THE EXCHANGE

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Yeshiva College to Offer Minor for Business Majors

by Gershon M. Distenfeld

Students in the Sy Syms School of Business may soon be able to pursue a Humanities or Social Science minor under a proposal discussed at a recent student senate meeting. Several Sy Syms students have recently expressed their concern that they lack the opportunity to expand their educational horizons with more liberal-arts courses, thus creating the need for such a minor. Additionally, it is believed that many of today's business leaders feel that well-educated, well-rounded students are a greater asset to their companies than students who have concentrated all their efforts in business courses alone. As a result, the students and faculty of SSSB and YC hope to establish a Humanities/ Social Science minor which would be a valuable addition to the education and the future of the Sy Syms business student.

Both proposed minors would consist of 15 credits. However, one course already required for the Sy Syms student would count toward the minor, thus essentially requiring only 12 additional credits to receive the minor. Specifically, the Humanities minor would consist of 15 credits from the departments of Art, Music, History, English, Foreign and Classical Language, and Philosophy. The SSSB requirement of an art, music, or philosophy course would be counted towards this minor. The Social Science minor will consist of 15 credits from the departments of Political Science, Psychology, and Sociology. The SSSB requirement of Economics 1011 (Money & Banking) will count toward this minor. All told, a student would have to take four additional courses to get this minor recorded on his transcript. To encourage diversity and to ascertain that the student is getting a broad educational background, a maximum of two courses per department would be allowed.

Sy Syms students currently have the option to minor in any minor currently offered by Yeshiva College. It is almost unheard of for a Sy Syms student to do this considering that most Yeshiva College minors require 18 credits. This proposed minor would lighten the amount of courses required, as well as give the student a very broad minor which would be more appealing to the student.

There are several issues left undecided at the current time. Foremost is the question of who would administer the program. Who would a student consult if they had a question about the minor? At the last student senate meeting, it was left unclear as to whether the Deans of Sy Syms or the Yeshiva College Academic Advisement Center would handle this responsibility. There has also been concern that Jewish Studies and the sciences were left out of these minors. Perhaps, if this minor turns out to be a success, additional minors would be considered at some future date.

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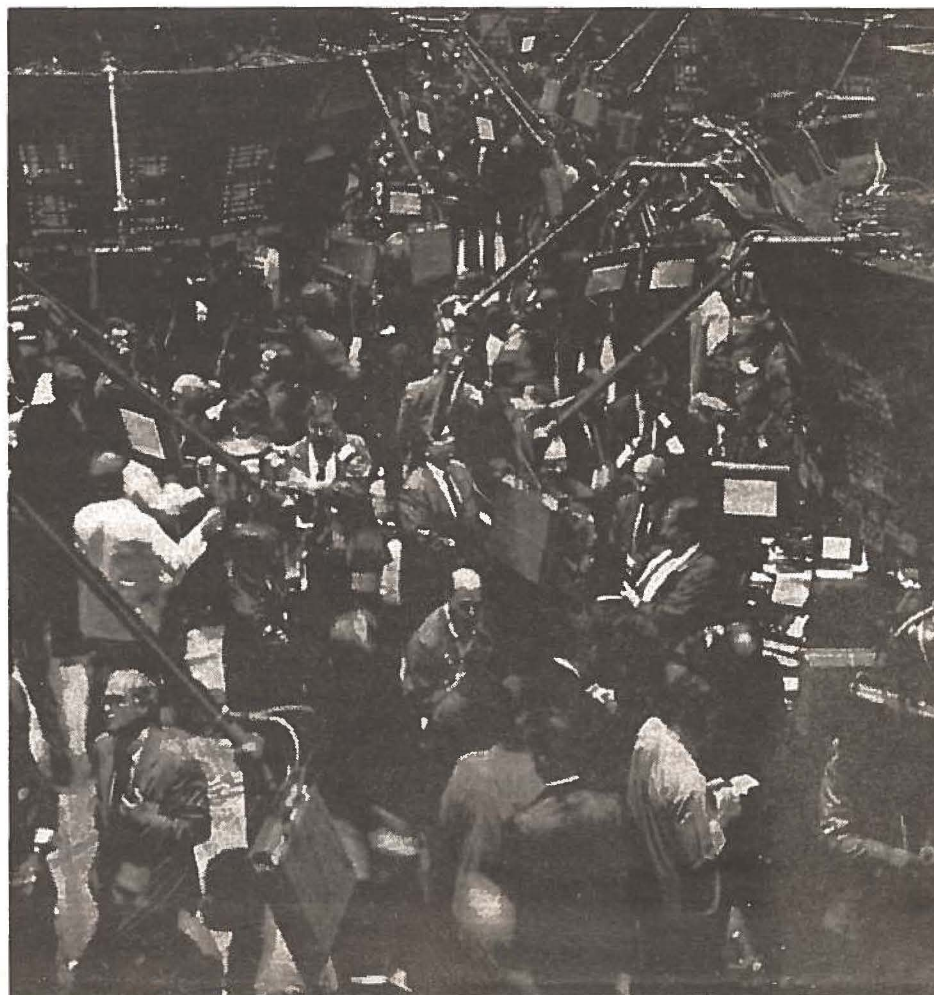

Sy Syms students observe the New York Stock Exchange in action. Article on page 3

Annual Sy Syms *Shabbaton* with Rav Goldwicht A Huge Success

by Tova Zitter

This past February 1st marked the annual Sy Syms *Shabbaton*. This year's *Shabbaton* was a huge success, boasting a turnout of 200 students. As SSSB President Michelle Stein said, "The Sy Syms *Shabbaton* was better than expected. I hope it continues in the future...We were fortunate to have Rav Goldwicht and his family join us, which manifested the Sy Syms' ideal of combining business with *Torah*."

The *Shabbaton* began with *Kabbalat Shabbat* and *Maariv* in Koch Auditorium. Following the procession to the cafeteria for Friday night dinner, Rav Goldwicht made *kiddush* for everyone. During the meal, a *d'var Torah* was given by Shani Feld.

After dinner, Rav Goldwicht spoke about *shabbat* and work. He quoted the *pasuk* that says *"La'asot et HaShabbat,"*- to make the *shabbat*. Rav Goldwicht elaborated that a person works six days a week and then really comes to appreciate *shabbat*.

After his *shiur*, Rav Goldwicht opened the floor to general questions among which arose the topic of balancing work and learning. Everyone then proceeded back down to the cafeteria for a *tisch*, where there was singing and another opportunity to ask Rav Goldwicht questions. During the second Q&A session, a question was asked about when one should marry. Rav Goldwicht welcomed the opportunity to speak to both the men and women about the topic of dating. Rav Goldwicht mentioned that there is no specific age that is appropriate for one to get married, and that marriage depends on the readiness of the individual. However, he stressed the importance of getting married at a young enough age so that one is still flexible, and not set in his or her ways. He also added that when one is viewing a person as a prospective spouse, he or she should look at the 'entire person,' and not fixate on 'specific faults.'

After *davening shabbat* morning, there was a small *kiddush*, and then Rav Goldwicht spoke about business and *Dina D'malchusa Dina*.

During lunch, there were more *zmirot*, and Seth Grossman gave a *d'var*

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Stern Students Attend Women's Business Conference

by Gina Elkon

On Friday, February 14, 1997, the Committee of 200 hosted its Fourth Annual Women in Business Conference at Columbia University. The Committee of 200 is an organization comprised of some of the business world's most dynamic women. The event was a resounding success, with over 500 women in attendance. A group of Sy Syms students accompanied by Professor Diane Persky and Naomi Kapp were the only undergraduate students invited to the conference.

At the conference, a wide spectrum of topics were covered, presented by the leading women in their respective fields. Judy Haberkon, VP of consumer markets for NYNEX, Nina Henderson, President of CPC specialty market group, Anne Miller, CEO of Chiron Associates, and Nina McLemore, President of Regent Capital Partners, were among the featured panel speakers. Panel speakers, all C200 members, addressed issues relevant to aspiring young businesswomen, such as succeeding in a male dominated environment and balancing a career and a family.

INSIDE

From the Editor's Desk

As we prepare ourselves for midterms, I can't help but think about the fact that my time at Yeshiva is rapidly coming to a close. I want to share a few thoughts with you, as I reflect on what is soon to have been my college career.

Yeshiva University is an interesting place. I firmly believe that the school opened up opportunities for me, that may not have been available elsewhere. Yeshiva offers each student a chance to involve themselves, and even embrace leadership. There are countless clubs and activities on each campus. Everyone has the ability to take advantage of what is being offered. At this stage in our lives, taking an active role in leadership is still supposed to be fun. One can only imagine what it is like to be involved and sit on the board of various charities and communal organizations. However, it does not take much thought to realize the significant roles that those groups play in our everyday lives.

Throughout my college days, I have been involved with various student activities and councils. This includes being a founding member of The Exchange, which has achieved a following by students and faculty alike, and recently was awarded a sizable sum of money by the President's Circle of Yeshiva University. These funds will be put towards the machinery that will ensure the continuity of The Exchange as its own entity. It is an amazing sensation to watch as something you helped create, fight for, and nurture begins to take on a life of its own. Maybe now I have realized some inkling of the type of nachas my Grandmother always says she gets from her grandchildren.

It is unfortunate that even here at Yeshiva University, not everybody is willing to be involved. Apathy still seems to flow from many of us towards student-run activities. Now is no time for stolidity! This is a time in our lives when we should be full of idealism, vigor, and energy. C'mon, doesn't anyone remember that, "The world is ours to conquer?" "Carpe Diem," Seize the day! It is not just a saying that looks great labeled on coffee mugs and T-shirts. We are all in an unusual situation at Yeshiva University. There is so much that each of us can do. It is easy for people to complain and to sit idly by doing nothing to change the source of their complaints, yet it is harder to actually do something about it. But, that is what I implore everyone to do! Become active. Trade in the feelings of indifference for feelings of passion, care, and curiosity. We can't afford to muddle through our lives in inattention. We are the future leaders, we must change our ways today so we can reap the rewards tomorrow. My desire is not to sound like a preacher on top of his soapbox in the middle of the town square, but it hurts to see some students' only lethargic reactions to their peers hard work. It is time for a reformation of how the student body thinks and acts. One should be wary of putting oneself in a position where years from now, one will think back and bemoan how things could have been. There still is time for action; The time is now.

Bryan D. Ashenberg

Bryan D. Ashenberg
Associate Editor

EDITORIAL

An infamous tradition has developed within the Sy Syms School of Business. It has resulted from a program which was created with the sincerest of intentions but has led to a most inconvenient situation. We are referring to the unreasonable requirement that all Sy Syms students have their courses approved personally by a dean before they can register. During reading week, instead of studying, Sy Syms Students are forced to sit outside Dean Jaskoll's office. While Dean Jaskoll does his best to deal with the situation, it is unrealistic for one man to handle such a huge burden.

