bartenders. Joan Black Bakos, editor of Restaurant Business, said in a recent editorial, “We are going to have to pull off some miracles if we are to completely staff our industry ten years from now.”

The fast-food market has traditionally relied on the teenage population to staff their restaurants. This is a shrinking labor pool. Bob Rosenberg, chairman of Dunkin’ Donuts, Inc., franchisor of 1,273 doughnut shops, is also concerned about the shrinking labor pool. “There are going to be 20 percent fewer teenagers in the 1990s than there are today.

“In the 1990s the labor force will be older, more sophisticated.”

and that means that the labor force will be older, more sophisticated, and more demanding. This will put a great responsibility on the foodservice operators of the future to come up with the kind of career paths and training that older employees need.”

Spruill Bunn, president and CEO of the 2,209 unit Hardee’s Food Systems, agrees and notes “It is not business as usual...when you move away from the part-time teenager to the full-time, older employee, there are tremendous cost ramifications. There are some positives too: you have a more stable labor force and training costs go down.”

To meet the staffing demands of fast-food restaurants, Bill Liederman, founder of the New York Restaurant School and executive director of New School Culinary Arts Program, has launched “The New York Fast Food Management Program.” The program opened its doors in November to its first four-week class of 30 students.

Liederman says, “We talked to a lot of fast-food chain executives and they all told us the same story: trainees come in too green. Our job is to get the green out.”

The nuts-and-bolts program covers legal and health requirements of fast-food management, purchasing, menu costing, inventory controls and sanitation.

Liederman is nothing if not realistic. “We have applications from all the fast-food chains,” he says. “We teach people to fill them out well. If students pass the final exam, which is stiff, we’ll get them jobs.”

When it is up to speed, his school will graduate between 300 and 500 people a year and Liederman hopes to open programs in other cities. Tuition for the program is $1,000.

If the industry is going to grow and prosper, it will be necessary to make some big changes to meet increasing requirements. One other question looms on this horizon: can an industry which projects a need for 1.75 million workers in the next ten years seriously be considering lowering wages below the minimum wage?

The answer, however hard to believe, is yes. Congressman John Erlenborne of Illinois with the support of President Reagan, is currently sponsoring a “Youth Differential Bill,” which advocates that the teenage population be paid $2.50 per hour, compared with $3.35 for the minimum wage.

Dorothy Dee, spokesperson for the National Restaurant Association (NRA) in Washington, D.C., explains that the lowered wage would only be applicable during the summer vacation months. Although the NRA supports the bill, Dee says, “some of our members couldn’t take advantage of it, since local market conditions might not make it feasible.” She explains that if everyone in a city were paying the higher minimum wage, no one would be willing to work for less.

So the bottom line seems to be that there is indeed a growing job market in the foodservice industry. But, the mushrooming number of schools offering management-type training with certificates, associate degrees or bachelor degrees, seem to be preparing students for the smallest section of this market. The vast majority of new jobs—approximately 75 percent of them—will be blue-collar service jobs.

The situation is not unique to foodservice. Similar staffing problems exist within both the healthcare and computer industries. Where will these industries get the “workers”—not the managers? All the foodservice professionals acknowledge the severity of the problem. Many say, “we must do something,” but as yet, no one knows just what to do. $4
Pint-Size Perks

Traditionally the caretakers of America's children have been mothers, sometimes assisted by other female family members. Today 19.5 million women with children under the age of 18 are either working or looking for work, according to the Bureau of Labor Statistics. Forty-one percent of these women have children under the age of six.

With this influx of working mothers to the labor force, child care needs are changing. Some companies—only about 1,500 nationwide—are responding by providing child care support services. Nancy Kolben of Child Care, Inc., a child care information and referral organization, says "There's been a major increase over the past three years in employer support for care, although it has been at minimum involvement—with small first steps like information services and flexible dependent benefit accounts."

However, employer-sponsored assistance may be stopped in its tracks, if the Reagan administration succeeds in eliminating the tax advantages that spawned this beneficial trend. Working parents will have few affordable options for child care.

"It's more than just a psychological issue. It's a real burden for parents, not just low and moderate income parents, for whom there is at least some system," says Barbara Stern of the Community Child Care Exchange in Lower Manhattan. "Employer involvement is important with middle and lower middle income personnel—people who are not quite eligible for subsidized care but can't afford $200 per week—because there's nowhere else the subsidy is going to come from."

There are several ways an employer can assist employee child care needs. One is to physically set up a company-sponsored child care center on or near the workplace.

Hoffman La Roche, Inc., a pharmaceutical company located in Nutley, New Jersey, transformed a residential house into the Roche Child Care Center. Located one block away from the main gate, it is operated as a division of the company. All child care workers are full-time company employees.

Victoria Go, an associate scientist there says, "All the parents are pretty well satisfied and I'm especially pleased because if something happens they call me. Although it's offsite, it's close enough to get to." Her daughter Eugenie attended the center for two years and now that she is in grade school, impatiently awaits the Center's summer pro-gram. Ms. Go's second child was put on the waiting list while still in utero. "I expected to be number one on the list, and was shocked to be told I was number ten!"

Roche's Center Director Diane Keel-Atkins says a 1982 general study conducted at the company reveals "Seventy-eight percent of the employees who use the services showed improvement in absenteeism by 40%". The center does affect recruitment—70% of the users remain with the service.

The Roche Center also offers part-time, after-school, drop-in, emergency and kindergarten arrangements. Employees are charged either $250 a month for full-time child care, or pro-rated fees. Parent/child counseling is also available.

While Hoffman La Roche's program has enhanced the company's ability to recruit and retain employees, Keel-Atkins says "This model works for this particular corporate culture. But each company has to address its own personnel services, community services and location—the approach depends upon many factors in the corporation itself."

A more popular method of employee child care operates through a company's employee benefits department. Dependent Care Assistance Programs permit employers to write off child care costs as business expenses. The benefit payments are tax-free for employees as well.

Kidder Peabody & Company, Inc. administers a flexible benefits plan called CompLus—the sort often referred to as a "cafeteria plan"—which allows employees to select which expenses, of those permitted by IRS guidelines, are to be part of their individual benefits packages. One CompLus option reduces an employee's salary based on that worker's written estimate of annual child care expenses, which may not exceed $7,500 per annum. "It's a tax savings vehicle," explains Laurie Metti-Duffy, Benefits Supervisor, because the reduced annual salary is taxed at a proportionately lower rate, and reimbursement checks, paid four to six weeks after quarterly claims, are tax-free. "In order to file a claim for dependent care, both spouses have to be working during the period unless a single parent and care must be provided by an adult or legalized institution such as a daycare center."

One of the major drawbacks to this type of flexible benefits plan is the result of a 1984 IRS ruling. If expenses
are under-estimated, the remainder of the salary reduction is forfeited. If over-estimated, an employee may declare the difference at the end of the fiscal year, as a dependent care tax credit. MettI-Duffy stresses the importance of "abiding by IRS guidelines" in implementing this approach to employer-assisted child care.

Companies whose employee child care assistance is limited to information and referral services may establish an in-house program or contract with an outside organization like Child Care Inc., whose clients include ShearsonAmerican Express, Time, Inc., and International Paper Company. Child Care Inc. is a paid service, but non-profit agencies provide the same type of information, according to Barbara Stern of the Community Child Care Exchange, a non-profit lower Manhattan agency.

"Employers could get a lot of mileage with little investment by supporting child care referral agencies," she says, suggesting that corporate personnel offices which "usually have only a listing of day care centers," are ineffectual. What is needed, and provided by specialized referral services like her own, is access to a broad range of child care information.

Another option for employers who cannot finance their own centers or administer flexible benefits packages, is the consortium arrangement. With this system a group of employers within a geographic location pool their resources either to develop a new child care center or sponsor an existing one. Employees of the group have priority in obtaining space at the center, in accord with typical local legislation requiring a certain amount of community resident access. Individual companies may use a similar plan known as the vendor system, where slots are purchased at a nearby child care center and reserved for employee use. This method is totally dependent upon the availability of centers and space.

Sometimes, flexible work schedules are the ideal approach to child care. This arrangement has been instituted for some Pitney Bowes employees, according to David Roche, Manager of Employee Relations. "It is primarily for the financial division and is not permitted in the manufacturing division or most other divisions as a whole," because of assembly line schedules. Though flexible time is welcome, it is not needed for recruitment. Roche explains "People work a core of 37.5 hours, anywhere within the division's band of hours." He describes the plan as "fantastic for both management and employees because it allows them to be at work during peak periods when they are most needed, and to maneuver around personal commitments." Flexible time schedules ease the lives of employees with small children who would otherwise be considered late in the morning due to inevitable mini-catastrophes like cereal splattered work clothes and emergency visits to the doctor.

"Child care benefits will become an integral part of employee benefits packages," predicts Phyllis Silverman of Catalyst, a national women's organization working with individuals and corporations. "This is already happening in some parts of the country where unemployment is low. As employers continue to realize that child care benefits directly affect their ability to recruit and retain all levels of employees, this trend will grow nationwide."

Although employer involvement in child care has progressed at only a slow pace thus far, a demographic shift bodes well for the future of assistance programs. Diane Keel-Atkins, director of Hoffman La Roche's Child Care Center, says "In certain centers, fifty percent of child care users are now men. Males, still the dominant force in the labor market, have begun to articulate concerns for child rearing. The whole question of child care is no longer seen as just a women's issue—but an issue of economic survival."
Journals of Dissent

by Cary Federman

Journals of opinion, which concern themselves with the leading cultural, intellectual, and economic issues of the day, are an interesting but often overlooked part of the magazine industry. However intriguing their editorial contents, financially they are failures. For journals of opinion continually face mounting printing and mailing costs which can threaten the very existence of the magazine. Despite this shaky fiscal reality, the journals surveyed in this article are celebrating their 30th, 40th, and even 70th years! What went wrong?

Plenty. Bills that couldn’t have been paid were: deadlines that were impossible to meet were; and subscribers that were thought nonexistent suddenly appeared. Beginning in the Hobbesian state of nature (solitary, a few thousand subscribers the first year, poor: “If you renew, you will be spared some of the most shamelessly pleading prose concocted since beheading ceased to be a form of execution in the civilized world” and short: “No one expected Dissent to be in business this long”), these journals have learned to cut costs, increase production, and remain affordable to the average reader. They have become, without knowing it, successful.

A major step in achieving that success has been the attracting of advertisers. Three journals in this survey belong to the Leadership Network, an organization designed to attract advertisers without the fear of being stigmatized because of appearing in an “ideological” magazine. Overall, the idea has worked and eight journals traversing the political spectrum belong to the Network.

“We reject the idea of marrying a rich woman.”

Finally, these journals have survived because of their dedication to ideas, journalism and their art, which, it should be noted, is not the art of money-making.

Commentary

Editor: Norman Podhoretz
Circulation: 45,000

Commentary was founded in 1945 by the American Jewish Committee after the demise of the two most prominent Jewish journals of the 1930s and ‘40s. Commentary’s intellectual predecessors were the Menorah Journal and the Contemporary Jewish Record, a fortnightly publication that lived for seven years and ceased publishing in 1945. The Menorah Journal, which concentrated on Jewish cultural heritage and where Lionel Trilling and Clifton Fadiman first appeared, halted publication in the mid-1940s, after going from a quarterly to an annual publication. Commentary appeared in the fall of 1945 to fill the vacuum left by the two defunct publications.

Commentary’s first editor, Elliot Cohen, died in 1959. He was succeeded by Norman Podhoretz, now in his 25th year as editor. The American Jewish Committee, Commentary’s sponsor, picks up all debts incurred by the magazine. And though Commentary has never made a profit, executive editor Neal Kozodoy admits that Commentary “was never intended as a revenue producing operation.” Indeed, Mr. Kozodoy echoes all editors of journals of opinion when he says, “We are not entrepreneurs.”

Starting out at 60 cents per copy and “with a few thousand subscribers” in its first year, Commentary reached 60,000 subscribers in 1965. That figure, however, according to Mr. Kozodoy, was “inflated” and the journal embarked on a project to lower its circulation, which now stands at 45,000.

The problem of an inflated circulation, is not, of course, confined to Commentary alone. Many journals, in an effort to increase advertisements, income, and circulation, conduct circulation drives for potential subscribers (whose
names are bought from other journals). What sometimes happens, unfortunately for the magazine, is that the subscribers are “weak” supporters and either fail to renew after one year, or forget to pay the original subscription price. In the competitive world of magazine subscriptions, renewal, not new customers, is crucial.

"We intend to keep publishing whether anybody likes us or not."

Since the 1960s, then, Commentary has thinned its subscription list but now its support is stronger, and more apt to renew. Commentary’s readers, an important attraction for advertisers, are college-educated, and have high incomes. Though many are Jewish, Commentary attracts a substantial non-Jewish readership. Commentary’s plans, according to Mr. Kozodoy, are to “reverse the planned shrinkage” that occurred in the 1970s and start “building up—slowly,” with the more profitable direct mailing method replacing the less effective use of advertisements.

New Republic
Editor: Martin Peretz
Circulation: 95,000

The New Republic is one of the oldest journals of opinion still publishing. Founded in 1914 by Herbert Croly, it has been owned by the Straight family, then by Gilbert Harrison and is now owned and edited by Martin Peretz. The New Republic hit the stands at 10 cents per copy, with a few thousand subscribers. Now in its 70th year, The New Republic costs $1.95 and has a circulation of 95,000. According to assistant publisher Reed Phillips, “Woodrow Wilson was an admirer of The New Republic” and H.G. Wells and Walter Lippmann are but a few of the famous contributors that have written for the magazine. In 1957, The New Republic left New York and settled in Washington, D.C. in order to cover national affairs more closely. This coverage of Washington, and the fact that it publishes weekly, puts The New Republic in an interesting light for an intellectual journal. Though it covers the arts, publishes poetry, and is more literary than the news magazines, Mr. Phillips says that The New Republic “competes indirectly with Time and Newsweek.” But The New Republic, like Commentary, strives for a more literate readership. According to their latest census and Mr. Phillips, 70 percent of all New Republic readers are male, 96 percent have graduated college, and the average income is about $48,000.

The New Republic, like Commentary and National Review, is a member of the Leadership Network. The purpose of the Network is to attract advertisers to these journals so that they appear to be non-ideological.

