May 1988

ILLITERACY in the Workplace

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Dollars and Sense is a publication of the Baruch College Business Journalism Program. Our purpose: to provide the Baruch community with a business magazine written, designed, and edited by Baruch students.

On the Cover: Design and Photograph by Jo Marie Fecce and Marie-Laure Sorbac Centerfold: Photos by Marie-Laure Sorbac; Collage and Tinting by Jo Marie Fecce.
New Wave Produce  

by Michael Wasserman

Stepping into the produce department of a supermarket today is like taking a cruise around the world. Jicama from Mexico, carambolas from Malaysia, and jakfruit from India are only a few of the more than 250 types of exotic fruits and vegetables working their way onto supermarket shelves and into American diets.

Last year, Americans spent over $18 billion on fresh produce according to Progressive Grocer, an industry publication. Approximately $180 million of that figure represents sales of exotic produce.

A 1987 survey conducted by The Packer, another grocery industry magazine, revealed that 83 percent of the households contacted now consider variety in the produce department a key factor in their selection of a supermarket. In addition, nearly 40 percent of those questioned also identified availability of exotic produce as an important factor in store selection.

In response to these changing attitudes, retailers are scrambling to offer as many items as they can fit into their produce departments.

"Twenty-five years ago, there were 60 items in the average produce department," says William Schaefer of J.R. Brooks and Son, the largest producer/distributor of exotics on the East Coast. "By 1983, the number of items had jumped to 225," adds Schaefer. Currently, at least one supermarket chain is carrying over 470 items in one of its stores and 15 percent of those items are exotics.

Several factors are contributing to the demand for greater variety. One factor is that a new breed of chefs are building reputations around the country by experimenting with every kind of exotic food item they can find.

"The young chefs who burst onto the food scene in 1979 are the ones who made kiwi fruit into a major produce item by serving it in their restaurants," says Frieda Caplan of Frieda's Finest Specialty Produce, the largest marketer/distributor of exotic produce in the U.S.

Another factor is that during the past 15 years, there has been a substantial increase in the number of Hispanic, Oriental and Caribbean immigrants in the U.S. The Oriental population alone has increased by over 125 percent since 1970. Each group has brought with it tastes and demands for produce items native to their homelands.

Additionally, food editors of major newspapers and magazines around the country are increasingly using exotic items in the recipes they publish.

"While typical shoppers may not buy exotic items every day, they are using them more frequently than ever before so the items had better be in the store when they want them or they will find another store," says Caplan.

Educating the Buyers

Though the demand is there, the major obstacle facing the distributors of exotics is the resistance of produce buyers to stocking new and unusual items.

"Most produce personnel have a hard enough time handling bananas and cabbage to worry about the 250 items we're throwing at them," says Caplan. "The average produce dealer doesn't want to be bothered by us in the first place unless they've been trained to recognize that variety brings customers into the store."

To counter this resistance, some distributors direct their marketing efforts towards educating produce buyers on handling, usage and merchandising of exotic products.

"The first time we shipped carambolas [star fruits], I got a telephone call from a buyer in Pittsburgh who wanted to know how the fruit should be used," recalls Schaefer. "At the time, we didn't know any more than he did about carambolas so we couldn't offer any help. Right then we realized we had to get something in writing," he adds.

"We started by photocopying information from books and sending this to produce buyers along with pictures of carambolas whole and cut into star-shaped slices. This simple brochure was our first marketing effort."

J.R. Brooks now provides a steady diet of information to their clients.
Frieda’s Finest packs a handful of pamphlets into every carton of exotics it sells, providing serving suggestions, health and nutrition information, cooking advice and several recipes.

Additionally, Frieda’s mails a monthly “Hot Sheet” to 3,300 food editors around the country. It offers merchandising suggestions and supplies its readers with current information on product availability.

As distributors, both companies spend considerable time and energy determining post-harvest handling techniques like proper packaging, storage and transportation methods so that their products arrive at the retailers in the best possible condition. Storage temperatures, in particular, are a vital concern because many exotics are sensitive to changes in climate.

“We’ve learned a tremendous amount about storage, most of it the hard way,” says Schaefer. “Once we had a surplus of carambolas that needed to be stored. We set our cooler at 36 degrees according to available information. Twenty-four hours later,” he adds, “every single carambola, except for one variety, was destroyed. We hadn’t allowed for varietal differences so we learned a very expensive lesson the hard way.”

The lessons both companies have learned enable them to provide precise handling information targeted to the produce worker. J. R. Brooks prints handling instructions, like storage temperatures, right on the box.

“Try It, You’ll Like It”

Marketer/distributors can provide just so much information and guidance to their customers, however. Retailers, also, have to take the initiative to become knowledgeable about the items they carry in their stores.

Sid Feinestone of Kings Super Markets, a New Jersey chain of upscale food stores, does not just rely on the materials he receives from his suppliers. He also collects information from trade commissions like New Zealand’s and he stays in touch with industry trade groups that are valuable resources for information, research and data.

As retailers acquire more knowledge about exotics they, in turn, have to educate their customers in order to generate interest. In-store product demonstrations are one technique they use to achieve this.

Mitch Finnick, a produce manager with Kings, conducts them frequently. “I get demonstrators in, give them product literature and have them create various dishes using exotics,” he says. “Fridays are the best days. You can walk through the department and literally have a meal. Your nose leads you from one table to the next.”

Sampling is another technique that generates interest. “Samplings of raw exotic fruits is the best way I know to promote exotics,” says Harold Alston of Stop & Shop, a New England chain of 114 supermarkets. “If a customer likes the raw taste of an item, he’ll figure out ways to use it. In our supermarkets,” he adds, “we try to offer cut-up samples on a regular basis.”

Demonstrations require trained manpower, which is both hard to find and expensive to keep. This explains the development of self-operating video programs.

“We just don’t have the expertise to conduct demonstrations,” says Alston. “In fact, we can’t even find enough skilled workers to work in the department. Because of this,” he adds, “we’re handling the merchandising of our exotics through videos. Thirty-one of our stores are participating in the United Fresh Fruit and Vegetable Association’s (UFFVA) video program.”

Each UFFVA tape explains how to select an item for ripeness, how to store it, use it and serve it. Each message runs for 90 seconds. “It’s information somebody can carry away in his head,” says Ann Day, director of the UFFVA’s promotion and education department.

Individual tapes run for 60 minutes and cost UFFVA members $65. A series of 18 titles sells for $700. In addition, the UFFVA will arrange licensing agreements where any chain over 75 stores pays from $10 to $15 per title depending on the size of its operation.

“The videos generally attract one or two people at a time but since our stores are open all night, we can reach 200 people every day,” says Alston. “If I use a video for an item like jicama [the Mexican potato], I can increase sales by 300 percent. In dollar terms, it’s not a lot of money but it’s exciting to me because we’ve gotten a lot of people to try a new item.”
High Employee Turnover

Skilled produce employees is another ingredient needed to market exotics successfully. Their expertise is indispensable to shoppers trying to keep up with the rapid growth within the produce department.

Finding and training a group of people who are primarily part-timers is a big problem for supermarkets who must compete with other industries for the dwindling number of service-type workers available.

"The major issue facing retailers during the next 20 years will be the availability of sufficient labor to meet their increased specialization and technical needs," says Brian Silberman, staff vice-president of the Produce Marketing Association, an industry trade group.

"Each year we turn over 10,000 front-end employees throughout our chain," says Alston. "Kids come to work, stay six months and then they're gone. We can offer them career opportunities," he says, "but these kids don't stick around long enough."

Although offering a limited training program to its produce employees, Stop & Shop, like most supermarket chains, relies mainly upon on-the-job training to teach workers about exotics.

Kings Super Markets, on the other hand, has been developing a comprehensive training program since 1969.

"I'd say that 65 percent of our workforce is part-time but you can't sell exotics without trained people," says Feinstein. "The trick then is to develop workers quickly because once they're trained and have had a chance to achieve some success, a few will be motivated to stay with us. The cost to us is just a part of doing business," he adds, "but that money comes back to us tenfold over time in profits generated by knowledgeable workers who encourage sales."

According to Feinstein, education is an integral part of the training process. "Generally, at least one week before a new exotic arrives, we'll send the department manager all available literature, recipes and pictures so he can familiarize himself with the product," he said.

"Our customers ask a lot of questions about exotics: handling, usage, cooking and recipes—everything from A to Z," says Kings' Fennick. "Our associates have to be completely prepared in order to have the right answers."

As part of this preparation, Fennick tells all his associates to "walk the rack," when they arrive each morning, to note the arrival of new products. "They should taste each unfamiliar item, in addition to reading about them," he says.

"How are they going to answer questions if they don't know everything about an item?"

Displays Spark Interest

Space is expensive and that means making the most of it through the use of effective displays. Some retailers intermingle exotics with other vegetables to create the impression that they carry a wide range of products. Others create separate displays for exotic fruits because they are less compatible with standard fruit items. Many retailers try to create merchandising "environments" by surrounding exotic products with display signs, information brochures, and recipe cards to attract the shopper's attention. "We get a lot of impulse purchases," says Fennick. "People buy with their eyes so displays have to be appealing."

Kings has three produce merchandising supervisors circulating among its 15 stores to insure that each store develops merchandising displays consistent with the company's overall policies. "This level of coverage is unheard of in the industry," says Caplan. "Most chains have just one person for every 60 stores."

"Ten years ago, if you had called a produce buyer from a major chain and said you wanted to fly him three boxes of carambolas at $30 a box plus freight, he probably would have laughed you off the phone," says Schaefer.

"Nowadays, make the same call and that buyer will take your entire stock, make you promise not to sell to anyone else and tell you to ship it by air as soon as possible. Some guys will even tell us to ship and not wait for an order," adds Schaefer. "That's a good indication of how much demand exceeds supply."

"If a customer has a special request for something," notes Fennick, "I say give me a day and I'll have it."

Providing this kind of customer service is expensive and leads some retailers to ask themselves what the return is on
these exotic items. The answer, in dollar terms, is less than that for staple items like lettuce and tomatoes.

Exotics are more expensive to carry for several reasons, the most important being their scarcity. Perishability and the difficulty of importing them from such exotic lands as Mexico, Chile and New Zealand, also contribute to their high costs. Since many exotics don’t ripen after being picked, they must be harvested at full ripeness and rushed to the market, usually via air, the same way pineapples are brought in from Hawaii. Additionally, new products have a slower turnover rate because shoppers are cautious about unfamiliar items. This results in a higher percentage of waste or “shrink” because more of these fully ripened products spoil. The economic outcome is that exotics often cost retail chains over three times as much as staples.

“I’m not carrying these items to make a lot of money. We’re making as many of these products available as we can so the shopper knows she can depend on us to have them,” says Stop & Shop’s Alston. “It’s all part of our one-stop shopping philosophy.” Stop & Shop, like other retailers, is carrying exotics so they can avoid the fate suffered by Vons supermarkets.

“A few years ago, we got a letter from a customer who said she’d always shopped at Vons,” relates Caplan. “But one day she wanted a package of our shallots which Vons didn’t carry so she went over to Hughes, another market, and now does all her shopping there. That one three-ounce package of shallots lost Vons a customer.”

A visit to Fairway Market on Manhattan’s West Side at 74th and Broadway, provides the ultimate exotic produce experience. There, lined up in homely straw baskets, is a colorful array of juicy Hawaiian papayas, blood-red pomegranates, freshly picked figs, prickly Mexican cactus pears and radicchio, or red-leaf chicory from Italy. They have become regular bestsellers at Fairway, where customers select Mexican cactus pears as expertly as they do Washington apples.

Steve Jenkins, a junior partner and a manager of the store for seven years, claims responsibility for introducing many of these exotic goods. According to Jenkins, the sale of exotic produce has increased “dramatically.” Although the store carries fresh meats and imported cheeses in addition to a variety of other goods, exotic fruits and vegetables now account for some 20 percent of the business’s total sales.

The huge, fresh selection of produce from all over the world is one of Fairway’s main lures, which sets it apart from other greengrocers in the neighborhood. “Customers come for the variety and quality we offer,” says Jenkins. Florence Anderson, a shopper from the Bronx, enthusiastically supports this claim, “The quality is always good; no matter what time of the year it is.”

Fairway’s prices also set them apart from their competitors. Unlike other retailers who cover the costs of storage by charging high prices, at Fairway, says Jenkins, “We seem to purchase just the right amount and customers buy them as quickly as they come in. We’re always cheap because we’re trying to sell as much of this merchandise as possible. We can’t save it—we’re not a museum.”

Fairway’s competitive prices draw crowds to the 3,500 square foot store. Even at 10:30 on a Friday morning, the store is already crowded with customers bumping into each other—a morning Jenkins describes as “quiet.”

With their own buyer, Lou Todaro of Belcanto Wholesalers, at Hunts Point Market in the Bronx, the store already has a direct pipeline to the exotic produce market. “There is a future in exotic sales and increased customer interest supports this,” says Jenkins.

So who is buying? Obviously, the current trend of health consciousness among Americans has helped to sell some of these exotics. But, says Jenkins, the store’s selection of exotics appeals to “many different kinds of people, from all walks of life—young, old and in-between.”
Fax of Life

by Beverly M. Bernard

Jane Weiss, an account supervisor, at Ogilvy & Mather had a problem. She needed to make a presentation to a prospective client on Friday at noon. But it was Thursday night and the artist in London would never be able to get her the illustration on time. She could, however, get her the nearest facsimile. “What is your fax number?” she asked and the problem was solved. Weiss received the artist’s copy within the hour. And, even though it was black and white, she could still give the client a reasonable representation of their concept.

Stories such as these are becoming more frequent as the sale and use of facsimile machines, or fax machines, continues to increase. There are now approximately half a million machines in the U.S. alone and sales are expected to rise at the rate of about 200,000 per year. According to Dan Minchen, spokesman for Xerox, the original technology was the “large, commercial wirephoto transmission devices—such as the AP photo wire.” Minchen says Xerox has been credited with marketing the first office machine around 1964. Through the '60s, however, Minchen says, “the likeness was nothing that would hold up to the original.”

Technological developments seem to be a major factor in the increased use of these machines. In 1980, advances by the Japanese changed the machines from mechanical parts to electronic circuitry. A document fed into a fax machine, read by an electrical scanner, and sent over the telephone line, now takes only about 15 seconds instead of 6 minutes. Producers of these machines, by continuing to improve copy quality and lessen transmission time, have helped to make the fax machine commercially successful.

But other factors have contributed to this booming market, according to Minchen. “Facsimile [machines] were reborn, not only because of electronics, but also because the cost was going down and companies such as Xerox were looking for office machines to market.” In the early '70s, with the challenge from the Japanese market and the strong interest in personal computers, “telecopier machines were left out. In the mid '70s, there was not a lot of development,” says Minchen. But all this was about to change as “more people became interested in getting messages back and forth. The market was ready, the machines were developed, and the PC lost a little of its luster. The fax market boomed and just soared.”
Costs of these machines may still be considered high by some (the Ricoh Fax10, for instance, runs about $1,995), but for many the cost is offset by the added convenience. Shael Shapiro, of WYS Design in SoHo, who recently purchased an Omifax for $1,800, says one of his neighbors "had one and we started using it. It was so convenient, we thought we should have our own." Although he feels it is still expensive, he didn't want to wait for the price to go down because, "we would make up the money with less messenger service use," he says.

Austin Myles Collins, attorney, agrees, "I have to send many things to Long Island and it can cost as much as $60. Overnight mail doesn't always get there on time. With the fax machine, I can send a report, discuss it with another attorney, re-fax the corrections and solve a problem within an hour. It was once to take two weeks sometimes if it had to be done back and forth in the mail."

Clearly time and money are the big savings, but there are some things that a fax machine still cannot do. Peter Toomey, vice president of National Reprographics, printing specialist for the architectural/engineering industry, says, "Fax [machines] are very hot now and they are very good for quick reference. But now the largest copy that can be sent is 8½ by 14". In my business, we use 16½ by 48" and they can't be faxed. But I'm sure that they will be coming in the future."

Most manufacturers declined to comment on future innovations, but recent products introduced to the market seem to have concentrated on diminishing the size of the machines while increasing the capabilities. Some fax machines now have built-in copiers, answering machines and polling devices which allow for document transmission at a later time and help to save on telephone line charges. At Willoughby's Camera, salesperson Susan Hampton says, they "only started selling fax machines three months ago but they have been selling like crazy." Along with models of Sharp, Toshiba, and Panasonic, Willoughby's sells the small Portafax made by Medbar. Weighing in at 8½ pounds this machine is truly portable. Minchen, of Xerox, says they have a machine that can be carried with you. "You just plug it into the wall and into the phone and fax away." Since the machine weighs about 20 pounds, Minchen wouldn't really call the machine portable but termed it "fragile."

Another innovation expected soon is color. Roger Steele, sales manager for Northern Datacom Inc., markets AT&T machines. He says the AT&T machine is actually made by Ricoh. "A few years back AT&T decided to market fax machines. According to their research, the Ricoh was found to be the best. Every AT&T machine is simply a Ricoh with a different cover." Steele says that most of Ricoh's machines now have 16 different shades. "A machine that produces in black and red will be coming out soon." Steele also says that sales have steadily increased in the past several years.

Ed Soto, staff manager for Document Management at AT&T, says "Fax has been around for a while and has had its trials and tribulations. Now, however, it is real dependable." Soto went on to say that fax can truly be considered portable because all you need to do is plug it into the wall and into an ordinary telephone line.

Since faxing has become so integrated in the way that businesses operate, necessary support services have also grown and prospered. Most hotels, for instance, now provide fax services for their guests. In New York City, the Plaza and the Waldorf-Astoria both provide fax service. The Plaza sends their faxing to a private company and bills their guests accordingly, while the Waldorf operates their own machine. Both, however, will add these charges to the customer's hotel bill. More moderately priced hotels, such as the Ramada Inn, do not as yet provide fax service.

But if fax services are needed, they can be found at a moment's notice. Although Federal Express discontinued their fax service (Zap Mail) about two years ago because it didn't catch on, the U.S. Postal Service still provides one. The service starts at $10 for the first page and $6 for each additional page. Any special services, such as sending a document to a private fax number instead of a post office, are an additional $5.

Adam Leonard, sales manager for Action Telex, says that he has done "no advertising except in the Yellow Pages and that has been enough. The business has grown steadily and tremendously in the last several years." Action Telex and other companies like it, provide transmission of documents and charge on a page-by-page basis. They will fax anywhere in the world. All that is needed is the fax..."
number and the fees, which generally run about $5 for the first page, $3 for the second and each additional page, plus the cost of the telephone call, which of course will vary according to where you are sending. Receiving charges generally seem to be less.

Kent Dillon, owner of First Class, has been in the faxing business for two years and says, "It is picking up more and more all the time." Dillon deals primarily with small businesses. He says, "I will lower my costs as the market lowers its cost of the machines. I lower my costs now for companies who do a high volume. But if a company does a lot of faxing, they will eventually get their own machine."

Stephen Luber, owner of Service Resource Industries, says he, too, deals mostly with small businesses. He calls his service a support service company. His company provides various services to small businesses or business people out in the field, who would not benefit from having their own equipment—the occasional user. Luber says, "We are obviously faster than overnight mail and cheaper for the immediacy and we send just about anywhere in the world." Luber also provides monthly billing for heavy users of his service. Although most documents are delivered to his company, they will take dictation from a customer over the phone, enter the information into a word processor, print it and then send it immediately. This helps to save the time usually spent waiting for a document to be delivered by messenger. Dillon says that many of the documents to be faxed are delivered to him by bicycle messenger. But since about 80 percent of his business is sending to points overseas, competition from bicycle messenger services is not great.

But what of the effects on the notoriously speedy bicycle messenger? Joe Orlando, of Messengers Unlimited says fax popularity hasn't affected his business at all since the concentration of his business is from 59th Street down to Wall Street. "Delivery time from the farthest point averages about 1½ hours." Orlando says average costs are from $7 to $12, which he feels are competitive with current fax costs. Besides, he says, "we get requests now to pick up faxed documents and deliver them to other offices."

Mike Rivella, manager of TNT Messenger Service, says, "When I first heard about fax machines, I expected some effects but I really haven't noticed any. I don't think it will affect [us] because 90 percent of our business is in the city and we guarantee delivery within two hours. For a rush job we can deliver within the hour." Rivella says the average job costs about $6 to $8.

Julius Burns, operations manager for Cycle Service Messengers, estimates only a 5 percent loss in his business due to the growth of fax. He attributes this to the fact that they do a lot of work for lawyers and other businesses, which need "originals or things that have to be signed or checked." They also deliver a great deal of construction plans which are generally too large to be faxed.

But outside New York City, faxing may even be more convenient. Jancy Ball, owner and producer of SHW Productions, says that when she is working "in areas like California which are so spread out, [sending over a fax machine] is preferred to a messenger service." Ball recently purchased a copy machine and says she was excited to tell people about it. "But no one was impressed, they just wanted to know when I was going to get a fax machine."

DOLLARS and $ENSE, May, 1988
Security at Risk
by Anne E. Schwimmer

Over the past 20 years a strange mating dance has been going on between two industries one would think, at first glance, to make poor bed partners. Venture capital is commonly stereotyped as the high-risk, fast-paced industry responsible for the start-up and success of small, generally high-tech, entrepreneurial companies. Pension funds, on the other hand, are seen as slow moving mammoths, so conservative that even a whisper of the magic word “risk” will cause them to instantly disappear.

Guess again. Venture capital investment has always been, of a long-term nature. It was never limited to small company start-ups, and its definition has been recently expanded by experts in the field to include leveraged buyouts.

Pension funds are constantly seeking to diversify their portfolios, because the more varied their assets, the less chance there is of a given fund failing.

So, even as early as the late 1960s, when the venture capital industry had just begun to take off, pension fund managers began to cast longing glances at the huge returns—25 percent per annum—that venture capital was bringing in. Spring had arrived.

In 1977, venture capital’s total industry size was about $3 billion and pension fund investment at the time was minimal. Today, the venture capital industry’s total size is $24.1 billion and 25 percent of that is due to pension fund investment. And for the pension funds, with total assets currently estimated at $3 trillion, that is a very small drop in a very big bucket.

This development, while seemingly large, has been constantly plagued by all kinds of difficulties, ranging from the cyclical swings of the venture capital industry, to massive legal obstacles and uncertainty blocking the way to pension fund involvement in the venture market.

The first major blockage occurred during the venture capital boom of the early ’70s, just as pension funds had begun to test the waters. It was called the Employee Retirement Income Security Act of 1974, or ERISA.

Profits vs. Prudence

Under ERISA, pension funds are required to invest their money “with the care, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise, of a like character and with like aims.”

This “prudent man rule” effectively halted pension fund activity in the venture capital sector. Many were scared off by the combined force of venture capital’s inherent riskiness and the confusion over exactly how a pension fund’s portfolio would be judged prudent or imprudent.

According to Stan E. Pratt, publisher of the Venture Capital Journal and a partner in Abbott Capital, a money management firm which specializes in investing pension fund dollars into venture capital, there wasn’t actually anything illegal about pension fund involvement in venture capital. “The lawyers didn’t understand it,” he says, “and when a lawyer doesn’t understand something, his immediate reaction is: It’s illegal.”

Consequently, says Pratt, since ERISA was not very specific on the venture capital issue, the pension funds’ lawyers simply waved them off, saying, “Venture capital is risky; therefore we don’t play with it.”

However, ERISA was not intended by its authors to create restrictions on pension fund involvement in venture capital. To remedy this situation, the Department of Labor issued a clarification of ERISA in 1978.

“It came out and said,” says Pratt, “we will look at the whole portfolio, and not at each individual piece in determining the prudence of an investment.” Portfolios would be looked at by the Department of Labor in terms of overall performance, and not judged imprudent merely because of a single chancy investment. If a pension fund makes a wide variety of investments, said the Department of Labor, the stronger the fund as a whole will be, and the chances of the fund failing due to a single bad investment decision would be lessened considerably. The Department of Labor had essentially told pension funds that prudence meant not putting all their eggs in the same basket.