Perhaps we can take a lesson from the story of Yisro. Yisro found people waiting all day to speak to Moshe, who in turn was exhausted from having to answer all these questions. It was only upon Yisro's arrival that Moshe realized the hardship's of such a situation and a system of judges was set up. This plan enabled the simple questions to be answered immediately, with only the most difficult problems sent to Moshe. We at the Exchange are hoping that Dean Jaskoll realizes, as Moshe did long ago in the desert, the great wisdom of Yisro, in which a system similar to Y.C. would be established, with academic advisors available to assist the Dean.

SSSB President's Message

Dear Fellow Students,

This being the first post-vacation edition of The Exchange, I would like to take this opportunity to welcome everyone back to school. I hope your vacation proved to be beneficial reprieves from the daily vigor of academia here at the Sy Syms School of Business. Our spring semester kick off event was the annual SSSBSA Shabbaton, held at the midtown campus. The Shabbaton was the most successful YU/Stern Shabbaton ever. Two hundred students attended the event and the enthusiasm was almost palpable. However, the Shabbaton would not have been such an astounding success without Rav Meir Goldwicht, the keynote speaker. I have had the honor of learning from Rav Goldwicht for three years and he has taught me much more than Gemara. It was an absolute privilege for me, on behalf of the student-body of the Sy Syms School of Business, to host him and his very special family for the Shabbaton. I sincerely hope this momentum started by the Shabbaton can be built upon and more programs with Rebbeim like Rav Goldwicht can be arranged in the future. The following Friday, the SSSBSA sponsored a trip to the New York Stock Exchange. All who attended not only gained a deeper and more tangible understanding of the workings of the premier financial market in the world,

but also enjoyed lunch at the Great American Health Bar.

In closing, spring semester 1997 has started with a bang. We, on the SSSBSA Executive Board, are always searching for more events to run and students to assist in their organization. Please contact me or any other board member with suggestions.

Sincerely,
Bennet J. Schachter
President, SSSBSA

Published throughout the year by the Yeshiva College Student Council and the Sy Syms School of Business Student Association. The views expressed in these columns are of the writers alone and do not reflect the opinions of The Exchange, the student body, faculty, or the administration of Yeshiva University.

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AMERICAN MARKETING ASSOCIATION

The Exchange is brought to you with the cooperation of the American Marketing Association Chapter at Yeshiva University.

Interview with Sy Syms

by Ari Gruen

Exchange: You've just opened a new store in mid-town. From the perspective of a store like Today's Man which is now in bankruptcy, are you that confident in the state of the economy that you have no problem expanding?

Sy Syms: We're very confident not just from the outside economy but from the financial strength of our company, from within - that creates the confidence. Assuming we don't reach our figures that we had pro forma estimated for 54th street, just the fact of the elevation and the excitement after being in New York for thirty five years, the excitement of being in mid-town and the elevation of our company in the consumer's eye, to the degree of "Oh my heavens, they're over there," we feel it can help Long Island, Westchester, Paramus, some kind of presence and image. The reason our company did it had nothing to do with profit motivation or anything. We've had people come from other communities who came into Manhattan. We've been in Manhattan a long time but off beat Manhattan so to speak, and for the image of our company we had to do something in Manhattan, and the timing was right because the lines of distribution have changed, so a lot of our vendors can live with a Syms in midtown.

Exchange: You do purchase from vendors outside the US, even from a country like China. What is your company's policy on the debate which arises periodically as to whether we should trade with China due to their human rights abuses?

Sy Syms: Well, there I would say that perhaps I have to disassociate my company from me. I may have some quibble with what I read about possible human rights violations that are taking place, or maybe even the rumor, and to me its only a rumor, that these products are being made in prison. I wouldn't stop from buying a product that I think my customer would want, at this point. I know that doesn't sound too idealistic but as a citizen, to me China is the future of the Earth - the big future, the number one economic power, certainly by the year 2075, and with that in mind I would like America to somehow be their friend. I hope they learn how to create better human rights in their country for their own citizens, and they have to work it out internally too - I don't think too much can be gained now by putting economic pressure on them. Are you aware that we buy 38 billion dollars a year from China and they buy 9 billion dollars from us. Even with that stat I would like to remain China's friend in the next hundred years.

Exchange: Let's move now to the psychology of a Sy Syms. You started off with one store and now you're up to forty. I'm sure you know of plenty of competitors who've built up to two or three stores and then stopped. What characteristic, what drive has enabled you to create such a large company?

Sy Syms: I was fortunately born with a capability for awareness in situations and I say that more than intellectual power. When dealing in retail, awareness is the easiest and the best talent you can have- an alert awareness as to a situation at that moment and how you react to it. Your day to day taking care of your store and your day to day taking care of your operations, situations that are thrown at you - I think I've been blessed with this as a natural kind of trait. I don't remember being trained for it - certainly not in the US Army.

Exchange: The Sy Syms School of Business can provide its students with the language of business - the accounting background, the finance background, etc. Therefore, a lot of the characteristics we the students develop within ourselves are going to be a function of what we choose to work on. What would you suggest to someone who wants to be successful in today's business world, what characteristics does he need by the time he enters the business world.

Sy Syms: I couldn't pin that down completely, but I think some of the things we discussed in class would come into play - to respect your customers and build with them by being straight and honest with them, understanding that you know more about the product than your customer, teach your customer more. I personally feel that you have such a wonderful education, meaning the young men and women who are at the business school. The combination of the education is phenomenal. Your study of the Torah constantly teaches so much in a pragmatic sense - how to conduct business, the ethics of business, as a starting point. The fact that you've been so disciplined and you have created an atmosphere, an aura within yourself of achievement. And when I say this I think I'm talking to the five hundred students in the business school, and all the undergraduates - with that kind of educational background you have a jump-start on your average college graduate. I wouldn't care if you're talking of schools such as Harvard and others. I think there's a jump-start provided here that's a greater feeling of achieving in the future than I've witnessed anywhere.

Exchange: Moving on to recent trends, what role do you see the Internet playing in your business?

Sy Syms: That role right now I believe lies in human resources - in finding new help. We need a clothing department manager in Cincinnati we throw it on the Internet. We need a ladies department manager in Houston we throw it in the Internet. So human resources is one very important role it plays at this stage.

And its a way of us saying we've just received a stock on Nov. 30 of wool suits in all our stores except for Florida. We could get away with doing something like that. Could we sell direct through the Internet? I don't think we can. Otherwise, we would've had a catalog, we would've had something by now for direct mail. We're no good in direct mail - we can't direct mail our names. They [the various clothing lines] wouldn't allow it.

Exchange: What do the next ten years hold for Sy Syms the store and Sy Syms the man?

Sy Syms: We have a few company plans - the first thing, reaching this stage in my life, is to say if G-d willing I'm here in ten years. The immediate future is a few more stores. Our formula is any market that we're in with two million or more in population where we only have one store we want to open a second - that's in Detroit, Baltimore, Atlanta and Houston. In those four cities we hope to have a second store within the next year.

Exchange: Do you ever get to the point where enough is enough and say "I've built this business, it's time to do something else?"

Sy Syms: I really don't know. My six children all have an entity in the business. I wouldn't turn down anybody who wants to buy it at this stage.

A Visit to the NYSE

by Lon Smolensky

"Mine! Yours! Buy! Sell!" All of these might be familiar terms and hand motions for one who took a finance class with Professor Brown. However, on Friday morning, February 7, a group of twenty Sy Syms students from both the uptown and midtown campuses saw these hand motions, first hand, at the New York Stock Exchange (NYSE).

Upon first entering the exchange building, and after a security check, the students walked through a small museum which contained viewing monitors, prerecorded audio voices, colorful photos, and printed posters with literature. These tools helped to illustrate the services and functions that the stock exchange provides. A docent of the exchange was there to answer questions and offer additional information.

After the walk-through museum, there was a ten minute video showing interviews with different personnel of the exchange and runners who work on the floor. Interestingly, the video portrayed the NYSE as being a place where one's money will be handled safely. Many people think of stock as a mere investment vehicle, however, the image that the NYSE is trying to convey to investors is one of safety. The exchange wants people to feel that not only are they making one of the best investments with their money, but also that their investment is being well protected. Through constantly updating its computer network and the implementation of many benchmarks, the NYSE feels that it is has the capacity to accept more investments than it has ever handled in the past, and can, at the same time, create an image of safety.

After the video, students were able to walk to the observation room where the exchange floor could be seen. No one was permitted on the actual exchange floor but there was ample room in the observation room to view the floor of the exchange in action. It was exactly as it appears on the news and in movies, with a flurry of people running in each direction, making numerous phone calls, and writing on little sheets of paper and then discarding them on the floor. "Just to stand and watch the expression on the face of a runner as he moves across the trading floor to different posts is incredible...it takes constant energy and enthusiasm," remarked one Sy Syms junior who attended the trip.

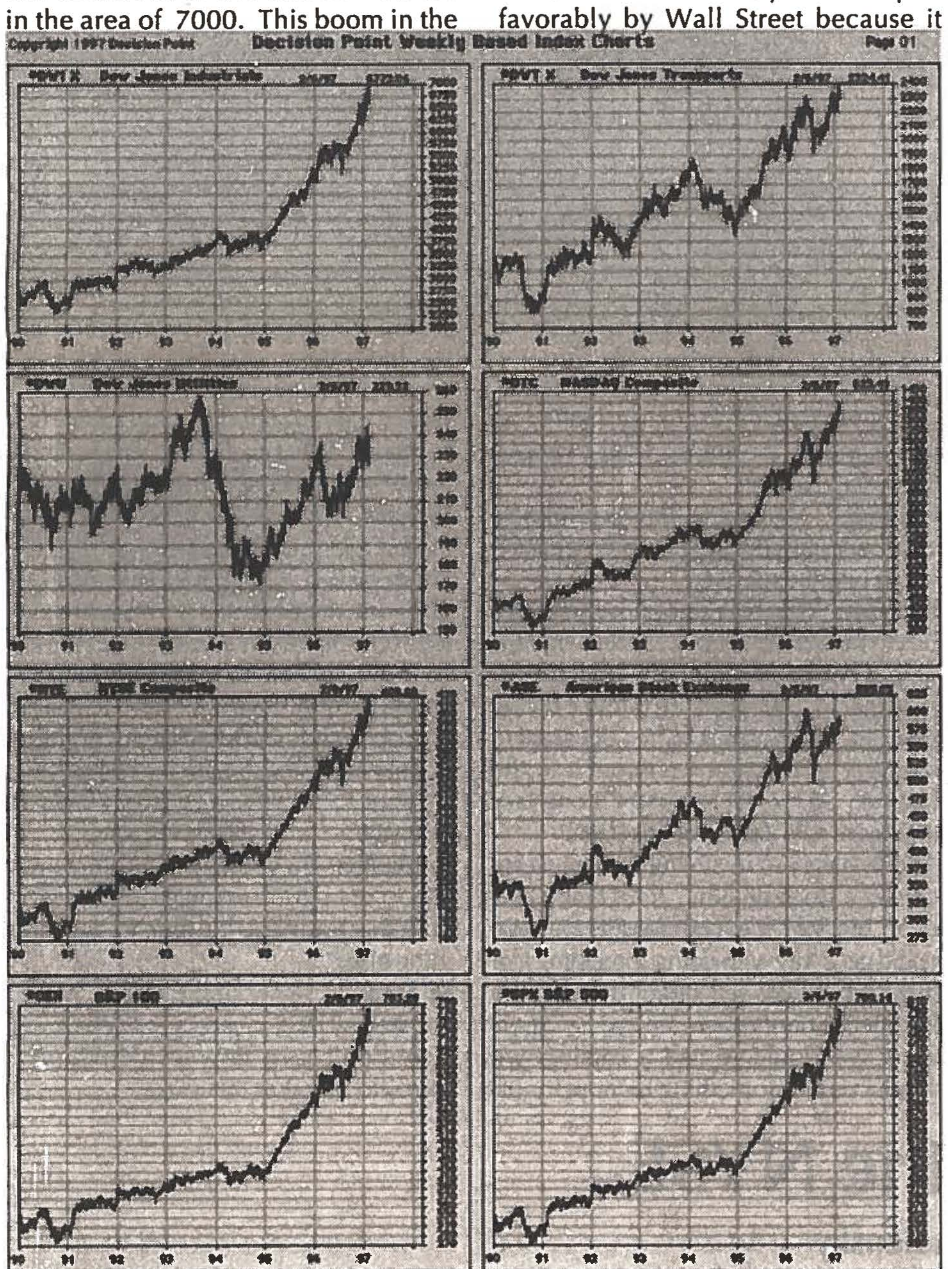
Possibly the best part of the trip was the portion after the visit to the exchange. Everyone was treated to a plethora of pizza at the nearby All American Health Bar. The pizza stop was courtesy of Sy Syms student body president Bennet Schachter. Leaving Wall Street stuffed with pizza was a great ending to a visit of New York City's greatest financial sights.

