



COLUMBIA  
BUSINESS  
SCHOOL

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# HERMES



## **KNOWLEDGE IS POWER**

BY DIANA KATZ

Faculty members on today's public policy issues: Calomiris comments on the Argentina cataclysm;  
Green on getting admitted—to the hospital; Heal on doing well by doing good;  
Horton reflects on the NYC recovery; from the White House, Hubbard on the U.S. economy;  
Mishkin on what 9/11 proves; Sagalyn on rebuilding city icons; and Zeldes debunks Social Security myths

## **NO NATION IS AN ISLAND: THE GLOBAL CONTAGION OF ECONOMIC POLICY**

Nobel laureate and Columbia Business School professor Joseph Stiglitz  
considers how a nation's economic policies go global

## **WHY CONGRESS IS WRONG ABOUT ENRON**

BY JOHN O. WHITNEY

Instead of knee-jerk reactions and empty finger-pointing, an explanation—and a possible solution

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SPRING 2002

# HERMES



Spring 2002



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# HERMES

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## DEAN'S MESSAGE

Dear Friends:

In these pages, we highlight eight Columbia Business School faculty members who study and shape public policy in health care, the environment, urban planning and development aid, among other areas. As we seek an understanding of the issues that govern the world around us, our faculty stands out as a source of insight and, indeed, solutions. Professors in diverse fields are examining policies designed to address our most pressing public concerns, and while policymakers can become mired in politics or public opinion, these scholars tell the truth about how our world works—and how it could work.

Also in this issue, Professor of Management John O. Whitney cuts through media and political spin to get to the heart of the Enron implosion and other corporate scandals. We also share remarks made by Professor Joseph Stiglitz at the School's 26th Annual Dinner, at which he was honored with the award for Distinguished Leadership in Government. Stiglitz, winner of the 2001 Nobel Prize in economics, is a larger-than-life figure in his field who joined the faculty in July 2001. His eminent expertise in the global economy and the economics of information is needed now perhaps more than ever before.

Our previous issue was published within weeks of September 11, when the nation, New York City and the Columbia Business School community were still very much in shock. At that time, we shared the devastating news that 10 of our alumni had perished in the terrorist attacks. Today, with a more complete picture of those alumni and their gifts as human beings, we offer a remembrance.

This academic year has highlighted some of our best qualities as a community. Looking forward, I am pleased to announce that this summer the School reaches several exciting milestones. With the June launch of the Berkeley-Columbia Executive MBA, an incoming class of senior executives begins a thoroughly bicoastal graduate business program, capitalizing on the resources of two top business schools and two outstanding cities.

Also this summer, following a phenomenally successful start, EMBA-Global—our pioneering executive MBA program with London Business School—celebrates its second anniversary. And early this fall, the Chazen Institute launches a cutting-edge, Web-based international business journal.

As we welcome these events at Columbia, I invite you to let us know about your most recent advances as well—on the West Coast, abroad or here in New York City.

Sincerely,

Professor Meyer Feldberg '65  
Dean



JON ROEMER

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# NEWSMAKERS

## STIGLITZ AND WEILL HONORED AT 26TH ANNUAL DINNER

Columbia Business School continued its tradition of outstanding success at the 26th Annual Dinner on May 6. Held at the Waldorf-Astoria Hotel, this year's Annual Dinner honored 2001 Nobel laureate Joseph E. Stiglitz, professor of finance and economics at the School, with the Distinguished Leadership in Government Award and Sanford I. Weill, chairman and CEO of Citigroup, Inc., with the Distinguished Leadership in Business Award.

Cochaired by Russell L. Carson '67 and Erskine B. Bowles '69, the event raised \$2.4 million in unrestricted support for curriculum development,



Dean Feldberg and more than 1,000 guests feted Joseph E. Stiglitz, Nobel laureate (left), and Sanford I. Weill, chairman and CEO of Citigroup (right), at the Waldorf-Astoria.

student financial aid and faculty research. More than 100 corporate sponsors and 1,000 guests attended.

This year's award recipients are giant figures in business and in economic policy.

Stiglitz, who joined the faculty of Columbia Business School in 2001, is among the

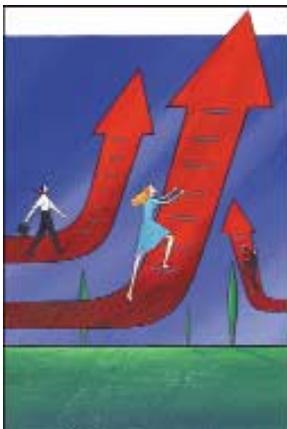
most influential economists of the last half-century. The pioneer of the economics of information, he is former chief economist and vice president for development economics for the World Bank and was chairman of the U.S. Council of Economic Advisers to President Clinton. He was awarded the Nobel Prize for his analyses of markets with asymmetric information.

An excerpt of Stiglitz's remarks at the Annual Dinner appears on page 12.

Weill has led Citigroup since its creation in 1998 by the merger of Citicorp and the Travelers Group—the then-largest merger in history—of which he was an architect. He has since developed the company into the largest financial services firm in the world, and Citigroup has registered the highest net profit of any diversified global financial services company in U.S. history.

