

Dividend

The Magazine of the Graduate School of Business Administration • University of Michigan • Fall, 1977



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Dividend

The Magazine of the Graduate School of Business Administration

Vol. VIII, No. 4

Fall, 1977

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The shareholder is taking on a critical new importance in corporate eyes, says Dr. Shontz, who serves on the boards of directors of five corporations. Here she gives some suggestions on how corporations can communicate more effectively and persuasively to their shareholders.

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Corporations have come to recognize that despite the size of their bank accounts and the artistry of their corporate logos, corporate power does not include the vote. Yet, the voting booth—and all that implies—is becoming the battleground for corporate survival. Thus the shareholder, who is a voter, is taking on a critical new importance in corporate eyes. In fact, the shareholder may finally emerge as the corporate sovereign he should be—a coronation devoutly to be wished.

The corporation rightly sees the shareholder as a means of political expression of both a common corporate-investor self-interest and a public interest. The corporation wants to communicate with the shareholder, win his support, motivate his political response. That is a tall order. How can it be filled?

First, it behooves the corporation and its top executives to admit their need for persuasive skills rather than to assume that the occupancy of the CEO's throne is guarantee of eloquence. When the skills of top management are assessed, few top executives are capable of scoring well in the art and science of persuasive communication. Top executives owe their positions to other qualifications: they are financial wizards or adroit motivators of people or production superstars or marketing giants in the commercial sense. But persuasive communication in the realm of ideology, economics and politics is not their forte. That is the forte of politicians, crusaders and propagandists, and therein lies the rub. The unskilled corporate communicator is fighting for the attention and support of an audience already beguiled by the siren song of the opposition.

Second, corporations must win the confidence of shareholders before presuming that they can be mobilized as a friendly force. Corporate responsibilities to shareholders demand more than lip service at a press conference or tidy board meeting minutes that refer vaguely to shareholder interests. The shareholders are the boss! It might be in order to find out what their preferences are in terms of dividends, corporate gifts, corporate

By Patricia J. Shontz
Professor of Business Administration

A Coronation Devoutly

policy and, in some cases, corporate practice. It is also in order to inform the stockholders of the problems management faces and to enlist their help.

Assuming these disadvantages are somehow mitigated, the next question in communication is this: "What is the message?" I regret to say the message is, too often, the wrong one. For some reason, corporations insist on their own litany of baseball, hot dogs, apple pie, and free enterprise. Invoking the latter is typically a futile effort. Numerous studies indicate the American public overwhelmingly supports free enterprise, regardless of whether it understands the niceties of economic theory. An overwhelming number of Americans recognizes the indivisibility of economic and political freedom. And the great majority of Americans affirms the fact that business must make a profit to stay in business. Americans who do not hold these beliefs are not likely converts, but they are also a small minority.

Even though the business message necessarily reaches the converted, it cannot merely preach to the converted, since redundancy rarely inspires and the goal is to motivate action. If the free enterprise dogma is constantly reinforced through messages that are specifically geared to the pre-existing self-interest of those who believe in free enterprise, the motivation to respond can be maximized.

So, don't waste a message warning shareholders that profits are under attack. Tell them outright what this attack will do to the profits of their company. Don't tell a shareholder about the magnificent job-creating potential of new investment. Tell him how new investment would help his company if the investment climate were favorable. Don't merely tell him about the unfairness of double taxation of corporate dividends or higher tax rates on capital gains, give him examples. In other words, stop selling the corporate viewpoint as an institutional ad simply because the big words in the copy feed corporate vanity. Start selling the shareholder on his immediate and specific self-interest. Take a lesson from Marketing 101 instead of from the ideological bible. Stop converting and start selling!

About the Author: Dr. Shontz currently serves on the boards of directors of five corporations, including Detroit Edison, The Kroger Co., and Warner-Lambert. She received her Ph.D. in economics from Wayne State University, and has been the author of a nationally syndicated award-winning column on economics as well as serving as editorial Writer for the *Detroit News*. She is currently the editor of *The University of Michigan Business Review* and director of publications for the Graduate School of Business.

To Be Wished!

Once the message is agreed upon, it is logical to ask who the messengers should be. Direct communication is certainly effective. Corporations have ample opportunity to reach their shareholders directly through annual reports, dividend mailings and the like. Certainly no opportunity should be overlooked to deliver the right message. But to offset the disadvantages of a long-ignored shareholder constituency and limited communication skills, direct communication should be supplemented by the use of third-party allies wherever possible.

Such allies exist, although they are sometimes mistaken as corporate enemies. I have in mind the financial community, the media, the educational system and the government.

It is true these groups are often critical of business and strive for objectives that seem inimical to the corporation's best interest. But that is because none of these groups is synonymous with the corporation and it is only logical that their views do not always coincide with what a CEO thinks best.

But it is also true that corporations sometimes speak with forked tongues, tailoring messages to appeal to whichever group is within earshot. Thus, when speaking to the financial community, there is always a tendency to minimize those very problems over which the corporation sheds crocodile tears at a press conference or congressional hearing.

If, however, corporations were wise enough to speak with one voice—the voice of fact—it is entirely possible that each of these groups would either recognize the objective merits of the corporate case or see some common interest in the corporate point of view or both.

For example, while bankers and brokers may seem exacting in their criticism of corporate performance, they know only too well that corporate performance is affected by basic economic policy. And when that policy works against the performance of corporations, it also directly impacts on the savings and investment process, which happens to be the bread and butter of the financial community. At that point, bankers and brokers make very strong corporate allies. Most importantly, on many business issues, bankers and brokers speak with greater credibility than the directly-affected corporations.

As another example, the educational system, for all its presumed ties with liberalism, unionism and other corporate aversions, is nevertheless dependent for its survival on the same political freedoms which are fundamental to corporate survival. More and more, educators are perceiving this common ground and striving to protect it in their own interests.

For its part, the media is beginning to issue its own *mea culpas* for the loss of objectivity. While the corporate quarrel with media coverage is likely to continue, it need not be a feud since the job of media is to report objectively. Given the right message, business news can win fair coverage because the media sees professional integrity as its own goal.

As for government, it is self-defeating for corporations to believe that anti-business forces have elected officials in their hip pockets. There are a lot of business-baiters in government, and there is much to bait business about. But there are very few political leaders who are doctrinaire business foes. There is great potential for corporations to find allies within government for specific programs and policies. If politicians can be convinced that the corporate interest can and does pay off with benefits to the public, then politicians will support the corporate interest.

Any discussion of how to communicate, to whom and with whom to communicate must ask one more question. Is the subject really worth communicating? In the case of the corporate viewpoint, I think the question must be answered with an emphatic yes. In fact, the most disturbing factor in the failure of the corporation to communicate to the shareholder, directly or indirectly, is that the corporate case has so much merit.

First, in the American economic system corporations are the institutional means for achieving investment, production, and income distribution ends. Every economy has similar ends but the achievements of free world economies operating through corporations are virtually unchallenged. There is every reason to believe that, whatever corporate faults may exist, it is still worthwhile to preserve the institution of private, profit-oriented corporations. A great many people live better because the corporation exists and has survived and sometimes prospered. There is no need to apologize for bringing a message to those people explaining why a corporation supports a particular policy or action.

Second, corporations have long

sought to clothe their cause with the cloak of political freedom. Wearing such dress is not a disguise; it is the proper uniform. As corporations function in the U.S. economy, economic freedom of choice is as essential to them as it is to the individual citizen. If the economic liberty of corporations is curtailed, it is only a matter of time before those limitations are applied to the individual. Yet, the loss of economic freedoms invariably involves the loss of political freedom. It is true in socialist and communist countries; it is true in fascist countries. The protection of corporate economic freedom becomes a first-line of defense in maintaining the economic and political freedoms of individuals. Most Americans would consider such protection as desirable on its face.

Third, corporations are not paranoid. The danger they see in relentless government regulation, economic controls, economic planning and the like is real, not a psychotic delusion. The corporate message is not a case of crying wolf. Moreover, the real dangers are not in the future, they have already damaged corporations and the economy and are doing so now. When Thomas Murphy, Chairman of the Board of General Motors Corporation, suggested that academia prepare a "white paper" on the role and functions of corporations in our society, his audience may have missed the significance of part of his remarks: He proposed that the study take note of the "preconditions" which have been set or are being put into place to affect the roles and functions of corporations in the future. These preconditions are exactly the point of today's corporate message to shareholders and the general public. They are the actual circumstances under which corporations must operate today. The characteristic word for them is constraint, often on the very functions which corporations perform so effectively for the economy.

Fourth, the fact that there are many corporate allies is not merely a comfort to corporations. It is evidence that the best interests of many people depend heavily on the economic

well-being of the private sector. That is where the jobs are; that is where consumer choice is exercised, that is where wealth is created. To the extent that various groups—labor, consumers, savers—fail to recognize a coincidence of self- and corporate-interest, or where they are not self-motivated to protect those interests, it is legitimate for the corporation to enlighten and encourage them to act.

If it is agreed, then, that communications to stockholders are vital for corporate political survival, that corporations need help in communicating effectively, and that the corporate message is valid, we can turn to some specifics.

1) Guard against the temptation to believe the problem can be wished away. That consoling phrase, "the stockholder can always sell out if he doesn't like what we're doing," is part of the corporate delusion. The disenchanted shareholder of one corporation can, indeed, sell out. But what happens if he becomes disenchanted with all corporations—as many former individual stockholders are today—and the market for corporate shares consists only of institutional investors? The herd instinct of these investors is notorious and it will only take one or two major tremors in the stockmarket as a whole for the public and government to throw up their hands at "concentrated manipulation of private wealth" and then the end will be near. The "new order" will be nationalization of the private sector or corporate statism. In neither case will today's corporations and those they benefit find much solace.

2) A common corporate attitude has been that shareholders might be seen but never heard. As a result, shareholders have become accustomed to a passive role. In order to overcome this passivity, corporations must first awaken stockholders to their own importance and to their corporate and political power. Only then can the corporation presume to activate its shareholders as positive allies.

3) Corporations choosing to begin effective communications with their shareholders must realize they are making a long-term commitment. Sleeping giants do not awake on a single call. So, if a corporation has suddenly discovered shareholders only because they are the latest fad, management should be disabused of the idea before a single dollar is spent.

4) The basic goal in communicating with shareholders should be to elicit a political, non-partisan, response. The party affiliation of shareholders is properly beyond corporate reach, but both political parties respond to their contributors and constituents, i.e. individuals who may be shareholders. What the corporations should seek then, is motivation of the shareholder to influence his own political party and the legislative process. Corporations should find this non-partisanship to their advantage, since one cannot have too many friends on both sides of the aisle.

5) Remember that shareholders are not a collective mass. If corporations are trying to motivate individuals, they must be addressed as individuals. There is no sense in programming stockholder communications as a sermon to the multitudes or a prime time T.V. commercial. Corporations must speak specifically and in terms of individual gain or loss in order to motivate the shareholder.