This provided the impetus to get pension funds moving again in the direction of venture capital investment, particularly since those funds which had taken an early chance on venture capital were beginning to reap the rewards. “It began to become apparent,” says Pratt, “that those few that had toyed with it a little bit were going to achieve spectacular returns, in the area of 20 to 25 percent per annum, versus the Standard & Poor’s 500 in the same period which
... A STRANGE MATING DANCE ...
was one and one-half percent per annum."

"Things changed along the way," says Frank Pfeffer, vice president of sales and marketing for venture capital at Mitchell Hutchins Institutional Investors, a subsidiary of Paine Webber. "We adapted to ERISA to make this a viable area. If you look at it," he adds, "the venture capital industry took off in 1979 and 1980. That's when we became heavily involved in it, when the company was a separate unit of Manufacturers Hanover."

Although more pension funds began moving again toward investment in venture capital, at no time did the amount invested exceed the range of one to five percent of a fund. This percentage range remains basically the same today, due to the high chance of losing the principal invested in venture capital.

"Asset classes," says Pfeffer, "in order to have an impact on the fund, should be closer to 12 to 15 percent. And you don't see anybody, any pension fund, or endowment, or anything, with that kind of percentage in venture capital."

$50 Million: A Drop in the Bucket

However, it must be remembered that what may be considered a small investment in the pension business, is a relatively large investment in the venture capital business. Mitchell Hutchins, for example, has $300 million in venture capital currently, and is seeking to double that figure in the next few years.

"Most of the funds that are being raised [by venture firms from pensions funds] are still relatively small," says Joy London, a partner in Adler & Co., a venture capital firm. "If you came to me and said 'I'm a really well-heeled pension fund and I have all my colleagues with me and we think you're a brilliant investor, and we'd like you to start up a fund,' and you said 'How much would you like? We've got our checkbooks here in our pockets,' to be honest with you, my preference would be for about $50 million."

London's corporation focuses on the start-up stage of venture capital investment, where she says it takes only $2.5 million, on average, to start up a small company. She also says that the venture capital industry has changed a great deal over the past few years.

"There's nothing revolutionary [such as a new kind of technology] that's going to give the industry its thrust, like the third stage of rocket engine," London says. "It used to be that you needed one home run in a fund, because funds were small and if you made 20 investments, you could lose... ALL THEIR EGGS IN THE SAME BASKET..."
... TO OPEN VENTURE CAPITAL'S DOORS ...
of the industry, simply because one man’s brilliant investor is another man’s fool. After all, who can judge whether a venture capitalist has lost a company reliably?

"There are some very experienced [pension funds] which have done venture capital," says Frank Pfeffer of Mitchell Hudson, "and there is a bunch of new people, particularly the public funds, who may not be picking the best investments."

The Numbers Game

And now, with the fallout surrounding the recent market crash, it is the pension funds’ turn once again to play fickle. Although, in the long term, the funds were not hit with extreme losses, Black Monday has forced them to step back and take a good look at their portfolios, and has sensitized them to any future potential risk.

"They’re taking stock of the situation," says Pfeffer. "They have taken a loss on paper and it has taken away the amount of time they are spending on venture capital investing," since venture cap is a very small slice of their portfolios, he explains.

For those pension funds currently involved with venture investing as well as those still on the sidelines, the crash has highlighted their strong concern about how money managers report their performance results. This worry, which has created a furor in the money management industry and has attracted much concern in the Securities and Exchange Commission, is now spilling over onto the more specialized venture capital investment sector.

Venture capital investment firms are now feeling the trade-off they have made in trying to establish themselves as members of a full-fledged industry in order to attract institutional dollars.

"Pension funds want to see some real numbers," says Pfeffer. "Now that the venture industry has become more mature, they want to see a common denominator for reporting investment results."

There are numerous difficulties to be overcome. Some see further difficulty stemming from ERISA. Others cite possible problems upcoming in the venture capital world. Joy London, whose firm handles a $100 million fund comprised mainly of pension fund dollars, summarizes the situation aptly. "I’m not sure whether you’re going to see a return of people to the fold who are now getting comfortable with the industry again or not," she says. "If you are, I’m not so sure they should be comfortable yet."
Ten years ago, a tonsillectomy meant at least a one-week hospital stay: seven days of a lumpy bed, bland food and a sterile atmosphere. Today, much of the unpleasantness associated with hospitalization has been eliminated with the development of an alternative to the traditional stay: ambulatory or outpatient surgery.

Ambulatory surgery means that a patient can come to a hospital and have a procedure such as a cyst excision or tonsillectomy and be released in a few hours. It is believed to have originated in ancient Egypt, when 48 procedures such as bandaging, stitching and splinting were performed on an outpatient basis. Today, this concept has been expanded to include more than 2,000 procedures.

In 1984, 3.2 million of these procedures, or 17 percent of all surgery performed in the United States was done on an outpatient basis. In 1987, the number is said to have doubled. Hospitals are turning to outpatient surgery as the direct result of changes in legislation, advances in technology and pressure from insurance companies.

All hospitals in the metropolitan area now perform some type of outpatient surgery regardless of whether they have a formal facility or not. Part of the reason for this proliferation is a federal law passed in 1985 that required all hospitals to establish some form of ambulatory facility by January 1986. Any hospital failing to do so would not be reimbursed by Medicaid or Medicare. To add to this, both Medicare and Medicaid have jointly issued a list of 63 procedures that must be done in an ambulatory setting.

The legislation of 1985 has produced some odd effects, says Professor Harry M. Rosen, a consultant for the director of research for the Greater New York Hospital Association and associate dean for academic affairs at Baruch College. “If you reduce the length of stay, you increase cases. However, what you are left with in the hospitals are sicker patients and the average costs of treating [them] go up.” Rosen doesn’t feel that the legislation has been particularly effective in lowering overall costs, but that it has simply changed the distribution of costs.

Quick Surgery Cuts Time and Costs

Cost distributions aside, the real issue seems to be that hospitals are now required by law to set up some sort of outpatient surgical care. “Hospitals are setting up ambulatory facilities because it has been made mandatory; we no longer have a choice,” says Lillian Fraidkin, associate nursing director of the operating and emergency rooms at Maimonides Center in Brooklyn. But, Fraidkin believes, “Hospitals save money because there is no longer the need to provide services on a 24 hour basis.” Many surgical procedures are performed with anesthesia which wears off quickly. According to Fraidkin, “This cuts down on the amount of time spent in the recovery room, therefore, cutting costs in that area.”

Rosen disagrees, “The act of surgery itself, whether inpatient or outpatient is identical in cost.” Rosen explains that, “The impact on total medical costs would be trivial. After the hospital is built, the capital is already invested. Then the question becomes what other resources would be required to do the surgery. Whether the operating room is in a suite in the hospital, or if it is five miles away in an independent facility, the services are identical.”

Dr. Thomas Killip, M.D., executive vice president of Beth Israel Medical Center agrees with Rosen. “With ambulatory surgery we do not gain or lose money. It allows us to get paid for our actual costs [utilities, electricity, heat, supplies, nurses, surgeons, and anesthesiologists] and get 1 percent or more to reinvest in whatever the hospital may need.”

Others argue that ambulatory surgery does in fact produce the negative affect of lost dollars. In the past year alone, hospital occupancy rates have dropped an estimated 20 percent. “Ambulatory surgery is one reason for the decrease,” says Carolyn Yordan, press coordinator for Mount Sinai Hospital. “Even when surgery is being performed on an outpatient basis, the hospital still has to pay for the same overhead costs, such as maintenance, housekeeping and dietary.”

Rosen admits to a decline in hospital occupancy rates in the past two years, but attributes it to the recent trend to limit hospital stays. Insurance companies and agencies such as Medicare have established a fixed rate per case system, Rosen explains. “Institutions get a check after treatment of a patient is completed so hospitals know exactly what they are getting. The trend then has been to limit the hospital stay.”

Diagnostic Related Groups or DRGs is another system which bases hospital billing on patient diagnosis. Developed in 1970 by the Department of Health and
Human Services in cooperation with John Thompson, a former Baruch graduate, DRGs separate medical diagnosis and procedures into 467 categories. Some of the classifications are descriptions of illnesses, expected length of stay and cost of treatment. DRGs operate under the premise that hospital stays should be shortened, thus encouraging ambulatory alternatives. Here, too, the hospital actually knows before treating the patient what the reimbursement will be. If the charges go over the set rate for a certain procedure, whether inpatient or outpatient, the hospital will not be reimbursed for the excess. Killip says, “DRGs are forcing us to look at the way we give care and ask ourselves are we giving it efficiently.” According to Dr. Michael Eisenberg, director of surgery at Lenox Hill, “Patients do not get as much pre-op care and no post-op care, and in some instances they can be short changed.”

Eroding Revenues

Free-standing ambulatory facilities, or facilities that are privately owned and operated are also thought to be eroding some of the hospitals’ revenues. “Free-standing facilities take away some of the hospitals’ money by forcing them to compete for patients as well as physicians,” says Dolores Rogers, former director of ambulatory care for the New York Health Care System. And, according to Rosen, “Privately owned corporations can own and operate surgical centers. In fact, throughout the country, although not so much in New York, most [surgical centers] are run by for-profit corporations, not hospitals.”

Whether for-profit or not, the cost of these centers can be high, estimated at $1 million for an eight-bed unit. And administrators must first go through a great deal of red tape. A certificate of need must first be filed with the New York State Health Department to determine if the proposed services will meet the needs of the community. Then construction may begin but it must, of course, conform to the current building codes. Obviously, facilities are “easier to approve if in a hospital,” says Howard Brown, assistant director for hospital programs for the Office of Health Systems Management. Once construction is completed, the commission sends inspectors to determine whether the facility meets regulations. “If everything is OK, they would then make the recommendation that they open and operate,” says Brown.

Despite the loss of money which opponents attribute to the free-standing surgical units and the entire ambulatory
trend in general, "Insurance companies love [outpatient surgery] and enthusiastically support it," says Susan Sullivan, administrator of ambulatory surgery at Coney Island Hospital in Brooklyn. John Kelly, manager of public relations for Empire Blue Cross and Blue Shield, says, "Nothing is simple in health insurance," but agrees with Sullivan, "From a cost and care point of view it is beneficial. Of course we would obviously prefer ambulatory surgery because of its low cost, but it has to be feasible," he says.

A "Medical Necessity?"

For ambulatory procedures to be feasible, a patient has to be tested and determined to be a good candidate. For a patient to be "cleared", he should be free of any obvious complications such as diabetes or high blood pressure. If a patient cannot be safely treated in an outpatient setting because of a complication, the surgeon must submit a clinical justification to the insurance company for the patient to receive coverage as an inpatient. Unlike Medicare and Medicaid, Blue Cross and Blue Shield do not have mandatory ambulatory care but instead lists over 800 procedures they recommend be done on an ambulatory basis.

Critics of third-party payers have accused them of only looking at costs and not at patient welfare. But, Kelly says, "Our views toward ambulatory care can be summed up in two words, 'medical necessity'. Certainly, we encourage ambulatory care because it is cost effective, but it must first be beneficial to the patient."

So what are the benefits to the patient?
The amount of money the public has to pay for medical care, whether it be outpatient surgery or inpatient surgery is a major factor when discussing benefits. Figures show that surgery itself, if done on an outpatient basis, costs less than if it is done in the traditional hospital setting. For instance, a tonsillectomy performed on an outpatient costs $344 in contrast to a tonsillectomy performed in the hospital which costs $418. A carpal tunnel decompression [restoration of a pinched nerve], a common ambulatory procedure costs $645. The cost of this procedure done on an inpatient is $1,060.

Another advantage of ambulatory surgery for the patient is the comfort of convalescing at home. Charles H. Mayo, founder of the Mayo Clinic, once remarked, "The sooner patients can be removed from the depressing influence of general hospital life, the more rapid their convalescence."

This statement made 60 years ago still holds true today. Enid Clarke, a registered nurse says, "The post-operative period passes a lot easier when it is done in a familiar setting. This allows patients to recover with little disruption to their daily lives." Killip agrees, "Convalescence is better at home, one's psyche is more comfortable in familiar surroundings."

Clarke's prognosis sounds wonderful, but ambulatory care is not for everyone, for it can be difficult and tiring for the patient. "A person who is going to have ambulatory surgery has to arrive at the hospital very early, usually at 6:00 a.m. Then, all the pre-operative work has to be done, such as blood work, x-rays, etc. By the time all of this is completed, the patient can be very anxious and tired both emotionally and physically. That is not good," says Constance Barratt, a nurse at Maimonides Medical Center. "One day we had a woman who was hysterical by the time they got her to the operating room. This might have been prevented if she had spent the night. She would probably have been more at ease." For this reason people should consider all factors before selecting outpatient surgery.

Rosen agrees, "Many patients are really concerned when they hear they are scheduled for surgery on an outpatient basis, especially when their cousin or their friend, a year or so ago, had the same thing and went into the hospital. Certainly, any responsible surgeon, as part of the clinical diagnosis and treatment should talk to the patient about where they are going to do [the surgery] and why. Obviously, clinical justification for high-blood pressure etc. makes for an easier call. A patient who simply cannot be sent home immediately because there is insufficient social support would be a harder case to make, but it is made."

There is a clinical advantage to not being in the hospital another day, Rosen suggests, because less can go wrong. "Generally speaking, less is more."

Tom Guscott who recently had ambulatory surgery, says he was never given an option to "stay or go." His surgery was discussed "briefly" in an office visit. He then received written instructions that he was to follow the day of his surgery. Guscott feels that he was not thoroughly prepared.
for his surgery. "The pre-op doctor told me the procedure would make me a little uncomfortable. The first day I was totally incoherent and the second day I was in a lot of pain. But I think if they had actually told me how painful it was going to be, I would probably have been more nervous." Guscott also feels that he would always prefer to convalesce at home but says, "If I was single it would have been a different story, because I was unable to walk to the bathroom unassisted."

**Hotel Atmosphere and Family Nurses**

Until recently, surgery was the primary procedure performed on an outpatient basis, but cancer, gynecological disorders and orthopedic problems are all currently being treated in ambulatory settings throughout the country. And there is talk of other medical procedures being handled this way in the future. There are already many successful models which demonstrate what happens when changes are made in the traditional hospital setting. New York Medical Center, for instance, established a Cooperative Care program in 1977 dedicated to the treatment of cancer and other illnesses. The maximum length of stay in Co-op Care is no longer than four days, and the physical setup is reminiscent of a hotel with a dining room, patient rooms, therapy center and a recreation/lounge area.

"Co-op Care encompasses family participation and patient education as a means of lowering costs," says Shirley Garnett, manager of the education center at NYU. What makes this program so unique is the presence of the care partner, preferably someone who will be helping with the patient's recovery at home. The care partner does a variety of things traditionally done by staff members and nurses, such as changing dressings, administering medication, and seeing that the patient gets the proper meals. He or she, may spend anywhere from 4 to 24 hours at the center. In fact, they are encouraged to spend 24 hours there and can do so for no charge. "We like to think that this atmosphere is more conducive to a patient's recovery," says Garnett.

The future of these innovative techniques, and of ambulatory surgery, seems promising. It is now predicted that by 1990 all hospitals will have formal centers where ambulatory surgery will be performed. "I feel that we can extend the limits of ambulatory surgery even further. Very quickly we will lose the memory that we ever had ambulatory surgery, for it will be the standard," says Killip. Sullivan also predicts that, "If hospitals, which presently have no ambulatory care facility, don't establish one, they will simply go out of business."

*Beverly Bernard contributed to this story.*
RADIO CITY

An Old Show Learns New Kicks

by Steffen A. Kaplan

The setting is dark and the musicians on stage can barely be seen. As a piano begins to play a beautiful melody, a towering foundation with brass railings around its platform appears in a stream of light. Suddenly, you realize that this show will be as much a feast for the imagination as for the ears. As the piano chords billow toward the gold arches vaulted over the stage, the unseen artist passionately belts out, “Good morning heartache you old gloomy sight, good morning heartache I thought we said goodbye last night.”

Rhythm and Blues superstar Freddie Jackson begins to slowly rise from within the depths of the mammoth stage to the top of the illuminated platform. Dressed in a dazzling red sequined jacket, Jackson begins to descend an attached staircase. As he touches each step, a different section of his band appears, each in shades of multicolored light. “If you closed your eyes, there were moments when you would swear you were in music heaven,” says George Hampton Jr., a 28-year-old fan.

For Freddie Jackson this may have simply been one of four sold-out concerts, but for Radio City Music Hall Productions it is a symbol of their continuing success in the entertainment industry. For it was not more than a decade ago that the Rockefeller Group, the music hall’s owner, decided to close the “Showplace of the Nation” for good. Back in the 1940s and 1950s, New Yorkers and tourists alike waited on line for hours around the hall for the privilege to buy tickets to the world premieres of movies like Mister Roberts and Singin’ in the Rain. Along with such silver-screen fantasies, the theatergoers were also treated to 30-to-45-minute stage spectaculars featuring 36 high-kicking performers known as the Rockettes. Rich in tradition, the hall was also the main holiday attraction for the entire family with its annual Christmas and Easter shows. However, neither the ageless wonders of Santa Claus, nor the antics of Snow White and her Seven Dwarves could help reverse the problems that Radio City Music Hall began to experience in the late 1950s.

With the advent of suburban theaters and Hollywood’s new policy of releasing motion pictures nationwide, a rapidly changing movie business suddenly began to put the squeeze on the hall’s financial picture. But somebody forgot to yell “cut!” The music hall’s entertainment format never changed, and consequently its attendance plummeted from 5 million annually in 1967 to less than 2 million a decade later. In fact, the hall had not turned an annual profit since 1955.

The music hall’s staple of family entertainment, movies
and stage shows, had long since lost its audience. By 1978, the Rockefeller Group decided that it was time to close it down. The Rockefeller's decision to bring in the wrecker's ball kicked up a storm of controversy across the nation, and after months of deliberation, prompted New York City officials to designate the interior of the Art Deco building a landmark. But staving off demolition was one thing, making the music hall profitable was another.

**Waking from a Long Sleep**

Finally, in 1979, Radio City Music Hall officials woke as if from a long sleep, looked around, and realized that times had changed. On April 18, 1979, the master plan to make the just-established Radio City Music Hall Productions, into a thriving entertainment enterprise was put into play by then producer and newly named chief executive officer, Robert F. Jani.

Jani, formerly vice president and creative director of Walt Disney Productions, was an impresario determined to transform a grand old hall that many considered to be a “white elephant” into a vital and viable entertainment center. According to Scott Sanders, executive vice president of entertainment and creative development at Radio City, “Bob Jani was a man with great vision and creativity, and he had an ambitious plan to make the hall a full-fledged production company, and not just a theater running movies and stage shows.” The first order of business for the new production company was a thorough month-long $2.5-to-$5-million restoration of the 6,000 seat theater.

Everything inside the hall—the amber colored two ton chandeliers in the 60-foot-high grand foyer, the 24-karat gold-leaf ceiling, the beautiful murals in the mens’ and ladies’ lounges—was to be returned to its pristine Art Deco splendor. “There were bound to be some initial start-up costs and capitalization, which would then be amortized over the next few years,” says Sanders. Above all, the future of the entire operation depended on the hall’s new entertainment format.

Robert Jani’s main objective was to pursue a variety of projects in the entertainment field including live concerts, and the creation of theatrical, television, industrial, special-event, as well as quality, family-oriented productions. The production company was also not going to limit its efforts solely to the music hall. “Perhaps the most important thing about Radio City is that it is not just another concert hall with 6,000 seats, which it could have very easily become, but really an entertainment complex,” says Tony Delauro, producer of “The Royal New York Doo Wopp Show,” a ‘50s musical extravaganza staged annually at the hall.
Only a few months after a gala reopening on May 31, 1979, Radio City Music Hall, from a creative and programming standpoint, was beginning to shine once again. However, if Radio City Music Hall Productions was to triumph in the entertainment industry, diversification was needed not only at the production level, but also at the corporate level.

In the summer of 1979, Jani began bringing in a young and somewhat inexperienced staff, and started introducing them to a new and relatively unproven production company. By chance, Jani hired a young, non-New Yorker by the name of Scott Sanders. As Sanders points out, “Bob hired me as talent coordinator for the hall, and for the first few months really wanted me to just learn the theater business, and put together a file of different artists that we might look into for future performances.”

Very few artists had ever performed live concerts at Radio City, and most of those who had were handled by kingpin promoter Ron Delsener. Promoters were not knocking down doors in order to get acts into the music hall. Sanders believed that Radio City was in a position to buy talent, and that they did not have to depend on promoters. “What Scott Sanders had besides a tremendous amount of moxie and perseverance, was this beautiful place that had superb acoustics and the most incredible stage in the world,” says Patricia Kellert, assistant vice president of artist management and creative development at Radio City. But when Sanders approached the agents, he either got thrown out of their offices, or was told that New York was Ron Delsener’s town.

Sanders soon realized that there was a very political and territorial situation going on within the concert business in New York. Amid such infighting, serious discussions with the agents were all but impossible. Sanders saw that what he needed to do was control the real estate. “I went to Bob Jani and said I am going to propose something to you that could either be the smartest move we could ever make, or the biggest mistake we could ever make. I want us to stop renting the building to promoters, and instead let me promote all of our own shows.” Although Sanders’ idea met with approval from Jani, the major obstacles to the hall’s success—the agents and the acts—still had to be convinced to play at Radio City. It took a lot of work just to make area audiences aware that the hall was also a concert venue.

**Star Search**

Money was not the issue, for Sanders had equal, if not superior buying power. The real problem was that nobody wanted to deal with the music hall because they all thought that it would be a bust. The rumors had spread like wildfire: the hall was either too big or too small, it was too expensive to do shows there, and some promoters even went so far as to say that the hall had bad acoustics. As Sanders met with increased resistance from the agents, and found his offers were not being submitted to the acts, his plans began to take flight. “I started traveling to Los Angeles to meet with the managers and the acts myself,” Sanders recalls. “I even offered to fly people down from Los Angeles. I said look, if you don’t believe that the sound is good, then I will fly you and your soundman in. Just come visit the hall.”

“*It is very difficult to run both the creative and corporate sides of a business like ours.*”

The plan worked. In 1979, Sanders’ concert division booked its first act. Superstar Diana Ross put the counting room on overtime with an incredible take of $1,557,550. Radio City Music Hall was to become a veritable godsend for many artists and their managers, for between 1979 and 1980, the music industry began to feel the effects of the U.S. recession. Record sales declined nationwide, and artists who had previously been able to fill major arenas like Madison Square Garden at the snap of a finger, suddenly became fearful of partial sellouts. “I explained to different artists the simple fact that if they were to play Madison Square Garden, they could do 20,000 seats, but their tickets might not go clean. Whereas if they performed four shows at Radio City they could do 24,000 seats, and if those sold-out, they could extend their run,” recalls Sanders. “For some shows the Garden is great, but I appealed to the creative and artistic sense of performers.”

The hall, however, could not rely on show business magic alone. Despite all of the creative progress it made in its first year, Radio City Music Hall Productions lost $14 million in 1979. The challenge that Radio City Music Hall Productions faced, was to prove that corporate controls and creativity could coexist. So, in 1980, Bob Jani brought in Richard Evans from Leisure General, an Atlanta-based company that specializes in rescuing ailing recreation firms, as executive vice president of Radio City Music Hall Pro-

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ductions. According to Patricia Morinelli, executive vice president and executive producer for productions, “It is very difficult to run both the creative and corporate sides of a business like ours, because it impinges on your creative abilities. They are both full-time jobs, and each take up 110 percent of your time. Bob definitely had a vision, but certain people had to come in to make that vision happen.”

**Cutting Back to Succeed**

Radio City's *in extremis* condition gave Richard Evans the chance to apply some of the principles that he had learned from his position as “crisis manager” over the years. Not only did Evans impose much more stringent financial guidelines, but he also began making some very radical changes in the way Radio City did business. “With the company going full-speed ahead in terms of its programming and trying to build a major awareness that Radio City was alive and well, Richard Evans really had to come in and grab the tiger by the tail,” says Morinelli.

Curtail is more like it. For beginning in 1982, Radio City Music Hall Productions decided to limit its stage spectacles to the heat of summer. If the company were to continue to diversify, and the concert division zero in on booking different acts, big blocks of time were desperately needed. “The reason that Radio City Music Hall was an untried venue for many performers, was that when the theatricals were running year 'round, we had to block out tremendous amounts of time for however long the shows were to run. Consequently, every time someone tried to book a show, there was simply no time available,” explains assistant vice president Kellert.

