Students Invest in Education

By Yossi Knoll

"A University should be a place of light, of liberty and of learning." This statement by Disraeli has exemplified the character of Yeshiva University since its inception. Yeshiva University has always established many programs to benefit students, one of those being scholarship funds. The scholarship funds are set up for both students in need and for those who perform exceptionally well in their studies. There is one scholarship in the Sy Syms School of Business that is unique in its properties to both Yeshiva University and perhaps most colleges, that being the Harold Charno Memorial Fund Scholarship.

Ten years ago Harold Charno generously donated one hundred thousand dollars to the Sy Syms School of Business on condition that a scholarship fund be established for academically deserving students. Mr. Charno stipulated that students would be appointed to run the fund along with a faculty advisor. After a period of ten years, any excess money over the principal one hundred thousand dollars is to be taken out and be invested in an interest bearing account. The interest from the excess money account will be then given to students. The interest from the excess dollars is to be taken out and be invested in an interest bearing account. The moment, there is no concrete criteria in place as to who specifically will qualify for the scholarship. However, there is talk of giving the scholarships to Juniors and Seniors in one thousand dollars amounts.

The fund itself is to be managed by three students. The students must apply for the position and are then picked on their academia, business merit and experience. The three appointed students run the fund with very little interference. "I have found that the fund runs smoothly when I am not breathing down their necks," says Professor Krauss, faculty advisor to the fund. The objective of the fund is to: 1) make money, 2) give some real world exposure to those students who have no experience, and 3) to enable the students who already have experience the ability to give something of value to future students.

Isaac Nappaha stated in the Talmud (Baba Metzia 42a), "Always keep your money in three parts: a third in land, a third in merchandise, a third in learning."

Just as a tree must grow before it can bear fruits so too the fund had to be cultivated before it was ready to give scholarships. This year is the tenth year of the first cycle and the fund is ready to bear its fruits. Already over one hundred and thirty thousand dollars has been taken out of the fund and put into an interest-bearing fund. At the moment, there is no concrete criteria in place as to who specifically will qualify for the scholarship. However, there is talk of giving the scholarships to Juniors and Seniors in one thousand dollars amounts.

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Exclusive Exchange

Interview With Rabbi Dr. Norman Lamm

President of Yeshiva University

By Matthew Scharf and Yair Oppenheim

1. Exchange: "In your inaugural address, you warned of the disturbing trend of a vocational-focused education sweeping across the college campuses of America. Does the creation of a business school only further exacerbate the situation?"

Rabbi Lamm: "Let me clarify: When I spoke at my investiture as President in 1976 there was no business school; my intention was not only business, but everything else which students take merely to make a living and to advance a career, rather than primarily to understand the world about them. I had and have in mind any profession which is career oriented, and where students are engaged in vocational as opposed to intellectual, academic interests. So the question of a business school exacerabtes the issue if only because today business is so much in vogue, so it certainly deserves the same or more attention and focus as do medicine and law. But it's not purely a business matter."

2. Exchange: "What factors or issues led to the establishment of the Sy Syms School of Business, keeping in mind Yeshiva University's ideology of Torah Umadda, and the heavy emphasis on the value of a liberal arts education?"

Rabbi Lamm: "Well, I believe that business, if less so than medicine or law, can be taught as an academic discipline as well as a hands-on, practical way of making money. And that is what has to be emphasized in Syms. I'll give you an example by analogy: The Law School is a school of law. People are graduating, they intend to become lawyers. The law can be taught as a machine for producing lawyers, which is a vocational school, a trade school; or it can be taught as a discipline of legal thinking, how to think like a lawyer, what law means to society, and how law impacts upon politics, economics, psychology, etc... In that case law becomes an academic discipline, even without neglecting the fact that students have to make a living later on, to see for the business school: that you're taught basic principles that have wider application. How you impact in society should be an element, even though business lends itself much more to vocationalism than to academia, but nevertheless it must be put in that kind of context. At the same time, we must bear in mind that students at Syms, as opposed to students who go to any other business school in the world, are devoting half a day to their Limmudei Kodesh. If you take a student who was going to Columbia Business School, but spending half a day studying ancient Japanese philosophy, it would be a remarkable thing, because there is educational breadth, he or she is able to expand into other fields which are not related to a future profession. Well, our students do the same; they spend half a day in all aspects of Judaic learning, or Judaic studies, so they already are getting a broader education, as it were. True - But that is no excuse for the business school to become solely a vocational school; it does mean that the students do get a Torah Umadda education. Of course, people who can't make a living suffer an insult to their dignity as human beings; they can't support themselves and their families. There's nothing wrong and everything right with learning how to support yourself and your family. I don't know of anyone, except those
From the Editors' Desk

Hi. Normally, I'd start with something a bit more grandiose, but since the paper's late, it would be better to get to the bottom line. I'd like to welcome readers to the first issue of the Exchange. I hope your brief vacation went well and that any newcomers have adjusted to the school, more specifically Sy Syms. I also would like to briefly address a promise I made that seems to have been broken. I promised to get this paper out monthly. I did not intend to make a promise which wasn't realistic. Last year's issues were monthly after I committed. I was simply at a loss of resources. The Commentator's computer system "went down" right before the mid-semester break, and due to that, if you recall, they were late by about three weeks. As it was their office, they did not want the Exchange in until they solved the problem, or until they felt comfortable. This was all done politely of course, and thus I was forced to part, and find a way to print this issue starting with next to no efficient resources. It was not easy. End of story. For those of you who have never read the paper and are interested in joining, here's the mission. This is a monthly paper, which covers interesting school events, business and economic concepts, and current events in the business world. This includes topics ranging from currency in the Middle East to a detailed explanation to how leveraged buyouts are done. There is something here for any major in Sy Syms, and just because the content of the paper is business doesn't mean that Yeshiva College or Stern College students shouldn't read it, since if I'm not mistaken, a liberal arts education is meant to expand the mind. If you're interested in joining the team, whether in writing or something of a different nature, just look up one of us on the staff list, and that's a start. That's it for now. I'll see you next month.