6) Shareholders hear with many ears and see with many eyes. Direct communications from corporations reach only one set of ears and eyes. That is why corporations must stop viewing the financial community, the media, the educational system and the government as enemies: Each of these third-parties has many opportunities to reach people who are shareholders—and each message coinciding with the corporate view is vitally important.

It would be useful, also, if corporate executives, speaking to general audiences, would remember that shareholders belong to those audiences as well. Perhaps executives should stop referring to "the company" interest or needs and start referring in all public utterances to "the shareholders."

7) Corporations should stop being

Continued on page 17

YES, NO, AND MAYBE

A Dividend Interview with James B. Ardis
Director of Admissions

Editor's Note: James B. Ardis, MBA '67, has worked at the Business School for ten years, the last eight of them as Director of Admissions. He is now serving his fourth year as an elected trustee of the Graduate Management Admission Council, a national organization of graduate business schools which administers the Graduate Management Admission Test. Last year, Ardis served as chairman of the council.

Q. *What factors do you take into account when deciding whether to admit a student?*

A. The main factors are prior grade record, scores on the Graduate Management Admission Test, work experience, and a variety of other aspects that differ with each case.

Q. *Can you give me examples of some of those other factors?*

A. Perhaps some very good reasons why an applicant's grade record was not up to par in a particular year or term; repeated difficulty with a particular type of course in an otherwise fine grade record; recommendations from work experience that point out a special ability, or achievement, or a previous problem overcome.

These are the special things about each individual, the glimpses of the person behind the application form.

Q. *How do you find out about the person behind the application form, since not all applicants can be interviewed personally?*

A. Often we don't learn much about an applicant beyond the standard required information- An essay question on the application form is an attempt to elicit a different kind of information. We used to ask them to defend or attack ideas in a quotation provided. This gave us a good sample of writing, but didn't really acquaint us with the person, so we changed the question.

Q. *What is the question now?*

A. We ask the applicant to "Discuss your long range objectives, including the alternatives considered, indicating the ways in which your planning has been influenced by past academic and work experiences, personal strengths and weaknesses, and benefits anticipated from further education. Also provide any other information which you feel should be considered by the Admissions Committee." The question is calculated to give students an opportunity to tell us what they want to tell us—what they feel is most important for us to know about them.

Q. *How heavily is the essay question counted?*

A. In a marginal case, the essay question can make all the difference- it can change our whole perspective on the student.

Q. *How important are the "intangible factors?"*

A. Probably ten to twenty percent of our decisions are different than they would be if we relied only on quantifiable measures. We feel that a set of numbers can't adequately represent a person. On the other hand, grades and test scores are most important because they are objective and measurable. They can be seen by anyone and compared easily.

Q. *It is possible to have such high test scores that you would be admitted just on the basis of them alone?*

A. No. Test scores can't ever be that good. We've turned down people with scores in the 700s. For example, someone might have good scores and good grades, but their recommendations indicate that they have a great deal of difficulty in getting along in a group and can't communicate with people.

Q. *Even so, wouldn't the scores outweigh that?*

A. Perhaps. But you have to remember that we *never* consider anyone in a vacuum. We have to consider who is being denied admission in order to admit another applicant. For every one we admit, others lose out. That's the problem which makes some decisions extremely difficult.

Q. *How many applications do we receive each year for the MBA program?*

A. About 2,000 for the full-time day program (for which we have 350 places) and about 500 for the part-time evening program (for which we have 200 places).

Q. *Why do we have fewer applying for the evening program than for the day program? I thought there was a huge demand for evening MBA programs?*

A. There is, but people interested in the evening program live in the area and so are able to come in and see us before applying. Because of this, they are able to make a decision on whether or not to apply based on lots of information. Thus there is more self-selection before application than for the day program.

Q. *Can you tell me how an application is processed?*

A. When an application file becomes complete, it is reviewed first by the Assistant Director of Admissions. Applications are separated into three groups—yes, no and maybe. These recommendations are reviewed by the Director of Admissions, so that every application is reviewed by at least two people. Of the applicants who are turned down, about half are decided at that first step.

Q. *How long is spent on that first review of applications?*

A. From a few minutes to more than an hour on each.

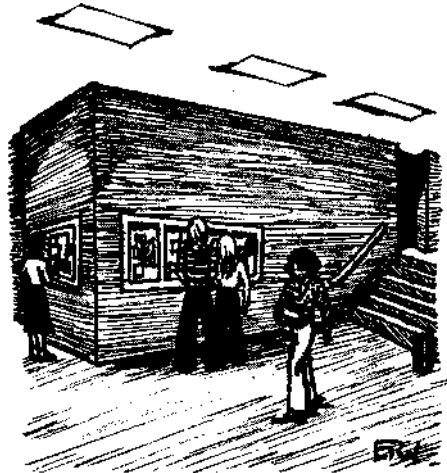
Q. *That adds up to a lot of time with more than 2000 applications.*

A. Yes, it does. And this does not include applications for the under-

graduate program. It involves many weeks of sustained effort during the peak periods.

Q. *What are the busiest times?*

A. From the end of January through the middle of May we are spending a lot of time at night and on weekends to keep up with the applications. We also have other crunches. One involves the whole month of October and the other the first three weeks of December, when we are admitting people for winter term. Last year we had an entering class of one hundred in winter term.



Q. *Let's get back to the admissions process. After the first reading, what happens?*

A. On the first reading, about two thirds of the group are fairly obvious decisions—a clear yes or no. That leaves about 700 applications undecided. These are considered and discussed by the Director and Assistant Director of Admissions, and of these, about half can be decided at that second stage. That leaves about 350 really tough ones.

Q. *What do you mean by tough? Why are they so difficult?*

A. They involve trade-offs that are hard to judge. For example, what about someone who has done very well on the admission test and has excellent work experience, but who has a terrible grade record? Keeping in mind that for every admission, others must be rejected, an application with dramatically conflicting indicators becomes terribly difficult to decide. Other difficult decisions are those which would set some kind of precedent or involve some kind of policy decision, since consistency and fairness are of major concern.

Q. *What happens to these applications?*

A. They are considered by the Academic and Admissions Committee, which is composed of three full-time teaching members of the faculty plus the Director of Admissions and the Director of Student Services. These remaining applications are read and discussed at length by this Committee.

Q. *How much time does this take?*

A. The Committee meets at least once a week during the busy months of February, March, April, May, October, November and December. The meetings usually last three hours or so, and sometimes we meet twice a week.

Q. *It sounds as if this Committee involves a large time commitment from the faculty members who serve on it.*

A. Yes, it does, and they usually serve for several years. This Committee also is responsible for placing students who perform poorly on academic probation, and it also receives petitions from students for exceptions to faculty policies and degree requirements. When the Committee makes an admission decision, it then has a continuing responsibility as the student moves through the degree program.

Q. *Then the Committee members have a chance to see how wise some admission decisions were.*

A. That's right. It gives the Committee a broad view of the relationship between admission credentials and actual performance as a student in the School. In some schools, decisions about admission and about current students' academic performance are handled by different groups. I think it is a good idea to have both done by the same committee, even though it involves a lot of work for one group.

Q. *Has the volume of applications gone up sharply in the past few years?*

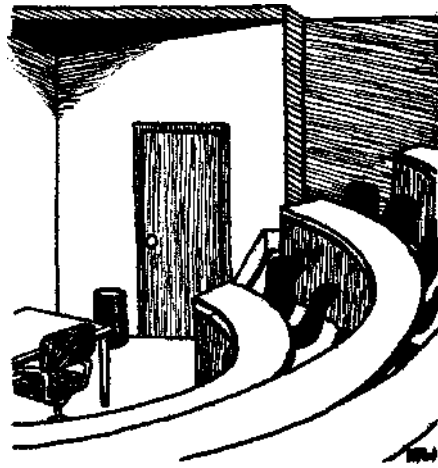
A. Yes. It has just about doubled in the past five years—from 1,200 to 2,100 for the MBA program and a similar growth for the BBA and evening MBA programs.

Q. *How do you decide how many people to admit?*

A. That is a fairly complicated process. We start with the total enrollment level desired for the program. This number is based on the resources of the school—facilities, faculty and equipment. Then we must estimate the number of continuing or returning students and subtract to establish the number of new entering students needed to achieve the desired total enrollment. Since all of the applicants we admit will not actually enroll, a larger admission target number must be established that will yield the proper number of new students.

Q. *Can you estimate all of that from past experience?*

A. Yes, but only by constantly revising the estimates and target numbers as more information becomes available. If none of these factors changed and we knew in advance exactly how many applications would eventually be received, we could just admit the target number and be confident of the proper enrollment



level. The biggest question early in the year is how many applications will eventually be received. There is always the danger of filling the class before considering all applications, or running out of applications before the class is filled.

Q. *Does the volume of applications change dramatically from one year to the next?*

A. In one recent year we had a 40% increase. I not only didn't expect an increase that large, I had trouble believing it even after the fact. But even small changes in application volume, or the percentage of admitted applicants who decide to enroll require adjustment of admission standards in order to achieve the desired enrollment level for the School.

Q. *Does that mean the chances of admission could change from early in the year to later?*

A. We work hard to maintain consistency, and hold many of the close decisions until the trends are clear. The application review procedure we talked about earlier tends to delay the close decisions. If necessary we can delay final decisions for the middle group until we are sure of the overall situation. Applicants who submit materials very late may have to be considered for a later term if the class

has already filled. Otherwise, we have been able to assure that the timing of an application doesn't influence the decision.

Q. *Have our standards gone up?*

A. Yes. Very substantially.

Q. *Have grades undergone some inflation? Isn't it easier to get an "A" now than it was ten years ago?*

A. Yes, and that would account for some of the rise in our admission requirements. But our average test score on the GMAT is now over 600, a substantial increase which has occurred during a period when average scores for all students taking the test have declined.

Q. *Are we finding that many more women are applying to Business School?*

A. Many more. In the past ten years we've had an increase of women in the MBA student body from 5% to about 20%, and it's still growing rapidly.

Q. *What about minority enrollment, specifically black enrollment?*

A. An active recruitment effort over the past decade has resulted in an enrollment of about five percent black students in the MBA program with some fairly wide variation from year to year. The dramatically improved employment market for minority group members with bachelor's degrees has been a major factor in the past few years in slowing our trend toward higher minority enrollment. The spread of affirmative action programs at other universities and among employers has created intense competition for capable minority students interested in management careers.

