ELIZABETHTOWN COLLEGE
Department of Business

The Business & Economics Digest

2005

hours of reading pleasure for the discerning reader

ACKNOWLEDGEMENT

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The Business & Economics Digest

2005

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The Business and Economics Digest is an annual publication intended primarily for the unmitigated reading pleasure of students, faculty, alumni and friends of the Department of Business.

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FOREWORD

The Anticipation of a Weekend Edition

Homer first saw the ad as he bit into a ham and cheese sandwich in Jay's Nest. It was sometime in August.

He had just finished reading yet another hilarious segment in the Wall Street Journal—the editorial page had proposed the solution to global poverty: A capital gains tax cut!—and was just about to turn to more serious fare in the "Personal Journal" section. But, lo, even as he turned the page, his eyes were drawn to an advertisement.

The ad took almost a quarter of a page. The WSJ is known for its huge ads—on some pages a news column can scarcely be seen, hemmed into a corner by monstrous commercials touting a Jaguar or an expensive watch (for a long time Cindy Crawford appeared in these watch advertisements, then it was Anna Kournikova—undoubtedly, in the world of modeling and tennis, thought Homer, Swiss precision was of the essence.)

But back to the aforementioned ad. It was not a car, or even a watch. It was the Wall Street Journal itself, proclaiming the advent of a Weekend edition.

This was wonderful! The Wall Street Journal (or, as we say knowingly in Nicarry, the Journal) is only published Mondays through Fridays, leaving readers bereft of its superb business coverage, not to mention its edifying editorials, on weekends. Rumor has it that certain Nicarry residents would turn on such occasions to—gasp!—the New York Times, but fortunately the fling would be short-lived, for as a new week dawned, the Journal would arrive faithfully, and the hapless Times would find itself ignominously tossed aside.

But all this was coming to an end, the ad seemed to suggest. No more courting the uncertain charms of the Times for a two-night stand—the robust Journal would be around on the weekend to provide ample enjoyment. So when was this new edition going to arrive?

As Homer read the ad more closely, he felt as if he had been kicked in the stomach. This, by the way, was not an unfamiliar sensation to him—ever since the arrival of Chunski in Nicarry last year, Homer had found himself the object of repeated assault by his colleague. Every week, the deceptively soft-spoken Chunski would go to Homer's office, kick the door open, and then kick him in the stomach. All for no apparent reason.

"After a while," Homer said to Melvin, "one gets used to the pain."

Melvin agreed. “You just have to learn to live with these marketing types.” He was clearly relieved—there would no lawsuit, at least for now. He also made a mental note to rethink his open door office policy—it was one thing for the associate chair to get kicked…

The ad stated breathlessly that the weekend edition would begin arriving in September. This was August 2004. Why, only a month hence, Homer thought elatedly at first. But then he saw the year—it was going to be in *2005*! The weekend issue would be introduced *next* year—in September.

A whole year, Homer muttered to Sandu as they walked past the Body Shop enroute to the racquetball court. Sandu shook his head dejectedly. They could hardly believe it. They would have to wait for a whole bloody year to lay hands on the first weekend issue of the Journal.

Homer showed the ad to his wife.

She laughed. “Why, that’s only next year. Are you sure you have enough time to get ready for it?” He was expecting sympathy, not derision. She went back to her Times crossword.

All through the year, the Journal kept sending reminders.

“The weekend edition is coming,” they claimed gaily. “We’re working hard on it. We want to make sure we get everything right!”

“What the hell,” said Sandu amiably, after a racquetball game. “It takes an entire year to put together a Saturday issue?” Homer couldn’t reply—he was gasping for air after the exertions on the court. But Sandu was right. It was ridiculous—all this preparation for a mere Saturday edition. Good grief, if the WSJ had to do something like the Times’ Sunday edition, the project might have taken a decade! Their ads would have read, “Look out for our Sunday edition. We’re working hard on it. We want to make sure we get everything right. It will arrive in 2015. Don’t read anything else till then, especially not the pinko Times!”

Every now and then, there would be another big ad in the Journal (Homer hadn’t seen Cindy or Anna in a while; he wondered what was happening to watch sales). And emails—a steady stream of emails poured in.

“Send us your weekend address,” they would implore. “We want to make sure that you receive the Saturday issue when it comes out.”

At other times there would be a postcard. “If you own two homes,” it would say (suggesting that if you didn’t, perhaps the WSJ wasn’t for you), “make sure you give us the right address for the weekend, so that we know where to deliver the Saturday issue.”

They discussed all sorts of combinations. “Perhaps you wish to receive your weekday Journal at your office,” they would say, “and the weekend issue at home.” Or it might be the other way around. They left no possibility untouched. It got to the point where Homer expected Mr. Paul Gigot[1] himself to come to his house and write down the address personally.

Well, the long wait is almost over. During this period Homer endured months of agony, derisive laughter when another notice about the forthcoming weekend edition made its way into the Homer domicile, the endless dispatch of addresses to the Journal—where did he really want the wretched edition to come? To his office? Home? His doctor's office?

He couldn't think straight any more. Chunski's kicks were beginning to take their toll. Sandu, his formidable racquetball opponent, was gearing up for their battles—he was now running 3,000 miles a day. He would return from his marathon sprints, beaming—not an ounce of sweat on him—and then proceed to the Body Shop to lift 20,000 pounds. With one hand. It was depressing.

But now it is July. September is but two months away. Homer is optimistic. He thinks he will survive.

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Homer's story is not unique. Members of the business faculty in Nicarry are waiting with bated breath for the weekend edition. As undoubtedly are the legions of readers of this publication. We trust this edition of the *Digest* will help them endure the final weeks.

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[1] Editor, *The Wall Street Journal*.

THE 2005 BUSINESS AND ECONOMICS DIGEST

Contents

Student Papers

IN A NUTSHELL

Notable Developments in the Department

Curriculum

- In fall 2004, the Department switched from a 3-credit course curriculum to one with 4-credit courses. Certain courses were eliminated, others consolidated. Most classes now meet four hours a week. Despite early apprehension among students, the transition proved to be fairly smooth.
- The Department added a new concentration in entrepreneurship to the business administration major. Much of the spadework was done by Petru Sandu. The concentration will be available starting fall 2005.
- Three new study tours were offered for course credit to business students—the Beijing Seminar (2 weeks in China), Nihon Seminar (3 weeks in Tokyo) and United Nations Seminar (2 weeks in New York).

The Hoover Center for Business

Construction of the new building will begin in August. The Hoover Center will include smart classrooms, faculty offices and meeting rooms. The Department will move into its new digs in fall 2006.

Faculty

- The search for a tenure-track faculty in marketing ended successfully. Bryan Greenberg will join the Department as Assistant Professor in the fall.
- Sean Melvin, Chair of the Department, was awarded tenure and promoted to the rank of Associate Professor.

Title 6 Grant Activity

- In its first year of operation, the grant funded several activities designed to "internationalize" the business curriculum, create exchange programs with foreign universities, and establish a Center for International Business and Economics. Various speaker series were arranged. The first edition of *The Oyster*—a series on global issues—was published.

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FACULTY TIDBITS

In fall 2004, 3 members joined the business faculty on tenure-track appointments:

- **Ed Chung**, Associate Professor of Marketing. Ph.D., York University, Toronto.
- **Larry Tang**, Assistant Professor of Finance. Ph.D., Temple University.
- **Sylvester Williams**, Assistant Professor of Business Law. MBA and JD, Wake Forest University.

Other members of the faculty are C. Powell Adams, Bill Alexander, Christine Brooks, Jay Buffenmyer, William Burmeister, Joe Cervenak, Oya Culpan, Terrie Gehman, Maurice Hoppie, Sean Melvin (Chair), Joseph Molony, Sanjay Paul, Petru Sandu, Richard Stone, David Swartley, Randy Trostle and Hossein Varamini.

Tempest in a Teapot?

With the addition of Williams, Varamini was delighted to note that he would no longer be at the bottom of the alphabetical list. In fact, when news of Williams' appointment broke, Varamini allegedly went on a tea-drinking binge, shouting in the corridors of Nicarry, "Hoo ha! I am not the last one any more!"

"*Hoo ha*?" queried Melvin, as he daintily stirred his English tea. "Very sad. But directors of international business crack like this all this time. Don't give him any more tea."

Williams also shook his head sadly. "What's in a last name," he said philosophically, but quickly added, "For future hires, the Department should focus only on candidates whose last names begin with X, Y or Z."

In fall 2005, the Department stands poised to welcome **Bryan Greenberg** as Assistant Professor of Marketing. He will undoubtedly benefit from Chunski's 10 lessons in *First Year Experience of a Shy Person* printed nearby.

Desert Island Discs on Public Radio

Desert Island Discs is a radio interview program hosted by Ellen Hughes on WITF-FM, Harrisburg. Guests on the program are asked to answer the following question: If you were stranded on an island, what music (8 selections) and one luxury item (no computers allowed) would you like to have with you?

I'll not list all my music selections, nor my commentaries as to why they were chosen, but all were connected to the important people and events in my life—my mother, father, wife, sons, navy years in the Pacific and my father-in-law's death. From "The Skater's Waltz" to the soaring "Ode to Joy", from Beethoven's "Ninth Symphony" to "The Navy Hymn" and the hymn "Just as I Am"— my basis for these choices enabled Ms. Hughes to extract much personal information about my life. We also conversed a good deal about Elizabethtown College—what that association has meant to me for the past eight years, and what the College contributes to the region.

As for the luxury item, I chose a sketch pad and charcoal. I have always enjoyed sketching and, sometimes, just doodling.

Tune in on Saturdays and Sundays to hear other guests discuss their *Desert Island Discs*.

~ C. Powell Adams

TITLE VI GRANT

Progress in Year One

In April 2004, the U.S. Department of Education approved a grant proposal submitted by the Department of Business at Elizabethtown College. (The principal authors of the grant "To Raise the Standard of International Business Education at Elizabethtown College" are Hossein Varamini and Sanjay Paul.) Over a two-year period (2004-06), the College will receive grants and contributions totaling $468,779. The U.S. Department of Education will provide $171,609 or 37%, with the remainder ($297,170, or 63%) coming from the College and partner organizations.

Activities in 2004-05

Activities conducted in the first year of operation include: internationalization of several business and economics courses; introduction of new courses related to international business, and Chinese language and culture; and support of faculty development through attendance at professional conferences and workshops.

In addition, the grant enabled the Department to organize field trips (Washington, DC and Toronto, Canada) and study tours (China, Japan, United Nations). The grant has also led to a faculty exchange program with Herstmonceux (Queen's University) in the UK and a student-exchange program with Nihon University in Japan.

An *International Business Executive-in-Residence* program was established. Niall McDermott, President of Rormac International, spent the spring semester in the Department of Business—he provided guest lectures in various business and economics classes, and made presentations at department seminars.

"In his review of activities undertaken in the first year of the grant period, the external evaluator spoke favorably about the administration of the grant."

The year also marked the establishment of the Center for International Business and Economics. The Center hired an administrative assistant and work-study students, organized breakfast and luncheon speaker series, and published the first issue of *The Oyster*, a tongue-in-cheek publication dealing with global issues. In November, the Center sponsored a Global Issues talk by Eleanor Clift, Editor of Newsweek.

In his review of activities undertaken in the first year of the grant period, the external evaluator spoke favorably about the administration of the grant. "In particular," he noted, "I believe that major progress was made in the first year of your grant toward the achievement of stated objectives."