Ironically, however, time was the only thing that certain music hall employees had left. Evans finally had to make some cutbacks. “There were a lot of people here who had jobs in the old company, but when we changed our programming their jobs ceased to exist in the way that we knew them. But the people that we could turn into other areas of the business, we did,” says Morinelli.

Since Radio City had not been in the black for over 25 years, Evans did not have any sure-fire plans for success. He had to make bold decisions, while balancing the interests of the hall’s employees. “One thing that Richard Evans believed in was putting people in charge of their own departments and letting them roll with certain decisions,” says Kellert. “Evans really put his money where his mouth is.”

Promoted to chairman and chief executive officer by the hall’s parent company, Evans soon moved Scott Sanders from talent coordinator to vice president of the concert division. Although many acts still felt obligated to pro-

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of costs and competition, real estate is absolutely invaluable! It is the single most important factor. In fact, if you don't have control over a venue, you might as well be in a different business.” Ron Delsener Productions controls extensive entertainment real estate in both New York and New Jersey.

Julie Lokin, president of New Audiences Productions Inc., adds that, “When you own your own building, you can afford to do certain things that an outside promoter really can’t afford to do. At Radio City, certain costs may be what their rate sheet says, but it is not really an expense, it is simply an in-house cost.”

No stranger to the expenses associated with mounting different kinds of extravaganzas, Radio City Music Hall officials point out that they need the additional income from promoting their own shows in order to make the music hall profitable. “Promoters take out big chunks of money for their services. By controlling the venue and being a promoter at the same time, we have been able to eliminate a costly step. The other way, you have two profit centers: the building and the promoter. By putting them both under the same roof, we have the advantage of keeping both profit centers,” Kellert points out. “We know our bottom line,” she adds, “and we can manipulate our costs better than if promoters were to come in and do shows here.”

Back in 1984, however, the bottom line for Radio City meant the end of the line for their theatricals. The hall's parent company, the Rockefeller Group, decided that the only theatrical worth investing in any further, was the annual “Magnificent Christmas Spectacular.” For mounting shows in a house like Radio City’s with 6,000 seats and the high union costs, was simply too expensive and risky. “Porgy and Bess,” “Gotta Getaway!” and “Ice,” a show that turned the music hall’s stage into a giant skating rink, each lost Radio City Music Hall Productions in excess of $1 million. “Broadway is a hellish problem as it is, but even with the largest houses on Broadway you are only dealing with 1,500 seats,” says Kellert.

The theatricals were mainly in a musical review format and did not for the most part have big-name headliners. Furthermore, since the theatricals were limited to the summer period, it meant dealing with a two-to-three month maximum time span. To try and mount the kind of extravaganzas that people expected from a Radio City Music Hall production, and then attempt to amortize the cost in just four-to-six weeks, became downright impossible. “You need a very strong hook in order to fill 6,000 seats, especially in the summertime. The show has to come in, hit
hard and fast, and then get out, and that is very difficult to do,” says Morinelli. Another key factor is where the money is in the summer. “The fact of the matter is that Radio City Music Hall’s theatricals were competing for dollars with everyone else in the city, and the summer is not an easy time to mount any kind of a show,” says Morinelli.

Santa Reigns!

The wintertime, however, is much less of a problem. Christmas, wrote Dickens, is “the only time I know of, in the long calendar year, when men and women seem by one consent to open their shut-up hearts freely.” They fling open their pocketbooks as well. This past year alone, Radio City Music Hall Productions “Magnificent Christmas Spectacular,” played to a whopping 800,000 people, and by the last count grossed an estimated $19 million. Radio City’s Christmas show is a tradition in New York, and, unlike the theatricals, it has no competition.

The big turning point for the Christmas show came in 1979, when Jani, the executive producer and original creator of the Christmas show, decided to expand its format. The old format, which originally included a corps de ballet and the Rockettes, was to be turned into a full-staged musical. Jani also had the insight to incorporate some forty-to-fifty-year-old traditional scenes like “the march of the wooden soldiers” and the “living nativity.” “Bob Jani is the original creative force behind the show,” says Morinelli. Although Jani officially left the company back in the early 1980s, he still remained a freelance producer for the hall. “In fact,” says Morinelli, “when ‘a new rendition’ of the show debuted in 1985, Bob Jani was the creative director behind it.”

Since 1985, the Christmas show has grown more popular than ever, and in 1987 the company gave an amazing 152 performances in a mere 55 days. “Back in 1979, the show ran for three weeks, and the company only gave about twelve shows a week,” says Morinelli. “In 1987, we ran for eight weeks, and sometimes we did as many as twenty-four shows a week. It is just phenomenal how the show’s popularity has grown, it really has a built-in audience.”

In 1985, the concert division grossed about $14 million, surpassing the Christmas show earnings for the first time, thereby becoming the biggest moneymaker for the hall. Today, with the Christmas show grossing somewhere between $10 and $12 million in advance sales, it is the prime attraction for Radio City Music Hall Productions. Through the marketing efforts of Richard Evans and company, the profit margin for the Christmas show is now unsurpassed by any other division within the company. “In the concert business, the agents and the acts do not let you make that much money, where you make the money is in volume. After all, you are paying top dollar for top talent,” explains vice president Sanders. “With the Christmas show, the profit margin is much higher, because we own the rights, and if we decide to raise the ticket price, we keep the profit.”

Back in the Black

Profit is something that Radio City Music Hall Productions has no problem getting used to. For in 1985, with Richard Evans at the helm, the hall finally made it back into the black by turning a profit of $2.5 million on revenues of $37 million. In fact, the Christmas show and concerts are just some of the spectacles that the company now stages both within and outside of the hall. From 1979 through 1987, Radio City Music Hall Productions expanded, establishing seven major divisions: concert promotion, theatrical productions, television production, business production, special events, artist management, and newly added this past year, creative developments. “Bob Jani’s vision of a multi-faceted production company and Richard Evans vision of where the company could go really have merged in an incredible way,” says Morinelli.

“In 1987, the Christmas Show played to 800,000 people and grossed $19 million.”

Compatibility is one of the unique aspects of Radio City Music Hall Productions divisions. Although the divisions are charged with going out and finding new and different programming in order to make the company more profitable, they also have the ability to join forces on many projects. “We at the hall all have many different backgrounds of expertise, and we all bring something different to each others divisions when we do work together,” Morinelli points out.

Two departments that often join hands are the television division and the theatrical production division. With “The Great Stage” being 144 feet wide and 67 feet deep, including four hydraulic elevator systems, anything that takes place on it requires a vast amount of coordination.
Between 1985 and 1987, the television division conceived and produced a special version of Radio City's Christmas show for HBO, it hosted and co-produced the first and second annual MTV Awards, and in 1986 it produced the New York segment of the NBC television special saluting Dr. Martin Luther King Jr. entitled "Living the Dream." The division has also been involved in such projects as "The Night of 100 Stars Part II," and in 1987 it even brought in "The Hollywood Squares" for ten incredible tapings. So far, 1988 has been no letdown either. The creative developments division brought in "David Letterman's Anniversary Special," and the television division taped the show at the hall in January. "The Grammy Awards" even aired live from Radio City Music Hall on March 2nd, 1988.

Because of the success of its concert division, having hosted the Grammy Awards for the second time in eight years was something special for Radio City. Since 1979, Radio City Music Hall's concert division has presented over 700 concerts by a long list of top-name talent such as Madonna, Sting, Sade, Phil Collins, Johnny Mathis, Stevie Wonder, Willie Nelson, Anita Baker, Julio Iglesias, Cameo and Luther Vandross, among many others. According to Jim Grant of New Audiences Productions Inc., "In the '80s, the business has grown to the point where there really aren't too many exclusive places to play in with decent seating capacity like Radio City Music Hall. Certain acts do not only want to play large venues, but venues with some atmosphere. Especially in New York, the media can have far reaching implications, in that if an act chooses to play a class setting like Radio City, it can impact on them in a positive way all around the country."

"The Great Stage" is so flexible that performers such as Peter Allen can either take advantage of the stage's amazing technical capabilities, or it can be scaled down, as if it were a club for comedians like Eddie Murphy and Bill Cosby. Cosby, in an unprecedented 15 show engagement in March, 1986, became the top grossing artist in music hall history with box office receipts totalling more than $2,800,000.

Taking the Show on the Road

Not all of Radio City's concert productions, however, have been within the four walls of the theater. With an established record of success and amazing number of sellouts, Radio City's concert division has presented Wynton Marsalis at The Joyce Theater, Peter Allen at Carnegie Hall, and in 1987, Radio City became the exclusive promoter of live music events at Roseland, the world famous ballroom. "I have just hired Joe Plotkin away from John Scher and Monarch Entertainment, and we are now going to start booking a vast array of acts at Roseland," says Sanders. The concert division in 1987 grossed an estimated $14 million.

What's next, Madison Square Garden and The Meadowlands? Absolutely! Riding a strong wave for the past three years, Radio City's concert division now plans on promoting its first shows at Madison Square Garden, The Meadowlands and The Nassau Coliseum. "In a period of four-to-five years, for Manhattan, we have been able to capture at least 50 percent of the market, and we now do about a third of the shows in the entire New York metro area," says Sanders. "Now we really want to become a major player in promoting shows outside of the hall. Our company has a tremendous amount of credibility and clout in the business. Indeed, we have become a formidable foe in the concert promoting business. I would say that there are now three major promoters in the New York area."

"We now do about a third of the shows in the entire New York metro area."

In terms of competition, Radio City definitely intends to give rival promoters a run for their money. But there are situations where certain agents will not sell to Radio City, for the hall is head-to-head with the two biggest arena promoters in the New York area, Ron Delsener Productions and John Scher's Monarch Entertainment. "We are now going to fight it out with Delsener and Scher, in that we are going to go after the same acts that they have been taking into Madison Square Garden and The Meadowlands, and now we want to do the same," says assistant vice president Kellert. "By doing this we are really making things much more competitive, but the competition is good for everyone. After all, competition is the name of the game."

Not only has the concert business been upbeat for the hall, but in 1985 Radio City Music Hall Productions continued its expansion by creating an artist management division. Under the direction of Scott Sanders, who wears a second hat as president of artist management, the division has progressed slowly but surely. "At first we just wanted to
be small, and get our feet wet. Artist management is very
time consuming, and it requires a great deal of attention,’’
says Kellert.

Having signed Ashford and Simpson, one of the most
popular couples on the contemporary music scene today,
to an artist management contract in 1985, Sanders now
believes that the division is ready to move forward. “What
Patricia Kellert and I have been looking for, are a few acts
that we can creatively connect with, like Nick Ashford and
Valerie Simpson. We want lasting talent. We do not simply
want to be managers, but we want to be able to help artists
with their careers,’’ says Scott Sanders. Sanders further
points out that “In 1987 we had the opportunity to manage
several acts that make a couple of million dollars a year,
and would have yielded us several hundred thousand
dollars in commissions right off the bat, but we didn’t feel
that we could help them that much.”

Business Theater

Show business expertise is the factor that has helped
Radio City’s business production division grow by leaps
and bounds since 1980. Under the direction of Morinelli,
who has been with Radio City Music Hall Productions since
its inception, the division operates as a full-service produc-
tion company, specializing in business theater. Oriented
towards the business community, the division is often in-
volved in marketing a product or conveying organizational
messages through the use of entertainment and theatrical
techniques. For many companies, business theater is seen
as a marketing tool which can either be used as a way of
getting clients interested in a new product, or as a motiva-
tional tool for their employees.

At first, the music hall was leased for business events,
with the division only involved in limited production sup-
port. “The division basically started off doing small events,
and it wasn’t until a few years ago that we thought it could
become a profit center for the company. There is steady
competition out there, and getting into the business pro-
duction market has been a long and slow process, but we
are becoming very well known,’’ says Morinelli.

Pitching the idea of business production to a lot of major
corporations is of prime importance, but having its own
venue gives the division an edge, in that clients come to
Radio City because they sense a full-fledged production
company. “We have relatively small but solid staff, and
what we can do is put together packages by hiring the best
people to work on specific projects. We are also able to
draw on the expertise of our other divisions. We have our
senior producers and project coordinators who are always in place 52 weeks a year, but we would have to have a full-time staff of at least 500 people to accomplish the variety of projects that we are now involved in,” says Morinelli.

From forming an original concept to final production, the division now produces entire events. Although the hall is a perfect place to stage any production, emphasis is placed on outside locations. One of the division’s largest outside projects was the production of two three-day motivational sales meetings staged in both Bermuda and Hawaii for Electrolex. In 1987, the division also produced an entertainment package for Abbott Laboratories, featuring headliner Rodney Dangerfield. Since 1980, the division has been involved in more than 200 new product introductions, corporate meetings, industrials, conventions and fund-raising events. The division’s impressive list of clients includes: IBM, Equitable, the American Bankers Association, ABC affiliates, NYNEX, Memorial Sloan Kettering, etc.

**Extravaganza Experience Pays Off**

No newcomer to producing extravaganzas of any kind, Radio City has taken the experience that it has acquired from its years of producing spectacles, and has established itself as a creator and producer of world class events. Its special events division creates unforgettable moments for anniversary or centennial celebrations, grand openings, corporate milestones, and half-time shows for various sporting events.

The division which billed around $500,000 in 1986, grossed around $4.6 million in only its second year. “We have been very successful in taking the theatricality for which Radio City has been known for more than 50 years outside of New York,” says executive vice president Morinelli. The division’s activities in 1986, included producing the grand finale of Coca-Cola’s 100th Anniversary bash held in Atlanta, producing Harvard University’s 350th Anniversary Celebration and the grand opening of FAO Schwarz’s new Manhattan flagship store.

Since the opening of a West Coast office in Los Angeles in 1987, the division’s projects have skyrocketed. The division has produced the opening ceremonies for the International Special Olympics held at Notre Dame in South Bend, Indiana, and last August it produced Polaroid’s huge 50th anniversary celebration in Boston. The stadium show included 15 acts of entertainment, and three giant video screens which showed Polaroid employees in six countries singing “Happy Birthday.” Some 25,000 Polaroid employees at-
tended the event. In 1987, the division also produced the pre-liturgy event for the Pope’s visit to Los Angeles and The Golden Gate Bridge’s 50th birthday celebration. But, “The ‘We The People’ parade in Philadelphia stands out as the division’s biggest event so far,” says Morinelli. So far in 1988, the division has produced the giant half-time show of Superbowl XXII in San Diego, which featured the Rockettes and the legendary Chubby Checker.

**Looking Ahead**

Perhaps, the division that best symbolizes where Radio City Music Hall Productions is going is the newly formed creative developments division. Back in 1979, the first priority on the company’s list was the need to broaden Radio City’s demographics. “In order to do so,” says Scott Sanders, now vice president of entertainment and creative development, “we needed to create things that could be uniquely played at the hall, because there is no place like Radio City.” Sanders did just that. By convincing such great entertainers as Liberace and Peter Allen to perform at the hall, Radio City, along with its concerts, began attracting people of all ages and nationalities. “It took me five years to convince Liberace and his manager to play the hall,” says Sanders. “People thought that I was out of my mind. They said ‘Scott, Liberace performing in New York, are you crazy, you’re going to be looking for another job.’ He then came in and did $2.5 million worth of business.”

Creative developments is a division that really gives Sanders the chance to develop diverse projects for Radio City Music Hall Productions. This year, “Disney On Ice” performed at the hall in February, and the hall also held a huge St. Patrick’s Day celebration on March 16th, entitled “A Great Night For The Irish.” Most exciting of all for Radio City Music Hall officials will be this September when the Moscow Circus arrives at the hall for a five week engagement. Radio City will then tour the circus across the country, and also produce a television special on it. “Now that we have gotten younger people used to coming, when they turn thirty and up, it is going to be much more natural for them and future generations to come here and see any kind of event,” says Sanders. “We have definitely come a long way.”

Having grossed around $42 million in revenues in 1987, this Radio City Music Hall’s 56th year promises to be its brightest one ever.
The numbers are mind-boggling. In the four years since the Center for Disease Control declared AIDS to be "the nation's number one health priority," 25,000 people have died and another 1.5 million are thought to be infected with the HIV virus. Three people now die of AIDS every two hours in the United States alone.

Last year, $415 million was spent by the Federal government on AIDS-related activities; $70 million of it was earmarked for education.

Nearly $3 million was spent on AIDS education in New York City alone during fiscal year 1987, and the City Department of Health estimates that $6.2 million will be spent in 1988.

Many people have heard or read these figures. But AIDS spending is obviously not limited to the government or to privately funded organizations such as the Gay Men's Health Crisis or People with AIDS Coalition. Some businesses have begun to see a rise in profits since the outbreak of the disease, while others have created and are successfully marketing products, unknown before the advent of AIDS.

In a public service announcement sponsored by the American Foundation for AIDS Research, the Surgeon General, C. Everett Koop says, "The best protection against the infection now, barring abstinence, is the use of a condom." The U.S. government has given condom manufacturers the approval to advertise latex condoms' ability to help prevent the spread of AIDS. Last year there were over 300 million condoms sold in America, representing a 20 percent increase over the number sold in 1986. The price of shares in Mentor Corp., a condom manufacturer, rose 71 percent in early February 1987.

Advertising Condoms

Once a hush-hush item, condoms are now available everywhere—from restaurants to bodegas. Along with this increased availability, condom ads now appear in national magazines and on some television stations, although several of the larger networks are still hesitant. According to Aymon Demaural of NBC Audience Services, "Our policy [on condom advertising] is not etched in stone. But because of the religious and moral values of our diversified
audience, it is not in our best interest to air condom advertisements. We have allowed condom ads for NBC affiliates. It is a decision which they must make based on their communities' needs."

With resistance like this so common, it was necessary to run advertising campaigns to gain acceptance for the condom advertisements. Della, Femina, Travisano & Partners was running one such ad for Ansell-Americas, the makers of Life-Styles condoms, when the agency dropped the account due to a comment made by John Silverman, the condom-maker's president. "AIDS," he said, "is a condom-marketer's dream."

Greg Buckalo, a spokesman for the ad agency said the statement "went against everything we believe in. AIDS is not a marketer's dream; it is a human nightmare and we choose not to work with anyone who believes otherwise." There have been many campaigns to make the public more aware of the danger of contracting AIDS. Sam Friedman, spokesman for the New York City Department of Health, feels that the advertisements must not be subtle. "They should be attention-getting. The message must be repeated," he says. Instead of using a black and white commercial which says "Be careful," he feels that a color ad which announces: "If you think you can't get AIDS you're dead wrong" is much more effective.

Pro Bono
Saatchi & Saatchi, Compton, Inc., a New York ad agency, developed that campaign for free and Met Life sponsored the placement of the ads in newspapers, although the City spent $60,000 on the campaign, to cover the production costs. "It would have cost hundreds of thousands of dollars otherwise," Friedman says.

Another campaign, features celebrities such as Cher, Heather Locklear, Brooke Shields and Whoopi Goldberg, all of whom donated their services. Relying on the striking slogan "Don't die of embarrassment," the campaign, was commissioned by the New York State Health Department. It includes billboards, print ads, and TV commercials, designed by Park Place Group Inc., a New York City advertising agency, who worked on the project for 10 months.

"We did all the work pro bono," says Bette Klegon, president of Park Place Group Inc. "The New York Daily News ran all 27 ads free, which is about $500,000 worth of space," Klegon adds. The ads have also run in The Village Voice, Amsterdam News, El Diario, People Magazine, New York Magazine and The New York Times. To date, six ads have appeared in The Times, where a full-page ad costs $26,000, according to Harry Gang, sales representative for charity and political advertising. In addition, The Winston Network donated space so that the ad could be seen on
over 100 billboards in the metropolitan area.

"Metropolitan Life sponsored the first flight of the campaign," says Ruth Barcus of Park Place, "but we're currently looking for more corporate sponsors."

Cassettes and Therapists

Aside from increased condom sales and the galvanization of the advertising industry, the AIDS scare has led to the development of various products and services designed to assuage America's fear of this disease. One such product can be seen on the video cassette market. "AIDS—Profile of an Epidemic: Update" is a documentary, narrated by Ed Asner. Originally televised by PBS in 1984, it is now available on video cassette for $29.95. Jennifer Peters, an executive at Videotakes, Inc., which is a special-interest video distributor says, "There appears to be an increasing demand for tapes like that. A fair number of stores in Manhattan offer the tape because it's a popular subject in New York." Peters estimates that there are at least 20 to 30 video stores which now offer that particular tape.

There are many other tapes that deal with the AIDS epidemic currently on the home video market. Ranging from "AIDS and The American Family" to "Safe Sex in the Age of AIDS," these tapes sell for $29.95 to $39.95.

For those seeking more personal advice, the supply of therapists who deal specifically with AIDS is growing to meet the wave of demand for them. According to Patti Geier, clinical coordinator at the Gay Counseling and Therapy Center, 35 percent of the therapists at the center deal only with AIDS victims and their families. "The amount of people seeking help is still rising," Geier said. They charge a sliding-scale fee, from $16 to $65, and when someone is in the advanced stages of the disease, the therapy is done at home, in-hospital, or over the phone. "We help them deal with their feelings. We don't take away their fears, but we offer some hope," Geier adds.

Safe Blood

Another unique service, catering to those who are afraid of contracting AIDS through blood transfusions, is provided by private blood storage companies. The Daxor Corp. of Manhattan, which operates a sperm bank as well as a blood bank, recently signed contracts with two large corporations to store blood for their employees. Warner Communications Inc., with its 8,000 employees, and International Marketing Services Inc. of New York City, with its 5,000 employees, were the first to sign up. "We expect other companies to join up soon," says Alice Johnson, a spokeswoman for Daxor.

The terms of these contracts have not been released, but there is a charge of $150 annually for a unit of blood, one which is not normally covered by insurance policies. Johnson says Daxor has been "affected quite a bit because many people are afraid of contracting AIDS or hepatitis through blood transfusions, so they are storing their own blood." When Daxor announced its new contract with Warner Communications Inc., its stock soared from $5.50 per share in January 1987, to $29 per share in February of the same year.
The stocks of other blood-storage companies have experienced similar shots in the arm. These include: North American Biologicals, Inc., with a 221 percent share rise in early February 1987 and HemaCare Corp. with a hike of 143 percent in the same month.

The Greater New York Blood Program has also been affected by the AIDS crisis. Since 1985, all donated blood has been tested for the presence of AIDS antibodies, according to the AIDS Hotline. Amy Weidenbeck of the New York Blood Center, says that on each of the 2,200 units of blood they receive each day, at least one test is performed. If it tests positive on the first test, the blood will not be used. But a second, and if necessary, third test is performed. “If it tests positive on the Western Blot test, which is more sensitive and specific than the other, we confidentially notify the donor,” Weidenbeck says. Out of the 10,000 units, four usually test positive, and those donors are referred to the Aids Hotline.

Effects on Hospitals

Michael Scahill, manager of public relations at the program, says these tests cost approximately $8 to $15 per unit of blood. “The cost is included in the processing fee, which is picked up by the hospital which, in turn, charges it to the patient receiving the blood,” Scahill says.

AIDS has also affected the finances of many hospitals in the New York area. Although Montefiore does not have an AIDS division per se, they do have 30 inpatients at their Moses division, according to Angela Harris in public affairs. Mt. Sinai, St. Vincent’s and St. Clare’s have all set up units for AIDS patients.

St. Clare’s Hospital opened its unit in November of 1985, making them the second hospital in the country and the first on the East Coast to do so. The unit, called the Spellman Center, started with 15 beds and has since quadrupled to 60. According to the hospital’s public affairs department, the staff originally consisted of one physician, one nurse and a ward clerk. It has gradually increased and is supplemented by a large number of volunteers.

St. Clare’s, Mt. Sinai and St. Vincent’s all refused to discuss any financial information, but the recent expansion of their specialized AIDS units suggests that these new ventures are at the very least fiscally solvent.

Another interesting service which has arisen to placate the public’s fear of AIDS is an unusual kind of dating service. The Ampersand Singles Club, which opened its doors on April 15, 1987, is a dating service which requires its members to be tested for AIDS every six months to assure its clientele of safe sex. The club does not pay for the tests, but offers a referral service to help its members find a clinic or hospital where such tests are administered.