Annually, The New Republic spends from $100,000 to $500,000 on advertisements. They also supplement their income with the sale of diaries and T-shirts, which Mr. Phillips says, “our readers like; they remain popular.” Nevertheless, The New Republic stays in the red. The deficit is supplemented by editor Peretz, as well as by some of the other editors and by wealthy investors. “There have always been wealthy investors,” says Mr. Phillips.

Known for its liberalism, The New Republic may have been helped by President Reagan’s election because, says Mr. Phillips, “people want an alternative viewpoint.” Mr. Kozodoy, of Commentary, feels that Reagan hasn’t helped or hurt Commentary’s circulation, but adds, “The longer neoconservatism remains a force in politics, the better.” But an adversarial role doesn’t imply increased readership. The New Republic, for example, did quite well under President Kennedy, increasing its circulation to an all-time high of 146,000 by 1968.

Suffering constant deficits, yet with a circulation nearing 100,000 and with an inexpensive cover price (which could rise as printing fees rise) The New Republic has no immediate plans to increase circulation. It is always an expensive process, as Mr. Kozodoy has noted, and journals of opinion need strong readership to keep them in business. As Mr. Phillips has said, “It’s not the big name that attracts
readers, it's the scholarship that makes the difference.”

**Dissent**

**Editors:** Irving Howe and Michael Walzer  
**Circulation:** 12,000

*Dissent* was founded in January of 1954 in the bedroom of Stanley and Simone Plastrik. Back in 1954, Stanley and Simone had rented the front part of their apartment to a young girl, and so they conducted their business in the bedroom of an apartment along Riverside Drive in New York City.

Some things, however, never change. Thirty-one years later, Simone Plastrik still handles the business end of *Dissent* from her apartment, though now she is free to use the living room. Despite the years, *Dissent* remains the modest magazine with modest goals it was in the 1950s. All editing, writing, and most of the financial dealings are still conducted in the apartments of the editors and writers. They receive no salaries, and only rarely do they pay their contributors an amount which is "definitely" under $250, according to business manager Simone Plastrik.

*Dissent* calls itself an "independent socialist magazine, dedicated to the principles of democratic socialism." Perhaps because of this, *Dissent* received few advertisements per issue, most of them coming from university publishing houses. The journal's major source of income comes from its readership. Last year, *Democracy*, another socialist journal, folded, and *Dissent* acquired the readership, increasing its total circulation to 12,000.

*Dissent*’s other source of income comes from its fund drive, conducted every two years. In their last fund appeal, editors asked for $40,000 and received $53,000. In their next drive, they will ask for $50,000 and, according to Mrs. Plastrik, "we expect $75,000."

*Dissent* began publishing in 1954 under the editorship of Irving Howe, who now shares his duties with Michael Walzer. In their first year, they had 2,000 subscriptions and $4,000. And though it was soon well known that *Dissent* did not pay contributors, Mrs. Plastrik says, "We never lacked copy. There is a certain prestige in writing for *Dissent*. You had to have a lot of courage writing for a magazine such as *Dissent* because of the McCarthy period." Because *Dissent* is forced to keep costs down, they do not keep track of their readers' backgrounds. The most they know, however, is that their circulation consists of "teachers, workers, intellectuals, students, and writers."

Most of *Dissent*'s incoming revenue goes toward the printing fees. Last year, for example, *Dissent* spent $12,000 on 70,000 letters of promotion. The large sum paid off. *Dissent* received 700 new subscribers, a return of 1 percent—considered good by industry standards. "As long as we continue to get returns like that one," says Mrs. Plastrik, "we will continue to send out advertisements."

In 1980, *Dissent* was bought by the Foundation for the Study of Independent Social Ideas (FSISI), for $1. Though FSISI serves mostly as a mailing address, it also picks up debts, which Mrs. Plastrik says, "*Dissent* doesn't have, not even $20." But even if *Dissent* did incur debts, Mrs. Plastrik wouldn't be too concerned. As she says, "Some people are in business for profit, some people are in business for ideas. If that is being in business, then we are in business."

**National Review**

**Editor:** William F. Buckley Jr.  
**Circulation:** 120,000

*National Review* was founded in the fall of 1955 by William F. Buckley Jr. Its format in the early years resembled the style of *The Freeman*, a fortnightly publication founded in 1950 by classical liberals and individualists. But when *The Freeman* folded, for all intents and purposes in 1954, William Buckley mobilized contributors and writers (mostly ex-communists such as James Burnham and Whitaker Chambers) with the purpose of beginning a magazine that would bring conservative writers and thinkers together.

*National Review* began with a circulation of 18,000 and nearly doubled that figure by the mid-1960s, due in large part to Senator Goldwater's presidential nomination. Circulation now stands at "roughly 120,000" according to publisher William A. Rusher, who joined the magazine in 1957.

Despite its high circulation rate, *National Review* continues to lose money. But to Mr. Rusher, this is a mere
trium. Says Mr. Rusher, "We are not in the marketplace. We intend to keep publishing whether anybody likes us or not." Mr. Rusher, no doubt, is exaggerating. But his point is a good one. Journals such as National Review and The New Republic publish knowing that profits are not of their world. They exist to serve a cause. According to the American Jewish Committee, "Commentary is an independent journal of significant thought and opinion sponsored as a public service by the American Jewish Committee."

It is the idea of serving a public that keeps journals of opinion going. For National Review, their public (and purpose) is the conservative movement and how to hold it together. "A journal of opinion," Mr. Rusher says, "is part a school, part a church, part a political party." And, he adds, "it gets along the way they do. You wouldn't expect the Church or City College to post a profit."

Intellectual journals, like colleges, go about raising money through fund drives. "National Review," Mr. Rusher says, "rejects the idea of marrying a rich woman."

Over the years, National Review has had to make some financial decisions to keep the magazine afloat. One was in 1958 when the editors decided to publish fortnightly rather than every week to cut costs. The other way was to trim newsstand circulation and concentrate on subscriptions. Newsstand circulation was a good way to attract students and those interested in the Goldwater campaign of 1964. Now, however, newsstand circulation is about 4,000, while The New Republic's newsstand circulation is about one-third of its 95,000 issues. Mr. Rusher attributes this to the conservative movement becoming "politically mature."

In contrast with The New Republic and similar to Commentary, President Reagan's election has not hurt nor helped the magazine. "Purely in circulation terms," Mr. Rusher says, "the best president for us would be Ted Kennedy."

In most "please subscribe" letters that the publisher sends out is a note telling the reader that the President reads National Review "from cover to cover." This may not bring readers, but it has an effect on advertisers. For example, The New Republic has Ted Kennedy and Geraldine Ferraro in its corner, while Commentary quotes the London Times that "Commentary is the best of the American intellectual monthlies."

National Review is also a member of the Leadership Network. The Network was set up originally as a joint venture between National Review and The New Republic. The reason is that advertisers feared that if they advertised in one journal, their company would get tagged with a political label. The Network has since expanded (National Review, The New Republic, Commentary, Foreign Affairs, the Columbia Journalism Review, MIT's Technology Today, and the New York Review of Books) and offers a 10 percent discount for ads in any four magazines and 20 percent for ads that appear in all eight. Mr. Rusher calls the Network "a package to calm fears."

National Review's 29th birthday was celebrated in November of 1964 with a toast to the future and some modernization decisions. A fond farewell was bid to their first computers (affectionately known as Oscar and Wilde) to make way for a new generation, and publisher Rusher has decided to retire within the next three or four years.

Certainly, there are many other journals that could have been surveyed. On the left, Partisan Review has recently celebrated its 50th anniversary with a special issue that included some of America's finest writers and thinkers, while on the right, Modern Age is now in its 27th year, and Irving Kristol's The Public Interest is celebrating its 20th. Journals of opinion of somewhat lesser influence and smaller circulation, though exciting and lively, are the American Spectator, This World, The Nation and the Intercollegiate Review.

Most journals of opinion live on a financial precipice. They rely solely on the support of subscribers and wealthy investors. Usually, as in the case of National Review, certain changes must be made in order to continue publishing. Other journals seek institutional support, from such places as think tanks, to pick up debts. Nevertheless, the struggle to publish a journal of significant thought is soon overshadowed by the struggle to continue publishing a journal of significant thought. That difference, once understood, is what separates the journals surveyed from the ones that will never appear on the newsstands or in the mailboxes. It is the difference between being a journal of dissent or merely being a dissenting journal.
On A Roller Coaster

Sure, the Cyclone roller coaster is still here, and two dollars will curdle your blood for three minutes or so. There are bumper cars, and a Hell House guarded by an 18-foot, pitchfork-wielding demon. The Wonder Wheel, the world's largest, is still here, and its pink neon silhouette glows on summer nights. For $1.50 you can go up, up, and pause for one glorious instant surrounded by sky and the Atlantic Ocean stretching to the horizon, before descending again to reality.

Memories of by-gone glory lie crushed under blocks of rubble and garbage. Rusted beams, the crumpled skeletons of old-time amusements, corrode the lots around Nathan's Famous, festooned with countless grease-stained paper shrimp boats and empty Colt-45 bottles. Poseidon gazes wistfully toward the ocean from atop the Stauch Bath House at the boardwalk and Stillwell Avenue, boarded up and abandoned long ago. No one notices the exquisite detail of its construction—the fluted scallop shell tiles, the sea monsters dancing in frescoed waves.

The Playground of the World is no longer that. It's also not an island, rather Brooklyn's southernmost peninsula, two and a half miles long, just three blocks wide. Sixty acres of vacant, city-owned lots riddle the world-famous stretch of land. The rickety amusements are just one part of a neighborhood many feel has been a victim of poor city planning and neglect. Some insiders speak with resigned disgust about the devastation that is Coney Island, recalling hollow promises and aborted urban renewal efforts. Others in the community describe a positive feeling here, enthusiastically pointing at new construction projects.

"The city had to clean up every other neighborhood, so we got dumped on," says Herbert Eisenberg, district manager for Community Board 13, referring to urban renewal efforts of the 1960s and '70s.

"Coney Island is a sea of neglect, a bay of decay," tells Lou Powsner, who operates the mens' and boys' wear store his father opened here in 1923. His shop is on Mermaid Avenue, an infected gum of a com-
then build whatever available grants would finance."

Federal 236 grants were used by the New York State Urban Development Corporation (UDC) for the construction of 2,469 units here during the 1970s. The direct subsidies, which reduced interest charges for the projects to one percent, followed the Development Act of 1968. In total, public and publicly were built here 1960 and 1977, 18,159 units of aided housing between

according to the most recent New York City Housing Authority survey released March 31, 1978. Eisenberg complains that the city deposited hundreds of known ex-offenders in these buildings.

While the high-rise apartment buildings that now tower over vacant lots and boarded-up properties were being constructed, Jerry McNulty, associate executive director of the Coney Island Community Project for economic development recalls "When I started working here in 1977, I came to the office Monday morning wondering how many stores had burnt down over the weekend. At that time, they were going at the rate of three a week." His not-for-profit organization was established here by a Federal Court as an Urban Revitalization Service ten years ago, following the first desegregation case in the North at Mark Twain High School, one of the best in the City. McNulty says, "Mermaid Avenue looks terrible now, but was even worse then."

A city deal inadvertently fed the fires, recalls Matt Kennedy, who has worked for the Coney Island Chamber of Commerce since 1924, and is presently executive secretary. "There was a protection agreement with the city, that in the case of home fires, families would be reimbursed for $2,500, supposedly for their furniture. What happened was, people got tired of their flats, and burned them, knowing they’d get the money regardless."

Thousands and Thousands of Victims

There has always been talk that people in the public housing ruined their own apartments, the halls and stairwells. One community official says "They didn’t know if they were toilets or what, they’d urinate in the halls." While this has been, and continues to be a problem, Jerry McNulty feels "Evil is noisy, it gets attention. For the one or two percent that don’t appreciate what they have, there are thousands and thousands of victims, just like anywhere."

Building vandals and criminals here are often teenagers—the under-21 age group accounts for a great deal of the local population, some say as much as 50 percent. But Community Board 13, which includes Brighton Beach, also has the largest concentration of elderly in Brooklyn, with 26.8 percent of the population over 65. "When you’ve got kids with nothing to do, and many elderly, you’re asking for trouble," says Father Gillespie of Our Lady of Solace Roman Catholic Parish.
Catholic Church. "Everybody thinks Coney Island is the great playground of the world—it's not by a long shot. There are no recreational facilities at all, no movie theatres, no bowling alley. That's why there are muggings."

The elderly protect themselves by "going out in groups, and traveling by day," says social worker Howard Passin of the Jewish Association of Services for the Aged (JASA) on Surf Avenue. Most residents are well into their 70s and 80s, and Passin says the center's most important function is allowing "people to stay in the neighborhood where they've spent their whole lives," even though "the area has crime, and they can't go out much."

Though crime has reportedly lessened in recent years, at the time of the last city survey in 1977, before the mandated refinement of police precinct boundaries became effective in 1980, the patrol area including Coney Island was ranked seventh out of 73 in crimes against the person, and third in crimes against property.

The potential for mugging is still so high, according to Passin, that many local seniors rely on Project Relief, a police-administered bus service that takes the elderly to and from food shopping twice a week.

The food business elsewhere in Coney Island is undaunted by crime, if you ask Jimmy Prince. The friendly butcher owns and operates the Major Market Meat Store on Mermaid Avenue between 15th and 16th Streets, opened by his father 53 years ago. He is vice president of the Board of Trade, representing almost 100 local merchants, and says, "What's happening down here is like, oh like a baseball game when you're down a couple runs, and then down a couple more. But then you start working together, and you start getting runs, and you come back and win that game. In Coney Island, people are learning that they're teammates, that they can win together."

Prince never thought of leaving or lowering the quality of his meats when the neighborhood became poorer. "The colors changed, from Jewish and Italian and Irish to Black and Puerto Rican, but people don't change. Everyone wants the best for their money."

Once 96% white, the neighborhood is now 30% white, 47% Black, and 22% Hispanic.

For Prince, "having pride in the community is just doing the right thing," as basic as cleaning the sidewalk in front of his store or the vacant, city-owned lot across the street.

Likening Coney's situation to cancer, where all the good cells are eaten away, Prince shares the memory of a program that "gave hope after so many years of frustration...suddenly we were given an injection, and the
cancer started to disappear.” The healing force was the Community Project’s Facade Improvement Program, begun in 1977.

Major Market was one of 28 stores to receive $1,850 of matching funds for exterior renovation that included cement working, new paint, stucco and sign. The final investment was about $5,000, split 40:60 between the city and a delighted Prince, who was motivated to spruce up his interior with the money he saved.