Sincerely,
Yair Oppenheim
Editor-in-Chief

SSSB Presidents' Message

We would like to welcome back all students from a restful Thanksgiving vacation. We hope that those of you who have just started their college experience here at Sy Syms have by now adjusted appropriately and are adequately satisfied.

Over the past few months, some of the many events planned for this year took place, to the interest of all students in Sy Syms. The many clubs, which relate to the different majors, have had their first meetings, and are still busy planning future activities and workshops. For those of you who are not familiar with the clubs Sy Syms has to offer, they are the Accounting Society, the American Marketing Association, the Joint Business Society, the Max Investment Club, and the MIS Club. We encourage all of you to actively seek involvement in one or many clubs of your choice, if you have not already.

We'd like to welcome the newest member of the Office of Placement and Career Services, Robert Lubin. Robert has recently

SSSB Presidents, David Neiss and Adina Loberfeld, School of Business Student Association.
Low-Cost Health Care, At What Price?

By Matthew Scharf

In 1970, U.S. HMO enrollment was at approximately 2 million members. In 1990, that number had risen to just over 59 million members. As the enrollment continues to grow, it is evident that HMOs are becoming the medical insurance of choice. In 1990, 40% of Medicare beneficiaries were enrolled in HMOs. In addition, many HMOs had underestimated costs which further contributed to their woes. They were financially unable to compete with businesses which were proud of it. In a brilliant display of business acumen they demanded that doctors see more patients in a smaller amount of time. This way costs were reduced and medical insurance was made affordable. However, it was not without taking its toll. Quality was compromised in the name of the essence. It could in fact be a matter of life and death.

The purpose of this article is not to denigrate the accomplishments existing in the quality of care provided by HMOs, as has been shown by numerous studies. As increasing governmental regulation of the HMO industry that demands a minimal level of care. However, there is an underlying idea that is not unreasonable and which is likely, due to necessity, be the wave of the future. That idea is efficiency. Throughout this decade, the entire medical community has been focusing on being more economical in the care of their patients. Even though most people in the U.S. do not belong to HMOs, the effects of HMOs have been far reaching and wide. Fee-for-service insurance plans also took a fresh look at their expenses with the hope of reducing costs. Essentially, the question that has arisen to doctors is, how low can we maintain costs while maintaining the level of care we have come to expect and demand? This is not a question that has been left entirely unanswered.

Hospital services consist of out-patient services and in-patient services. The sicken of the in-patients are usually admitted to the intensive care unit (ICU). In general, the ICU has two components: the medical ICU, which is for the treatment of general medical problems and the surgical ICU which is primarily for the treatment of complications arising from surgery. There are two major models of medical ICU organization. One is known as the “closed” model, in which patients are admitted and are cared for by their primary care physicians. The other is known as the “closed” model, in which patients are admitted only after evaluation by a dedicated intensivist and are then insured to the care of that intensivist. In a recent study (The American Journal of Respiratory Critical Care Medicine, 1996), the two models were compared. What was found was that the “closed” ICU model improves resource utilization while not adversely affecting mortality. The explanation for this is simple. When a central figure, the intensivist, is directing the whole process of patient treatment in an ICU, they are likely to have a more complete grasp of what is going on with each patient. As a result, the intensivist is better focused in his treatment of each patient. This can potentially cut down on such factors as length of stay, number of medical tests ordered and number of specialist consultations ordered, just to mention a few. In other words, the care is made more efficient while maintaining and even improving its quality. This is much more in tune to the idealistic musings of the early HMOs. The only difference being that quality is made an absolute standard about which efficiency revolves.

In today’s viable health care industry, changes are occurring that are going to immeasurably shape the future of health care. As this occurs, one very basic principle should serve as the guiding beacon of whatever the new healthcare system is. That is, no matter what the price, the high level of health care that is available today cannot be compromised. With the new ways should be explored and developed as to the most efficient method to deliver this care, be it via HMOs or other methods. As anything is demonstrated, can be done. However, it is incumbent upon the population at large to demand this. It is imperative that certain standards be maintained. Otherwise, the people belong to HMOs, the effects of HMOs on such factors as length of stay, number of medical tests ordered and number of specialist consultations ordered, just to mention a few. In other words, the care is made more efficient while maintaining and even improving its quality. This is much more in tune to the idealistic musings of the early HMOs. The only difference being that quality is made an absolute standard about which efficiency revolves.

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WELCOME BACK TO YESHIVA UNIVERSITY!

The Office of Placement & Career Services is excited about starting a new academic year. We invite all undergraduates to come and visit our expanded offices located at:

Belfer Hall
rooms 415, 417  960-0845

Midtown Center Campus
rooms 920, 923  340-7763
                      340-7783

Stop by and talk to us about:

• Part-time jobs
• Internships
• Full-time placement
• Career Counseling
• Graduate School
• Educational Planning

We look forward to meeting with you and assisting you with all your career needs.