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## EXECUTIVE EDUCATION EARNS THE FT'S NO. 1 RANKING—AGAIN



For the third consecutive year, the *Financial Times* ranked Columbia Business School's Executive Education program No. 1 worldwide—an unprecedented achievement in the media's rankings of business school programs. Columbia Executive Education also ranked No. 1 in the special categories of quality of participants, course design, new skills and learning, follow-up, value for money and international participation.

Earlier this year, the *FT* also ranked the School's MBA program No. 3 among 100 international MBA programs worldwide. The analysis placed special emphasis on faculty research and international focus, as well as graduates' salaries and career progression. Three years after graduation, Columbia MBAs' salaries had soared 247 percent, on average, noted the *FT*. The School also garnered special recognition for the quality of its faculty and faculty research.

CWIB CONFERENCE FOSTERS CONNECTIONS

On March 1, more than 500 students, alumnae, faculty members and businesswomen gathered at the ninth annual Columbia Women in Business (CWIB) conference, “Inspiring Success: Sharing the Experiences of Women in Business.” The full-day conference, run entirely by students, was sponsored by American Express and Deutsche Bank.

Pamela Thomas-Graham, president and CEO of CNBC, gave a keynote address on the importance of mentoring for women, particularly those who are young or of color. “Someone has to take risks to change the face of corporate America,” she said.

Conference panelists included Kathleen Biro ’79, cofounder and vice chairman of Digitas; Elizabeth Bramwell ’67, president of Bramwell Capital Management; Caroline Dorsa ’87, treasurer of Merck & Co., Inc.; Christy Haubegger, founder of Latin Media Ventures/*Latina* magazine; Professor Laurie Simon Hodrick of the School’s Finance and Economics Division; and Michaela K. Rodeno, CEO of the St. Supéry Winery.



SMITH BAER STUDIO

*Distinguished Alumna Ann Kaplan ’77 urged women MBAs to seize this “time of opportunity” and to “like what you do.” Pictured, left to right, are conference cochairs Tyana Freyer ’02 and Liz Cotter Schlax ’02, Kaplan and Dean Feldberg.*

Ann Kaplan ’77, a managing director at Goldman, Sachs & Co. who heads a group devoted to enhancing the firm’s work with private, corporate and governmental women clients worldwide, received the sixth annual Distinguished Alumna Award. She echoed the importance of mentoring in women’s careers, as well as the need to balance work and home life. “Have faith,” she said. “This is a time of opportunity.”

The conference underscored the timeliness of the newly launched CWIB Mentoring Program, which pairs students with alumnae to encourage career advice, guidance and a strong network of women who share the Columbia Business

School experience. Catalyst, a nonprofit research and advisory organization working to advance women in business, collaborated with CWIB to develop the program.

At the mentoring initiative’s inaugural event last fall, 2001–02 CWIB president Amanda Magliario ’02 noted the School’s standing as the premier business school for women, and Dean Meyer Feldberg discussed the many leadership roles women have taken on at the School. Magliario said, “While our Columbia Business School education has served us very well, we know that there are still some skills that can’t be taught or refined in the classroom. This mentoring program fills that gap.”

For more information about the annual conference or the mentoring program, visit [www.cwib.org](http://www.cwib.org).

**ENTREPRENEURS INTO AFRICA**

Private Equity and Entrepreneurship in Emerging Markets, a new lab course in entrepreneurship offered last fall, culminated in what might be considered the ultimate final exam. A final project required students to apply their classroom learning to an intensive, real-world experience: consulting for women entrepreneurs in Africa.

The project not only enhanced the businesses of five emerging-market entrepreneurs and the education of 12 MBAs, but also demonstrated Columbia Business School's commitment to social entrepreneurship.

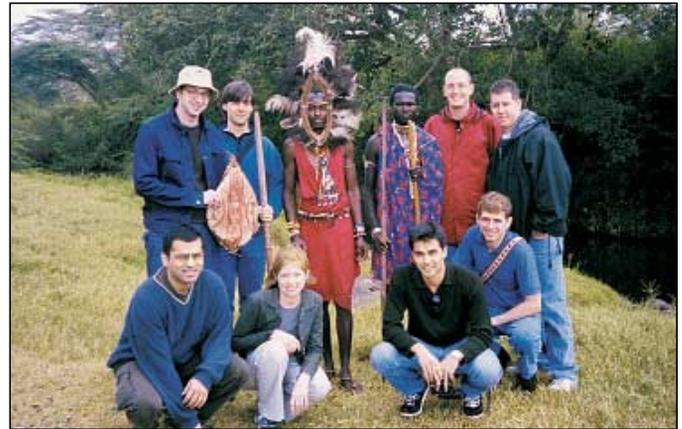
The course was cotaught by Murray Low, associate professor of management and executive director of the Eugene M. Lang Center for Entrepreneurship, and executive-in-residence Paul Tierney. Diana Yousef '03, president of the School's Managers in International Development Initiative (MIDI), and Kenyan entrepreneur Peter Kibiriti, a former Knight-Bagehot fellow, helped organize the final project in Africa.

The emerging-market economies of Africa are some of the most challenging frontiers for new businesses. Student consultants met with competitors, customers, bankers, development agencies, government officials and

the entrepreneurs themselves before presenting their findings to clients and drafting case studies.

The five start-ups are diverse—a private school for children, a database implementation and maintenance company, a catering business, a commercial rose farm, and a canning and processing factory—and are located, respectively, in Kenya, Cameroon, Zambia, South Africa and Ghana.