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Details about the grant as well as unlimited copies of The Oyster *are available at* www.etown.edu/business/title6/events.

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"THE TRUTH IS OUT THERE"

Business Education and the Loch Ness Monster

"All the analysis in the world will never generate a vision."
– Peter Senge

A monster purportedly lurks somewhere in the depths of some lake in Scotland. Closer to home, relatives of these beasts have been sighted in Lake Simcoe (Ontario), and Lake Champlain (upstate New York). And any *X-File* devotee can tell you about strange beings that are among us. Just look – the truth is out there.

UFO sightings and the like are the stuff of the *National Enquirer*. But in what earthly way do they relate to the business of business education?

Like the folks who radared and sonared (converting nouns into verbs has a certain cachet, don't you think? Very illiterate, but so cool) Loch Ness in search of their proverbial monster, business academe has long been bewitched by the illusory "real world" out there. And as if to justify our very existence, business schools jump on the bandwagon that we prepare students for the "real world."

But what is the "real world"? My world is real. I live it. So is yours. And everyone else's. The business world is no more real than any other worlds. In fact, those of us who've been "out there" for any significant period of time often marvel at just how "unreal" the business world is. Certainly, quite obviously GM and Toyota live in rather different worlds, as do UAL and Southwest. What is real? And how do business schools prepare students for this ephemeral reality?

Business schools have never actually answered the first question of what the real world is. Instead, by adopting the precepts of positivism, and ignoring all evidence to the contrary, we simply take the real world as a given. And the standard-bearers of this real world? Why, the practitioners, of course. Scary thought, this. That reality may just as well be defined by those who got Mobil to buy Montgomery Ward, GM to launch the Aztek, Pepsi to bring us a clear cola, and other such folks. And just how do business schools prepare students to succeed in such an environment?

> "But what is the 'real world'? The business world is no more real than any other worlds."

The best way to prepare students "of course" is to give them a whole bunch of tools. We train them on these tools. We test them. And if they pass, voila, they are ready! If only the world were so simple.

Managers like to say that they forgot everything soon as they got out of school. That the real world teaches them more and better things. If only their memory of their schoolwork were indeed so bad, society might be better-served. Problems arise when they do NOT forget everything they learned, but instead remember bits and pieces of theories and tools – just enough to be dangerous. Let me give you some examples.

Everyone sort of knows what multiple regression does. But ask any random group of managers what an adjusted R-squared of 0.56 means, and you're likely met with silence. Get your courage up and ask them why and how they should test for multicollinearity? Let's not. But these sorts of things underlie the usefulness of tools such as regression. Understanding these “academic things” frees us from being slaves to these tools.

In marketing we survey (another noun-verb thing, great!) people all the time. We love it. Ask a marketing manager how best to find out about something, more often than not the answer comes back, “do a survey, get some data.” Well, okay, so how many people should we ask? How many is enough? And how many is too much (yes, folks, you can actually have too great a sample size and end up with everything being significant, but that’s another story)? And do we know if the instrument is reliable and valid? How do we test for that? Let’s not go there. But these sorts of things underlie the usefulness of tools such as surveys. Understanding these “academic things” frees us from being slaves to these tools.

Or take this Loch Ness Monster: First Mover Advantage! Okay, I won’t belabor the point, but who remembers Ampex VCRs? How about Raytheon microwave ovens? No? Why don’t first movers achieve an advantage with some regularity? Too academic for us to consider? But these sorts of things underlie the usefulness of tools such as the First Mover Advantage. Understanding these “academic things” frees us from being slaves to these tools.

I’m sure you can cite more examples of such half-baked pies that are so commonly found in the “real” world of business. Take things like “percentage of sales” method of budgeting for advertising and promotion, or the use of focus groups, how about the prevalence of IRR to evaluate capital budgeting? And my personal favorite – the mission statement. See, I have nothing against the tools themselves. But the common problem here is that people remember the tool but not the conditions upon which its effectiveness is premised. A few weeks ago I was having problems with my internet connection at home. My problem was I had no connection. So I called the cable company, only to get a voice recording telling me to visit their website at something or other dot com for assistance. Hello? I had *no* connection?

Am I sounding like a broken record now? Well, so is the “real world preparation” rhetoric. Our job as educators is to develop our students’ minds. A sound mind helps them negotiate whatever world they find themselves in. An inquisitive mind compels them to keep learning. An analytical mind challenges them to not give in to received wisdom. Our contributions come not in how many models and theories our graduate can actually recall, nor in how quickly they can run a perceptual map. We used to go to trades school, not college, to learn a trade. As college professors, our role is to shape our students’ minds, to train them to approach and analyze problems intelligently. If we have accomplished that, we have earned our keep. And for our students, perhaps the truth is within them rather than out there.

“We used to go to trades school, not college, to learn a trade. As college professors, our role is to shape our students’ minds, to train them to approach and analyze problems intelligently.”

~ Ed Chung

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A GATHERING OF MINDS

The Brown Bag Seminar Series

Fall 2004

Sept. 23: David Swartley, "Health Care for the Elderly: Financial and Political Issues" and David Coffman, "Business Valuation Basics"

Oct. 1: Surendra Kosaraju, "Change Management"

Oct. 7: Randy Trostle, "Keeping Track of a College's Income and Expenses: The View from the Trenches" and Darla Rieg, "The Outsourcing of Accounting Functions"

Oct. 14: Terrie Gehman, "Taking the Pulse of the Accounting Profession"

Oct. 28: Brad Rauch, "On the Evolution of E-Commerce"

Come for the Cookies…
…Stay for the Enlightenment

Launched in fall 2003, the Department Seminar Series provides a forum for the exchange of ideas in an informal atmosphere. Speakers include faculty from within the College and without, and corporate executives. Typically held on Friday afternoons, the seminars are attended by faculty as well as students.

~ Jan Tammen

Nov. 10: Tilo Stahl, "Selling into Foreign Markets – Parameters and Organizational Options"

Nov. 11: Cristina Ciocerlan, "The political economy of green taxation in OECD countries" and Niall McDermott, "International Business Development"

Nov. 18: Ed Chung, "Positioning the Community Bank"

Spring 2005

Feb. 4: "Enter the Dragon: Doing Business in China." Panel Discussion with visiting Chinese business executives and government officials

Mar. 16: "Trillion Dollar Baby: The Economics and Politics of Social Security Reform." Panel Discussion with Fletcher McClellan, Wes McDonald and Sanjay Paul

Mar. 18: Cristina Ciocirlan, "Alliances and Partnerships among Firms: Does it Pay to Collaborate in a Competitive World?"

Apr. 15: Jason Muenzen, "Controlling Hedge Funds" and "Careers in Finance"

Apr. 29: Niall McDermott, "International Business Trends and Practices" and Nihil Bayraktar, "Growth and Poverty Reduction in Niger"

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ON SOCIAL SECURITY REFORM

A Political Scientist's View

Social Security is one of the most successful government programs ever. Enacted at a time when the private marketplace collapsed and millions of Americans became destitute, Social Security is based on the idea of social insurance – everyone who works pays into the program on the promise that when one reaches 65, a basic income will be provided. Since 1939, Social Security has delivered on that promise. It provides benefits for everyone who pays into the program, rich or poor, serving as a cushion against the dislocations of the economy and life's unforeseen emergencies.

Even though its primary purpose is social insurance, Social Security is an effective antipoverty program. For low income earners, Social Security is a saving device. In fact, many recipients receive more than what they have paid in. Together with benefit programs such as Medicare and Medicaid, Social Security has helped eliminate extreme poverty among the nation's elderly.

Social Security is also an intergenerational compact. Each generation of workers pays taxes to finance the retirement of the previous generation. It is a good deal for young and old alike. The elderly receive guaranteed income support, peace of mind, and greater financial independence. Younger workers enjoy more opportunities in the labor market and have a lesser burden to bear in supporting their parents and grandparents.

It is true that Social Security is facing a financing problem. Baby Boomers begin retiring in 2008 and their number will grow through 2030. The worker-to-beneficiary ratio is shrinking from 5:1 in 1960 to 3:1 today to 2:1 by 2030. Because of reforms enacted in 1983 to anticipate the cost of Baby Boomer retirement, more revenue from payroll taxes has been received than is going out to current retirees. However, Social Security payments begin to exceed revenues in 2020, and the system's trustees foresee a $4 trillion shortfall in the next 75 years.

> "Social Security is an effective anti-poverty program."

President Bush should be praised for making Social Security a leading item on his domestic agenda. However, his solution – partial privatization – will do nothing by itself to alleviate Social Security's future fiscal problems. In fact, his plan will exacerbate financial pressures on Social Security, not to mention the entire federal budget, by requiring the government to borrow at least $2 trillion over the next decade to establish private accounts.

Though he doesn't mention this fact at his staged "town meetings," Bush's privatization plan includes a substantial reduction in Social Security benefits. In order to create a private account and invest up to 4 percent of payroll taxes, a worker has to agree to a commensurate cut in benefits plus 3 percent. That means that for a worker to come out ahead of where he or she would be without a choosing a private account, investments would have to achieve at least a 3 percent gain over inflation. In essence, the personal retirement account is a loan from the government to workers, to be paid back upon retirement at an inflation-adjusted 3 percent interest rate.

How likely is it that workers will make good investments? Unfortunately, based on the experience of privatization programs in other countries and 401(k) personal investments here in the U.S., the odds are not good. Studies of individual investing in 401(k) plans show that people make bad decisions at each step: over one-half of investors fail to diversify their portfolios, many over-invest in company stock, and almost none rebalance portfolios with age and market conditions.

Those citizens who rely on private brokers, as most inevitably do, are hit with high administrative costs. In Chile, often cited as a model, the United Kingdom, and other countries, brokers' fees and other overhead costs have cut into the average benefit by as much as 20 percent. Compared to the efficiency of Social Security today, where administration accounts for only 2 per cent of the program, privatized programs provide windfall benefits to the financial services industry at the expense of everyone else.

And, of course, there is the possibility that the stock market may not perform as well as expected. Just ask the millions of Americans whose savings took a major hit when the stock market bubble burst in 2000. Projection of the performance of equities markets over the next few decades vary enormously – some predict a sharp decline in stock prices once Boomer retirees cash out their accounts.

Regardless of the overall trend, many people will lose everything. In the United Kingdom, the worker retirement program established by former Prime Minister Margaret Thatcher in the 1980s has created a class of indigent elderly for whom the government has had to create a new program of income support. Over 500,000 were forced to join the program just last year.

If privatization does not address Social Security's financial shortfall and may leave many, if not most citizens worse off than if the present program is continued, why is the Bush administration and its allies pushing private investment accounts as "reform"? Because the objective of the President and his allies is not reform but replacement of a successful government program with one that is ideologically and politically driven.

"Why is the Bush administration and its allies pushing private investment accounts as 'reform'?"

Bush's proposal is the culmination of a long campaign by conservatives to repeal the New Deal. They are guided by the mindless ideal of unregulated capitalism – the same thinking that brought on the Great Depression. They seek to reduce the role of government in people's lives, regardless of the consequences for the less fortunate.

Allied with the ideologues are the special interests. Investment houses, insurance companies and banks have made enormous contributions to the Bush administration and, if this proposal is enacted, they will be rewarded handsomely. If you need to be reminded of how much debt Bush is paying to the financial services industry, just look at the recent bankruptcy bill that was passed into law. This "reform" will make it easier for the well-off to declare bankruptcy but harder for ordinary citizens, most of whom are forced into indigency not by profligate credit card spending but by unforeseen circumstances such as catastrophic illness.