Ira Jaskoll  Naomi Kapp  Jennifer Berman  Bob Bomersbach
Director  Associate Director  Assistant Director  Assistant Director
The Features of The Office of Placement & Career Services

Introduction

1. The Office of Placement and Career Services ("OPCS") of Yeshiva University, located on the 6th floor of Belber Hall of the Main Campus and on the 9th floor of Stern College's Midtown Center, has undergone a number of changes designed to enable it to more effectively serve the needs of the student body. An effective job or internship search is a wide range of components, none of which need be complicated if put into an easy-to-understand framework. It is toward this end that we have outlined the following steps to assist students in the utilization of OPCS resources and services. Our goal is to provide Y.U. students in every discipline the guidance, tools, and support needed to achieve a productive and rewarding future in the workplace or in continued education.

2. Each career field or graduate school has its own set of rules, protocols, and deadlines. The more quickly a student familiarizes himself/herself with these guidelines, the greater the advantage. Without knowledge of the student will be prepared to conduct a continued education.

The Real Big Five

Students in every discipline the perceptions in individual fields vary somewhat. Generally, students seeking entry-level Accounting and MIS positions will begin the interview process early in the autumn semester. Seniors with majors in other business and liberal curriculum begin the entry-level interview process in late autumn and through the spring semester. Similar rules apply to students from these fields seeking summer internships. With General, accounting, and MIS students apply early in the spring semester and other majors thereafter, the more competitive summer internships, even in other disciplines (i.e., Finance, science, journalism), have deadlines that can be as early as Thanksgiving. Academic year internships should be applied for in late August and early September, and semester internships at the beginning of each semester.

3. These time tables are merely benchmarks intended to help student gauge their own preparatory efforts and to alleviate the anxiety students in one discipline may experience when their peers in another discipline are further along in the recruiting process. The differing time tables have everything to do with the demand for students in a particular field. An important caveat to the above is that students interested in foreign internships must begin the interview process even earlier. The more quickly a student familiarizes himself/herself with these guidelines, the greater the advantage.

Counseling

4. Students considering career paths frequently find it necessary to sort through a myriad of personal and academic issues. The counseling and career services of OPCS are designed to assist students in what can be a confusing time of their lives through the use of individual counseling and testing. With students with the self assessment phase, OPCS counselors can identify a student's personality style, values, interests, and skills and generate career options that best utilize this profile through the second stage, career research, a student can assess the appropriateness of those options by weighing such reality factors as lifestyle, additional training, salary, job opportunities and career advancement. For those careers requiring further education, graduate/professional school admission is available at OPCS. For others deciding to pursue full-time employment upon graduation, job search assistance is offered by OPCS.

5. Resumes are an employer's first impression of the student as job candidate and, as we know, first impressions can be quite important. A resume should be an honest representation of a student's academic, extracurricular and work experience. Any misrepresentation would disqualify a student for consideration.

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The Features of The Office of Placement & Career Services

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The Features of The Office of Placement & Career Services

Counseling

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Standards of honesty must apply when working with the OPCS and potential employers.

V. Cover Letters

8. A cover letter is a student's opportunity to expose upon the strengths cited in a resume and/or to add information not included in the resume due to space limitations. Medicinal care must be paid to both the substance and form of a cover letter. The ethical standards laid out in the previous section on resumes apply equally to cover letters. Any deviation from a student's factual history may disqualify a student from the OPCS process.

IV. Game Plan

9. Formulating a game plan for your job/internship search involves an organized and concentrated effort to put your candidacy before an employer. This can take place in a number of different ways. First and foremost, a student's plan must be discussed with an OPCS representative. This will serve to ensure that students optimize their potential as candidates while guaranteeing correct channels are used in dealings with companies/firms with which the University maintains a relationship.

10. Students seeking full-time employment may have their resumes submitted to employers through the OPCS using two methods. The first, On-Campus Interviews, is a process by which interviews are set up at the Main and Midtown campuses by the OPCS itself. The hiring prerequisites of a visiting company/firm are used in selecting students for the interviews. In addition to the selection criteria of a company/firm, students also review on-campus recruitment by ranking firms in the order of one's preference. The second method, Resume Referred, ensures that resumes are mailed to all companies that a student requests. All resumes are then sorted and sent to companies/firms. When indicated, students must also supply the OPCS with appropriate cover letters. Companies/firms then contact the student with an interview confirmation. The Orienta- tion Packet. The OPCS uses resumes on file so it is imperative that students meet the established deadlines for their dossier.

11. Another method used in conducting a job search is the Direct Mail Campaign. This involves direct student submission of a resume and cover letter to potential employers both inside and outside the University's own professional network. Those companies/firms in the University network will post present openings in the Job Books located in the Main and Midtown OPCS offices. Companies/firms already in the On-Campus or Resume Referral systems seeking entry-level employees are much less likely to consider resumes submitted independently by students. In fact, the company/firm receiving an independent submission may think negatively of the OPCS's own program if recruiting efforts appear to be uncoordinated. It is, therefore, very important that students first avail themselves of the services offered by the On-Camp and Resume Referral systems of OPCS.

12. Once a Direct Mail Campaign for an entry-level position has been approved by the OPCS, a student should begin to research the companies/firms that appear appropriate using OPCS job indexes, on-line searches, and networking opportunities. A student may then submit his/her resume and cover letter via mail and fax, unless the latter is prohibited by the policy of the firm/corporation. The rules governing the use of Direct Mail by non-senior students seeking internships are quite different as Direct Mail is the specific means by which internships are gotten, the exception being those Accounting majors seeking Big Five summer internships. In other words, a great deal more independence is granted to non-senior students seeking internships of whatever type.

V. The Interviewing Process

13. As mentioned, companies/firms not pursuing On-Campus interviews will directly contact students in whom they are interested. It is essential that students ensure that roommates and family members tacking calls from potential employers be prepared to take messages. If students determine that outgoing messages on answering machines should present a professionally mannered representation of a student. In the event a student has trouble reaching or being reached by a potential employer, it is wise for the student to leave a message suggesting several potential meeting dates and times.