Gail Sheffler, a former copywriter for Ogilvy & Mather, started the club to bring back romance without risk. “It used to be fun being a single New Yorker,” she says, “but not anymore.”

The introductory membership offer of $390 included a tax deductible five percent which went to the American Foundation for AIDS Research, she says. The regular membership fee is now $600 per year.
As fear of AIDS infection continues to spread, so does the sale of ordinary items now understood to prevent the spread of the disease. New York City dentists who recently attended a dental convention found that to order rubber gloves they had to put their names on long waiting lists. Dr. Murray Braverman says that its surprising since techniques to prevent the spread of infection—AIDS, hepatitis, or even the common cold virus—are basically unchanged over the past several years.” Boxing’s “corner men” have also recently taken to wearing rubber gloves while working on a boxer during a fight. Some states actually require the use of gloves in the ring. The New York State Athletic Commission, however, has them on hand and will supply them only on request.

"AZT treatment now costs more than $7,000 yearly."

The Drug Companies

But these service and product-oriented businesses are not the only companies to profit from the AIDS epidemic. Medical and pharmaceutical firms, like Burroughs Wellcome and Ethgen, both of whom now produce anti-AIDS drugs, also stand to gain financially from their work against the disease. According to Burroughs spokeswoman Kathy Bartlett, “We began a program to look for agents which would be active against the AIDS virus in June of 1984, shortly after the cause of AIDS was identified as a virus.” At that time, the company screened a number of compounds including AZT, a drug which was originally synthesized in 1964 with support from the National Cancer Institute as an anti-cancer agent but was abandoned after laboratory tests showed that it had no action against tumors. Burroughs sent the AZT compound to outside laboratories including the National Cancer Institute, Duke University, and the Food and Drug Administration, so that the drug could be tested on the AIDS virus.

Phase one studies of the drug looked at safety and dosage. Phase two studies, all financed by Burroughs, began in February 1986, at 12 medical centers throughout the country. This testing was halted in September 1986 because, according to Bartlett, patients receiving AZT “were doing so much better than patients receiving a placebo.” With FDA approval, the drug was given to larger numbers of people, almost 5,000 patients from September 1986 to March 1987.

The drug's official approval was accomplished in a record 100 days, from the actual submission of a new drug application to the FDA on December 2, 1986 to March 19, 1987. “Normal testing takes 7 to 10 years,” says Bartlett.

What of objections from critics that the process was too rapid? A leading Gay newspaper, The New York Native, reported that “the approval of AZT was based on studies that were fragmented, unscientific and possibly falsified.” “Not so,” says Bartlett adding “approval was rapid but thorough. The drug development process is not well understood.”

Now that AZT is available to AIDS patients, the question remains, is AZT affordable for patients who are required to swallow 12 capsules of AZT daily? Since the drug is now priced at $150 for a bottle of 100 (100mg) capsules, treatment now costs about $600 a month or anywhere from $7,000 to $9,000 yearly. “The drug is expensive to manufacture,” says Bartlett, explaining that “it involves a complex chemical process.” She adds that the company has made every effort to reduce the price, announcing a 20 percent reduction in the cost of the drug, from $188 to $150 per 100 capsules in December of 1987.

Not everyone is convinced that the drug companies are out to cut costs. Last summer, an AIDS patient filed a lawsuit against Burroughs alleging that the company makes an estimated 40 percent profit on the drug, in violation of
New York's anti-price gouging laws. However, the plaintiff died before he could testify. The pricing situation is complicated by the fact that pharmacies often determine their own prices for the drug. It is rumored that some pharmacies now charge up to $1,500 for one month's supply of the drug. Others refuse to sell the drug because of financial complications—one reason being that insurance companies are often reluctant to reimburse pharmacies for AZT purchased with insurance cards.

At the heart of a second drug controversy is Ethigen, the patent holder of AL-721, an anti-AIDS treatment developed in Israel from the yolk of a common hen's egg. U.S. health authorities say that AL-721 is not yet legal and that it must be subjected to a battery of tests which could take years. Critics argue that the company might be able to avoid the FDA's approval process by marketing AL-721 as a nutritional substance rather than a drug. Dr. Yehuda Skornick of St. Luke's-Roosevelt Hospital told Spin Magazine, "I don't know why they [Ethigen] registered it as a drug. Now it has to pass all the FDA's tests and regulations and that could take years."

As a result, a vast underground has developed to market the expensive original formula as well as less expensive analogues to thousands of AIDS and ARC (AIDS-Related Complex) patients.

"Vaccine testing on monkeys has been disappointing."

In Quest of a Vaccine

The AIDS epidemic has also affected numerous diagnostic testing companies such as Oragen Technica Inc. of Durham, N.C., who are busy testing for the presence of the AIDS virus. According to Martin Rosenberg, vice president of bio-pharmaceutical research and development for SmithKline & French, Phila., "Diagnostics are clearly the biggest money making market from AIDS now."

Also in the AIDS business are companies in quest of a vaccine. Despite the fact that vaccine testing on chimpanzees and monkeys has been disappointing, with the animals showing no immunity against AIDS, diverse companies in Europe and in the United States are still searching for a vaccine. Company officials for MicroGenesys, of West Haven, Conn., say that they are presently in Phase One testing for their vaccine. Forty volunteers were inoculated last August and so far "there have been no significant adverse reactions." Oncogen, a biotechnology company in Seattle that is a subsidiary of Bristol-Myers, is presently recruiting volunteers to test a vaccine that already has FDA approval for trials on humans.

The situation changes on a daily basis. But, if the dire predictions of the spread of AIDS are correct, businesses which have found a niche in the AIDS market are sure to grow, both in sales and in profits, well into the next century. The sad fact remains that the boom in AIDS related businesses will only stop when the disease does.
Minding Her Own Business

by Mary Shuh

Jennifer Payne’s dream came true in college. A 22-year-old from Findlay, Ohio, Payne is president of Gifts In Time, Inc., a service that reminds important dates and supplies appropriate gifts for individuals and corporations. Rosemary Schultz, a former dancer, thought about creating a job for herself after leaving a telemarketing firm six years ago. Today, as owner of Accoutrements, she has successfully carved out a niche for herself, manufacturing fur accessories such as handbags, gloves and belts for a select clientele. As president of Terra Designs Inc., Anna Salibello turned her pottery skills into a $500,000 tile business.

These women are just a few of the growing number who have started their own companies. The combined sales from small businesses in America today is greater than the gross national product of every country except the United States and Japan, and women play a large part in this success story. According to the Small Business Administration (SBA), as of 1983 women owned 3.25 million small firms, and 27.6 percent of the sole proprietorships in the nation. In addition, from 1977 to 1983 female ownership grew almost 80 percent faster than overall ownership. Once a haven for corporate drop-outs and non-conformists, owning a small business today has become big business. Now, women own companies ranging from gift shops to computer software services. Surprisingly, in some industries, these “small” businesses gross as much as $23 million, says Harry Menta, public affairs officer for the SBA. The added attraction for women is that there are fewer barriers than in traditionally male-dominated careers, and less restrictions in avenues of success than in corporate jobs. These opportunities for personal and financial growth, coupled with the fact that many successful entrepreneurial ventures exist in areas that have traditionally held female interests, make owning one’s business a natural pursuit for women.

Tired of Being Secretaries

Many women entrepreneurs cite similar reasons for starting their own businesses. Those most often given were the desire to be in control of their own success or failure, frustration at being held in middle management limbo by corporations, and the lack of experience, skills or education required to get a position with potential for high financial rewards. Dr. Amelia Augustus, president of the Women’s Economic Round Table says, “Women are tired of being secretaries or making lateral moves.” One of the big difficulties women face in the corporate world, according to Augustus, is “breaking through the glass ceiling. “Comming from a variety of backgrounds, the women interviewed had different ways of selecting an industry. While a few had worked for firms in the same area before striking out on their own, many of the women just stumbled on an idea that caught their interest. A CUNY graduate, Anna Salibello taught English for 10 years. It was at the beginning of the crafts movement in the late 60’s that she was converted. Salibello took her children to view a potter’s exhibit at the Morris Museum. “I took lessons with all of America’s premiere potters.” After her success with functional pottery and stoneware, she considered something on a larger scale. A 1980 visit to Italy encouraged her to make and distribute decorative tiles. “I knew I wanted to do something that would become a million-dollar business, so I immediately went for national distribution.” Today, Terra Designs, Inc. of Dover, New Jersey, sells 15 lines of decorative tiles to 100 distributors nationally. “During the recession we saw a market for trivets which contributed to our sales for several years,” she says. At this time, Salibello was also able to develop her country-style tile designs which became very popular. Salibello now employs 15 people and last year opened a retail showroom in Morristown, N.J. which has been a great success, grossing $100,000 in its first year. “If things are received well in the showroom, we sell the designs to the dealers.” With the tremendous demand for handmade tiles, and a new factory and showroom, Salibello’s plans for a million-dollar business look very promising.

A lover of the arts, Annette Castellano started with $100 in supplies and a few watercolor lessons from an artist friend. Working out of her home, she began experimenting with acrylics. She then signed up for a class at The School of Visual Arts and was asked to teach her process to some of the professionals there. “Within a few months, people wanted to buy my watercolors!” says Castellano. Since then, she has had two one-women shows and has recently appeared on Channel 13 and cable TV. Under the name Color Dimensions, she has applied her ideas to jewelry, painted silk scarves and T-shirts. Although some of her art-
works have sold for $1500, she admits that the T-shirts have been the most lucrative. "Once you get started, you can't stop. I plan to be running the business full-time next month." Working on her own appeals to Castellano. "I get a strong feeling of satisfaction. There's no comparison."

Beverly Fitzsimmons, owner of Fitzsimmons Fabrics, Ltd., was a successful advertising executive. "After working for a corporation for 25 years, I thought that was the only life there was." After being given a dead-end job at BBD&O, Fitzsimmons decided to look around. In 1983, she suggested to a friend that she could import and market his Irish-made woolens in the United States. He didn't take her seriously then, but today Fitzsimmons counts Liz Claiborne and Tahari among her clients. One of my first calls was to Ralph Lauren, and to my amazement they said yes!" Being in advertising helped, says Fitzsimmons, who does her own marketing. "It's a lot of hard work but," she says, "you can do what you want. It's extremely stimulating; sometimes it's like running around a track with a rabbit in front of you—you want to exceed your own best efforts." Fitzsimmons says that she learned a lot from small designers but, "it's just as easy to sell 5,000 yards of fabric as 50 yards." Her main goal for next year is to increase sales and she expects her revenue to be around $2.5 million in 1988.

A true success story, The Silver Palate has changed the way America eats. In 1976, Julee Rosso and Sheila Lukins were "two people who had an idea." That idea has blossomed into a multi-million dollar concern. When Rosso, an advertising executive and Lukins, a caterer, opened a small take-out shop on Manhattan's Upper West Side in 1977, something magical happened: New Yorkers discovered the delicious dressings, marvelous mustards and sumptuous salads that, along with other delightfully irresistible goodies, have made The Silver Palate one of the top names in gourmet-deli cuisine. After many long hours and hard work, Rosso and Lukins have achieved the kind of success that many women just dream about. In response to their delectable offerings, the customers keep coming in. After two cookbooks and several awards, The Silver Palate recently opened a new store in Tokyo. "It's like no other feeling in the world," says Rosso. Her advice to prospective entrepreneurs is, "Start small. Don't try to copy anybody." For Rosso and Lukins these have been the right ingredients. In its tenth year, The Silver Palate does an estimated $10 million in business and is going strong.

**Average Salary: $34,076**

The Internal Revenue Service estimates that in 1984 women owned 3,050,000 small businesses, up from 2 million in 1977, with the average owner earning $34,076 a
year. The most popular small businesses for women, accordin
to the U.S. Bureau of Census, are non-store retailing, real
estate, beauty shops, schools and bookkeeping. Not
surprisingly, Leanne Tom-Diaz, public affairs director of
Women Entrepreneurs in San Francisco, says that their
average member is 30 to 40 years of age, has been in
business for five years, and operates a service, consulting,
mail order or retail business. In fact, 40 percent of all small,
non-store retail businesses and 32 percent of service and
financial small businesses are owned by women, says
Karen Paul of Catalyst, a nonprofit group devoted to the
study of working women. Most of the industries that attract
women owners tend to require less financing, and because
of this remain small. But, in 1987, according to the SBA, the
3.5 million, female-owned small businesses will gross
around $56 billion in receipts. They will also experience a
growth three times that of male-owned small businesses,
says Cynthia Walkins of American Woman's Economic
Development Corporation (AWED).

Juanita Weaver, assistant director of public affairs for the
SBA, says that women-owned businesses are expected to
grow by 8 to 9 percent per year between now and the year
2000, and this growth will be in the areas of manufacturing,
construction, finance, insurance, real estate and other in-
dustries that have traditionally excluded women. In fact,
Catalyst reports that according to the latest statistics
available (1982), 5 percent of the businesses
owned by women are in construction and 10 percent are in
transportation.

A former accountant for the Chicago Economic Develop-
ment Corporation, Jacqui Bradley owns Directions
Metropolitan, a Chicago-based construction company
specializing in highway and transportation construction.
"The opportunities are phenomenal. It's more of a love
less of a job," says Bradley. Her company has reached $3.2
million in sales and she plans to expand their work to major
development projects. Because she's young, black, and a
woman, Bradley encounters problems with making con-
tacts and obtaining financing. "The discrimination is very
subtle," she says. When asked about sexual harrassment
on the job, Bradley says, "There is a lack of respect for
women in supervisory capacities." But with the help and
support of her mother, Bradley is overcoming these
obstacles. "She instilled the determination in me and
taught me that there's nothing I can't do." Bradley also
plans to bring her sister into the business. Her advice to
others is, "Just be ready. Develop more physical, mental,
and spiritual stamina."

When Claudette Hayle discovered that there were only
four successful women in the information processing
business, she decided that she had a lot to offer the in-
dustry. In 1982, Hayle left CBS and started out as an in-
dependent computer consultant, setting up micro-
computer systems, grossing $70,000 within the first year.
She is now president and chief executive officer of Good-
man & Hayle Information Systems, Inc., which offers
customized software, training programs and assistance in
hiring computer personnel. Her company has 10 full-time
employees and 11 contract employees, and had sales of
$500,000 in 1986. Hayle, a graduate of York College says,
"I had a good inside look at the industry. I knew what my
clients needed." This is undoubtedly the key to Hayle's
success. Hayle, 32, expects sales to expand 125 percent to
$4.5 million for fiscal 1987. Although she says that financing
was a primary problem, Hayle's efforts (she puts in 70 to 75
hours a week) have certainly paid off in an industry where
the potential for growth is high.

"If you have a dream
and you believe in yourself,
go for it!"

The Financing Crunch

Jennifer Payne learned about entrepreneurship early in
life. As a member of Students in Free Enterprise, she took
some of their business projects to a national competition.
Payne was approached by John Boswell, a Missouri
businessman and one of the judges. Boswell was looking
for new investments and wanted to help Payne's group
start a business. "I always thought about having my own
business someday," says Payne who never expected things
to happen so easily. With $100,000 from Boswell as start-up
capital, Payne came up with the idea of offering corporate
and individual clients a service that keeps track of impor-
tant dates and provides gifts for a variety of occasions. Gifts
In Time, Inc. is expected to open a location in Columbus,
Ohio in 1988 and Payne projects this year's sales to be at
least $300,000. "If you have a dream and believe in
yourself, go for it!" she says. Despite Payne's experience,
many women business owners find financing a major pro-
blem. "The hardest part is coming up with additional money," says Doris Stoll, who recently sold the Chelsea Marketing Group. Tom-Diaz of Women Entrepreneurs agrees. Perhaps this has kept so many women in businesses requiring less investment. "Our members fit a classic pattern," Tom-Diaz says. "A new owner worries about financing. In five years they worry about growth, and in ten years, product development. The product is always the easy part," says Stoll, who has owned everything from a greeting card business to a jeans manufacturing company. Joining support groups and organizations such as AWED, women help each other to obtain the necessary assistance in this important area.

Rosemary Schultz created Accoutrements because she wanted to get into the designer clothing businesses. With the skills, but no credentials in the field, Schultz says that she was the only one who had confidence in her. "I wanted the autonomy of making my own decisions." Schultz has been making her own decisions at Accoutrements since 1981. "The hours are not easy, but the commitment is there. During the busy season I work at least 12 hours a day, including weekends." Schultz admits that when you're cash poor you wind up doing a lot of jobs that you wouldn't have to face in a large corporation.

While Schultz advises starting out with "as much capital as you can get your hands on," she is definitely against going into hock to open a business. Although the big financial rewards of mass production are attractive, Schultz is content to design her line on a personal basis for select clients. Although the types of businesses vary, the women all agree that a basic knowledge of business is essential. "Have a really complete business plan," says Schultz. Bradley agrees with the idea that women must understand cash flow and must write a business plan before they ever get started. Stoll also advises, "Have a thorough knowledge of cash flows. Being able to understand the basic facts of business is very important." In spite of the obstacles, women are making it in business. Fitzsimmons adds, "If you use your head and work hard, you can succeed."

Dr. Deborah Gardner, director of the Center for the Study of Women in Business at Baruch College, has just begun a study of "Corporate Flight and Entrepreneurship: The Patterns of Men's and Women's Experience." Despite the social revolution in the business culture of America, with females now counting for almost 50 percent of business school enrollments, Gardner predicts that "traditional patterns of entrepreneurship for women will prevail at least for another decade."
Little Caribbean

by Venice Strachan

Last year some 60,000 natives of the Caribbean packed up their bags and headed for the United States, many bound for the boroughs of New York City. A good number opted to settle in Brooklyn, an area where, according to the 1980 Census, some 164,300 West Indians reside, and an area which today undoubtedly is home to an even greater population of Caribbean natives.

A recent estimate by Community Board 17 in Brooklyn, reports that in the Flatbush and East Flatbush areas alone, some 200,000 West Indians reside, a great many from Jamaica, Trinidad, Guyana and Haiti—making Brooklyn the home of the largest population of West Indians outside of the Caribbean.

Caribbeans have brought with them not only a unique variety of dialects and accents, music and dress, but a demand for the traditional ethnic foods and goods native to their tropical countries of origin. These were often food products like the ackee, a major ingredient in the national dish of Jamaica, rice and bean dishes like the Trinidadian paelow, and mauby from Grenada which is used to make teapot other beverages; products that carry the very essence of West Indian living but were often unavailable outside of the traditional West Indian home. Says one Trinidadian immigrant, “These things bring back the memories of home—the good old days.”

To meet this demand were the West Indian entrepreneurs who, in their attempt to address the needs of the local Caribbean population, set up restaurants and bakeries that offered a traditional selection of Caribbean ethnic goods. The continued growth of the West Indian population in certain Brooklyn communities, especially in the Flatbush, East Flatbush and Crown Heights areas, necessitated the expansion and diversification of West Indian businesses. This development has aided in the economic revitalization of neighborhood commercial areas that long suffered frequent vacancies and high turnovers as lowered buying power and high unemployment among area residents forced store owners and local banks to close up shop and move out of these communities.

Tropical Brooklyn

One such area is the Nostrand and Church Avenues commercial strip where, according to Mildred Keel-Williams, associate director of the Erasmus Neighborhood Federation, a local community organization, about 50 percent of the businesses are owned by West Indians. A little over a year ago, according to Williams, area residents were shopping for just about everything they wanted outside of the community. With the help of the Erasmus Neighborhood Federation, which assists merchants in the setting up, expansion and improvement of their businesses, the strip that used to be a major eyesore and neighborhood embarrassment, now attracts shoppers from as far away as upper Manhattan and the Bronx, where the selection and quality of West Indian goods is often inferior to that offered by merchants in Brooklyn. “These businesses are bringing Main Street back to the community for the area’s residents, West Indians and non-West Indians alike,” says Williams.

The West Indian businesses along the strip provide more than just the customary hard dough bread and curried goat’s meat meal. They also provide a wide variety of service-oriented enterprises. Six out of ten real estate offices in the area are owned by Caribbeans, in addition to over ten beauty salons, three to four clothing boutiques, a computer information service and two courier services that deal exclusively with the transportation of documents and goods between Brooklyn and the Caribbean islands. A great many still invest in food-related businesses, says Williams, because of their basic familiarity with this area.

Starting from Scratch

Economic growth among West Indians in Brooklyn is obvious in other commercial areas as well. According to Judy Orlando of the Flatbush Development Corporation, an organization that serves businesses between Parkside and...
Avenue and Cortelyou Road along Flatbush Avenue, there has been an increase in the number of Caribbean-owned businesses in the area. At the moment, they own some 10 percent of the neighborhood’s stores but this number, projects Orlando, should increase and become more representative of the West Indian population as they continue to move into the area.

Yet, for some merchants, there is nothing remarkable about this growth. Amsu, the owner of Genesis 1:29, a spice and health food specialty store located on Flatbush Avenue, admits that there has been growth but argues that the number is unrepresentative of the large population of West Indians who live in the neighborhood. In order for this to change, he says, more members of this ethnic group have to become willing to start their own businesses. “Too often we’re only interested in finding a ‘good job’ while others take advantage of the markets that we create.”

Grafton Mattis, another Flatbush Avenue merchant agrees that the growth is small compared to the area’s Caribbean population, but blames this not on a lack of motivation among West Indians but on the fact that it is often difficult to find the necessary start-up capital. “Most people start from scratch and you have to go through hell to get the money from the government,” he says. But ac-
cording to Roy Hastick, president of the Caribbean American Chamber of Commerce and Industry, many West Indians do not take advantage of the services offered by organizations such as his, which was established to promote West Indian economic growth both in the United States and the Caribbean. "They often think that they can do it all on their own," says Hastick whose organization helps individuals to find the cash they need to establish or expand their businesses. The group also sponsors networking seminars as a way of establishing unity among the Caribbean business community.

Korean Competitors

Michael Vickerman, a Jamaican sales associate at the Park Heights Silk Screening Company located on Utica Avenue in Brooklyn, agrees with the significance of networking and unity among West Indian business owners. For him, the only economic growth he has seen in the Utica Avenue area has been among Korean merchants who, Vickerman estimates, now own 35 percent of the stores along the Utica Avenue commercial strip that runs between Empire Boulevard and Eastern Parkway. "Koreans have more economic unity and capital," says Vickerman, "they're more organized than us." What annoys some neighborhood business owners is that, in their eyes, although the Koreans depend largely on the local West Indian population for support, they do not seem to reinvest any of their profits back into the community and many do not even live in these neighborhoods. "Live here?" says Vickerman, "they don't even buy lunch here."

Hastick, however, sees no reason for West Indian business owners to be annoyed about the presence of Korean businesses in these neighborhoods. "They have done a needs assessment of the community and are providing West Indians with the traditional ethnic products they want." He advises West Indians to do the same instead of becoming annoyed, "because this country is for everybody. Too often," he adds, "West Indians go into business without conducting a needs assessment of the area and eventually fail because they rely on judgment instead of studying the neighborhood to see whether the community needs another beauty salon or bakery. If there are already enough of these businesses in the area, then maybe they should try this venture somewhere else."

Still, over 75 percent of the Caribbean-owned businesses in Brooklyn and the other New York City boroughs make it, says Hastick. And while making it can mean struggling to open the doors everyday, a few not only open their doors but have expanded their businesses to deal with the increased demand for their services.

"I can't speak for everybody but some people on this block are doing very well," says Luke Anderson of Anderson Carpet on Utica Avenue, "you can tell by looking at their daily customer flow." Anderson, a Jamaican and the owner of what 10 years ago was a small carpet and rug business operating out of a cramped, dimly lit store with a permanent staff of five workers, is definitely one of those people doing well. Today, the business occupies two storefronts of the recently renovated two-story building and the staff has tripled in size.

From a Buick to a Mercedes

Anderson's image has also changed with the business. Last year he replaced his 1981 Buick station wagon with a metallic brown, 1987, Mercedes Benz sedan. He explains his growth as the result of attracting clients outside of the neighborhood as well as the support of area residents which, he says, accounts for a little over 40 percent of the business's total revenue, an amount that serves to cover the store's overhead costs. The rest comes from contract work for clients such as the City University of New York and The New York City Department of Housing.