Q. *What special efforts do we make toward recruiting blacks and women?*

A. We have special brochures for both groups, and we also recruit regularly at about ten black colleges and at several women's colleges. Our efforts in attracting women have

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"Know yourself before you get here," advises Craig De Nooyer, "because there are so many options available here that you can get confused. So it's important to know what you want. Then go about your business confidently and take it easy. Don't let the place shake you up. Remember they make mistakes here just like they do anywhere else." De Nooyer went to Calvin College in Grand Rapids, worked for his father's car dealership every summer, and came directly for

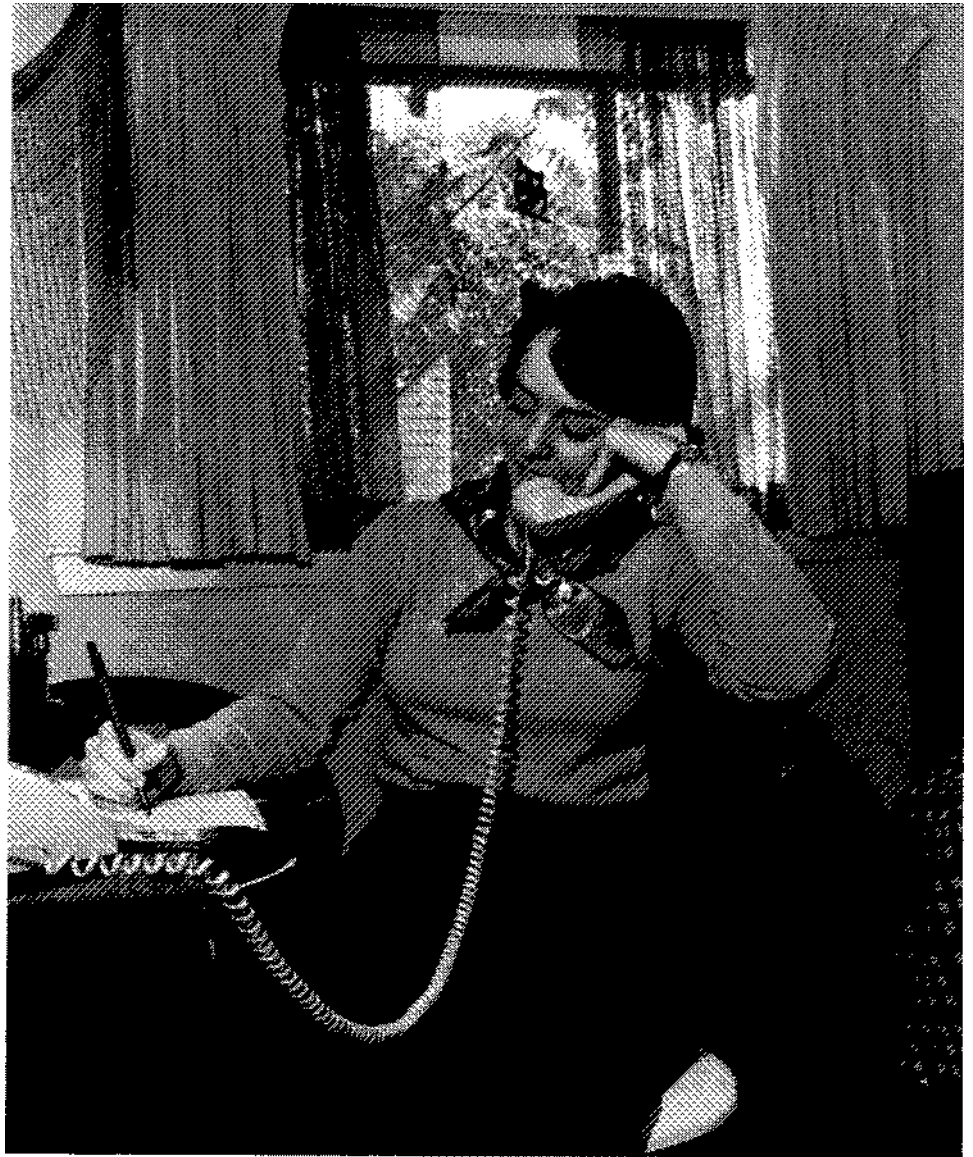
the MBA after graduation from college. What's the work like? "Like anyplace. It's what you want to make it. But if you want to get top marks, you're going to have to work very hard. So many people who come here were number one in their class and are used to being number one. It's hard for some of them to realize that it's not possible for everyone to be number one here, and it's not necessary either. It's good if you have thought through why you're here, and have in

mind the area you want to pursue." De Nooyer is president of the Student Council and vice-president of his fraternity (Phi Alpha Kappa), plays racquetball and basketball when he gets a chance. "If you've got a lot going on," he says, "you automatically set aside time for spare time—otherwise you don't get any." After receiving his MBA De Nooyer plans to go into marketing, and eventually hopes to have his own small business. He's also interested in politics.

A i @ r .l o i Y"

What would you tell incoming MBA students if they asked your advice? We put this question to ten veterans of the first year MBA program. Their answers are given here, along with their pictures and some background information on each. This year, almost 300 students entered the MBA day program, about 20% of them women. Forty five percent of the class had one or more full-time years of work experience. Their average score on the Management Admission Test exceeded 600, as compared with a national average of 460. Their average age was between 24 and 25, and their grade point average on entering was 3.4 (for those under 24 years of age) or 3.2 (for those over 24 years of age). College majors included economics (25%); business (25%); engineering, science and mathematics (30%) and other social sciences and the humanities (20%). To all of them, we say welcome, and we hope you find some of the advice on these pages useful.

After graduation from Purdue, Joanne Volakakis travelled all over the country for a year as consultant for her sorority, Gamma Phi Beta. She visited different chapters each week to find out the concerns of the chapter as well as its problems. This gave her valuable training in handling conflicts between people, and how to begin to institute changes in a place that may be resistant to change. What would she tell an incoming student? "You have to remember that whatever you do is going to involve people, and so you need to realize the limitations of book learning, because no matter how much you know, you're going to have to work with people's personalities." What's the work like? She says she puts in at least two hours of studying for every hour

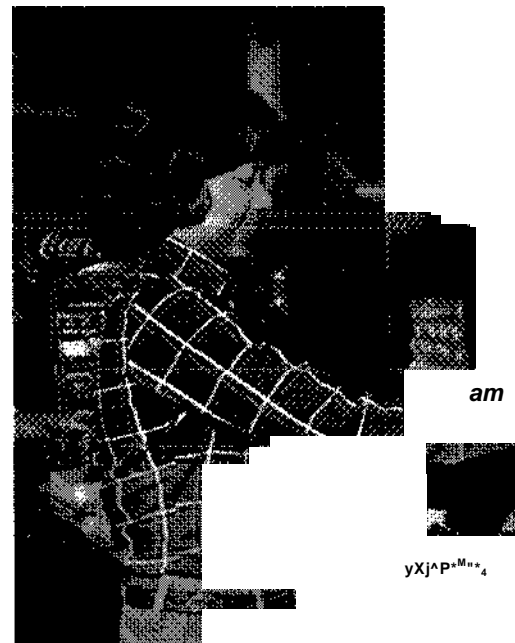


spent in class—"what you are supposed to do as an undergraduate but never did. But here you really *do* it." She hopes eventually to go into consulting work or operations management using quantitative skills, developing and implementing changes. For starters, she worked this summer as a

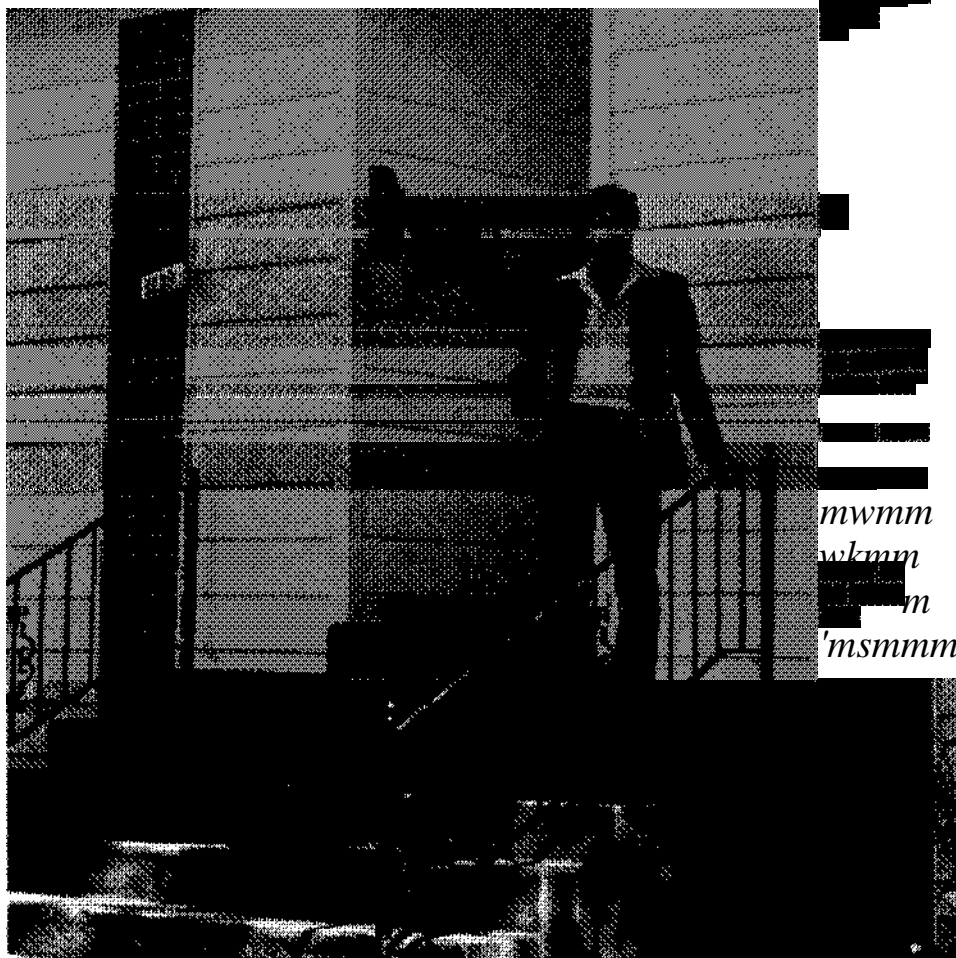
coordinator between the operations division and the international operations group of Chemical Bank of New York in a project to implement zero based budgeting. She is pictured in her room at Gamma Phi Beta on campus, where she works half time as a graduate counselor.

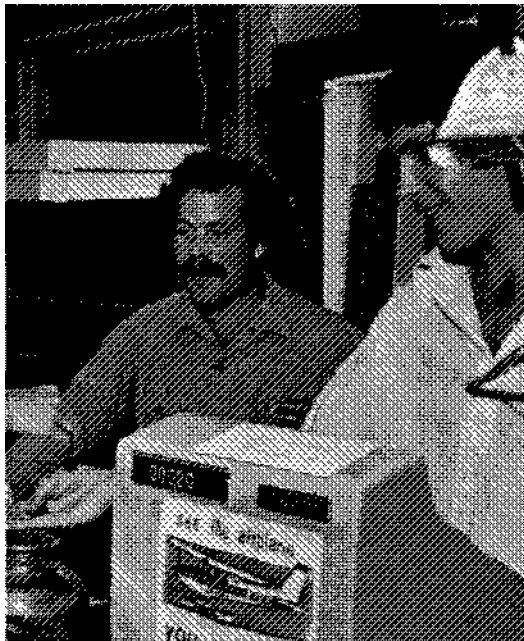
After graduation from college, Robin Risser went to work as a financial auditor for Bendix corporation, a job that allowed him to travel all over the country doing financial and operations audits at different divisions of Bendix. During the three years he worked for Bendix (he is now on educational leave) he also sat for and passed the CPA examination. To first year MBA students he says: "Work for knowledge and understanding rather than grades. It's important to dig to find practical applications for the theoretical knowledge. It's very good if you have actual business experience because the knowledge becomes much more meaningful." What's the work like? "No more difficult theoretically than undergraduate work, but there is a greater volume of it. There's also more

emphasis placed on your verbal expression of ideas and on interaction with fellow students as part of the training. I have found very good integration here—professors in one course seem aware of what those in other courses are doing—which produces an excellent integration of courses and disciplines for the student." Last summer Bendix sent Risser to Australia for a nine week auditing job as part of a new international auditing program they are starting. He also has a part-time real estate investment business, which includes a couple of houses in Ohio. He is pictured on the steps of the triplex that he owns in Ann Arbor. What, we asked, do you do in your spare time? Answer: "I took 19 hours last term."