14. The OPCS provides preparation for mock interviews by interviewing students individually or in the Orientation Packet. The OPCS uses resumes on file so it is imperative that students meet the established deadlines for their dossier.

15. The actual interview conducted by a particular company/firm may fall into a number of categories. The most common is the traditional interview which is based upon a review of the student's resume and some additional questions regarding a candidate's career goals, strengths and weaknesses, knowledge of the industry, and career history. The interview generally lasts about an hour. Questions are fairly straightforward and an equal amount of time is spent on academic, extracurricular, and work activities.

16. A new interviewing technique which is being utilized by major accounting, management, and financial firms is the behavioral interview which is based upon a re- view of the student's resume and some additional questions regarding a candidate's career goals, strengths and weaknesses, knowledge of the industry, and career history. The interview generally lasts about an hour. Questions are fairly straightforward and an equal amount of time is spent on academic, extracurricular, and work activities.

17. Following an interview, it is imperative that a thank-you note be sent to each of the individuals that took the time to meet with you. This should be done immediately following your visit to a company/firm. An interviewer may factor into his/her decision whether or not a thank-you note has been received in a timely manner. If this has not been the case, you may lose an opportunity to be invited back for another round of interviews. Thank-you notes must be sent in professional letter format and need not ask questions of the interviewer for the time and information the interviewer provided but can offer an opportunity for a candidate to recite his/her strengths.

18. The OPCS is committed to assisting every Y U. student with his/her individual job search from inception to successful completion. The OPCS possesses an excellent placement record due to its provision of early counseling and research tools, oversight of resume/cover letter quality, and its development/maintenance of an extensive professional network. The earlier a student's participation in the job search process begins, the more likely he/she is to establish and achieve career goals. The urban job market is a competitive one and demands a degree of knowledge and level of sophistication that the OPCS can help a student develop. The OPCS looks forward to assisting all Y.U. students with their individual job searches and with the successful attainment of exciting and fulfilling careers.

Sincerely,

Dean Jaskoll
Naomi Kapp
Ken Berman
Lana Steiner
Robert Lubin
Bob Bomersbach

Visit The Sy Syms School of Business on the Web:
http://www.yu.edu/sssb/
The following is a chronology of key recent events that led to a dev-

1. July 13 - The administration of The Syn- School Board of Illinois, and international business expert on cam-
2. March 29, 1998 - Russian President Boris Yeltsin renominated Prime Minister Viktor Chernomyrdin, picking little-known energy minister Sergei Kiriyenko to head new government. Yeltsin vowed to stay the course. Duma puts sec-
3. Aug 17 - Government abandons floor in emergency session calls for Yeltsin to stand down. Ruble falls to 18.90 to the financial turmoil, start pulling out of stocks.
4. May - Coal miners protesting over unpaid wages block a major railway line for over two weeks.
5. April - IMF releases the $670 million portion of a loan to Russia, citing fiscal problems.
6. June 25 - IMF approves its $11.2 billion share of new international loans. First $4.5 billion are made available.
7. Aug 10 - Markets plummet on fear of default by major foreign investors.
8. Aug 11 - Yeltsin vows there will be no devaluation. Some major banks fail to pay off deposits. 
10. Sept 10 - Prime Minister Yeltsin・・・

"Crisis in Russia" By Mark Gurfeinkel

The current economic and financial crisis in Russia

Aug 31 - Yeltsin re-nominates Chernomyrdin for prime minister position, calls back Chernomyrdin to as chair the Soviet-era GosPlan and deputy in charge of the economy and finance minister Sergei Kiriyenko to head new government. Many investors, al-

Aug 23 - Yeltsin sacks Kiriyenko government, calls back Chernomyrdin to chair the Soviet-era GosPlan and deputy in charge of the economy and finance minister Sergei Kiriyenko to head new government. Many investors, al-

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P/E Strikes Again

By Rebecca Eisenberg

Everyone swore the market would hit 10000 and keep going up, earnings projections were sky-high and kids were buying stock with their lunch money via the internet. Even the Asian crisis couldn't dampen the market. Companies announced ex-

80% of stocks were not known. The market has entered a new stage, that of deflation. This deflation will sooner Russians conceive that concept, always be taken into consideration.
**Constant Dollar Averaging: “A proven way to win in investing”**

By Ari Kadish

**Which legal structure is best for your business?**

By Michael Perl

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**What if I was to tell you that there is a safe, low cost, and almost guaranteed way to make money that doesn’t take lots of money up front and is only slightly affected by market fluctuations? First, you would probably stop reading this article. Believe it or not, I am going to make you read on. The investment option that I would like to show you is one that is not just on Main Street, but also on Wall Street (by such legends as Warren Buffet and Peter Lynch). The most successful investors have shown us over time and again that good stocks such as Coke and Gillette are good stocks, regardless of whether the market is up or down. The key is to not invest all of your money in a stock with one purchase, since the market could drop at anytime and harm your entire investment.**