There is also partisan politics involved. Guided by his political mastermind Karl Rove, Bush believes that by destroying the pillar of the New Deal, he destroys the case for government intervention and the Democrats' reason for existence. Their theory is that turning Social Security beneficiaries into investors will convert citizens into pro-business Republicans.

In order to sell this lemon to the American people, Bush has proclaimed that Social Security is in crisis, that it will go "bankrupt, broke, flat bust" by 2042. This is an outright falsehood, reminiscent of the fraudulent claim of an "imminent crisis" in the Middle East that pushed the U.S. into war in Iraq. Furthermore, Bush's linking the solvency of Social Security to establishing private accounts is similar to his now-discredited assertions of ties between Saddam Hussein and ready-to-fire weapons of mass destruction, al Qaeda, and the 9/11 attacks.

Already the Bush White House has summoned the familiar forces to make its case. The President travels to local media markets, bypassing the filter of the Washington media. Make-believe citizen groups serve as conduits for scorched earth ads portraying the President's opponents, including the AARP, as pro-terrorist and pro-gay. The right-wing media nexus of the Republican National Committee, conservative think tanks, Wall Street Journal, Fox News and conservative radio talkers and bloggers recite talking points. Using two different sets of economic assumptions, Bush supporters hype rosy scenarios of workers striking it rich in stocks as they paint the future of Social Security in the gloomiest terms.

How serious is the problem, then, and what should be done about it? The most pessimistic forecasters predict that Social Security will pay 75% of benefits in 2042, and the nonpartisan Congressional Budget Office projects that the program will be able to pay full benefits in 2052. This is a long-term problem, to be sure, but not a crisis.

It is not difficult to come up with a plan to deal with the looming Social Security fiscal crisis. Like in 1983, what is needed is a modest increase in the amount of income subject to the payroll tax (currently $90,000) and a reduction of benefits through raising the retirement age. Make no mistake, sacrifice will be involved, but it will be shared by all, not by the least fortunate. Social Security can be saved without resorting to a risky, politically motivated privatization scheme.

~ E. Fletcher McClellan

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McClellan is Professor and Chair of the Department of Political Science. Elements of the essay were presented at a panel discussion on Social Security at Elizabethtown College in March, 2005.

THE ROAD LESS TRAVELED?

Three New Study Tours

BEIJING SEMINAR

From May 22 to June 5, 2005, nine students along with Dr. LarryTang spent two weeks on a study tour of China. After a 12-hour flight from JFK International Airport to Beijing International Airport, we were taken by Mr. Ding Ding, our amazing school contact/organizer/guide, to the University of International Business and Economics (UIBE). Here we would be housed during the whole trip and attend five lectures on Chinese Business and Economics, and Language Introduction.

In addition to attending classes, we visited the Temple of Heaven, went to a Martial Arts class, toured the Hyundai Motor Company's production line and watched a performance of the amazing Peking Opera.

Our first Friday in China was one of my absolute favorites. Up early (as always), we traveled to the Ba Da Ling site of the Great Wall of China. The Great Wall was nothing short of miraculous. The awe-inspiring pictures and video clips on television don't do it any justice. It dwarfed anything I had imagined—I could have spent an entire week just on that wall. However, with only just over an hour allotted on the Wall itself, I ran to reach the "top" for the ranging view; oh, and a few pictures too. Caught in a downpour, I had to run *down* the Wall which was more like scrambling down a mountain after a mudslide. Finally back to the land of tourist driven shops along the Wall, I had a little time to shop, barter, barter, and barter some more. My greatest success there was obtaining a great "I Climbed the Wall" hoodie for about $4.50 USD. That day, we also visited the ancient burial sites of Ming Tombs.

Lectures in Beijing

Dean and Professor Zhongxiu Zhao of the School of International Trade and Economics at the University of International Business and Economics started out the lecture series with "An Introduction to China's Economic and Business Systems." Subsequent lectures covered foreign direct investment, China's international trade, the chronology of China's opening up to the outside world, the entry mode of foreign enterprises, and the unique culture of Chinese companies. In addition, students learned five language lessons of basic survival Chinese.

~ Dr. Larry Tang

The next day, Saturday, we spent the entire day in rural China (or in transit). When we arrived at the village, we were greeted by curious faces. When we got off the bus, we were followed by a large group of villagers interested to see the first group of white-skinned foreigners who had probably ever been to the village. We visited a school and played with children. Later we had dinner with the mayor.

The next two days were devoted to a trip to Shanghai, including visits to the Jade Buddha temple, Shanghai Museum, the Heaven and Earth (where we found an upscale Starbucks), the Bund and Pudong, and a night cruise along Wung Po River. This city is much more modern than Beijing and much less polluted. Climbing the TV tower (Oriental Pearl), we could look out over the sprawling city. We enjoyed additional opportunities to visit different markets, and yes, barter. It was after 11pm that day when we returned to UIBE.

One day we went to Tiananmen Square and The Forbidden City. While Tiananmen Square was interesting, most of us went to see the preserved body of Mao Zedong. Apparently, the people constantly redo his makeup so that he looks well preserved. The Forbidden City, although largely under reconstruction, was spectacular and huge! It took forever to just walk through the "city" to get to the other side where we got on the bus.

Later in the evening, while others attended an acrobatics show, I accompanied Dr. Tang and Prof. Cervenak (also a member of our group) to a dinner with one of Dr. Tang's friends. This friend turned out to be a Vice-Minister of Commerce for China specializing in textiles. A delicious dinner with wonderful conversation ensued. As far as the pure excitement of the event goes, I think the Great Wall visit was great, but as far as personal advancement and intellectual interest are concerned, this dinner was the single most important event on the entire trip.

On our final day in China, we visited the Summer Palace. The gardens and courts in the palace are breathtaking. I felt that I could have stayed there for weeks or months. Later we went back to the Silk Market to pick up a few more gifts.

The trip as a whole was an outstanding success. It was one of the best experiences of my life. Obtaining a perspective of their world (and ours) was enlightening. Spending time in China allowed me to gain a whole new appreciation for the amazing growth that the country has experienced and the continuing changes that it is undergoing. The speed at which the cities are growing is astounding, especially the near instant erection of New Shanghai (Pudong).

> "Spending time in China allowed me to gain a new appreciation for the amazing growth that the country has experienced and the continuing changes that it is undergoing."

The lectures that we attended on the Chinese economy were very interesting and informative. We learned that while China is growing rapidly, it still has a very long way to go to be on par with the United States. We also learned the great extent to which the Chinese government is liberalizing the economy. The Chinese language courses were helpful as well.

The trip proved to be beneficial to all. Kudos to Dr. Tang for pulling this off!

~ Bill Hamilton

* * *

NIHON SEMINAR

A group of 11 students, accompanied by 2 faculty, visited Tokyo, Japan on a 3-week trip lasting from May 16 to June 6, 2005. The Nihon Seminar, funded in part by a Title VI grant from the U.S. Dept. of Education, provided students ample opportunities to immerse themselves in Japanese culture while learning, in a more formal setting provided by Nihon University's College of Commerce, about Japanese society, language and business.

Dr. Mahua Bhattacharya, Assistant Professor of Modern Foreign Languages, was the primary instructor of the course—and she designed a program to enhance language comprehension, instill cultural awareness, and impart to the students an understanding of Japanese values and society. The course itself was delivered in two parts: during the mornings, typically, students would attend classes, listen to lectures, watch videos and share their impressions. In the afternoons, the group would visit museums, shrines and other places of interest—all serving to further the students' grasp of Japan's history and culture.

The second faculty member of the group, Sanjay Paul, led discussions on Japan's economy and business practices. Students attended a guest lecture by Ken Koseki, a former top-level marketing executive of Polaroid (Japan) and visited one of Kikkoman's factories just outside Tokyo.

It wasn't all work for the group! The students also stayed with host families (all Japanese Etown alumni), hooked up with students at Nihon University (most of whom were learning English), and enjoyed the cuisine and shopping that Tokyo's hip districts had to offer.

An acknowledgement: *Mrs. Akanoma, a member of the College's Board of Trustees, proved to be of invaluable assistance on the study tour—she helped arrange meetings with the host families, organized the Kikkoman visit, and hosted a gathering of Etown alumni, faculty and students at her home in Tokyo.*

* * *

UNITED NATIONS SEMINAR

The United Nations Seminar, funded in part by a Title VI grant from the U.S. Dept. of Education, was offered as a course for the first time in spring 2005. The course, developed by Dr. Sanjay Paul, was designed to explore the role of the United Nations in promoting economic development around the world. In the spring, the group (6 students and the instructor) met regularly to discuss the structure of the United Nations, the issues it dealt with, and current readings on the organization.

The course culminated in a 2-week trip in June to the United Nations in New York City, where the Etown contingent combined forces with two other groups—one, consisting of undergraduate students from a liberal-arts college in Wisconsin, the other comprising graduate law students from Free University in the Netherlands. In the first week, the combined group attended briefing sessions at the UN Headquarters. These sessions were led by top-ranking officers in various departments of the UN and dealt with the multiplicity of problems confronting the member states in the areas of poverty, environment and security. The role of the UN in tackling these problems (and the organization's limitations) was discussed at great length.

> "These visits also provided insights into the practice of diplomacy at the highest levels."

In the second week, the group visited the Permanent Missions of various countries and attended briefings dealing with issues facing particular countries. These visits also provided insights into the practice of diplomacy at the highest levels—as well as the relative status of various countries in the organization.

Students used the study tour to acquire information about internships and jobs at the UN. Comments on an evaluation survey done at the end of the course suggest that the students found the Seminar to be stimulating, relevant and informative. Wrote one student: "The course was very good at providing me with a better understanding of the UN and the way it operates and functions in the world."

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STUDENT CONFERENCE IN BUSINESS & ECONOMICS

An All-Day Affair

The Fifth Annual Student Conference in Business and Economics was held on April 6, 2005 in Leffler Chapel. Over the years, the conference has witnessed a steady increase in the number of participants and sessions. This year, for the first time, we dedicated an entire day to the event.

Dr. Massood Samii of the University of Southern New Hampshire provided the keynote address: "Oil and the Global Economy: Implications for Businesses." Student research papers were arranged in four sessions—we had twenty presentations in all. (Many of the student papers were the product of Honors-in-the-Discipline research projects.) In addition, we had two special student sessions, one dealing with the activities of Students in Free Enterprise, the other with Greenspan's monetary policy. (The latter presentation was based on one made by the first ever Elizabethtown College team to participate in the College Challenge Competition at the Federal Reserve Bank in Baltimore. The Etown team's performance in the fall earned it an "Honorable Mention.")

The program also comprised a panel discussion on "Trends in International Business" (Department faculty served as panelists) and another one on "Preparing for a Career in Business" (four Etown alumni did the honors here).

Attendance was robust. Beginning at 8:30am (with the keynote speech) and right through the day till 4:45pm (when the last of the student presentations ended), the sessions attracted good audiences—it wasn't uncommon to see 60-70 students in attendance at certain events. The Department faculty also lent considerable support, and so did a number of business executives who attended parts of the program.

The success of the conference highlights the burgeoning interest in student-faculty research as well as the Department's commitment to providing additional avenues to students for their academic enrichment.