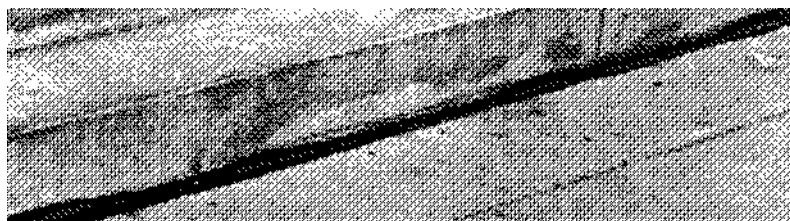
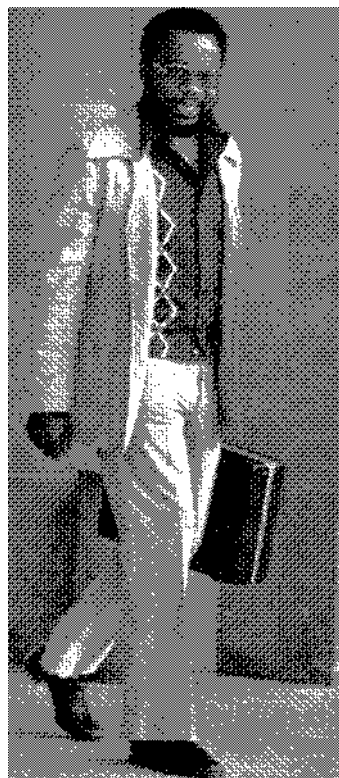
Sheila Kan, pictured as she buys a cup of coffee in the student lounge, first became interested in business when she worked as a research assistant for a stockbroker in Hong Kong after graduation from high school. When she entered college at the University of Hawaii, she took courses in accounting and worked as a grader during undergraduate years, then sat for and passed the CPA examination. She decided to get the MBA while a junior in college, and came to Michigan right after graduation. "Be prepared to work," she says to incoming students," but also do take advantage of all the facilities here—especially student clubs and the seminars they sponsor on various business topics. Social life can keep you very busy," she adds, "because people are friendly here and there's a lot to do—sometimes even too much to do, depending on how actively involved you are." What does she do in her spare time? "If there is any spare time. There isn't much. And when I do have any time, I spend it doing my laundry and writing home and cleaning my room—all the chores that need doing, but that there is no time for." After receiving her MBA, she hopes to get a job in financial management for one or two years in the U.S. to gain experience. Her ideal is to work in the international group of a bank or corporation, as her primary interest is in international finance.





After a stint in the U.S. Air Force, Charles Mahone, Jr. was hired by Household Finance Corporation, and worked his way up to branch manager before entering Wayne State University in January of 1974. He continued working at Household Finance while taking a full course load for a year and a half, then quit his job and took an accelerated program at Wayne in order to graduate in June, 1976. And that, he says, was easy compared to the MBA program! While getting his undergraduate degree, he decided on further education, because he says, "the only thing a degree did for me was to show me how much I didn't know." He considered law school and going for a Ph.D. before deciding on an MBA. To an incoming student he says: "Be prepared for hard, diligent work and for goodness sakes if you find yourself getting into academic trouble don't wait. Go and talk to someone right away and nip the problem in the bud." What's the work like? "More voluminous than difficult. There's just so much of it!" Mahone also serves as president of the Black Business Students' Association. In his spare time, he takes tennis lessons and plays an occasional game of basketball. After the MBA, he wants to go to work in the field of international finance, and hopes someday to do consulting work with governments of underdeveloped countries and with multinational corporations doing business in underdeveloped countries.

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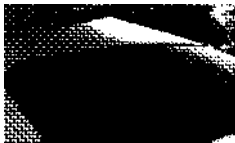
Debra Jones graduated from Howard University with a major in psychology, worked in the summers for the Black Historic Preservation Documentation Committee in Detroit researching and writing markers for various historic sites. After graduation, she came here for her MBA, and says to incoming students: "Being a loner is no way to survive in this place. You've got to learn how to work with people in groups. Get a study group or find one or two people that you work well with and above all, persevere. In retrospect, the first year grind is for a reason even though you can't see it at the time. You need to learn how to function under pressure, and this place causes you to do a lot of self-examining in those

terms. If you want to progress in management, you're going to be in a high pressure situation, and you might as well find out here and now whether that's for you." Jones, who is a member of the Business School Student Council and the Black Business Students' Association, says the work here is heavy ("you don't go to sleep when you're finished—you go to sleep when you're too tired to do any more"). After the MBA, she is aiming for a job in labor relations with a large corporation. "I like to work with people," she says, "and that's *all* you do in labor relations." She is pictured here in her favorite study spot—a quiet landing on the stairs in the Assembly Hall.

Michael Meisel has a commercial pilot's license, is on the board of directors of the U-M Flying Club, and manages the Student Lounge at the Business School (which does about \$100,000 a year in sales). To incoming students he says "Get involved with as many outside activities as possible, because well rounded people come out better in the job search." He also recommends taking an extra load of coursework in the first year, in order to have extra time available in winter term of the second year to devote to looking for a job, interviewing, etc. Meisel came here for the MBA after receiving his degree in industrial engineering from the U-M in 1976, and says of the work at the Business School: "There is a lot of



it and they keep you busy, but with proper allocation of time, you *can* get it done. They're not out to inundate you completely—they just want to keep you busy enough so that you understand it's not an easy ride." What does he do in his spare time? "Between the Lounge and flight instruction and a meal job at a local sorority, my spare time is homework!" In the future, he hopes to go into management consulting or to work in a hospital environment combining his knowledge of industrial engineering and business. (As an MBA research project, he and classmate Eric Kintzer redesigned the operation of the U-M Medical Center Mailroom, using computer simulation and industrial engineering techniques.)



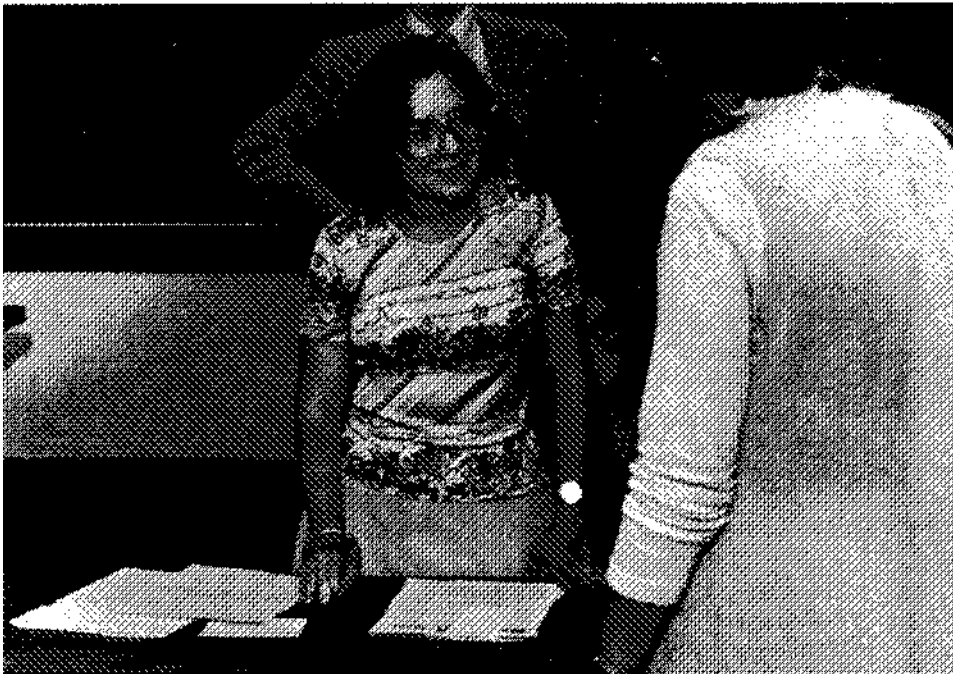
NBS&



"The MBA is an interdisciplinary animal, almost like the liberal arts of business," says Steven Pollack, "and so incoming students should enter the program with the idea of keeping options open and developing a general management point of view. Coming in with preconceived ideas you lose something—because there's a lot of branching out that's possible from the core courses. I think it's more valuable to try and specialize in a career direction rather than a particular functional area. It's important to realize that taking all finance or all accounting courses does not necessarily prepare you to handle all the problems or speak the language of all the people you are going to be dealing with. Also, use the faculty. They are open to discussing the program in general as well as

their own particular courses." Pollack graduated from the University of Wisconsin with a BA in American studies, then moved to Colorado and worked for five years for a large public school bus operation based in Lakewood, Colorado. In his last year of work for the company he started thinking about getting an MBA because, he says, "I was a supervisor, but had no formal training, there were a lot of changes going on in the company, and I sensed a dead-end approaching." What's the work like? "You have to put in a lot of time. It's difficult and competitive, but people find that they enjoy working together despite the competitiveness." Pollack is aiming toward a position in corporate financial planning and control.





Dagmar Moore got her BA from the University of Vienna, and worked as a simultaneous English-German translator in Vienna before marrying and coming to America in 1969. She got a masters degree in Germanic languages and literature at the University of Oregon, then moved to The University of Michigan where she taught in the German department and started work toward her Ph.D. in German. In 1975, she started looking for a teaching job. Says she, "That dismal year, the official publication of the Modern Language Association listed *eight* jobs throughout the nation for the entire year!" The situation called for a reappraisal, and the reappraisal resulted in the decision to go for her MBA. Her advice to incoming students, especially those who may have been out of school for a few years, is: "When they tell you it's a beginner's course, don't believe them. Bone up on your math because those beginner's courses go incredibly fast. Don't be concerned if you get a B the first term—your grades may not be at the top, but they will get better. The second term is much easier than the first—but the first term is pure suffering." In her spare time, she plays checkers with her nine year old son, Michael, trades a weekly German lesson for a lesson in the violin, and swims three times a week. After receiving her MBA, she plans to go into the accounting field, and eventually to work in University administration.