Constant Dollar Averaging is the right strategy for avoiding this problem. For example, suppose you have $1000 to invest in 100 shares of the ABC company at the current price of $10 a share. You could buy all 100 shares immediately because you expect the market to continue its stratospheric rise; if you are correct, you would make a nice profit. As we all have seen, built markets do not last forever, and there is a real chance of your stock falling 1 point to $9 a share giving you a $100 loss. So rather than investing all of your money in ABC right away, why not simply invest $100 a month for ten months? This way you ride out whatever market fluctuations occur. Going back to our initial example, if in January you paid $100 for 10 shares, and then in February the price of the stock drops to $9, you would get 10.9 shares instead. If in February there is a market correction and the price falls to $9, you would get 10.1 shares. If in February the price of the stock falls to $8, you would get 12.5 shares. At the end of the ten months, you would own 109 shares of the ABC stock. Now, you may have lost $100 on the initial investment, but if the company does well, you will still make a profit. Constant Dollar Averaging is this summer as the market fell 15%, and I got to buy more mutual fund shares as a nice discount. As a result of this I find market downturns to be a great opportunity to buy, and market upturns as a great opportunity to watch my investments grow like crazy. One last thought. For those wondering about Warren Buffet, his return has averaged 26% annually for the last 40 years through picking great stocks and Constant Dollar Averaging them. Constant Dollar Averaging will probably get even the average investors above 12-15%. Finally, you can go the Warren Buffet way and invest in our country’s greatest companies, such as Coke, Gillette, Merck, McDonalds, and Johnson & Johnson, for as little as $10 a month. You simply must buy at least one share through your brokers, and then transfer that share to any one of these companies’ DRIP. The DRIP then lets you send a monthly check for whatever amount you choose (I suggest regular Constant Dollar Averaging to buy additional shares. At the same time, you get the dividends that the company pays invested in more shares. I recommend the DRIPs, but would give preference to a low cost mutual fund for the new investor, since it will offer great diversification. I must admit that Constant Dollar Averaging is the hardest way to earn money (I am just guilty) feel that we are always right when investing, our stocks will only go straight up. That stubbornness works for me greatly, and now I am a firm convert to Constant Dollar Averaging. I got my first taste of how great Constant Dollar Averaging is this summer as the market fell 15%, and I got to buy more mutual fund shares as a nice discount. As a result of this I find market downturns to be a great opportunity to buy, and market upturns as a great opportunity to watch my investments grow like crazy.**

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**Which legal structure is best for your business?**

By Michael Perl

There are a few ways around the problem of business ownership. There are two types of partnerships: general partnerships and limited partnerships. A general partnership consists of partners who agree to provide a portion of the labor and resources and are consequently entitled to have a share in the profits and losses of the business. On the other hand, a limited partnership allows the partners’ liability to be strictly limited to the amount of resources each partner has invested in the partnership. Limited partnerships usually call for at least one general partner to be the principal partner, and the limited partners typically are not involved in managing the business.

The advantages of a partnership are similar to those of a sole proprietorship. It is simple and inexpensive to form, and there are few government regulations, and it is taxed like an individual, and not like a corporation. The disadvantages are also similar to those of a sole proprietorship. General partners have unlimited liability for all debts. For a limited partner, the liability is usually limited to the contribution they have made to the partnership; hence the name limited partner. A further disadvantage of a partnership is that if one of the general partners is unable to meet the contribution that he originally promised, the other partners have a responsibility to cover him. Similarly, it is also difficult to raise large amounts of capital. It is difficult to transfer ownership, and the general partnership is terminated when the general partner dies or withdraws. A written partnership agreement is not required to begin a partnership; however, certain specifications should be set forth about the nature of the partnership arrangement. These specifications include the responsibility of each partner, whether a new partner can join the partnership, how existing members may leave or separate from the partnership, how assets will be divided if the partnership dissolves, how profits are to be divided, and how capital and investments should be determined. These guidelines should form, and has a limited number of government regulations and standards that must be followed. Additionally, and all income generated under a sole proprietorship is taxed as individual income, once and therefore does not pay any corporate taxes. However, the disadvantages for a sole proprietor deal with unlimited liability for the owner of the business. This idea of unlimited liability means that the sole proprietor can lose more money than was invested. Another disadvantage is the difficulty in obtaining capital because the financial strength of the firm is limited to the proprietor’s personal wealth. Moreover, too many owners means that the firm’s life can be very difficult, and the life of the business is limited to the life of the proprietor.

Another legal structure is a business partnership. A partnership is 5000 companies which let you invest directly and can be a nice discount. As a result of this I find market downturns to be a great opportunity to buy, and market upturns as a great opportunity to watch my investments grow like crazy. One last thought. For those wondering about Warren Buffet, his return has averaged 26% annually for the last 40 years through picking great stocks and Constant Dollar Averaging them. Constant Dollar Averaging will probably get even the average investors above 12-15%. Finally, you can go the Warren Buffet way and invest in our country’s greatest companies, such as Coke, Gillette, Merck, McDonalds, and Johnson & Johnson, for as little as $10 a month. You simply must buy at least one share through your brokers, and then transfer that share to any one of these companies’ DRIP. The DRIP then lets you send a monthly check for whatever amount you choose (I suggest regular Constant Dollar Averaging to buy additional shares. At the same time, you get the dividends that the company pays invested in more shares. I recommend the DRIPs, but would give preference to a low cost mutual fund for the new investor, since it will offer great diversification. I must admit that Constant Dollar Averaging is the hardest way to earn money (I am just guilty) feel that we are always right when investing, our stocks will only go straight up. That stubbornness works for me greatly, and now I am a firm convert to Constant Dollar Averaging. I got my first taste of how great Constant Dollar Averaging is this summer as the market fell 15%, and I got to buy more mutual fund shares as a nice discount. As a result of this I find market downturns to be a great opportunity to buy, and market upturns as a great opportunity to watch my investments grow like crazy.**
Every day, whether at work, in school, or at home we hear about the “Asian and Russian Crisis”, and how the International Monetary Fund (IMF) lends billions of dollars to poorer countries in need of economic development. As a result of this, many people think that the International Monetary Fund is a central bank, controlling the creation and flow of money on a global scale. Some might assume that the IMF functions to assist poorer countries in need of economic reform. Others might even look at the IMF as a strong, powerful institution that pressures its members to follow specific economic policies. But the IMF is actually none of these. It is an organization composed of 182 member countries that willingly consult with each other on the exchange value of their national currencies to allow each member to make the necessary policy decisions. The IMF is first and foremost, a supervisory institution. The IMF provides member countries with technical assistance in specific areas, along with offering educational courses on a wide variety of international monetary matters.