Their owners face obstacles that include ineffective government policies, double-digit interest rates (and then some), weak financial infrastructures and



MYKA REINSCH '02

*On breaks from their rigorous consulting assignments, Columbia MBAs visited Victoria Falls and Lake Nokuru, took in Nairobi nightlife and went on a Masai Mara safari.*

business cultures that are male-dominated as well as antigrowth. The student consultants discovered, however, that despite these extraordinary challenges, entrepreneurs who persevere can and do succeed.

The development of the Private Equity and Entrepreneurship in Emerging Markets course was supported by the Lambert Family Social Enterprise Curriculum Fund at Columbia Business School.

**WAITE LEADS EXECUTIVES-IN-RESIDENCE PROGRAM**

**I**n March, Don Waite '66, retired senior partner and director at McKinsey & Company, accepted the position of director of the School's Executives-in-Residence Program. This distinctive program brings the special insights of senior business leaders to the classroom, student advising and special projects on campus.

Waite, an active member of the School's board of overseers since 1993, remains a member of the McKinsey Advisory Council. He joined McKinsey in 1966 upon earning his MBA. During his more than 35 years with the firm, he personally advised multi-

national firms on their development strategy, consulted for the U.S. government on regulatory policy, led McKinsey's worldwide consulting activities for financial institutions and played a key role in building the firm's European practice.

McKinsey, which has an especially strong relationship with the School, hired 49 graduating Columbia MBAs in 2001, more than any other single firm.

Current executives-in-residence are Ehud Houminer, former president and CEO of Philip Morris



Donald C. Waite III

International; M. Leanne Lachman, principal and global institutional investment manager at Lend Lease; Oliver R. Sockwell, founding president and CEO of Connie

Lee; Sabin C. Streeter, managing director of the Sprout Group at Donaldson, Lufkin & Jenrette; and Paul E. Tierney, Jr., managing partner and chairman of Darwin Capital Partners.

The program, founded by Robert Lear in 1977, capitalizes on the School's location in the world's corporate and financial center.

**FACULTY MEMBERS GARNER AWARDS**

On December 11, the National Science Foundation (NSF) awarded Associate Professor of Management **Sheena S. Iyengar** the Presidential Early Career Award for Scientists and Engineers in the Social Sciences (PECASE).

Widely renowned for her research on choice, motivation and satisfaction, Iyengar was given a CAREER award, a \$679,500 grant, by the NSF early last year. Her research proposal challenged the commonly accepted notion that more choice is intrinsically more motivating and yields greater satisfaction.

Subsequently, Iyengar was chosen from among



*Sheena S. Iyengar*



*Mark Broadie*



*Bernd Schmitt*

all recipients of CAREER awards, a highly select group of scholars, as the single winner of the PECASE. The award recognizes “exceptional potential for leadership at the frontiers of knowledge” and is the highest honor bestowed by the U.S. government on young scientists and engineers who are launching their independent careers.

**Mark Broadie**, professor of decision, risk and operations, and **Bernd Schmitt**, professor of marketing and executive director of the School’s Center for Global Brand Leadership, were honored this year with the Dean’s Award for Innovation in the Curriculum.

Broadie was recognized for the materials he developed for teaching the core course Decision Models; they are now used by all faculty members who teach the course.

Schmitt was honored for his new course Corporate Creativity, developed for the EMBA program, which examines how companies manage or fail to use creativity to foster innovation within the firm.

**A LIVING REMEMBRANCE OF THOSE LOST**



ALISA MACNEILLE

*The School community gathered at the northeast corner of Low Memorial Library on May 9 to dedicate a white American dogwood, now in full bloom, and a commemorative plaque to the 10 alumni who died on September 11 (see “We Remember,” page 14). On behalf of the student body, the Graduate Business Association arranged the tribute.*

# Knowledge Is Power



**Faculty Members Share Insights  
into Today's Public Policy Issues**

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**by Diana Katz**

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**N**ew realities—from possible Social Security insolvency to global warming to September 11—pose serious challenges to policy-makers. At stake are economic stability, national and global security, public health and the environment. The most successful solutions to these challenges come from specialists who apply close analysis, sharp insight and accumulated expertise to the issues at hand. Here eight Columbia Business School faculty members discuss their research on a broad spectrum of public policy issues. Their work addresses some of the most pressing concerns about how we, as a society, work and live.



**CHARLES W. CALOMIRIS**  
*Director, Financial Markets  
Deregulation Project, American  
Enterprise Institute; Paul M.  
Montrone Professor of Finance  
and Economics*

**New development aid  
reforms would make  
“worlds of difference.”**

## MAKING DEVELOPMENT AID WORK

As a leading authority on financial institutions, Calomiris has advised the U.S. government on the reform of the IMF, the World Bank and development aid, among other areas. In the mid-'90s, he helped shape reforms in Argentina that created one of the best financial systems among emerging market countries. But when the Argentine government subsequently began borrowing heavily and forcing banks to lend it funds (and as IMF aid only fanned the flames), Calomiris warned, presciently, of a “cataclysmic event”—the implosion of the Argentine economy. “Unfortunately,” says Calomiris, “the situation [in Argentina] is

not that unusual.” Today, the Bush administration is adopting policies that would concur with Calomiris’s findings on development aid, avoid past mistakes and make “worlds of difference.” As Calomiris wrote recently in the *Financial Times*, new policies must increase aid unilaterally, make aid contingent on effective infrastructure reforms, provide grants for services instead of loans to governments and allow multi-lateral institutions more flexibility on forms of aid. This “would put an end to the squabbling that has prevented urgently needed reform and growth in development aid.”