Even so, he says, he still values the support of local West Indians who comprise some 60 percent of the customers who walk into the store "because they helped to provide the base for my expansion and growth. They might not have a lot of money but they're very dependable," Anderson says of his local West Indian clientele. "They're usually pleased to be dealing with a fellow West Indian and although they complain sometimes, they still come back." This characteristic dependability of West Indians probably accounts for the fact that there is very little turnover within most of Brooklyn's Caribbean business communities.

Debbie Drayton, who lives and works in the Utica
Avenue area explains that many West Indians continue to patronize the businesses of fellow Caribbeans out of a certain sense of obligation. "We need to help each other, to build up and to encourage our own people." She is, like other neighborhood residents and business owners, optimistic about the future of West Indian economic growth in Brooklyn but also agrees that West Indians need more sources of capital in order to start, or to improve their businesses. Their optimism has increased now with the encouraging response of organizations like the Erasmus Neighborhood Federation and the Freedom National Bank which have come into these Brooklyn neighborhoods to address the specific needs of their largely minority and immigrant population. According to George Bowman, Freedom National's vice president of retail banking and marketing division, by opening branches in these communities, "the bank is responding to their needs, and the tremendous growth in deposits has given credence to the area's viability." Presently over a third of the bank's total number of mortgages and "a significant volume of commercial loans are made at the Brooklyn branches," says Bowman. A full page ad for the bank in Carib News announces: "Big Deals Can Be Made By a Small Bank." Below is a photo of the co-owners of a Brooklyn beauty salon—an obvious pitch to local businesses.

Easier access to capital will inevitably enable West Indian businesses to do more advertising, one of their greatest needs, says Hastick. And although advertising can be expensive, according to Hastick, a few members of his organization have found unusually reasonable advertising rates with local radio and television stations, as well as in newspapers and publications like the Carib News. One member who recently started advertising in all three media says that his business has improved considerably since he made the decision to go public.

Although the United States Department of Immigration and Naturalization is reluctant to make exact growth projections, if the present pattern of immigration continues, by the end 1988, nearly 300,000 West Indians will call the New York area home. Undoubtedly, a large number of these immigrants will choose to live in Brooklyn. What this means for local businesses is an even greater demand for Caribbean as well as other non-traditional goods. And even if these projections are too high, many of the determined Caribbean business owners plan on staying in business. "Whether they're making it or not," says carpet magnate, Luke Anderson, "they're still opening their doors every morning."
Illiteracy in the Workplace

by Arthurine Walker

A man with 20/20 vision cannot pass an eye exam. A child is unable to accompany his class on a trip because his mother did not sign his permission slip. And a person who worked with a company for only three years, was given a promotion when a loyal employee of 15 years refused to take the necessary examination. What the man, the mother, and the loyal employee have in common is that they are all handicapped. These people belong to the group of over 70 million people in the United States who are afflicted with the same handicap. Most, however, are able-bodied individuals with the ability to think clearly. So there are no special seats on the bus or special parking places for them: their handicap is illiteracy.

Since most people can sign their name and read a STOP sign, the term functional illiteracy is being used to describe the 27 million adults in this country who lack the basic skills needed to read, write, or solve the simplest math problems with enough accuracy to function in their daily lives. In addition to these staggering numbers, a study done by the Department of Education shows that 45 million more adults are only marginally literate. Although these 45 million have enough reading and writing skills for daily functioning, they lack the proficiency to really comprehend all that they read. This brings the total number of people over the age of 17 who cannot fill out a job application, read an instruction manual, the warning labels on medicine or chemicals, or even the name and address on an envelope, to over 72 million; or three out of every ten people in the U.S.

So where do these people find employment? Many don't. According to the U.S. Department of Labor, up to 75 percent of unemployed people and 33 percent of mothers receiving Aid for Families with Dependent Children (AFDC) are believed to be functionally illiterate. The combined cost to taxpayers is estimated by the Department of Labor to be over $6 billion a year. Many of the people receiving public assistance are deemed unemployable because they lack the basic skills needed to find and keep a job. Many others are locked up in one of our nation's 10,047 criminal facilities where one in two inmates is thought to be only marginally literate. Still others hold low-paying jobs—as domestic workers, building custodians, factory workers or farm hands—where little or no reading is required and their handicap may remain hidden. But in an era when business is moving toward a service economy, the traditional "blue collar" job is becoming close to nonexistent.

Published figures for the cost of illiteracy range from $225 billion per year to $308 billion over a lifetime. But Paul Jurmo, program associate at the Business Council for Effective Literacy (BCEL) says, "There have not been enough studies to quantify the dollar cost of illiteracy to business or the nation." He adds that there are certain categories of cost to business which include employee productivity, safety, and promotability. Studies show that incompetence in these categories may cost businesses hundreds of millions of dollars each year. An employee who is unable to read poses a great danger to himself and other employees if he fails to read and comprehend warning labels. As companies upgrade their equipment, they must retrain their workers. It is impossible to teach someone who cannot read to use a computer, fill out order forms or do inventory. If a company has to hire these employees, it must then bear the cost of recruiting and training new ones.

There are many horror stories about illiterate employees destroying valuable equipment because they could not read instructions; such as the mechanic who could not read a repair manual and cost the Navy $250,000 in damaged equipment, or the feed lot worker who killed a herd of cattle when he misread a package label and fed them poison instead of food. This problem is obviously costing business a great deal of money each year. If business hopes to combat the illiteracy problem among their employees, they must make some choices.

The first is whether or not to fire an illiterate employee. Functional literacy in the workplace is not merely the ability to read at a specified level, but includes being able to read...
and comprehend specific work-related material, which may include anything from a package label to a computerized inventory sheet. Many companies have found such a large percentage of their employees to be either functionally illiterate or only marginally literate, that it seems more sensible to become institutions of learning rather than to continuously sustain the cost of production losses or the cost of recruiting more skilled employees.

Hiding the Truth

Polaroid Corp. has the oldest and most extensive basic skills program in the country for their employees. They began in 1961, almost 20 years before most corporations began to take notice of the problem. Polaroid found out early that just because employees had completed high school did not insure that they had the necessary skills for job performance. Employees were able to hide their lack of skills through ingenious deception. When applying for a job they would ask to take the application home, or when asked to read something while on the job, they would claim to have misplaced their eyeglasses and someone would come to their aid. Others claimed to have carried newspapers, as a pretense, so that no one would suspect their lack of reading skills.

Calvin Miles, now an adult basic education student, admits to having used some of these tactics in the past. Miles was employed as a cable worker who installed and adjusted television equipment. When he was given a job to do, he would ask one of his fellow employees for directions to the job site. Following a map, he could then match the names he had been given to street signs. Problems arose for Miles if the person giving the directions was not a good speller or if the map was not completely filled out. Miles also had trouble the first time he was given the job of tuning a VCR. The owner handed him the instruction manual. Unable to read, he looked at the pictures in the manual and played with the buttons on the VCR. Eventually he figured it out and thereafter was able to repeat the task without complications.

"It's a big fear to not have those kinds of skills—to not know how to read," Miles says. "You have to learn certain skills to function, but there's always the fear that someone is going to find out that you have a reading problem."

Although it may seem that companies would save time, money, and trouble if they were to test for literacy skills before hiring new employees, often this is not an option. The Supreme Court ruled in 1971 (Griggs v. Duke Power Company) that an employer cannot test for literacy skills unless they can prove that these skills are directly related to job performance. Such tests were found to discriminate because they tended to exclude minority applicants. So it is often difficult for an employer to find out about an employee's skills until a problem arises in the course of job performance. This has turned many of the country's largest companies including General Motors and Ford Motor Company, in conjunction with the United Auto Workers, RJR Nabisco, Pratt and Whitney, and Onan Corp., into basic learning institutions.

Helping Hands

There are hundreds of literacy organizations across the country that are willing to help a business set up a program at the job site, or to find the right program away from the job site to fulfill their employees' needs. The two largest, Laubach Literacy Action and Literacy Volunteers of America are national organizations which have joined forces to form the Coalition for Literacy. Both are also non-profit and have local chapters across the country.

"Business must be shown how illiteracy will affect it."

Literacy Volunteers of New York City, Inc. (LVNYC) founded in 1973 is an affiliate of LVA which has over 37,000 students and tutors in 33 states. The New York chapter's October 1987 fundraiser hosted by Liz Smith of the Daily News and author, Garrison Keillor raised $240,000. The program's major funding comes from corporations. Carla Rodstrom, assistant director of the organization, says business must be shown how illiteracy will affect it.

LVNYC trains volunteer tutors to teach adults who read below a fifth grade level. About 50 to 100 persons enroll each month, says Rodstrom, at one of the eight program sites in Manhattan and Brooklyn. Once students reach a fifth grade level, they are referred to other organizations.

CONTACT Inc., also a part of the Coalition for Literacy is involved in the Project Literacy U.S. (PLUS) campaign, a combined effort of ABC and PBS to bring about an awareness of the problem. CONTACT has an 800-number national hotline which gives referrals to local programs as well as technical assistance in setting up a program.

"Our calls are up enormously," says Rodstrom, as a result
of the PLUS campaign. "Certainly, they have raised public awareness of the issue. We get many students who say they saw it on T.V."

The Assault on Illiteracy Program (AOIP) is an organization of black business people formed to combat the estimated, 44 percent illiteracy rate among black adults. Jonathan Kozol, author of *Illiterate America*, predicts this figure will rise to 50 percent by 1990. For Hispanics, the current rate is 56 percent in both Spanish and English and is also expected to rise.

The Business Council for Effective Literacy (BCEL) was formed by Harold W. McGraw, Jr., chairman of McGraw-Hill, Inc. in 1983 with an initial grant from McGraw of $1 million. The organization focuses on the effects of illiteracy on business and on finding ways to combat the problem through corporate efforts.

Olga Geryak, associate administrator for corporate responsibility at McGraw-Hill, says that the company allots funds of approximately $20,000 a year for the use of the building's facilities, air conditioning, lighting and refreshments for the literacy program run by LVNYC in the company's cafeteria.

"The level of commitment and the level of resources," says Jurmo of BCEL, "determines what kind of a program a company chooses to set up for their employees." The cost of setting up a literacy program varies greatly from company to company. It is expensive to set up an on-site program even with volunteer tutors; the use of computers and hired teachers is even more costly. An off-site program may be less expensive but, depending on the number of employees involved, could still prove quite costly.

In 1981, Onan Corp., producers of electrical generating equipment, attempted to increase productivity through a new numeric control computer system. They found that before they could implement the system, they would not only have to train their employees on the new system, but they would first have to supply them with basic skills training. In an attempt to increase production and profits, the company was forced to implement an educational program costing $20,000 to $25,000 each year.

Once the program is actually set up, "the big concern," says Jurmo, "is how much time are they, as a company and their employees, willing to put into it?" He believes many companies are deluding themselves and their employees into believing that two hours per week will teach them how to read and write. Jurmo says, "Many companies don't know what it means to set up a program—the time involved." And it takes "guts and determination" on the part
of the student to really learn.

E. Smith, administrative coordinator of the Assault on Illiteracy Program (AOIP) agrees. It is this area which AOIP focuses on. According to Smith, “lack of self-esteem is the root cause” of under education. AOIP, which is affiliated with 97 other black organizations, teaches motivation and follows a long-term process of helping people feel good about themselves. AOIP receives the majority of its funding for its costly programs from Black Media Inc.

**Government Help**

It was the extensive cost of these programs which prompted Harold W. McGraw, Jr., president of BCEL, to editorialize that “the main business of business is business, and corporations cannot and should not be the major source of funding and leadership. That has to come from government at all levels.” Mae Dick of the Literacy Assistance Center says the government is in the process of “a reauthorization of the Adult Education Act, which will hopefully put more money into adult education programs.” The U.S. Department of Labor is also responsible for the Job Training Partnership Act (JTPA) which provides basic skills training for employees.

Corporate support of literacy efforts is not limited to those companies which have been forced to become “corporate classrooms.” Companies such as McGraw-Hill Publishing, New York Life Insurance and Grumman Corporation all provide space for their employees who volunteer to be tutors for literacy programs. B. Dalton Booksellers, Gannett Foundation (publishers of U.S.A. Today) and Gulf + Western have all made sizeable financial donations to the literacy effort.

In 1983, the Center for Public Resources (CPR) conducted a study entitled Basic Skills in the U.S. Work Force, which included a survey of 184 businesses of all types. The goal was to find out whether or not workers would be adequately prepared for the technological advances of a growing service economy. The results of the study show that “a strong national economy in the 1980s will require expanded industrial productivity of which an important part is dependent on an adequately skilled work force.” One executive who participated in the survey says, “the lift, place, take, put jobs” are things of the past.

According to Workplace Literacy, which the American Management Association published in 1986, the problem is not improving. “The ‘literacy problem’ is not one that lends itself to solution. Instead it is an issue that will most likely be permanently present, albeit its shape, parameters,
substance, and definition will continuously change.” The reason for this is, as technology advances, the definition of basic skills for a particular job changes. In the past, basic skills meant the three R’s but today it also includes reasoning, listening, and speaking.

The CPR study found that when asked about cost, most companies replied that general productivity, additional management/supervision time, product quality, time and effort to increase worker skills and worker safety in descending order were the most costly repercussions of a functionally illiterate work force. In relation to specific costs, the only figures they received were from a medium-sized company which estimates its annual cost of “rework and material waste” at $250,000, and from two larger companies who both say their annual cost of remedial classes for their employees is $1 million a year.

Future Fight

The future of this country’s economy, especially with the vast foreign competition, depends greatly on the efforts of business to help in the fight against functional illiteracy. BCEL suggests three ways in which business can help to reduce this American handicap. First, corporations can give financial or in-kind donations. IBM, for instance, donates computers. Other companies lend their executives to serve on the boards of literacy associations. Second, companies can join literacy coalitions to help increase public awareness of adult illiteracy. Third, for those companies who find that their workers have problems with basic skills and comprehension, BCEL recommends that they set up employee workplace programs. In the past, the organization has concentrated on the first two areas, but with an estimated 2.3 million people joining the functionally illiterate population and job market every year, the goal, says Jurmo, is to concentrate more on the third area.

Smith says that AOIP’s goals are to reduce the number of functionally illiterate blacks by 10 percent by 1990, and by 50 percent by the year 2000.

Miles, who now works as a student advocate for Literacy Volunteers of New York City, Inc., believes that if society hopes to improve the problem of illiteracy, “the first thing is to get involved.” He feels the job market has so many functionally illiterate workers because schools are turning out students who have not learned to read. It may be admirable that many companies are attempting to combat the problem of illiteracy in their midst, Miles says, but the only way “to stop the problem is to solve the problem that already exists.”
Music, in its ever-widening spiral of creativity and dynamism, took a new turn in the summer of '81 with the introduction of MTV Networks Inc. The idea of short dreamlike sequences of film surrounding the hit songs of the day stunned and captivated cable audiences across America and, in an instant, became a new fad to be reckoned with.

But now, some are wondering whether the magic of MTV's newness has worn off and if watching music videos is becoming a less interesting pastime for its target audience when faced with stiff competition from home videos and interactive video games. Some are beginning to ask themselves if sitting for hours in front of a TV is no longer the "in" thing for 12 to 34-year-olds to do.

Not so, says Terry Elkes, formerly chief executive officer of Viacom International, the company that acquired MTV in 1985. "MTV is no longer a fad," he explains, "it's an institution." Elkes, who was instrumental in Viacom's move to take MTV private, freely admits that MTV was worth every dime. "The whole MTV group is enormously profitable," he says.

Although the 24-hour-a-day network now has 38.4 percent of all U.S. households hooked up, Barry D. Kluger, vice president of press and public affairs for MTV Networks, admits that it was not always smooth sailing. "We did have trouble gaining acceptance," says Kluger. "It was difficult getting people to understand the concept of a video jockey, rather than the traditional disk jockey. We also had to convince the record industry that this would be good for them, that much in the way radio helped sell records, music videos could as well."

Catering to a market primarily comprised of persons 12 to 34-years-old, MTV projects an estimated 34.9 million subscribers by early 1988. Although the network's focus is on music videos, concerts, guest interviews, and video countdowns; cartoons are also programming ingredients.

It is safe to say that without MTV's voyage into 14.9 million homes each week, superstars such as Madonna, Cyndi Lauper, Duran Duran and others would not have gained such huge popularity. "We have data that shows that MTV definitely influences record sales," says Kluger. "People have gone out and bought the record because
they saw the video on MTV." Naturally, the sound and visible image of an artist means more exposure, as well as easier and quicker acceptance. Still, notes Kluger, "the bottom line is: we don't dictate taste. The public determines what's going to be successful."

**Hippin' And Hoppin'**

Music videos are undoubtedly big business. In fact, by the end of 1988, music videos which include concert and multi-video tapes, will account for 25 percent of the overall home video market. Revenues will be hoppin' and hoppin' to the tune of $1.25 billion.

And now in the wake of its success in the U.S., MTV has launched a new enterprise, MTV Europe. In the summer of '87, just six short years after the inception of music videos, MTV Networks gathered the strength to take on the eclectic mix of European music.

"MTV Europe," says Mark Booth, managing director of MTV Europe, "will differ in attitude and style from its counterpart in the U.S." The channel, he explains, "will reflect the diversity and uniqueness of the European cultures it represents."

In this venture, MTV is one of the first commercial stations to break into the European TV market, where programming has been run almost entirely by the respective governments, according to Tom Freston, president of MTV Networks. Undeniably, the station's commercial time will be in demand in Europe, where little or no ad time is currently available.

"All of this translates into tremendous opportunity for program suppliers and advertisers," says Freston. "It is our strong feeling that the players who are getting in now will be the ones to prosper in 10 years. Big business is ahead."

Big business, especially if you consider where MTV's revenues come from. According to one spokesperson for MTV Networks in New York, "One-third of the company's revenues springs from their affiliates, the cable operators, while the lion's share, two-thirds, is based solely on advertising sales." Considering that MTV only runs eight minutes of commercials an hour—six minutes nationally and two minutes locally—those eight minutes must be paying off.

**Reaching the Orient**

MTV Europe is not the network's first venture into the foreign market. In 1984, it launched MTV Japan, and in April 1987, it launched MTV Australia. With these advances, the MTV empire has become the first "true" worldwide television network, according to Freston, with programming that spans four continents.

In Japan, he explains, MTV reaches 36 million homes, while in Australia, MTV reaches almost 90 percent of households.

Throughout MTV's trials and tribulations, corporate sponsorship has remained strong. Current advertisers of the network include: Proctor & Gamble, Coca-Cola, Pepsi, Ford, McDonald's and Kodak.

The key to MTV's ad power is its ability to reach a unique target market of Americans under 35. Of this group, 20.6 million people, or 87 percent, watch MTV weekly. This is impressive since 45 percent of the entire U.S. population falls into the under-35 category.

"Demographics," says Marsha Green, director of advertising at Atlantic Records when asked what sets MTV apart. Gary Kurzbard, professor of marketing at Baruch College, agrees. "With MTV's target market, you're practically guaranteed a steady, homogeneous audience," says Kurzbard. In fact, 40 percent of all 12 to 34-year-olds live in an MTV subscribing household. "Plus," says Kurzbard, "MTV is a lot less expensive than regular networks." Rates vary, but Kluger says that "one can get 30 second spots for as little as $1,500."

According to Karen Sortito, the national manager of marketing and advertising for MTV, "the key is the stress we place on marketing ploys so that advertising will succeed on MTV." MTV's hands-on promotion style is one advantage that this quick-moving company has over other advertising vehicles. "We will incorporate, say
Volkswagen, into our own contests,” says Sortino, who adds that, “it works really well.”

Although MTV is considered a good medium in which to present a company’s wares, Kurzbard believes there is at least one glitch in the glitz. “The people who watch MTV get bored very easily,” says Kurzbard. “They want something new all the time. Once they’ve seen the ad, they say what’s next?”

MTV’s advertisements are fast-paced and vibrant, almost like mini-videos. “We attribute Don Johnson-like-shows and Pepsi commercials to MTV and our style,” says Sortito. “They’re MTV-ized,” she adds.

The station’s proposed advertising budget for 1988 is approximately $16 million. “We advertise all over radio, some newspapers, and music and cable trade magazines,” Sortito says. MTV uses three different ad agencies to help piece together their campaigns. Fred Allen is used for creative work, IMS for media planning, and Media General for buying.

In order to increase their market, MTV Networks created a new network, VH-1 in 1985. Targeted to the 25 to 54-year-old age category, VH-1 blends soft rock with R&B and country music. With 20.2 million subscribers in its stable, VH-1 has proven to be a solid complement for advertisers wishing to reach both the 12 to 34 and the 25 to 54 age groups simultaneously.

A third MTV Network, Nickelodeon, created in 1979, is geared strictly towards kids. Programs such as “Lassie”, “Dennis the Menace”, and “Curious George” fill out Nickelodeon’s programming.

Ratings Slip, says Nielsen

MTV’s drawing power and popularity remained unquestioned until 1986, when A.C. Nielsen Co.’s ratings showed signs of slippage. During the second quarter of 1986, Nielsen said that 0.7 percent of MTV’s subscribers watched the network. MTV claims that the figures were closer to 0.9 percent. MTV also contends that because the survey relied upon only 550 households, the findings were inconclusive.

Karen Sortito does admit that “ratings are a problem.” She adds that “we have to replicate MTV in order to become what we once were.”

An explanation of MTV’s alleged drop may be a lull in the music industry itself. Unit shipments of recorded merchan-
dise fell by 5 percent, from 653 million in 1985 to 618.3 million in 1986. The 5 percent tumble signifies the largest percentage decrease in shipments since 1982.

In 1986, sales of singles (45's) plunged 19 percent, from $281 million to $228.1 million. LP's and EP's slipped almost $300 million in 1986, a 23 percent loss. The only bright spot was the compact disk, which soared by a 139 percent margin, up to $930.1 million in 1986.

Searching for the Heir to The Beatles

From 1983 to 1985, the music industry enjoyed a return to the promotional hype the Beatles inspired in the 1960s. Michael Jackson's "Thriller" dazzled the world in 1983, as "Michaelmania" rode seven top ten hits from his album, including "Human Nature" and "Billie Jean." The following year, Prince had a number one selling album and a hit movie of the same title, "Purple Rain." In 1985, it was Bruce Springsteen who drove audiences wild with his live, four-hour concerts. His "Born In The U.S.A." album sold over 17 million copies worldwide. In 1986, Whitney Houston rose to the top of the musical scene and went multi-platinum. "In 1987, no single artist dominated the charts," says Jim Canosa, research manager at Billboard, the nation's leading music magazine. But MTV's Kluger insists this is not a problem. "There's always somebody new out there who the public is ready to accept."

Although MTV denies a drop in ratings, Kluger does say that "we had to go back somewhere along the way to our Rock and Roll roots. MTV went through some changes, but now we're kind of back to those Rock and Roll roots of breaking new acts. We've gone back to the basic tenet that made us what we were."

What they "were" was a slickly packaged promotions machine, both hip and unique. To maintain this image, MTV employs a relatively young staff, with an average age of 27. MTV Network's new wave style is further enhanced by the fact that 48 percent of MTV Network's vice-presidents are female.

The embodiment of MTV's persona is the video jockey, who is both seen and heard. "We want someone who looks hip," says Kluger in describing what it takes to be a V.J. "It's not like it's brain surgery."

V.J.'s, a logo that literally gets kicked around. A 40-year old president. MTV differs from regular networks in both its image and its philosophy. Kluger predicts that the one intangible which will keep MTV on top is its spontaneity. "I can't tell you what MTV is going to do tomorrow," says Kluger. "If someone from MTV sees something today, then
it could be on the air in two days. That's why it works.''

Although MTV enjoys and promotes a cavalier attitude, nothing is taken for granted. "Everyone's our competition," says Kluger. "The networks, the local stations. Anyone who's watching something else."

When MTV began, the competition, including radio and television, did not know what to expect. MTV was the new kid on the block. Everyone wondered whether this new kid would be a big bully who would steal everyone's ratings, or a weakling who would be quickly made to "say uncle."