1996 Year in Review

by David Lieberman

Early in 1996, investors worried that the economy would grow too fast, inflation would pick up and the federal reserve would raise interest rates in order to fend off inflation, thereby, sending financial markets tumbling. Or, just as bad, they worried that the economy would slow rapidly, corporate earnings would fall, and that would push the stock market downward. But the economy avoided both the rock and the hard place during the past year. Growth chugged along at a moderate rate of 2.5%, on par with the Federal Reserve's target, inflation hovered around 3%, and the Fed left interest rates unchanged. Even the presidential election fulfilled Wall Street's dream: It confirmed the status quo.

The economic expansion that the country is experiencing, which today stands at 70 months is the second longest in US history. With everything looking so positive it is almost no surprise that the Dow Jones Industrial Average rose close to 25% last year and has continued to rise and now stands in the area of 7000. This boom in the market actually dates back to the last quarter of 1990, when the Dow stood at 2400. Since then the market has returned over 160%.



The S&P 500, which is a more broad based market indicator, has experienced tremendous growth in the last 5 years as well, with a 150% return. For 1996 the S&P 500 rose about 150 points, or about 25%.

The gains in the market were partly due to the advances of large corporations like IBM, General Electric and United Technologies whose stock prices have rose 85%, 30% and 45%, respectively during the last year.

One of the interesting stocks in 1996 was Dell Computers whose stock price has risen from 32 to 113, a 250% increase. Also, Iomega, the makers of the powerful Zip Drive saw their stock soar from 8 all the way to 43 in May, a 435% increase, but the stock has since fallen back to 17. The best performer on the NYSE this year was Centennial Technologies, the maker of PC Cards, whose stock rose 400% last year. On the Nasdaq, the biggest winner was Viasoft, also a technology company called whose stock rose an amazing 740%. The company's main product is their Existing Systems Workbench which helps corporations prepare their software systems against the dreaded year 2000 problem.

As far as the economy as a whole is concerned, the unemployment rate, one of the most widely looked at indicators of the state of the economy, now stands at 5.4%, down from 5.6% at the beginning of last year. In October of 1996 the rate was down to 5.2%. The recent rise in unemployment rates was actually looked upon favorably by Wall Street because it quelled some fears that inflation had perked up. The current rate has also helped raise questions about the popular belief that the "natural rate" of unemployment is just below 6%, and that if unemployment falls below that, it will almost definitely lead to period of inflation. The logic of that theory is that a low jobless rate would produce a spate of wage and price increases. If workers are scarce, the logic goes, wages rise, and when wages rise, prices rise, when prices rise significantly inflation is soon to follow. Many economists had been predicting a rise in inflation since late 1994 when unemployment fell below 5.5%. Today, of course, there are many new theories that endeavor to explain how the natural rate of unemployment works.

Whether irrational or not, Americans continue to feel strongly about the economy. In a poll conducted by The Wall Street Journal and NBC News, three out of five Americans were satisfied with today's economy, the highest level in years, and a sharp contrast with a year ago when only two of five Americans felt that way. The public also seems optimistic about the short-term future. Almost three in five believe that the economy will remain favorable over the next year. These beliefs do have some statistical backing since The Index of Leading Economic Indicators, which measures a basket of eleven economic indicators ranging from unemployment benefit claims to building permits, rose 0.1% in October. This index forecasts economic trends six to nine months ahead. It was the ninth consecutive month in which the broad based index increased, suggesting that the 5° year old economic expansion will continue in 1997.

As for 1997, economists have yet to see any signs that the economy is getting out of hand. As the stock market continues to soar, with the Dow Jones Industrial Average closing above 7000 for the first time on February 13, up 7.5% so far this year, it is still difficult to find indicators that the economy is overheating.

During January of 1997 one of the most widely talked about subjects in economics was the strength of the US dollar, which now stands at 124 yen/dollar and 1.67 DM/dollar. There was concern that such a strong dollar would hurt US companies with overseas operations because their products have become more expensive in foreign markets. This is because a Japanese worker receives his salary in Yen. An American company selling products there generally bases their prices in dollars. If the Yen buys less dollars American products will cost more. This would hurt their sales, causing lower earnings which would slow the economy and reverse the trends on the market. Yet this has not happened. Many attribute this puzzling reality to the fact that foreigners have been pouring so much money into US markets of late because of the stable economy and strong dollar that it has more than made up for their shying away from US products back home.

Federal Reserve Governor Edward Kelly was quoted as saying at the beginning of this year "we're in the sixth year of an economic expansion and it's hard to see any imbalances that could cause things to change, I expect this to continue with the type of trend growth we're seeing now." So far this year it seems he has been correct.

The History of the Dow Jones

by Avi Karesh & Oren Shimoni

The significance of the Dow Jones Industrial Average in today's busi ness world is unparalleled. Daily we are heralded with record breaking reports as the average continues to climb. So what is "the Dow Jones" anyway? And how is it calculated?

A BRIEF HISTORY

Contrary to popular belief, the Dow Jones Industrial Average is not named after one accomplished individual. Rather it's named after two: Charles Dow and Edward D. Jones, who in the 1880's were working for the Kiernan News Agency. In November 1882, the two left Kiernan to form a company whose objective was to provide slips, detailing the essential news of the day, to financial institutions. In 1883, Dow Jones & Company began printing a news sheet which became the precurser to *The Wall Street Journal.*

"The Journal" was first published on July 8, 1889, with Dow functioning as editor, and Jones dealing with the desk work. As editor of the paper, Dow published his observations on finance and investment.

THE DOW THEORY

From Dow's writings in *The Wall Street Journal*, several analysts derived what became known as "The Dow Theory." The theory was never promulgated by Dow himself, and has gone through many interpretations over the years. However, the basic points of the theory describe the three types of movements in the market. The primary trend takes place over many years and consists of bull and bear markets; secondary movements which place from weeks to months; and day to day fluctuations in the market form the third type of movement which ultimately define the primary trend.

The second part of the Dow Theory states that the industrial average and the railroad average must corroborate each other's direction for there to be a reliable market direction signal. When movement of several weeks or longer are graphed and confined to a range of approximately 5%, a "line" can be drawn and accumulation or distribution determined. When both averages break out above this line, an accumulation is said to have taken place and prices should head higher. When both averages break down below the line, a distribution is said to have taken place and prices should head down. If only one of the averages cross, the move is said to be inconclusive. The logic which supports the theory capitalizes on the fact that both the industrials and transports markets are independent of each other. Still, for the industrials to get their product to market they must use the transports. When industrials do well, so do the transports. However, when one sector is much stronger than the other, a divergence is taking place, which if allowed to continue without the other sector catching up, will mark a major reversal in the market will take place.

Large active stocks generally reflect the market averages. However, individual issues may deviate from the broad averages because of circumstances peculiar to them. The Dow theory also specifies that closing prices should only be used. This is because closing prices reflect the price level at which informed investors are willing to carry positions overnight.

THE AVERAGE - WHAT IS IT?

The DJIA is an index of 30 "blue-chip" stocks. At 100 years of age, it is the oldest US market index. The index is called an 'average,' because it was originally computed by adding together stock prices and dividing by the number of stocks. The Market Index method's creator was Charles Dow. In 1884, Dow attempted to express the market's general levels and trends, by choosing stocks, which in his perception, reflected the general market.

Today, aside from the divisor, which

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ALUMNI PROFILE

Interview With Israel Kaufman:
The "Inside Scoop" on Goldman, Sachs & Co.
by Michael Insel

Can finance executives at major investment banks have their cake and enough time left to enjoy it? Israel Kaufman seems to think so.

Izzy Kaufman is a vice president in the Treasury department at Goldman Sachs, an exclusive group within an organization numbering in excess of 9,000 individuals. The thirty professionals who compose the global Treasury team are predominantly responsible for the long term financing strategies of this Wall Street giant. With assets on the balance sheet of $150 billion and equity capital of $5 billion, a $145 billion dollar financing gap remain that must be covered. "On a day to day basis, we make sure that we have enough long term debt to cover our balance sheet needs and at the same time ensure that the debt/equity mix is precise."

After graduating YU in 1988 with a BS in Economics (his wife is the Sy Syms graduate in the family), and Columbia in 1990, the 22 year old MBA interviewed with Goldman's investment banking department. "At that point," he recalls, "I was interested in pursuing a career in corporate finance and the high stakes dealmaking that it was known for." However, largely due to the discrepancy in age between Mr. Kaufman and the average associate at Goldman, the interviews failed to materialize into a position at investment banking. They hesitated in discarding him completely, though, and recommended him for a rare associate opening at Treasury. As it has turned out, things could hardly have gone better. "Participating in the treasury function at Goldman," Izzy says, "has given me an opportunity to understand the financing of one of the world's great financial services companies."

