



COLUMBIA
BUSINESS
SCHOOL

HERMIES



UNCLE SAM WANTS YOU TO SAVE IF . . .

BY R. GLENN HUBBARD, STEPHEN P. ZELDES AND JONATHAN S. SKINNER

For some households, saving for retirement is a waste of money.

AND NOW . . . THE AMAZING PAUL BINDER

BY MELANIE CONTY

The founder of the Big Apple Circus has turned his dream into a New York cultural institution.

AFTER THE DEGREE: CHANGING PERSPECTIVES

BY LEORA BERSOHN AND NATHANIEL EKMAN

Three reunion classes look back, inward and forward.

FALL 1998

HERMES



Fall 1998

(Opposite) In August, the Big Apple Circus, cofounded by Paul Binder '67, concluded its 20th season (see "And Now . . . the Amazing Paul Binder," page 15). The festive cover artwork from the "Twenty Years!" anniversary program graces the inside covers of *Hermes*.

Departments	
Dean's Message	2
Newsmakers	3
Media	25
Alumni Club News	27
Class Notes	28

Features

- 8 **UNCLE SAM WANTS YOU TO SAVE IF . . .**
by R. Glenn Hubbard, Stephen P. Zeldes
and Jonathan S. Skinner
The government's policy on saving, the authors argue, gives incentives for those in the middle, punishment for those at the bottom.
- 11 **Q & A: RETIREMENT AND EVOLVING GOVERNMENT POLICY**
Donald B. Marron, chairman and CEO of Paine Webber Group Inc. and cochair of the National Commission on Retirement Policy, discusses the economic options of retirement.
- 15 **AND NOW . . . THE AMAZING PAUL BINDER**
by Melanie Conty
Paul Binder '67, accomplished juggler and cofounder of the Big Apple Circus, discusses the challenge of keeping the show fresh and entertaining a second generation of fans.
- 18 **AFTER THE DEGREE: CHANGING PERSPECTIVES**
by Leora Bersohn and Nathaniel Ekman
In time for their 5th-, 10th- and 25th-year reunions, graduates of the School talk about careers, family and giving back.
- 40 **SKYDIVING AND B-SCHOOL**
by de Winter Stewart '99
A student who likens his journey through business school to jumping out of a plane receives an unexpected parachute.

HERMES

*Director of Publications
and Editor*

Nancy L. Freireich

Contributing Writers

Leora Bersohn,
Melanie Conty,
Nathaniel Ekman,
Kenneth J. Selvester

Production Coordinator

Nicola M. Fabens

Design

Design Partners

Cover Art

Steven Salerno



Dean

Meyer Feldberg

*Associate Dean for External
Relations and Development*

Marilyn F. Kohn

*Associate Dean
for Special Projects*

Janet L. Schinderman



Editorial Office

Columbia University
Graduate School of Business
Uris Hall

3022 Broadway, Room 833
New York, New York 10027-6902
(212) 854-8567

Fax: (212) 961-9613

alumpub@claven.gsb.columbia.edu

HERMES, Columbia Business School's alumni magazine, is published twice a year by Columbia Business School, Columbia University. ©1998, The Trustees of Columbia University

Opinions expressed are those of the authors and editors and do not reflect official positions of Columbia Business School or Columbia University.

DEAN'S MESSAGE

Dear Friends:

This is a particularly exciting fall season at Columbia Business School because the new Business/Law building will be completed in November. Open for classes in January 1999, this facility will provide an excellent physical setting to further enhance the superb teaching and learning that take place in the classroom.

The caliber of the academic experience at the School depends, of course, on the faculty members and their engagement with their students and their research. This issue of *Hermes* highlights some of that research on government policy and saving for retirement, a subject that is currently being vigorously debated in the public forum and that has wide-reaching social, economic and political ramifications. Two of our distinguished professors, R. Glenn Hubbard and Stephen P. Zeldes, and a colleague from Dartmouth, Jonathan S. Skinner, discuss the role the government's policy on saving for retirement plays in perpetuating the cycle of poverty in the nation. *Hermes* further explores the topic, from an executive's perspective, in a Q & A with Donald B. Marron, chairman and CEO of Paine Webber Group Inc., member of the government's National Commission on Retirement Policy and close friend of the School's.

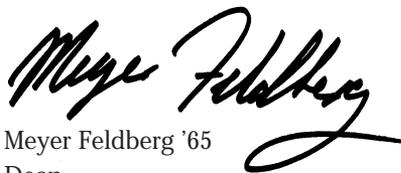
Retirement may be the farthest thing from the mind of Big Apple Circus ringmaster Paul Binder '67. In an insightful profile, *Hermes* revisits one of the School's most colorful entrepreneurs as his venture begins its 21st year.

Speaking of milestones, in anticipation of the 5th-, 10th- and 25th-year commemorations we are hosting on campus November 13, *Hermes* highlights the classes of '72/'73, '87/'88 and '92/'93. Their stories of continuity and change can be found in the second feature article of this issue, "After the Degree: Changing Perspectives," and in the Class Notes profiles.

A little farther from home—in Venice, Italy, in fact—we will be holding the Fourth Pan-European Reunion from October 16 to 18.

We hope many of you can personally celebrate with us, here or there, and that you, too, are stirred to share your stories and keep in touch with your alma mater.

Sincerely,



Meyer Feldberg '65
Dean



*Hermes welcomes letters to the editor and Class Notes updates,
sent by mail or electronically to the addresses at left.*

NEWSMAKERS

FROM THE CLASS OF 1998 TO THE WHITE HOUSE



firms, and is cofounder of Adventa.com, an Internet firm that provides business-to-business marketing information. Both companies are located in

As a White House Fellow, Friedman will serve as a full-time special assistant to a member of the cabinet or senior White House staff for one year beginning September 1. During his tenure, he will also participate in high-level meetings with government officials, scholars, journalists and business leaders.

Raised in New York and Washington, D.C., Friedman earned a BA in politics from Princeton and an MBA and JD from Columbia. He is one of 17 White House Fellows selected out of a pool of hundreds of applicants.



*Alexander
Friedman '98*

President Bill Clinton has appointed Alexander Friedman '98 as a 1998–99 White House Fellow, the nation's most prestigious fellowship for leadership development and public service.

At age 27, Friedman is founder and president of Accelerated Clinical, a biotechnology services company dedicated to accelerating the clinical trial process for biotechnology

New York City.

He is also founder of the 21st Century Roundtable, a civic not-for-profit venture capital group that pairs young nonprofit leaders with young mentors who can provide advice, service and financing. Another of his creations is Climb for the Cure, a national student effort to raise \$1 million for AIDS research by climbing Mount McKinley in Alaska.



OPENING SOON FOR BUSINESS . . . AND LAW

The new state-of-the-art Business/Law building will open for classes in January 1999, just in time for the spring term.

The eight-floor, 83,100-square-foot project is a joint effort between Columbia Business School and Columbia Law School. The Business School will occupy floors 2 through 4 and share

the first floor with the Law School. This November, the School's Executive MBA administrative offices, to be located on the fourth floor, will begin moving in.

For background information and continual updates, please refer to the new building Web site at www.columbia.edu/cu/business/newbuilding.

REAL ESTATE FORUM: A SITE FOR FRIENDLY DEBATE

"Private ownership improves quality of life because you can create more net worth, share upside and do transactions on cash flow, with no one pestering you daily."

JOHN NELSON

—Terence C. Golden,
president and CEO,
Host Marriott Corporation

At the second annual Columbia Real Estate Forum, held on campus on June 9, movers and shakers from the real estate industry again came together for spirited, off-the-record debates on hot issues confronting them—this year, consolidation and building company value.

William L. Mack, founder and managing partner of Apollo Real Estate Advisors, L.P., Steven Roth, chairman and CEO of Vornado Realty Trust, Stephen M. Ross, chairman and CEO of the Related Companies L.P., and Andrew L. Farkas, president, chairman and CEO of Insignia Financial Group, Inc., were among the more than 30 leaders who gathered in Low Library to swap views, ideas and the occasional barb. The animated talks began

once Dean Meyer Feldberg and Professor Lynne B. Sagalyn, the Earle W. Kazis and Benjamin Schore Director of the School's MBA Real Estate Program, welcomed their guests.

Mack moderated the first session, titled "Beyond Assets: The Role of the Company in Creating Value." Here, developers noted a shift away from the Real Estate Investment Trust (REIT) and back to private ownership. "Acquiring, reworking and the like is fine for a public vehicle, but not the development business," Jerry I. Speyer '64, president and CEO of Tishman Speyer Properties, Inc., said.

Terence C. Golden, president and CEO of Host Marriott Corporation, which at press time was converting to a REIT, added that "private ownership improves quality of life because you can create more net worth, share upside and do transactions on cash flow, with no one pestering you daily."

The aggressiveness with which capital is chasing real estate, on both the equity and debt sides, now poses a high risk for lenders, said Patricia Goldstein, division executive of Citicorp Real Estate. In the next cycle, she predicted, "the equity will be the loser, even for the

opportunity funds, where leverage is low."