The facade program was financed with a $250,000 grant from the Public Development Corporation, a division of the Department of Housing Preservation and Development (HPD). Coney Island’s successful operation was a prototype for the entire country, according to the Project’s McNulty, originally hired as a construction manager. The program’s intent was to make the stores more attractive, to induce buying and “circulation of dollars within the community.” A survey conducted a year and a half after final improvements shows that store owners invested three-quarters of a million above the city’s grant, but McNulty still estimates 75% of the community’s money is spent elsewhere.

Mercantile interests, however, are just one concern of the Project, which prides itself on sensitivity to the needs of residents. Not only did 28 stores and the library receive face-lifts, the grant money also turned a dilapidated lot into a softball field on Mermaid Avenue between 29th and 30th streets. Church leagues, Spanish American teams and children all play here.

Since several local youth agencies folded up in 1981, the Project now offers year-round comprehensive youth programs, including a free summer camp, Homework Helper, basketball and arts programs, supported by contracts for $63,000 from the New York City Youth Bureau, and $20,000 from their own fundraising.

New Homes Here

Beyond softball fields and fixed-up facades, the most drastic and welcome change in Coney Island’s anatomy is new homes. Sprouting just beyond the shadows of looming apartment buildings, popping up in the midst of littered lots are 440 new two-story town houses, with strips of lawn between front driveways, and private backyards. They more than double the shriveled amount of private housing stock, and were built here at the urging of Coney’s Astella Development Corporation, a community improvement organization that represents small homeowners.

Gregory Dornani, Astella’s executive director, says the homes are “revitalizing the neighborhood, making people feel good about Coney Island again.” They bring what everyone says Coney Island needs—taxpayers. At least, they will in ten years when property tax abatements end.

Selling for about $60,000, the clapboard-and-brick houses are a Federal 235 project with subsidized low-rate mortgages. Down payments are as low as $7,500 for a four-bedroom, $9,500 for three, quotes sales administrator Barbara Ucciardi, explaining the 235 program. If at closing time the market interest rate is 12 percent, that becomes the fixed rate for the 30-year span of the mortgage. Monthly payments are subsidized so that homeowners pay 20 percent of their income—an average installment is $450—while the Federal Housing Authority (FHA) adds $200 to meet the true debt of $650. Rates are adjusted yearly with income changes, maintaining the residents’ 20 percent contribution.

The homes were built by the Mermaid-Neptune Corporation of Manhattan. The city sold the land for $500 a lot, and is responsible for installing sewers. Developer Simon Thoresen, mostly a builder of expensive housing in Long Island and Westchester, says he likes the community, and the part he’s played in its improvement, but “bureaucracy on the federal and city levels” has made the project “hardly worthwhile.” Thoresen is unsure if he’d do it again, adding “not under the circumstances of bad publicity,” which he is now receiving.

The negative attention is based on several legitimate complaints, according to Goldie Pitchford, president of the Homeowner’s Association, but has been blown out of proportion. Improper insulation, leaks and weak upstairs floors are problems that have left Pitchford and other residents “somewhat disillusioned.” But “giving credit where it’s due,” she admits “the builder has come back to make repairs, instead of just running away as he could have.” Thoresen states in a letter to Mayor Ed Koch, that he and his construction manager have personally inspected 67 houses out of 73, “whose owners have indicated that they would like an inspection, and repairs are progressing accordingly.”

A peaceful resolution has not been allowed, however. A series of nine Eyewitness News “Insider Reports” aired from November to January on ABC were advertised by a sensational full-page ad in the Daily News proclaiming “Welcome to Coney Island’s Latest House of Horrors.”

“They made me look like I bought a dump,” says Pitchford, “while I’m trying to make something nice for my family.” Pitchford has demanded that Channel 7 “show the
good side of Coney Island now," and notes that the 18 homes ABC claims to have sampled at random were not randomly chosen at all, and that most of the news footage was shot in only one home. Thoresen has complained to Mayor Koch and ABC; Astella’s Dormani has also protested, and is incensed that his organization, the 235 Project’s sponsor, was not even consulted.

The homes, according to Dormani, were marketed “simply, but aggressively” as they were built. Mailing lists compiled at community meetings before the sales office opened in 1981 were supplemented by newspaper ads and word of mouth. Most of the buyers are first-time homeowners, many are city employees with the steady incomes needed to assume a mortgage—nurses, police and firemen, Con Edison and transit workers. Two incomes are the rule, and they are apparently responsible for the late-model cars to be found in almost every driveway.

The group of homes known as Bayview Gardens is closest to the tip of the island, but is separated from it by a high metal fence that runs the length of 37th Street. Behind this barrier is a wealthy private community called Sea Gate. Like an armed camp in a war zone, the entrance is heavily guarded, authorized vehicles only. Despite the sentinel and private patrol cars, “they have trouble, and oodles of homes are for sale,” says Kennedy of the Chamber of Commerce. Glimpses of large homes and even trees tantalize those outside the fence, where the average income is only $11,443 a year.

3:00 to 4:00 each afternoon, gliding in to dock with hauls of flounder and blues.

Though identically suited for industry, Coney Island’s bay welcomes only “fleets of garbage,” says a dejected Lou Powsner. The dearth of jobs here is one of the community’s most serious problems. Powsner, quoting Robert Weaver’s study The Urban Complex, says city planners violated a basic creed of urban renewal: it just won’t work if there are no local jobs. That is the case here.

No Jobs

Community Board District Manager Eisenberg, when pressed, says this is “the only area in which the city is failing.” Otherwise, “the community is going onward and upward, like all neighborhoods should, especially since Koch lessened the budget crunch.” He notes “All neighborhoods go up together, not one above another.”

Perhaps one reason the city never allocated funds for employment programs is related to the low priority assigned this issue in Board 13’s Statement of Community District Needs. This document, which is submitted to the City Planning Commission and reviewed by the city for the distribution of tax dollars, says “We cannot emphasize the importance of an employment and training center for the enormous amount of unemployed in this area.”

Unfortunately, the reference to employment seems to be buried at the bottom of paragraph six, following requests for greenery programs to beautify vacant land, and an admonition that library hours not be curtailed.

Eisenberg did not have a copy of Mortgage Activity Board Report 1920, a document which aids communities in determining whether they have received a fair share of mortgage and loan investment.

Abandoned Buildings Surround Banks

Though Coney Island has certainly improved in the past several years, the two local banks—Dime Savings Bank and Manufacturers Hanover Trust Company—cannot share much of the credit. From 1982—1984 Dime gave one mortgage for $30,000. No home improvement loans came from either bank. Boarded up buildings, some decorated with cheery decals of windows with shutters and plants, but most with steel covered orifices, are at every turn. They beg silently for help.

Dime’s Executive Director for Community Affairs, and Community Reinvestment Act Official Ellen Nathanson calls Coney Island an “area where people who’ve had no other choices have remained,” and says giving loans there

“Coney Island is still a honky-tonk and people like that.”

In sharp contrast to the prevailing rubble-strewn blocks are the new townhouses with their Cyclops second-story windows, and neatly sodded, fenced-in yards. Iron bars protect many ground-level windows; barbecue grills and red cedar tables are guarded by Dobermans. Some of the 180 homes in Bayview Gardens, which stretches five blocks from 37th Street to Bayview Avenue, do indeed have a lovely view of the bay. Once hydrofoils whizzed commuters across to Battery Park, but the oil-stained sand is deserted now. A look at a coastal map shows this bay to be almost a twin to thriving Sheephead Bay, just a few miles down—where fleets of fishing boats toot their horns from
is really not an issue, "since there are so few homes." She recalls that some families who did apply for HIP (Home Improvement Program) loans introduced city-wide in 1982 "did not have the necessary paperwork to prove their incomes," explaining "Coney Island is a largely cash economy—people paint houses or have frankfurter carts." Though this neighborhood was thought to be one of 16 ideal areas for the ten-year loans of up to $10,000, underwritten by a $1.5 million federal Urban Development Action Grant (UDAG) and a $5 million commitment from 12 local banks—residents here could not afford the 10.5% interest rate. The median income of families receiving HIP loans was $22,800—double the current Coney Island average. Under the original program, homeowners were to pay on a sliding scale of one to nine percent, but this plan was dropped when market interest rates shot to 19 and 20 percent. Subsequently in 1983, when no loans had been assumed, Coney Island was no longer a designated area.

"We hit bottom, but now we're coming up."

Gregory Dormani says that although no applicants qualified at that time, "a good dozen families that appear to be credit-worthy" have come to Astella recently asking assistance in procuring some form of loan. At the moment, there are no federal funds in the HIP Program anyway, but officials have promised to consider Coney Island for eligibility again if President Reagan reinstates funding.

"There is a tremendous need for affordable loans here," says Dormani. Recalling Dime's June Jubilee-by-the-Sea, a day of boardwalk entertainment for senior citizens staged last year, he remarked, "a nice effort, but even ten home improvement loans would be a lot more help."

The Rules Under the Rubble

The Home Mortgage Disclosure Act (HMDA) of 1975 requires banks to keep public files of each mortgage and home improvement loan by geographic area and dollar amount, also breaking down owner-occupied versus absentee-owned housing. The act was designed to enable the public to determine whether depository institutions are fulfilling their responsibility to serve the housing needs of the communities in which they are located.

The Community Reinvestment Act (CRA) of 1977 requires a file of public correspondance regarding neighborhood investment to be available for review. CRA Statements, generic declarations of non-discriminatory policy and services offered, are posted at every branch.

Though banks draw deposits from specific geographic areas, their "primary service areas," no legislation exists to return any portion of the depositors' money there. All too often, urban areas are drained of funds which are channeled into loans for the suburbs. "We do make some loans in our service area on the northern shore of Long Island," says Dime's Ellen Nathanson, but "Nothing has ever been asked of us for Coney Island."

Inspection of a report compiled by Phyllis Rosenblum of the Reinvestment Unit of the Neighborhood Stabilization Program, New York City Commission on Human Rights shows: Dime's five branches accounted for 11.6 percent of Brooklyn's total deposits in 1983 (2,300,407,000), but only 212 loans totalling $11,897,00 were made in the borough. One was in Coney Island for $30,000. That's a .52 percent ratio of loans to deposits. The ratio for 1982's 13.53 percent share of borough deposits to loans was only .4.

There is no way of checking how many loan applications were made, or why they were refused. But at the main branch, all Dime's public information was well-organized and relatively easy to examine. Nathanson was helpful and aware of the community.

In contrast, Coney Island's other bank, Manufacturers Hanover Trust Company, stored their unsorted public information in a tattered manila folder resting under a paper bag of empty soda bottles in a file drawer at their main Brooklyn branch. No correspondance dated after 1982 was found, because "it doesn't exist," according to Milton Wright, Vice President for Community Affairs. Loan statistics for all ten service areas (five boroughs, plus five) were undifferentiated and thus of limited value in assessing any area's development.

Rosenblum's report for 1983 shows that "Manny Hanny's" 8.94 percent share of borough deposits ($1,773,283,000) boiled down to 173 loans for $9,552,000—only a .54 percent reinvestment. In 1982, just .59 percent of $1,254,203,000 was invested in Brooklyn. No loans were made in Coney Island.

While the banks here still haven't done much to revitalize Coney Island, there are reasons. Rosenblum explains "The banks' mandate is to make money on their depositors' money. In deteriorated areas, it's just sensible not to invest until there's some city money committed. Or
some private arrangements for buying and selling must transpire before banks feel they can safely go in.”

As a reinvestment specialist, Rosenblum shares some insight into the practices of savings banks, like Dime. All are in somewhat ‘shaky’ positions. Many have been borrowing from the FDIC, and she speculates may have less money because of bad loans and portfolios full of low-interest loans that are really non-performing by today’s rates. This situation makes banks inclined to inspect investments in low-income areas carefully, though Rosenblum says “Bankers don’t have to be so conservative. There is money to be made in poor neighborhoods, too.” The State Banking Department Regulation Part 88, passed in December 1984 provides new incentive to meet the needs of low and moderate-income families. The regulation permits state-chartered banks to invest in real estate, as long as part of the investment goes to needy neighborhoods, like Coney Island.

These days, investment money is coming in from outside sources. The Community Project’s phone rings two or three times a week with people looking to rent existing stores along Mermaid Avenue. They come with their own financing, says Jerry McNulty. In the past year, a bakery, a Spanish butcher, four Chinese restaurants, six or seven bodegas and several variety stores have opened. McNulty says there are still three or four drug operations, a numbers hall and one social club along the strip, but things are much better than just a few years ago.

The next few years promise to be better still. Firm agreements have been made with HUD for a three million dollar commercial project to be built on Mermaid between 29th and 30th Streets, following a zoning variance. Aaron Green, an “old Brooklyn boy,” currently developing luxury condos in Manhattan, will be “paying back the community” by developing 50,000 square feet of commercial space. 30,000 of this will be for a sorely-needed supermarket, the rest will be divided among ten stores. McNulty says he already has, but won’t disclose, the prospective tenants.

Another 150 to 200 homes will be constructed through the Housing Partnership of the Mayor’s office, beginning next year. A large sign nailed to a telephone pole on the bay shore proudly announces “New homes to be built on this site.”

Property taxes are once again being paid on privately owned store foundations built and abandoned by the UDC, and on buildings that have decayed and been used as tax losses for years. McNulty says, “Before the attitude was ‘This building’s dying—why spend the money—let the city come take it away from me.’ Now people are realizing the property’s worth something.”

Mechanical Pleasures

Ironically, high land value is precisely what’s done in Coney Island’s amusements, says Matt Kennedy, who has seen a lot of change in his 60 years of working for the Chamber of Commerce. As executive secretary for the 100-member, mostly concessionaire organization, Kennedy coordinates all amusement-related activities, like airshows, fireworks, promotions and advertisements. “Coney Island is still a honky-tonk,” he says, “and people like that.”

But finding people to invest in the amusements has been difficult. The land, zoned C-7 specifically for amusements, is “over-assessed as high as Park Avenue. Finding an enterprise to support that kind of outlay, and make $30—$40,000 just to break even on taxes is not easy.” An average ride costs a million dollars, and insurance that was $2,000 just a few years ago is now about $30,000. If Coney Island has any industry, it’s the amusements, says Kennedy. But even filling those summer jobs presents problems, because “the kids don’t show up, or they have criminal records.”

He says the amusements do just about as well as they
ever did, in dollars and cents, because everything's expensive now. For special events like skydiving expositions by West Point's Golden Knights on the Fourth of July, a million people come to the boardwalk over the weekend.