Photos by Virginia Geren

Carolyn Suslow, pictured here at the first meeting of the student OBIR Club, of which she is president, spent last summer as a business intern at Dentsu Advertising Ltd.—Japan's largest advertising firm. The internship program, which is sponsored by Japan Society in New York and International House of Japan in Tokyo, involves one week of orientation and five weeks working in a company to learn about Japanese business practices. Suslow also lived with three different Japanese families during the summer. Her major interest is personnel management and

labor relations, and after the MBA, she hopes to get a job with a large corporation and eventually perhaps have her own business. While a student at Columbia University, she worked part-time as a research assistant to an economics professor, came directly to Michigan after graduation. To incoming students she says: "Enjoy the business school. Get involved with clubs. The work is hard, but the students are friendly and helpful if you are having problems. There is a lot of communication between students and a lot of casual, friendly social life."

A Coronation Devoutly to Be Wished

Continued from page 6

impressed with their own sophistication in business and economics. As it turns out, that sophistication is rather superficial, since two out of three businessmen have no greater understanding of economics than six out of seven in the general public. Since the odds are against a businessman understanding those high-blown free enterprise terms he likes so well, it is pure sophistry to try to sell them to shareholders. Instead, get specific, talk about individual impact, and call for clearly-defined action.

8) Corporations should speak with one voice. As argued before, corporations tell the same story—the truth—to every public constituency. But equally important, corporations should try to recognize the interests they share with one another. Yet, the business world is often split by intramural fighting which merely undermines the corporate position as a whole. The attempts to shift blame, the unseemly pleasure some industries take at the discomfort of others, and the failure to come to another industry's defense are all luxuries the corporate world can no longer afford.

9) If corporate communications cannot merely preach, the message must have substance. Corporations need an arsenal of ready facts in order to fight for their survival. To give just one example, consider the great economic waste and tremendous corporate costs of defending what are little more than nuisance law suits. Yet, when M.D.'s shocked the public into an awareness of the cost and impact of malpractice suits, where were the corporations with facts in hand, ready to build on that public awareness by presenting some corporate figures and horror stories of their own? Where were the corporations? Probably propagandizing free enterprise to those already converted. In other words, corporations were asleep at the switch. Surely, the time to wake up has come.

A Commentary on Business and the Media

By Dan Cordtz
Economics Editor. ABC News

Editor's note: In his commentary on ABC News, Dan Cordtz recently discussed the relationship between business and the press. His remarks seemed to be an interesting follow-up to Dr. Shontz's article on corporate communication with stockholders, and so we reprint them here by permission. Before joining ABC News in 1974, Cordtz was for twenty years a writer for *The Wall Street Journal* and an editor of *Fortune* magazine.

One of the toughest problems an economics journalist has to deal with is the suspicion and fear of business. And the businessmen—on their side—believe many reporters are out to do them in.

Hardly a week goes by these days without some business executive making a speech or writing a newspaper article about how unfairly the news media treat business. They claim we blow up all the bad news-like bribes, kickbacks or product failures—and ignore the good. And they blame much of this on hostility. Journalists, they claim, hate businessmen. This charge is usually coupled with a plea that business and the press get together and learn to understand and love one another.

Well, I've been reporting about business and economics for more than twenty-five years—for newspaper and magazines as well as radio and television—and I don't think business and the media are ever going to love one another. In fact, I think it will always be hard for us even to get along. But businessmen who think the problem is that journalists hate

them are barking up the wrong tree. Oh, I'm sure there are some reporters and editors who are hostile, but they're not the basic problem. The real problem is that most journalists—especially broadcast journalists—just aren't interested in business. They think it's dull, and they think businessmen are dull, and what's worse, they believe most of their listeners, viewers and readers think that, too. So they treat business in a manner just the opposite of the way they treat, say, the White House. Every trivial thing that happens in the White House gets big play, because the journalists are fascinated with the White House and they think their audience is, too. Any radio listener, TV viewer or newspaper reader can find out all he wants to know about the President, so if he has a distorted view of his performance, it's probably just because of his own political prejudice.

On the other hand, the same person learns so little about business that it's almost impossible for him to make a balanced judgement about it. Every day, ninety-nine percent of the school children in the country get to school safely—and that never gets in the news. If one school bus is hit by a train and kids are killed, that's a big story. But reality is not distorted because everyone knows intuitively that the other kids arrived safely. Journalists have to report the bad news about business. The sad thing is that people don't have the same intuitive knowledge about the good side of business to enable them to put the bad news in perspective.

Computing Takes a New Turn

By Roger Wright, Associate Professor of Statistics
Chairman of the Computer Equipment and Use Committee

ew sounds can be heard on the third floor of the Business Administration Building. Murmuring voices blend with the buzzing of computer terminals and the chatter of a high speed printer. This array of new equipment represents one phase of a major program to strengthen the computing resources of the School. The leadership for these developments is coming from Dean Bond, working with the School's Computer Equipment and Use Committee. "The School's goal is to provide students and faculty with the type of computer resources available to management," says Dean Bond. "Our challenge is to keep pace with the commercial computer industry which is investing millions of dollars in product development for management applications."

The School's development plan has been taking shape over the past three years. Two detailed reports have been presented to the University Administration: *Computing Facilities, 1975-1980* (January 1975) and *A Proposal for Computing Resources* (May 1976). The focus of the School's policy is to make full use of the University's Computing Center instead of installing its own smaller computing system as some other business schools have done. The plan is to provide equipment needed for efficient access to the central computer, to take full advantage of the excellent computing resources available throughout the University, and to concentrate efforts within the School on developing those resources not found elsewhere.

"Efficient access" is provided by the new equipment in the School. The



The Business School's new batch station, located on the third floor, is operated as a branch of the University Computing Center, and is wired directly to the University's powerful Amdahl 470 V/6 central computer.

batch station, with a card reader and high speed printer, is staffed and operated as a branch of the University Computing Center. To complement the batch station, twelve terminals are maintained by the School. This is the largest concentration of terminals anywhere in the University.

The entire facility—batch station and terminals—is wired directly to the University's powerful Amdahl 470

V/6 central computer on the North Campus. This computer is capable of simultaneously serving over 175 terminals and more than a dozen batch stations throughout the University. The Amdahl executes instructions from each terminal so rapidly that each operator seems to have his own computer. Unlike smaller computing systems, the Amdahl is equally efficient in handling simple

student exercises and large, complex research programs.

Stored within the computer's memory banks, the School maintains several massive databases of great value for student projects and dissertations, and for faculty research. The NBER database contains more than 400 economic time series, measured quarterly since 1954. These data are obtained from the National Bureau of Economic Research in cooperation with the University's Department of Economics. The Flow of Funds database contains another 1200 time-series which provide a comprehensive statistical picture of the nation's financial sector. The Compustat database provides sixty financial statistics for each of almost two thousand firms annually for the last twenty years. The CRSP database contains monthly and daily prices for over 2500 major stocks. Altogether, these databases contain over four million numerical measures. All of these data can be linked together and are coordinated with the University's powerful statistical analysis system through data retrieval systems developed by Mrs. Kathleen Goode, programmer analyst for our Division of Research. These data are a major resource for course work and research in finance, accounting, marketing, economics and statistics.

Much work has been devoted to seeing that this computing system is used by BBA and MBA students, and not just by the faculty and advanced doctoral candidates. Prof. Tom Schriber has developed a handbook, almost 20 pages long, which is used by all Business Administration students in their introductory computer course. In this book Prof. Schriber teaches the complexities and details of the computing system by leading the student through a carefully constructed series of computing sessions. In the introductory statistics courses, a similar series of sessions are being used to train Business Administration students to use the University's statistical analysis system. A third new document, a 35 page guide to computing resources for Business Administration students, provides a unified directory to additional software both within the School and throughout the University.

What is ahead? That is hard to say in a field changing as rapidly as computing. One task for the near future is to acquire or develop more powerful systems for econometric and financial development and simulation. Another high-priority need is for a powerful database management software system to help support the School's growing programs of research and instruction in database management. An even more ambitious project is the development of a database, supporting programs and documentation detailing the various operations of a particular firm, just as these might be kept within the firm's own computer. These materials might be used in discussions,

exercises and projects throughout the curriculum: in accounting and auditing, financial analysis, statistical sampling and forecasting, production analysis and control, and so on. They could add a practical and realistic dimension to Business Administration education unreached by more conventional cases and business games.

Just as many managers view the computer as the nerve-center and sometimes the production center of their companies, many faculty members at the School see the computer as an exciting and important part of Business Administration education and research.



Our computer resources include twelve terminals maintained by the School—the largest concentration of terminals anywhere in the University.

An informal collection of items, including news of the faculty, of alumni, and of the school, and assorted other information, opinion or comment that we think will interest you.

Dean Bond to Resume Teaching

A little over a year from now, on December 31, 1978, Dean Bond will relinquish his post as Dean of the Graduate School of Business Administration and resume the life of a university professor.

Under the Regents' *Bylaws*, deans and executive officers at Michigan are required to relinquish their administrative posts at age 65 whereas professors may continue to age 70. Being in excellent health, Dean Bond looks forward with enthusiasm to the excitement of devoting his energies to teaching, writing, and serving the School and University in new capacities. He has held a professorship in business economics since the summer of 1960 when he became Dean, but the rigors of the latter position have prevented him from devoting much time to the former.

When he leaves the Deanship and resumes teaching in 1979, Dean Bond will have served the school as Dean for eighteen and a half years which is the longest period of service of any Dean in the School's history. He is the fourth Dean of the School which was established in 1924. The first three Deans were Edmund Ezra Day, Clare E. Grffin, and Russell A. Stevenson, in that order.

"My tenure as Dean has been filled with challenges—or 'opportunities' as we call them in the Dean's Office," Dean Bond reflects. "I am simply delighted that the School has achieved such great strength and preeminence, and to know that I had some part in these developments."

Under Dean Bond's leadership, the School has prospered. With the



Dean Floyd A. Bond

emphasis always on excellence, enrollment has doubled, the curriculum structured, better facilities provided, the faculty increased, new equipment supplied, research and publications expanded, and a solid financial base established for future growth and enrichment.

The School now possesses one of the largest and best M.B.A. degree programs in the country. Ph.D. graduates go to leading schools. Three new buildings have been funded privately through School efforts. A professional supporting staff handles admissions, student services and placement, prepares several manuscripts for publication each year, edits and publishes five periodicals, tuns 250 postdoctoral management programs annually, and supplies expert library services for both faculty and students.

Other new developments during the period include a new computing center in the School, a number of endowed professorships, the annual William K. McNally Memorial Lectures, the Seegal-Macy Lecture

series, the Key Issues Lectures, the Dean's Forum, the Dean's Committee on Excellence, the Visiting Committee of top executives, and the Associates Program with leading corporations.

How have all these things been achieved in such a short time? "Through an effective combination of participative management and management by objectives," comments the Dean.

Ph.D Forum's Service Award Goes to Professor Nantell

Timothy J. Nantell, associate professor of finance, was presented with the 1976-77 Ph.D. Forum Outstanding Service Award at the third annual awards ceremony sponsored by doctoral students at the Business School.