Raymond C. Mikulich, managing director and head of the Real Estate and Mortgage Industries Group at Lehman Brothers, said, "In this phase of the cycle, everyone has to be circumspect about the risks."

Sagalyn and Craig M. Hatkoff '78, vice chairman of Capital Trust, led the second session, titled "Consolidation Revisited." In comparing today's merger fever with "1980s trophy hunting," the debate turned to whether current cap rates favor selling. Daniel M. Neidich, a managing director and head of the Real Estate Principal Investment Area at Goldman, Sachs & Co., noted that "when cap rates are low, you sell." Selling is a way to raise more capital, added Thomas J. Saylack, senior managing director of the Blackstone Group.

Sam Zell, chairman of Equity Group Investments, Inc., was an outspoken provocateur, occasionally reminding his colleagues that "analysts are simple-minded" and, when talk turned toward keeping employees happy, that "leadership provided" at a company is most important and critical to retaining key people.

CHAZEN PRIZE GOES TO THREE PROFESSORS

The Jerome A. Chazen Institute of International Business announced the recipients of the 1997-98 Chazen International Innovation Prize last May. Three professors from the finance and economics division shared this year's prize: Enrique Arzac, for his Advanced Corporate Finance course, and David Beim and Charles Calomiris, for Emerging Financial

Markets, a new course that they codeveloped.

Established in 1994, the \$3,000 award recognizes faculty members who are most innovative in bringing international business knowledge to the classroom.

Professor Robert J. Hodrick, academic director of the Chazen Institute, heads the committee that chooses the award recipients.

NEW FACULTY MEMBERS JOIN THE SCHOOL

Dean Feldberg hosted a reception at the School in September for new full-time and visiting faculty members joining the School this fall. New to the full-time faculty are:

Tim Baldenius, assistant professor, who joins the accounting, business law and taxation division from the Haas School of Business, University of California, Berkeley, where he taught managerial accounting while earning his PhD at the University of Vienna.

Mary Ellen Carter, assistant professor, who also joins the accounting, business law and taxation division. In addition to her professional experience at Coopers & Lybrand, Carter taught auditing at the company and then accounting for four years at the Sloan School of Management, Massachusetts Institute of Technology, while earning her PhD.

Heather A. Haveman, professor, who comes to the management division with tenure. Haveman served as an associate professor for the Johnson Graduate School of Management, Cornell University, since 1994 and was a visiting associate professor at the Kellogg Graduate School of Management, Northwestern University, during 1997.

Paul Ingram, associate professor, who joins the management division with interests in organizational theory, strategy and integrated management, managerial decision making and organizational behavior. He most recently served as associate professor of industrial administration at the Graduate School of Industrial Administration, Carnegie Mellon University.

Constantinos Maglaras, assistant professor, who joins the management science division from Stanford University's Graduate School of Business, where he earned his PhD.

Matthew Rhodes-Kropf, assistant professor, who joins the finance and economics division from Duke University with research

interests in financial economics, game theory and industrial organization.

Sheena Sethi-Iyengar, assistant professor, who joins the management division from the Sloan School of Management, Massachusetts Institute of Technology, where she served as assistant professor. She specializes in organizational behavior and negotiations and decision making.

Arthur A. Small, assistant professor, who has a joint appointment to the finance and economics division and the University's Earth Institute. He comes from the University of California, Berkeley, where he earned his PhD in agricultural and research economics.

CLASS OF 1998 PRESENTS GIFT

The class of 1998 presented Dean Feldberg with a check for \$98,000 at the Recognition Ceremony on May 19, continuing the eight-year tradition of class gifts. The effort is supported by a matching challenge grant from Paul B. Guenther '64, chairman of the New York Philharmonic and member of the School's board of overseers. The graduating class dedicated the gift to the Class of 1998/Paul B. Guenther Student Computer Self-Help Center in the new Business/Law building.



Jeremy Kagan (right), class gift cochair, presents Dean Feldberg with a check for \$98,000, as Vice Dean Safwan Masri looks on.

EMBA MARKS 30 YEARS OF EXCELLENCE

This is truly the very best of times for the top business schools in the nation," says Dean Feldberg, and the talk at this year's EMBA/MDPE Alumni Day underscored that point.

More than 70 alumni attended the event, titled "Thirty Years of Excellence in Executive Education: 1968-98," which was held on campus on June 12.

Professor E. Kirby Warren, director of the Management Institute, moderated a panel of three distinguished alumni: Gail McGovern '87, former executive vice president of AT&T Consumer Markets; Douglas



Edward D. Horowitz, MS '79, executive vice president, Citibank; Gail J. McGovern '87, former executive vice president, AT&T Consumer Markets; Douglas W. McCormick '90, president and CEO, Lifetime Television.

McCormick '90, president and CEO of Lifetime Television; and Edward Horowitz, MS '79, executive vice president of Citibank.

Feldberg introduced the event by praising the EMBA program, which is designed for professionals with an

average of 10 years' business experience. Many of today's applicants score over 700 on the GMAT, despite not having taken standardized tests in decades. "It's really quite extraordinary," Feldberg said.

Panel members seemed to agree. McGovern, for example, said the best part about the morning was "finding out that I am holding a degree from a school that probably would not accept me if I applied today."

McGovern also expressed surprise at being a panelist at the event. She said that while growing up she believed "anything you learned in school could not be applied in real life." Upon her arrival at the school 12 years ago, she continued, she was skeptical. Within one month, however, "I became a zealot in the program," she told the audience. "I truly believe I would not be in the position that I'm in today if I hadn't attended the EMBA program."

McCormick outlined the positive effects the EMBA program's study groups and broad intellectual discipline had on him and, in turn, on the cable network he would later come to restructure and lead: "What I learned at Columbia is really, basically, the genesis behind all that formed Lifetime and that has become "Television for Women," he said.

Stories from the front lines of business were plentiful, as Horowitz shared his experiences of the mergers of three employers—the first when he was with HBO, then at his next firm, Viacom, and the most recent between Citicorp and Travelers Group. While each has been called "a merger of equals," he noted, the first two did not turn out that way. "Now I'm taking a look at the merger of Travelers and Citicorp and I'm saying to myself, "There are 15 guys from Citicorp; 12 are 57 and up. From Travelers, five are 57 and up. If I fast-forward a few years, what do you think is going to happen?"

Later in the day, Professors Bruce Greenwald and William Pietersen held workshops on "The Asia Crisis and You," and "The Learning Organization as an Engine of Strategy," respectively, to remind the alumni of their many months in the classroom.

SULLIVAN APPOINTED ASSISTANT DEAN



Joan B. Sullivan, assistant dean of Student Affairs

Joan Sullivan has joined Columbia Business School as assistant dean of Student Affairs. She comes to the School from Columbia University's School of International and Public Affairs (SIPA).

An alumna of Barnard College and Teachers College, Sullivan is known on campus as a dedicated manager and effective student advocate. In addition to planning and overseeing course scheduling, registration, orientation programs and graduation ceremonies at SIPA, she managed financial aid and housing, counseled students and was active in student recruitment and admissions. Sullivan will now perform many of these functions for the School and plans to eventually redesign the registration, orientation and graduation processes.

THOMAS NAMED ERNST & YOUNG PROFESSOR; BROADIE, SICHERMAN, VAN RYZIN GRANTED TENURE

This spring, the trustees of Columbia University named Jacob Thomas the Ernst & Young Professor of Accounting and Finance. Chair of the accounting, business law and taxation division, Thomas has helped place the division among the world's top five. He is a highly regarded researcher and has received the Dean's Award for Teaching Excellence in a Core Course. Prior to joining the School 10 years ago, Thomas specialized in tax and management work for Ernst & Whinney and in petrochemical plant design for Engineers India Ltd. A popular seminar speaker, he has written widely cited articles on pensions and leases.

The University also granted tenure to Mark Broadie, Nachum Sicherman and Garrett van Ryzin. Broadie, a member of the management science division since 1983, is a leading authority on financial engineering and computational finance. He has played a critical role in developing the School's core and elective courses, is a three-time finalist for the University's Presidential Teaching Award and has published extensively.

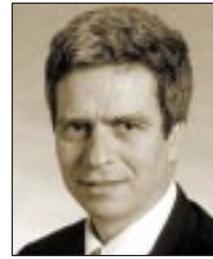
Nachum Sicherman joined the School in 1991 as associate professor in the finance and economics



Jacob K. Thomas



Mark Broadie



Nachum Sicherman



Garrett J. van Ryzin

division. Since 1992, he has served as a faculty research fellow of the National Bureau of Economic Research. Earlier this year he received the 1996–97 H. Gregg Lewis Prize for his article "The Dynamics of Dual Job Holding and Job Mobility," coauthored with

Chris Paxson and published in the *Journal of Labor Economics*.

Van Ryzin came to the School in 1991 as an assistant professor of management science and has served as the Class of 1967 Associate Professor of Business. A leading researcher

in yield management—the process of maximizing revenues by managing a finite resource—he has written numerous papers for leading journals and received several scholarly awards and grants from the National Science Foundation.