When asked why he loves what he does for a living, Izzy recounted several essential points. "Good people," he stressed, "are a prerequisite for being happy anywhere, and the people at Goldman really mesh well as a team." Additionally, it doesn't hurt that interesting and exciting work have allowed him to continue to constantly learn new things. "But above all, a position in Treasury allows you to live a life outside of the firm. The myths are all true about the hours in investment banking, and 100 hour work weeks take over your life. Life is short – and I challenge you to show me a job that combines all the benefits and still allows you to pursue your own life interests."

Mr. Kaufman is intent upon creating an environment in his department at Goldman which would provide future Sy Syms graduates with interview opportunities. "Last year I approached my colleagues and proposed that besides the Ivy League schools, we include YU in our analyst applicant pool." They readily agreed, and 12 resumes were submitted by the Placement Office. In fact, two YU students returned for second round interviews, and one actually made it down to the final three applicants.

Mr. Kaufman's initiative and thoughtfulness on behalf of all YU and Sy Syms graduates has already begun to ease entry into industries previously dominated by the Ivy Leagues.

Dow Celebrates 113th Birthday

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has been changed to preserve historical continuity, Dow's methodology remains the same as it was over a hundred years ago. The DJIA is the best known market in the world, partly because it is old enough that many generations of investors have become accustomed to quoting it, and partly because the US market is the world's biggest. Today, the average is made up thirty stocks; a number that has remained constant since 1928. However, the stocks that make up the average change periodically.

The DJIA first broke 1000 in 1966, but know that there is no limit to high the average can go. Meanwhile, remember that it's the market's trend at any given point in time that is most vital statistic, and take note that the DJIA does not predict where the market is headed. Some people do make predictions based in part on their interpretation of DJIA movements, as well as movement of the transportation and utility averages. However, as analysts, we must remember that indexes don't predict anything, but only reflect where the market has been.

THE DJIA AND THE ECONOMY

The DJIA does not reliably reflect or predict economic trends despite the fact that there is much common ground between the two. However, there are other factors involved. For instance, the market frequently rises ahead of economic expansion and falls prior to economic slowdown or contraction. The trouble is that the relationship is not finely correlated. As previously mentioned, there are factors that propel markets and affect the economy. Moreover, many people make the mistake of calibrating their economic expectations to the movement of the DJIA. The result, as Nobel-laureate economist Paul A. Samuelson put it: "The market has predicted nine of the last five recessions."

CRITICISM OF THE DJIA

The DJIA does receive some criticism due to the fact that some higher priced stocks, such as Caterpillar, influence the average greater than lower priced stocks, such as Woolworth. Obviously these people feel that no one stock should influence such a crucial index as the DJIA. Others criticize the fact that there are only 30 stocks representing an average of such import.

Senate to Vote on Proposed Minor

continued from page one

After surveying various students and faculty, the practicality of such a minor seemed to be a concern. Rabbi Carmy wondered how many students would actually pursue such a program. With the already very demanding schedule of a Sy Syms student, Rabbi Carmy speculated that the number of students taking advantage of such a minor would probably be very low. One SSSB Senior commented: "Conceptually, it's a great idea. But practically speaking, it would be nearly impossible for most students. With the overwhelming majority of students spending only three years on campus, they can barely fit in the business requirements as is. Even if a student would be so inclined, he would find that there just isn't the time. You could count the number of students who would take this minor on one hand."

The proposed minor is scheduled to be voted upon at the next student senate meeting, at which time, if passed, it would go on to the curriculum committee for approval.

Virtual M

by Professor Fr

Abstract:
With the 1990s came the downsizing, outsourcing, surfing and the virtual corporation. The obvious 21st century answer to the Virtual Corporation's CEO's need is the Virtual Marketer. What will this marketer of the future look like? What will he/she do? What effect will the changes of the dynamic 90s have on this 21st century hero? Stay tuned.

What a trip. Twenty-five years after Intel Corporation created the microprocessor, and 21 years after teenager Bill Gates opened Microsoft Corporation, computers are the mainsteam. Agencies and media clamor for technology accounts because that's where the money, momentum and excitement are. For a new generation, the fastest , newest software and chips are as central to the 90's as V8s, convertibles and stereos were in the 60's. However, while the technical part of technology is necessary, marketing has been the key that helps drive momentum. It's no longer unusual for a brand to become hot based on a new technology. The trick is to make the brand bigger than the current product so the brand lives on when technology moves on. For advertisers, the 200 year-old game of cat and mouse between trying to get their message into the consumer's head with the consumer trying to have a good day will continue. Technology will accelerate and deepen the process. The bad news is that advertising will become easier to avoid as shareware programs permit viewers to edit out advertising banners out of web sites. Given the fast pace of change, the implications for the marketer loom large.

American Business In Transition

The changes taking place in American business and industry can be divided into four elements: (1) globalization of competition; (2) delayering of organizations; (3) growth of computerization and computer networks; and (4) the emergence of the information highway. As a result, virtual marketers will need to make a wide variety of adjustments if they want their companies to remain competitive in the 21st century. New companies will come into being, and old ones that don't change themselves will die. This is an era of instant communication and fast-changing technologies. It's a era in which customers demand quality and value. It's hard to let go of systems and habits that have developed over a lifetime, but if companies are going to achieve and maintain success, they must continuously reinvent themselves (Insenberg, 1995).

The key mechanism of capitalism is matching buyers and sellers. Who has something that you are interested in? What is the quality, the price? Are there any others bidding on it? This is information. More and more information about goods and services, buyers and sellers, will migrate to the network. Once that happens, people who have been profiting as middlemen passing information along - well, their world becomes very different. Buyers and sellers will go direct. This will cause the number of middlemen to decline drastically.

Virtual marketers of the 21st century will need to intensify their quest for competitiveness. Organizations that learn to search creatively for the future can transform themselves when they confront the chaos of a constantly changing competitive environment. Marketing management can choose from three strategies to cope with their quest for competitiveness: (1) smaller: restructuring their product/service portfolio and downsizing; (2) better: reengineering processes and continuous improvement; and (3) different: reinventing companies and regenerating strategies (Hamel & Prahalad, 1994).

The World Wide Web...A New Communications Medium

..." For the consumers, the World Wide Web provides a quick and easy way to find products and services... With the number of online directories by subject and keyword, potential customers can find a marketer's information or Web site. They can see, hear, and practically feel what companies have to offer. Shops are open 24 hours a day, 365 days a year and online ordering provides a mechanism for easy impulse buying." Vincent Gelormine, "Selling in Cyberspace," Success, May 1995: p 67.

Advertising on the Web needs to be not only easily accessible but also informative. Creating and publicizing a Web site, or placing a Web ad, is akin to sending a salesperson into millions of businesses and homes. Therefore, it is essential that companies send their best marketer.

According to the 1996 Online Advertising Report published by Jupiter Communications of New York, advertisers spent $11.8 million in 1996 on commercial online services and $42.9 million on advertising on the Web. Jupiter forecasts that this will increase to $1.1 billion in 1997 and $5 billion by the year 2000 (Williamson, 1996). These projections are in line with Forrester Research, a Cambridge, Massachusetts firm's study that also suggests that traditional media models that Internet sites use to price ads frustrates media buyers. The report indicates that buyers will move away from purchasing space on individual sites and towards buys on networks of sites. Networks will sell themselves based on content themes or levels of penetration, but all will be capable of running central servers to measure and analyze consumer response.

Advertisers have discovered that in some markets their target segment(s) are already surfing the net and accessible via their Web site. Toyota will invest over $4 million in interactive media and marketing. They found that 56% of Toyota car owners have access to a PC. Additionally, 80% of luxury car owners in general use a PC. (Bradley,1995).

> ***"A useful metaphor is to think of the Web as a cross between an electronic trade show and a community flea market."***

A useful metaphor is to think of the Web as a cross between an electronic trade show and a community flea market. As an electronic trade show, it resembles a giant international exhibition hall where potential buyers can enter at will and visit prospective sellers (Berthon, Pitt and Watson, 1996). As a flea market, the Web possesses the fundamental characteristics of openness, informality, and interactivity—a combination of a community and a marketplace. The central and fundamental problem for both is how to convert visitors casually strolling around the exhibition or market into customers. Similarly, the central dilemma confronting the virtual Web marketer is how to turn surfers into interactors—attracting them to the extent that they become interested, then purchase a product/service, and finally become repeat purchasers by staying interactive.

Small and medium-sized firms are also able to utilize Web advertising as the ease of entry now becomes a competitive advantage for them. Trying to reach only a few hundred or a few thousand prospects is a problem. The economics are sticky. The cost of locating these prospects and reaching them through distribution channels favours scale. But once you are in the electronic world, that distribution bottleneck goes away. Content can and will be aimed at smaller target groups. Media distribution channels will be radically redefined. Today, Web sites can be created at extremely low cost to the modest-size company unlike traditional advertising mediums which are often too expensive for them. For example, New Jersey Online, a Web site that promotes business in the state, spends between $450 and $9,000 per month (Hodges,1996).

A Small Firm Case

Frog's Leap Winery in California's Napa Valley produces wine with a tradition-steeped organic approach to winemaking. Yet its financial management, promotion, and sales techniques are state-of-the-art. Employees use high-tech tools to perform sales forecasting and sales tracking of about 50,000 cases of Sauvignon, Chardonnay, and Merlot wines "down to the last bottle, to the last retailer, to the last salesperson," reports marketing director Julie Wilson (Holzinger, 1995). Improved marketing management and increased sales are two key benefits that could accrue to the owners of small companies as a result not only of advances in information technology but also due to the convergence of the communications, information, and entertainment industries. This consolidation will provide entrepreneurs, their employees, and their customers with affordable access to vast quantities of information in text, video, audio, and other formats.

Marketing Education: A Time To Change

The constant change in technology and the impact of the changing technology have created a mismatch between what is taught in the classroom and workforce requirements. This mismatch has emerged from a curriculum designed for another generation...an era where employees performed repetitive tasks under the direction of autocratic management (Drucker, 1989). Members of the marketing profession in this earlier environment needed only to concern themselves with a few tasks, and those tasks remained fairly constant throughout a marketer's career. Yet, technological advances, labor force shifts, and accelerated demands for up-to-date information presented in usable formats, have resulted in a need for virtual marketers to be able to think and solve problems, and make decisions. Thus the ability to think creatively and solve problems has evolved as a tool most needed by organizations at every level, and by organizations large or small (Carnevale, Gainer & Meltzer, 1990; SCANS, 1991).

> ***"The constant change in technology and the impact of the changing technology have created a mismatch between what is taught in the classroom and workforce requirements."***

Virtual Marketer Skills

The increasing complexity of transactions coupled with the lack of interpersonal support systems has led to a vastly increased perception of risk by many marketers and customers alike. The great challenge facing companies today is to lessen the intensity of this perception felt by those involved in these impersonal transactions. The challenge appears to be to develop individuals with skills that can help firms cope within this environment. This author with many years of business and teaching experience offers the following skills as prerequisites for virtual marketers of the next millennium:

Strong Communication Skills:
Virtual marketers may not have the luxury of communicating face-to-face, which means they miss out on nonverbal as well as verbal cues. They will have to communicate through e-mail, video-conferencing or the telephone/Fax. Thus they need strong verbal and written skills.