Upon joining the fund, each member pays a certain monetary sum referred to as a quota. The quota serves several purposes: First, it provides money for the fund to allow the IMF to provide monetary assistance to needy countries. Second, the amount of money a country can borrow is based on the level of its quota. Third, the quota sets the voting power for each member. However, the fund only lends money if one of the members is having problems paying financial responsibilities to another member on condition that the defaulting country will establish economic reforms to eradicate their troubles.

The IMF does not possess any position of authority to enforce any policy decisions. In fact, the only authority it has is limited to persuading its members to maximize output with scarce resources by using sound economic policies, making known information on their monetary policies, and allowing the exchange of currencies without limitations. Changing currencies is possibly the primary financial connection between two countries, and is an important means of trade. The layman might think that his only connection with foreign purchase is as a tourist, but it especially makes a big difference to banks, companies, and governments that purchase abroad that can directly affect them. During the Great Depression, there was a tremendous lack of confidence in paper money, and as a result it forced a great demand in gold beyond what the treasuries could provide. Because of this, countries were forced to relinquish the gold standard. Due to this uncertainty of the value of the paper currency, countries had hard times changing currencies between nations that remained on the gold standard and those that did not. The economy under these circumstances deteriorated. As the crisis in Asia continues to wreak havoc to our world economy the IMF has become such a common name amongst us that unfortunately we fail to understand the role it plays on Asia and the world economy. It is not just a resourceful moneylender, it now also instills confidence in member countries by making their resources temporarily available to them in order to disrupt a balance of payments.

Our world economy has changed since the IMF was created, and so has the IMF. The IMF now serves as a surveillance platform. It seeks to avoid a crisis by keeping a close eye on member countries and warns them when trouble threatens. It gives advice on how to promote growth through low inflation, sound money, and careful fiscal policies.

The IMF has also broadened their surveillance capabilities that include many other elements as well. Such as, the lowering of unproductive spending and higher spending on health care and education, ample protection for the poor, and by cutting down monopolies to make room for privatization. On many occasions the IMF has provided the capability to come up with pragmatic solutions with monetary problems, and assemble the international resources to make them work. This was especially true in 1994-1995, when Mexico suffered a total financial collapse. Because of the IMF efforts and support, a financial crisis was prevented from spreading into other financial markets, allowing Mexico’s markets to remain open.

Crisis prevention still must remain the funds first line of defense, and this will simultaneously depend on the level that we integrate our national monetary policies. But, it would be extremely unrealistic to think that the IMF can prevent any crisis from happening. Therefore, the fund must be ready to provide any resources or expertise to a country in poor financial condition.

Legal Structure

be revealed and declared before the partnership is activated so as to avoid any complications that might arise in the future. Another example of a legal structure is identified as a corporation. A corporation is a separate legal entity from its owners. To begin a corporation, articles of incorporation must be filed with the secretary of state in which the corporation is to reside. The articles of incorporation typically include the corporation’s name, business objective, intended life of the corporation (which could be forever). It also includes the number of shares of stock that the corporation is authorized to issue, including the different classes of shares, shareholders rights, and the number of members on the initial board of directors.

Unlike a sole proprietorship and a partnership, the ownership of a corporation is separate from its management. This gives a corporation several advantages over other business structures. Shares of stock in a corporation determine its ownership. Therefore, the shareholders have limited liability to the corporation. Shareholders can only lose up to the amount invested in the company. Creditors of a corporation may only seize assets of the corporation, not personal assets of the shareholders. Another advantage of a corporation is the ease of transferring ownership. Transferring of ownership is simply the transfer of shares from one shareholder to another. A third advantage of a corporation over a sole proprietorship and a partnership is the unlimited life of a corporation. As stated earlier, a sole proprietorship is terminated upon the death of the proprietor; a partnership is ended when a general partner expires. However, a corporation continues to exist even after the death of shareholders.

Although a corporation has several advantages over a sole proprietorship and a partnership, there is one major disadvantage associated with a corporation. Corporations are subject to double taxation by the government. Not only does the government require corporations to pay taxes on the dividends and corporate gains they receive from the corporation. The sole proprietorship, partnership, and corporation are the three most common legal structures of business. However, there are other structures as well that one may consider using to form a business. For example, the Limited Liability Company (LLC) is a cross between a corporation and a partnership. The LLC protects the owners or members from bankruptcy and lawsuits in a similar manner that protects the shareholders in a corporation. However, all profits and losses go directly through its members similar to a partnership. Before beginning a business one should investigate and weigh the advantages and the disadvantages of each type legal structure, and select the appropriate system for the business being started.
Financial Lessons of Monopoly

By Professor Aaron Brown

1. Don't hold cash. Consider a player who refuses to buy property, who just cruises around the board collecting $200 each cycle. Initially, this player does very well working up to about $3,000 in cash while the other players have almost no money. But once monopolies form, this $3,000 disappears in only a few trips around the board. You cannot achieve security by building up cash. You must make risky investments to win, both in Monopoly and in life.

2. Seize all your opportunities. Good Monopoly players buy virtually all properties they land on, even if this requires leveraging (mortgaging other properties). Often a seemingly minor purchase is the decisive factor in a game. It is difficult to guess which Monopoly properties will become important; opportunities in life are similarly unpredictable. So seize them all with vigor and some will pay off more than enough to make up for the rest.