The reality seems to lie somewhere in between. MTV now appears to be at a crossroad. Advertising support is still present, but the fervor that once was MTV seems to have cooled. "Things get very old, very fast," says Kurzbard, adding "I don't think MTV is going to skyrocket or tumble. It's probably not going to grow too much, if at all."

MTV hopes that people will follow the words of legendary rocker, Bob Dylan. "I'll just watch (MTV) for, you know, as long as my eyes can stay open," says Dylan. "Until they pop out, I'll just watch it."

DOLLARS and SENSE, May, 1988
Bulls, Bears, and Wabbits

by John Greco

When the bull marched straight out of Wall Street, and the bear seized investors by the throats, panic set in. Every headline in newspapers inside and outside of the metropolitan area echoed two thoughts: depression and recession.

The picture that the press created was one of panic and despair, similar to 1929's Black Thursday when the market collapsed, launching the country into the Depression. Although the recent drop in market prices has not yet had as great an impact on the economy as the "depression years," coverage of financial problems in October cast a shadow over stockholders, and darkened the entire economic outlook. Editorials dubbed that fateful day, "Black Monday."

But Black Monday was not entirely without color. Across the nation, many editorial pages relied on cartoons and caricatures to deliver their artistic interpretations of the chaotic economic events.

"Our job is to expand upon and enlighten something in the news so that people will talk about it," says Dana Summers, cartoonist for The Orlando Sentinel. One of Summers' cartoons reveals a man face down in an empty pool, and three businessmen standing over him, soaked from the splash. The unfortunate diver is labeled Wall Street and the drenched men are World Markets, pouting, "Every time he takes a dive, we get wet!"

Mike Lane, cartoonist for The Baltimore Evening Sun, treated the stock market crash with "the same sort of shock that everyone else did." He says, "I don't think cartoonists have any answers; we are just commentators on a day-to-day basis."

"When I heard about the crash I was thinking the same thing that everyone else was: 'What's going on?'," said Roger Schillerstrom, editorial page cartoonist for Crain's Chicago Business. Like most other political cartoonists, Schillerstrom's first reaction was: "This is definitely something I want to do a cartoon on."

Since Chicago controls a sizeable portion of the futures market, Schillerstrom finds that financial news plays an important part in his commentary. Recent domestic
economic stress has teamed with increasing international concern over the world market's stability to bring business-related issues to the front of the political stage, and has forced cartoonists to pay as much attention to business as to Gorbachev and the summit. "It's much harder to do a local cartoon or business cartoon [because] you can't do a broad brush stroke; you have to understand the issues. Some cartoonists just shoot from the hip," Schillerstrom says.

Schillerstrom usually draws about four cartoons a week for Crains' newspapers, most of which are released weekly or bi-weekly on Mondays. This publishing schedule can have its disadvantages, especially in the case of the crash. "[The] worst part was that even though the crash was on Monday, the next publication was a week from Monday," he says. The result was that by the following week, the crash had been practically reported and editorialized into the ground, leaving little room for additional comment, however apt.

**Soft Statements**

Paul Rigby, cartoonist for the New York Daily News says, "If satirically you get a laugh, people will remember." One of his sketches displays a group of hobos strewn over a park bench, muttering financial jargon that might be heard amongst any group of hotshot economic advisors; illustrating the experts' impotence when slapped in the face with the reality of Black Monday. None of their terminology could explain the market's sudden and disastrous shift. While some cartoonists chose to blame either the corporations or the government, Rigby decided to do both. "The relationship between one and the other became quite apparent," he says, defending his interpretation of the crash.

An accepted form of social commentary since the 16th century, political cartoons did not really become barbed until the latter part of the 19th century. In fact, the remarkable cartoons of Thomas Nast, the creator of the Democratic Party donkey and the Republican Party elephant, helped oust Boss Tweed of Tammany Hall, a man whose ring of politicians swindled New York City out of millions. Even today, cartoonists love scandals whether they are political or economic, although today's cartoons do not seem to be as biting.

"The complaint among political cartoonists is that they make easy jokes instead of hard statements," says William Dickinson, editorial director and general manager of The Washington Post Writers Group, a syndicate of newspaper articles as well as cartoons and comic strips. "Cartoonists are less ideological, whether it is due to the tenor of the times or an effort to avoid offending someone," he says. This debate has plagued artists for the last ten years, but recently arguments have intensified with the decision to award Bloom County artist Berk Breathed the Pulitzer Prize for editorial page cartooning.

**Evoking Laughter**

Political cartoons that attempt to get a quick laugh rather than make a statement are called gags. Cartoonist Summers says, that half of today's cartoons fall into the gag category while the other half are commentary. "I feel I've gotten more serious with my approach," he says. Although Summers feels the need to make a point, there are times when a cartoon should evoke laughter. "You can't be heavy-handed all the time."

In one particular piece, he shows a damaged car at the bottom of a steep cliff. At the top there are several warning signs reading "Caution," "Be careful" and "Danger," directly before a street sign that says "Wall St." The car is marked "Dow" and the men driving can only babble in surprise, "It was so unexpected."

Summers agrees that bad news can be good luck for someone in his line of work. "I don't sit around hoping for it to happen, but when it does you say you're at least lucky something happened this week," he says. The occasional picture on a page of words has its advantages. "Sometimes you can get a point across with a picture rather than wading through an editorial," he says. "First of all it makes the editorial page more interesting design-wise, and they can get away with more than an editorial can."

Tony Auth, cartoonist for the Philadelphia Enquirer admits that there is humor in his work, but insists that it is humor with a purpose. "I try to influence public opinion in..."
my own meager way. I speak for the people out there who don't have the forum I do," he says. "This is a medium that is excellent for making one point at a time. If the stock market crash had been more significant or more dangerous, I would have done another cartoon." For Auth, the art of graphic political commentary is strictly day-by-day, leaving little room for advance preparation.

One Auth cartoon that was published after the market crash, pictured a building labeled "Wall St." with men falling from the windows. The businessman in focus has just jumped off the ledge and is being coaxed by Ronald Reagan in a Peter Pan outfit saying "You can fly! You've just got to believe!" This parody of stock market volatility originated during the 1929 crash, when brokers were desperate enough to commit suicide by leaping from their office buildings.

Harping on Misfortune

Auth reacts sharply to the allegation that graphic commentators as well as reporters harp on misfortune. "What you are describing is a paradox," he says. "Without misfortune, violence, and sickness we would be unemployed, but so would others," such as doctors, police officers and others who deal with the ill-fated.
Marketability is an important aspect of selling cartoons. Since most material is aimed at United States readership, selling graphics for the editorial page within this country is not a problem. The real challenge is to be able to sell syndicated cartoons abroad.

Sometimes "creators may not have appeal in this country but may have appeal in another," says John P. Klem, vice president of Editor's Press Service, Inc. "They buy when it suits their own editorial policy," he says. Japan has no market for syndicated cartoons but has a tremendous demand for syndicated American writing for the editorial page. Germany likes shocking news and breaking stories, and there is a great demand for "gag" humor in that country. In Italy, newspapers do not publish comics by tradition, but there are some comic magazines. Scandinavia is a much better market for comic properties than syndicated writing. Since Latin American ties with the United States are good, and they "like the fact that we are critical of Reagan," they are one of the best markets for syndicated items. This is the information that keeps an international syndicator such as Klem in business, which in turn provides a marketplace for the cartoonists in this country.

According to Dickenson, the market is imploding—shrinking due to the recent merging of morning and afternoon newspapers. New cartoonists are beginning to discover that there is nobody out there to syndicate them. Since "most of the big hitters in the field are separately syndicated," according to Dickenson, this is a problem that will face the next generation of cartoonists.

David Astor, associate editor of Editor and Publisher magazine, feels that the shrinking market has not reduced the number of editorial page cartoonists presently in the business, but "the ones that are there don't have as many papers as they used to." Astor agrees that cartoons are not as controversial or as biting as in the past. "I don't think there has been any decrease in the number of editorial cartoons being syndicated now. My feeling is that it has remained kind of steady. I'm not sure why, but a guess would be that if an editorial cartoon is not that controversial, more papers may want to run it."

During the week of Black Monday, cartoonist Paul Rigby's topics ranged from the suicide factor on Wall Street to yuppies and their highly extravagant lifestyles. What material did he cover? "People overspending and having a free ride generally," he answers, with a laugh.

As life would have it, the stock market fiasco did not last very long as a subject for cartoonists. Says Rigby, "Maybe if Gorby hadn't arrived we would still be drawing."
Changing Channels

by Caitlin Mollison


Don't bother looking through this week's edition of TV Guide or flipping channels trying to find these unique presentations, for they are neither regular network nor cable shows. These programs and hundreds like them—with something for just about everyone—can be found on Public Access Channels C and D in Manhattan.

Public Access Channels C and D are reserved for public usage and were created in 1970 to give the citizens of Manhattan an opportunity to use the medium of television to benefit the community. Channels C and D appear on both Paragon Cable and Manhattan Cable Television, which control two different franchise areas of Manhattan. Subscribers to Paragon Cable (formerly known as Group W) live in Upper Manhattan and the franchise area runs on the west side of the island from 79th Street to the northern tip on 219th Street. On the east side, the area runs from 86th Street all the way north. MCTV's franchise area runs from 86th Street on the east side of town, and 79th Street on the west side, south to Battery Park. Roosevelt Island is also served by MCTV.

Use of Channel C or D is free of charge and producers of shows must foot all production costs. Both Paragon and MCTV offer help in studio work. In the case of MCTV, it recommends a list of studios with facilities; Paragon, which is equipped with its own television studios, assists producers in the technical preparation of a program. Producers who use C or D may not accept advertisers, so they in no way make a profit. This is in direct opposition to Channel J, also known as leased access, where producers may accept commercials, but they must pay for their time on the air. At Paragon, use of Channel J is priced at $50 per half hour and MCTV charges, depending on the time of day or night, anywhere between $30 to $175 per hour.

According to Fritz Gerald, the public and leased access manager at Paragon, entering the world of Channels C, D and J is what he terms "a progression." Gerald says that most of the producers on C or D, "learn what they're doing and then gradually begin to get sponsors." This sometimes leads to quite a large following that allows programs to expand enough to switch over to Channel J if they so desire.
Take, for instance, Lynn Graham, producer of “Trendsetters,” shown on MCTV’s Channel D every Monday night at 10:30. Graham, whose program deals with “anything that’s new, exciting or trendy,” from writers and actors, to new diets or jewelry, does not normally accept advertising, although she has put “Trendsetters” on Channel J because of the “the fabulous response” the show has received.

The Blue Channel

Still others, such as Dr. Barry Bloom, whose MCTV call-in show entitled “Artistic Cosmetic Dentistry,” which airs on Channel D on Tuesdays and Wednesdays, are quite happy to remain on public access. Bloom states emphatically that he would not want to be on what he refers to as “the blue channel,” a reference to the channel’s image as a showcase for pornographic shows. Bloom emphasizes the fact that “there is nothing wrong with that type of programming,” but admits that he would prefer his show not be associated in the public’s mind with the other programming offered at Channel J.

Graham, who admits to “accumulating shows” to eventually switch over to pay Channel J, calls the programs, “unbelievable. There is nothing that is spared anymore. It’s a channel that demeans women; it puts us all in a negative light. It’s terrible.”

In fact, only about 20 percent of MCTV’s and roughly 7 percent of Paragon’s programming on Channel J is blue. Gerald says he has lost some programming on J because of a misperception. “I have some people who don’t want their shows on J because they feel it is a blue channel. They are going by hearsay.” MCTV’s Victoria Garner, the Channel J coordinator, says that, “Channel J is by no means a porno channel,” citing the preponderance of arts and entertainment, children’s, consumer and religious shows aired daily which make up most of J’s 15 weekly hours.

Wanda Sanchez, MCTV’s access channel coordinator, says there is basically no censoring done on programs, but the shows are screened for hard-core pornography and slander. Anything that falls into any type of grey area, between what may or may not be appropriate, is checked by the network’s lawyer. Gerald agrees, saying that Paragon tries to avoid material that poses, “a real threat of a lawsuit to the company.” Aside from that, censoring is virtually non-existent.

Channels C and D do not air “adult” programs since most producers of these programs are able to make a profit.
from advertisers of sex-related stores and services. What is aired on the channels is a broad range of programming, including religious, health, comedy, and business and financial shows. Manhattan Cable Television even airs three courses for credit through the College of New Rochelle. One-shot specials can be found on C or D, as well as regular series, with a new program aired as frequently as once a week. Many times, these shows start out as specials, and unexpectedly turn into regularly scheduled programs.

"Once it becomes a business, it may not be fun anymore."

Four years ago, Oliver Richardson, a sales representative at Paragon, decided to produce a special one-time show. "I play a little piano myself and I thought I'd do it for history."

Today, Richardson's one hour show, "First Exposure," which highlights local talent, can be seen every Friday at 7 p.m. As for his plans to move to J, Richardson states categorically that he has none. "This is the fun part of my life. Once it becomes a business, it may not be fun anymore." He pauses, "Well, maybe in the future—I'm not that hungry yet."

The choice of which network to use is usually a decision based upon what area of Manhattan the producer resides in. However, it may also have something to do with the program's targeted audience. For example, Paragon's "Washington Heights and Inwood Are Not in the Bronx," appearing for the fourth year on Channel C, was conceived and started by Video Challenger Productions to combat a negative image that existed towards the two uptown neighborhoods. Says Manny Cisado, one of the producers of the show, "I grew up in this neighborhood, and we felt it was getting a bad rap. I watched cable every night and then, and some of it was pretty poor. We thought we could do a better job."

A Melting Pot

Fermin Luna, the producer of three Spanish language shows which have been on the air for 10 years, is attempting to fill a void that he feels exists on the two major Spanish channels, 41 and 47. Aside from the fact that 41 and 47 charge approximately $2,000 per hour, Luna says they air too many soap operas, which is not really what the largely Dominican-American residents of Washington Heights are interested in viewing. In addition to "Nueva York de Noche," which features news, music and interviews, Luna produces two other cultural shows on public access television; "Actualidad Dominicana" and "Voces de Manhattan," which he calls his gift to the community.

Luna, a former Hispanic-radio personality in New York, Boston and New Hampshire, who also has experience in both radio and television in the Dominican Republic, has a daughter, Rosa Cabrera, who is the executive producer of "Noticias Dominicanas," on public access.

Diversity is the key here. With over 150 hours of programming per week, it is very difficult to define the "typical" public access show produced. Gerald says, you get the "full spectrum—from people with mega-egos, to people with talent, to people with a message."

Some find it easier to define the people involved in the public access experience. Tom Stepniewski, former cameraman and graphic artist for ELA World Video, one of the studios recommended by MCTV to help amateurs, says that the producers can be divided into two groups: those who want to get their address and phone number on screen at the end of programs as a form of advertising for their businesses, and those with a message, usually political or religious in nature.

Stepniewski describes many of the shows as "senseless, absurd, and pretty repetitive." He says some of the call-in shows generate little response, and that their format could be improved. However, the purpose of much of the programming is to give time to producers whose chances of

"It does cost and it can be time consuming."

obtaining a spot on any other channel would be nil.

Louis E. Perego says his program, "International Music Videos," which showcases videos and club information from all over the world, is such a new concept that it never would have been allowed to appear on network television. According to Perego, the two-time ACE nominated program (the public access equivalent to the Academy Awards) owes its existence to public access. The show, which appears on MCTV, Paragon and 13 other channels from Alaska to Boston, has cost Perego $200,000 out of his
own pocket since its inception over three years ago, "And I'm not independently wealthy," he adds. The up-side is that Perego views this as a springboard for future projects. "I'm not losing money; I'm just going further."

There are other benefits as well. For instance, Graham has received speaking dates across the country and has submitted an episode for a Peabody Award which annually honors distinguished achievement and public service by stations, producers, and individuals in broadcasting. Cisado says his group has received offers to make tapes for a symphony director and for the "Rock and Roll Hall of Fame." As a result of people seeing his show, Richardson has appeared as a guest on Channel 4's "Live at Five."

The work is grueling, however, and the rewards are few and far between. For those who opt for a long-running series, a willingness to work very hard is required and most of what is gained is the intrinsic value of producing a television show. Richardson says, "I find it all fun, although it does cost and can be time consuming." Bloom agrees, "It takes a tremendous amount of energy. It's a lot of pressure." Graham says her biggest fear is of burning out. "What if I don't find someone (for the show)?" she asks rhetorically.

Manhattan public access television may not be as well produced as programs on other cable channels or those that appear on network television, but it is also not as predictable. Its uniqueness is what makes it a fascinating change of scenery from the more middle-of-the-road television programming. Public access, by its very nature, airs programs that usually appeal to very small audiences, which is why they are not only non-commercial television but are limited to these two channels. This first-come, first-serve medium answers to no network, advertiser or Nielsen rating. In short, public access television mirrors Manhattan life and although most of the shows may not grab the interest of the majority of viewers, every show appeals to at least one segment of the Manhattan viewing public. Says Perego, "I would like to remain on cable. It is the future. It will outdo network."
from advertisers of sex-related stores and services. What is aired on the channels is a broad range of programming, including religious, health, comedy, and business and financial shows. Manhattan Cable Television even airs three courses for credit through the College of New Rochelle. One-shot specials can be found on C or D, as well as regular series, with a new program aired as frequently as once a week. Many times, these shows start out as specials, and unexpectedly turn into regularly scheduled programs.

"Once it becomes a business, it may not be fun anymore."

Four years ago, Oliver Richardson, a sales representative at Paragon, decided to produce a special one-time show. "I play a little piano myself and I thought I'd do it for history," Today, Richardson's one hour show, "First Exposure," which highlights local talent, can be seen every Friday at 7 p.m. As for his plans to move to J, Richardson states categorically that he has none. "This is the fun part of my life. Once it becomes a business, it may not be fun anymore." He pauses, "Well, maybe in the future—I'm not that hungry yet."

The choice of which network to use is usually a decision based upon what area of Manhattan the producer resides in. However, it may also have something to do with the program's targeted audience. For example, Paragon's "Washington Heights and Inwood Are Not in the Bronx," appearing for the fourth year on Channel C, was conceived and started by Video Challenger Productions to combat a negative image that existed towards the two uptown neighborhoods. Says Manny Cisado, one of the producers of the show, "I grew up in this neighborhood, and we felt it was getting a bad rap. I watched cable every now and then, and some of it was pretty poor. We thought we could do a better job."

A Melting Pot

Fermin Luna, the producer of three Spanish language shows which have been on the air for 10 years, is attempting to fill a void that he feels exists on the two major Spanish channels, 41 and 47. Aside from the fact that 41 and 47 charge approximately $2,000 per hour, Luna says they air too many soap operas, which is not really what the largely Dominican-American residents of Washington Heights are interested in viewing. In addition to "Nueva York de Noche," which features news, music and interviews, Luna produces two other cultural shows on public access television; "Actualidad Dominicana" and "Voces de Manhattan," which he calls his gift to the community. Luna, a former Hispanic-radio personality in New York, Boston and New Hampshire, who also has experience in both radio and television in the Dominican Republic, has a daughter, Rosa Cabrera, who is the executive producer of "Noticias Dominicanas," on public access.

Diversity is the key here. With over 150 hours of programming per week, it is very difficult to define the "typical" public access show produced. Gerald says, you get the "full spectrum—from people with mega-egos, to people with talent, to people with a message."

Some find it easier to define the people involved in the public access experience. Tom Stepniewski, former cameraman and graphic artist for ELA World Video, one of the studios recommended by MCTV to help amateurs, says that the producers can be divided into two groups: those who want to get their address and phone number on screen at the end of programs as a form of advertising for their businesses, and those with a message, usually political or religious in nature.

Stepniewski describes many of the shows as "senseless, absurd, and pretty repetitive." He says some of the call-in shows generate little response, and that their format could be improved. However, the purpose of much of the programming is to give time to producers whose chances of

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The advertisement in the June 6, 1853 issue of The Iroquois Journal read: “Having formed a co-partnership, will practice [law]. All business will be attended to with promptness and fidelity. Lincoln & Lamon.”

Had Abraham Lincoln placed that advertisement one hundred years later, he probably would have faced a reprimand from the state bar association or even suspension from the practice of law for unethical conduct. In response to several key U.S. Supreme Court decisions such as the famous Bates v. State Bar of Arizona in 1977, regulations governing the content and the medium employed in advertising by lawyers have been greatly relaxed over the past 10 years. Lincoln’s advertisement would be considered quite bland today.

Some would argue that the result of these relaxed ethical codes has been the vast increase of useful information for potential legal clients and the general lowering of legal costs. Now the demand for reasonably priced legal services including divorces, wills and personal injury cases can be met for middle-class Americans. Not only have these services been provided, but the structure of many law firms has been transformed to meet the increasing case volume.

“People now know where to find a lawyer with expertise in a particular area,” says New York lawyer Howard Lubitz, whose firm Epstein, Newman & Lubitz advertises its services for accidents and other cases. He does believe costs have also been driven down. Lubitz says, “People [lawyers] are willing to provide less than the standard rates” if they know the consumer has a choice between several lawyers whose rates are known through advertisements.

Greater consumer information and case volume have not been the only issues central to the attorney advertising debate, though. Ethical considerations and the effects of advertising on the quality of legal services stand at the forefront of critics’ arguments. Coupled with the centuries old notion that a profit motive in lawyers is unethical, the American Bar Association (ABA) argued in 1977 that the “widespread advertising of legal services and of fee information may affect the quality of such services by limiting the flexibility of the lawyer’s response to the needs of individual clients.” Critics ask whether a lawyer, in order to conform to an advertised legal service package at a stated price, will be unable to tailor the service to the needs of the client, thus lowering the quality of the attorney’s service.

Beneath Their Dignity

Whatever the arguments pro or con, the fact is that many lawyers do advertise. According to the ABA, 32 percent of attorneys say they have advertised their services since 1977. But, the road to advertising has been a long, uphill trek since the turn of the century.

As a former colony of Great Britain, the United States inherited its legal traditions from the English. This included a great aversion to advertising by attorneys. Although having no formal restrictions against attorney advertising, the English legal community considered themselves above the solicitation and competition of the merchant class. They allied with and often felt themselves equal to their wealthy clients. Advertising for clients was simply not done; it was impolite and ungentlemanly.

The early American legal community frowned upon advertising but developed no written ethical codes until 1876. This laissez-faire attitude explains Abraham Lincoln’s 1853 ad. The first code considered it “eminently dishonorable all underbidding of professional brethren.” Even in this early period the attitudes of the organized legal community showed signs of breaking uniformity. The Alabama ethics code seemed to tolerate newspaper announcements, but a Colorado lawyer was suspended from practice in 1893 for placing the following notice in a Denver newspaper: “Divorces legally obtained very quietly, good everywhere.” Advertising by attorneys was an idea whose time had to wait.
And wait it did. Advertising continued to be considered "grossly undignified and improper" according to a 1932 report by the ABA Committee on Professional Ethics and Grievances. Yet within this thick wall of opposition, cracks began to form. In 1937, the ABA Canon of Professional Ethics, Number 27, was amended to allow lawyers the privilege of placing their names in community law directories. For a short while between 1942 and 1951, lawyers were allowed "distinctive listings," in the alphabetical section of telephone directories. The professional ethics committee at the time felt this wasn't solicitation, as a person's choice of lawyer was probably already decided.

During the 1960s, the Supreme Court ruled that attorneys may provide information about their services to groups, such as unions, that provided group legal services. This loosened the ABA's rules further, but the high court wasn't to play a leading and deregulating role until 1977.

Today, the giant law clinic, Jacoby & Meyers, is familiar to millions because of its television ads. Before 1977 it was just a three-office law firm in California. Founded in 1972, Jacoby couldn't advertise at that time, "So much of what we did during those five years was fight the Supreme Court battle to obtain the right to advertise," according to Evelyn Goldstein, executive director of advertising for Jacoby & Meyers. In Jacoby & Meyers v. California State Bar, founding partners Leonard Jacoby and Stephen Meyers were fighting disbarment because they provided the press with information about their firm.

By far the most famous of the several 1977 landmark cases concerning advertising involved two Phoenix law partners, John Bates and Van O'Steen. Their legal clinic placed a print ad that described the availability and price of certain legal services. In defending the disciplinary action brought against the lawyers, the State Bar of Arizona argued the same old points against advertising: It is misleading, it adversely commercializes the legal profession, and damages the quality of legal services. The Supreme Court disagreed and ruled in Bates v. State Bar of Arizona that a ban on lawyer advertising is a violation of lawyers' First Amendment rights of free speech and press.