Strong Problem Solving Skills:
More and more solutions will have to be implemented independently as firms outsource and reorganize their operations. Marketers will have to tackle problems head-on and often, and be responsible enough to ask for help when needed.

Strong Work Ethic:
Virtual marketers need to be self-disciplined and goal directed. Companies need to look for those who show a quick understanding of what needs to be done, who stay on task, and who deliver results, not excuses.

Self-Confidence and A Sense of Humor:
Virtual marketers need to be realistic and value intelligent risk-taking. Marketing is a people profession and thus subject to setbacks on occasion. Companies need individuals who learn quickly from mistakes in judgement, who can laugh at themselves, and who can move on

arketing

d Palumbo

to the next problem.

Ability To Cope With Technology:
Virtual marketers need to overcome the technophobia that reduces their productivity. Individuals need to be flexible and adaptable, and find the time to understand how computer tools can assist them in achieving their marketing goals.

Of the five skills outlined, use of new technology is the easiest to teach. Most firms can conduct in-house training or send their virtual marketers to refresher courses or computer workshops as the need arises.

Relevant and Practical Learning

Joyner(1996) outlined one example of how technology-based learning activites, integrated within the marketing curriculum, can aid in providing a realistic, relevant and practical learning experience for future marketers.

One marketing professor directs students (Class A) to develop a new product to satisfy a certain set of criteria and then foward via e-mail the new product description to students in another marketing class (Class B). Class B develops procedures to ascertain the acceptance/non-acceptance of the product in the target market—the Class B area. Class B students are also directed to contact Class A students via the Internet on a regular schedule to inform them about the research procedures.

Specifically, Class B students would prepare formal reports detailing the procedures and progress of collecting data to determine the new product's feasibility. Class B students would also be responsible for organizing the collected data to be forwarded via the Internet to Class A students. Class A students, in turn, would use the Class B report to decide whether or not the new product should be placed into full-scale production.

Another example is Professor Ron Thomas' Introduction to Global Business class at Northeastern University in Boston, Massachussets. His class, which is supported by a World Wide Web site, requires online meetings linked to the site as an electronic tool. Skills in using these electronic tools are developed as students are involved in task team coordination and information resource exchanges.

In this whirlwind of electronic excitement, technological polarization is inevitable. At one end of the spectrum there will be the super high-tech households, equipped with multi-media computers and linked to the Internet's World Wide Web for shopping, home banking, education, entertainment, financial planning, and overall communications. At the opposite end, there will be households where advanced technology simply isn't welcome, possibly for economic reasons, but also by preference. Swift, widespread diffusion of new technology rarely happens. It took many years for microwave ovens, VCRs and video cameras to become commonplace. Implicit here is the arrival of technological segmentation as a serious marketing device.

Kotler (1991) argues that the relative cost-effectiveness of advertising and personal selling in performing marketing communication tasks depends on the stage of the buying process. Personal selling becomes more cost-effective the closer the buyer gets to the latter phases in the purchasing sequence. A central question, then, is where does a Web site fit in terms of communication effectiveness. Rather than profile this, we leave this to the reader to ponder.

Virtual marketers will have to learn how to market their goods and services across this expanding spectrum, dealing at the same time with their internal technological challenges. The role of brand managers will change as more tasks become automated and more marketing information becomes available. Greater management expectations for return on marketing investment will place new pressure on marketers and add a level of accountablility. A dichotomy will emerge as marketers will be posed with an interesting conundrum: more choices, more competitive pressures, greater and faster expectation of return on marketing investments, and a growing number of consumer segmentation possibilities, but not necessarily higher marketing budgets (Darling, 1995).

"A dichotomy will emerge as marketers will be posed with an interesting conundrum: more choices, more competitive pressures, greater and faster expectation of return on marketing investments, and a growing number of consumer segmentation possibilities, but not necessarily higher marketing budgets."

Closing Remarks and Caveat

It is important to recognize that, in a myriad of industries, there are practical limits to what technology can accomplish. In sectors of commerce that deal in physical products or provide services that are not based on information transactions, communication technologies can improve operating efficiencies but cannot replace core benefits offered. Telecommunications equipment and the Internet cannot move oil from Oman to France, convey medicine from Indianapolis to hospitals in Jordan, ship grain from Kansas to Russia, or house tourists in Atlanta. Additionally, a potpourri of factors-capital, economies of scale, vast experience, and brand franchise-working in favor of a Royal Dutch/Shell or a Coca-Cola are usually too formidable for smaller firms to overcome, regardless of a challenger's ingenuity in trying to gain a differential advantage.

Retailers this past December 1996 were stung by lackluster holiday sales. Apparently, they need to polish their marketing skills if they want to thrive, the experts warn. A number of retail chains are expected to report only modest 4% gains and several have warned Wall Street that December results will be below expectations (ie. Toys "R" Us). Walter Loeb, publisher of Loeb Retail Letter recently remarked that "retailers must vigorously market their names, their identities, and become better marketers" (Cuneo, 1997). Getting back to basics by blending marketing and merchandising initiatives seems to be the mandate. Sears, Roebuck & Company, a notable exception, posted sales that were the best holiday season on record for the company. Sears not only plowed $40 million into traditional seasonal marketing, but retooled its proven prior year marketing strategy by conducting additional consumer research; a back to-the-basics approach.

Thus, companies and their marketing managers must avoid casting aside their strict disciplines and standards in a mad dash to get on-line and interactive. It's crucial that the virtual marketer combine traditional marketing/communication skills with computer technology know-how. Firms that bank on marketers who are "technologists" who understand hardware and software but have never been required to market anything are doomed to fail. It takes a lot more than tools and the mastery of tools to win this challenging new game. It takes talent, too!

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Sy Syms and Rav Goldwicht Team Up for Successful *Shabbaton*

continued from front page

Torah. Afterwards, there was a break for a few hours during which most people either socialized or rested. Following *mincha* and *seudah shlishit*, Gina Elkon gave the *Shabbaton's final d'var Torah*.

Overall, the *ruach* of the *shabbaton* was incredible, and everyone who attended this *shabbaton* enjoyed it immensely. As Gina Elkon, SSSB '98, said, "It was an amazing *Shabbaton*." SSSB President Bennett Schachter exclaimed, "I've been on Sy Syms *Shabbatons* in the past, and this one far exceeded expectations. It's great to see such a big turnout, and I attribute a lot of that to Rav Goldwicht. Hopefully, we can continue this student enthusiasm and carry it through to different student events."

Fundraising at Yeshiva University

by Dov Emerson

The Yeshiva University Department for Development plays a pivotal role in the continuing existence of the institution. It serves as the chief fund raising division of the university, securing the funds necessary for YU to strengthen its position as one of the premier universities in the country.

The 72nd Annual Hanukkah Convocation and Dinner, held on December 8, 1996, is the most prominent fundraising event of the year. Five distinguished philanthropists and communal leaders, as well as New Jersey Governor Christine Todd Whitman, were given honorary doctoral degrees. The dinner was once again very successful, raising funds for the university in excess of 1 million dollars.

This year's dinner, a 500 dollar per person affair held at The Waldorf-Astoria Hotel, was attended by over 700 people. According to Vice President For Development Mr. Daniel Forman, the annual dinner "provides an opportunity to acknowledge the leadership of benefactors to the university as they receive their honorary doctorates. It gives us a chance to say thanks to those who have been so generous to Yeshiva University." Money was raised from funds paid by the attendees, as well as from the Scroll of Honor, which Forman said, "gives an opportunity for the participants to make an additional gift in honor of either the honorees or a family member, or to memorialize a family member." Money pledged to the scroll totaled in excess of 650,000 dollars. The donor can then decide which school or department within the university they would like their funds to be directed. The honorees are selected by the board of YU from a list of recommended recipients compiled by the executive board and administration of the school. Forman stated that not only are honorees selected on the basis of their financial leadership in supporting YU, but are also selected for their roles as leaders in their respective communities and in world Jewry.

The attendees constituted a broad base and were made up of four principle categories. These included contributors of 1000 dollars or more to YU, family and friends of the honorees, alumni, and a group defined by Forman as "Friends of YU." These are people who "we would like to get more involved with the university."

Fundraising Methods

While the dinner is a major event on the Yeshiva University fundraising calendar, it represents just one of the many approaches taken by the Department for Development in securing needed funds for the school. Forman outlined four of the main means by which funds are raised. The first method, which he called the "face to face solicitation model," is "a very important way of raising funds for the university," and is designed to "involve board members, the president of the university, and our staff in reaching out to new friends within New York City and the greater country to create new linkages and partnerships." This method is achieved by board members inviting people who are not currently involved with YU to come learn about it. "We try to be donor centered," said Forman. "That is, we listen to the interests of the donor and try to match them up with a particular school or division within the university that suits their interests. As a result of these matches, we often end up with a new relationship and a new gift."

The second approach in fundraising is centered around the board of each particular school within Yeshiva University. They fundraise by holding annual dinners, such as the Annual Sy Syms School of Business Dinner, and by identifying new prospects for the university to meet and solicit their interest.

Two relatively new programs round out the list of YU fundraising projects. The first of these two is a "new initiative with the alumni of YU," according to Forman. A new University Director of Alumni Affairs position has been created, whose purpose is to "enhance new services for alumni so that we can create relationships and partnerships which will eventually result in alumni giving back to the university." This position is held by Mr. Robert Saltzman, who stated the goals of his department: "One of Yeshiva University's greatest assets is its 40,000 graduates, who are all potential ambassadors for the school. Our mission is to get alumni involved, and to remind them that they are still part of the YU family. There are many equally valuable ways for them to help the school, through their time, money, and advice." He also made mention of the new Sy Syms School of Business Alumni Association, which "has over 500 alumni, and is doing a great job in helping the school and each other."

Perhaps the most interesting of the fundraising methods employed by the Department for Development is a new program called planned giving, in which Forman described as "the university benefiting the individual while the individual benefits the university." A new booklet, entitled "Partnership Through Planned Giving: Achieving your Financial Goals with Yeshiva University" has recently been printed and distributed to possible donors. The booklet outlines the many different plans available for an individual to donate large sums of money to the university while enjoying significant tax savings and estate benefits. Individuals can, for instance, give a donation in the form of "Charitable Lead Trusts," as they are called in the booklet. These trusts enable donors to support YU while retaining the remainder interest in the assets or conveying the assets to beneficiaries, such as children or grandchildren. According to the booklet, under such an agreement, "assets (e.g., real estate, securities, partnership interests, etc.) are placed in a lead trust for a fixed number of years, with the income earned going to Yeshiva University. When the years have passed, the lead trust terminates and the assets go to the person or persons named in the agreement. In this manner, estate taxes can be reduced or even eliminated." Charitable gift annuities are another way of donating money to YU. Assets are transferred to YU which, in turn, agrees to make regular fixed payments to the donor or their beneficiaries. The benefits of an annuity such as this are stated in the booklet: "contractually guaranteed, specified, regular income (part of which may be tax-free); an immediate income tax deduction," as well as possible estate tax savings. Forman pointed out that over half of the 61 million dollars raised by Yeshiva University in the last budget year came from planned and estate gifts.