3. Monopolies are dangerous. It is the formation of monopolies that marks the end of the safe period of a Monopoly game. Suddenly everyone is at risk of bankruptcy. Some people over-extend themselves, others fail to exploit their properties ruthlessly. A few key throws of the dice and the game is over.

4. Cooperation wins. This seems strange in a game only one person can win. But the key to winning Monopoly is neither luck nor skill. While both of these matter, successful property trading is more important. Success in trading, in turn, requires finding deals that help both parties and selling those deals. The best Monopoly player in the world will lose to three beginners, if the beginners trade among themselves but not with the champion.

5. Things change. At the start of a Monopoly game, a trip around the board gains a player an average of about $175. At the end, it costs an average of about $2,000. Plans that are sensible at one level of development are insane at other levels. Many real life financial mistakes are caused by using today's data to make tomorrow's decision.

6. Calculate risks. In a well-played Monopoly game, the crucial period is the first few trips around the board after monopolies are formed. Some players like to develop their properties as quickly as possible, hoping for a quick win. However even a small setback can cause a downward spiral that leads to bankruptcy. Other players deploy their assets more cautiously. They survive, but at the same time another player is getting strong enough to crush them.

7. Be flexible. Even good players tend to make this decision based on personality or habit. In fact, it calls for exacting calculation and close attention to what others are doing. A rule of thumb is that the second most aggressive player has the best chance to win. This means you must play cautiously in cautious games; aggressively in aggressive games.

But whatever you do, make sure you know the numbers and the odds.

8. Be ruthless. The successful Monopoly player always goes for the kill. It pays to pick on the weakest player and not let up until he or she is bankrupt. Any hint of sportsmanship or mercy can backfire. In real life, a little kindness goes a long way. It rarely costs much and often leads to great rewards. And, regardless of the payoff, it's the right thing to do.

9. Jail is an expensive annoyance early in the game, but a good place to spend the later stages. In real life, jail is almost always bad. While a few people have turned it to their advantage, this is not a strategy I generally recommend.

10. Utilities and railroads are cash cows with good cash flow, but limited opportunities for capital investment. It used to be true but deregulation changed all that. Now utilities and railroads should be analyzed just like any other investment.

So play Monopoly and absorb the wisdom while ignoring the untruths. May all your joys be Board-walks-with-Hotel and all your sorrows be undeveloped Mediterranean Avenues. Avoid Income Tax, Luxury Tax and Jail (except when it pays to be in jail). Seize and develop your opportunities. Be alert to danger but don't let it distract you from enjoying each day. Do this and you will win.
What spurred me to write a piece about management was the fact that there's a non-vocal sentiment in the school that usually presents itself in the form of a question: "What is management? Why?" The negativity starts from a stance that such a question can be answered. This is a question that said know-it-alls think they know what management is about. Not so. I'd like to turn the tables on this argument. Rather, answer the question asked by these sophomorics who are wanting in brain cells. Management has always been management; neither better and never worse. The simple and eternal stature of a manager rests in maxims like "Do the best job you can," or "Get the job done."

These anthems of the workforce, without defense, are very simple and trite. They have meaning only to those who seek meaning, but that is precisely what separates the so-called "men" from the "boys"; that is essentially what creates a true manager.

The first area in which managers divorce themselves from typical office workers resides in the realm of thought processes. Managers tend to calculate risks. Managers know when to ask a question instead of thinking, "Is it my job?" Managers know what they don't know and increase their output exponentially. Of course, this hasn't happened, which explains why all these negative attitudes bewitch young minds.

The second area, which is rather larger and perhaps all-encompassing, is the nature of self-refinement. How many workers out there are truly motivated? How many workers believe that working harder can yield a crop far larger than any season would normally permit? I guarantee that anyone with that attitude has progressed on the path to greatness. For those who haven't, there is a lesson in self-refinement as well.

How Long Can the Growth Continue?

By William Adler

The United States economy has been growing since the end of 1991. Technological advancement, strong productivity and low inflation are the primary reasons. Recently, however, continued growth has been threatened. Economic crises throughout the world may slow economic growth even more, or possibly send us into a recession. So, is it still possible for the U.S. economy to expand even more? As in everything else in economics, the answer is: It depends. The main problem facing the U.S. economy today is the warning conditions. Countries like Thailand, South Korea, Japan and Russia have been experiencing serious contractions of their economies. This is where the situation begins to affect us. Because people there have less to spend due to the various difficulties, they're buying less of our products. This is having a dramatic effect on many key manufacturing industries in the U.S. economy, and is resulting in slower growth. Additionally, companies in those countries are desperate to sell their products and are therefore willing to take low prices for them. While this is good for the average person buying products made overseas, because they're paying less, it may result in the another major problem: deflation.

Over the past 50 years the average price level has risen every year, meaning we have inflation. This is a situation we've gotten used to, and isn't necessarily bad, so long as the inflation doesn't get too high. However, before World War II there was also another phenomenon associated with prices -- deflation. Sometimes, the price system actually works hard to drive the rate of inflation. If the growth in the money supply is too great, inflation will result. As Nobel Prize winning economist Milton Friedman put it, "Deflation is the easiest thing in the world to combat; just print money." If printing money increases the price level, that will eschew deflation as well. Fortunately, the Fed has taken positive steps in this area recently. As of the writing of this article, interest rates have been cut by a half-percentage point. Lesser known is that the Fed has been actively encouraging growth in the money supply. In fact, it's even possible that interest rates will be cut more over the next few months. This all has another beneficial aspect that hasn't been discussed: increasing economic growth. As mentioned above, lower interest rates mean more business investment. Investment is one of the primary reasons for the expansion this decade. Therefore, more investment equals more growth.