Untapped Pool

While lawyers fought to exercise their First Amendment rights, legal scholars worried whether the American middle class was exercising its own legal rights. According to a 1948 study by Earl Koos and Emery Brownell, 40 percent of middle class and 56 percent of working-class families did not use a lawyer even when they realized they had a legal problem. In 1974, the ABA and American Bar Foundation conducted an extensive study on the use of attorneys and found the statistics hadn't changed much: One-third of the adult population had never contacted an attorney and only another 28.9 percent had contacted a lawyer one time. The remarkable twist to these statistics is that a majority of these people had experienced problems such as serious property damage, job and housing discrimination, or had bought real property. Yet, they failed to consult an attorney.

Together these studies led to the conclusion that there was an unmet need for legal services for the middle class. The wealthy always had access to their own attorneys and the poor had legal aid services. For the middle class, consumer access was blocked by a lack of information about basic legal services and a perceived notion that legal costs were beyond a middle income reach.

"There was an unmet need for legal services for the middle class."

The greatest source of information about legal service was and remains word-of-mouth recommendation. Attorney Lubitz says, "Before advertising, a lot of cases were referred by people I had known." Louis Steel finds that referrals are still a great source of clients for his firm because it doesn't advertise. "People recommend other people to us. Attorneys refer people to us," he said. Yet referrals aren't always satisfactory and the ABA study shows that consumers crave more information about legal services in order to make an educated decision about which services and lawyers are right for them.

Lawyers realized these needs, and geared their marketing strategies towards this untapped pool of middle-income earners. "Our target market is very strongly middle-income. They range from ages 25 to 54, and the salary range is basically $15,000 to $50,000," says Goldstein. "When we [Jacoby & Meyers] started 15 years ago, research indicated that middle-income people were not coming to lawyers. So, we have always been geared to that particular audience," she says.

Lawyer advertising is most widely and successfully used by the large legal clinics such as Jacoby & Meyers. According to USA Today, legal service organizations spent $28.1
million on TV advertising alone in the first half of 1987. That's up 28 percent from the same period in 1986. The big spenders of the group by far were the three large multi-market legal clinics: Jacoby & Meyers ($3.4 million), Hyatt Legal Services ($2.6 million) and Injury Hotline ($1 million). With such large expenditures, firms that advertise take a chance that the response by their targeted audience will not provide enough income to pay for the costs of the campaign. To improve the odds, large amounts of advertising are used to bring in a high volume of clients; inevitably, more clients translates into more cases with substantial awards. Says Lubitz, "Advertising brings in a small amount of our cases. For example, this year we had 175 new negligence cases; 30 were brought in by our advertisements." His firm is basically gambling with their advertising budget because the money for advertising is paid up front but the results are uncertain. "One case out of the group may be successful. That case, though, may pay for our advertising costs for the year. In the balance it works out," he says.

The complete marketing package that has made lawyer advertising highly successful for attorneys has another component. Much the way some TV sitcoms are aimed at a particular audience, some law firms now specialize in particular legal services geared to a select market. "Jacoby & Meyers provides personal legal services to middle-income consumers. That's our image," says advertising director Goldstein. Personal legal services, the "product" of most of these clinics, include such areas as divorce law, personal injury and accident cases, property damage cases and the making of wills. These are areas perceived to be of middle class concern. Advertising stresses the availability and demand for these services to the consumer, hoping to generate a high volume of clients. Besides using advertising, these firms, especially the big clinics, use automated document preparation systems and computers to lower costs, and increase the efficiency of handling such a large number of clients. They have received criticism, however, for their use of paralegals and secretarial staff to perform functions previously handled by the attorneys themselves.

The result of this increase in information about legal services has been the lowering of legal costs, say lawyer advertising proponents. According to a 1984 Federal Trade Commission (FTC) report on this question, average prices for five basic services surveyed (simple wills, wills with a trust, bankruptcies, divorces and personal injury cases) have been lowered where restrictions on lawyer advertising were loosened. For example, personal injury cases that would settle for $10,000 before trial would result in $450 more in legal fees in a jurisdiction which restricted lawyer advertising. Prices for bankruptcies, on the average, cost about $44 less in a less restrictive jurisdiction. Also, the report found that attorneys who advertised a specific service tended to provide that service at a lower cost than those lawyers who didn't advertise at all. "The study provides convincing support for the proposition that greater flexibility to engage in non-deceptive advertising will be associated with lower prices for consumers," concludes the report.

In light of these facts and in spite of criticism, advertising by lawyers will continue to grow, even if slowly. According to an ABA "Lawpoll" of 601 lawyers, there is still strong sentiment against advertising among lawyers. Those attorneys who didn't use advertising cited three reasons: it is unprofessional (30 percent); it is unnecessary (25 percent); and it creates an unfavorable image of the legal profession (21 percent). But the March 1987 survey also showed that 23 percent of the lawyers did plan to use advertising in the future as compared to just 18 percent two years ago.

Howard Lubitz has advertised on radio and television, and in newspapers and subway cars. He plans to continue advertising as long as this practice brings in a high volume of clients and profits. Lubitz scoffs at criticism of a profit motive in lawyers. "Seven families (my secretaries) depend on my success. I have expenses such as rent. I don't think I should be ashamed," he says. "Abraham Lincoln said a 'lawyer's stock-in-trade is his time and advice.' You're not in business because you are altruistic."

Louis Steel says of his civil rights law firm, "We are a small firm. If you advertise you expect your phone to ring. I don't have a whole staff to deal with a large volume of clients." Far from disapproving of the practice, he says, "lawyers are entitled to advertise; there's room for people who do and those who don't."

"I don't think that I should be ashamed because I advertise. You're not in business because you are altruistic."
Beyond Ethical Arguments

As part of its conclusion, the FTC report presented a model professional ethics code that would protect the public from false and misleading lawyer advertising. But, the rules would also create a greater scope of information that would foster, in the view of the FTC, free market competition among lawyers that would further lower legal costs. The FTC finds current ABA guidelines and state bar advertising rules too restrictive and hopes they will be loosened in the interest of the consumer. Moreover, the report forwards the argument that “profit” is not a dirty word for lawyers. For example, the model code would do away with the requirement that all advertising include the name of at least one lawyer responsible for its content. The FTC believes this practice could be misleading to consumers. This is because most firm names don’t always reflect the current firm membership, or that advertising at most firms is developed by a managing partner who is not involved in providing the service advertised. Also, the FTC code would allow direct mail contact with prospective clients as long as it isn’t coercive, harassing or directed towards people unwilling or unable to employ a lawyer, such as the mentally handicapped, as permitted in the District of Columbia.

“The regulations on advertising are burdensome but fair. New York’s disciplinary rules are more stringent than other states’,” says Lubitz. Whether the rules governing advertising are too strict or too lenient will eventually be decided by the individual state bar associations, the only organization in the legal community able to enforce lawyer ethics codes. The debate though, as shown by the FTC report, has shifted from one of ethical considerations to one of ethical considerations versus the needs of the consumer. But, by its factual nature lawyer advertising is boring and straightforward, and leaves little room for gimmickry if one wishes to avoid disciplinary action by the bar association. “There is little opportunity for creativity,” says Lubitz. “Maybe it isn’t as successful as it might be.”

Amid this debate over the success of maintaining the ethics of advertising or the success of serving the client, we again wonder how a great American lawyer of the past would announce his practice today: “Discrimination suits? Personal injury suits? No fee until a reward. Call Abraham "Honest Abe" Lincoln today for a consultation.”
A Boom Grows in Brooklyn

by Richard Cicale

Brooklyn has always suffered from an inferiority complex when it comes to its glamorous sister across the East River. Whenever most people think of New York City, they think of Manhattan as the glitter and Brooklyn as the gutter; after all, the Brooklyn Dodgers weren't nicknamed "The Bums" for nothing. But when it comes to economic matters, Brooklyn not only takes a backseat to Manhattan, but also to the three other New York City boroughs and its neighboring counties. While they have been rebounding energetically since 1977, Brooklyn has been stagnating.

But with a $2 billion building boom underway in Downtown Brooklyn, all that may be about to change. Five major construction projects that will occupy nearly 12 million square feet of space are planned for the area, and one more (the $154 million Pierrepont Street Building) is almost completed. Construction is to begin in the spring of 1988 for the $770 million Metropolitan Technical Center (MetroTech), and the $500 million Atlantic Terminal. Two more projects, the $158 million Brooklyn Renaissance Plaza, and the $65 million Livingston Plaza, were scheduled to begin construction in the winter of 1987/88. The fifth project, the rehabilitation of the Fulton Ferry Landing, was begun in the summer of 1985. But because of the October Wall Street crash some of the construction dates are subject to change.

The crash has meant fewer employees in Manhattan and more office space. This has lowered rents in Manhattan, making Brooklyn less financially attractive to firms who were looking to relocate. With things still so unstable, firms are unwilling to make definite decisions right now, and without tenants, developers are holding up construction.

If the Wall Street crash doesn't scare all of the developers away, and all the projects are built according to plan, the construction will unquestionably qualify as major urban development, even by New York standards. The projects promise to alter the face of Brooklyn and of the entire city. But some people, especially those in Brooklyn Heights where most of the construction is planned, are asking whether the change will be for better or worse.

Environmental Chaos?

Critics say that the projects will create chaos in the environment, increase traffic in the area to dangerous levels, force out the low and moderate income residents, and provide no real economic relief to the borough. But proponents, such as David Maxmiller, project manager for MetroTech, say the developments will "provide jobs for people where they live," and that the "city's major area of population [Brooklyn] should be revitalized, especially after what has happened to it in the last few years."

Whether the spurt of building development is urban renaissance or urban disaster, few people are doubting that the borough of Brooklyn is in need of an economic shot in the arm.

According to The Brooklyn Economic Profile and Business Outlook published by the Municipal Research Institute, what has happened to Brooklyn is that it has not attracted white-collar industry (finance, insurance, and real-estate) to its primarily blue-collar economy. Though there has been slight improvement over the past year, Brooklyn has not kept pace with the growth that the other seven metropolitan counties have experienced since the city's financial woes of the early 1970s were remedied.

"Is the spurt of development urban renaissance or urban disaster?"

According to the report, between 1977 and 1985 Brooklyn lost 4,200 private sector jobs while the rest of the city gained 254,000. And, the report says, in the manufacturing sector alone Brooklyn has lost over 170,000 jobs in the last 30 years. "The factory base is never going back to Brooklyn," Maxmiller says, "but there is no reason why the commercial base should be exclusively in Manhattan."

Desperate for Jobs

According to Bob Ohlerking of the Downtown Brooklyn Development Association, a building boom is just what the
developed by Forrest City MetroTech Associates, the 16-acre project near Tillary and Adams Streets is receiving the fiercest opposition from area residents because of the pollution and housing problems they say it would create.

The project is to be completed in two phases. The first phase will include the renovation and expansion of PUNY’s campus (a 50,000-square-foot science and technology library will be added as well as a 100,000-square-foot telecommunications center), and construction of 1.2 million square feet of commercial and retail space; all of which is expected to be completed by 1990. The second phase will include 2.3 million square feet of more commercial and retail space, construction to begin in 1990 and be completed in 1995. The primary tenants (apart from PUNY) are likely to be the Brooklyn Union Gas Company and the Securities Industries Automation Corporation, which would be the first Wall Street firm to move to Downtown Brooklyn. Both firms have signed letters of intent to occupy Metrotech, but have yet to sign leases. As with the Atlantic Center, construction will not begin until the developers have secured tenants. The project, amid much protest, was approved by the Community Board and the City Planning Commission. The Board of Estimate approval came through in July of 1987.

Two of the other developments, Livingston Plaza, a multi-tenant office building expected to be completed in late 1989, and Pierrepont Plaza, which is ready to open and will house the Morgan Stanley Company (already moving in its employees), are both too small and comparatively innocuous to cause much protest or interest. But the combined $200 million price tag and the reported 4,000 jobs created by the two projects are nothing to yawn at. The Fulton Ferry Landing rehabilitation near the Brooklyn Bridge (to which the famous Gleason’s Gym will be moving) is generally thought by most to be beneficial to the community and the borough.

The Hotel Brooklyn

The sixth development, Brooklyn Renaissance, is claimed by the BEDC to be a complement to the adjacent MetroTech project. The BEDC is a not-for-profit corporation that helps support and stimulate economic development in the borough.

The Muss Development Company is heading the project, which will be a 350-room Hilton Hotel and office complex. When the office space is filled, Mua will start construction. Surprisingly, it will be the first major hotel built in Brooklyn in 50 years. “Brooklyn needs a hotel,” Ohlerking says, “we
have a population of 2.3 million people, and when people come to this borough they have to stay in a Manhattan hotel. It's ridiculous."

While major construction seems to be planned for all over the borough (all along its piers, in Coney Island, the Army Terminal, and the Navy Yard), these six projects would make up the biggest and most expensive of them; and they would all be located within the 70-square-block area of Brooklyn Heights, one of the more important and historic neighborhoods in Brooklyn.

The neighborhood, mainly made up of brownstone houses, modest apartment buildings, and small mom and pop stores, is highlighted by its awesome view of the Brooklyn Bridge and the Manhattan skyline. It was the site of the borough's first building boom when the Navy Yard opened in 1801, and spurred development in what was to become known as Brooklyn Heights. It has been the center of government in Brooklyn ever since 1849 when Borough Hall was built. When the Fulton Street Mall was built in 1977, it became a commercial center as well.

"Brooklyn Heights has been the downtown for Brooklyn ever since it became a city back in the 1850s," Ohlerking says. But when the decision was made to concentrate the construction there, economics and geography had more to do with it than history or tradition.

"As rents get higher in Manhattan, business is going to look to the outer boroughs," says John Sagan, press agent for Brooklyn's Borough President Howard Golden. Sagan claims that Golden's aggressiveness is one of the other reasons for the building boom coming to Brooklyn.

**Five Minutes from Wall Street**

But in recent years, when business wanted to expand outside of Manhattan, they usually looked to New Jersey or Westchester, not Brooklyn. Why the change? According to Ohlerking it's because of Brooklyn Heights' size and location advantages. "Brooklyn Heights is just five minutes from Wall Street and has a work force of approximately one million people," he says, "you don’t have that in Jersey or Westchester."

Maximiller points out that, his company's main goal in locating MetroTech in Brooklyn was to keep the employment base in New York City. "And we chose Brooklyn," he says, "because of its very large population and the fact that they haven't had any real commercial development there in recent memory."

But all that only seems to be part of the answer. In the past, Brooklyn, and places like Queens and Staten Island,
found it almost impossible to compete with the space, labor availability, and energy costs of the Jersey waterfront. More importantly were the economic advantages the state of New Jersey was offering. So while Brooklyn Heights has always had the labor force, and has made the space available (critics say by ousting longtime residents from the area), it took the city and federal government to help with the financial enticements.

"The scandal comes to Brooklyn."

The MetroTech project alone will receive a $16 million Urban Development Assistance Grant and a $10 million grant from the Municipal Assistance Corporation. It is also getting a $26 million Port Authority loan, a 23-year tax abatement and reduced electricity rates. Atlantic Center and the other developments will be receiving similar grants and loans which will hopefully make Brooklyn more competitive with the Jersey waterfront.

But according to STAND (Stand Together for Affirmative Neighborhood Development) a group that opposes MetroTech and most of the other downtown developments, the benefits Metrotech receives will represent an $850 million tax loss for the borough. "When you give out 20-year tax abatements to these firms there is definitely going to be quite a tax loss to the city," says Sarah Jenkins, acting co-chairman of STAND.

Threat of Lawsuits

The organization, which is made up of about 40 area residents (mostly artists), and whose motto is "The scandal comes to Brooklyn," is planning a lawsuit based mainly on environmental issues in order to stop the MetroTech project and avoid being forced out of their apartments. Basically, the lawsuit contends that MetroTech and the other projects will make the area unlivable.

"With the area the way it is already developed," Jenkins says, "and with the bridges the way they are and with the traffic, we don't believe a project of this size is possible."

According to Jenkins, the proposed steps by the city to
cut down on the pollution, and alleviate the traffic the developments would cause (such as reconstructing Flatbush Avenue and building an underpass on Tillary Street), just won't be enough. "The traffic from Manhattan comes from two places," she says, "the Brooklyn Bridge and the Manhattan Bridge, and it all converges in this area. Having even more traffic will just create a worse situation."

Ohlerking admits that there is a traffic problem in Downtown Brooklyn, but doesn't believe the cause of it is the building projects. "Developments don't cause pollution," he says "people who drive cause pollution." His answer to the problem would not be to limit development but increase the use of public transportation. "Brooklyn Heights sits on top of the best public transportation in the country," Ohlerking claims, "and if people were a little less lazy or a little less into their own comfort we wouldn't have a traffic problem."

Another major issue STAND and the other opposition groups raise is housing. They claim that MetroTech alone will cause 250 residents to lose their homes, and over 100 small businesses will be forced to relocate. And even though the Atlantic Center will include some 600 units of housing, critics say most of the residents in the area won't be able to afford them. They also say that the increase in development will drive property values up and force even more people out. "The city caused the depression here," Jenkins says, "and now they're using that as an excuse to take the property away from the people who live here."

Ohlerking concedes that there is a housing problem, but feels the blame should not be on projects like the Atlantic Center and MetroTech. He believes the blame should be on the city's lack of a housing policy. "Those advocating housing for the poor would not even have challenged these projects if the City of New York had a housing policy," he says. Ohlerking claims that while the housing problem must be resolved, it shouldn't be at the expense of development projects and the jobs they might bring in. "You could build houses," he says, "but then have a city filled with people on public assistance."

Critics Charge City with Improprieties

Apart from the housing and environmental problems, STAND also claims that the developments will not bring any new jobs into the area as proponents say, but only transfer existing jobs from Manhattan to Brooklyn. There have also been accusations of impropriety in the awarding of contacts by the city to the developers. "There are people here who want to build other buildings right now but can't
get permits,” Jenkins says. She claims that the city has given permission to build only to certain people, “mainly to those who have money and contacts with the city.”

STAND’s lawsuit, however, will not touch on any of those issues. Rather, its legal team will base the suit partly on environmental issues, and also on the fact that MetroTech failed to register the buildings in the area with the national registry for possible landmark status. STAND claims that MetroTech’s failure to do so, is in violation of federal law.

But most people in favor of MetroTech, Atlantic Center, and the rest claim that STAND and its allies are only interested in saving their own low rent apartments in the fashionable Brooklyn Heights area. “The issue is not the environment,” Ohlerking says, “it never was, it will never be. It’s just an excuse.” According to him the members of STAND who live in the area are currently renting 5,000 square feet of apartment space apiece for about $1,000 a month. “And that,” he says “has more to do with why they’re objecting than any environmental reason. They just don’t want to give up the space. I wouldn’t want to give up the space either if I had it.”

Neither of the sides seems willing or able to compromise on their positions. On one side are the millions of dollars and the thousands of jobs the new construction might bring, and on the other are the citizens and shopkeepers of the neighborhood who have lived and worked there all their lives, and who now might be forced to leave.

“A handful of people want to stop thousands of other people from working,” says Ohlerking of STAND's efforts. “You can’t keep everything the way it is; things have to keep moving and changing,” says press agent Sagan, defending the borough president’s stand on the issue.

STAND on the other hand, claims that it is not against progress or new construction in Brooklyn, but against the specific way the MetroTech project and the others are being handled. “We think the buildings are much too large and that it has all been ill-conceived,” Jenkins says. “It is a very bad project.”

Does the Brooklyn building boom mean a turnaround and new self-esteem for the borough, or will it sink Brooklyn deeper into its depression? Only time will tell. In the meantime, the only certainties are, that if the lawsuits and the stock market crash fail to kill the projects and they are completed, the borough of Brooklyn will never be the same, one way or the other.
A funny thing’s happening on the way to the future.
People are laughing.

All over America, from border to border and coast to coast, the comedy belt is buckling with giggles and roars.
Couch potatoes are getting boiled, baked and fried at clubs named Funny Bone, Holy City Zoo, Bonkers, Catch A Rising Star, Bananas and Zanies. These nightspots serve up everyone from unknown comics, who could be tomorrow’s stars, to today’s superstars such as Jay Leno, Sam Kinison and Emo Philips. The comedians are making money making the audiences laugh and the club owners are laughing all the way to the . . . bank.

Something for everyone, a comedy club tonight.
Faster than you can say, “Take my money, please,” comedy clubs have sprung up nationwide—from Boston to L.A., Alaska to Florida, and even in places like Covington, Kentucky and Kalamazoo, Michigan.

Comedy clubs have also become big business. One nationally known nightspot has gone public raising several million dollars to expand its operation into other cities. This same club has also branched out into other areas, such as artist management and TV, home video and film production. Other clubs have similar plans. And there are at least five chains, one totaling 16 clubs.

About 270 full-time comedy clubs operate between four and six nights a week nationwide, according to Barry Weintraub, publisher of Comedy USA Newswire and a stand-up comic himself. Another 500 to 1,000 nightspots offer comedy on a part-time basis.

Clubs generally seat anywhere from 50 to 300 people.
Headliner clubs have set show times and book three comics nightly; an opening act, a middle act and the headliner.
Comedians working these clubs make anywhere from several hundred to several thousand dollars a week, depending on experience and TV exposure.

Showcase clubs usually present new comics and, as such, pay the talent very little, if anything. Comedians follow one after the other, sometimes 10 or 12 a night. In New York and Los Angeles, agents, talent scouts and producers scour the showcases looking for new faces. Established comics are heard along with newcomers, hoping for a shot at a sitcom or movie, or just trying out new material. During a Thursday night show at Catch A Rising Star in Manhattan, the audience heard regulars Joe Bolster, Susie Essman, Joy Behar and Mario Joyner. Producer Bob Morton was there to audition Rick Reynolds for an appearance on Late Night with David Letterman. David Brenner did a walk-on to try out material for his 159th Carson show. And if that wasn’t enough, Kevin Meaney, fresh from his first shot on The Tonight Show, had the room in tears with his crazy act.

Amid all the laughs another sound can be heard—cash registers ringing. Club owners are understandably shy about revealing numbers, but Mitch Kutash of the Funny Bone chain says that a good club can gross anywhere from $500,000 to $3 million annually.

But numbers can be deceiving. “I know a club owner who has more revenue than 90 percent of my clubs and is losing a grand a week,” says Kutash. “That’s the norm rather than the exception.”

Bert Haas, general manager of the Chicago-based Zanies chain, says that, “A club can gross $20,000 one week and not make money. The next week the club can gross $10,000 and make money. Talent cost varies, and you can spend too much on advertising.”

The First Laugh

The first showcase club in the country was the Improvisation in Manhattan’s Hell’s Kitchen, opened in 1963 by a former ad man named Budd Friedman and his wife. Almost a decade later, the Comedy Store opened in Los Angeles in 1972. After Friedman and his wife divorced in 1975, with his wife keeping control of the New York club, Friedman headed west and started the L.A. Improv. Back east, Catch A Rising Star also opened in 1975 and the Comic Strip debuted the next year. Although these clubs didn’t pay the comics, they gave them a place to perform.

Not that comedians lacked places to work before the ‘60s...
THE NEW VAUDEVILLE
and '70s. There have always been the drinking establishments. Any place that had a bar and a stage could produce a comic.

Stand-up comedy probably got its start in vaudeville, a form of entertainment popular in America from the mid-1890s through the early 1930s. A typical vaudeville show featured comedians, singers, dancers, dramatic performances, magicians, acrobats, jugglers and even trained animals. Most of the comics performed slapstick comedy, wearing make up and costumes. Other comics did dialect jokes, parodying ethnic accents. The vaudevillian equivalent of the modern stand-up comedian—a monologist—simply walked on stage in street clothes and made the audience laugh with his gift of gab.

Vaudeville gave rise to two features that are a part of today's club scene: the road circuit and the headliner system. It wasn't long in the history of vaudeville before chains were established in which a single manager controlled hundreds of theaters. The United Booking Office had 400 theaters in the East and Midwest. A comic with a single act could travel the entire country on one booking.