The one remaining amusement park, Astroland has a "clean-cut, nice ad," on television, according to public relations director Milton Berger. His biggest problem is "creating traffic, bringing out the attractions" of the "12 to 15 minor rides, and the 10 to 12 major rides." Though Astroland never reveals numbers, and no admission is charged at the gate, Berger says average, good weather weekends bring "six figures" of mostly family visitors to his park.

Astroland will be receiving long-awaited competition beginning next summer, according to Joanne Imohiosen, Director of Revenues for New York City's Parks Department. The Parks Department owns and leases the Cyclone, Abe Stark Sports Arena, Steeplechase Park and all food stands and carts in Coney Island.

Steeplechase Park, the most elaborate amusement park in the world in its heyday at the turn of the century, had fallen into terrible disrepair until two years ago. It is the resting place of the Parachute Jump, which Matt Kennedy describes as the "victim of real estate deals." Left to rust since the park closed in 1965, the 250-foot Parachute Jump was designated a landmark on July 13, 1977 by the New York City Landmarks Commission. Just three months later, on October 20, 1977, the New York City Board of Estimate refused to give it landmark status, unwilling to allocate the $500,000 necessary to revive what many call "The Eiffel Tower of Brooklyn," and render it a non-operable monument. Donald Trump bought Steeplechase for two million in 1965 from the original owners, the Tilyou family, with the intention of building luxury high-rises. The City's Board of Standards and Appeals refused a zoning variance, and the land was condemned for general (non-amusement) park usage. After several years in court, the city was forced to pay four million for the deed. In the mid-1970s, HUD offered two million in matching funds for park development, but the city never met the ante.

Steeplechase was cleaned up and resodded in 1983, used for an Irish fair, and then left alone. Now, Imohiosen reports a new amusement park will be built there. After intensive mailings and advertisements, a "substantial" company was selected from the few respondents. Several millions of dollars in contracts are definite, including one to rehabilitate the Parachute Jump.

"We're hoping Steeplechase will give a good boost to the area," says Imohiosen, noting Coney Island has long been a "very minor revenue producer for the city." "It's been difficult to get concessionnaires, because it's such a tough area, there's a lot of crime, parked cars get their tires slit, and the like."

Perhaps the best assessment of this complex neighborhood is found in a single paragraph of the Statement of Community District Needs:

"The economic development of the C-7 zone is imperative to the image and history of Coney Island. It is now a near-disaster area and in dire need of economic development. Coney Island is being rediscovered and reborn as a viable urban area that has excellent transportation links, beach, boardwalk, bay, parks and continues to be an asset to New York City and a regional attraction, known the world over, to millions of visitors during the summer season."

There may come a time when Coney Island's reality will once again match the kaleidoscope images of whirling amusements, beach and boardwalk, that the name still conjures. Jerry McNulty says "Coney Island is a community that was devastated by poor planning and the withdrawal of city services. We hit bottom several years ago, but now we're coming up—it won't be tomorrow, and it won't be next year, but Coney Island will be a nice place to live."
There's Money in Money

by Daniel Clivner

Every one of us has a jar filled with pennies. It’s probably two-thirds full, and no one remembers when or why he started collecting those pennies. Every so often we roll them up into bundles of fifty and turn them in for cash at the local bank. But more often than that we just keep adding our spare pennies to the multitudes that already reside in the jar.

And what about the silver and half dollars that we saved? The ones we got as gifts. And the ones that we ‘mistakenly’ used to pay for something ‘when silver dollars were worthless.’

This is what coin collecting (the fancy term is numismatics) is all about. Well, not quite pennies and silver dollars, but it’s a start.

Probably the goal of nearly everyone who decides first to collect penny and half dollar coins and then to invest in them is not a $100,000 coin collection. However, unlike many daydreams, this one can be realized through careful, judicious investment in coins over a period of years. It also requires an understanding of what coin collecting and investing is all about and why a coin achieves the rarity that virtually ensures increasing value.

There are no rules for successful coin investment, but certain points should be carefully considered to convert a hobby into a long-term profitable investment. By heeding these points and using common sense, anyone can produce a fine collection of coin rarities that is bound to increase in value, usually at a rate substantially higher than that of inflation.

Investment Guidelines

According to David L. Ganz, a prominent Manhattan attorney and counsel to the Professional Numismatists Guild, a trade organization, “First and perhaps foremost, it is essential that the prospective purchaser of coins learn something about what is to be acquired.” This involves learning how coins are collected—by type or design, date, series, or other means, how they are sold—at auction, by trade, at conventions, over the counter, and other methods—the quality or grade of coins, and, where applicable, the history of a particular piece. This basic rule of primary study is no different for the purchaser of a stock or bond, real estate, or any other investment: the potential investor should enter the market with some knowledge of the fundamentals.

Once the basics are mastered, the next step is to choose an area in which to collect. As a buyer, your real edge in dealing with sellers will be the knowledge you have in a specific area that a generalist, by nature, may not have. For example, rather than choosing the broad category “ancient coins,” one collector wisely chose to narrow the field to coins of ancient Greece. One could narrow it further, perhaps, by concentrating on the monies of the city-state of Athens. A popular choice among collectors of modern coins, in fact, is Lincoln head cents.

Judging Rarity

“A brief period of time spent reading about your chosen field is essential,” according to Arthur Friedberg, president of Capitol Coin Company in Fort Lee, N.J. “From books on American gold coins, for example, one learns that although the U.S. Mint produced 351 million gold coins between 1795 and 1933, it is likely that a substantial quantity of those coins, perhaps as much as 75 percent, was melted either by the U.S. Mint itself, or by individuals who wanted to take advantage of the bullion content of the gold coin.” The bullion value of these coins was substantially higher than their face worth, and consequently the coins went abroad to melting cauldrons. A 1798 half eagle, or $5 gold piece, with a recorded mintage of about 25,000 is worth substantially more than an 1889 $5 gold piece, of which just 7,500 pieces were produced, since almost none of the 1798 pieces remain today. “Don’t be fooled by the original mintage numbers,” warns Harvey Stack, Partner at Stack’s Rare Coins, “find out how many [of those] coins are still around now.”

Nevertheless, recorded mintage figures are always a good starting place, and they are conveniently listed in several Annual Reports by directors of the U.S. Mint, as well as in guidebooks. It must always be remembered that, in addition to the gold melting, a massive recall of silver coinage by the government in the 1960s reduced the population of even common-date silver coins that predate 1965, when silver coin production was stopped. Thus, a significant portion of what should be common-date coinage is actually scarce and one day might even reach true rarity status.

In some early mint records, the figures listed may be
deceptive. The case of the 1804 silver dollar is illustrative. Elaborate research by two dedicated scholars revealed that the 19,000 pieces listed in early U.S. Mint records for silver dollar production in 1804 were actually for the 1803 dollars. In the early part of the nineteenth century, the mint practice was to use the previous year's dies until they were no longer workable but to record coins produced as if they were dated in the year they were struck. The result for the twentieth century collector is a key rarity. In fact, while the Mint records show 19,000 1804 coins produced, no more than a dozen or so were made—and those were produced 32 years later. The 1804 silver dollar is today valued at more than $500,000.

Grading

The grading of coins, once a mysterious art, has been vastly simplified over the past decade. Several books that teach a step-by-step method for learning about wear and tear on coins—which can differ widely among series—are now available. "The importance of grading cannot be overlooked by the investor," according to Friedberg, "because plainly a coin value is determined almost as much by its condition or state of preservation as by its mintage and subsidiary factors." The price differential can be seen in a typical example, an 1860 quarter eagle (mintage 22,675). At a sale held by Stack's in May 1974, a "proof specimen"—a special, highly polished coin produced at the mint for collectors—brought $4,100 in a spirited bidding contest after opening at $1,250, according to an article in Coin World. In contrast, a proof piece, similar to the one mentioned above which brought $4,100, but which had a slight "rub" on the surface, brought the price down to only $675.

"Coin value is determined almost as much by condition as by mintage."

Although it takes time to learn grading standards, the guidebooks on the subject are excellent tutors. It may be difficult at first to understand why a double eagle from the Carson City Mint can be termed choice, "about uncirculated", when its surface is pockmarked and scratched. It turns out, however, that the Carson City Mint production methods were so primitive that nearly every coin of large size emerged from their presses in that manner. Further inquiry revealed that the rarest of gold coins from the Carson Mint, an 1870 Carson City double eagle, is totally unknown in uncirculated condition, and that even the experts do not know whether to define the best piece as extremely fine or "about uncirculated."

The different approaches have to do with the probability of mint-created damage to the surface of the coin. According to David L. Ganz, "most pieces do not have this problem, and the use of a grading guide can greatly simplify the novice investor's troubles, as can making purchases from reputable dealers who describe their wares accurately."

Evaluation

Researching which coins are "ripe" for purchase, not unlike charting a stock prior to taking the plunge, is common in coin investing. Many coins, particularly those sold at public auction, have established pedigrees, and through these it is possible to estimate the potential value of a particular date, series or type. Those interested in doing research on coins without pedigree can chart their progress through back issues of coin newspapers and magazines, nearly all of which contain advertising offering thousands of coins for the future. Interestingly, there is an established market in the United States for sale of second-hand auction catalogues and books that pertain to numismatics—a gold mine of information for the serious researcher and investor wishing to track price changes over periods of time.

One coin, the 1794 silver dollar, became the world's first $100,000 coin, at an auction conducted in Los Angeles by Superior Galleries in 1973. A prior pedigree history shows that of 1,758 coins struck, only about 50 are known to be in existence today. At the same sale in which this "uncirculated" specimen realized $100,000, a "very fine" piece, a lower grade, brought $12,500—once again, demonstrating the importance of condition.

"While literary research is always worthwhile," comments Ira Friedberg, Arthur's brother and founder of the Coin and Currency Institute, N.A., "examining the coins themselves is another important clue, for it inevitably leads to the discovery of varieties and oddities which enhance the coin's value."

Timing

Another important element in the decision to invest is tim-
ing, Ganz advises that "this is no different from any other purchase with prospective growth. The useful adage 'buy low and sell high' applies to coins as well as to stocks." But unlike the investor who trades in stocks, and is provided with a daily composite index such as the Dow Jones average, how can an investor in coins know whether there is flux in the market? One answer is provided by Coin World, which publishes news and trends for various coins. As a supplement for investors, for example, Coin World publishes a composite index of coin prices in the price trends section. This enables a potential buyer to examine Indian head cents (struck between 1859 and 1909), for example, and see how that series has progressed over months, or years since 1960, when Coin World was first published. Additionally, the Coin Dealer's Newsletter, publishes the "Greysheet" which charts key areas of investor interest.

"The ideal holding period for any collection is at least 12 years."

Other elements of timing include the state of the national economy, the price of gold, silver, and other precious metals, and additional investment factors that daily find their way to the financial pages of the newspaper. "When the market price of gold jumps," says a salesman at Stack's,
“The value of most gold coins will also increase. Since a sizable number are of relatively common vintage, much of their value resides in their bullion (gold) content. Thus, when a common-date $20 gold piece is purchased, a substantial percentage of its cost is not its numismatic value, or worth to collectors, but rather the valuation of 0.9675 troy ounces of gold.” There are 12 troy ounces of gold in one pound of gold. The bullion value of commonly available gold coins has increasingly taken over the major portion of their worth, especially in higher denominations. Perhaps the best known gold coin is the Krugerrand, a South African issue that contains exactly one troy ounce of fine gold. Some now collect the coin for numismatic value as well.

Perhaps because silver is considered to be a less noble metal, the price correspondence so apparent with gold cannot occur in quite the same dramatic manner. If silver prices on recognized commodity markets were suddenly to increase by eight or nine percent, they would make headlines, but the effect on most coins would be minimal. These leaps would really affect only the relatively commodate or readily available coins issued before 1965. In the early 1960s, Roosevelt dimes were frequently offered to collectors in choice uncirculated condition for a bare 5 cent premium over their face value, or 15 cents, at least for the most common dates.

A circulated specimen was sometimes offered for a mere 12 cents. By the middle of the 1970s, the price had jumped past 60 cents, and as silver climbed to $17 per ounce and beyond, a $1.50 asking price for that same Roosevelt dime was commonplace. If the gain seems small, consider it in percentage terms—as a return on investment. If that 15 cent coin purchased in 1960 brought $3.50 today, a 2,233 percent return on invested capital is achieved.

This example points out that the astute collector and investor should be looking at other economic price trends—such as the rising prices of copper and nickel—to ascertain whether or not a similar event might precipitate the withdrawal from circulation of copper pennies and 5 cent pieces.

One must also take into consideration the size of the investment and whether to make steady purchases over a period of time, as well as the length of time it takes to build the collection, and which purchases to keep rather than to sell. “Return on investment is the obvious goal for anyone seeking to make substantial gains. It is far preferable to have a dozen $100 coins that gain 18 percent per year than to have a single coin costing $1,200 that returns 12 percent,” Ganz says. “It is necessary to monitor the coin investment almost constantly and to keep track of the rates of growth.”

Diversification

Investors should also consider diversified portfolios. This has more to do with the psychology of price increments than with anything else, but through careful diversification the rates of growth may increase at a faster rate. One is far more likely to purchase a coin that has risen in value from $250 to $375 than one that has increased in value during the same period from $4,000 to $6,000. Moreover, if a collector owns a dozen or even two dozen coins with a total worth of one prize specimen, the odds are strong that the diversified portfolio will gain more over the long run.

“Once a coin’s value exceeds $10,000, the number of potential buyers diminishes significantly,” comments Ira Friedberg. “To a lesser extent, the same holds true at the $1,000, $2,000, and $5,000 levels.” Ability to raise capital partly expains this, but sophisticated investors also know that coin prices can go down in a cyclical manner; hoards can be discovered, collecting interests can change, and a series can become unpopular and difficult to sell. If a specimen is scarce and generally unavailable, several dealers may independently decide to sell at the same time. “A 20 percent ‘correction factor’ is a good rule of thumb to go by, for a potential ‘bottoming out’ although cases exist where higher drops have occurred,” he adds.