This leads directly into another pressing matter confronting us. Over the past 4 months the U.S. stock market has eroded almost all of the gains it made in the first 6 months of this year. Analysts worry that a correction of this magnitude may affect consumer confidence. Consumer confidence is the measure of how willing people are to spend their money. Due to the dual effect of lower interest rates and the depressing effect of watching others lose money, people might slow their spending. If this happens, it could reduce the growth of the economy. The recent Fed actions have also been designed to head off this possibility. Lower interest rates will allow businesses and consumers to borrow money for any number of uses. Fortunately, the stock market has started to rise again recently. The possibility still exists, however, for interest rates to be cut again. The reduced spending this holiday season could translate into much slower growth for the upcoming year. We'll have to wait and see for that.

The prospects are certainly brighter than they were a month ago. Japan has finally begun to make the necessary reforms to get their economy moving again. Still, more problems are potentially on the horizon. South America and Hong Kong are now also having economic troubles that may affect us. The impact of this on our market may yet undo some of the progress of recent weeks.

One final factor in this situation has yet to be discussed: the federal government. If the economy looks like it's continuing to slow, moves by the government might be necessary to get it moving again. An example of some actions that might be taken by them include cutting taxes or increasing spending on certain key areas affecting the economy, such as job training. These decisions can't be made, however, until we have more information about the situation.

Overall, the U.S. economy appears to be in good shape. All of the fundamentals are strong and there's no underlying reason why growth should stop now. Only outside problems, as in so many other cases, are causing trouble for us. We can only hope that the Fed and Congress will continue to show you any type of work in this first place. It is the study of work, theo­
The two most fundamental duties of a parent are to teach your children and to support them. Therefore, you might expect parents to devote special attention to teaching their children how to support themselves. In the modern world that means teaching them the rudiments of money: how to get it, how to keep it, how to spend it, how to save it, and how to guard it against theft. Many parents shirk this duty. They hide financial details from their children. A majority of students in my introductory finance classes do not know how much money their family makes, how much their family's house cost or even how much they themselves spend each year. Some students own investments, but they rarely know much about them. Others are taking out loans, but usually do not know what the interest rate or repayment terms are.

I tell students to take advantage of their parents' financial experience and wisdom. Ask them where there money comes from and where it goes. Ask them how much you will need for the sort of life you plan. Ask them what they started out with and what good and bad decisions they made. Did they worry too much about money or not enough? Do they now have enough? Do they now have more than they need and how is it invested?

This speech provokes nervous laughter in the class. In most families these questions are considered to be in bad taste. Sometimes I feel like a high school gym teacher explaining the facts of life to students whose parents are too embarrassed to do their jobs.

**Monopoly**

How do parents pass on their attitudes about finance? More often than not, by playing Monopoly with their children. There are 125 million Monopoly sets out there; every year Hasbro prints twice as much Monopoly money as the US Bureau of Engraving & Printing prints real money. The sets are available in 33 different versions for different languages and countries.

That makes it worthwhile to consider whether Monopoly teaches good or bad lessons about finance. For example, the game is clearly responsible for two near-universal misconceptions: that a "deed" is a document that proves ownership (a real deed is a document that transfers ownership) and that a "mortgage" is a loan (a real mortgage is a document that gives a lender rights, usually the right to seize specific property, in the event a loan is not repaid). But these distortions are easy to correct and unlikely to do harm.

A deeper lesson is that the goal of economic life is to bankrupt everyone else. This is the aspect of Monopoly that generates the most criticism. A more defensible goal of economic life is to cooperate so that everyone has what they need and that you have what you reasonably want. It is far better to learn to be happy with what you have than to learn how to make unlimited amounts of money.

However, a close attention to the game reveals that the real goal is to survive. The dynamics of the game make it possible for only one player to do that. Wealth flows to the players with the most wealth, the more you have, the more you make. Sooner or later, one person has it all. You cannot survive without bankrupting everyone else.

This is an important economic truth: wealth flows to the wealthy. This applies to people, to companies, to industries, to professions, to countries and even to economic systems. In Monopoly, you have to win or end up bankrupt. In real life, you have to win or end up working for a winner.

Every penny you get in life is an expense on someone else's income statement. There are lots of smart people working night and day to reduce expenses; in other words to bankrupt you. If you have a skill, someone is trying to automate it or replace it or deliver it cheaper than you can. If you have your eye on a career that seems to offer good wages and pleasant work; someone is trying to make money bychanging that. If you control assets, someone is trying to make them redundant.

If you're really paranoid, if you're really out to get you, years ago, I attended a seminar with the heads of leading software companies. Speaker after speaker repeated the conventional wisdom that if you had the leading product in any application field, you could make huge profits. The leading word-processor, spreadsheet and database programs were money machines. So the CEO's of Word Perfect, Lotus and Ashton Tate looked happy.

Then Bill Gates got up. At the time, all Microsoft had was the leading operating system. Bill looked exhausted. "This is a terrible business," he said, "you can have the leading anything but two guys working in their garage can make it obsolete overnight. Have you to work, work, work just to keep in place; there are thousands of smart people out there willing to work even harder to take what you've got." I decided to invest in Microsoft. Now Bill has all the leading programs from the other CEO's; his only problem is the Justice Department thinks he is too successful.

As a Finance professor, I often cringe at people's faith in their economic security. They have an invaluable skill, a top-notch professional credential or an essential asset. They are happy. They do not see that their security is generating economic forces to destroy it. Someone continued on page 10