LANG FELLOWSHIPS AWARDED TO FACULTY MEMBERS

Five faculty members were awarded Eugene Lang Junior Research Fellowships to assist them in performing research in their academic discipline.

Professor Fangruo Chen (management science and operations management) will conduct a project titled "Coordination Mechanisms for Decentralized Supply Chains," while Professor Charles Jones (finance and economics) will carry out several projects related to market microstructures. A third prize supports Professor William Gentry (finance and economics), who will investigate the

topic, "Why Do the Wealthy Save So Much?: Saving and Investment Decisions of Entrepreneurs." Professors Elizabeth Mannix and Ruth Wageman (management) were jointly awarded a fellowship for their study, "Informal Leadership and the Uses and Misuses of Power in Teams."

The Lang Fellowships, underwritten by Eugene Lang, MS '40, chairman emeritus, REFAC Technology Development Corp., are designed to encourage junior faculty members to produce quality research that furthers their own academic careers.

Uncle Sam Wants You to Save If...

Does the U.S. government want you to save? It depends on your income level, three experts argue.

Grace Capetillo was accused by the Milwaukee County Department of Social Services of a criminal activity—having more than \$1,000 in her savings account.

Back in 1990, the mother of two was receiving welfare payments. She was also scrimping on spending to save for her children's educational expenses. Her assessed penalty for having saved was more than \$15,000—the accumulated amount of Aid to Families with Dependent Children (AFDC) payments she had received while her bank account was in excess of the legal limit.

In recent years, the federal government has bent over backwards to offer the middle class incentives to save for homes, education, retirement and medical expenses. Yet, surprisingly, that same government hits many lower-income households with a more than 100 percent tax on savings.

That's because many of the programs designed to help the nation's poor—including AFDC, food stamps, Supplemental Security Income (SSI) and Medicaid—have limited the asset holdings of participants to between one and two thousand dollars.

If a family saves and thereby accumulates more than this amount, it becomes ineligible for these programs. In the 1970s, asset limits were set by each state—and many states chose higher levels.

But in 1981, federal law increased the uniformity across states, generally by lowering the limit.

Between 1981 and the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (which replaced AFDC with state-administered Temporary Assistance for Needy Families), the nominal asset limits were largely held flat, leading to an ever-tightening inflation-adjusted limit. Some states have taken advantage of the new flexibility in the 1996 law to raise their asset limits, but many have not.

Obviously, some “means testing”—making program eligibility dependent on income or assets—is necessary to limit participation to those who truly need it. But means testing based on assets discourages saving. How? For welfare recipients like Grace Capetillo, there are obviously very severe penalties for saving more than a small amount.

There are also more subtle effects for others. Individuals not currently on welfare who have some chance of losing their job or spouse and falling onto the welfare safety net also face a large tax on their savings—because they are ineligible for any welfare payments until they have “spent down” their wealth to the legal limit. The benefits of saving for the future are therefore reduced by the prospect of possibly needing to apply for welfare (even temporary welfare) at some future date.

An even greater number of Americans face health risks in older ages that could easily require expensive nursing home care. Medicare provides little support for long-term care; most patients either pay out of pocket or

Medicaid picks up the bill.

Medicaid, like welfare, places very stringent wealth limitations on elderly individuals, requiring them to “spend down” their wealth (by consuming it or transferring it to children) in order to become eligible. This encourages dissaving by elderly requiring long-term care. But a more insidious effect is to discourage retirement saving by younger households who face a reasonable chance of going into a nursing home when old, but very well might not end up there.

In our research, we found that it makes sense for many lower-income, forward-looking households to save little or nothing for retirement. They are better off spending the money now to avoid running into means testing of welfare programs (while young) or means testing in the Medicaid and SSI programs (while older).

Observers who see how little many households have saved for retirement may be tempted to conclude that the poor are myopic and “just don’t save enough.” Our calculations suggest another interpretation. In many cases the best, most rational and foresighted solution is to save little or nothing, given the perverse incentive structure of these government welfare and insurance programs.

The distributional consequences of all these policies, taken together, are particularly troublesome. The government has introduced tax incentives to encourage saving by middle-income households. But the benefits of these tax-sheltered saving programs are much larger for people in higher tax brackets.

Meanwhile, these targeted saving incentives provide much smaller tax breaks for lower-income house-

by Professors R. Glenn Hubbard and Stephen P. Zeldes, Columbia Business School, and Professor Jonathan S. Skinner, Dartmouth College

holds, since these households are usually in a 15 percent or even zero tax bracket. And using these incentives can cause lower-income households to run afoul of much heavier implicit taxes should they some day seek to become eligible for the welfare or Medicaid programs.

What reforms do we suggest?

First, for households at risk of becoming welfare recipients, we propose raising the wealth limitations substantially. These higher asset limits could, perhaps, apply only to individuals who receive welfare for a short period.

Alternatively, Congress should put in place a national policy to promote individual development accounts. The balances in these accounts would not count toward any asset limits in benefit programs. But the money in these accounts could only be spent on educational, home purchase, business start-up or retirement expenses.

These accounts were proposed a number of years ago, and the 1996 welfare reform law allowed states to set them up. Sen. Dan Coats (R-Ind.) and Rep. Tony Hall (D-Ohio) recently introduced legislation that would use federal funds to support the establishment

of this type of account.

While easing the wealth limit would make more people eligible for welfare, the number of such newly eligible people is likely to be small. Demolishing the household's nest egg should not be a requirement for receiving temporary welfare assistance.

Next, we must recognize that the exceedingly low levels of wealth allowed under Medicaid rules are likely to discourage saving for retirement. In many respects, increasing wealth limits for Medicaid raises much harder distributional issues because many Medicaid recipients are elderly middle-class individuals who were admitted to nursing homes as private-pay patients and later switched to Medicaid status.

Still, a bias against lower-income savers remains in the Medicaid program. That's because a middle-income homeowner is often allowed to keep his or her home, but a renter (who is more likely to be poor) doesn't get any corresponding exemption. At a minimum, wealth limits for renters should be raised to achieve some level of parity with those owning their own home.

Finally, the results of our research should be considered in any Social Security reform.

It's true that one way to reduce expenditures on Social Security is to impose means testing on the basis of wealth or retirement income, which includes income from accumulated savings. It may seem to make perfect sense to deny Social Security benefits to billionaire Bill Gates when he reaches age 65. But such a policy could deter individual saving if

that extra dollar saved or stuffed into an Individual Retirement Account reduces Social Security benefits upon retirement. Means testing Social Security based on lifetime earnings from employment, as opposed to income and assets in retirement, would not suffer from this problem.

Individuals can at times be shortsighted when it comes to planning for retirement. It is hard at 35 to imagine ourselves at 70, and even harder to save for our unimaginable 70-year-old self. Nonetheless, we believe that government policies do matter for economic behavior, and that for a large group of Americans the government has made it harder to save for retirement.

R. Glenn Hubbard, the School's Russell L. Carson Professor of Finance and Economics, specializes in finance, investment decisions, banking, energy economics and public policy. He has served as deputy assistant of the U.S. Treasury Department and as a consultant to the Federal Reserve Board.

Stephen P. Zeldes, the School's Benjamin Rosen Professor of Finance and Economics, specializes in applied macroeconomic issues, including Social Security reform, the determinants of household saving and portfolio choice, the effects of government budget deficits, and the relationship between consumer spending and the stock market.

Jonathan S. Skinner is the John French Professor of Economics at Dartmouth College and a senior research associate at Dartmouth Medical School. He is currently working on issues related to technology and inequality in health care.

This article originally appeared in a supplement to the June 2, 1998,

edition of the *Washington Post*.
Reprinted with permission.

Q&A

WITH DONALD B. MARRON,
CHAIRMAN AND CEO OF PAINE WEBBER GROUP INC.

RETIREMENT AND EVOLVING GOVERNMENT POLICY

American workers look forward to retiring not only in good health and with a portfolio of accomplishments but also with enough money to sustain themselves.

But if economic predictions are correct, longer life spans, a strained Social Security system and inadequate individual savings could either push many in the next wave of retirees below the poverty line or cause the government to make up the shortfall by raising the next generation's taxes to unprecedented heights.

This bleak outlook has led to the formation of the National Commission on Retirement Policy, a bipartisan group of key members of Congress and business leaders that seeks to

educate Americans about the crisis and recommend solutions. It also prompted President Bill Clinton to hold a National Summit on Retirement Savings in Washington, D.C., in June of this year.

Donald B. Marron, chairman and CEO of Paine Webber Group Inc. and a commission private-sector cochair, recently spoke with *Hermes* about the commission's proposals and some results of the summit.

What do you think are the most important results of the National Summit on Retirement Savings?

I'd say the main thing is education, making people more aware that this is something every American has to know about.

What do you think is the most important fact the average American should know about saving for retirement?

The first thing is, there's a transfer of responsibility for people's futures away from corporations and the government into their own hands. We're going from defined benefit plans to defined contribution plans. And that means that almost all Americans will, when they get near retirement, have responsibility for investing a pool of money that will represent all or most of their retirement income. So they need to be educated as to how to deal with that responsibility.