Appreciation

When a rarity is placed on the auction block and two or more collectors are equally interested in obtaining it, the bidding war can send the price significantly higher than if it had been negotiated privately. Moreover, in times of economic stress, when the dollar is under attack, for example, or there is general fear for the health of the economy,
unnatural price increments can occur. A case in point is the gold market of May 1974, when it was apparent that Americans would be legally able to own gold bullion by year’s end and the dollar was under acute stress. Stack’s capitalized by conducting an auction sale of Theodore Ullmer’s gold and other coins, all of which realized record prices. “The results were somewhat astonishing, even a few years later,” recalls Harvey Stack.

In the late 1970s, as economic inflation steadily depreciated the dollar’s purchasing power, the Ullmer records were again shattered in nearly every case. The $200,000 paid at that sale for a 1907 “ultra-high-relief” double eagle gold coin—the highest price ever paid for an American coin—was dwarfed by Donald Kagin’s 1979 purchase of another ultra-high relief for $225,000, the sale of Capitol Coin Company’s Brasher coin for $430,000 and the negotiated sale for $1 million of an 1834 proof set (containing the previously mentioned 1804 silver dollar) by Lester Merkin. Needless to say, the strong dollar of late 1984 has reduced coin prices, and produced some valuable opportunities.

“Once a coin’s value exceeds $10,000—potential buyers diminish significantly.”

Nevertheless, the Ullmer sale, despite inflated prices, demonstrates the potential appreciation possible. Some growth is steady, if not spectacular, especially in the short to intermediate run, generally defined as the first three years of holding. During that time, the changes in the coin’s value do little more than generally recoup the dealer’s profit. Beyond that period, however, the general rule is that unless coins have been bid up in a war between two determined investors and collectors, the value will increase dramatically—sometimes 18 percent annually or more.

Perhaps the best way to visualize the growth in value of coins held for a period of time is to examine a single specimen of some rarity and then compare the prices of similar coins that have been auctioned over a number of years,” advises David Ganz. Using the 1838-O half dollar, one determines that the coin has grown in value from under $4,000 in the early 1950s to $40,000 and beyond to-

day. The 900 percent gain over a period of a quarter of a century is impressive, amounting to an increase of 36 percent annually. It is equally clear, however, that to sustain such a level for the next quarter century, the coin’s price would have to rise to $400,000—which is unlikely, though conceivable.

**When to Sell**

“The ideal holding period for any collection,” according to the American Numismatic Association, “is at least a dozen years. It affords the collector an opportunity to acquire coins, watch their values increase, and then sell them at a profit.” There are exceptions of course: some people put their collections together and sell them in a shorter period, while others acquire coins over a lifetime.

If a particular coin shows a sharp increase in value, it may be wise to sell off the coin and use the proceeds to buy several lower priced pieces with similar value potential. Thus, if one coin were suddenly to decline in value, as sometimes happens, the diversified investor is protected.

“The tax laws are another reason to diversify, since ‘like kind’ exchange (permissible under Section 1031 of the Internal Revenue Code) has been held applicable to rare coins.” According to attorney Ganz, this means that when rare coins are exchanged, there is no tax on the conversion; there would be tax on any ultimate sale.

The question remains, can a $100,000 coin collection be built on limited investment? The salesman at Stack’s had this opinion: “Through systematic purchases of even modestly priced coins, it is a distinctly possible goal. Consider the purchase of Indian head cents in “uncirculated” condition. In early 1970, each coin would have cost about $9. Suppose one purchased ten coins every month—an expenditure of $90, between 1970 and 1974, for a total of six hundred coins. During the last two years of the term, the price rose from $9 to $15, so that the investment would have gone from $90 to $150 a month. At the end of the five-year term, the coins were put away and not sold until 1978—a total holding period of 7 years from first coin purchase. At $90 per month for thirty-six months ($3,240), plus $150 for 24 months ($3,600), the total cost of the investment would have been $7,000. In 1978, the average asking price for a “choice uncirculated” Indian head penny was $70; in 1984 the coin was valued closer to $100. Thus, the $7,000 investment, if sold today, would likely result in $60,000!”

Perhaps that collection of pennies in the jar is worth something after all.

DOLLARS and SENSE, May, 1985
A Fair Proposal for 1989  by John Padovano

What do Tsukuba, Vancouver, Brisbane, and Chicago have in common? All will be sites for upcoming world’s fairs. Now here’s an even tougher question and it doesn’t have an answer yet. Will New York City join this cluster of future fairholders?

In 1981, a grass roots group in Queens, New York formed a private, non-profit corporation designed to investigate and promote the possibility of a New York international exposition in 1989. The group, called the New York World’s Fair 1989 Corporation, was originally working to save Flushing Meadow-Corona Park from its gradual deterioration and to fulfill the dream of the late Robert Moses (former Parks Commissioner of New York) of Flushing Meadow becoming “the Central Park of the 20th Century.” Moses organized both the 1939-1940 and 1964-1965 world’s fairs which were held at Flushing Meadow. “I have no desire to enter a debate over park planning, but it is my firm conviction that in many ways Flushing Meadow or Corona-Flushing Meadow, will turn out in time to be the best planned and most patronized park in New York,” he said after the 1964-65 fair closed down. His dream, however, has not yet materialized.

“We realized the city was never going to do anything with that park,” said David Oats, President of the New York World’s Fair 1989 Corporation and an official at the Queens Chamber of Commerce. “Every little improvement was like climbing a wall. We realized it was a hopeless situation.” Oats illustrates this point by telling how the City refused to accept some improvements to the park made by a movie company. The movie was “The Wiz,” a remake of the 1939 classic “The Wizard of Oz,” and it starred Diana Ross and Michael Jackson. One of the scenes in the film made use of the former New York State Pavilion from the 1964 fair as a set and the company installed new lights along with other fixtures to the worn out building. After the filming was done, the movie company offered to leave the improvements, (worth about $1 million) in the Pavilion as a gift to the city.

But because of an agreement between New York City and the movie industry stating that any movie company making alterations to a city-owned structure must return that structure to its original condition, the Pavilion was returned to its tottering state and the city passed up an opportunity to upgrade the park.

The idea for a new fair as a possible solution to the park’s woes followed on the heels of an exhibit at the Queens Museum highlighting the legendary 1939-40 NY Fair. The exhibit received positive response, and a subsequent Daily News poll revealed almost 99% of those asked supported the notion of another New York world’s fair. When Governor Cuomo and Mayor Koch expressed their interest, the Queens group began serious efforts to develop approval for the fair.

The Corporation proposes a six-month world’s fair to open on April 30, 1989 and close on October 29, 1989. It would be a multi-site fair, the first of its kind, with the main part at Flushing Meadow. Branches are planned in the South Bronx pending a major renovation of the area, Manhattan (an arts and culture festival), Coney Island (the amusements), and Staten Island (a celebration of liberty). The fair’s theme “Communications: Together...Touching Tomorrow” is explained by Oats: “Now, philosophers and social thinkers believe that we’re transforming from an industrial-based society to an information-based society.” New York City, generally regarded as the communications capital of the world, is an appropriate host for an information-oriented event. But the fair’s slated time and place also have historical significance, which will be reflected in the title “The United States Constitution and International Communications Exposition.”

April 30, the scheduled opening day of the fair, marks the 200th anniversary of the founding of the United States Government under the Constitution. Also,

- our first President was inaugurated April 30, 1789 on the steps of Federal Hall
- the first Congress and first Supreme Court met in 1789, in New York City
- the first regular television broadcast in America was at the opening day of the 1939 New York Fair—April 30, 1939.

Getting the Go-Ahead

In order to win approval for a world’s fair, the city and state where it will be held must first give their permission. Then, an in-depth proposal detailing the theme, promotional plans, economic feasibility, benefits expected, and other relevant information must be submitted to the Department of Commerce’s Bureau of Exhibitions in
Washington, D.C. The Department of Commerce and the Secretary of State make a recommendation to the President, and if the President approves the proposal, it then goes to the Bureau of International Expositions (BIE) in Paris. The BIE is the international political body that decides when and where a world’s fair will be held. Upon the BIE’s approval, the exposition is officially sanctioned and all member countries of the BIE are invited to participate.

BIE approval is important, but it is not completely indispensable. Although international participation is reduced if there is no BIE approval, a fair can still be staged. This was the case with the 1964 New York fair. The president of the fair, Robert Moses, felt that it had to last two years in order to be successful. Under BIE rules, a fair can only last six months. Moses also wanted to charge foreign exhibitors rental fees for the use of fair space. This is also not allowed under BIE regulations. These disagreements between Moses and the BIE led to the refusal of BIE sanction. Moses held the fair anyway, his way. Thirty-three countries participated along with 24 states and 59 companies. Fifty-two million people attended, ranking the event among the most popular in fair history.

The New York World’s Fair 1989 Corporation has sent its proposal to relevant officials of the city, state, and federal governments, business, civic, and cultural leaders, and the Bureau of International Expositions.

A feasibility study done by the accounting firm of Touche Ross & Co. has been submitted to the governor with a study recommending “that the Governor and the Mayor endorse the 1989 World’s Fair concept and actively campaign to ensure the public’s support for the Exposition.” The Touche Ross report, which investigated financial records and economic benefits of previous fairs, states that “our preliminary research suggests that New York City could benefit substantially from a 1989 World’s Fair.” As for possible participators in the fair, Oats says that several companies (especially some Japanese firms) are interested but no definite names can be mentioned at this early stage.

Despite favorable responses from preliminary research and encouragement from the public, the fair project has hit snags along the political yellow brick road to realization. One major pothole involves the construction of a sports complex originally proposed for either Brooklyn or Flushing Meadow in Queens. If approved, the project would begin in 1986 or 1987 to be completed by 1989, the same year the fair has requested. Multi-millionaire developer Donald Trump has suggested the major part of the complex be an 80,000 seat stadium—financed through a cooperative sale plan of the majority of seats. According to the New York Times, Trump said he would agree to build the stadium only if the state provided the land for it, and built access roads. The State Urban Development Corporation officially decided that if there was to be a sports complex built in New York, then Flushing Meadow—because of its existing transportation facilities and abundance of space—was the place. The World’s Fair Corporation, which would require significant funding, probably from the government, to improve roadways, parking and mass transportation to the Flushing Meadow site is hoping the proposed stadium will solve at least this crucial financial concern.

The project hit another snag when, according to Oats, an aide to Governor Cuomo decided he would investigate the fair idea himself, before allowing Cuomo to set eyes on the proposal.

The aide made phone calls to leading figures in the private sector, among them David Rockefeller, to get their reaction to funding the ’89 Fair. “David Rockefeller and the Business Partnership and other business groups, who were the real movers in 1964, feel they really got stuck last time and they don’t want to get stuck again,” the aide told the New York Post. The ’64 Fair was a financial failure for private investors, losing $21,159,000 and returning only 62.4¢ on every dollar to note holders. This resulted in a total loss of $18,422,000 for the note holders. “The mood of the times is not there,” the aide continued. “We’re not in the mood for big investments and big risks. People are fairly conservative these days.” Based on his survey of the private sector, the aide did not submit the proposal to the Governor. Consequently, when Oats met with Cuomo and asked him what he thought of the proposal, Cuomo hadn’t read it yet. Despite the findings of his aide, the Governor still was interested in the fair idea. Oats feels that because of the fair’s proposed focus on information, those that lost on the 1964 Fair would not be the main contributors to the ’89 Fair. Most of the investment would come from the young information and computer companies that weren’t around for the ’64 Fair. “There’s an awful lot of new money around and they’re talking to old money,” Oats said.

There is merit, however, to the opinions of those who are reluctant to get involved in a world’s fair. The fact is, most fairs lose money. One of the biggest fairs, the New York 1939 Fair lost $18,723,222 and only paid 40¢ on each dollar to note holders. The San Francisco Fair of 1915 lost $37.5 million. The Philadelphia Sesquicentennial Exposition of 1926 drew only 5,852,783 people, took in only $5 million,
but cost $18 million. The list goes on and on. Recently, the New Orleans Fair of 1984 became the first fair in exposition history to file for bankruptcy. Estimates show the fair losing at least $100 million and possibly as much as $170 million, with a resulting cost of about $25 million to Louisiana taxpayers. The fair was so broke, it couldn't even pay the garbage collectors to pick up the garbage on the last day of the fair, CBS News reported.

In fact, the last fair that didn't lose money was the 1972 Osaka, Japan Fair. It made a profit of $10 million, mainly due to an attendance of 68 million. Organizers are lucky if a fair comes out even. As one official commenting on the financial results of the 1982 Knoxville Fair told the Wall Street Journal, it was a raging success—it broke even.

Considering the dismal financial history of world's fairs, why would anyone want to invest in one? To answer this, the purposes and benefits of having a world's fair must be examined. The grand fairs of the late 1800s and early 1900s were used "primarily as tools for showing the advances of technology in a changing society," Oats says. They prepared people for the future by introducing such inventions as the telephone, telegraph, elevator, television, and even the ice cream cone. But with the advent of TV, world fairs were no longer necessary for displaying technology and furthering awareness of the world—the tube could do that. TV also reduced incentives for corporate participation. "It's very difficult to get a company to spend $20 million to show off its product at a world's fair when it can buy a 30-second television spot during the Super Bowl for $400,000," said Petr Spurme, President of the 1984 New Orleans Fair, in a Wall Street Journal interview. "There was very little corporate visibility at the New Orleans Fair," noted one Chrysler spokeswoman—only about 20 companies participated there. At New York's 1939 fair 59 companies vied for visitor attention.

Functioning originally as elaborate international marketing promotions, recent fairs have been invitations for urban renewal. The New Orleans Fair in '84 helped renovate the deteriorating downtown area. "There's been a tremendous speeding-up of development in the old warehouse district. One hundred acres have been put back into a productive state," said George Williams, Marketing Director of the New Orleans Fair.

The New York 1989 Fair, if approved, may revitalize Flushing Meadow Park. Oats plans to refurbish the crumbling New York State Pavilion from the '64 Fair and the boarded-up Aquacade from the '39 Fair. New facilities such as a swimming pool, ice rink, and athletic facilities would join an exhibit on the history of world's fairs, which Oats envisions as a permanent museum.

A Shot in the Arm

Even if a fair is not financially successful, it may still be "a great shot in the arm for the economy of an area," says Michael Pender, the Executive Assistant to the Executive Vice President of the 1964 New York Fair and later the Director of State Exhibit for that fair. Pender, now the Vice President of The World's Fair Collectors Society, adds: "The economy of the region is the major beneficiary." Fairs help tourism, generate tax revenue and jobs, produce good will, publicity, and civic improvements for the area.