## A DIAGNOSIS FOR HEALTH CARE

An expert in using quantitative models for designing and managing service operations, Green has found that while attempting to control costs and increase revenues, hospitals are ignoring the impact of their policies on timely provision of beds. Because many hospitals have not met a 1970s federal target of 85 percent average occupancy, “the common wisdom is that we have too many health resources”—even as the unavailability of inpatient beds increasingly forces emergency rooms to divert ambulances. “Critical capacity decisions are generally made without the

model-based analyses routinely used in most other service industries to determine impact on customers—in this case, patients.” Now studying the relationships between mortality rates, ambulance diversions and bed unavailability, Green says September 11 highlighted the need for adequate emergency resources. But given cost pressures, substantial change will happen only when policymakers offer hospitals a clear incentive: “Hospitals are at the mercy of government rules and regulations and payment systems. It’s really about where the dollars are going to come from.”



**LINDA V. GREEN**  
*Armand G. Erpf Professor of  
the Modern Corporation; Faculty  
Coordinator, Columbia Alliance  
for Health Care Management*

**“The common wisdom is  
that we have too many  
health resources.”**



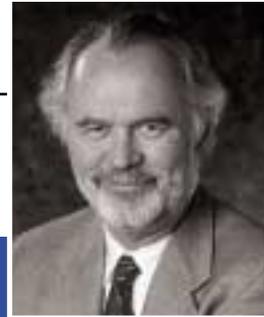
**GEOFFREY M. HEAL**  
*Paul Garrett Professor of  
Public Policy and Business  
Responsibility*

**Economic incentives  
“can help companies  
do well by doing good.”**

## DOING WELL AND DOING GOOD

Environmental issues, from vehicle emissions to endangered species, are increasingly important to firms' customers and shareholders—and to firms themselves. An authority on the impact of economic activity on the environment, Heal has found that while command-and-control legislation often fails to force corporations to adopt environmentally sound policies, economic incentives succeed. By harnessing market forces, incentives allow businesses to make conservation integral to their business strategy and may even lead to new opportunities for innovation. Market-based environmental

management, says Heal, “can help companies do well by doing good.” Heal also has studied the phenomenon of socially responsible investing yielding higher-than-average returns, and he suggests the “interesting possibility that socially responsible behavior proxies for general managerial competence.” An expert, additionally, on the impact of risk allocation in the economy, Heal is researching solutions to inadequate investment in security by such industries as airlines and communications networks—which can lead to loss of information and even loss of life.



**RAYMOND D. HORTON**  
*Professor of Management;  
Chair, Management Division;  
Director, Social Enterprise  
Program; Former President,  
Citizens Budget Commission,  
New York*

**Rebuilding efforts in  
themselves could further  
the economic recovery in  
New York City.**

## THE ROAD TO RECOVERY

An expert on municipal finance and urban affairs, Horton has conducted extensive research on municipal management in New York, focusing on how financial resources are converted into city services, as well as the consequences of those processes. “Management counts a lot in the translation of money into services,” says Horton. “Generally speaking, consumer or citizen interests are systematically traded for producer interests. In the bureaus that govern large portions of New York City, stasis is the rule, and innovation or adaptation, the exception.”

Innovation is essential, however, as the city recovers from the September 11 terrorist attacks. Reporters covering the city's efforts to rebuild and recuperate have turned to Horton's expertise. He recently commented to the *Financial Times* that New York is now facing “challenges of a very substantial scale, and they are all coming together at the same time.” Horton told the *Washington Post* that although “in the short run, the disaster will amplify our recession,” efforts to rebuild, including new construction downtown, could further the city's economic recovery.



**R. GLENN HUBBARD**  
*Chair of the Council of Economic Advisers to President George W. Bush; Russell L. Carson Professor of Finance and Economics*

**Long-term growth, strong worker productivity and low, stable inflation are expected.**

## WHITE HOUSE POLICY FOR A STRONG ECONOMY

As chair of the Council of Economic Advisers, which advises the U.S. president on economic policy and trends, Hubbard has predicted that the U.S. economy will experience long-term growth, strong productivity and low, stable inflation. The positive economic outlook is in part the result, says Hubbard, of four key policies of the Bush administration. They are a commitment to lower taxation (shown early in Bush's administration by a tax cut, which Hubbard foresees having "a large effect on economic growth in the long term as well as the very positive effects it's had in the short

term"); a commitment to free trade and negotiating trade agreements that satisfy U.S. interests; a broad commitment to deregulation that allows capital technologies to flow as freely as possible; and a commitment to making structural adjustment in the labor market easier. The Bush administration has recently focused new attention on this last area. "What the president has in mind," says Hubbard, "is reinvigorating programs for training and the job search, to help people as industries grow and decline."