What impact could inadequate retirement funds have on an individual and on the country as a whole?

Well, when Social Security was established in 1935, it was designed as a safety net. I know it's hard for you to believe, but the average life expectancy of a man then was 62, and people didn't retire until they were 65. So it really wasn't planned to be something available to a large number of Americans. And also, at that point there were 25 people contributing to Social Security for every person who got a benefit from it. Now the average life expectancy is 77, and there are only three people contributing for every person who gets a benefit. So it's gone from being a safety net to a critical component of one's



Donald B. Marron, chairman and CEO, Paine Webber Group Inc.

retirement income: for 18 percent of the population, it represents their only source of income, and for 40 percent, it represents a significant part of their income.

Will the national retirement age change?

There's a combination of things going on. Almost all the proposed programs for changing Social Security involve increasing the retirement age. Ironically, while you often read about people wanting to retire earlier, in fact, based on a survey we conducted, we found a majority of people actually want to work after retirement.

What age groups do you think will suffer the most from the Social Security deficit?

The real rate of return on Social Security benefits has fallen consistently since the plan was established. In the 1940s, retirees realized around 130 percent from Social Security; today, retirees earn under 2 percent. Under the current system, that rate will continue to decline. Today's baby boomers will realize less from Social Security than will their parents.

What do you think of the argument, reportedly debated at the summit, that the high taxes taken from paychecks and investment gains already make investing difficult for the average worker? Should the tax code be made, say, a flat tax,

or might Social Security privatization be a better solution?

Particularly for people still in the early years of saving, there's no question that the tax rates in this country are pretty high for every income level. Take a look at the W-2—an awful lot is taken out right at the start. If you live in New York City, the burden of paying into Social Security is very substantial. Do I think it is going to be changed? No, not much. The only way I think it should be changed is for lower-income people. For them, the burden is still disproportionately high.

We understand the commission is recommending that from the 12 points working people now pay toward Social Security, two points be put aside into an Individual Savings Account, or ISA. How did the commission arrive at this recommendation?

Well, it's a combination of things. First, it had to be enough so that the return on that money would be significant. I'll give it to you in another way. You've got to decide first of all whether you think Social Security is a tax or a savings plan. If it's a tax, all you're doing is being taxed and the government is paying back the money later on. And as a tax, of course, it's very regressive. If you think it's a savings plan, the return has been pretty bad compared to practically any other investment. So then, the idea is to just take out enough, the two points, so that the total return is enhanced materially. On the other hand, since it's really a tax, the two points that come out is revenue that does not go to the government, so it increases the deficit in the short term. Under our program, that deficit is made up by other savings

later on. So there was this balance—the impact on the current revenues of the government on one hand, and putting in enough so it will make a difference to people on the other hand.

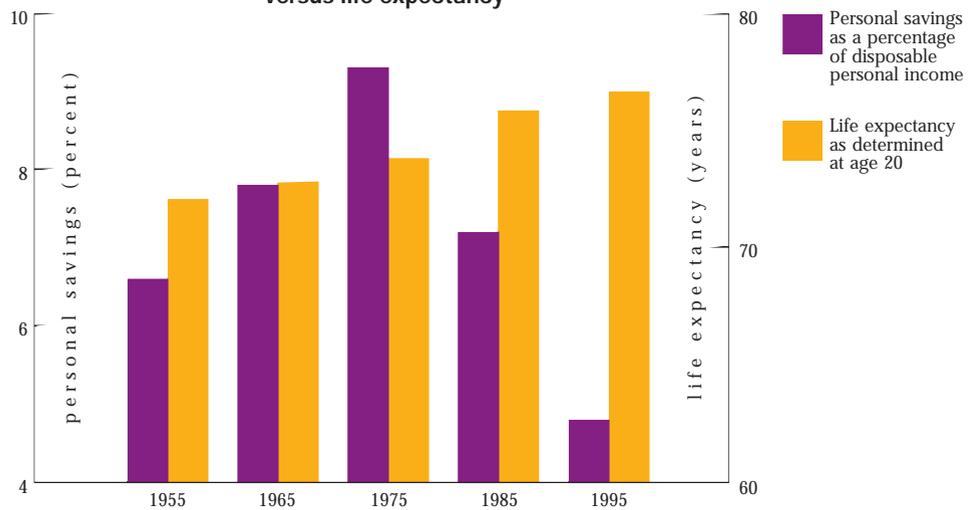
Will this have any impact on the Social Security system as a whole?

It's designed to allow the current system to continue. It means that of the money you put in, the return you'll get on those two points will be a market return. But in addition to the two points, what we put in was a safety net. We first said this doesn't apply to anybody who is 55 or older because it's not a long enough time for the markets to work with a very high probability. The second thing we said was—and I know these don't sound like big numbers—if you work 20 years, you're guaranteed a minimum of 60 percent of the poverty level at the time you retire. If you work 40 years, you're guaranteed 100 percent of the poverty level. Now that's in there because right now under Social Security for a lot of people the minimums are much lower than that. You don't get credit for all the years that you work under Social Security today. It's just for your highest years, and you have to work a certain number of hours a year. Particularly for low-income people, it doesn't always work out as well as it should. So from that point of view, it's a big improvement.

How would the ISA affect the contributing worker?

Well, there's no change in terms of what he puts in, or she puts in. In our plan, she has the choice if she wants to of putting in an additional \$2,000 a year of her own money.

Personal savings as percentage of disposable income versus life expectancy



Sources: Berkeley Mortality Database, Department of Demography, the University of California, Berkeley; National Income and Product Accounts measure, *Flow of Funds Accounts of the United States*, Board of Governors of the Federal Reserve System

The return on the money, as well as the interest, doesn't get taxed until you take the money out.

Would it be in the individual's name?

Yes.

And as accessible as is an IRA today?

No, it's not as accessible. In fact, our proposal is to make all those accounts less accessible. The idea is for this money to be for retirement and otherwise accessible only in the case of disability and other hardships. One of the problems today is that when people get access to their retirement assets, they generally spend the money rather than reinvest it.

Will the government choose the firms that will manage the ISA money?

Our recommendation is simply that the money go into various kinds of index funds: one for the S & P 500, one for the Russell 2000, one for bonds. The government would create a board that

will decide which money managers are the best at that. It's not designed to buy individual stocks.

Do you think this process could become susceptible to partisan politics?

Sure, theoretically, but of course you try to set it up so that it's bulletproof. I think that the investment part won't. There's something in the government now called the Thrift Savings Plan, which is the way government employees benefit from all this, and that seems to work well.

So it would be modeled after that, basically?

Yes, exactly.

How might the new retirement system affect both the large and small employers?

That's a good question. For large employers, we're all organized in a formal way to deal with thousands and thousands of people. It does have one subtle effect. Most current pension plans are based on not just the pension you get

but adding to it what you get out of Social Security. But presumably if Social Security did better, it might affect how much the corporation has to pay. For small firms, our plan would be a big advantage, because one of the problems with small firms is that setting up the defined contribution plan is expensive and complicated, and we put in several measures to make it simpler and in fact to provide a certain subsidy for small businesses.

What advice would you give to the single parent or low-income household that cannot afford to save for retirement?

Well, it's a huge issue, and it's an issue that concerns me a lot, and the answers are easier to say than to do. One of them is education. Find out everything about all the things that are available, first of all. There's more available than most people think. For example, low-income people don't invest the money in stocks, often. They put the money in bonds or things that get a lower return. In our plan, just imagine that you'd actually have to send back a form that would say how you want your money invested, whether you wanted stocks or bonds. We estimated that half the people won't fill in an answer to the question. Then we got into a debate about what do you do then? We concluded if you were 45 or under, you'd put half the money in stocks and half in bonds. So a big issue is education. I think another issue is to realize that Social Security is not going away. It will be there. This plan is something designed to enhance the returns that are possible.

OBVIOUSLY, ONE OF THE
QUESTIONS EVERYBODY
COMES UP WITH IS, "GEE, IS
INVESTING IN THE STOCK
MARKET A SMART THING
FOR PEOPLE?"

What are you thinking of in terms of educating the public about retirement savings and making sound investments, particularly if the individual is going to have more responsibility?

That was one of the things we presented to the president when he had a national summit on savings. Built into this proposal, which will be submitted as legislation shortly, would be a commitment to education either funded by the government or maybe funded in part by these firms, who then maybe manage the money. Don't assume that most Americans understand the conversation we're having now. They don't.

If the commission's recommendations are adopted, workers could retire with much larger savings accounts than they otherwise would have. How do you see their increased postretirement wealth affecting the distribution of wealth in this country?

I think that question is a great global question that's hard to answer. What the plan will do is give virtually every American a chance to participate in the markets. All this talk about the stock markets now, they really only affect about 15 or 20 percent of Americans. So every American will

have a stake in the stock markets and in the American economy, and that in turn should make most of these Americans more interested, and that's the first step in being more educated. So, it's being involved in something rather than just reading about it.