According to marketing director George Williams, the New Orleans Fair resulted in five or six new hotels, a 30% increase in hotel occupancy during the summer of 1984 over previous summer periods, a new convention center, created from an exhibit building, and a $55 million shopping center, also created from an exhibit building. "In spite of the bankruptcy, there was considerable economic impact on the city of New Orleans," he said. The Knoxville Fair in 1982 generated $25 million in tax revenue, $500 million in spending in the city, brought in $225 million in federal highway improvement funds, and created 12,000 jobs. Therefore, if one looked at the impact fairs have had on the surrounding area rather than looking at the income statements, they could be considered highly successful.

Estimates, although sketchy at this early stage, show great potential benefit for New York if the fair takes place. The
Governor's report predicts that 50 million visitors will attend the fair, generating $1.5 billion in fair revenue. This will create at least $420 million in revenue to the City and State. The Department of Commerce projects that the estimated 25 million out-of-town visitors will create 30,000 man-years worth of employment.

However, projections can be misleading, and are often wrong. Organizers of the 1964 Fair anticipated totals of $184,710,000 in revenue and an overall profit of $29,110,000. The actual revenue was only $128,671,000—the estimate was off by 30.3%. And a loss of $21,159,000 meant expectations were wrong by 172.7%. The New Orleans Fair predicted attendance of 11 million, but attracted barely 7 million.

Making a profit remains a primary goal of fair organizers. Though, as Mr. Oats puts it, the objective should not be to "make a bootle," a fair should have "clean, good, efficient, cost-effective management." To achieve this, the organizers of the 1989 Fair must learn from the mistakes of past fairs, especially New Orleans.

The first lesson to learn from the New Orleans disaster is that marketing is extremely important if a fair is to survive, let alone make money. George Williams, the Marketing Director of the New Orleans Fair, feels that the lack of marketing strength was a key to the fair's downfall. Among other things, Williams says the marketing of the fair was late starting, misdirected, and underbudgeted. The fair only budgeted $5 million for marketing, compared to Knoxville's $6.3 million budget. The state budgeted $1.2 million, a ridiculously low figure considering that neighboring Mississippi had a $4.3 million marketing campaign designed to take advantage of the influx of people traveling to New Orleans. Williams feels he cannot be blamed for these marketing flaws, because he wasn't the original marketing chief. The original head of marketing was fired because attendance was 50% below projected levels. Williams says that he could only adjust the marketing plans of the original head, not replace them.

The New Orleans Fair bankruptcy could damage the marketing outlook of future fairs. "It's terrible. From a public relations point of view, it's awful," said Oats, who is considering replacing the title "Worlds Fair" for the '89 event because people may be "intimidated" by that term after New Orleans' collapse. There is talk of a new name like International Festival.

Both Williams and Oats agree that economic conditions at the time of the New Orleans Fair contributed to its failure. Williams noted several factors, including the slender number of international visitors due to the strength of the dollar in Europe. The power of the dollar overseas also resulted in vast numbers of American tourists going to Europe instead of New Orleans. Additional negative factors included competition from the Olympics, specifically in terms of corporate contributions, and the fact that the Knoxville fair had only occurred two years prior and in the same region, thus already satisfying the interests of many fairgoers. Oats adds that Knoxville was able to gain considerable publicity in 1982 because nothing else was going on. New Orleans, on the other hand, had to compete with the Olympics, political conventions and a presidential election for publicity.

Financing: A Government Obligation?

Probably the most important concern of the fair planners is financing. Williams feels the lack of adequate long term financing procedures—like government grants or specially-issued World's Fair lottery tickets—contributed to the inability of New Orleans Fair to pay its debts. "I think the U.S. Government could have done more here," noting Vancouver has received $100 million from the Canadian Government for its 1986 fair and Tsukuba, Japan has received over $2 billion from its Government for the 1985 fair there. New Orleans got only $10 million, and that was strictly for the U.S. exhibit at the fair. "We call that a debt here. In Japan and Canada they call that a grant or an investment on behalf of the government," Williams says. Even the Knoxville Fair got more than New Orleans—$20.4 million for the U.S. exhibit along with $225 million in highway improvement funds. In New Orleans, the source of funds was attendance revenue. "We were totally attendance driven. You can't plan these things and then put them into a position where they must have attendance to be able to pay back their debts," says Williams.

Oats disagrees with Williams regarding high expectations of government support. "Why would the federal government have any obligation to give the New Orleans Fair any money at all?" he says. "If you're going to plan a fair and you want the federal government to give millions and millions of dollars, you'd better forget it because it's not going to happen." Oats does not want to depend on the government. The only government input will be for improvements to the surrounding facilities such as mass transportation. Oats says at least 90% of financing will come from the private sector. "If it can't be primarily funded through the private sector, it can't be done."

Private funding could come from a variety of sources—
including the sale of notes, bonds or lottery tickets—planned by Vancouver for 1986. Or, a revolving loan fund could be set up by banks, corporations, and individuals—similar to the financing method of the Knoxville Fair. This approach might be coolly received, since the United American Bank of Knoxville, a participant in the loan group, went bankrupt largely because of the fair. An attractive alternative would be direct non-repayable grants from organizations, banks, corporations, and individuals. With IRS approval, the grants could be written off as tax deductible gifts, while buying good will for the grantor.

Cost projections for a New York fair vary from $600 million to $1 billion. New Orleans cost about $350 million. $500,000 would be needed just to get started, says Linda Fisher of the State Commerce Department. Revenues would come from admissions, parking fees, concession stands, official designations (for example, "Canon, the official camera of the 1989 NY World's Fair"), and possibly television rights. The Governor's Report suggests that up to 20% of the gate receipts should be forwarded to the City and state. That share could add up to $1 billion, if admission costs are $10. (New Orleans charged $15.) The Corporation's charter specifies that any profit by the fair will be given to the city for use in educational programs.

Presently, the idea has yet to be officially approved by either the city, state, or federal government. The city and state approval is especially slow in coming. In fact, according to Oats, Mayor Koch did not give full attention to the idea until reminded that, if elected for a third term, his final year in office would be 1989—and he could go out with a bang. Meanwhile, due to longstanding competition between Koch and Cuomo (they competed against each other in New York's 1977 race for Mayor and in the 1982 gubernatorial contest) each may be waiting for the other to make a move. The proposal is presently entangled in what is affectionately known as political red tape. However, the Corporation has time on its side. The 1964 Fair planners had only three and a half to four years after they incorporated to plan their fair, and the '39 organizers worked wonders in only three years.

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The World's Failure

Closing day of the 1984 World's Fair in New Orleans was also the busiest one. As The Times Picayune reported, the last weekend brought the best three day attendance ever—some 250,000 people. Long lines were everywhere, especially in front of food stands and the most popular pavilions—the Louisiana Journey and the Australian, Canadian and American entries.

"We are sorry to see it go," said Donna Jordan, a part-time employee at the Vatican pavilion and the whole city seemed to agree with her. New Orleans residents were reported to have visited the fair several times each. "It was like one big party," added Donna. "Only New Orleans could have a fair like this. There won't be a fair like this one again."

Despite this enthusiasm, the fair was not the bonanza to local business that it was expected to be. "Local bars and restaurants lost a lot of business although the fair did provide many new jobs. As a matter of fact, a lot of people are wondering what they are going to do now," said Donna Jordan. Even though five new hotels were built to accommodate fairgoers, none of them were ever full. Some hotels even had to lower their prices, instead of raising them, during the fair season. "Even the regular summer guests did not come because they were afraid of crowds which actually never materialised," said the proprietor of the 623 Ursulines Guest House, Jim Welrich.

Representatives of participating countries were as sorry to see the fair go as the people of New Orleans. During the last days of the fair, Australia posted a banner in front of its pavilion which read, "Thank you N'Awlins from the Aussie Pav." The same positive feeling was shared by folks at the American pavilion despite all of the negative press that the fair received.

The American pavilion was also the only one which completely focused on the theme of the fair: "Fresh water as a source of life." The entire American exhibit dealt with the different sources and uses of fresh water. A 3-D movie, slide shows, and even video games were used to entertain and educate spectators about the uses of water in nature, industry and everyday life.

Other countries tried to present the theme of water by intertwining it with their geography or history, and a pitch for tourism. A spokesperson for the Australian pavilion, Cathy Wadrop, said that her country was trying to make people aware of the 1988 World's Fair.
in Brisbane. Ms. Wadrop agreed with the popular view that the main reason for the failure of the New Orlean’s Fair was a lack of publicity. “But this fair was very good for us,” she explained. “We made an excellent impression and we hope that it will reflect on the success of our fair in Brisbane.”

Elsewhere, the Canadian Pavilion featured a giant screen and a film about traveling Canada’s many rivers and lakes. Canada, too, reminded visitors of their fair: the 1986 World’s Fair at Vancouver. France contributed one of New Orlean’s biggest attractions, a gondola ride across the Mississippi River. Other popular attractions included the Space Shuttle and the Louisiana Journey. For most visitors to the New Orleans fair, admission meant purchasing a two day ticket for $28—a fee many tourists considered high especially when one adds on extra fees for rides on the gondola, monorail, and much publicized Ferris wheel. In addition to the high entrance fees, food at the fair was also very expensive. Two slices of pizza and two glasses of Coke came to slightly over $7.00. One informed source estimated that a family of four would have to spend at least $200 for two day’s adventure at the fair.

The nicest thing about the New Orlean’s World Fair was its internationality. In each pavilion the native language of the represented country was spoken and “passports” were available for visitors, at an extra charge, of course. At the end of the day, a visitor/world traveler would be left with a stamp as a souvenir of the many different countries visited.

Unfortunately, once one left the pavilions, the international spirit vanished. Most of the “international restaurants” were actually fast food counters whose cuisine was vastly inferior to the famous New Orleans cajun/creole food to be found in the surrounding French Quarter. The same defect could be said of the entertainment at the fair which though adequate was nothing like the jazz of the French Quarter, some fifteen minutes away.

All in all—on the 184th day—the New Orlean World’s Fair looked very tired and very dirty. The day after it closed, someone on a St. Charles streetcar remarked: “I’ve been to the World’s Failure.”

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Recycling programs in New York City have never aroused widespread committed support from city officials. The Sanitation Department, caretaker to the 28,000 tons of solid waste produced by New Yorkers each day, has given little more than nominal assistance to local recycling efforts during recent years.

But community and environmental groups, invigorated by new and aggressive support for recycling from City Comptroller Harrison Goldin, are effecting fundamental change in the Sanitation Department’s approach to recycling. The change is occurring in the midst of New York City’s waste disposal crisis.

In 1970, the city’s municipal solid waste (MSW) was buried in over a dozen local landfills, hauled to a number of landfills in New Jersey, and burned in numerous Sanitation Department incinerators in each of the five boroughs.

But New York State’s enforcement of Federal Clean Air and Water Acts during the 1970s dramatically altered the city’s waste disposal techniques. No longer able to comply with heightened emission control standards, nearly all the incinerators were shut down. Imminent legislation from Trenton will prohibit NYC’s MSW from being landfilled in the one remaining New Jersey county which now accepts it. Since 1970, the Sanitation Department has closed 14 local landfills that exceeded their capacity. Opponents to their continued use claimed that the plants were a potential hazard to the environment and public health. Three of the city’s four remaining landfills are scheduled for closing within the next several years. By 1987 the Fresh Kills Landfill on Staten Island will take all the city’s 28,000 tons per day of MSW.

The Sanitation Department has a plan it believes can alleviate and eventually solve the city’s waste disposal crisis. Since 1980, the Department has proposed a series of between 5 and 10 resource recovery plants to be located throughout the five boroughs. The plants would cost a combined total of nearly $2 billion with the first one ready for operation by 1988. Each plant would be capable of burning 3,000 tons of MSW per day. The ashes would be landfilled at Fresh Kills which could remain operational beyond the year 2000.

Resource recovery plants are high-tech incinerators with sophisticated pollution control devices. The resource recovered is steam manufactured from the high temperatures inside the incinerators. The steam is then sold to a local utility. In NYC, Con Ed would buy the steam for use in its steam heat loop which supplies heat for office buildings in lower Manhattan. With one plant producing in excess of 800,000 pounds of steam per hour, the Sanitation Department believes each plant could save the consumption of 770,000 barrels of oil per year.

Eighty-eight resource recovery plants currently operate in this country. They augment and replace landfills overburdened since the 1970s, when most traditional incineration techniques were banned by environmental legislation.

After five years of aggressive marketing and voluminous
Sanitation Department reports, many community and environmental leaders, and members of the Board of Estimate (BOE), who will make the final decision to veto or accept the proposal, are not convinced that a complete conversion to resource recovery is the city's best option. In addition to building and operating costs, resource recovery plants often emit dioxin harmful to surrounding populations.

Armed with cost statistics acknowledged as valid by the Sanitation Department, Comptroller Goldin and environmental leaders are proposing recycling strategies that the Sanitation Department is finding increasingly difficult to ignore.

According to Sanitation Department figures, the current cost of landfiling MSW averages $22 per ton. But construction, maintenance, and operation costs of the proposed resource recovery plants will push the cost of disposing of MSW to $40 per ton. Regardless of the method of disposal, the cost of collecting the refuse will reach approximately $90 per ton.

"The Sanitation Department has been backpeddling on recycling because it has become so engrossed with resource recovery," says Walter Bortko, assistant in the Office of Policy Management at the City Comptroller's Office and author of the Comptroller's Office report. "When you consider the environmental factors and the horrendous cost of resource recovery, you realize the need to complement that with an integrated waste disposal strategy which includes recycling."

The Comptroller's report emphasizes that 20% of the city's MSW could be recycled if the Sanitation Department were to implement two recycling strategies. First, the report
suggests curbside pickup by the Sanitation Department of recyclable materials voluntarily separated by tenants. Initially, the curbside pickup should be instituted in a single community board in Queens or Staten Island and gradually expanded to other community boards. Eventually, the report suggests, the city should legislate separation of recyclable materials for curbside pickup on a citywide basis.

In addition to other recycling strategies, the report suggests the expansion and development of buy-back and processing centers for recyclable materials in the five boroughs. Community groups could operate the buy-back centers with revenues from the materials sold to processors, and could channel extra money back into community development projects. The report says that an extensive educational and media campaign by the Sanitation Department and environmental and community organizations would elicit widespread public participation in the program.

Nancy Wolf, director of the Environmental Action Coalition (EAC), a group involved in the organization of community recycling efforts in NYC since 1970, believes the 20% recycling rate targeted in the comptroller's report is possible. She says, "There's no doubt in my mind that a well-funded program with lots of public information could get a large percentage of New Yorkers to participate."