## THE EVEN-KEEL ECONOMY

The spiraling crises in Turkey and East Asia exemplify how crucial it is for any nation, whether industrialized or an emerging market, "to get the financial sector healthy and properly supervised," says Mishkin, an expert on monetary policy and financial crises. Strong fundamentals—a healthy banking sector—can keep unexpected financial shocks from sending the economy into a downward spiral. "What you want to do is set up your framework so that the public supports the central bank. The central bank then needs to focus on the longer-run perspective so that it produces an even-keel economy." Sound fundamentals

allowed the United States to weather the bursting tech bubble and even 9/11—which disrupted the "plumbing" of the financial system itself. "Not only has the Fed done well in responding to shocks, but also the quality of regulation and supervision of the financial sector has improved dramatically," says Mishkin. Recent shocks "show what we've been doing right in the United States: We have set up our financial institutions so the system doesn't break down." Mishkin explains: "Recessions are like death and taxes. We'll always have them. The real issue is making sure you set up your institutions so that recessions don't spin out of control."



**FREDERIC S. MISHKIN**  
*Alfred Lerner Professor of Banking and Financial Institutions; Former Executive Vice President and Director of Research, Federal Reserve Bank of New York*

**"Recessions are like death and taxes. We'll always have them."**



**LYNNE B. SAGALYN**

*Professor of Finance and Economics; Earle W. Kazis and Benjamin Schore Director of the MBA Real Estate Program*

**In rebuilding the site of the razed World Trade Center, “the real issue is: What should be there?”**

## REDEVELOPING A CITY ICON

As New York anticipated redeveloping the site of the former World Trade Center, Sagalyn, one of the foremost experts on public development finance, policy and practice, published *Times Square Roulette: Remaking the City Icon* (MIT Press, 2001). The book details “the interplay between politics, policy and market forces” behind the Times Square redevelopment project. Sagalyn sees parallels to rebuilding lower Manhattan that include “a large, symbolic site; the economic significance of the site; the city and the state being players together; and certainly the fractious development politics.” In contrast,

“Unfortunately, you’re working with a cleared site. The real issue is: What should be there? That just intensifies the battle.” Sagalyn notes that a “time-based tension” adds more conflict. “You need a plan, which takes time and a process to build consensus. Yet the sooner you get something done, the better for the economy. You also want to move quickly and decisively to show you’re in control and to make sure you get the money from Washington.” Sagalyn adds, “There was a lot at stake in Times Square. There’s even more at stake in lower Manhattan—this is on the international stage.”



**STEPHEN P. ZELDES**

*Benjamin Rosen Professor of Finance and Economics*

**The answer to the debate on Social Security reform may well be “a hybrid plan.”**

## FOR SOCIAL SECURITY, THE BEST OF BOTH WORLDS

In an award-winning article (“Social Security Money’s Worth,” which appeared in *Prospects for Social Security Reform*, University of Pennsylvania Press, 1999), Social Security and household saving expert Zeldes, along with two coauthors, refuted the popular misconception that private account-based Social Security would yield higher returns for all current and future retirees. In fact, once transition costs and risk are accounted for, returns would equal those provided by the current system. But advantages to individual accounts include “increased portfolio choice, reduced political risk, possibly reduced labor supply distortions and an intangible

increased sense of ownership and responsibility.” Zeldes and a co-author are now developing an alternate reform plan that includes provisions to make the system self-balancing; retains some insurance against long lifespan and low wages; and offers limited portfolio choice. The reform will require new types of financial securities. Zeldes describes his proposed solution as “a hybrid plan,” one that does not promise threefold increases in returns but “incorporates advantages of both an individual account-type plan and the current system.” Zeldes and his collaborators hope that their work will “inject some clarity into what is often a muddled debate on Social Security reform.”

# No NATION Is an Island



**JOSEPH E. STIGLITZ**, professor of business and economics and 2001 Nobel laureate, is among the most important economists of the last half-century. He has shaped economic theory and policy with elemental contributions to both. His work pioneered a new branch of knowledge, the economics of information, that has been widely applied throughout his field. He originated such concepts as adverse selection and moral hazard, now standard tools of policy analysts and economic theorists. Stiglitz served as chief economist and senior vice president for development economics at the World Bank and as chairman of the Council of Economic Advisers to former President Bill Clinton.

Stiglitz joined the faculty of Columbia Business School, and of Columbia University's School of International and Public Affairs and Department of Economics, in 2001, following his tenure as the first Joel M. Stern Faculty Scholar at the School. On campus this spring, in a three-part lecture series, he presented his first public, comprehensive analysis of his seminal work—"analyses of markets with asymmetric information"—that earned him the highest honor in his field. Given the School's Distinguished Leadership in Government Award at the Annual Dinner in May 2002, Stiglitz discussed current ideas in economic policy and the role that New York City plays in the global village economy. An excerpt from his remarks follows.

New York has always been recognized as the global financial center, but as globalization has proceeded, the role of New York in our global village has taken on new dimensions. It used to be said that “when the United States sneezes, Mexico catches a cold.” The new aphorism is, “When New York sneezes, the rest of the world catches the flu.” The health of New York and the United States has become of vital concern to everyone in the world.