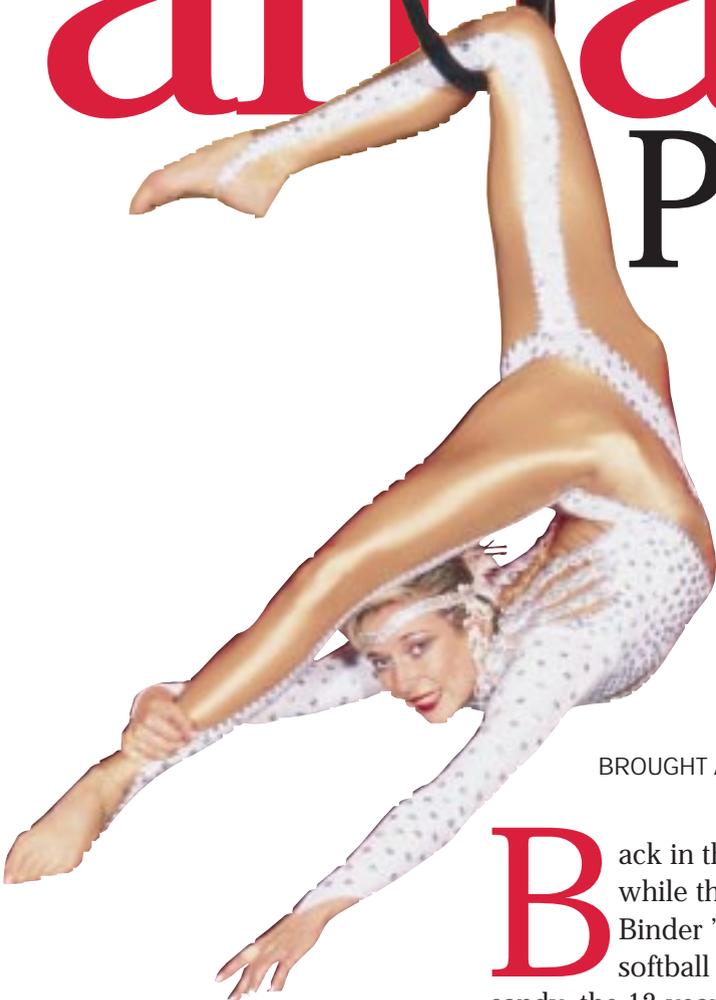
In your opinion, why does the issue of saving for retirement promote unity across the political party lines?

It's a good question isn't it, because this commission is bipartisan and bicameral, and yet we got a unanimous vote. I think the answer is there has been enough education out there now so that most citizens realize the current system doesn't work right or won't work the way it should in the future. So the politicians, most of them—I was very impressed with the senators and the congressmen on our commission—are now in a situation where they don't have to feel as though any mention of it sounds like you're taking something away. Now a mention of it sounds like you're trying to do something constructive in the context of a problem that most Americans believe that we have. So, it is increased awareness.

Is there anything we have not asked that you feel is important to this issue that you would like to add?

Obviously, one of the questions everybody comes up with is, "Gee, is investing in the stock market a smart thing for people?" and I think the answer is that all the studies show as long as you do it for a long enough period of time, it works out fine.

And now... the amazing Paul Binder



JUST YOUR TYPICAL IVY LEAGUE RINGMASTER, WHO HAS BROUGHT A EUROPEAN TRADITION TO AMERICA FOR MORE THAN 20 YEARS

Back in the mid-1950s, while the friends of Paul Binder '67 were playing softball and eating cotton candy, the 12-year-old Brooklyn boy preferred to slip a token into a subway turnstile, hop on a Manhattan-bound train and head to a Broadway show.

Today, that love of show business has grown into the Big Apple Circus, a 20-year-old not-for-profit organization that travels to 13 cities, including Boston, Atlanta and Chicago, with a new show each year thrilling newcomers as well as the children of its first fans. But while Binder's creation extends its reach throughout

the nation, the circus's pure form remains unchanged. Equestrianism, acrobatics, clowning and juggling—the four key elements of classical European circus—reign supreme. A single ring (or circle, hence the word *circus*) hosts all the show's glory and, to retain intimacy, every audience member is seated within 50 feet of that ring. Spectators see that performers "aren't distant superheroes; they are people just like themselves who are doing extraordinary things," Binder, who is founder, artistic director and ringmaster, proudly says. "The message has to do with the extraordinary nature of human beings."

BY MELANIE CONTY

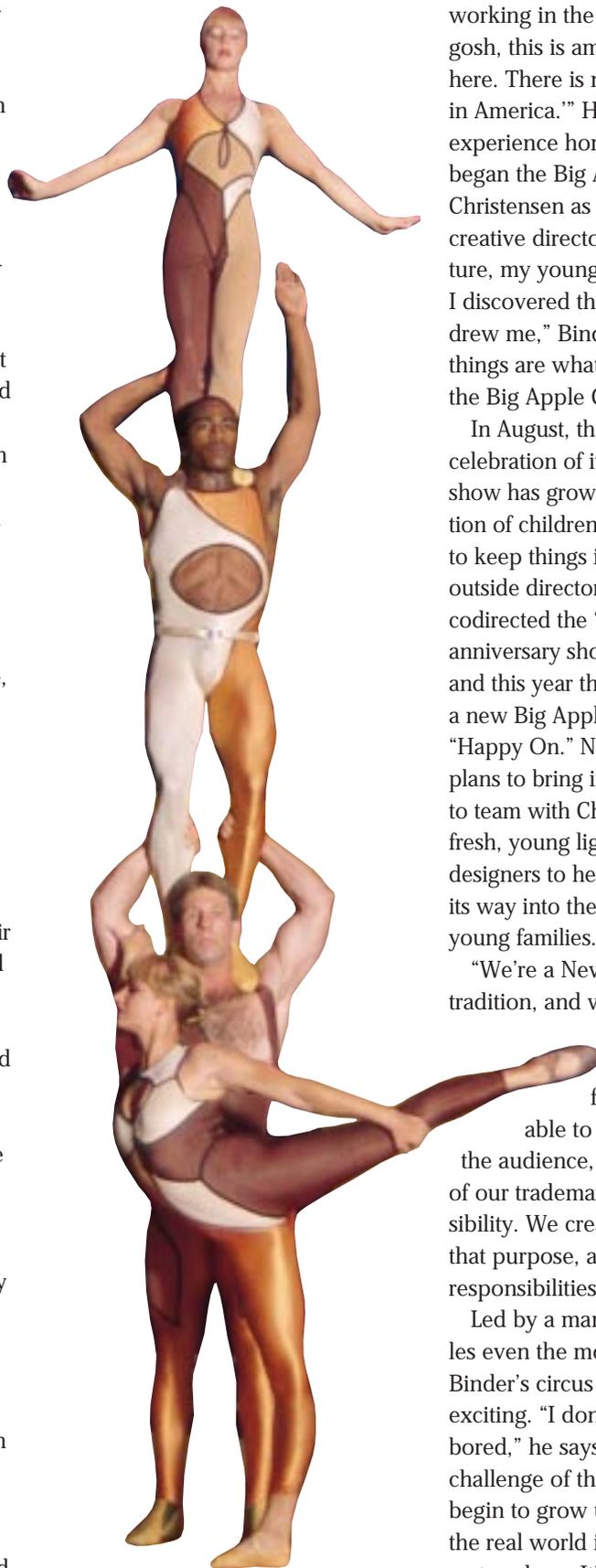
Binder's journey to the one-ring circus has followed an adventure-some, winding trail. After earning a BA in European cultural history from Dartmouth and an MBA with a focus on marketing from the School, he set out to work behind the scenes in television, first for Julia Child and then for the *Merv Griffin Show*. But a business trip led him to a place that would forever alter his course.

"On a visit out to the West Coast for the Griffin Show, I encountered the San Francisco Mime Troupe, and they really struck a chord with me," he recalls. "There was a part of me that always wanted to work as a performer and work in the theater since I was a kid."

Soon he auditioned for the troupe, was accepted and there learned to maneuver on a trapeze, perform acrobatics and juggle. "I just got totally fascinated with being a juggler," says Binder, who for the next several years performed with the company before he and fellow juggler Michael Christensen decided to strike out on their own, using their act as a "ticket to traveling around the world."

From San Francisco the duo headed east, first to New York and then on to Europe, where they juggled through the streets of London and Paris, through France and Greece, eventually finding themselves in Turkey. "We stood there on the shores of the Bosphorus saying, 'We can't go any further east than this. We don't think we can handle it,'" Binder recalls. So they juggled their way back to France, where a fifth-generation European circus clown named Annie Fratellini saw their act and took them into her world.

"That was my first experience with the circus," Binder says. "And



the moment when we started working in the circus, I said, 'My gosh, this is amazing what we see here. There is nothing like this in America.'" He brought that experience home and, in 1977, began the Big Apple Circus, with Christensen as cofounder and creative director. "In my adventure, my young man's adventure, I discovered things that really drew me," Binder says. "And those things are what eventually became the Big Apple Circus."