* * *

A Conference on *E-ducation* in the United Arab Emirates

In February, a group of four international business majors—Megan Grimes, Holly Gish, Justin Smith, and I—traveled to the United Arab Emirates (UAE) with Dr. Ron McAllister. We attended a conference in Abu Dhabi called E-ducation 2005 that was sponsored by Boeing, Intel, Microsoft, and the Emirates government, among others. The conference was about "E-ducation without borders"—i.e., educating persons internationally through electronic means. At the conference we interacted with more than 400 students from over 80 different countries. The knowledge we gained through the interaction with other students and professors of so many different nationalities and cultures was not only stimulating, it was one of the most rewarding times in my life.

I submitted a paper entitled “Raising the Living Standards of the Urban Poor through Internet Learning.” The paper discussed the major problems holding many poor U.S. citizens living in urban areas back from their true earning potential. My paper focused on the need to raise education levels of today’s working generation as a means to raise urban living standards in some of our poorest cities now instead of waiting for the school-age generation of tomorrow to pull our cities out of poverty. I focused on cities primarily because the high population concentration makes certain programs feasible—e.g., opening up middle school and high school classrooms at night so community members can have easier access to the internet through which they can choose to educate themselves from a broad range of subjects and disciplines offered by universities. Internet learning programs do not have to be strictly academic in nature, so students can focus on any form of employment desired. The paper also focused on funding for such programs, specifically reforming Title IV grants.

“I focused on cities primarily because the high population concentration makes certain programs feasible”

Abu Dhabi and Dubai in the UAE are among the fastest growing places in the world. The region enjoys relative stability and the government has plowed the UAE’s vast oil revenues back into the local economy to stimulate business growth. Dubai is or will soon be the site of the world’s tallest building, the largest mall, the busiest airport, and the biggest port and shipping center. The economic development of UAE offers lessons for other Middle East nations—and indeed for developing countries all over the world.

~ Kyle Buffenmyer

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STUDENT ORGANIZATIONS

What Have They Wrought

Delta Mu Delta

On April 12, 23 business students were inducted into the Elizabethtown Chapter of Delta Mu Delta, the national honor society in business administration. In order to be eligible for membership, students had to meet three criteria: a G.P.A. of at least 3.2, standing in the top 20% of their class, and completion of at least half the work required for the degree.

Two honorary members were also inducted into the organization. This year's honorary members, selected for their dedication to the success of students as well as their contributions to the Department, were Prof. Terrie Gehman and Elizabethtown Board of Trustee Member, James Shreiner.

Prof. Gehman has been with the College since 2002 as a valued member of the accounting faculty. Mr. Shreiner, Executive Vice President of Fulton Financial Corporation, is a graduate of the College and has provided avid support to both the Department of Business and its students.

~ Brandi Healey '05

<u>Business Professor of the Year</u>

Each year at the Department's Awards Ceremony, Delta Mu Delta presents the Professor of the Year Award. The 2004-05 award went to Prof. Petru Sandu.

Dr. Sandu has displayed a strong commitment to the academic success of his students. He played a crucial role in developing the Entrepreneurship concentration as part of the business curriculum. Students praised his innovative teaching methods and his willingness to help everyone succeed. In a mere two years of teaching at Etown, Prof. Sandu has made a positive impact on both the Department and the students.

* * *

Omicron Delta Epsilon

Last year witnessed the establishment of the local chapter of Omicron Delta Epsilon at the College. An international economics honors society, the organization provides business and economics majors further avenues for academic enrichment. ODE's main goal is to "confer recognition of scholastic achievements in Economics, stimulate student interest in all aspects of Business, establish closer ties between students and faculty, and, above all, emphasize the professional aspects of economics as a career field for service in the academic world, government, and international organizations."

In the fall, ODE arranged a debate between political science professors Wesley McDonald and Fletcher McClellan. The event, attended by students, faculty and staff, featured a discussion of the salient issues in the 2004 American presidential election. As the moderator of the forum, I was awarded the Elizabethtown College brick, an award given to students who "build community" at the College.

In the spring, ODE organized (in conjunction with the Department of Business) a panel discussion on Social Security reform. The panel comprised faculty from political science and economics, and the event attracted a sizeable audience of students and faculty.

ODE played a leading role in the "Halloween Magnets" project in "Into the Streets," a volunteer community service program organized by Elizabethtown College. The group also invited to campus Jason Muenzen of Goldman Sachs, New York to give presentations on hedge funds and careers in finance.

~ Julio Camacho '05

* * *

Students in Free Enterprise

"*Preparing for Success."* This was the motto that guided the Students in Free Enterprise during the 2004-2005 membership year. SIFE is a student organization dedicated to the goal of teaching the citizens of the world the advantages of the free market economic system.

This year marks the sixteenth anniversary of EC-SIFE in Elizabethtown College. The team completed 26 projects this year, the culmination of which was a professional, 24-minute presentation and an annual report highlighting the team's accomplishments at the regional SIFE competition in Philadelphia on April 12, 2005. This year marked a very special milestone for the EC-SIFE team as the team recorded its 16th consecutive regional SIFE competition win, enabling the team to boast the *winningest* record of any team (including sports) in Elizabethtown College history.

Projects

EC-SIFE created its own *EBay* business to teach students about the market economy and how to start their own business. Through a local llama and alpaca farmer, the EBay business reached all the way to South America.

EC-SIFE students created an original, imaginative, and highly innovative stock market game called *Newsflash*. This game exposes children as young as ten to the volatility of the stock market. It involves strategies for buying and selling, critical thinking, short and long term planning, and careful resource allocation.

EC-SIFE partnered with Lake Superior State University and Canadore College in Canada, for the eighth annual Sandwich Bowl. In this event, students run their own deli shops. Using computer simulations, students make decisions on pricing, product mix, marketing strategies, inventory management, cost analysis, and resource evaluation. This competition teaches the fundamentals of business and economics to potential business and non-business majors.

EC-SIFE wrote weekly articles in the *Etownian* during the fall semester to inform the campus community about financial issues of interest to graduating students.

> "Not only were the children introduced to business concepts, they were also, the team hopes, inspired to consider going to college one day."

In a project with home-schoolers, team members taught home-schooled students about financial topics such as financial skills, free market economics, the stock market, and the risks and rewards of entrepreneurship.

EC-SIFE partnered with the local chamber of commerce to develop brochures to teach owners how to use grant money to improve their businesses. The team also built websites for businesses in Mount Joy seeking exposure on the Internet.

The organization also partnered with the PA Coalition Against Domestic Violence to set up free high speed internet access for women's shelters across the state. By allowing the victims of violence to file paperwork in their shelters instead of the courthouse, they were afforded the major conveniences of time and security. The team also partnered with Verizon Wireless to provide 911 service to victims.

The team did a lot of their own fundraising. Members participated in *Halloween in Hershey* and *Springtime in the Park* at Hershey Park. This program allows students to work a 6-8 hour shift in the park with the club receiving their hourly wage. Students receive a free ticket for admission to Hersheypark. EC-SIFE also raised money with the Miller testing company testing tamper-evident bottle caps.

During Elizabethtown College's *Into the Streets* Day, students put their motto "Educate for Service" to work as they spent the entire day volunteering in the Elizabethtown community.

For the tenth consecutive year, EC-SIFE has been a major participant in the community-wide event. This year, EC-SIFE students developed a board game called "The Currency Exchange" to teach elementary-school children about foreign currencies.

EC-SIFE and the pre-medical club on campus held the 2nd Annual SIFEdicus camp for inner-city children from Harrisburg and Lancaster. During the camp team members taught the children about a different business aspect each day, and on the last day they opened their own stores. Not only were the children introduced to business concepts, they were also, the team hopes, inspired to consider going to college one day.

The team's motto "Preparing for Success" led EC-SIFE to continue its Scouting University, a day for Boy Scouts and Girl Scouts from across Pennsylvania to come to the Elizabethtown College campus to be taught by college students and faculty and to earn merit badges. A total of 361 Scouts from 17 counties converged on the campus for a day of learning and fun.

As part of SIFE's National Entrepreneurship Month, EC-SIFE members and faculty taught the Boy Scout badges "Entrepreneurship" and "Personal Management" and the Girl Scout badges "Your Own Business" and "Money Sense." EC-SIFE expanded the program to include sessions taught by students from diverse disciplines—biotechnology, computer science, and theater.

~ Robert Qualls '07

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The faculty advisor for SIFE is Sam M. Walton Fellow in Free Enterprise Prof. Kristen Evans-Waughen, daughter of Prof. Hugh Evans, who founded EC-SIFE and still serves as a mentor to the team. For more information on EC-SIFE, please visit www2.etown.edu/sife.

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AWARDS GALORE

The 2005 Recipients

The Glenn R. Patterson Scholarship
Awarded to incoming freshman accounting major

Janet L. Creamer *Nicole M. Manyko* *Stefanie J. Stamatopoulos*

Freshman Ernst & Young Accounting Scholarship
Awarded to an incoming freshman accounting major

M. Hunter Gross

VITA Volunteers
Recognition for participation in Volunteer Income Tax Assistance Program

Edward E. Baker	*Alicia L. Collins*	*Alicia L. McGuigan*
Michael J. Bonner	*Thomas G. Elicker*	*Benjamin R. Osterhout*
Rebecca L. Braid	*Dora L. Kanz*	*Jonathan L. Schultz*
Kristi C. Coleman	*Nicole M. Manyko*	*Brynn M. Sievers*

Pennsylvania Institute of Certified Public Accountants Award
Awarded to outstanding senior accounting major

Edward E. Baker

Accounting Alumni Award
Awarded to an outstanding senior with accounting major/concentration

Lenette M. Williams

Financial Executives International Central Pennsylvania Chapter Outstanding Student Award
Awarded to an outstanding senior in finance

Christopher T. Williams

The Wall Street Journal Award
Awarded to student with outstanding achievement in finance and investments

Greg M. Rohde

James B. Hoover Business Department Scholarship
Awarded to outstanding junior with excellence in scholarship and extracurricular activities

Christopher Williams *Jocelyn L. Robertson*

Departmental Scholarship

Awarded to incoming freshman based on a competitive examination

David W. Achey
Bethany J. Allebach
Megan L. Armer
Nicholas L. Bieber
Andrew Boyajian
Jonathan L. Care
Jennifer A. Carey
Cody M. Delp
Audrey L. Gaddis
Holly L. Gish
Joshua D. Hall
William R. Hamilton
Shannon McIntire
Christopher W. Minakowski
Allyson M. Morrison
Brian C. Piersol
Greg M. Rohde
Brian j. Rossell
Justin Mm. Smith
Vanessa Mm. Stence
Jennifer L. Walton
Alicia M. Wiles

Presenters at the Student Conference in Business & Economics

Edward E. Baker
Kyle A. Buffenmyer
Julio Camacho
Jessica De Remigio
Josh D. Hall
Lauren A. Mierzejewski
Allyson N. Morrison
Benjamin R. Osterhout
Adam J. Rebert
Gtreg M. Rohde
Brynn M. Sievers
Justin M. Smith
Stefanie J. Stamatopoulos
Jan A. Tammen
Julie E. Torchia
Craig R. Wenger
Kimberly A. Whalen
Christopher T. Williams
Lenette M. Williams

Best Conference Paper Award

Awarded for outstanding presentation at the Student Conference in Business & Economics

Josh Hall
Benjamin Osterhout
Jan Tammen
Lenette Williams

Outstanding International Business Student Award

Awarded to an outstanding senior International Business Major

Brandi Healey
Justin Smith

Dentsply Scholarship

Awarded to two freshmen in International Business

Sabina K. Post
Stefanie J. Stamatopoulos

Dentsply International Internship Scholarship

Awarded to an outstanding junior in International Business

Allyson N. Morrison
Rachel E. Smith

KBA North America Internship Scholarship
Awarded to an outstanding junior in International Business