Curbside pickup of separated recyclable materials is not a new idea. Jerry Powell, editor of Resource Recycling magazine in Portland, Oregon, and a leading expert on recycling in the United States, feels NYC's situation is part of a larger national trend. "In 1972 there were two curbside pickup programs in the country. By 1984 we had over 500 such programs," says Powell. "There is certainly a growing national trend towards substantial municipal recycling efforts."

But New York City's Sanitation Department has been hard to convince. Wolf believes the Department's traditional prejudice against recycling—citing insufficient evidence that recycling programs can pay for themselves—has been unfair.

"They cannot make recycling subject to a bunch of rules the other waste disposal methods don't have to play by," says Wolf. "They would never say a landfill must pay for itself and they have definitely not said the resource recovery program has to pay for itself. There's no reason why recycling should be expected to pay for itself when nothing else does."

Rather, Wolf, who is also a member of the Citizen's Ad-

visory Committee to the Sanitation Department on the proposed plants, has urged the Department to consider recycling as a waste management technique.

"Recycling is environmentally benign and has direct benefit when recycled materials are sold," says Wolf. "If recycling can play in the same game with landfilling and resource recovery, it's going to emerge as a very desirable option."

Chaz Miller, a specialist at the Environmental Protection Agency in Washington, D.C., and considered by Powell to be the leading authority in the Federal government on municipal recycling, agrees with Wolf.

"A business doesn't expect to see a real return on capital investment until somewhere between the third and fifth years. And yet, many municipal leaders want to be sure recycling programs will pay for themselves within the first year before they agree to institute them," says Mr. Miller. "That economic approach may be great for hula-hoops and frisbees but in relation to recycling it's just not rational."

But recent moves by NYC's Sanitation Department, anxious for a resolution to the growing waste disposal crisis, indicate that recycling is being given new consideration.

Harry Szarpanski, project director of Resource Recovery and Waste Disposal Planning at the Sanitation Department acknowledges that pressure from Comptroller Goldin and the BOE has prompted a changing departmental attitude towards recycling.

"From a political perspective there is the realization that if we want to implement the burning facilities we also have to give more attention to, and do more about, recycling," says Szarpanski.

Asked if the realization was also spurred by pressure from local community and environmental groups, Szarpanski replies, "Their pressure is not the sole reason why we're paying more attention to recycling projects but these pressures did contribute."

The development of recycling strategies, which once occurred in a separate Recycling Office within the Sanitation Department Office of Resource Recovery and Waste Disposal Planning, is now the direct responsibility of Szarpanski. Recycling options are considered equally with plans for the resource recovery plants.

In its first recycling initiative under the reorganized structuring, the Office of Resource Recovery and Waste Disposal Planning has signed two two-year recycling contracts with local environmental groups totalling a little more than $500,000 of Sanitation Department funding.
One contract with the EAC for $234,000 will provide the group with resources for organizing newspaper recycling programs in multiple-dwelling units. The EAC will develop collection and storage procedures within the buildings, and negotiate for the pickup of newspapers by private dealers. At the end of two years the contract calls for the recycling of 500 tons of newsprint per year.

The second contract, with the Council on the Environment of New York City (CENYC), allocates $268,000 for an expansion of the group’s office paper recycling program in corporate, governmental and not-for-profit offices. The CENYC contract will work in conjunction with, and greatly expand, the Sanitation Department’s own City Agency Paper Recycling Program.

But beyond these two grants, the nature and depth of the Sanitation Department’s commitment to recycling is uncertain. Although the department is studying the feasibility of a pilot curbside collection program in a specific sanitation district somewhere in the five borough area, Szarpanski is not sure a mandatory city-wide program is possible.

“We have enough trouble in some communities with simply getting people to put garbage out in a can,” says Szarpanski. “Asking these people to separate newspapers from bottles and cans would be nearly impossible.”

Powell, who first became involved with recycling in 1969 when he took charge of a small community drop-off center, believes NYC’s recycling dilemma is singular. He explains nearly all of the country’s 500 municipal curbside collection programs are in rural and suburban areas or in small cities with a large percentage of single-family dwellings. In New York City, the massive number of multiple-family dwellings, and the need for coordinating storage and transportation of recyclable materials present difficulties unequalled in any other recycling program.

But the City Comptroller’s Office and local community and environmental leaders, convinced that a comprehensive commitment to recycling by the Sanitation Department could play a key role in solving the city’s waste disposal crisis, are relentlessly pressing their proposals.

“Recycling is in a politically advantageous position and we’re trying to take advantage of it,” says Wolf. She believes the BOE is concerned with the enormity of the potential financial investment in the resource recovery plants and is actively looking for economically desirable alternatives. “The time has come when the BOE is willing to look seriously at recycling.”

According to Wolf, the EAC has advocated a gradual approach to increased recycling which would simultaneously strengthen a network of drop-off centers throughout the five boroughs and start voluntary curbside collection in certain districts where community participation in drop-off centers is high.

Szarpanski acknowledges that the Office of Resource Recovery and Waste Disposal Planning is studying the possibility of initiating a pilot curbside collection program in one specific sanitation district in Queens or Staten Island. Signs from the Department are promising.

“If the decision is go, we could begin a pilot program in about a year,” says Szarpanski. “And if successful, that could grow into other districts. There are communities where we believe a volunteer program might work. But at this point I don’t know how we could mandate a city-wide law that would require people to separate their recyclable trash for curbside collection.”

Walter Bortko, from the City Comptroller’s Office, though optimistic about the Sanitation Department’s consideration of the Comptroller’s reports and other proposals for recycling, is concerned that the implementation of new recycling programs may become bogged down in bureaucratic red tape.

“We don’t want a case of analysis paralysis,” says Bortko, where everything gets studied and nothing gets done. “I’ve never seen a situation like recycling where there are so many positive factors coming together simultaneously—not in any projects I’ve worked on for this city in the last twenty years.”

Powell, while emphasizing the enormous obstacles facing city-wide recycling, believes advocates in the city may have reason for optimism. He says “That sissy little $500,000 the Sanitation Department put out could cause a breakout.” There’s a chance that a small breakout could just go crazy.”
First there was the clay jug carrying water from the well. Then there were glass bottles, followed by tin and aluminum cans. Most recently, there are aseptics, strange, little paper containers with shelf lives of less than a year.

For the past decade aseptic packaging has been the popular method of packaging dairy foods and beverages in Europe, Canada, and many other countries. Now after years of success overseas, aseptics have finally hit the U.S. market. In fact, they are expected to attain 20 percent of the total non-carbonated beverage market within the next few years.

Packing the Punch

Made of paperboard, aluminum foil, polyethylene and or surlyn, aseptics are light in weight and easy to handle due to their simplistic brick-shape design. BRIK PAK Inc., a subsidiary of TETRA PAK INTERNATIONAL (a Sweden-based firm in existence since 1961) is the innovator of this unique packaging method which sandwiches aluminum foil between paperboard laminates and plastic to create an airtight container. As the containers pass through different stages of the sterilization process, the inside of the carton is sprayed with a computer-controlled amount of hydrogen peroxide. Then the hydrogen peroxide is evaporated using hot sterile air. Soon the containers are filled with heat treated products, such as juice, which have been sterilized separately. Aseptic means “the absence of microorganisms.” Absolute sterility is ensured by the use of hydrogen peroxide as a sterilant in the package, a procedure which received final approval by the Food and Drug Administration in January, 1981 in response to a petition filed by BRIK PAK Inc.

BRIK PAK’s method has already been adopted by many of the major packagers including International Paper, Excello, Continental, and American Can. The system is capable of filling and packaging 75 containers per minute or 4,500 per hour, and is now marketed in over fifty countries. Though aseptics come in various sizes, to date the convenient 8.5 oz. (250 ml.) containers with attached straws are most popular with consumers. They are available in three-packs.

“If you look in the grocery stores, in the beverage section, you’ll find that there’s a whole new section with aseptics. And everybody’s competing for space for this new
category,” notes Karen Bachman, manager of product publicity for Del Monte Corp. Major supermarket managers agree that aseptically packaged beverages are selling at a much faster rate than two years ago, when they were relatively new in the market. Compared to the juice or nectar category, fruit drinks (grape, cherry, orange, etc.) are moving off the shelf more readily. They are especially popular among shoppers with children.

Major beverage companies such as Ocean Spray, Coca-Cola, and Del Monte have already firmly set foot in the market and are experiencing an increase in sales. The retail price for these drinks varies slightly or not at all from company to company. Basically, prices range from 89¢ to $1.19 for a three-pack, depending on whether it’s a juice or a fruit drink. In the fruit juice category, Ocean Spray (with their cranapple and crangrape juice) was the first company to feature paper bottles in 1981. Their advertising campaign, geared to families, emphasized the low cost and convenience aspect of the product. According to Business Week, aseptic packaging has increased the Coca-Cola Foods Division Hi-C’s sales volume by almost 20 percent. “And that gain has been almost completely incremental,” says Clint E. Owens, the senior vice president of marketing for Coca-Cola Co. While maintaining sales from the typical 64 oz. bottles, they now have additional sales from new consumers who are buying aseptics. Janet Gibson, public relations manager for Coca-Cola Foods, emphasizes that aseptics are not pulling away the customers who normally would purchase beverages in traditional cans.

“...There is significant resistance to the idea of aseptically packaged milk....”

Del Monte Corp. has experienced a similar success story. Sold nationally, their Hawaiian Punch experienced a 34 percent growth in sales in 1983, largely due to aseptic packaging. Additionally, they claim to control 17 percent of the entire aseptic market. For Del Monte, there was no problem going aseptic. “Hawaiian Punch Light (in aseptics and in other forms) was introduced nationally without test marketing,” says Karen Bachman. “In fact, having been in the aseptic market internationally,” she continues, “market

research indicated that it would be a very acceptable form of packaging; a very modern form of packaging that the consumer would like.” According to her, the new paper carton was immediately accepted by consumers. In their new TV commercial, Hawaiian Punch Light with one-third less sugar is advertised as a fun drink for everybody; not just kids. The company is thus targeting a wider segment of the market. Del Monte also sells peach and apricot nectar in 6.8 oz. “punch boxes.”

The main reason for the quick acceptance of aseptic packaging by companies has to do with cost. Aseptics are economical to produce. The relative savings over cans and bottles is 50 percent and 30 percent, respectively. Cost is a major concern for manufacturers, who seldom escape the backlash of resource scarcity experienced by suppliers. Even though it means a major capital investment for new equipment, companies agree that the per unit variable cost is considerably lower than cans and bottles. In addition, aseptics result in simpler means of transportation since trucks and cars need not be refrigerated. This cuts the cost of distribution and handling. Retailers, whose cost of refrigeration makes up to 60 percent of the total energy bill, also take advantage of the savings as a result of storing and shelving aseptically packaged products at room temperature. It seems only natural that these significant savings would be passed down to the consumers as well. But so far this does not seem to be the case. Compared to 98.4 cents for a quart of Mott’s apple juice in a bottle, a quart of the same juice in an aseptic container sells for $1.63.

Lukewarm Reception

Generally, consumers seem to take a liking to aseptically packaged beverages because the cartons are flexible, safe, and easy to handle. They are perfect for lunch boxes. Children perceive them as fun drinks, while adults on the go find them convenient. However, when the discussion is turned to aseptically packaged dairy products, consumers seem to be hesitant, even though milk has been test marketed and sold in some parts of the United States. Because the American consumer is used to buying refrigerated milk, there is significant resistance to the idea of aseptically packaged milk, even if it means a saving of many trips to the supermarket.

While it will be an uphill fight to change consumers’ negative attitudes on room-temperature milk, experts in the field believe that aseptic packaging will win out: the waxed milk carton, like the glass milk bottle before it, will eventually become extinct.

DOLLARS and $ENSE, May, 1985
Ever since Henry Ford first mass-produced the automobile in 1908, passenger safety has been an issue that has helped guide the design of many autos, whether it be the model-T or a 1985 Pontiac Fiero.

Early autos were not designed according to strict governmental regulations but their operation was controlled. In 1865, a time when very few people owned motor-driven carriages, the Locomotives on Highway Act mandated a speed limit of four miles per hour, and required each vehicle to be preceded by a flag-waving individual and operated by a crew of two. The Act remained in effect until 1896.

Needless to say, the regulations that are in force today for the operation of vehicles aren't quite as stringent. We now have a national speed limit of 55 mph. In addition, vehicles must have forward markers (headlights and reflectors) and built-in accessories such as rear-view mirrors and tinted windows which assist in routine driving.

The driver of an automobile is responsible for that vehicle's safe operation, and the government requires manufacturers of automobiles to make them as safe as conceivably possible.

The automobile of the 1980s is designed with safety features in mind, some mandated by the government. Take, for example, the anti-lock brakes standard on some Lincoln and Mercedes-Benz models. These brakes, which sense when the car is skidding and compensate for it, have never been mandated by the government. Both automakers designed and produced them without any governmental urging. Sources in the industry say anti-lock brakes will ultimately find their way into all cars.

Safety features are not only required by the government; they are also popular with consumers. Chrysler has embarked on a new ad campaign to win a larger share of the auto-buying public. According to Taggart Patrick, a spokesperson for the automaker, "We are trying to be the best in our class, this includes being the best in safety and in quality."

Legal Catch-22s

Despite Chrysler's efforts to be safe, many U.S. auto producers find that governmental regulations tie their hands when it comes to safety. Two such regulations are the Corporate Average Fuel Economy (CAFE) and the bumper crash-worthiness standards.

CAFE forces auto-makers to sell cars that average a certain miles per gallon rating. If they sell a disproportionate amount of thirstier cars, they must pay a fine for every car sold that doesn't meet the governmental economy standards.

Another example of a legislative Catch-22 relates to bumpers. In 1980, all cars sold in the U.S. had to be equipped with heavier bumpers, capable of withstanding crashes of up to five mph. In 1983, the requirement was rolled back to 2.5 mph. The fuel and bumper regulations seem to be in direct conflict, since cars with heavier bumpers will inevitably be less efficient. According to a report released by the National Highway Traffic Safety Authority (NHTSA) in January 1983, the Federal Motor Vehicle Safety Standards (FMVSS)—which contain the bumper regulation—added about $372 or four percent to the price of a car. Also added were 198 pounds, enough weight to add about 20 extra gallons to a vehicle's average annual fuel consumption. The net savings to the buyer: $25 in insurance premiums.