In making the presentation, Lucy J. Reuben, president of the Ph.D. Forum, said, "Professor Nantell is a source of encouragement to doctoral students through example and advice. He generously makes himself available to Ph.D. students, not only in finance but in other areas as well, for consultation and direction in helping to plan course schedules, in critiquing course work, and in a variety of other ways that help to facilitate students' progress in the program."

The Outstanding Service Award was established to recognize exceptional service on behalf of the Ph.D. program or on behalf of individual doctoral students at the Business School. Each recipient is presented with a plaque, and a trophy inscribed with the name of each recipient remains permanently in the Ph.D. Forum lounge. Prior recipients include Dick A. Leabo, director of the doctoral studies program and

professor of statistics, and Linda L. Kell, formerly administrative assistant to the director of the doctoral studies program.

At the ceremony, Russ Ray and Mike Hayes, out-going president and vice-president of the Forum, each received University of Michigan steins in appreciation of their service to the organization during the 1976-77 school year.

New Offerings from the DOR

The political economy of food and energy, capital formation, mergers in the savings and loan industry, bank lending policies, and the metal finishing industry are topics of books issued recently by the Division of Research. Brief descriptions of each book are given below—books may be ordered directly from the Division of Research.

Bank Lending Policies: Domestic and International by faculty member Douglas A. Hayes (Michigan Business Studies, new series I, No. 3, 339 pp., \$12.50). This is the second edition of Hayes's book. In it, he emphasizes developments in bank lending policies since 1971 and presents alternative views of future trends. The important effects of the 1974-75 downturn on asset management receive particular scrutiny. In preparing the book Hayes worked intensively with senior bank officials through detailed questionnaires and personal interviews. He documents the changes banks have instituted in order to reduce their loan portfolios' exposure to serious credit loss, and he devotes a separate and extensive chapter to pricing policies, an aspect of banking which, he reports, has taken on new complexity as the escalating cost of funds directs more and more attention to yield-spread management. Credit card policies, leasing, and international operation all receive new treatment in this edition.

Mergers in the Savings and Loan Industry by William D. Bradford of Stanford University (Michigan Business Reports Number 59, 94 pp., paper, \$5) is an analytic study of mergers in the 1969-74 period, a time of marked increase in merger activity,

which identifies trends developing under present Federal Home Bank Board policy and cites some of their policy implications. Bradford compares the financial and charter-ownership characteristics of acquiring and acquired associations involved in nonsupervisory mergers between January 1969 and December 1974 and then matches large samples of acquiring and comparable non-merging S&Ls over various timespans in order to examine their financial and operating differences. Among his findings: mergers involving federal S&Ls and state stock S&Ls as acquiring institutions present the major concern in terms of anticompetitive effects; there is some evidence that greater market concentration due to merger resulted in an increase in mortgage rates paid by borrowers, although at the same time acquiring S&Ls did not increase their profit rates within two or three years of merger. Bradford also identifies some dangers inherent in allowing federal S&Ls to issue capital stock as well as some advantages in the decrease of small associations.

Capital Formation: Challenge for the Third Century, 290 pages, paper, \$3.75) presents seventeen papers selected from the proceedings of the Sixth Annual Symposium on the State of the Black Economy, sponsored by the Chicago Economic Development Corporation, and edited by Gerald F. Whittaker. Among the many notable academic and executive contributors is Saad El-Amin, national business manager and general counsel for the Nation of Islam of North America. The papers focus on capital formation in minority enterprise in "the Third Century" and on the roles of human resources, land and land use, and entrepreneurship in its development. The collection includes an outlook for minority business projected by Garland G. Guice, CEDCO president.

In *The Metal Finishing Industry: A Framework for Success* (Michigan Business Reports, Number 60, 150 pp., paper, \$5.50) Harold Arnett of this School and Donald N. Smith of the Industrial Development Division of the U-M Institute of Science and Technology, collaborate in the study of sales, manpower, cost trends, and

the competitive problems of the independent metal finishing firm. Their report identifies causes of the industry's generally low productivity. Emphasizing the role of accounting in sound management, Arnett and Smith explore and illustrate management decisions which lead to a reasonable profit on investment.

Finally, the papers included in *The Political Economy of Food and Energy* (Michigan Business Papers, Number 62, 137 pp., paper, \$6) offer a wide range of perspectives on problems presented by the maldistribution of food supplies and energy sources in the world and on their implications for the future. Contributors are Nicholas George-Roegen, Professor Emeritus at Vanderbilt University ("Bioeconomics: A New Look at the Nature of Economic Activity"); Georg Borgstrom, Michigan State University ("World Feeding: Facts and Fallacies"); Michael Perelman of the University of California at Chico ("Farming for Profit in a Hungry World: The Myth of Agricultural Efficiency"); Russell Paker of the FCC's Bureau of Economics ("The Status of Competition in the Food Manufacturing and Food Retailing Industries"); and Herbert Schiller, Professor of Communication at the University of California at San Diego ("Mind Managing the Food and Energy Crises"). The collection is edited by Louis Junker of Western Michigan University. For the past eleven years this School has cooperated with Western Michigan in publishing lectures delivered by distinguished authorities on a theme selected annually by the WMU Economic Department and dealing with some aspect of the interaction between economies and public policy.

Books slated for late autumn publication by the Division are: *Technological Entrepreneurship: The Allocation of Money and Effort in Technology-Based Firms* by Patricia L. Braden, research scientist in the School, and *Bringing Premium Entertainment into the Home via Pay-Cable Television* by Professor Emeritus James D. Scott. The books are Michigan Business Reports 61 and 62 respectively.

Fellowship Fund in
Marketing Set Up to
Honor D. Maynard Phelps

A fellowship fund in honor of D. Maynard Phelps, professor emeritus of marketing, has been established at the Business School. Purpose of the fund is to help attract first-rate individuals into the Michigan doctoral program in marketing, and to aid them financially.

Professor Phelps has been an important part of the marketing tradition at Michigan for the past fifty years, having been on the staff of the Graduate School of Business Administration since 1926. He has taught, during short periods of leave, at the University of Colorado, Columbia University, the University of California at Los Angeles, in Japan under the auspices of Waseda University and the International Cooperation Administration, and in the Netherlands at the Stichting Bedrijfskunde, an affiliate of the Netherlands School of Economics, now Erasmus University.

His particular interests are marketing management, international trade and investment and product planning and innovation. He has divided his teaching, research, and publication between domestic marketing and the foreign economic activities of American corporations.

Professor Phelps served in the Department of State from late in 1941 through March of 1946 with assignments in South America, in Western Europe, and in Washington, D.C. In 1957-58 he was president of the American Marketing Association. In the summer of 1960 he was chairman of an official delegation to the USSR, sponsored by the Association and financed by the Ford Foundation, to study marketing policies and procedures there. Later he served as a member of the board of trustees of the Marketing Science Institute. He has received the Distinguished Faculty Achievement Award of the University of Michigan, the Marketing Educator of the Year Award of the National Sales and Marketing Executives, the Parlin Award from the Philadelphia Chapter of the American Marketing Association, and in 1961 was inducted into



Professor D. M. Phelps

the Hall of Fame in Distribution at the Boston Conference on Distribution.

As a member of the faculty at Michigan, Professor Phelps played a leading role in establishing the Program in International Business and directed its activities from 1962 to 1965. He was also instrumental in establishing the cooperative arrangement between the School and the Netherlands School of Economics whereby many University of Michigan faculty members taught while on leave in the Stichting Bedrijfskunde, an affiliate for graduate study in business administration in Rotterdam.

Professor Phelps has been the author of several books and monographs and many articles during his professional career both on domestic marketing and international economic relations.

Contributions to the Fellowship Fund should be made payable to The University of Michigan—D. Maynard Phelps Fund. Contributions qualify for federal income tax deduction and for special treatment under Michigan law.

Leaders in Accounting
Thought Examine Problems
and Issues

Problems and issues of concern to the accounting profession and society were examined and discussed

at the Arthur Young Professors—Roundtable held in the Assembly Hall's Executive Lounge at the Graduate School of Business Administration.

Papers on various aspects of accounting education were presented by distinguished scholars, and then examined by discussants until aspects of the subject were sufficiently developed to permit significant exchange of views among selected participants in the Roundtable. The Paton Accounting Center served as host for the meeting at the request of the Arthur Young Professors, who include Norton M. Bedford (University of Illinois); Sidney Davidson (University of Chicago); John K. Shank (Ohio State University); Donald H. Skadden (University of Michigan); and David Solomons (University of Pennsylvania).

National Black MBA
Association Elects
Michigan MBA President

Barbara J. Mahone, MBA 72, manager of career planning for General Motors Corporation, has been elected president of the National Black MBA Association. She previously served as the first president of the Detroit chapter of the organization.

The National Black MBA Association was formed in 1972 to promote and sustain the participation of minority people in business. The goals and objectives of the organization include the following: 1) To establish and maintain an effective information and communications network which would serve the membership and the business community, 2) to provide continuing business education as a means of improving and maintaining the skills of the minority middle manager, 3) To encourage scholarly research in those areas of business which affect the black community, 4) To advise and assist graduate business schools in developing curricula consistent with needs of black graduate business students and 5) To assist the entry of the black community into the mainstream of the American economy.

Lecture Series on A New Tax Structure for the U.S. Edited into Book Form

A New Tax Structure for the United States is the title of a book published this fall by The Bobbs-Merrill Company, Inc. The book is based on the Key Issues Lecture Series sponsored by the Graduate School of Business Administration last spring under a grant from the International Telephone and Telegraph Corporation.

The Key Issues Lecture series was a six part analysis of current and emerging issues related to our federal tax system. While tax policy matters are addressed most frequently by economists in the public finance field, this series was structured in such a way as to elicit views from a variety of interested parties, including economists, attorneys, certified public accountants, corporate management, and individuals with high-level government experience. Thus the series brought together a blend of the theoretical, the politically feasible, and the practical views of the business community and the taxpayers.

The six lectures were presented in three pairs. At each session, in addition to the two principal speakers, there were two provocateurs who were knowledgeable authorities in the tax field and who provided penetrating insights into the subject. The use of provocateurs to sharpen the issues, clarify ideas, and provide perspective was a highly successful innovation. Furthermore, it increased the number of participating tax authorities in the series from six to twelve.

The book, which was edited by Donald H. Skadden, director of the Paton Accounting Center, has an introduction by him, foreword by Harold S. Geneen, president of the International Telephone and Telegraph Corporation, and a preface by Dean Floyd A. Bond. The book is in three parts. The first part discusses the general theoretical framework of tax reform. Writing in this section are George Break of the University of California at Berkeley and Professor Murray L. Weidenbaum, Director of the Center for Study

of American Business. Their lectures were on the topics of "A General Framework" and "The Case for Tax Loopholes" respectively. Dialogue on the issues was provided by Professor Charles McClure of Rice University and Professor Harvey E. Brazer of the Department of Economics at the University of Michigan.

The second part of the book is devoted to the political realities of accomplishing tax reform. Problems of implementation and the impact of the political process are discussed by Charles E. Walker, former Deputy Secretary of the Treasury, and John S. Nolan, former Deputy Assistant Secretary of the Treasury for Tax Policy. Dialogue is by provocateurs William C. Penick, C.P.A., Chairman of the American Institute of C.P.A.'s Tax Division, and Professor L. Hart Wright of the University of Michigan Law School.