Greg M. Rohde

Lehigh Portland Cement Company Internship Scholarship
Awarded to an outstanding junior in International Business

Justin M. Smith

Herman G. Enterline Scholarship
Awarded to an outstanding Business Student

Andrew Boyajian

Musselman Scholarship
Awarded to an outstanding business student at the
completion of their sophomore year

Brandi Healey *Benjamin Osterhout* *Christopher T. WIlliams*

Mary Sachs Scholarship
Presented to outstanding students preparing for business careers

Jennifer A. Bobbins *Stacy R. Duh* *Bryanna DiGerlando* *Tara Fagan*

John W. Hess Scholarship Award
Awarded to an outstanding student in the Department of Business

Sarah Gartland *Adele Cawley*

Christine Eberly Scholarship Award
Award to a student majoring in accounting or other area of business study

Rachel C. Kelly

Alice L. Knouse Scholarship
Awarded to outstanding junior in the Department of Business

Alicia Collins

Jay & Carolyn Buffenmyer International Business Scholarship
Awarded to an outstanding international business student

Jonathan C. Care

Nominees for Outstanding Business Student Award

Nominated by Department of Business Faculty in recognition
of academic excellence and extra-curricular activities

Ed E. Baker	*Brandi L. Healey*	*Justin M. Smith*
Julio Camacho	*Lauren Mierzejewski*	*Jan A. Tammen*
Joshua D. Hall	*Benjamin R. Osterhout*	*Christopher T. Williams*

Outstanding Business Student Award

Awarded by the Department of Business Faculty in recognition
of academic excellence and extra-curricular activities

Christopher T. Williams

KEEPING IN TOUCH

The Business Exchange

In its third year, the *Business Exchange* continues to be sent via email to over 400 prospective accounting, economics, business administration, and international business students on a regular basis. The Exchange seeks to inform high school students of recent activities in the Department of Business.

The sections on "Study Abroad" and "Internships" highlight the experiences of current Etown students. In a recent issue, Elaine Barnes, an international business major studying in Japan, reported, "Living with a host family has offered me the unique experience of being part of the day to day life in Japan." Brandi Healey said of her internship with BCA, "This has been an excellent opportunity for me to gain real world, practical experience."

"Each issue concluded with a clever, though sometimes tricky, trivia question related to current business news."

Other sections like "Class Chat" highlighted lectures given by guest speakers in classes as well as study tours, such as the one to Washington DC in which students attended Alan Greenspan's report on monetary policy to the U.S. Senate. "Club News" featured interesting happenings and trips by student organizations. Each issue concluded with a clever, though sometimes tricky, trivia question related to current business news.

Trivia Questions

1. Emerald of California, a division of Diamond of California, one of the state's largest nut growing cooperatives, spent this amount for a 30-second ad in the Feb. 6 Super Bowl.

A. $500,000
B. $4,000,000
C. $2,000,000
D. $25,000

2. This front man of the Irish rock group U2, who got his name from a hearing aid store in Dublin, was proposed as an early candidate for the presidency of the World Bank by the LA Times. Name him.

A. Sting
B. Chris Martin
C. Bono
D. Prince

3. The New York Stock Exchange announced plans to acquire this electronic-trading firm which will help the 212 year old NYSE to go public and expand its electronic trading capabilities to compete with rival markets.

A. Instinet Group Inc.
B. NASDAQ
C. Archipelago Holding Inc.
D. LaBranche & Co.

4. This man, who served as Deputy Defense Secretary for the Bush Administration, was named as the new president of the World Bank:

A. James Wolfenshon
B. Pascal Lamay
C. Alan Greenspan
D. Paul Wolfowitz

Answers: 1B, 2C, 3C, 4D

~ Megan Grimes '06

DOWN MEMORY LANE

The Business Alumni Reunion

The 2004 Business Alumni Reunion was held at the Bent Creek Country Club in Lancaster, Pa., on September 16. More than 100 alumni, faculty and guests gathered from the Susquehanna Valley and as far away as Baltimore, Wilmington, Philadelphia, New York City and Washington, D.C., for an evening of nostalgia, networking and celebration of accomplishments.

The evening began with a reception where alumni representing six decades of business education at Elizabethtown College shared professional experiences and reminisced about the "good old days." Rick Jordan '70, College trustee and chairman of the B.A.R. committee, directed the evening's program along with President Ted Long. Brandi Healey '05 provided the invocation.

Conversation filled the ballroom, with much discussion centered on the College's plans for a new business building. Following dinner, committee member James Steeley '00 presented Michele Kershner Richards '89 with the Rising Star Award. Richards, senior vice president/senior relationship manager for Wachovia Bank, is also a B.A.R. committee member.

The Distinguished Business Alumni Award went to Richard Good '60. Good is CEO of Richard's Floor Covering and is the former owner of Good's Furniture. Committee member Terry Bush '59 thanked the event's sponsors, Citizen's Bank and M&T Bank.

The evening took a decidedly nostalgic turn with a tribute to the late Dr. Edgar T. Bitting. A 1950 graduate of the College, Dr. Bitting went on to become a member of the business faculty and established himself as one of the College's most highly regarded professors. Several alumni lined up to deliver their encomiums: among them, Dr. Randy Trostle '69, vice president for finance and associate professor of business; Carl Myers '63; Marty Eppley '62, dean and director of research and planning emerita; and Donna Mulder '82. Bitting's widow, Doris '52, awarded George Gliptis, associate professor of business emeritus, with the Dr. Edgar T. Bitting '50 Service Award.

> Nostalgia, awards and a heart-felt tribute marked the reunion.

The Reunion offered the alumni a wonderful opportunity to mingle, look back to the College's proud past, and look forward to the many upcoming changes awaiting the department. Plans for the 2005 B.A.R. are well underway with a date set for September 15 at Bent Creek.

~ Jennie Barnds

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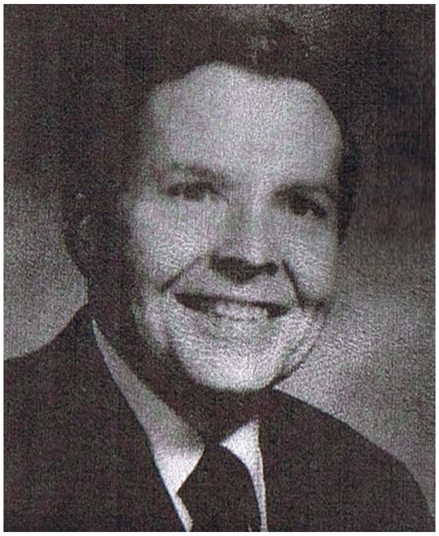
"DEBITS TOWARD THE WINDOW"

A Tribute to Edgar T. Bitting



"And gladly walde he lerne and gladly teche."
- Chaucer

"But where's the man who counsel can bestow,
Still pleased to teach, and yet not proud to know?"
- A. Pope

Born and reared in Marysville, PA, in Perry County, Edgar Thomas Bitting graduated from Marysville High School in 1940 serving as president of his class. He then worked in his father's general store while playing flute and piccolo with local bands and orchestras. World War II found him a musician in the band on the USS California, a battleship which participated in two surface ship battles in the war.

The G.I. Bill provided him the opportunity to attend college and he joined many ex-GIs at Elizabethtown College as its post-WWII expansion began. While matriculating at Etown, he supplemented his income by teaching flute and playing professionally, including serving as first flutist in the Harrisburg Symphony Orchestra. During this time he studied flute with the renowned first flute of the Philadelphia Orchestra, William Kincaid. A hearing loss incurred during the War pointed his career away from music to business and accounting.

Upon graduation from Etown with honors in 1950, he accepted a position as Assistant Cashier at the First National Bank in Marysville while continuing to enjoy his avocation of music. With the deadline to use the GI Bill approaching, he took a one-year leave of absence from the Bank and in June 1952 earned his masters degree at the Wharton School of the University of Pennsylvania with a major in Finance. Marriage to Doris Kopp, Etown class of 1952, followed immediately.

Elizabethtown College had need of part-time instructors that fall, and the bank to which he returned, generously allowed him to leave early two afternoons each week to teach two accounting courses at his alma mater. Full-time employment as a professor was offered to him for the 1953-54 academic year and he accepted.

"Accounting professionals across the country weaned on Bitting's cry of 'Debits toward the window!' continue to profit from Ed's teachings."

A bout with TB in 1956 forced him to terminate his teaching for a semester and then resume it on a limited basis for another semester. This also meant a moratorium on his music avocation. Upon the return of his health he set his sights on the CPA certificate and began working during the summers with a CPA firm in Harrisburg. At that time Pennsylvania statutes required a candidate to have two years' public accounting experience prior to sitting for the CPA exam. Recognizing how slow the acquisition of 2.5 months per summer was going to be, he requested—and the College granted him—a sabbatical leave for the 1963-64 academic year. Relinquishing his position as Chair of the Department of Business for that year, he and Doris moved to Philadelphia where he worked for Lybrand, Ross Brothers & Montgomery (now PWC, PriceWaterhouseCoopers).

The May 1964 CPA exam found him earning Honorable Mention for having one of the highest scores in the nation among the 15,000 candidates who sat for that exam. His honor was short-lived when, in the following May, one of his former students, Albert Koch, earned the Elijah Watt Sells Gold Medal for having the highest score in the nation in that exam!

Professor Bitting had active memberships in the American Institute of CPAs, the PA Institute of CPAs, the American Accounting Association, the American Taxation Association and the National Association of Accountants, serving on various committees in each of these organizations. Most of his service was to the PICPA where he served as President of the South Central Chapter in 1976-77, Council and Executive Committee, and finally Vice President in 1979-80. He was also a member of the Long Range Planning Committee and served as Chair of the Budget and Finance Committee.

In 1968 he joined the Board of Directors of the First National Bank of Marysville and for several years in the early seventies served as Chair of the Board.

Active in Etown College Alumni activities, he served a five-year term on Alumni Council and served as President of the Alumni Association in 1962-63. In 1969 the College awarded him the "Educate for Service Award for Professional Achievement."

During his 18-year tenure as Chair of the Department of Business, Professor Bitting oversaw major changes in the Department. He presided over these changes with humor, dedication, and enthusiasm that turned literally hundreds of naïve students into skilled professionals. "Ed demonstrated to me," says one CPA, "that accounting can be a challenging, creative occupation." Another former student is more succinct, noting simply that "Ed Bitting was the single most helpful influence in my career."

Over three hundred former students gathered to honor Professor Bitting on his retirement. Those who could not attend sent greetings by the dozens. Repeatedly they mentioned his patience, generosity, and dedication, qualities highlighted by then-President Mark Ebersole in naming Bitting the first holder of the Edgar T. Bitting Professorship in Accounting. "His dedication, humor, patience, joy and compassion," said President Ebersole, "have earned him permanent rank as one of the great teachers of Elizabethtown College."

> "Another former student is more succinct, noting simply that 'Ed Bitting was the single most helpful influence in my career.'"

Accounting professionals across the country, weaned on Bitting's cry of "Debits toward the window," continue to profit from and value the skills and commitment he taught them. Through their success, Professor Bitting will remain "the lengthened shadow" of Etown's accounting and business program for many years to come.

~ Randy Trostle

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WRATH, ETHNIC FOODS AND NEIL DIAMOND
First Year Experience of a Shy Person

I knew I was in trouble when Dr. Sanjay Paul, Associate Chair of the Department, stormed into my office one morning just before my 9:30 international marketing class. “We need to talk,” he barked and slammed the door shut.