Of course, there is evidence supporting the installation of heavier bumpers. In a 10 mph test crash conducted by the Insurance Institute for Highway Safety, a 1982 Honda Accord received $600 worth of damage; a 1983 Accord with the 2.5 mph bumpers sustained over $1,400 worth of damage in a similar test crash.

Spokespersons for both Allstate and State Farm Mutual Insurance companies are convinced that "the government believes that five mph bumpers are more economical than the legal 2.5 mph in the long run." Apparently, many automakers agree with this thinking. Ford, Saab, Mazda, Subaru, Toyota, and Nissan all sell cars that meet the more stringent and unrequired five mph regulation.

Len Lonnegren, public relations manager for Saab-Scania, USA, which markets Saabs in the U.S., says, "It is cheaper to make bumpers that meet slightly less than the five mph regulation." He added, "We (Saab) have the best bumpers in Europe; they meet a seven kilometer regulation (roughly 4.4 mph)." David E. Martin, the director for safety at General Motors, says that with the less stringent regulation, G.M. cars could be lighter, adding to the efficiency of the auto. With lighter and more efficient autos, producers of large cars, such as G.M. and Ford, would also have a better chance of meeting the ever-rising CAFE standards.
Len Lonnegren, public relations manager for Saab-Scania, USA, which markets Saabs in the U.S., says, "It is cheaper to make bumpers that meet slightly less than the five mph regulation." He added, "We (Saab) have the best bumpers in Europe; they meet a seven kilometer regulation (roughly 4.4 mph)." David E. Martin, the director for safety at General Motors, says that with the less stringent regulation, G.M. cars could be lighter, adding to the efficiency of the auto. With lighter and more efficient autos, producers of large cars, such as G.M. and Ford, would also have a better chance of meeting the ever-rising CAFE standards, which will be 27.5 mpg in 1986. According to Changing Times magazine, the savings from lighter bumpers are minimal, "an average of eight dollars per car; not enough to pay for an optional cigarette lighter for a Chevy Chevette."

If heavier bumpers are supposed to reduce damages in collisions, then more prominent braking lights should lower the chances of a collision in the first place. U.S. Transportation Department Secretary Elizabeth Hanford Dole is a strong proponent of upgrading brake light standards on cars. The Dole proposal, which takes effect in 1986 model cars, calls for a third brake light—an eye level mounted red light that works in conjunction with the standard brake lights. Dole estimates that this brake light will reduce injuries by 40,000 and save about $434 million in property damages each year.

The cost to consumers is minimal. According to Taggerty Patrick, "We [Chrysler] will have a price increase of 1.2 % in 1985, but we don't do a breakdown."

J.C. Whitney, a mail-order house of auto accessories, lists lights like the ones that will be used in 1986 at $14.95. The only problem the auto makers face in meeting this regulation is one of aesthetics and practicality. Some autos, such as hatchbacks, have no real provisions for these lights. Chrysler, which produces a number of hatchback models, will, according to Patrick, "abide by the new law, somehow."

Passive Restraints

The most controversial safety regulation involves passive restraints. Since 1966 this piece of probable legislation, which requires that autos be built with passive restraint devices that need no action on the part of the car occupant to activate them, has been a key issue for debate. The law, which was supposed to first go into effect in 1969, has been delayed or reversed at least four times.

Last June, Elizabeth Dole and the Reagan administration ordered that passive restraints be phased in over four years,
beginning with 1987 models. But the order gave Detroit a
way out: if by 1989 states representing two-thirds of the
population adopt laws requiring belt use, the federal order
will be scrapped. State laws, however, must include
minimum fines for not using seat belts.
To date, three states including New York have passed
such laws and, according to the Highway Users Federation,
a lobby group based in Washington, D.C., some 42 more
will introduce seat-belt legislation in 1985. Automakers are
apparently seeking to make use of the escape clause in the
Dole proposal by setting up a multi-million dollar lobby
group, Traffic Safety Now, whose chief goal is to push for
mandatory belt laws in all states.
The choice between air bags and seat belts presents a
real conflict for the majority of safety activists. Ralph Nader,
speaking for the Center for Auto Safety, calls the Reagan
plan "a snare and a delusion fraught with the continuation

"The figures are frightening. In
1983 alone, 44,600
people died in motor
vehicle accidents."

of preventable slaughter on the highways."
Although most safety experts advocate using both bags
and belts, when pressed activists seem to be in favor of the
air bags. Since most activists would not wish to come out
opposing seat belts, however, many are pushing for weak
seat belt laws which do not meet Dole’s specifications; paving
the way for the passage of the air bag ordinance.
Introduced in 1970 by General Motors, air bags sold
poorly. In fact, one auto industry spokesperson at the time
called them "expensive gadgets of questionable
reliability." To date, however, only a handful of the 10,000
experimental air bags in use have inflated inadvertently.
But the question still remains: do air bags adequately
restrain an occupant in case of an accident? John S. McKibben,
who was involved in research contract work for the
NHTSA, says, "We never heard about any of these (test)
vehicles being involved in roll-overs, side, or sharply angled
impacts, or rear impacts, all of which expose the occupants
of the vehicle to essentially the same hazards as if they were
unrestrained." The Insurance Information Institute manual,
About Air Cushions, says that "the cushions are designed to
inflate only in frontal impacts..." Needless to say, not all
auto collisions would activate the air cushion.
In a Gallup Poll conducted in June-July of 1984, 60% of
the people surveyed said they preferred air bags. Yet in
1984, only 20% of the buyers of Mercedes Benz autos, the
only company presently offering the bags, purchased this
option, according to a Mercedes Benz spokesperson.
The government has estimated that the added cost to the
consumer of an air bag-equipped car would be about $300.
Mercedes Benz, however, adds $880 to the price of a car
for the air bag feature.
Those who are opposed to air bags advocate mandatory
seat belt usage laws. Bob Sinclair, the president of Saab,
says, "Air bags are a very expensive way to provide less
protection than you get through the three-point belts
already in cars." Chrysler’s spokesperson Patrick empha-
sizes, "Seatbelts are the most effective means to provide
adequate safety; they are also the most cost effective." The
real problem, even with a mandatory seat belt usage
law, could very well be compliance. At present, according
to the New York Times, only about 15% of the U.S. popula-
tion uses belts. In Canada, where seat belt usage is man-
datory, only about half of the population buckles up.
David Martin, G.M.’s director of automotive safety
engineering says, "Belt use laws will begin saving lives im-
mediately; in contrast, it would take 15 years for nearly all
cars to be equipped with air bags." This statement reflects
the fact that people keep cars about seven years before
purchasing new ones. Air bags would also not be man-
datory in all cars produced until 1989, if laws were passed
by late 1985.
Roger Maugh, Ford’s director of automotive safety, says
that if laws were passed today “it would be difficult to do.”
A company typically needs at least three years to design an
all-new system and crash test it with dummies.
Although auto experts say there are no firm statistics on
whether air bags would save more lives than seat belts, the
Transportation Department says that from 3,780 to 8,630
lives would be saved annually with air bags. They also say
that with the use of both air bags and three-point belts
4,570 to 9,110 lives would be saved annually. These
estimates assume that 12.5% of the population buckled up.
The figures are frightening. In 1983 alone, 44,600 people
died in motor vehicle accidents. According to the Transpor-
tation Department, this figure would be cut by more than
50%, if people wore seat belts.

Shortly before the last presidential election, a voter was asked of his preference and replied, “I’m for any candidate who’ll put more money in my pocket.”

For many Americans, the relationship between politics and economics is summed up by this rather myopic sentiment. Those more far-sighted may want to read Leonard Silk’s Economics in The Real World. Silk, economics columnist of the New York Times and author of Economics in Plain English and Nixonomics, among other books, provides a clear, concise and highly readable history of American and world economic climates under the last five presidencies. For the fiscal neophyte as well as the political layperson, Silk’s book is an accessible and compelling source of information.

Silk begins with the Johnson era, describing how that administration’s fate was sealed early on by the inheritance of Kennedy’s policy on Vietnam. Vietnam was ultimately to obscure Johnson’s economics of frugalitly. Under LBJ, Congress did pass the biggest tax cut in history ($14 billion), which led to a booming economy and a shrinking budget deficit—for a while.

Here Silk gives readers a truly dramatic insight into the “timing” of political decisions. He describes how in June ’64 Johnson began campaigning against Senator Barry Goldwater, and in an effort to contrast Goldwater’s hawkishness regarding heavy bombing of Vietnam, resisted pressures from the Secretaries of State and Defense and the head of the CIA to back an American escalation of the war. Yet on September 7, only two months before the election, Johnson and his top officials reached agreement that air attacks against North Vietnam would probably have to be launched. They expected these attacks to start “early in the new year.” And so Johnson the “dove” buried Goldwater “the hawk” in a landslide in November.

But Vietnam, the war that Johnson and his aides publicly insisted was not happening in 1966, took its toll, both on the economy and the presidency. According to Gardner Ackley, LBJ’s chief economic adviser at the time, “The delay in enacting a tax increase to finance the war represented a clear political failure.”

Nixon’s economic difficulties grew out of his aversion to set a dollar devaluation in terms of gold, as the European countries insisted. The Watergate tapes revealed the following bit of conversation concerning Nixon’s view on foreign currency:

Haldeman: “Burns (Arthur, chairman of the Federal Reserve Board) is concerned about the lira.”

Nixon: “I don’t give a shit about the lira.”

Silk suggests that Nixon was unwilling to devalue the dollar because it would diminish the American dollar’s status as “the fixed star of the world monetary system.” Soon inflation was again running rampant, and another threat to the dollar was on the horizon.

On October 6, 1973, the Arabs launched the Yom Kippur War against Israel. As part of their strategy, they declared an embargo on oil shipments to the United States, along with any other country that provided support for Israel. What followed, as anyone who waited in a gas station line will vividly recall, was total chaos. Silk devotes an entire chapter to the oil crisis and outlines it in great detail.

Nixon’s own chaos ended (or began) in July 1974, when impeachment proceedings started. Gerald Ford took on the nation’s highest office facing the first double digit rate of inflation in the U.S. since the First World War. When Nixon resigned on August 9, 1974, Gerald Ford declared that “our long national nightmare is over.” His battle cry became WIN, the acronym for Whip Inflation Now! But Wall Street
was not convinced. Twelve trading sessions after Ford took over, the Dow Jones fell almost 100 points.

Ford didn't score any points for popularity in New York. Who could forget the notorious New York Daily News headline "Ford to New York—Drop Dead!" Leonard Silk couldn't. His allegiance to Gotham is evident in the book's most biting section entitled "Washington vs. New York." Silk writes, "Washington can afford to be calm about the economy, because Washington plays with Other People's Money. New York tends to be more manic depressive, because it plays with its Own Money, with real money."

Silk backs his remarks with facts, like this one—"From the start of the Nixon Administration to the start of the Ford Administration, the nation added 5.3 million jobs, but New York City lost 247,000 jobs. The jobless rate was seven percent." A year later, the unemployment rate in New York City had reached 11.5 percent—a rate not seen since the Depression of the 1930s.

Carter came on the scene, searching in vain for a "painless policy." Silk describes Carter's ill-fated appointment of Textron, Inc. board chairman G. William Miller (who was charged by the Senate Banking Committee with making a payment to an Iranian Agency to obtain foreign contracts) to replace Burns at the Fed. He also attempts to shed light on the furor over Carter's Ambassador to the United Nations.

Silk characterizes Carter as having been an "outsider in Washington, suspicious and wary of the Eastern Establishment," and adds, "Carter was a remarkable President: one of the most intelligent and sensitive, and one of the most febrile and unsure."

Next, of course, came Ronald Reagan, "The Great Communicator." In his campaign speeches he lauded the Kemp-Roth bill (which included a 30 percent cut in Federal income taxes.) George Bush was then running his own campaign for the Republican nomination and denounced Kemp-Roth as "Voodoo economics." Those who watched the most recent Vice Presidential debates may recall some irony here. As Silk describes Reagan's tax bill "with Republicans and Democrats vying for the privilege of providing tax breaks to assorted special groups, the bill became a riot of fiscal graffiti—and a bonanza for the well-to-do, and perhaps most of all, for tax lawyers, tax accountants, and investment advisers."

Silk devotes the next chapter to a parallel between Margaret Thatcher and Ronald Reagan, also noting that "The President's own anxiety over these sorry events [skyrocketing interest rates, a near dead long-term bond market] was reflected in his effort to find somebody or something to blame them on." Among his top three targets were: The Fed, Congress, and Jimmy Carter.

In a chapter on "The Political-Business Cycle," Silk offers the following advice—"If you were a politician seeking to maximize votes and still produce something resembling economic stability, the optimal political-economic strategy would be to arrange for the bottom of a recession to occur a few months before the election year begins, and have most of that year for recovery. This would simultaneously benefit the largest number of voters in all classes: the unemployed workers will get jobs, the real income of the employed labor force will rise, and inflation, in the wake of the recession, will not yet revive—provided you play it right and don't so overdo the economic stimulus as to let inflation out of the bag before Election Day."

A table is provided which demonstrates economic acceleration in election years versus non-election years in 22 democracies. The results confirm Silk's own theories—19 out of the 27 enjoyed significant increases in real disposable income.

In a fascinating chapter on life in the Soviet Union, Silk examines, quite lucidly; the negative side of full employment and its human cost. He describes "the grand estates and villas of high officials in that carefully policed area the American correspondents in Moscow call 'Westchester.'" Of course, all this thinking about Russia starts one thinking about war. Silk provides some facts regarding military spending. Silk writes "The biggest growth sector in the world economy is military spending. Unlike other growth sectors, however, the rapidly growing military production and international arms trade does not nourish economic growth but retards it." He cites Israel's 400 percent inflation rate in 1984.

In his closing chapter, "What Have We Learned?" Silk outlines some suggestions of his own. He warns against rising deficits of a trillion dollars or more through the rest of the decade, discusses Economic Force vs. Military Force, stresses "an industrial policy that focuses on improving the education and technical training of the labor force" and believes that "it is in the area of primary and secondary education that the Japanese appear to have their main advantage over the United States."

Silk does a creditable job in providing an economic overview of the last 21 years while adding not only vital behind-the-scenes politics but an ease of style, every so often lapping into humor. This is much needed, for by the end of the book one is not only informed, but frightened. Indeed, Mr. Silk's closing remarks read a bit too much like the campaign rhetoric he so closely scrutinizes.