The third part of the book addresses the subject from the viewpoints of the taxpayers and the business community. Papers in this section are by Herbert J. Lerner, C.P.A., tax partner with Ernst & Ernst, who discusses problems of compliance, and Burns Stanley of Ford Motor Company, former president of the Tax Executives Institute, who discusses the issues in terms of a business perspective. Provocateurs are Donald C. Alexander, former Commissioner of Internal Revenue, and Professor James E. Wheeler of the University of Michigan Graduate School of Business Administration and former member of the staff of the Congressional Joint Committee on Taxation.

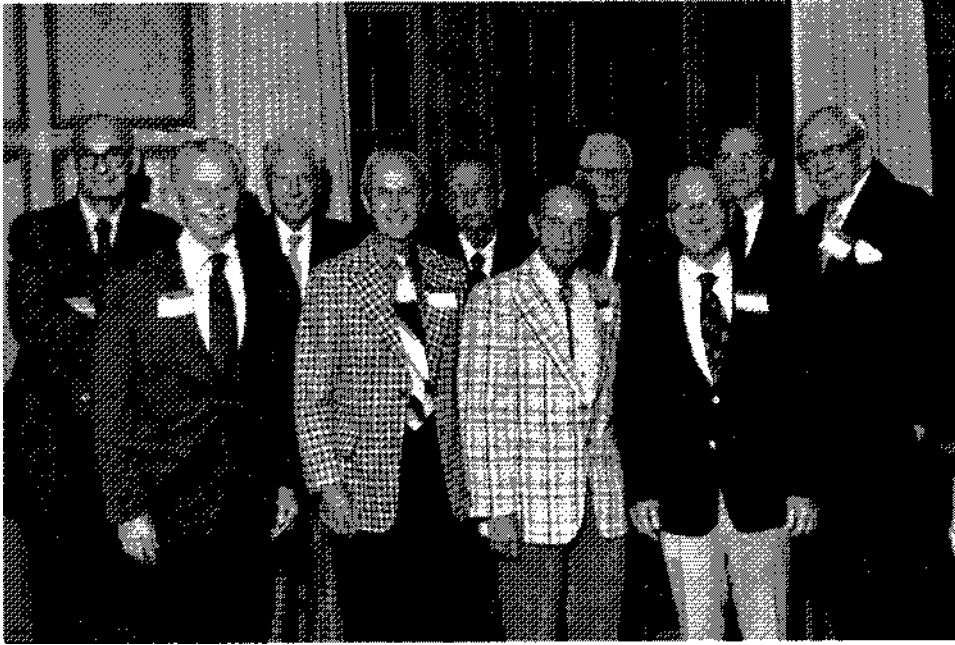
Commenting on the book, Dean Floyd A. Bond said "The Graduate School of Business Administration is grateful to the International Telephone and Telegraph Corporation for the grant that made these lectures possible, to Board Chairman Harold Geneen for contributing the Foreword to the book, and to Professor Donald Skadden for coordinating the planning, executing the plans, and editing the manuscripts for publication."

DME discussed in Business Week Article

A picture of one of the case rooms at the Business School was used in the July 25 issue of *Business Week* to illustrate an article entitled "The big business of teaching managers." The caption under the picture read "Honing their skills: Public utility executives at the University of Michigan, where courses are filled months in advance."

The two page article, which discusses a wide diversity of services for management and gives a sampling of organizations offering services to train and inform managers, says "The University of Michigan, which is currently staging a program for public utility executives, offers 51 different seminars for managers. 'The market is expanding faster than our collective ability to fill it,' says Albert W. Schrader, director of Michigan's Division of Management Education. 'We are turning people away. Many of our programs are full months in advance.'"

Among the programs being offered by our DME are the Public Finance Institute, a program for professionals and managers in public finance offered in cooperation with the Securities Industry Association; the Public Utility Executive Program, which has been in existence since 1951 and which has been attended by more than 2400 managers from 500 different companies throughout the nation; the one month Executive Development Program, designed to help people function effectively at the general management level; and numerous short courses designed to allow managers to update skills, to develop a particular skill, or to learn new ideas and how they can put these ideas to work. For more information on the Division of Management Education, write for the Winter, 1976 issue of *Dividend*, which contains an interview with Dr. Schrader about the Division.



One hundred and seventy-six man years of service to the School are represented by the emeritus professors pictured above. At Dean Bond's dinner for the faculty in September, each of them was presented with a lucite enclosed gold medallion with an engraving of the School on one side, and on the other their name and the words, "For distinguished service to the School." In the back row, left to right, are emeritus professors Meyer S. Ryder, industrial relations; John W. Reigel, industrial relations; Herbert F. Taggart, accounting; William A. Paton, accounting and D. Maynard Phelps, marketing. In the front row, left to right are J. Philip Wernette, business administration and editor emeritus of the Michigan Business Review; Franklin G. Moore, management; Wilford J. Eiteman, finance; Carl H. Fischer, actuarial science and Clare E. Griffin, business economics who also served as Dean of the School from 1929 to 1944.

Dean Holds Reception and Dinner to Welcome New Students and Faculty

A reception to welcome incoming students, and a dinner to honor newcomers to the faculty, are held at the beginning of each school year with Dean Bond as host.

This year, the Dean's reception was held Sept. 7 from 3 to 5 p.m. Faculty from each subject area were available in different classrooms to meet and talk with students. Punch and cookies were served.

Newcomers to the faculty were honored later in the week with a dinner at the Michigan League. After dinner, presentations to honor the emeritus faculty were made by the Dean, and a surprise program was presented by Sally Hershey, MBA '77,

who played several selections by Chopin and Gershwin on the piano. Hershey has her bachelor's degree with distinction from the U-M School of Music, where she played in about 200 recitals professional accompanist at the School. She is now in the personnel department at IBM, where she does recruiting.

Newcomers to the faculty honored at the dinner include Robert J. Hemstead, associate professor of actuarial science; Coimbatore Krishnarao Prahalad, visiting associate professor of policy and control; Steven M. Dawson, visiting associate professor of finance; Raghavan D. Nair, lecturer in accounting; and Eugene A. Imhoff, Jr., visiting lecturer in accounting.

Faculty News

Dean Floyd A. Bond was invited to the White House this fall on the occasion of the signing of the presidential management intern program. He met President Carter and renewed his acquaintance with Elmer Staats, Comptroller General and head of the General Accounting Office, and Alan Campbell, head of the Civil Service Commission.

Patricia J. Shontz, professor of business administration and director of the Office of Publications, has been elected a Fellow of the American Statistical Association—one of 22 to be elected this year. She also was recently awarded the honorary degree of Doctor of Laws by the University of Detroit.

Carl H. Fischer, professor emeritus of insurance and of actuarial mathematics was on a panel entitled "Actuarial Assumptions for Pension Plans" at the annual meeting of the Conference of Actuaries in Public Practice, held this fall in Atlanta, Ga. His paper, "Interest Rate Assumptions in Pension Plan Valuations, 1955-75" was presented and discussed at the panel.

Vern Terpstra, professor of international business, gave a seminar on "Multinational Firms" to the Central Intelligence Agency in July. Forty staff members attended the seminar, mostly from CIA's Divisions of Economic Research and Political Research.

Mary C. Bromage, professor emerita of written communication, has been conducting seminars on communication for management staffs and military groups across the country. Recent seminars have been held in Washington, St. Louis, Philadelphia, Indianapolis, Atlanta, Chicago, Dallas, Denver, Salt Lake City, Baltimore and San Francisco. The U of M TV series on *Identity & Conflict*, dealing with nationalist struggles around the world, includes her presentation on Ireland in the form of a discussion with Professor

Allen S. Whiting of the political science department.

Herbert W. Hildebrandt, professor of business administration, delivered a paper on "Research—Consulting Problems in German Multinational Companies" at the Berlin meeting of the International Congress on Communication Sciences. He also lectured on decision making and oral and written communication programs to European advisory councils in Mainz, Brussels, London and Verviers.

Arthur R. Southwick, professor of business law, presented three lectures at the Mid-America Hospital Medical Staff Conference in Fontana Wisconsin. They were entitled "The Medical Staff in Legal Perspective," "Medical Staff Appointments and Privileges" and "The Fiduciary Duties of the Board of Trustees."

James C. Pilcher, professor of finance, found himself acting as middleman for two former students this summer. Ann Arbor resident Gideon Hoffer, MBA '67 was being sent to London, England by his employer (Xerox) for August through December, 1977. Steve Dawson, MBA '65, Ph.D. '72 was leaving Kailua, Hawaii to be a visiting associate professor at our school for fall term. Prof. Pilcher put the two of them in touch and Dawson rented Hoffer's home.

Ross Wilhelm, professor of business economics, received an honorary Doctor of Laws degree at commencement ceremonies at Eastern Michigan University.

Bernard J. White, assistant professor of industrial relations, recently published articles in the *Monthly Labor Review* and in a special issue of *The Journal of Contemporary Business* which was devoted to the topic of job design. He has also been appointed a consultant to the National Science Foundation on matters related to research on administrative productivity.

Ray E. Hill, associate professor of industrial relations, published an article entitled "Managing Interpersonal Conflict in Project Teams" in the Winter, 1977 issue of *Sloan Management Review*. The article is being considered for inclusion in the "current literature" bibliography section of the Haworth Press, whose purpose is to disseminate information on current research to colleagues and professionals in related fields.

Meyer S. Ryder, professor emeritus of industrial relations, spent part of July in the Panama Canal Zone conducting hearings on Panama Canal Company labor relations disputes while in an advisory capacity to the Governor/President of the Panama Canal Company. He worked on two cases involving alleged smuggling, one of alleged embezzlement, and a dispute between a Canal Company official and the captain of a passing Greek passenger ship.

Paul W. McCracken, Edmund Ezra Day University Professor of Business Administration, was chairman of an international committee of distinguished economists who undertook a year-long study for the Organization for Economic Cooperation and Development. The committee's report, entitled "Towards Full Employment and Price Stability," is now in print. Members of the committee, besides Professor McCracken, included: Guido Carli, former Governor of the Bank of Italy; Professor Herbert Giersch, Institut fur Weltwirtschaft, Kiel University; Attila Karaosmanoglu, former Deputy Prime Minister for Economic Affairs in the Turkish government; Professor Ryutaro Komiya, University of Tokyo; Professor Assar Lindbeck, Director of the Institute for International Economic Studies, Stockholm University; R. C. O. Matthews, Master, Clare College, Cambridge University, and at the outset Raymond Barre (now Prime Minister of France) and subsequently Robert Marjolin, former Vice President of the Commission of the European Community.

Raymond R. Reilly, associate professor of finance, has been elected to serve a two year term as Midwest regional director of the Financial Management Association. He also serves as first vice-president of the Midwest Finance Association as well as program chairman for the 1978 annual meeting.