“About what?” I asked in my usual meek, trembling voice.

“Well, your teaching, for starters,” Dr. Paul said. He waved a stack of computer forms at me. “Know what these are?”

Yes, of course. The dreaded mid-term teaching reviews for first year faculty. I knew what they were. But I didn’t know what they said. Yet.

“You scored lower than a flea’s kneecaps,” he scolded. He threw the stack of printouts on my desk, and randomly picked one up. “This one,” he said, “says you need to speak up in class. Students can hardly hear you! SO-SPEAK-UP!”

“I–”

“And this one,” he didn’t let me finish. He picked up another form and read from it. “This one says your tests are too easy. Everyone’s getting *A’*s in your classes!”

“I–”

“You’d better shape up, or you ship out,” he said. And then he left me standing alone in my office. There I was, near tears, yet unable to articulate any sound.

And so went my first mid-term teaching review at Elizabethtown College. And what a wake-up call it was from Dr. Paul.

* * *

My first year at Etown has come and gone (well, almost). Looking back, I’ve learned many lessons, some of which I thought I’d share with the reader. If nothing else, I want to help the reader better understand how this first year has been for this tremulous and shy person.

<u>Lesson 10.</u> Make sure to buy good (read expensive) tea and ask if the Head Hochos want some. Good tea makes good impressions. And trust me, as a new faculty, you do not want the powers-that-be to hate you!
<u>Lesson 9.</u> Dr. Melvin likes to be called “Inspector.” Bryan Greenberg, trust me.
<u>Lesson 8.</u> The last parking spot right outside Nicarry is reserved for a special person. Do not park there under any circumstances.
<u>Lesson 7.</u> Students here love multiple choice questions with choices like: A and B but not C; B and D only; all of the above except B. They love to be challenged this way.
<u>Lesson 6.</u> Give Dr. Sandu a bear-hug every day. He’ll love you for it.
<u>Lesson 5.</u> If Dr. Paul says he has an idea, you should run like the wind.
<u>Lesson 4.</u> If Dr. Varamini says he has an idea, you should run like the wind.
<u>Lesson 3.</u> Diversify. Eat lots of ethnic foods, like cheeseburgers and fries.
<u>Lesson 2.</u> Pretend to remember your students’ names. Call them by whatever name comes to mind. While you’re at it, call yourself by whatever name comes to mind. Life is more interesting this way.
<u>Lesson 1.</u> Speak louder in class. Scream if necessary. Students can’t hear you otherwise. This is especially important if you teach next door to Dr. Melvin.

* * *

I can see Dr. Paul coming down the hall towards my office. He’s got another stack of computer printouts clutched in his talons. A look of stern determination, borderline maniacal even. I should run, but I am frozen in place. Softly, on the stereo, Neil Diamond sang, “I am, I said, to no one there....”

~ Eduardo Ricardo Chunski

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Ed’s note: *Nobody in the Department has actually seen Eduardo Ricardo Chunski. He is often heard, though. And he has a habit of counting backwards.*

ACCOUNTING'S WORLD COURT: IS THE INTERNATIONAL ACCOUNTING STANDARDS BOARD THE ANSWER?

Edward Baker [1]

Advisor: Terrie Gehman

Due to the increasing number of high-profile accounting scandals throughout the world that were uncovered around the turn of the century, there was a major cry from investors and the public to create stricter financial reporting regulations and better ways to enforce these regulations. As a result of these scandals, people all over the world began to worry about the accuracy of the information presented in a company's financial statements. People are realizing that accounting standards vary between countries so information provided by companies in other parts of the world is, in most cases, not comparable to information prepared in their own country. Luckily, an organization was created in the 1970s to examine the need for, and create, international accounting standards that would eliminate the financial reporting differences between countries. The International Accounting Standards Board (IASB) is this organization and its mission is to become the ultimate leader in creating one uniform set of financial accounting standards for the entire world.

The scandals have placed a greater emphasis on the IASB to become a ruling force in international accounting because the IASB is the only organization that has taken the initiative to want to become the world's standard setter. This paper will look at the history of the IASB, examine the underlying principles of the IASB's standards, discuss support for and opposition to the organization, and answer the question "Is the IASB the answer to the global accounting problem?"

The IASB, or at least the organization that would later evolve into the IASB, has existed since 1973. The Board has over thirty years of experience creating international accounting standards and the fact that it still exists and countries are implementing its standards really says a great deal about the motivation and determination instilled in the core ideology of the Board. Its members have many years of practice in the international accounting arena, and they using their extensive backgrounds and intellect to develop IFRSs. With the EU's adoption of all current and future standards issued by the IASB and working agreements with the US and Japan, the Board has been able to take the first steps toward worldwide convergence.

With the knowledge of its members and the increasing number of countries backing its standards it would appear that the IASB is going to be the organization that will harmonize accounting standards throughout the world. However, I do not think the Board will achieve this goal. The IASB has no formal power to enforce its standards so it relies on national standards boards and securities regulators to enforce the rules. The Board then has to find ways to appeal to these organizations and get them to adopt its standards. This process can be very political because the IASB is taking away and replacing everything the organizations worked for and created in their respective countries.

One of the most significant issues I have with the IASB is the fact that in its convergence process the Board examines different proposed standards on a certain issue and then holds a vote to select one. There is no polishing or reworking of the standards. According to its Chairman, Sir David Tweedie, "We're not going to try to polish these standards; we just want to get rid of the differences" (Calabro and Leander). It does not make sense to me to have a set of standards that you want to be used throughout the entire world and not polish or rework them so you are using the best possible accounting method. Sure, every country will be using the same standards, but if the standards are inferior it really does not matter.

I have a few suggestions for the IASB to give it a better chance of realizing harmonization. First, use the national standard-setting boards to your advantage. The national boards have to feel needed in order for them to support international standards, so use them as an extended arm of IASB. The Board currently only has one office in London, so it would help the convergence process along if this were expanded into other countries with the national boards serving under the IASB. If there is a problem in a country, companies could go to their national board instead of having to go all the way to London.

Second, take your time and be patient. Convergence is not going to occur immediately. Countries need to have time to properly educate and prepare for the change. The IASB should work with countries to

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[1] *Edward Baker is an accounting major.*

help them prepare for the change. They should set up strict timelines for convergence and stick to these guidelines. Different problems dealing with different issues will arise in countries all over the world. The Board needs to have the patience to help countries solve these problems, but at the same time it needs to be able to give countries the opportunity to converge at their own pace.

Finally, the IASB needs to have an enforcement arm. International standards are no good to anyone if they are not enforced. Sir David Tweedie does not see this to be the job of the IASB. His idea of a "three-legged stool" is one where "we have accounting, auditing, enforcement – or corporate governance. We [the IASB] can supply only one leg of that stool…All I can do is produce the rules" (Calabro and Leander). I disagree with him that the IASB is not responsible for enforcing its standards. The Board has to find a way to enforce its standards. Even if the Board itself does not enforce them, it should at least help to create a global organization that will.

On the surface the IASB is an important organization that is doing great things for the accounting world. There is a definite need for worldwide accounting standards and the IASB has helped to bring the issue into the foreground and keep it there. However, the Board still has a lot of work to do in order to reach its goal of worldwide convergence. Maybe it will get there someday, but the IASB, as it is now, just will not cut it.

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TURKEY AND POSSIBLE INCEPTION INTO THE EU: ISSUES FOR BOTH SIDES

Kyle Buffenmyer [1]

Turkey's inception into the European Union creates some great logistical challenges. The government stability of Turkey and their commitment to human rights are still doubtful. Turkey has a tradition of military intervention in politics as recently as 1995. The friction between the Muslim majority and the Christian minority adds additional concern. A movement to a more Europeanized style of life and economy could cause difficult growing pains for the underdeveloped Eastern Turkey. Turkey's large population of more than 70 million people is made up of mostly unskilled laborers. This presents a massive problem since 70 million people is 10% of the population of the entire EU. The EU is a union with a commitment to the free movement of labor. The resulting influx of unskilled workers into European Union countries that have much higher standards of living could destabilize the labor market if handled

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improperly. Turkey has one of the lowest GDP's per capita in the world. The population of Turkey is promising to grow at a rate of 1 million people per year over the next five years. This when compared with Europe's negative birth rate would only seek to inflame the deficit further. Analyzing the benefits however Europe in just a few decades will have an old, top heavy population supported by huge social welfare programs that will have little capital inflow. A Turkish influx could seek to add workers to Europe's population, adding tax dollars to social welfare programs and replacing empty jobs as a result of retirement. Turkey also opens the Middle East and further expansion into Asia. The population of Turkey is also a huge market for European goods. Turkey could be the EU's next Ireland.

Much work remains if this is to be accomplished. Turkey is in the negotiation phase of inception. There has been a great amount of work already accomplished. Turkey has taken positive steps forward in economics and social rights. The efforts of the Turkish government to meet the EU requirements are impressive. The government has pushed through 2 constitutional changes and 8 legislative packages as ways of meeting the criteria for membership. From all outward appearances it seems as if Turks desire a union with the EU.

Turkey has increased regulations regarding banks and financial institutions to avoid financial crises like the ones experienced in 1999 and 2001. The Turkish government has also cracked down on its self. Increased financial transparency is not limited to the private sector any longer. The government has opened their own accounting books as Turkey has adopted accounting laws that parallel that of the International Accounting Standards. The government has tightened their fiscal budget and that of the military. These things have led to marked deflation and an overall strengthening and growing of the economy. Trade has increased, especially with Europe creating even greater incentive for unification. Turkey has taken great leaps economically and shown great success, much greater success than compared with the social aspects of inception.

The Turkish government has passed numerous new laws in an attempt to align their own legislation to that of EU law. They have adopted a new Penal and Civil Code that had great affects on the judicial system. Criminal legislation is now in place that outlaws honor killings, virginity tests, and abuse in marriage. The issues of gender equality, child labor, and labor unions have been addressed. This is not to say that these issues have been concluded. There are still numerous violations of these laws and issues as well as others and the new codes don't go far enough in addressing them, but this legislation must be given its proper time to influence a change since this change will alter Turkish culture.

Turkey has traveled a long way in addressing human rights. Advances in freedom of expression, the press, religion, and the respecting of minorities are clear. Also, very clear are the almost daily violations of one of these or other rights. Restricting peaceful demonstrations, censorship, and barriers to worship still do occur and the Kurdish minority issue is still unresolved. But, the enormous changes in just the past few years should not be understated and understanding should be given to those charged with changing a society and culture as well as government. The task is not easy or short, but it is surmountable.

The question of if or when Turkey will enter the union is still debated. 2015 would be the earliest inception date if Turkey meets all the criteria in time. Turkey holds a great promise for the EU and the EU for Turkey. A kinship would most likely be beneficial to Turkey in the short run, but the EU in the long run. The population size and undeveloped economy do hold a great deal of promise and would open the doors to further expansion if the EU so wishes. The danger of refusal however could be worse. Refusal would most likely mean a reversal in economic growth and human rights to more than 70 million people as well as a large net migration into the EU-15. The dangers of refusal to inception could be more dangerous than any other alternative.