In August, the circus ended a celebration of its 20th year. The show has grown up with a generation of children, and Binder intends to keep things interesting. An outside director, Guy Caron, codirected the "Twenty Years!" anniversary show with Christensen, and this year the two will codirect a new Big Apple production titled "Happy On." Next season Binder plans to bring in a new codirector to team with Christensen and fresh, young lighting and costume designers to help the show win its way into the hearts of today's young families.

"We're a New York City cultural tradition, and we don't want to get stale," he says.

"We want it to be fresh and live and able to make contact with the audience, because that's one of our trademarks. That's a responsibility. We created ourselves for that purpose, and we take our responsibilities very seriously."

Led by a man who eagerly tackles even the most daunting tasks, Binder's circus is certain to remain exciting. "I don't like getting bored," he says. "It's through the challenge of the business that you begin to grow up and learn what the real world is really like, and it's matured me. It's not just systems.

It's not just the latest idea of how things are done or your idea of how things are done. It's working with people and getting the best out of people and doing quality work yourself that speaks to quality in the interactions of everybody that you work with."

Binder wed his star equestrian performer, award-winning Katja Schumann of the world-famous Cirkus Schumann family of Denmark. Their children—Katherine, 13, and Max, 11—perform in the show and attend the circus's One-Ring Schoolhouse, a fully accredited preschool through high school. But as one school year becomes the next, Binder looks for ways to better prepare them for college. "I was a lucky guy," he says. "I went to Dartmouth College and got an MBA from Columbia. I want my kids to have the same kinds of opportunities."

Over 30 years ago, Binder's MBA provided him with "a kind of a worldview that became very useful, particularly in the early days when I was out there fundraising and convincing citizens of the community in New York City to support this notion of a not-for-profit cultural organization called the Big Apple Circus. It gave me a way to speak to them—the language of cash flow, which told them, 'I was educated in your country. I speak your language.'"

Community service is a major component of the organization. In 1986 Christensen established the Big Apple Circus Clown Care Unit, a national service organization that sends clown doctors on over 150,000 entertaining visits per year to hospitalized children in several cities. The organization also trains inner-city school children in circus arts through its Circus Arts in Education program, begun in



1979. "We accomplished what we set out to do, which was to become more than just a show," Binder says. "We're part of the cultural fabric of people's lives."

As this year's production begins its holiday run at Lincoln Center, Binder notes that while he certainly chose a novel path, his story is not that unusual. "I think if you scratch the surface of anybody who has successfully navigated the waters of their life, you're going to find they're unique, too. They've done it their way, their special way of getting through it all. I don't think I'm that much different from anybody else."



c h a n g i n g perspectives

BY LEORA BERSOHN AND NATHANIEL EKMAN

Like a vintage wine, the value of a business school education tends to improve with age, as the experiences of the classes of '72/'73, '87/'88, and '92/'93 attest. Although each class attended Columbia Business School under different political and economic circumstances, all three can regard their time since graduation as a period of steadily broadening their views on themselves and the world.

FIVE YEARS AFTER GRADUATION, THE CLASSES OF '92 AND '93 BARELY HAVE TIME TO BREATHE. PREY TO THE DEMANDS OF FAST-CHANGING INDUSTRIES, THE REQUIREMENTS FOR CORPORATE ADVANCEMENT AND THEIR OWN AMBITIONS, THESE ALUMNI P U S H THEMSELVES HARD.

For the 5th-year class, this process manifests itself in the ardor with which its members pursue their ambitions for corporate advancement. As Steve Grant '92 puts it, "Most people at our stage are harvesting the skills they've developed and building equity."

Looking at the 10th-year class, we generally find its members comfortable enough in their careers to begin to revise, sharpen and sometimes even abandon original life plans for new ones. Bill Robbins '88, the principal of Convergent Ventures in Manhattan Beach, Calif., began his post-MBA career in the pharmaceutical industry, but, since that time, he has realized and begun to pursue his

passion: to found a venture capital fund based upon previous experience in the pharmaceutical and biotechnology industries.

To those in the 25th-year class, their careers seem to have served them faithfully over the years, and with this sense of accomplishment often comes a wealth of insight on the past. While most members of the classes of '72 and '73 characterize their time at the School as having been focused on acquiring specific skills, an equal number contend that the Vietnam War exerted a profound influence on their education at the School and left an indelible mark on their worldview.

TODAY, AFTER 10 YEARS OF
PUSHING AHEAD TO BUILD
SUCCESSFUL CAREERS, MANY
ALUMNI ARE STILL SEEKING
WAYS TO BALANCE THE
DEMANDS OF THEIR PROFES-
SIONAL LIVES WITH THOSE OF
RAISING A FAMILY, AND EACH
HAS A UNIQUE APPROACH.

Asked what he considers the most important lesson learned at the School, Glenn Greenberg '73, cofounder and managing director of Chieftain Capital Management, says simply: "A lot of being a businessman is not reducible to equations."

The members of the three classes that will celebrate their reunions this November may be at markedly different stages of their lives, but all of them continue to acquire new perspectives.

STARTING OUT, ON ONE'S OWN

Five years after Columbia, graduates from the classes of '92 and '93 barely have time to breathe. Prey to the demands of fast-changing industries, the requirements for corporate advancement and their own ambitions, these alumni push themselves hard. After five years, however, the insane pace has come to be gratifying in itself.

David Walmsley '92, who develops ancillary products for the A & E Cable Network, finds it exciting to work in an industry that involves "a lot of chaos and turmoil" and that responds quickly to changes in the market. Describing his first job after graduation, with the investment banking boutique the Weston Group, A. J. Mediratta '92 says there was no need for a business plan: "The

markets kept changing, so you kept changing, too."

Mobility is important to these alumni, who are establishing themselves professionally and personally, and one way to achieve such mobility is to set out on one's own. For example, Mark Goodman '92, a singer-songwriter who initially planned to work for a large record company, has been recording his own music and touring the country with a loose configuration of musicians called Magnet.

Others have carved out a niche for themselves within large corporations. John Bensché '93, who analyzes the wireless industry for Lehman Brothers, drew a lesson from his courses at the School and decided to "differentiate his product." He has made his ideas accessible by producing a well-written two-page report, "Bensché-Marks," instead of reams of material that would otherwise go unread. Lara Rubin '93, who once worked in art and film production, has found a place for herself at IBM, one that permits her to combine her creative knowledge and business skills while working from home. And Alan J. Freedman '92 of IndoSuez Capital hopes for more "autonomy and independence" in his business relationships.

Still others prefer to move around within their industries. Steve Grant '92, who was president of the GBA while at the School, moved from LaSalle Partners to TrizecHahn, because he realized that his professional aspirations were "to be on the ownership side instead of the agency side" of corporate real estate.

Besides being enthusiastic about their work, these graduates feel

confident that they received a strong education. Grant says the people he met at Columbia “exposed him to a tremendous amount of growth, learning and new ideas.” Goodman recalls Professor Morris Holbrook’s using jazz lyrics to illustrate points he made in his lectures on marketing. Most praise the School’s good teachers and New York location.

Five years after graduating, these alumni are still buoyed by friendships with former classmates. Some of Bensche’s closest friends are people he met at the School. “We used to joke,” he reminisces, “I wish business school lasted five years.” According to Rubin, “the classmates were the best part of the School.”

The road ahead for the bright, ambitious graduates of ’92 and ’93 is by no means predictable, but they are continuing to rely on one another, and on themselves.

ADJUSTING THE LENS, BALANCING THE SCALES

Ten years ago, when the classes of ’87 and ’88 entered the workforce, the U.S. economy was in a treacherous state. Only months before, the “Black Monday” stock market crash of 1987 had shaken the financial world, sending the country into a recession and leaving soon-to-be MBAs anxious about their prospects for employment. Yet, in retrospect, many members of this class believe the crisis on Wall Street was a true growing experience for them. Not only did the market’s plunge force them to reconsider their definition of success, it also inspired many to strive for a healthy balance between family and career.

In his first year at Columbia Business School, Bill Robbins ’88

was struck by the way that movies such as *Wall Street* glamorized the investment banking world. After the crash, though, he recalls, “people’s focus seemed to shift to other areas, predominantly toward brand management, marketing and consulting positions.” He also surmises that many of his classmates grew from having to reconcile lofty ambitions with the vicissitudes of the financial world. As James Gorman ’87 put it: “The crash changed people’s attitudes going into their careers. People realized that there could be bad times as well as good.”

But the learning process was hardly limited to the economic realm or to 1987. Today, after 10 years of pushing ahead to build successful careers, many alumni are still seeking ways to balance the demands of their professional lives with those of raising a family, and each has a unique approach. As a managing director and coprincipal of the Madison Avenue Capital Group, which he cofounded with classmate Bryan Gordon ’87, Ronald Dickerman ’87 devotes many hours each day to growing the assets of this investment management firm. Outside the firm, Dickerman serves as the reunion communications chairman for his class. Despite the rigorous schedule of an entrepreneur, he spends at least an hour every morning with his two-year-old son. His wife, Lisa Nusbaum Dickerman ’89, who is director of marketing for the New York Marriott Marquis Hotel in Times Square, works four days a week and spends the fifth workday at home with their son. Overall, the Dickermans think they have found a pretty good balance, but Ron admits that the arrangement is

“not without its opportunity cost,” and would love to see more of his family.