As globalization has proceeded, not only have economies become more interdependent, but so too have economic policies. Decisions made in the United States affect those everywhere in the world. U.S. public policy ends up often being global policy, and not necessarily because we want it to. We often set the standards and provide the example. The sheer scale of our economy, and the nature of our economic success, makes it inevitable that we will have global impacts. Our advocacy of free trade has been important in enhancing the commitment to opening up markets. But that puts a heavy burden on our policymakers. The imposition of steel tariffs has sent a very mixed message around the world. If America, a country with close to full employment, finds it difficult to adjust to the opening of trade, what can be said of poor emerging markets, which often face high unemployment?

Opening up our markets more broadly can be one of the most important ways that we can help developing countries—at the same time that we improve our living standards at home. Europe has undertaken an important initiative, called the “Everything but Arms” initiative, to open its markets to the poorest countries of the world unilaterally, unconditionally, in everything but arms. America should do the same. But the initiative should be broadened to include more countries. And the one area that is of vital concern to many developing countries, agriculture, remains protected and subsidized. With agricultural

subsidies in the more developed countries exceeding the entire income of sub-Saharan Africa, how can they compete?

For countries in distress, trade is even more important. We need to open our market up to Argentina unilaterally, on an emergency basis, to help restart its economy. Studies at the World Bank showed that what restarted the Mexico economy after the crisis more than anything else was trade with the United States under the NAFTA agreement.

## When New York sneezes, the world catches the flu.

Of course, interdependence is two-way: Not only do policy decisions in the United States affect the rest of the world, but decisions in Europe and elsewhere affect the U.S. economy. With global markets, competition policy has become global, and competition has to be looked at from a global perspective. This is an arena in which there has been an interesting interplay between the globalization of knowledge and economic globalization. Twenty years ago, competition policy did not have the central place among European policymakers that it does today. The United States has played a central role in convincing others of the importance of competition, to make a market economy work, to make it work efficiently and in ways that benefit consumers.

Whatever one thinks of the merits of the alternative positions, this much is clear: There is an inevitable interdependence of policy, and it is inevitable that we will often think differently about policies. Discussions among policymakers from different countries have done much to develop common understandings and to narrow the gap in perspectives. We in New York have long shown respect for a diversity of cultures and viewpoints. Without this, we could not have become the global city we are today, nor would we become the even more global city that we will be in the future.

# We Remember: Ten Cherished Lives



**O**n September 11, 600 Columbia Business School alumni were employed in offices in the vicinity of the World Trade Center. Countless other alumni were attending conferences or meetings in lower Manhattan. Our proximity to the very epicenter of international finance has always been a tremendous asset for students and a considerable draw for prospective MBAs. We take great pride in the outstanding relationships we have built with the financial

sector, and, naturally, many of our graduates join the New York offices of multinational banks and financial services firms. Most of our alumni who were there, miraculously, survived the attacks, including the gravely injured Phidia Wong '01, whom we profile in these pages. But news that 10 alumni had perished, nine in the twin towers and one aboard a hijacked plane, left our community distraught. In honor of their lives, we publish these remembrances.

# Phidia Wong '01: Surviving and Healing

Unlike Phidia Wong, most of us can all too easily conjure our memories of September 11—surreal images in such stark contrast to the mundane predictability of breakfast coffee and the morning commute. A recent hire at Salomon Smith Barney Hong Kong who was in New York for new employee training, Wong remembers neither the events watched on television by the world nor the specific blows that led to her devastating injuries en route to 7 WTC: “It’s one thing being conscious, and it’s another thing being able to admit to what happened,” she says. “I have completely blocked out the entire incident.”



Despite having suffered a fractured eye socket and damage to her spinal cord, among other serious injuries, she left the hospital after an eight-week stay. She will, however, require prolonged rehabilitation. Wong is very aware of her hard-won gains: “I learned that you should do what you want [in life] when you can. I’m so lucky, I’m going to be able to get back to normal.” She is also deeply thankful for the response of the School community and others: “I feel so much support. When I first got out of the hospital, all I did was reply to e-mail like it was a full-time job.”

PHOTO: ALISA MACNEILLE

## MICHAEL J. BERKELEY '87

A self-proclaimed “premier bunker player,” Michael Berkeley was a lifelong athlete: a former Little League player, ninth-grade quarterback and college varsity basketball star and, as an adult, a member of four golf clubs. His company, the Berkeley Group (which he founded after a successful career with Merrill Lynch), focused in part on golf course development projects. The firm also specialized in securities brokerage and private equity investments.

Berkeley’s memorial service reflected lovingly on his “Summer Camp Years,” “Caddy Years” and “Business School Years,” among others. “Above all,” read the

service’s program, “Mike was an adoring husband, a caring son and a devoted father to his two special ‘men’ . . . Eric and Jason.”

September 11 was his 38th birthday.



## RICHARD P. GABRIEL, SR. '72

Richard Gabriel, 54, was aboard American Airlines Flight 77. The founder of Stratin Consulting Co. in Virginia, Gabriel was en route to Australia for business. He was a lifelong entrepreneur who had launched a fishing lure company, a frozen food business and a construction firm, among others. Gabriel was awarded the Purple Heart for his service in Vietnam, in which he served as a Marine and lost a leg in combat.

His daughter Patricia said, “Life with Rich was like standing out on a tree limb while he jumped up and down.” With a talent for improving businesses, he also “made everyone around him want to be better.”