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BOLIVIA: THE POOR MAN SITTING ON A GOLD CHAIR

Julio Camacho [1]

Advisor: Dr. Sanjay Paul

Franz Tamayo, a Bolivian poet, described his country saying: “Bolivia is a poor man sitting on a gold chair.” Franz Tamayo’s country has 8 million people, 1 million square kilometers, beautiful forests, high mountains, diverse cultures, enigmatic ancient cities, but is mostly known for cocaine. Its current foreign debt is $5 billion. The country faced a fiscal deficit that reached 8% of GDP last year. Despite possessing a rich territory, Bolivia has always shown low standards of living and remains the poorest nation in South America. However, high expectations of better days to come took place in the country because of a valuable resource: natural gas.

There were 55 trillion cubic feet of natural gas in Bolivia, an amount which was second only to Venezuela’s in South America. Moreover, the country's geographic position was seen as advantageous, with the reserves positioned to serve Brazil, Chile, and Argentina. Bolivia emerged as a player in the world natural gas market. Natural gas revenues seemed to be the solution to the budget deficit, and the first step to improve Bolivians’ life.

A consortium called Pacific LNG wanted to invest in the natural gas. Under its plan the gas would have been transported from landlocked Bolivia to a port in Chile, where it would be liquefied and taken to a re-gasification plant in Mexico. After being processed in Mexico it would be shipped to its final destination: the lucrative market in California. One billion cubic feet a day of natural gas would be exported to the US during the next twenty years.

History

President Sanchez de Lozada’s government backed this project, which was rejected by the indigenous of Bolivia. In 1879 Bolivia had lost its Pacific coastline to Chile in a war. Since then, Bolivians and Chileans have not had full diplomatic relations. The involvement of the traditional enemy in the scheme reopened old wounds. As the indigenous saw it, Chile’s gain was, once again, Bolivia’s loss. Furthermore, they wondered why energy-hungry California consumers would be supplied with natural gas while they would be freezing at 13,000 feet above sea level.

During the sixteenth century Indians worked as slaves in the Bolivian mines to generate fortunes for Europe. These Indians made possible the accumulation of capital that transformed Europe into what it is today. Silica dust asphyxiated the workers and ruined their lungs so the world could have cheap silver. What remains in Bolivia is a hollow mountain where many Indians worked to death.

During World War II, Bolivia contributed to the Allied cause by selling its precious mineral at a tenth of its price. Workers were slashed to almost nothing. They organized a strike, and the machine guns controlled them. When the mines were nationalized in 1952 little remained of the mineral in the mountains. Once more, a rich Bolivian resource benefited the rest of the world, but not the country. Indigenous people remained frustrated at how their natural resources have long been taken out of the country with little return for them. They feared that the same story would take place again with the natural gas.

A great part of the population demanded a referendum to decide the natural gas future. However, the President was determined to carry out Pacific LNG’s project. He set the army against the protesters and 86 people were killed. While many liters of natural gas and revenues were to be saved, many liters of blood were spilled. The president’s response outraged other people who joined the protests. Lozada resigned. His resignation was a relief to most Bolivians. Congress swore in Vice-president, Carlos Mesa who resigned to Sanchez de Lozada’s political party after the killings started.

Referendum

Mesa proposed to keep the industry privatized but increase taxes and gas royalties from 18 percent to 50 percent on the gross sales value of the natural gas. Profits would be diverted to jobs and social programs.

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[1] *Julio Camacho is an economics major.*

The referendum asked Bolivians whether they agreed with Mesa's policy or not. For the first time, an important economic decision would be placed in the hands of every citizen. The natural gas, which had brought so much pain and hope to the people remained under the ground, waiting for what democracy was about to decide. More voters backed up Mesa's natural gas industry policy.

According to many economists the referendum led to a disastrous decision. The casualty was the Pacific LNG project which would provide $480 million of annual tax government revenue and 1% to GDP growth over the next five years. These earnings were five times more than the annual debt relief offered by rich countries. The new law made Bolivia a risky place to invest and expect profits. Besides, Bolivia is not the only country with gas reserves and its potential customers are developing new sources.

However, Bolivia may have not lost as much as the defenders of the LNG project claimed. Selling the natural gas reserves to a domestic market of low-income Bolivian families was bad business compared to selling in California. Thus, if the LNG project had materialized, Bolivians would have never used one single cubic liter of the natural gas. Two decades ago, all of the state-owned companies were sold to foreign private companies, and government was reduced, in the name of growth and prosperity. In 1975 per capita income was $1,200. Today it is $884, less that it was before the privatizations started. Privatization resulted in thousands of layoffs and caused prices to rise. The average Bolivian earns about $1 a day. Unemployment has soared and Bolivia remains poor. Foreign investment and privatization have neither solved the problem of poverty nor improved Bolivia's standards of living. Thus, the claim that the Pacific LNG project would have benefited the country is still in dispute.

What is best for Bolivia and its natural gas is something that Bolivians need to discover keeping in mind that the greatest richness of Bolivia is its people. Until Bolivians truly appreciate its eight million human lives, Bolivia will still be a poor nation in a rich country, the poor man sitting on a gold chair.

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THE WEALTH OF NATIONS TODAY: A CROSS-COUNTRY EMPIRICAL STUDY

Chris Williams [1]

Advisor: Dr. Sanjay Paul

Introduction

In 1776 the first attempt to quantify the fundamental causes of income inequality among the world's nations was published by Adam Smith. In "An Inquiry into the Nature and Causes of the Wealth of Nations", Smith argues that a truly free market system is at the forefront of fair and productive societies. In doing so, he covers various factors that are prerequisites for effective market systems and what he termed wealthy nations. These insights included, but were not limited to, openness to trade, a high quality of institutional infrastructure, and macroeconomic stability. Despite the dynamic changes in economic thought over the last two centuries, they remain considered as gateways to growth by many economists today. Additionally, the finding that economic growth is highly correlated with poverty reduction is rarely disputed, as there are almost no examples of countries experiencing significant growth without reducing poverty. As a result, the determinants of economic growth should be linked with the determinants of development.

My analysis theoretically examines the relevance of each of Smith's growth factors in today's global marketplace and attempts to provide a comprehensive review of the components of each variable. My research concludes with an examination into the impacts of these variables on economic growth and income equality through two cross-country empirical tests.

Openness to Trade

Openness to trade refers to the ability of tangible and intangible goods and services to move across the borders of a given country. These goods include capital assets, services, people, information, and technology. Advocates of open trade policies argue that they provide several benefits to developing countries including conparative advantage through specialization, increased consumption possibilities, and increased competition and efficient production techniques. However, oppenents of open trade policies feel that unfair advantages of technologically advanced countries, domestic job loss due to outsourcing, and a potential race to the bottom, in which environmental quality and political morals are compromised for economic gains, are notable disadvantages. The majority of empirical evidence supports a positive correlation between economic growth and a country's openness to trade.

Investment Climate and Institutional Infrastructure

When considering the elements of sustained economic development, the quality of a country's investment climate and institutional infrastructure must come into question. These variables include all institutions that help make an economy work, including the quality of the bureaucracy, political corruption, likelihood of government repudiation of contracts, risk of government expropriation, overall maintenance of the rule of law, political stability, and the quality of a given country's education system.

When evaluating the investment climate and infrastructure environment's effect on economic development, my analysis focuses on two primary variables, education levels and corruption. Education is essential for development in that it provides better health practices, higher productivity, and political stability within nations. A number of studies have found that corruption does negatively impact a country's investment rate and FDI levels. The degree to which corruption impacts growth rates may not only depend on its presence, but also its underlying form or purpose and predictability within a society.

Macroeconomic Stability

U.S. Federal Reserve chairman Alan Greenspan refers to macroeconomic stability as having fiscal, monetary, and exchange rate policies that are sound and predictable. In achieving macroeconomic stability, governments should set long-run objectives on budget deficit, debt, and inflation levels. These objective levels must be set to allow for sustained economic growth in the country. My analysis focuses on two

[1] *Chris Williams is a business administration major with a concentration in finance.*

primary measures of stability, inflation and debt and deficit levels. Inflation inhibits growth due to lower real income levels, which decrease investment and consumption possibilities and returns. Large and poorly structured national debt levels can expose governments to economic and financial shocks and large deficits deter from the total national saving in a country, hindering total investment levels.

Research Design & Empirical Analysis

In an attempt to empirically analyze the effects of openness to trade, investment climates, and macroeconomic stability on a given nation's econmic growth and income distribution, I compiled data pertaining to these variables and conducted multiple regressions to test the impact of each variable. My cross-country analysis includes data from forty countries. These countries were selected to ensure high, middle, and low-income nations (as classified by the World Bank) were each represented, with ten countries chosen from the high and middle classifications and twenty countries analyzed from the low-income classification.

When evaluating openness to trade, I calculated trade as a percentage of GDP for each country from 1990 through 2003. Trade was calculated as the sum of the absolute value of imports and exports by each country in a given year. The obtained percentages were then averaged so that a single figure was obtained for each country during the specified time period. My analysis also includes education and corruption data in an attempt to capture the investment and institutional infrastructure climates in each country. Finally, I have included the independent variable of GDP implicit deflator average annual percentage growth 1990-2003. This variable was intended to capture macroeconomic stability.

The following equations were used in the regressions:

$$GDP = b_0 + b_1 \text{ Openness} + b_2 \text{ Edu} - b_3 \text{ Corr} - b_4 \text{ Inf} + u_t,$$

$$Gini = b_0 + b_1 \text{ Openness} + b_2 \text{ Edu} - b_3 \text{ Corr} - b_4 \text{ Inf} + u_t,$$

where GDP is the average growth rate of GDP from 1990-2003, Gini is the Gini index value for 2004, b_0 is the projected intercept, Openness is openness to trade, Edu is the education index value, Corr is the corruption perception index value, Inf is the GDP implicit deflator average annual percentage growth from 1990-2003, and u_t is an error term.

Results

My study found that openness to trade and infrastructural quality were not significant when predicting real GDP growth rates for the countries examined from 1990-2003. Macroeconomic stability, as measured by price stability, demonstrated a significantly negative relationship with GDP. Specifically, an increase in the GDP deflator of 1% is predicted to have led to a decline in the average annual percentage growth in GDP by 0.101% over the 1990-2003 time period. Additionally, the four growth factors examined showed no significantly positive or negative relationship with income distribution in the countries examined.

Concluding Observations

To a large extent, the empirical research in this study was limited by the availability of data to conduct a comprehensive cross-country examination. As a result, the number of countries and variables tested in the examination were limited on numerous fronts. Further studies may seek to more closely examine the variables of openness to trade, infrastructural quality, and macroeconomic stability. Especially of note would be studies exploring the impact of political stability, infrastructure investments, the general rule of law, and national debt or deficit levels on economic growth and income distribution, data for which could not be comprehensively obtained for this study.

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COMBINING CORPORATE FORCES: THE AOL-TIME WARNER MERGER

Jessica DeRemigio[1]

Advisor: Dr. Hossein Varamini

Introduction

This paper will concentrate on the AOL–Time Warner merger. It will present statistical research to review the financial gains and losses of the merger. It attempts to answer the question of why Time Warner Inc.'s stock has remained flat and to determine possible measures for rectifying the situation.

Epstein (2005) discussed inadequate as well as appropriate measures to assess post merger performance. He noted that a large number of mergers have been classified as unsuccessful because of their post merger performances. However, he noted, many mergers are deemed "failures" on the basis of analysis using weak measures of success.