Stewart K. P. Gross ’87 and Lois Perelson-Gross ’87 are no strangers to compromise either. When Hannah, the first of their three children, was born, Perelson-Gross shifted to a part-time arrangement at Goldman Sachs, where she was a vice president of municipal finance. After Sarah, now almost four years old, celebrated her first birthday, Perelson-Gross decided to stay home to raise her children. Gross himself is a managing director at Warburg Pincus, which he joined right after graduation. He volunteers his time to the School by counseling students interested in venture capital and private equity investing and is the chairman of the 10th-year reunion committee for his class. He attributes much of his current involvement with the School to the visibility of many prominent alumni while he was a student, such as Lionel Pincus ’56, chairman and CEO of E. M. Warburg Pincus & Co., Inc.; Ben Rosen ’61, chairman of Compaq Computer Corporation; and Russ Carson ’67, general partner at Welsh, Carson, Anderson & Stowe. While he enjoys some control over his busy schedule, he confides with a smile that “the weekends have become precious.”

After several years as a corporate funds manager and analyst, Victoria Geduld ’88 knew she did not want to leave work entirely once she had children. So she started her own research and fundamental analysis service, which she now runs out of her apartment. “It’s a terrific balance,” she says, “because I get to stay home with the kids and push a

stroller, and then I get to work for clients when and if it suits them and me.”

Ten years after graduating, the members of the classes of '87 and '88 continue to learn and devise new ways of addressing life's demands. They have seen the challenges that a twist of fate can produce and will let nothing hinder their progress—except maybe a bedtime story or two.

TURNING OUTWARD, THINKING BACK

After 25 years, the beginning of one's career can seem as choreographed as a ballet; the most random of circumstances take on a retrospective harmony. “I saw an ad on the board,” says Steven Wechsler '72, about his first summer job while at the School. “It said, ‘Real estate consultant wanted for the summer.’ At that time, very few MBAs went into real estate. It was a much smaller business, mostly family-owned.” Today, Wechsler is a partner at Tishman Speyer Properties. He helped take the company private and expand it from 10 to 400 employees. “It's been a great career,” he says.

Daniel M. Cain '72 had a similar experience of growing within an industry that was itself expanding. “In the 1970s, health care finance didn't exist as an industry,” he points out. “It is a product of the Great Society legislation.” Today Cain is a founding principal and CEO of Cain Brothers, a health care investment banking firm. So far, he says, his career has “far exceeded” his expectations.

The impressive careers of these graduates were built on planning and training as well as good fortune. “Columbia was not only a

business school,” says Cain. “It was the environment, the workplace, the laboratory for whatever we chose to pursue. The things you were studying in the classroom—the alumni were coming back and talking to you about their day-to-day experiences.”

Indeed, all are working hard at new professional challenges. Says Cain, “Through CB Health Ventures, our \$100 million private equity fund, we would like to make Cain Brothers a financial principal in emerging health care companies. That is my focus.” Wechsler, in this real estate boom, wants to see “the company expanded further” and to continue “to work on interesting, exciting real estate deals and be continually challenged.”

Lorenzo Weisman '73, managing director at Warburg Dillon Read, acknowledges that after having undergone two mergers in less than two years, his firm is an amalgamation of different strengths and cultures. His goal: to help make the firm a dominant global-investment bank.

As their perspective broadens, 25-year alumni see themselves as part of a larger whole, and they are working to give back to the community. Many actively support the School and private charities. Cain is chair of the fund-raising campaign for his class reunion and is on the board of trustees of the Norman Rockwell Museum. James Clair '73, a partner at the law firm Sedgewick, Detert, Moran & Arnold, is committed to continuing the tradition of having alumni share their experiences. He has recently retired as cochair of the Finance and Banking Committee of the Columbia Business School Alumni Club/New York, where he worked to provide opportunities

TO THOSE IN THE
25TH-YEAR CLASS,
THEIR CAREERS SEEM
TO HAVE SERVED THEM
FAITHFULLY OVER THE
YEARS, AND WITH THIS
SENSE OF ACCOM-
PLISHMENT OFTEN
COMES A WEALTH OF
INSIGHT ON THE PAST.



for networking and the enhancement of professional skills.

Weisman, who serves on the School's board of overseers, is active in part because he remembers the educational "grounding" that Columbia gave him as well as the "wonderful spirit" he felt there and a "good group of friends," who have remained close.

Dee Wood '73 faced the challenge of being one of the first African-American women at the School. She went on to succeed in several fields, working for Exxon, launching a consulting business and eventually returning to corporate America by joining General Electric Appliances. Recently, she moved to Raytheon. Not afraid of being a pioneer, in 1989 she adopted two children as a single parent.

After 25 years, the people who once concentrated mainly on professional success have found fulfillment in other areas. Some turn to religion and other forms of spiritual experience, such as meditation. Others concentrate more on their families and friends. Wechsler avoided a commute by living in New York City, giving himself "three extra hours a day" to spend with his two children. Weisman cites balancing his career and his family as his top priority. The members of the classes of '72 and '73 are strong individuals, but in the middle of their lives, their relationships with other people have become most important.



COLUMBIA
BUSINESS
SCHOOL

SAVE THE DATE

FRIDAY, NOVEMBER 13, 1998

Class Reunion Schedule

5th-year (1992 and 1993) • 10th-year (1987 and 1988) • 25th-year (1972 and 1973)

FRIDAY, NOVEMBER 13

1:00 p.m. Registration and hospitality center,
Uris Hall

1:30 –4:15 p.m. Day Program

Session I, 1:30–2:15 p.m.

Going online: the alumni network of
the future, *Uris Hall*

Admitting the Columbia Business School
student: a hands-on review of applica-
tions for the class of 2000, *Uris Hall*

Guided tour of the new Business/Law
building, *115th and Amsterdam*

Life-cycle stages of technology-based
ventures: a discussion featuring 25th-
year reunion class members, *Uris Hall*

Women in the workplace: panel
discussion, *Uris Hall*

Session II, 2:30–3:15 p.m.

Going online: the alumni network of
the future, *Uris Hall*

Admitting the Columbia Business School
student: a hands-on review of applica-
tions for the class of 2000, *Uris Hall*

Shifting definitions of success:
a discussion featuring 10th-year reunion
class members, *Uris Hall*

Session III, 3:30–4:15 p.m.

Going online: the alumni network of
the future, *Uris Hall*

Guided tour of the new Business/Law
building, *115th and Amsterdam*

Shifting definitions of success:
a discussion featuring 10th-year reunion
class members (cont.), *Uris Hall*

Presentation by Professor Donald C.
Hambrick, an expert on strategic
management and author of *Navigating
Change: How CEOs, Top Teams and
Boards Steer Transformation*, *Uris Hall*

4:30–10:00 p.m. Evening Program

4:30 p.m. State-of-the-School address,
by Professor Meyer Feldberg, Dean,
International Affairs building

6:30 p.m. Class cocktails and dinner

SATURDAY, NOVEMBER 14

11:00 a.m. Tailgate lunch, *Chrystie Lounge*

1:00 p.m. Football game vs. Cornell, *Baker Field*

MEDIA

BUSINESS WEEK

July 13, 1998

Business Week highlighted the tremendous strides made at the School during Dean Feldberg's tenure in an article titled "Columbia B-School Makes the A-List." Most notable: Columbia's leadership in internationalizing all aspects of the program and the hands-on involvement of alumni and recruiters, creating a unique learning environment.

CNBC-TV

July 9 and 10, 1998

In a two-part series, CNBC explored the growing popularity of executive MBA programs and EMBA benefits for both company and employee. On camera to discuss the issue was Dina Consolini, assistant dean of the School's Executive and Summer MBA programs, who told CNBC that many EMBA students are seeking general management skills to help them lead effectively and grow their businesses. Caroline Arfa '97II and Jose Rivera '97II explained that the rigors of the Columbia EMBA program require good time-management skills, but theory and skills can be applied almost immediately on the job.

NEW YORK TIMES

Viewpoint

July 5, 1998

In an article written for the Sunday Business Section, Professor Donald Hambrick and coeditor



David Nadler offer advice to corporate boards on the selection of a chief executive. Their suggestion: find someone who can adjust to diverse business challenges instead of applying the same techniques to every situation. Too often, a board chooses the executive with a record of success in a particular area in which the company needs assistance. According to Hambrick and Nadler, boards should look for a leader whose strongest talent is insight.

CNN

Business Unusual

June 27, 1998

The retail industry presents a constant challenge for even the greatest brand names. How do you compete globally when facing varied shifting markets? Luciano Benetton, chairman of the Benetton Group, has developed an effective marketing strategy that has enabled the company to remain competitive for over 30 years. Currently Benetton is diversifying—selling everything from sweaters to sporting goods. Vice Dean Safwan Masri, who teaches the Benetton case in

Operations Management, appeared on camera with CNN to discuss the company and its success at tying resources together to optimize production and remain competitive.