The superstars of the day were offered high salaries and top billing—their name on top of the other acts on the bill—thus giving rise to the title, "the headliner."

Many famous stars got their start in vaudeville, gaining the experience they needed before a live audience. Comedy clubs offer new comics the same advantage.

Competing with vaudeville was burlesque. In its heyday in the 1930s, burlesque houses featured lots of slapstick, dirty jokes, double entendre and sight gags. There were also girls, lots of girls, singing, dancing and stripping. Later, comics also found work in the Catskills, Las Vegas and the Greenwich Village coffeehouses of the early 60s. But it was always the comedian plus the other acts on the bill. Until the comedy clubs.

The New Vaudeville

By the 1980s, other clubs had opened outside of New York and L.A.; Zanies in Chicago, the Cleveland Comedy Club, the Holy City Zoo in San Francisco and the Laff Stop in Houston, among many others.

Dino Vince, owner of the Cleveland Comedy Club, was "interested in nightclubs and was looking for a different angle. I'd spent some time at the Comedy Store in L.A. and thought it was a unique idea to bring back to Cleveland." That was in July of 1979.

Sandy Marcus, owner of the Laff Stop, was also in L.A. around 1979. "My husband was from Los Angeles and when we moved to Houston there wasn't much in the way of entertainment. It was either live theater or the movies. We opened the club on the side. If it worked in L.A., there was no reason it couldn't work here."

And work it did—all over the country. By 1985, a comedy club boom had erupted and there were over 250 clubs. Just how and why did this boom take place?

Betsy Borns is the author of Comic Lives: Inside the World of American Stand-Up Comedy. A former assistant to the executive producer of Saturday Night Live, Borns works as a freelance writer specializing in comedy and is a contributing editor at Interview magazine.

"Disco started dying out and dance club owners looked for ways to get people in the clubs to drink," says Borns. They took one look at the packed comedy clubs and that was it. Out went the mirrored balls and strobe lights, and in came the spotlight stages and microphone stands. The rhythm of the jokes replaced the beat of the music.

"Since nightclubs died out, there wasn't much live entertainment except for rock concerts. And people were getting tired of huge multi-media laser shows. They wanted human contact."

"Even without dirty tricks, starting a club in a major market is tough."

"Cable TV gave people a taste for raw, uncensored comedy." No more sanitized five minute bits on Carson and the other talk and variety shows. First on Home Box Office and later on Showtime, comedians performed full-length acts that previously had to be seen in a concert or nightclub.

"Late Night with David Letterman" debuted in 1982. Letterman's brand of offbeat humor and the hip comics who appeared on his show, succeeded in capturing the Baby Boomer audience that advertisers craved.

Borns writes that, "Through cable TV and Letterman, stand-up was presented to its rightful audience: boom and post-boom babies who, growing up under the threat of nuclear winter and a host of other not-so-promising options for the future, tended to be more cynical than their elders." And modern stand-up comedy tended to be just that; cynical, nonconformist, pointing out the absurdities of life.

DOLLARS and SENSE, May, 1988
But there is one more piece to this puzzle before the "boom" could take place.

The Strike. In March 1979, 22 comedians, tired of working for nothing while club owners made a mint, went on strike against the Comedy Store in Los Angeles. They picketed the club carrying signs that read "No bucks, No yucks" and "The Unpaid Comic." A month later, the strikers numbered almost 150. Mitzi Shore, the owner, had to negotiate. The original terms, $25 a set, were small, but the significance was as powerful as any major union settlement; finally you could make a living doing comedy. The other showcases soon followed.

"Before the strike, you didn't have a lot of people wanting to be comics because of low pay and years of hard work," Borns continues, "You had to love comedy. Now comics could make a living, practice and be seen. And the owners could still pay comics and make a living."

The comedy club boom took off. Most clubs were just thrown together, according to Laff Stop's Marcus. "Stick a sign out the door, hire comics and that's it. The owners think they're in business. But a club needs to be run like a business in order to survive."

**Funny Money**

The Funny Bone chain, with 16 clubs owned or licensed throughout the Midwest, has done more than survive. The first Funny Bone opened in Pittsburgh in 1982. Co-owner Mitch Kutash is a former accountant for firms like Arthur Andersen and J.C. Penney. Just the sort of business skills a growing company needs.

"First, there were wide open areas. Now every city has a club, and some cities have as many as five or six. When you were the only club in town, customers were knocking down your door. The club owner now has to fight for that dollar and operate more efficiently," Kutash says. He adds that, "Clubs operate on a very thin margin. There's no room for error. Almost all costs are fixed. Payroll, rent, utilities, insurance, paying the comics. Comics get paid the same whether the place is packed or empty. About the only variable cost is the liquor. Every week you've got to do X amount of dollars or you'll lose money."

"Clubs have to operate like a business and a lot of owners are not qualified to do that. We watch our budgets every single week. A lot of guys in this business were bar owners whose bars were not doing well. Then they changed to comedy and did major business for a while," says Kutash.

How has the Funny Bone been able to expand so rapidly and successfully? By hiring and training good managers, according to Kutash. "This is a real hands-on business. You've got to be there. Since my partner and I can only be in two places at one time, we need good managers. It's the most difficult thing in the business."

"You need a manager you can trust, that can make decisions like you do. We train them. They work in one of our clubs. They get to know me inside out. After a while they could probably make the same decisions I would."

The Funny Bone is now looking to move into some of the bigger markets, like Detroit, Atlanta and Denver, says Kutash. Does he think he'll have a tough time going head to head with the competition? "I never go into a city with the idea that I have to knock my competition out to make a living. It's not fun. It can get dirty and I don't need to make money that way."

Kutash tells of beating the competition in some of the markets and all of a sudden getting fire inspections and complaints. Some club owners pull dirty tricks like having their friends call up, make enough reservations to sell the club out, and then not showing up.

Even without the dirty tricks, starting a club in a major market is tough. "A novice going into the better markets is better off giving his money to charity," says Kutash.

**West Side Story**

One person who did make it in the best and most crowded market in the country is Cary Hoffman, owner of Stand Up New York in Manhattan.

Hoffman and his wife Suzanne opened their club, a headliner, in April 1986 on the Upper West Side.

Hoffman was a songwriter and jingle composer who had a few hits on the country charts. While writing jingles for companies like Ford and Grand Union Supermarkets, he found time to co-write an Off-Broadway musical satire called, "What's a Nice Country Like You Doing in a State Like This." The musical played around the country and gave him a living on and off for seven years.

When the show closed in Florida in the late '70s, the Hoffmans stayed and opened a comedy club in a hotel. "I always had ideas of owning a place where I could sit at a piano and do satirical ditties. The place was fairly successful but we closed after a year and came back to New York." Although they left behind the sunny weather, they took the comedy "bug" with them.

They settled on the Upper West Side. "We'd go out to the movies on Saturday night and see the lines around the block on Broadway. We saw restaurants, stores and bouti-
ques opening every month." What they didn’t see was a nightclub for stand-up comedy.

After finding an affordable spot, they had to raise more than $250,000, most of that going for construction costs and legal fees.

During that year Hoffman and his wife did some seat-of-the-pants research. "We went to all the comedy clubs, as many nights as we could find the time to do it. We wanted to see if there were really big lines waiting to get in. We read the trade papers, talked to the comics and club owners. We never got a negative answer."

Once the club was opened, Hoffman had to fill the seats. To do that, he needed comedians. At first, he had to seek them out, but now that the club is well-known, he gets calls from all over the country. "Booking comics is not a problem. Booking the best comics is always the problem. We need comics with TV exposure. Every owner plays the same game. We all try to get a comic in the club at the same time that he’s on Letterman so he can say that he’s appearing this week at Stand Up New York."

TV exposure is important because tourists will then look up the club when they come to New York. "Tourists help you have a good business during the week because they’re only in town for a short time and to them, every night is Saturday night." Hoffman says Stand Up gets a higher percentage of New Yorkers on weekends.

Has owning a comedy club changed him in any way? "I find that in some ways my wife and I have gotten a little harder. But we try to be nice to people we work with. We remember the plight of being a performer. I was the guy who called the ad agencies and asked if they had a jingle for me and, for how much money, and they were the ones who negotiated me down. Now I’m the person on the other end."

Although Hoffman says he has no plans to franchise or open other clubs at the present time, he is looking into a TV production deal.

Catch Him If You Can

Richard Fields, owner of Catch A Rising Star on the Upper East Side, not only wants to open more clubs nationwide, but has TV production and artist management subsidiaries as well. And last year, Catch became the first publicly held comedy club franchise, raising $3.1 million in financing.

Fields' background includes managing a few rock bands, producing Off-Broadway musicals, and a stint as a political consultant. About a decade ago, along with a group of in-
vestors, Fields was looking for a publicly held entertainment company to use as a base. They set their sights on a TV production company, but months of negotiations went nowhere. Finally, Fields’ attorney introduced him to another one of his clients, Rick Newman, then owner of Catch A Rising Star.

Although Fields wasn’t looking to buy a comedy club, “Rick and I related to each other instantly. Neither one of us wanted to have partners,” says Newman, “but I abandoned the idea of buying the company, and he abandoned the idea of working alone.” They became partners in 1980.


Fields stresses that the clubs are only a base for his other operations. “We’re not just comedy clubs. We intend to be a fully integrated entertainment company involved in artist management, TV, film, and home video production and development. Not only will the clubs be throwing off cash flow, but they will also be a base for finding new talent. That’s the key to the business.” Fields is currently managing a dozen performers.

By targeting such areas as Nashville, Atlantic City, Chicago, Los Angeles, San Francisco, Toronto and London, England, Fields hopes to tap into the local pools of talent that exist in these cities, as well as attract the young, upper and middle-class residents as audiences. These locations have or will be receiving pay-cable TV systems which could provide additional exposure for each club.

There is also another angle to the Catch clubs... music. “Catch is music and comedy. When we go into a market, we’re very heavy into both bases. The Cambridge club has a big music operation. We’re trying to break in music acts in conjunction with radio stations and record companies in Boston.” The Cambridge Catch had originally been a music club called Jonathan Swift’s.

Fields’ plan is for each club to be based on the room layout and decor of the New York club. He says that comics that have played in Catch-New York “will feel they’re in a place they’ve played before. They feel more comfortable and can deliver a ‘killer’ show.”

“You can’t deliver a mediocre show. There’s a lot of competition for these dollars now, including home video. People can rent a video for five bucks, so why should they go out. The reason they go out is to have a great time.”

“The days of Studio 54 treatment won’t work outside...
New York. You must have a great staff that will treat people well. If you don’t they’ll take their money and go someplace else,” says Fields.

**Future Laughs**

So far, the people have been taking their money into places like Catch A Rising Star, Funny Bone and other comedy clubs. But will the big chill settle over St. Emo’s Fire?

“It’s not like disco dancing that came and went,” says Nancy Skawina, owner of Chuckle’s in Mineola, Long Island. “People will always love to laugh.”

Cary Hoffman says, “If you go to a movie for $6 or $7, you don’t know if you’ll laugh or enjoy it. For the most part, if you spend your money in a comedy club, you’re going to laugh a little bit.”

“Comedy clubs are going the way of American business in general with consolidation and specialization,” says author Borns, who is at work on a novel on life in the “dirty, gritty underbelly of the world of stand-up comedy.”

“In 1987, Catch became the first publicly held comedy club franchise.”

Bill Ervolino, a comedy critic for the New York Post and editor of *Nightlife* magazine, says, “The boom can continue if people get a little more innovative and do things a little bit differently in the clubs. Like any club environment, people get tired of doing the same old thing. It’s up to the clubs to make it more interesting.”

Probably the best insight comes from the Funny Bone’s Mitch Kutash. “I compare it to the auto industry. In the ’40s you had a lot of car manufacturers. In the ’50s, you were down to four or five. In the ’70s and ’80s you’re down to two or three. You’ll see three or four comedy chains at the most in this country.”

Comedy conglomerates. Public corporations. Mergers and joint ventures. Whatever the future holds for the comedy scene, it looks like Wall Street MBA types will be there to help rake in the cash. And as for the public, they’ll keep laughing through the travails of an unpredictable world. As Zero Mostel once sang, ...

“Tragedy tomorrow, comedy tonight.”
Inside Looking In

by Eric Kun

Dennis Levine was arrested on May 13, 1987 when he went to the U.S. attorney's office to pick up a Securities and Exchange Commission complaint filed against him. He confessed that he had bought stocks based on inside tips from his "company," a group of top level executives from various firms, including E.F. Hutton & Co., Shearson-Lehman Bros., Wachtell, Lipton and others whom he had personally recruited. Seeking leniency, Levine cooperated with the government and revealed the names of the players in his scam. Over the next few weeks, they were arrested one by one.

The impact of Levine's confession was felt not only on Wall Street and at the SEC, but throughout the world. At the time of his arrest, Levine was a managing director in Drexel Burnham Lambert's mergers and acquisitions department, an insider trader's paradise. Having firsthand knowledge of upcoming takeovers through his network of insider tips, Levine was able to turn a $40,000 bank account into $12.6 million over a six year period according to a SEC report. True, Wall Street had seen other inside traders before Levine, but none had such a steady flow of inside information nor had they made as much money or caused as much damage as he had.

Levine's story has all the elements of a good spy novel: intrigue, a complex plot, compelling characters, and an exciting finale. So it is not surprising that Levine & Co.: Wall Street's Insider Trading Scandal (Henry Holt and Company, New York, 1987) by Los Angeles Times reporter Douglas Frantz reads like a first-rate spy novel. Frantz relies heavily on interviews with the two top players in Levine's network, Robert Wilkis and I Ian Reich as well as Bruno Pletscher, who was the manager of Bank Leu in Nassau where Levine hid his money.

Frantz's journalistic legwork is impressive as he traces the steps that led Levine to insider trader stardom. By effectively using re-creations of scenes and conversations based on interviews with Wilkis, Reich, and Pletscher, a convincing portrait emerges: a portrait of a greedy manipulator with a hunger for money.

Frantz spends little time analyzing Levine's psychological motivations. Whatever truly drove Levine is left unknown. Instead, Frantz opens Levine's story at Baruch College, where Levine received his BBA in finance and wrote his MBA thesis on underwriting bond issues in investment banking. Baruch finance professor Jack Francis took a liking to Levine and they spent much time talking. "Greed is a nice religion," Francis once told Levine as they were discussing how to make it big in the business world.

Part of Levine's success, according to Frantz, can be attributed to his power of manipulation. Robert Wilkis, who was vice president of mergers and acquisitions at E.F. Hutton when he was arrested, was one of the first recruited into Levine's insider network. Levine's plan was always the same: learn the potential recruit's weak points and use them to his advantage. After Wilkis, came Ilan Reich, a brilliant attorney at Wachtell, Lipton at the time of his arrest. Slowly, Levine & Co. grew until insider tips were rolling in from most of the major Wall Street firms.

On Wall Street, Levine became famous for being an aggressive go-getter and a brilliantly resourceful businessman who was always on top of the latest developments. Proud of his insider network, Levine boasted over dinner one night with Wilkis about his successful dealings with Drexel Burnham Lambert and with Ivan Boesky, a high risk arbitrageur. "I'm not a banker. I'm a thespian," he said.

Frantz's account of Levine is superbly researched. In addition to interviewing Wilkis, Reich, and Pletscher, and lawyers from the SEC who investigated Levine's activities, he scrutinized thousands of pages of documents from the SEC's investigation into Levine and Bank Leu. There is much information to be found in Levine & Co., not only concerning Levine but also concerning the inner workings of Wall Street. High-stakes meetings, corporations battling to take over one another and the agonizingly slow and sometimes ineffective investigations of the SEC, Wall Street's watchdog agency, are all scrutinized. Frantz injects his own reflections on Levine, his cohorts and the lack of ethics on Wall Street. He is critical of Levine but somewhat

"Levine's story has all the elements of a good spy novel."

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DOLLARS and SENSE, May, 1988
sympathetic to Wilks, Reich, and Pletscher.

While the book focuses on Levine, it is apparent that he is only part of a much larger picture. In the course of the story, Levine becomes a symbol of something terribly wrong on Wall Street. Levine just didn’t walk onto the scene and start an insider network. For complex reasons, the system allowed him to follow his bent. At the end, Frantz writes of Levine’s arrest: “It seemed to confirm the public impression that the only moral guideposts on Wall Street were dollar signs.”

## $€ Interviews Douglas Frantz

Dollars and Sense staff writer Eric Kun recently interviewed author Douglas Frantz about reactions to his new book, Levine & Co.

$€: What made you decide to write a book on Dennis Levine?

Douglas Frantz: Two reasons really. I think it has the two key elements of a good story: It’s interesting and it’s important. The story of Dennis Levine is a fascinating human story and it’s also a story that becomes a cautionary story for Wall Street today.

$€: Is that who you are primarily gearing the book towards?

DF: No, not at all. Until I took this job, I’d never been a financial reporter. I’d been an investigative reporter and I wrote this book, I hope, in terms that any reader can understand. I tried to write it as part detective story, part psychological story, and part cautionary tale. The fact that it’s set on Wall Street adds an element of importance and significance, I think, to the story, but I really tried to write this for any reader. In fact, one of the problems with the book has been that it’s a business book and yet it’s not one at all.

$€: How has the book been selling so far?

DF: I haven’t seen precise figures. It’s been selling moderately well. As you might expect, it’s been selling really well in New York and Washington. It got two good back-to-back reviews in The New York Times and The Wall Street Journal in late October that really gave sales a big boost, particularly in New York. Across the rest of the country, it’s been suffering from that earlier misperception I talked about, that people think it’s a business book. When I did my book tour, I dropped in on some book stores occa-

sionally to see where it was placed and it’s frequently in the business section, unlike New York, where you find it right out in the window or in the general interest section.

$€: Do you know when it will be out in paperback, if at all?

DF: Yes, it will be. There’s some sort of paperback deal in the works but I don’t know what the timing of that will be. It will be a good while. They want to let the hardcover have its full run.

$€: What made you decide to “novelize” Levine and Co. rather than use a hard news approach?

DF: I’m not sure I did that. I go to some pains in the back section of the book, in the author’s notes, to explain my m.o., if you will. What I try to do in the book is use a reporter’s technique. I use the techniques I’ve learned as an investigative reporter for eight years and as a just plain reporter for 15 years, now and I use those same techniques to gather information. I judged the information to be accurate and then I sort of wove it into a narrative so that the book would read better—so that the reader would have the sense of being right there. It’s not anything I view as novelization or even anything I view as new journalism. I think it’s very basic journalism and I explain in the back section the sources for almost all the information. I explain how I did reconstruct some conversations, but they are always based on the recollections of at least one participant in each conversation. There are, as I note in the end of the book, one or two exceptions to that and they are very minor exceptions. Otherwise, I talked to somebody who was involved in every one of those conversations. At least one person, sometimes more than one person.

$€: What other writers inspired you? When I was reading the book, I was saying to myself—shades of Tom Wolfe and Hunter Thompson.

DF: Well, I hadn’t thought of that. I like Hunter Thompson’s work a lot. I don’t consider myself a gonzo journalist. I’ll tell you the truth, I like to read detective novels and mystery novels. In a sense, I tried to construct this book like a detective story. I think it unfolds like a detective story because that’s the way the story actually unfolded. There was a lot of drama in this story as you go back and reconstruct it, a lot of real drama there. It wasn’t anything that anybody had to make up at all. These were real people confronting real problems and dealing with them in interesting ways. As far as writers who influenced me, I read a book which I think is the best non-fiction book of the last decade: Indecent Exposure by David McClintock. It’s about a Hollywood/Wall Street scandal involving David Bagelman, and I re-read that book shortly before I started,
working on this book because I'd always admired it. After re-reading it carefully from a reporter's point of view, I came to the conclusion that this was the sort of book I'd like to write here. I wanted to put the reader right there as often as possible and I wanted to give him a feel for the people and the events.

$S$: What difficulties did you encounter writing this book? Was it hard getting the major players like Wilkis, Reich and Pletscher to talk to you?

$DF$: Sure, it was. You've put your finger right on the major difficulty. The major difficulty was persuading people with firsthand knowledge to talk to me. In order for this to be the fair, complete and accurate book that I insisted on writing, I had to have the cooperation of those people. In the end, virtually every major player except Dennis Levine did talk to me. Some of the people who talked to me have never talked to anybody else, most notably, Bob Wilkis. But Levine, after repeated requests to him by letter and then through his lawyers who refused to even respond to any question as far as I know, has still not talked to any reporter or writer about this subject. My theory is that he probably envisions a book of his own about this thing.

$S$: How was it writing without Levine, without the major player?

$DF$: It would have been better if I had finally been able to sit down and talk to him. There's no question about that, but there comes a point as a reporter on every story where you go with what you've got. And I had to sit down and go with what I had. I was confident that I had talked to enough people who were involved with Levine firsthand through this scandal, most notably Ilan Reich, Bob Wilkis and Bruno Pletscher. I interviewed a number of people who knew Dennis in the business setting, but those three people particularly were able to give me a consistent view of Dennis Levine and his character and behavior. I'm comfortable that, while Levine didn't have any say in this book, it is an accurate while unflattering portrait of him. I think he really represents an extreme example of what's wrong with America today.

$S$: Did any new developments occur after the book was published?

$DF$: This is an ongoing scandal. There have been some events that have occurred since the book was published. I think there are still events going to occur in connection with this scandal, but as I look back on the book, there hasn't been a major material fact or event that has occurred that casts any doubt on the veracity of the book. I think the book has stood up well to the test of time over the first few months. There comes a point when you stop and say "this is what I have and I have got to sit down and write my story." You have to realize that in an ongoing scandal like this, there are going to be events that you just aren't going to cover, but there haven't been all that many big ones that I wish were in the book.

$S$: Has Levine read the book?

$DF$: I haven't any idea, I've had no contact with him.

$S$: In light of the new movie, "Wall Street," do you think you would like to see your book made into a movie?

$DF$: No, I think that practically speaking, the movie "Wall Street" rules out any other movies on the subject probably, but I never wrote this book with the idea that it would be made into a movie. I wanted to write this book to be satisfied that I told the story and told it well. And it got good reviews which means that my peers in the world of journalism acknowledged that it was a legitimate and worthwhile work. So in that sense, I'm very satisfied and I don't have any silver screen aspirations.

Douglas Frantz is currently a financial reporter for The Los Angeles Times.
TRIBUTE

Dollars and Sense is 10 years old. Created in 1979 by Professor Roslyn Bernstein, the magazine has evolved from a 16-page typed experiment to an 84-page typeset publication that is distributed to nearly 10,000 readers, 3,000 of them top executives in business and communications.

From the beginning, the goal we set for ourselves was simple: to publish a business magazine of professional quality, one that could compete seriously with other general interest business magazines. Although our staff is composed of undergraduates, the magazine's editorial mission is thoroughly professional. We seek to achieve an editorial mix that weaves together three strands: New York City business stories, business stories targeted to 18 to 25 year-olds, and trend stories on issues, companies, and new developments that have not been fully covered by the mainstream business press.

Despite the limitations of being an annual, we have managed to scoop some of the weeklies and monthlies during our 10 year publishing history. We ran the first piece on the return of movie-making to New York City ("Welcome Back Astoria"), the first article on the Hispanic Yellow Pages ("Paginas Amarillas Para La Comunidad Hispana"), and investigative pieces on the aborted Second Avenue subway project ("Odyssey of the Second Avenue Subway") and on real estate development in Coney Island ("On a Roller Coaster"), to cite just a few of the 160 articles that we have published since 1979.

Side by side with our editorial policy, has been our artistic policy: the effort to marry conceptual art, both in photography and illustration to editorial copy. We are not interested in producing a magazine full of head shots of corporate executives. So, over the years, our magazine and covers have reflected this mission: a hand-painted black and white photograph of Coney Island, a Pop Art interpretation of a telephone.

We have received praise from many corners and highest honors from the Columbia Scholastic Press Association. Most new magazines fail within their first two years. We are extremely proud that we have been around for 10. What we have learned, however, is that putting out a first-rate magazine is a full-time job, an effort that requires both creativity and unending attention to detail.

Now that we have reached our tenth birthday—a moment when we have achieved national recognition, we ask ourselves: where do we go from here?

TENTH ANNIVERSARY

THE STAFF