Thomas J. Schriber, professor of statistics, went to Virginia Polytechnic Institute and State University in Blacksburg, Virginia, as a visiting scholar. During the two day in residence period, he gave two campus-wide talks on various aspects of discrete-event simulation, appeared as a guest speaker in a simulation course, and engaged in a variety of private conversations with members of the Department of Management.

Cynthia Cross, assistant director of student services, received her Ph.D. this summer through the U of M Center for the Study of Higher Education. Her dissertation was entitled "The Guaranteed Student Loan Program: Access to Loans in Michigan 1971-72 to 1974-75."

Our faculty was well represented at the annual meeting of the American Statistical Association, held in Chicago in August. A paper entitled "An Analysis of Forecast Performance" was presented by professors of statistics *Allen Spivey* and *William Wroblewski*; *James Godfrey*, associate professor of accounting and *Richard Andrews*, assistant professor of statistics, presented a paper entitled "Sequential Sampling Methods for Testing a Compliance Objective." *Terry Dielman*, a doctoral student in statistics and management science, gave a paper coauthored with *Timothy Nantell*, associate professor of finance and *Roger Wright*, associate professor of statistics, entitled "Analysis of Stock Repurchases With a Random Coefficient Model." In addition, *Mark Vonderembse*, a doctoral student in business policy, gave a paper, coauthored with Professor Wright, entitled "Understanding Causality Through Path Analysis for Better Budgeting and Management Control."

The third edition of *Introduction to Marketing Management: Text if Cases* by professors of marketing Stewart Rewoldt, James Scott and Martin Warshaw was recently published. The book is used in over 250 colleges and universities primarily at the graduate level.

Dick A. Leabo, professor of statistics and director of the doctoral program at the School, was elected national vice-president at the 1977 triennial convention of the national honor society of Phi Kappa Phi. This society was founded at the University of Maine in 1897 and elects undergraduate students as members from every discipline who are in the top five percent of their graduating class.

Alan G. Merten, associate professor of management science, attended the international conference on very large data bases held in Tokyo, Japan in early October. There he gave a talk entitled "A Perspective on Database Design" and served as co-chairman, along with Tosiyasu Kunii of the University of Tokyo, of a survey session on database design.

Consortium of American Universities holds meeting at Business School

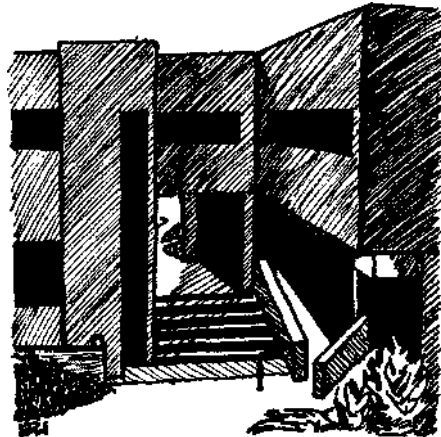
A meeting of the Consortium of American Universities to assist in the development of the Saudi Arabian University of Petroleum and Minerals was held on the Ann Arbor campus in the Board Room of the Graduate School of Business Administration during the summer to plan a full-scale week-long on-site evaluation this winter of the progress of the engineering and management degree programs in Dhahran. Dean Bond hosted the meeting. In addition to The University of Michigan, the Consortium includes California Institute of Technology, Colorado School of Mines, Massachusetts Institute of Technology, Milwaukee School of Engineering, Princeton University, University of Alabama, University of Rochester, and Wentworth Institute of Technology.

Yes, No, and Maybe Continued from page 9

been more successful than those directed toward black students and other minority groups. So far competition from immediate employment opportunities has not been as much of a problem for us with women as with minorities.

Q. *What about financial aid for students?*

A. Both scholarship and student loan funds are available. Besides scholarships provided by the University, about 35 specially funded scholarships are available through the School. About 20% of our students receive scholarships.



Q. *How much contact do we have with students between the time they are admitted and the time they actually enroll?*

A. They receive a letter of welcome from the Dean, along with a lot of material on program planning and placement exams. We encourage them to contact our office if they want help in planning their program or if they want information on moving to Ann Arbor. We also have a service called "Project Roommate" operated jointly with the Student Council. It's a list we maintain of people looking for roommates, containing the name, home addresses, college attended and college major of people interested in finding roommates.

Q. *You said you send information on placement exams? What are they?*

A. We allow students to take placement exams for any of the core courses required in the first year of the MBA program. If they pass, they can substitute elective courses for any of these required courses.

Q. *Do we have special students who are not here for the degree?*

A. Yes, a small number. They must already have an MBA degree, and are usually seeking specific courses in a particular area to update their knowledge or switch fields. These students often take course work in our evening program.

Q. *What about part-time students?*

A. Our evening program is set up for part-time students. It is truly an outstanding program. We apply the same admissions standards, and the academic standards and the faculty are the same as in our day program.

Q. *There has been a tremendous interest in the MBA degree lately, and a great increase in the number of people seeking the degree. Do you think there is a danger that in a few years we will have a "glut" of MBAs on the market?*

A. It's true that there has been an increase in interest in the degree, and there will be a great number of MBAs in the marketplace in the future, but I don't think this will harm the graduates of top schools. There will always be a demand for the best, even in a slow market. If we continue to attract the kind of fine student body we have in the past, and maintain the quality of our educational program, employers will continue to actively recruit our graduates even if a surplus of other MBAs does develop.

Ph.D» Fund Established in honor of Tom Leah©

The Thomas William Leabo Memorial Fund has been established to give an award annually to a dedicated scholar (or scholars) committed to the teaching profession who is preparing for a doctoral degree in Business Administration.

The fund is in honor of Tom Leabo, son of Professor Dick A. and Artis Leabo, who died accidentally at the age of 20 years on March 18, 1977. Many friends have joined Tom's parents in perpetuating his memory by establishing the fund.

Thomas William Leabo was born on March 9, 1957 in Lansing. He grew up in Ann Arbor, graduating with highest distinction in 1975 from Huron High School. At the time of his death he was a sophomore at the University of Michigan, concentrating in the physical sciences and mathematics.

Tom was a disciplined athlete as evidenced by his membership on the golf, track, and basketball teams at Huron High. In 1975, he was a member of the Huron High Middle Distance Relay Team which won second place at the Ashley (Ohio) Relays. In addition, he was a former Radrick Farms Men's Junior Golf Champion and a two-time Ann Arbor Golf & Outing Club Senior Boys' Champion. From 1971-75 he was a Championship Flight participant in the Ann Arbor City Junior Golf Tournament, and the Mens' City Golf Tournament, 1973-76. In recreational non-competitive sports, his interests were varied, ranging from baseball to paddle ball, racquet ball, squash, swimming and skiing. It was while preparing to go cross-country skiing that Tom met his accidental death.

Those wishing to contribute to the Fund in Tom's honor should make checks payable to *The Thomas William Leabo Memorial Fund* and mail to the Dean, Graduate School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109.

A Message from the Search Committee

Dean Bond has indicated to the University his desire to resume teaching by the end of the calendar year 1978. Accordingly, a new Dean must be found. All alumni are urged to ponder this and transmit any suggestions for names. The Search Committee and the University Administration have no fixed ideas about the background and experience of the next Dean. He or she could be from within our own faculty, from another faculty, or from the business community.

Think about this a bit, and communicate any suggestions you may have to Professor Paul W. McCracken, Chairman of the Committee.

Wolaver Fund Established For B School Students

A fund to aid "needy and deserving students" has been established in the Graduate School of Business Administration by the estate of Margaret L. Wolaver in memory of her son, David A. Wolaver, who was killed in action in France during World War II.

A second fund has been established in the School of Music in honor of her other son, John A. Wolaver. John studied piano and received his bachelor's degree in 1942 and master's degree in 1947. While a student he earned the Albert A. Stanley Medal, the highest award given by the School of Music. He was to begin teaching at U-M in 1955 when he died.

Each fund is in an amount exceeding \$240,000, and its income is to be used to aid qualified students enrolled in each school.

Mrs. Wolaver, who died in 1975 at the age of 91, was a long-time Ann Arbor resident. She attended the U-M in 1905-1908. Her husband, Earl S. Wolaver, who received three degrees from the U-M, taught business law at the Business School for 30 years until his death in 1950.

Tax Specialisation Program Offered to Accountants

A two week program in tax specialization was attended by 130 professional accountants from nearly every state in the Union when it was held in August under the joint sponsorship of the Paton Accounting Center of the Graduate School of Business Administration and the American Institute of Certified Public Accountants.

The program was designed to develop proficiency in preparing sophisticated individual and corporate tax returns, and to teach the concepts and planning implications of income, deduction and credit items on income tax returns. Participants also learned to research answers to tax questions in original source materials and in tax services. Throughout the program, problem assignments and research projects were completed and turned in for evaluation and feedback.

Co-directors of the National Tax Specialization Program are Donald H. Skadden, Director of the Paton Accounting Center of the Graduate School of Business Administration, and Joshua J. Grauer of the Continuing Professional Education Division of the American Institute of Certified Public Accountants.

Participants in the program were required to have a degree in accounting, two years experience in public or corporate accounting or auditing, and a working knowledge of individual and corporate tax compliance.

The program this year was so successful that a second program is being tentatively planned for the summer of 1978.

Editor:

In your always interesting magazine you carried a column about the mysteries of the Moebius strip (Spring, 1977).

You are correct in saying that if you split a Moebius strip down the center you end up with a single, rather twisted, double-length strip, but I believe you will find that, if you split that strip once again, you will find two *identical* intertwined two-sided strips, each of them with a triple-loop that you can bring together at one end of the strip, as I have attempted to illustrate below. The proof that neither is a Moebius strip is that you can run a pencil line completely around the strip *on one side of the strip*.

And, to repeat your admonition, don't ask me to explain why this happens. If the Moebius strip followed the general Mendelian lines of heredity, you would indeed expect to find that one of the second generation strips was Moebian.

Letters

I wonder why your cover and editorial page refers to "University of Michigan." We were always taught to write: "The University of Michigan" with a capital "T."

*George J. Eder
Washington, D.C.*

Thank you for correcting us, both on the non-Mendelian Moebius strip and on "The." Space considerations motivated us to drop the "The" on the cover, but nothing accounts for our omission on the editorial page. It has been changed.
—Editor.

Editor:

I was very interested in reading the article, "Read This and Weep!" which appeared in your Spring, 1977, issue of DIVIDEND.

My father, Chester C. Morrison, entered the University of Michigan in

1915, and I have a ledger book of his itemized expenses which his father kept back home in the woods of Pennsylvania. The list is much too long and detailed to send to you, but I thought you might be interested to know that grandfather paid as an out-of-state student \$683.74 for my father's freshman year. This amount included a pair of baseball shoes for \$5—my father played both football and baseball for the University—which probably was considered extravagant, since regular shoes are listed for \$4. Dad's total expenses for four years at the University were \$2900.

I earned both a BS in Engineering in 1949 and a MBA in 1955 at the University. I have forgotten what I spent; and fortunately, I did not keep a record which helps me to keep from weeping as I write the checks for my son's college expenses.

*Alger E. Morrison
Pittsburgh, Pa.*