Department For Development

The Department for Development at YU oversees all of the school's fund raising. The two main locations are at the main campus and at Albert Einstein College of Medicine. There is also a staff representative working at Benjamin N. Cardozo School of Law. Forman noted that while the Department for Development does have these physical headquarters, "if everyone is doing their job right, the staff won't be by their offices. The staff is often on the road, meeting with donors at their place of work or residence, and also on site of the various schools, working closely with the deans and faculty."

In determining the funds needed for each school within the university, the Department for Development has several approaches. The first step is to look at the previous year's budget, which is a generally accurate forecast of the school's needs for the following year. Another way of determining the needs of each school has been implemented in the last year, and it is called "prioritizing" by Mr. Forman. He described how the Department for Development recently requested each of the deans to work with their respective faculties to determine needs for the annual budget as well as for the future. They were asked to think about which strengths they wanted their school to be known for, and to request funds for those programs which they felt would attract students. Mr. Forman explained that "prioritizing is done of the needs of each school in relation to needs such as growth, expansion, and technology as well as scholarship assistance, and chairs in the faculty. At the same time, we determine what will continue to strengthen our academic standing in the country, and work on those needs as well." Once a set of needs has been established according to priority, the Department for Development attempts to find donors to match these needs.

An example cited by Forman of this prioritizing is currently taking place within the Sy Syms School of Business. The administration of SSSB, working with the Department for Development, is attempting to establish an Institute of Entrepreneurial Studies for students interested in starting their own businesses or joining a family business. This institute, which will grow from the current "Problems in Contemporary Business" class into a sequence of classes, was determined by the administration at SSSB to be very important to continue to establish SSSB as a premier institution. As a result, the Department for Development is currently attempting to find possible donors whose interests match this type of program.

The Future of Fundraising

Mr. Forman believes that fundraising is a rapidly changing field, and what worked in the past will not necessarily be effective in the future. Citing a statistic that in the next ten years, over four trillion dollars in assets will be transferred from one generation to another in the United States, he affirmed that the department's plans for the future include increased emphasis on planned giving. He also stressed the importance of attracting the next generation of leadership as they "go up the corporate ladder and become successes before they reach the pinnacle. Therefore," he stated, "our definition of development is involving people in meaningful relationships with the university before we ask for their support. As a result, when they have enough assets to make a difference philanthropically, they're already part of our family. Therefore, this investment of time and energy in development must have a long view, and that's based on positive relationships with people."

However, the Vice President For Development stated unequivocally that "our best investment is our students." He remarked that alumni services "is an area where we have not paid as much attention to as we should have," and that even though the funds generated by them is lesser than other groups of donors, "we plan to continue to establish a long and productive relationship with our alumni."

The Field of Development

While Mr. Forman has background experience in both social work and business, he believes that the development field is open to anyone "who enjoys other people, wants to make a difference in the world, and believe in the message of the institution they represent. I have hired housewives, doctors, and scientists. The common denominator is their desire to make a difference and their ability to work with others."

SY SYMS SCHOOL OF BUSINESS

ISRAEL REPORT

Capital Chasers

by Dov Robinson

Logic will tell you that if you are in the field of technology and looking for investors, you might want to check out where the other tech-firms are getting theirs, especially if the investors are willing to pay top dollar. For years, many Israeli companies of all sizes have opted to go public on American soil rather than in their own market, the Tel-Aviv Stock Exchange (TASE). So far, twenty-two firms, most being small, tech-based outfits that service the Internet, held Initial Public Offerings on the technology-laden NASDAQ Exchange during 1995 and the first four months of 1996. Their total take came to over $770 million. The obvious question is: why can't these companies raise money on their own turf? The enormous American capital markets are sure to attract some foreign players, but the combination of the desire of high-technology firms for industry recognition, poor Israeli economic numbers, investment advantages, and sheer disgust with the entire TASE system are essential reasons why the TASE is quickly losing ground to the NASDAQ as the primary resource for capital growth.

In addition to recognition, there is a simpler reason for the Israeli rush to Wall Street. Many companies are finding it increasingly difficult to obtain sufficient capital for growth. Inflation has driven up local costs in shekels by about 8%, driving interest rates through the ceiling. With the banks asking for 20% last year, interest payments alone have scared prospective loan takers away, even though maturity dates have been shortened. Banks set tougher loan standards after many deals went bad. Additionally, because bank rates are so high, Israeli investors have put their savings in two to five year inflation-adjusted, tax and risk-free savings accounts which earn up to 4-5%, thereby leaving very little money to invest in stocks.

The fact is that investors have been a little apprehensive about investing in TASE at all because of the crash of 1994. Many companies had invested heavy amounts of capital earnings in speculative markets when the market was actually healthy, but a few badly placed bets snowballed, trust was lost, and prices fell through the floor. Recent manipulations and the ongoing trials of senior officials from banks and bank-owned investment institutions have apparently convinced the public that its money is best kept out of the TASE. As shown in the chart below, investors are much better off putting their money in the higher yielding (average weighted return of 49%) Israeli stocks traded on the NASDAQ rather than those only traded on the TASE (return of 23%), even though the solely Israeli traded companies have a greater operational profit than do the American traded stocks. In addition, Israelis are not required to pay capital gains tax. Paradoxically, earnings per share (*EPS*) and price/earnings (*P/E*) ratios are relatively high for Israeli companies, but are only relevant if the company profits are distributed as dividends. Dividend distributions are rare as the Israeli Finance Ministry puts large taxes on companies paying dividends. Further, low volume of trading activity makes for meager capital gains. On most days, one of the bigger Israeli companies will generate more trading volume on the NASDAQ than the entire TASE.

With bank loans being too expensive for many firms, another option in obtaining capital would be to issue stock on the TASE. However, there are equally as many problems in the equity market as well. The TASE is steeped in impediments and complexities ranging from the three confusing floor trading systems to the dangerously high concentration of conglomerates. Traders must be adept at being able to quickly convert percentages (which the stocks are traded at) into prices, and visaversa. TASE is renowned for having one of the highest concentration of conglomerates of any stock exchange in the world. Of the 1000 plus securities listed, 100 account for 70% (25 million) of the total security daily average value (35 million). The big disadvantage is that these conglomerates often shift earnings from profitable companies to those that haven't done so well and could use a cash boost. The shareholder gets stuck in the middle with nothing to show for a good investment. Generally, many companies on the TASE own as much as 80-90% of their own company stock, which translates into low shareholder input and unhealthy stock prices. A few Israeli companies are so disgusted with TASE's systems and policies that they aren't even registered for trading there.

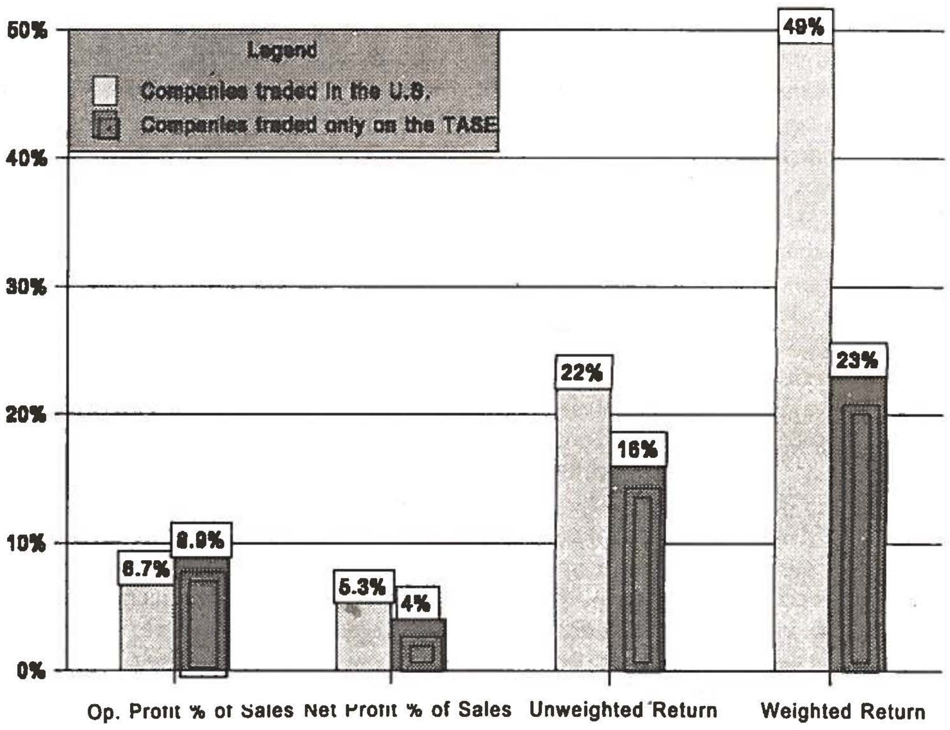
Many more small Israeli outfits are looking to Wall Street, having reached the point where an IPO is possible and needed. Because of the recent IPO boom on the NASDAQ, especially in high-tech stocks, the red carpet is being rolled out for the Israelis. Some of Israel's blue chip stocks, including Koor Industries, are also steaming full speed ahead for New York. Big firms like Koor seek to broaden their horizons and shareholder base where everybody will see them.

Elron, one of the main holding companies in Israel's electronics industry, recently enjoyed a successful IPO on the NASDAQ. Chip Express, a manufacturer of dedicated semiconductor chips with a useful rapid prototyping technology for chips, will probably follow suit. Many companies have looked to venture capital to solve their cash quest, but large amounts aren't to be found inside Israel's borders.

While it may sound like all Israeli companies are going to hop on the boat to America, many companies do have their share of problems on Wall Street as well. Teva Pharmaceuticals, Israel's largest generic drug company, is presently in the middle of a diplomatic bull fight with the U.S. ambassador to Israel , Martin Indyk. Indyk is relentlessly pushing U.S. trade interests as a central part of his job, while Teva wants the Israeli government to change the patent law in order to help the company develop drugs even before the existing patent expires. "If Israel lets the interests of one company [Teva] bring about an amendment to the patent law for its benefit," Mr. Indyk warns, " the matter will hurt trade relations between the two countries."

It really comes down to a simple fact: many companies can't raise the money they need in their home Israeli market and must seek it elsewhere. The NASDAQ, which contains so many stocks similar to those found in Israel, is the perfect haven. While providing recognition and a distinct investment and system advantages, it still enables a foreign stock to be traded on its home stock exchange. While there are attractive companies on the TASE that do attract foreign investors, IPOs in Tel-Aviv have become a thing of the past. If Israel wishes to keep its capital chasers at home, it has a long way to go.