## JOHN C. HARTZ '62

A newlywed, an athlete and the president of his country club, John Hartz, 64, was a senior vice president at Fiduciary Trust who took special satisfaction in managing portfolios for charitable organizations. Hartz, who had been a widower, remarried in November 2000. “He taught me how to live,” said his wife, Ellie Hartz, and “that everyone is beautiful.”

Hartz had worked for Fiduciary at the time of the 1993 World Trade Center bombing and had walked down 94 floors, leading many colleagues to safety. On September 11, even as his own life was in danger, his utmost concern was again his coworkers’ safety.



## NASIMA SIMJEE '93: A TRIBUTE TO A LIFE OF REALIZED DREAMS

Gathering in New York for her memorial service, more than 100 friends, classmates and colleagues of Nasima Simjee remembered a woman of warm spirit and sharp intellect who had the unique ability to unite people from many walks of life. A hiking enthusiast, Simjee was training to climb Mount Kilimanjaro. “She was just beginning to realize her American dream,” said Tina Ogden '93, a close friend.

Born in Yangon, Myanmar (formerly Rangoon, Burma), Simjee put herself through college and earned a CPA, an MBA and a CFA before accepting a position at Fiduciary Trust in 1998. She was a vice president and equity analyst for global research, responsible for

global pharmaceuticals, Latin American stocks and global media. “Always eager to lend a helping hand and a patient ear, she was our favorite consultant, trusted adviser and best friend,” said Karen Fang of Fiduciary.

“Friends of Nasima” established the Nasima Simjee Memorial Fellowship at Columbia Business School, which aims to reach a \$750,000 endowment goal for the fellowship by September 11, 2003.

The fellowship will go to a student who exhibits “the values, drive and academic excellence of Nasima Simjee.” Those interested in contributing may contact Ogden at (203) 531-9522. Management of the fund will be overseen by Columbia Business School.



### CHARLES A. LESPERANCE '73

The head of information services for the New York Metropolitan Transportation Council, Charles Lesperance, 55, was “the tech guy everybody checked in with when something new came out,” said his fiancée, Renee Alexander, who also described him as “deep-thinking, iconoclastic, tenacious, compassionate.” They were to be married in November 2001.



Lesperance was a Vietnam War veteran, held season tickets to the Metropolitan Opera and was a father of three daughters. “Charles quietly, often anonymously, used his resources . . .

to help people that need an extra hand,” said Alexander. He telephoned her at 9:34 a.m. to say he was going to the aid of an injured colleague.

### BRIAN J. MURPHY '87

Brian Murphy, 41, who coordinated electronic bond trading for Cantor Fitzgerald, was a doting family man who taught his daughters, ages 4 and 5, about nature and gadgets, as well as how to ride bikes and swim. Spontaneous and full of enthusiasm for life, he surprised his “three girls”—his daughters and wife, Dr. Judith Bram Murphy—with apple-picking and other adventures. When the Murphys invited company over, he would pick up a menu from a restaurant and whip up the entire gourmet meal himself at home.



### JOSEPH MATHAI '76

Soon after earning his MBA, Joseph Mathai, 49, opened a luxury spa, but he later established himself in high tech. Known as an insatiable reader, especially about anything technology-related, he had already imparted a love of learning, reading and computers to his two young children. He also instilled in them the confidence to achieve their life dreams.

A managing partner at Cambridge Technology Partners in Massachusetts, Mathai was attending a business conference at Windows on the World on September 11.

*SOURCES: Information for each profile was contributed directly by family members or close friends of our alumni, with the exception of the profile of Joseph Mathai, which is based, with permission, on an article in the December 7, 2001, issue of the Columbia Spectator. The profile of Brian Murphy is based in part on an article published in the New York Times on October 27, 2001, and is used with permission.*

### THOMAS M. REGAN '98

"Steady Tom was the glue," said J. J. Keyser '98 of Thomas Regan's role among his B-school teammates. He was a natural spokesman for group projects and typed up most of their reports. When the work was finished, Regan rallied everyone for golf, tennis and racquetball.

A managing director and sector leader of the pharmaceutical and chemical division at Aon, Regan, 43, adored his wife and sang Irish lullabies to his twin sons. The boys,

born while he was a student in the EMBA program, talk to him at night in their beds to this day.



### HARRY TABACK '84

Harry Taback, 56, was an executive vice president for Marsh & McLennan who had spent 30 years with the firm. His employees remember him as a kindhearted man who treated them with respect. They joked, endearingly, that the best reincarnation would be as one of Taback's three daughters, to whom he was devoted (his wife, Jean, pictured with their grandchild, died in 2000). "Even in his absence, he still takes care of us," said his daughter Cheryl Taback. More than 75 colleagues wrote remembrances for a booklet given to the family at his funeral.

### VICTOR WALD '76 / MIA '75

A stockbroker of diverse intellectual passions—from baseball to opera to Judaism—Victor Wald, 49, packed his home with books and his mind with information. An aficionado of world politics, he collected stamps, flags and even foreign languages. Friends and colleagues regularly telephoned for his illuminating insight into current events, including terrorism.

Wald was the father of two teenage daughters, who will "miss him terribly," said his wife, Rebecca. "But he left a very stabilizing impression on them." He was buried on November 23, which would have been his 50th birthday.



## Students Respond with Offers of Support

In the weeks following September 11, students across the School contributed to relief efforts in myriad, often spontaneous, ways. MBA students made red, white and blue lapel ties from ribbon donated by a local vendor, later giving them out as they collected donations. One cluster sold "We love FDNY" T-shirts. All told, they raised \$13,000 for the Red Cross and the Fire Department of New York.