FORTUNE

June 8, 1998

The upward direction of the American economy has resulted in salary increases for many executives across the country. But, how much is enough? Expert views vary. Robert W. Lear, executive-in-residence at the School, told *Fortune* that some companies pay CEOs above-average salaries so as not to admit to having a below-average CEO. Lear thinks that some deserve the big bucks—but not all.

FINANCIAL TIMES

June 4, 1998

When exploring the issue of large-scale financial bailouts of ailing economies and the fine line between preventing systemic crises and encouraging reckless investors, the *Financial Times* highlighted Professor Charles Calomiris's views on the issue. In making the case against bailouts, Calomiris asks if past experiences have taught foreign banks that they can lend without fear of default because of the implicit protection of the IMF and the U.S. Treasury.



**COLUMBIA
BUSINESS
SCHOOL**



Before.



After.

THE WORLD OF BUSINESS is a very different place before Columbia Executive Education. And after. Our programs focus on honing the skills and strategic thinking essential to succeeding in today's world, shortening the learning curve at every level. The results are, well, clear.

COLUMBIA EXECUTIVE EDUCATION. LEARNING THAT POWERS PERFORMANCE.™

MANAGEMENT DEVELOPMENT PROGRAMS:

The Columbia Senior Executive Program
(May 2 - 28, 1999) (Aug 8 - Sept 3, 1999) (Oct 3 - 29, 1999)

The Transition to General Management
(Apr 18 - 30, 1999) (Oct 31 - Nov 12, 1999)

Strategy Formulation and Implementation
(Feb 7 - 19, 1999) (Jul 18 - 30, 1999)

Emerging Leader Development Program **NEW!**
(Nov 8 - 13, 1998) (Mar 14 - 19, 1999)

Visit our web site at <http://www.columbia.edu/cu/business/execed>

**For more information on these and other
Columbia Executive Education Programs:
Call 212-854-3395 ext. 50
or fax this coupon to 212-316-1473.**

Name _____
Title _____
Company _____
Address _____
City _____ State _____
Zip/Country _____
Phone _____ Fax _____
E-mail _____

ALUMNI

CLUB NEWS

Alumni clubs provide great opportunities for graduates to stay in touch with the School and enhance or renew ties with fellow alumni. The Office of Alumni Relations has collaborated with various clubs around the world during the past year, and Dean Feldberg has been the featured guest at a number of special club events. With alumni involvement and commitment to the School at an all-time high, we are delighted that club activity is flourishing. This page highlights alumni club initiatives.



CLUB HIGHLIGHTS

In April, Columbia University trustee Robert Kraft, Columbia College BA '63, and John Childs '70 and Eugene Freedman '54, members of the Columbia Business School Board of Overseers, co-hosted the annual alumni dinner with the **Boston Alumni Club**. More than 80 alumni and guests attended the gala event, which featured Dean Feldberg.

The Columbia Business School Alumni Club of **New York** hosted its fifth annual dean's reception for more than 300 alumni and guests at the Hotel Intercontinental on May 6.

In May, the **Austria/ Germany/ Switzerland Alumni Club** held its annual meeting in Frankfurt. The event was hosted by Alexander Riesenkampff '61, a member of the School's board of overseers. In July, Dean Feldberg met with a group of Austrian alumni for a luncheon in Vienna.

In June, the **Denver Alumni Club** held a cocktail reception, hosted by Hal Logan '70, for Dean Feldberg. As one of the School's most active U.S. clubs, Denver has helped alumni stay in touch with one another and the School. Logan has been a key player in motivating fellow alumni to become involved. Rich Kennedy '92 also recently agreed to play a leadership role in the club.

In **London**, Charles Strauss '67, a member of the School's board of overseers, hosted a reception for Dean Feldberg and alumni at Unilever headquarters on August 3. The event, which brought together alumni, prospective students and students who were in London for summer internships, was filled to capacity. London alumni have played a major role in enhancing the School's international reputation, with applications from Great Britain increasing by more than 70 percent in the past five years.

On August 17, Ray Murphy '71 hosted a reception for Dean Feldberg and alumni in the **Washington, D.C.**, area. Boasting a strong alumni base, the Washington, D.C., club recently announced plans to expand its activities and opportunities for networking.

NEW CLUBS

Inspired by the energy and excitement generated by Dean Feldberg's state-of-the-School address at a February reception hosted by Laurans Mendelson '61, a trustee of the University, Steve Ketover '73 and Beatrice Noel '79 have collaborated with the Office of Alumni Relations to establish a club in **Miami**. A kickoff event is planned for the fall.



Dean Feldberg greets Benjamin Botwinick, BS '26, and his wife, Bessie, at a reception in Miami.

Under the leadership of Jean-Yves Rostoker '71, president of the alumni club of France, a **Pan-European Alumni Club** is being established to foster opportunities for networking and collaborative initiatives among the alumni clubs in Europe.

Efforts are under way to establish clubs in **Belgium, Chicago, Philadelphia, Seattle and Toronto**.

For information about club activities in your area or information about how to start a new club, contact Madge Nimocks, director of Alumni Relations, by phone, (212) 854-8203, or e-mail: mnimocks@claven.gsb.columbia.edu.

SKYDIVING AND B-SCHOOL

De Winter Stewart '99 was the first recipient of the Goldman, Sachs & Co. Minority Fellowship. In his speech at the School's Fellowship/Scholarship reception, Stewart discussed his Great Dane, skydiving and what this award means to him.

When I applied to Columbia Business School, I had to find a way to accomplish four difficult things. First, I had to get accepted. Second, I had to find a way to pay for it. Third, I had to find a place where I could live in New York City with a 150-pound Great Dane. Don't laugh; I expected housing to be the most difficult of the four. And I had to find a way to effect a career change into investment banking.

Well, Columbia accepted me and even gave me a place to live, although I must admit the housing office didn't know about my unemployed, non-tax-deductible roommate beforehand. That just left two miracles that needed to happen. I was determined to be enrolled come autumn, but had no idea how I would manage it. When I learned that Goldman, Sachs & Co. had awarded me a fellowship, I was speechless.

I asked a few of my fellow award winners what was most significant about their having won a fellowship or scholarship. Their responses included appreciation for having their accomplishments acknowledged, access to professional contacts and mentoring and, of course, tremendous gratitude for the financial assistance.

As I reflect on the significance of my award, I agree wholeheartedly with my fellow students. I also think of skydiving. I have found my first nine weeks in business school to be very analogous to skydiving. Math Camp and orientation were like standing in the doorway of the plane, preparing to jump. I was full of anticipation, while simultaneously wondering what I had gotten myself into. Since jumping out of the plane and starting my free fall, I have been overwhelmed and at times downright scared; and also as in a free fall, I have found business school to be tremendously exhilarating. That having been said, even if you have

never been skydiving, I'm sure you can appreciate that landing is unquestionably the most significant part of the journey.

The fellowship I received from Goldman Sachs provides me with tuition support and a summer internship. This award is directly responsible for my being able to attend business school and enables me to focus on my studies without the issue of a stressful and time-consuming summer job search.

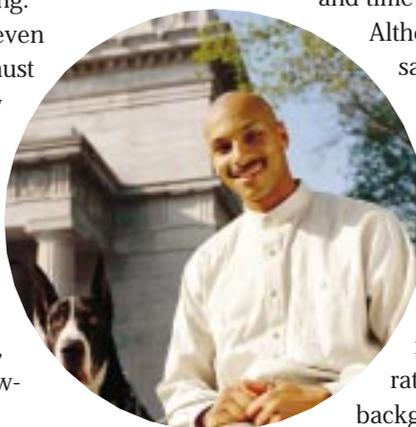
Although this award does not guarantee a safe landing upon graduation, it creates an ideal environment for me to acquire academic and practical skills that I hope to successfully leverage.

My career decisions have been driven by a willingness to take calculated risks in order to explore intriguing opportunities in diverse industries. Consequently, my corporate, entrepreneurial and not-for-profit background is unusual for a potential

banker. In fact, when I had dinner with George Butcher, my Goldman Sachs mentor, he said: "De Winter, I have to admit that under normal circumstances, Goldman Sachs would probably not have given serious consideration to someone with your background."

This statement speaks volumes about the spirit of this fellowship and about what I most value as the first recipient of this award: Goldman Sachs's willingness to nurture students who fall outside of conventional I-banking parameters.

An intrinsic responsibility of the Goldman Sachs fellow is to serve as an ambassador to Columbia's community of underrepresented minority students and to help strengthen the bond between the bank and the School. If I can serve as a role model and as a Columbia-Goldman Sachs liaison for students who have taken risks to pursue their goals, I will have accomplished this important mission.



The Goldman, Sachs & Co. Minority Fellowship recognizes an academically outstanding minority student interested in pursuing an investment banking career. Stewart, who was a Cornell Tradition Scholar as an undergraduate, alternately worked in not-for-profit, founded a tourism company, cofounded a real estate investment firm and worked with SmithKline Beecham before setting his sights on investment banking.