The Wall Street Wonder



Spotlight On The Job Search:

How Headhunters Can Help You

by Alan A. Epstein

Headhunters earn a living by matching the right person with a job. Their success depends on being accurate, as well as on the attitude they project, and the control they exert over the hiring process. Once they have identified a good match, headhunters use special methods to ensure that their candidate secures a competitive job offer.

In America, there are two ways to find a new job. One is to get a call from a headhunter who will prep an individual on how to knock the socks off his client in an interview. The other way is to use America's antiquated employment system. In this system one works with classified ads, resumes, cover letters, human resources experts, career counselors, personnel representatives and little postcards that say "unfortunately, we do not have a position for you at this time." Hundreds of resumes are sent out, countless interviews are attended, and hours wasted waiting by the phone.

For decades, hiring in America has been controlled by the rules and methods of the employment system. Everyone encounters it. The system permeates the want ads, "job hunting" books, resume writing guides, career advice columns, government issued employment brochures and career counseling seminars. The "system" is so ingrained in America's consciousness that people automatically follow it when they need to find a job. It is the treadmill one gets on when one begins the process of mailing out resumes and going to interviews. It is the frustration experienced worrying and waiting for a company to make an offer. The rules of the "system" are so pervasive that no one can help but be affected by them. The odd thing is, the people who manage and profit from this system earn a living whether the job searcher succeeds or not.

Headhunters understand that the "system" does not work, but they are not very vocal about it. Their business is to effectively perform those functions that the "system" handles so poorly. Headhunters have developed methods that work because they must. Their sole source of income is derived from finding competitive job offers. Headhunters work outside the "system." They are the "hired guns" who live by their wits and their skills. Headhunters have no reason to make a lot of noise about what they do. Since their methods work, corporations retain them. In the minds of most Americans, there is no option but the "system." They are at its mercy. The more powerful methods of the headhunter have remained quietly buried beneath this burden of ineffective tradition that hinders America's battle with unemployment.

Headhunters are cornered at social and professional gatherings just like doctors are. People are hungry for help and advice about how to keep their jobs, survive the transition from one to the other. IBM, Hewlett-Packard, General Electric, Xerox and Honeywell, as well as numerous other middle and small-sized companies, are all utilizing headhunters' services.

Headhunters possess a rare kind of knowledge – they know how to navigate the right person into a good job. Headhunters are not necessarily exceptionally smart individuals. Rather, they relentlessly spend all their time doing one thing: successfully putting jobs and people together. This is a task most have to do only a few times in their lives. Headhunters are very good at it because they do it day-in, day-out for living. There is only *one* rule for success in a job search, and almost no one follows it: one must prove to a prospective employer that they can do the job he or she needs to have done, in a profitable manner. This is the cardinal rule of headhunters when they prepare a candidate to interview for a job.

The employment system is not in control of anyone's job search. Headhunters prove this every day when they bypass personnel departments, classified ads and interview lines. Personnel departments will try to control that person seeking a job. They will tell an individual not to call the manager he or she wishes to work for. But they cannot stop this practice. At a 1994 resume-writers' convention, personnel managers confessed that one's best strategy is to avoid personnel departments. Only one looking for a position is responsible for outcome of the search and the methods used.

Companies use headhunters to hire people for critical jobs. Headhunters prepare good workers to walk in the door and win offers by proving that they can add value to a company's bottom line.

Only three people have a vested interest in the outcome of one's job search: the prospective employee, the prospective employer, and a headhunter if one is involved. Anyone else involved is simply trying to get in the way. The manager will help the job searcher win the job, if this will solve his problem. He stands to gain a lot. A headhunter who has found this employee will also gain if a hiring occurs.

If human resources experts were good at matching people with jobs, headhunters would not exist. Managers go to headhunters when they need to fill a position because they know the headhunter is focused on one thing: winning a job offer for the person who can do the job. The manager is willing to pay handsomely for a vital service his own human resources department cannot provide. The manager depends on the headhunter's methods. Clearly, finding and securing a job through a headhunter is the fastest and most efficient way to

STREET SMARTS

by Michael Spivak

I would like to begin this column by quoting the great humor columnist Dave Barry: "Under the current laws of physics, there is no possible way that 1996 can be repeated." Many Wall Street investors might be disappointed by that fact; except for a slight "correction" in July, we are in the midst of one of the most remarkable bull markets in modern history.

And yet, it seems that in 1996, investors were more apprehensive than ever. For the last two years, your neighbor, who would speak to you while peering over the fence separating your respective backyards, (like Wilson on Home Improvement), had been whispering to you things like "the market is gonna crash soon." "No, I was wrong about last month. This month it will definitely crash... you watch!" "I was kidding last week... this week will be the week that the market tumbles... trust me.." and so on.

Even Alan Greenspan seemed to be in on it: In December, the Federal Reserve Chairman wondered aloud if "irrational exuberance" might be playing a role in the market's soaring value. Traders reacted to his remarks with something less than exuberance; within minutes of his speech, stock prices overseas plunged. The NYSE also took a hit when it opened the following morning, but recovered late in the day. Greenspan and his Federal Reserve colleagues could hardly believe how much the investing community had latched onto his vague words. A syndicated cartoon appeared the following week showing the Fed Chairman inadvertently letting out a burp, and investors yelling "Buy! Sell!" But as market prices continue to surge ahead (as this article was going to press, the Dow had climbed past 6900), interest rates, which many consider a prime indicator of the market's future course, have continued to remain stable. As new money pours into the market (monthly cash flows into mutual funds last year averaged an unbelievable $19 billion), bargains have begun to disappear, making life a nightmare for growth fund managers. In addition, the increasing ability of the individual investor to access sources of information (via such vehicles as the World Wide Web) that had previously been available only to corporate traders has given the individual investor much more leverage in the marketplace.

But enough about the stock market. Let's discuss that portion of the investing world that for the most part has been outside the realm of the typical individual investor and has primarily been the domain of Harvard and Wharton MBAs: private equity. More commonly known as venture capitalists, these *übër*-investors have found a new promised land overseas, and it isn't in Moscow or Beijing. Yes, it's that Promised Land that we here at Sy Syms are so familiar with: the land of (powdered) Milk and Honey, of Telma Cornflakes, of the Western Wall, and, yep, high-technology startups. Israel has suddenly become the darling of American venture capitalists. A recent Business Week magazine article highlighted the skyrocketing capital investments that American private equity financiers are pouring into a country smaller in size than New Jersey.

Investors who had only recently ruled out financing Israeli-based companies because of that country's continuing political instability have now found themselves taking large interests in the exploding Israeli high-technology field. Intel, the world's premier producer of computer chips, recently concluded a multi-billion dollar deal to expand its already huge presence in the Jewish state. After the United States, Israeli companies had more high-tech Initial Public Offerings on Wall Street in 1996 than any other country in the world.

A country rumored to have 200,000 Russian immigrant nuclear physicists working as street-sweepers, Israel is rapidly being appreciated by the financial world as a gold mine of over-educated citizenry who understand and appreciate modern technology. A recent poll by an Israeli newspaper concluded that Israel has the highest per-capita computer-to-citizen ratio in the world.

So what does all this mean to the average investor? Well, in the 1960s and 1970s, the running joke among Israelis was that an investment by an American in Israel usually wound up being more of a donation, as many foreign investors were bilked by their Israeli counterparts. While the typical Israeli businessman may still be viewed by many Americans as the crafty sabra who is always looking to make an extra shekel, the rapidly emerging high-technology companies in Israel have given individuals in the United States an opportunity to make investments of "biblical proportions."

Top Ten Excuses Finance Majors Give For Not Getting Jobs:

10. **Thought interview answers had to be in form of a question**
9. **The market's going to crash**
8. **Those @#%^ accounting majors**
7. **Those Wharton guys wanted it more**
6. **Didn't get the signing bonus we wanted**
5. **We can make a living off the Sy Syms Investment club**
4. **Mondo wasn't hiring**
3. **We're marrying rich**
2. **Money isn't everything**
1. **We wanted to go to law school anyway!**

SY SYMS SCHOOL OF BUSINESS

Looking For a Job? Try the web

by Chaim Haas

In the past, someone looking for a job would have to mull over page after page of newsprint to find even a handful of job opportunities in their prospective employment field. Fortunately, the World Wide Web has made this task as simple as point and click. Recently, a large number of sites have sprouted up all over the web, offerring large databases of job classifieds that can be easily searched.

One of the largest of these sites, Careerpath.com, has a searchable database of two weeks worth of help wanted ads, in over 100 job categories, culled from 27 regional newspapers from all over the country. Included among these is The New York Times, The Boston Globe, The Los Angeles Times, The Washington Post, The Baltimore Sun and the Chicago Tribune. In a recent experience with this database, I was looking for an advertising position in only The New York Times. I searched the records from the past two weeks and received 109 listings fitting this criteria, quite a sufficient number to peruse.

Therefore, if one wishes to limit his or her search, he must try to narrow down his search through the use of keywords pertaining to the job he is looking for. Examples of useful keywords for narrowing down searches are job titles, company locations, and company names. By adeptly using keywords, one should still be able to receive a reasonable number of responses, while saving time in what would ordinarily be a tedious manual process.

Another service that provides a similar service is Career Mosaic. Career Mosaic lists jobs specifically submitted by companies to their service. At this site, one may find additional information about prospective employers, corporate cultures, and skills that employers look for. Career Mosaic also provides links to online career fairs, as well as an online resume database. [*Please be aware that the Office of Placement & Career Services discourages using these online resume services because of the potential for an invasion of your privacy.*]

Another excellent site on the web is Jobtrak. They have partnered with over 500 college and university career centers in the country to provide information that students and recent graduates need most. The site boasts over 2,100 new full and part-time job openings each day. Jobtrak has the added benefit of providing listings for a broader spectrum of careers than are found in some of the other Web sites geared toward job seekers.

Also to be found at Jobtrak is The Riley Guide, a very broad listing of employment opportunities and job resources on the Internet. This publication is currently in its third year of service and also has links to other sites that offer tips users for utilizing the Internet for job searches. Other links from this site provide job information on a per state basis, and can be very useful if one is looking for employment in a certain locale.

The National Association of Colleges and Employers JobWeb is an electronic gateway to career planning and employment information, job-search articles and tips, job listings, and company information for college students, recent graduates and alumni. There are also significant resources for college career services and employment professionals, including career and employment information, training, and services sponsored by the National Association of Colleges and Employers, formerly the College Placement Council. This is a great resource for researching potential employers.

This column only covers a small sampling of the job search sites that are available online, and many more sites can be found by just going out and surfing on your own.