Nonmonetary support was as freely given: students volunteered language and other skills to victims in need; staffed a holiday party for families directly affected by the terrorist attacks; and helped the Manhattan Borough President's Office counsel small-business owners on their eligibility for relief funds.

A singularly compelling display of support took place in October at Arden House, the University's conference center, during the Columbia Senior Executive Program (CSEP), the School's flagship Executive Education program. CSEP executives invited senior officers from the Police Management Institute (PMI) to join them for International Night, an evening of international cuisine and presentations on participants' home countries. Also at Arden House were 15 police officers on short leave

from coordinating efforts at the World Trade Center site, and they joined in the evening's events as well.

An impromptu auction to benefit 9/11 relief funds began when CSEP executives started bidding on NYPD and FDNY items belonging to those gathered. Several PMI officers ran to retrieve more items from their cars. One Swiss executive offered \$4,500 for an NYPD wind-breaker and cap. By the end of the evening, CSEP executives had raised \$14,300; corporate matching gifts later increased the amount to \$25,000. The auction's proceeds were donated to the Twin Towers Fund and to the New York Police & Fire Widows' & Children's Benefit Fund.

Appearing before the group a week later, NYPD First Deputy Commissioner George Grasso remarked, "I have completed over 22 years in the police department, and I thought that by this time in my career no real surprises were left. Tragically, what happened little more than a month ago proved me wrong. I want to thank each and every one of you for what you have done. Your generosity will sustain our belief in the value of what we do. On behalf of the NYPD, we thank you from the bottom of our hearts."



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Heinz Dürr

*Chairman of the Supervisory Board, Dürr AG, Berlin*

Michel M. Favre CFT '75

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*CEO, Enel, S.p.A., Rome*

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**For more information, please contact the Alumni Relations Office by phone at (212) 854-8815 or by e-mail at [alumni@claven.gsb.columbia.edu](mailto:alumni@claven.gsb.columbia.edu).**

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# WHY CONGRESS IS WRONG ABOUT ENRON

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BY JOHN O. WHITNEY

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**T**he problem uncovered by the accounting scandals at Enron is not—as congressional questioning suggests—the sully of auditor independence by consulting fees. The audit firm loses its independence the moment the client writes it a check. Instead, the problems are a lack of transparency and a need for timeliness, compounded by overreliance on audited financial statements.

First, the overreliance problem: financial statements are nothing more than a fuzzy approximation of a distant past. They do not give answers. They merely suggest what questions to ask. Enron's financial statements clearly posed questions that analysts failed to ask. Were they lazy, tired, greedy, coerced? Time will tell.

We obviously need greater transparency in financial reporting. All related party transactions (RPTs) and special purpose entities (SPEs) should be disclosed in the beginning of the 10K or any financial report. So should anything related to the company's debt load or capacity and nonoperating income. The same goes for the audit firm's activities and the fees it receives.

Derivatives, currency translations, joint ventures and other RPTs and SPEs can mitigate risk and enhance profitability. But they complicate reporting and have promulgated 144 FASB statements. I wrote once that man can defeat any system that man can devise: "The more controls you have, the less control you have." Years ago there were 31 basic guidelines issued by the Accounting Principles Board. Perhaps today there are as many people trying to subvert the FASB pronouncements as there are people writing them.

The knee-jerk reaction of Congress and some regulators that the audit firm should be prevented from performing certain consulting assignments is wrong. I serve on the audit committee of a \$6-billion company that employs the audit firm to certify our statements, lead the internal audit and help with tax work and other non-audit-related activities. The fact that they understand our systems' strengths and

weaknesses helps them perform superbly (by the way, the initials of the firm are A.A.). I also serve on the board of a firm that long ago decided the audit firm should not perform extensive consulting services. The company is in the best position to decide—not Congress, the SEC or the media. Transparency, not micromanagement, will improve financial reporting.

Finally, timeliness in financial reporting would help. The Internet and the ubiquity of financial news provide the opportunity for more timely disclosure. Information about key financial indicators could be shared with creditors and shareholders more than once per quarter. Transactions by

executives or directors should be reported immediately. Of course, companies should not be compelled to divulge information that aids competitors. And we need to insulate companies from lawsuits that might arise from so-called forward-looking statements.

The observations and suggestions above might patch a flawed system. We must also make certain that wrongdoers face severe penalties. Those who mislead through fraudulent financial reporting are stealing money from lenders and shareholders. They should be punished as thieves.

The fundamental problem, however, is divided responsibility. Radical as this might sound, the system of certified audits should be discarded. It means almost nothing. A company produces financial reports, and through sampling and analysis, the auditor certifies them. Most of the big bankruptcies in the United States have followed a "clean" opinion from auditors. The company probably will still need to hire an accounting firm to assist in the preparation. But only the company knows fully what it is doing. And the company should take responsibility.



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*John O. Whitney is a professor of management; codirector of the W. Edwards Deming Center for Quality, Productivity and Competitiveness; and a two-time recipient of the Singhvi Prize for Scholarship in the Classroom. An authority on turnarounds, he is focusing his research on policies and practices that help large, profitable businesses avoid setbacks.*

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