LIST OF LINKS

Careerpath.com
http://www.careerpath.com

Career Mosaic
http://www.careermosaic.com

JobTrak
http://www.jobtrak.com

The Riley Guide
http://www.jobtrak.com/jobguide/

JobWeb
http://www.jobweb.org

Troubled Times For America Online

by Yitzhak Raab

This past December, the management at America Online foresaw potential problems developing within their company. Although America Online was by far the world's most popular Internet service with over seven million customers, there was a fear that their market share would begin to shrink. Cheaper, more basic Internet providers were popping up every day, and many of the services provided by America Online were available on the Internet at a much cheaper price. It was time for America Online to do something to hold on to their current customers, continue to build their customer base, and prove that they were still the best online service available.

The company's first move was to distribute millions of disks with their software. By the time this stage was complete, America Online disks could be found almost anywhere. The second stage of the marketing plan involved the price of their services. America Online's billing system was based on hours used per month. Most other Internet access providers charged a flat fee for unlimited use or fifty hours a month. America Online decided that as of December 1st, there would be a flat fee pricing system of $20 a month for unlimited service. They hoped that money lost from fees would be made up by advertisers who would want to take advantage of the millions of America Online customers. The third step of the marketing plan was to increase the services provided.

A final component planned was a upgrade of their system in order to handle the expected new demand. Since July, AOL has in fact been increasing their network capacity.

The marketing plan worked perfectly. America online, already the market leader in customers, increased their customer base tremendously. They recently announced that they have surpassed eight million customers worldwide, with a 1.2 million customer increase in the last quarter of 1996 alone, a number higher than any predicted by AOL analysts.

Although a wider customer base is usually what a company hopes for, in this case it was a mixed blessing. Not only did their usage increase from all the new customers logging on, but also existing members increased their usage because of all the new services being offered. The average AOL user now spends twice as much time online than in September 1996. Users spent 102 million hours online compared to the 45 million spent online in September.

America Online was not ready for this surge in usage, even with all the upgrading they preformed. As a result, America Online has experienced many problems such as power outages, and complaints by customers about busy signals. The most recent power outage was February 5th, when customers were unable to log on to the system for almost three hours.

These problems have forced America Online to reexamine their entire strategy. The customers that they recently signed up will not remain if they can not get online. America Online's first priority is now to make sure that every member can get online without any problem. They have now decided to stop trying to attract new customers until they can properly accommodate the eight million customers they currently have. Steve Case, chairman of America Online, Inc., reported that "as part of our continuing commitment to meeting the needs of existing members, we have sharply reduced our marketing activities."

Instead of spending their money on marketing, funds are being directed towards upgrading their system. Some of the measures being taken include an expansion of their system from a $250 million system to a $350 million system, and the leasing of thousands of modems in order to be ready as soon as possible.

America Online may eventually have their system working properly, but they may not be able to fully recover from the damage done. When America Online announced their unlimited use pricing system, they also said that customers may experience busy signals during peak periods. However, customers were so dissatisfied, many filed lawsuits. As a result of these lawsuits America Online has had to reimburse some customers for a total charge of over $24 million. AOL has also expanded their cancellation options in order to handle all the cancellation requests that are coming in. America Online has also had to make agreements with over 37 states whose top attorneys were planning lawsuits. In Washington state, for example, America Online has been banned from advertising until they improve their system.

Beside the lawsuits against America Online, there has also been negative advertising by their competitors. During the superbowl, CompuServe aired the commercial called "the busy signal." They did not mention America Online by name, but, in the height of AOL's troubles, it was clear to whom the commercial was directed.

Despite its problems, AOL, with eight million customers should still be turning a tidy profit. This is not the case, though. The additional advertising revenue that America Online was expecting, has not yet arrived. Additionally, the money being spent on upgrading the system is so much, that, although revenues are high, profits are low.

It appears that America Online's plan to stay on top of the industry has made them the biggest company by far, but it has not made them the best company. The most important part of being an Internet access provider is to provide access to the Internet. America Online may have the best online services, but it is the Internet that most subscribers are interested in. With the anticipation of the World Wide Web at everyone's fingertips, subscribers will not tolerate a busy signal.

Market Safety

continued from back page

to get in and out of the market. The temptation is to buy when stocks have just gone up and sell when they have just gone down. This is "buy high/sell low" the opposite of the way to make money. However since it is impossible to predict highs and lows, :buy regularly" is the best appro ch.

The second way to lose money is to choose bad stocks. All the figures from this article are based on buying the S&P500, essentially the 500 largestpublic corporations. Even in a good market there are plenty of stocks that go down and stay down. And individual stocks oftewn go down and stay down (it is called "bankrupcy").

Anyone can avoid this second problem by buying an "index fund". This is a mutual fund that collects money from many investors and buys a specific basket of stocks. For example, if you put $5,000 in the Vanguard Index 500 you will have $10 invested in each of the 500 companies in the S&P500 index (actually you will have more invested in the bigger companies, less in the smaller, but that is the general idea).

To return to our original question, "how safe is the stock market?" we can answer: "A long term investor who makes regular contributions to a diversified portfolio and is flexible about when the money is needed has always been safe in the past and is probably as safe as it is possible to be in the future."

Personal Investment Strategy

How Safe is the Stock Market?

by Professor Brown

How safe is the stock market? This question occupies the minds of tens of millions of people who have just begun investing in it in the last few years. It also concerns people who have not yet invested, but are told their only hope for financial security lies in the stock market. Even veteran stock market investors get worried when the market hits all-time highs (they also worry at all-time lows and every point in between).

One answer is, "not safe at all." The stock market can fall 84% as it did over the three years from July, 1929 to June, 1932. It can fall 20% in one day as it did on October 19, 1987. Four times in the last 70 years, the stock market has fallen more than 20% in one year.

While it is true that the stock market can go down, suddenly and deeply down, it cannot stay down. This is why long-term stock market investors do not fear crashes. Say you buy stock when the Dow Jones Industrial Average is 6,500. The market repeats its depression-era performance and drops to 1,000. Over the next ten years it slowly works back up to 4,000.

If you sold out at the crash, you would have a return of negative 85%. If you held on for the ten years, you would have a loss of 38%. Actually dividends would just about make this up so you would break even. But a 0% return is nothing to get excited about.

However, suppose you put $100 in the stock market every month for the full ten years. That is a total investment of $12,000; it would be worth over $26,000 at the end of the period. Your annual return would be about 14.5% per year. Thus a long-term investor who makes regular contributions need not fear crashes.

How does this work historically? Suppose you put $100 in the stock market every month and kept it up until your investment has doubled. On average it has taken ten years for this to happen, you invest a total of $12,000 and end up with $24,000. The average annual return for this strategy is 15%.

Technical Note I to Finance Majors Only, all others skip this paragraph.

You may be thinking of the Rule of 72 which says doubling your money in ten years represents approximately a 72/10 = 7.2% return. But in this scheme only 1/120 of your money is invested for the full ten years. Some is invested for nine years, some for eight years and so on. The last $100 is invested for only one month. Therefore your average $100 is invested for about five years so your return is approximately 72/5 = 14.4%.

In good years for this strategy: 1932, 1937, 1940, 1949 and 1978-82, you doubled your money in only five years getting annual returns of almost 30%. In bad years, 1929-31 and 1958-1962, it took 20 years giving an annual returns as low as 6.5%. Even the 6.5% is pretty good compared to the 3.75% to 5.25% offered by corporate bonds during these years.

This strategy, putting a fixed amount in the stock market every month until your total investment has doubled, has always worked in the past. At worst it produces returns a few percent above bond yields, at best it produces spectacular returns. The average return of 15% is enough to fuel most sensible financial plans.

Technical Note II to Finance Majors Only, all others skip this paragraph.

You will recall that the average return of the stock market is only about 12% and that no mechanical timing strategy can improve that. So how do we get 15%? The answer is that when you get the high returns, like 30%, you get them only for a short period of time (five years). When you get the low returns you get them for 20 years. So while the average return is 15% each time you try this strategy, your total return from doing this strategy many times will be 12%.

There are two drawbacks to this strategy, one financial and one psychological. The psychological one is that you must continue to invest constant amounts whether the market is up or down. Every day there are articles in the newspaper about why now is the time to get in or get out of the market. When the market is going up, some writers point to the recent gains as proof the market is good, other writers say remind us that "what goes up must come down." When the market is going down, some writers tout alternatives to the disappointing stock market, other writers emphasize how cheap stocks are. It is hard to maintain the steady discipline needed to tame the stock market's volatility.

The financial problem is that you must be prepared to leave your money in for twenty years and you cannot predict when it will be available. That means if you need money at a particular time, say when your daughter turns 18 and wants her college tuition money, the stock market can be dangerous. Even if you can be flexible about the time, the stock market is dangerous over short periods of time. For example if you are saving for a house down payment, and just want the money sometime in the next three years, you are flexible but you do not have enough time to make the stock market safe.

Therefore we need more complex investment strategies for these types of situations. But the bulk of most people's investment needs are for long-term, indefinite-horizon savings. That is why the bulk of most people's investments should be in the stock market.

Of course, all of this analysis depends on the premise that the stock market cannot stay down. What if the Dow Jones Industrial Average falls from 6,500 to 1,000 and stays there? Or even continues down forever? In that case stocks would not be an attractive investment however steadily you contribute money.

Why do I think the stock market cannot stay down? One important reason is that it never has. But other investments have stayed down. Gold went from $800 per ounce in 1979 to under $400; it has never gone back up and there is no reason to think it ever will. Many other investments have gone down forever.

However there is a fundamental economic reason for thinking that the stock market is different. Common stockholders are entitled to the profits of corporations, corporations represent 85% of the economy. If the stock market went down and stayed down it means that 85% of the economy is not generating any profits.

What would be a good investment in this scenario? Corporate bonds are out because if corporations are not making any profits they will soon start missing interest payments as well. The attempt to meet fixed charges, without being able to raise new debt or equity capital, will force corporations to lay off workers and stop buying commodities. So wages and commodity prices would fall as well.

Government bonds could continue to pay dollars as long as the printing presses are working, but the value of those dollars depends on tax revenues. Tax revenues, in turn, depend on corporate profits, corporate interest payments and wages. With all these falling the government would have to choose between undermining the dollar by running huge deficits or defaulting on the national debt.

Therefore a long-term failure of the stock market implies a deep depression and a currency or government debt crisis. In this scenario there are no good investments (except, possibly, canned food and guns). So you might as well take advantage of the great returns the stock market has offered in the past because if they ever stop for more than a few years, most of the economy will stop with them.

Of course, these are all long-term arguments. The stock market has often stayed down for one or two years without permanent damage to bonds or the economy. The stock market was down longer on two occasions, 1929 to 1933 and 1969 to 1974. The first time the result was the Great Depression, the second time caused the stagflation, high inflation and high unemployment, of the 1970's. So in one case we got the deep depression and a minor debt crisis, in the other we go a recession and a major currency crisis. If the stock market had stayed down longer, the results would have been even more grim.

In the short-run, bonds and other investments are much safer than stocks. Bondholders get paid before stockholders and the dollar can survive recessions. But in the long-run, if stocks go, everything goes.

So how do people lose money in stocks? There are two easy ways. One is

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EXCHANGE
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