Literature Review

Epstein pointed out that success and failure of mergers "has been studied in terms of narrow and uninformative measures, such as short term stock price, leading to the aforementioned claims that most mergers fail." In fact, short term stock prices are only a reflection of internal strife and unavoidable, external factors. For this reason, Epstein developed a method of assessment to eliminate the use of poor short-term "success" gauges. Epstein stated that there are six determinants of a successful merger, and inability to fulfill any one of the six requirements could result in complications for success and therefore trigger short term indicators implying failure. Epstein concluded that an evaluation of merger success "must be much broader than a simple change in stock price, which often tells us little about the merger and more about external factors." If merging companies succeed in achieving the six conditions, but short term indicators still represent evidence that points toward failure – the question "Is it the merger, or the

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[1] *Jessica DeRemigio is an international business major with a concentration in finance.*

definition of success that is truly flawed?" Epstein found that the benefits of mergers were reflected in stock prices and earnings only after years had passed.

Methodology

Two scenarios are used to depict the probable results of the merger:
Scenario A: Firm A + Firm B > sum of individual parts.
Scenario B: Firm A + Firm B < sum of individual parts.

In Scenario A, the unification of AOL and Time Warner would result in a successful merger. The new company would run more efficiently and at a lower cost structure. The creation of a business that is worth more together than operating as individual units implies that synergy exists. This implies that management integration, pre-merger planning and post merger implementation were all successful and thus generated higher profits and lower expenses.

In Scenario B, the combination of AOL and Time Warner would result in an unsuccessful merger. The company's union would actually make it more expensive to carry out business operations or not generate as high of returns and revenues as anticipated. In this scenario pre-merger planning could have gone awry, or post merger implementation of either management structures or strategies could have been ineffective. Because of this, short term financial indicators would depict a merger failure – extreme drop in stock price, poor asset turnover ratio and mediocre earnings per share.

In this study, potential individual net income and stock price were derived for Time Warner and AOL as separate entities based on competitors' financial ratios and indicators. The data extrapolation found that a spin-off of AOL could potentially produce a stock price ranging from $0.16 to $5.08, while that based on Time Warner's remaining subdivisions determined that, without AOL as a contributing segment of the company, stock prices would range between $28.01 and 50.73.

Conclusion

Based on the data findings and previous research performed in the area of post merger performance, it is concluded that the AOL division of Time Warner is underperforming in comparison to industry competitors. At the time of the merger announcement, short term financial indicators over-anticipated the likely success of the merger. The research performed by Kohers and Kohers supports this concept. In regards to the research completed by Marc Epstein, the current stock price of Time Warner is just a short term financial indicator. Time Warner's stock price is relatively low in comparison with its competitors, and could be a reflection of uncontrollable external factors. However, the calculated potential Time Warner stock price exclusive of the AOL segment indicates that AOL is in fact underperforming.

Since AOL's section has been underperforming, Time Warner has two options. The first option would be to spin off the division into an individual entity. This would be an extremely expensive decision and would indicate that the company itself decided the merger was a failure. Alternatively, Time Warner could delay a decision to spin off AOL. The management would chose this option if they agreed with researchers that claim benefits of mergers are not normally seen in the short run – benefits are primarily not reflected in stock prices for the first three years.

In 2002 Time Warner announced a loss of almost $100 billion, one of the largest losses in US history. This along with the numerous lawsuits and charges brought against Time Warner probably reduced investor confidence drastically. Such external factors are weighing on the financial indicators making it difficult to discern the success of the merger.

For this reason, it is recommended that at this time AOL and Time Warner remain as a single entity. It has been approximately four years since the completion of the merger – not yet long enough for merger benefits to be made apparent or to decipher whether it is externalities or the merger that is causing the poor performance.

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FOREIGN AID IN BOLIVIA AND TANZANIA

Joshua Hall [1]

Advisor: Dr. Sanjay Paul

I. Introduction

Despite a consistent flow of official development assistance into developing countries, most cases show that this aid is ineffective in promoting economic growth. If the capital is unproductive at stimulating growth, it has, in effect, gone to waste. With many regions of the world still mired in poverty, foreign aid needs to be made more effective. The large inflows of aid have, instead of fostering a climate of economic growth and development, gone to encouraging corruption and misguided polices. However, foreign aid can be a critical tool to reduce global poverty, as more than three billion people live on less than two dollars a day, with about half of them in extreme poverty, earning not ever one dollar a day. As the amount of foreign aid given decreases, it is imperative to understand how foreign aid can be used to alleviate poverty. This study will analyze the effectiveness of foreign aid in Bolivia and Tanzania, and look for lessons for other countries.

II. Literature Review

Recent studies have looked at the effectiveness of foreign aid. Burnside and Dollar (1997) concluded that foreign aid had, on average, little correlation with economic growth. However, there was a significant, positive effect on growth in countries with solid economic policies in place, which included aspects such as rule of law, absence of corruption, openness to trade, macro stability, and effective social services. This finding has important implications for answering the question of how to improve the efficacy of foreign aid. According to Burnside and Dollar, “In allocating assistance, donors have not sufficiently exploited the relationship between good policies and effective aid, probably because donors are pursuing a range of interests that are not necessarily consistent. If they want to have a large impact on growth and poverty reduction, then they should place greater weight on the economic policies of recipients.” Additionally, to benefit those countries with a difficult environment, aid could be channeled through Non-Governmental Organizations (NGOs) or used to identify and support reformers at the country level who would work for the productive goal of changing current, misguided policies. Policy change is the first focus for any country without solid economic policies. Burnside and Dollar (1997) went on to show that if this selective criterion was implemented and aid allocated on the basis of policy rather than donor interest, the mean growth rate of poor countries would shoot up from 1.10% to 1.44% without even changing the total quantity or recipients of foreign aid.

Jeffrey Sachs, working for the United Nations, has a slightly different view on why foreign aid is ineffective. He says that most of the correlation between aid and slow growth is due to the overlooked fact that “aid is given to countries recovering from natural disasters, famines or other humanitarian emergencies. You would expect countries battered down by such calamities to grow more slowly than the average, so the correlation between aid and slow growth is false” (Economist 70). He goes to say that, “Well-designed aid, delivered in a sustained way to countries with reasonably good governments, does

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[1] *Joshua Hall is an international business major with a concentration in management and minors in religious studies and Spanish.*

what it is supposed to" (Economist 70). The importance of sound institutions and clean, effective governments is a recurring theme in the development literature. Sachs also states that poverty can arise from many sources, such as geography, history, disease or others, and not just from poor and often corrupt governments. It is important to correctly identify those developing countries with a strong government and give them aid "at scale." As for countries fraught with corruption, such as Chad and Nigeria, Sachs argues that money should be first designated to remedying this problem before any others are addressed. This necessitates strategies to be individually formed on a case by case basis with "policies designed and owned by the country itself" (Economist 70).

III. The Theoretical Framework

We develop a model linking foreign aid and GDP growth. Similar models have been used to study the effectiveness of foreign aid in Cameroon (Mbaku 1993) and in Bangladesh (Islam 1992). This study, however, will focus on Bolivia and Tanzania specifically to first understand the relationship between foreign aid and GDP growth, and then uncover the most effective way it can be given. GDP growth is a useful indicator of living standards: as Burnside and Dollar (1998) note, social conditions, most notably child mortality rates improve when GDP growth increases. The data for Bolivia will cover the years from 1971 to 2003, while the data for Tanzania will cover the years from 1983 to 2003 (data before 1983 is not easily available).

The study tests how foreign aid (both loans (AIDLN) and grants (AIDGR)), population growth (PG), domestic savings (SY), total investment (IY), and budget deficit (DEF) affect GDP growth rates. Intuitively, each explanatory variable, with the exception of the budget deficit, is expected to have a positive effect on GDP growth. As for the budget deficit, we expect a negative relationship: higher deficits associated with lower GDP growth.

We use the following models:

$$\mathrm{GR} = h + i(\mathrm{IY}) + j(\mathrm{AIDGR}) + k(\mathrm{AIDLN}) + l(\mathrm{PG}) + m(\mathrm{DEF}) \quad (1)$$

$$\mathrm{GR} = n + o(\mathrm{SY}) + p(\mathrm{AIDGR}) + q(\mathrm{AIDLN}) + r(\mathrm{PG}) + s(\mathrm{DEF}) \quad (2)$$

Equation (1) is based on the assumption that none of the aid is invested, while equation (2) assumes all of the aid is invested. Data was obtained from the International Financial Statistics (IFS) of the IMF.

IV. Results

Bolivia also has another interesting variable that will further test the theory that improving economic policies improve the effectiveness of foreign capital. Bolivia reformed their economic policy in late 1980s passing a number of laws that liberalized the economy significantly and consolidated economic stability through the application of fiscal and monetary discipline. Additionally, Bolivia liberalized their markets for goods and services, and their interest rates, as well as established a flexible exchange rate and implemented a tax reform law. Based on the work of the World Bank, these adjustments should have increased the effectiveness of aid flows.

However, the results of this study show, like many others, that foreign aid is by and large ineffective. Even after Bolivia's reforms, foreign aid was still not significantly correlated with GDP growth. There is no direct relationship between aid and growth, and therefore with human development. The growth in population, which corresponds with the growth in labor force, was however linked very closely to GDP growth. Furthermore, the study does offer hope in how to increase the living standards of the Bolivian population—by reducing the budget deficit. The results reveal a positive relationship between deficit reduction and growth.

Tanzania, likewise, highlighted the ineffectiveness of foreign aid. In fact, the more aid given to Tanzania, the lower their growth rate. This clearly shows the poor economic and political climate of the country, which is, sadly, typical of that region. Corruption, poor infrastructures, and poor social services, such as health care, have crippled a majority of the continent. But, like Bolivia, the report suggests that grants over time, can be positively linked with GDP growth, offering a way to effectively alleviate some of their poverty.

V. Conclusions
This study again highlights the need for foreign aid reform. The traditional channels in which it is given are highly ineffective. Even after economic reforms in Bolivia, or political reforms in Tanzania, foreign aid is not guaranteed to be beneficial to the economy and population at whole. This study shows how deficit reduction is key for Bolivia, and grants are helpful for Tanzania. So, foreign aid can help, but the solution to the effectiveness problem requires carefully tailored, individual development strategies.

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JAPAN'S BUBBLE EXPERIENCE

Yutaka Ikeda [1]

Advisor: Dr. Hossein Varamini

Introduction

Japan's economy has rapidly grown since the Second World War. There were two major changes as Japan's economy experienced the hyperinflation after the Second World War. First, Japan opened its market for foreign countries. This internationalization increased the inflow of foreign direct investments and affected corporate governance. Then, the Bank of Japan started tightening the official discount rates. A tighter policy resulted from the concern over inflation and excessive monetary easing.

The financial market in Japan went into the bubble economy in the 1980s. The Nikkei 225 stock index rose from 13,000 yen in 1985 to 38,916 yen on the last trading day in 1989—a three-fold rise over a four year period. However, since then stock prices have dropped drastically, reaching 11,819 in March 2001. The stock market has declined 60% in the two and a half years after the peak of 1989.

Why the bursting of the bubble? According to one view, the Japanese became much too confident as Japan succeeded in the international markets during 1970s and 1980s. Japanese investors believed that the rise of land and stock prices would last for a long time, so many focused on risky assets. Excessive risky investments thus became the root of Japan's bubble economy.

Framework and analysis

The main characteristics of Japan's bubble are described as debt finance, foreign direct investment, and low interest rate during the phase of liberal structure. This paper uses regression analysis to enhance the explanation of the growth during liberal structure from 1957 to 1989. We use the following model:

$$CPI = \alpha + \beta_1 (Ms) + \beta_2 (Debt) + \beta_3 (GDP) + \mu \qquad (1)$$

$$CPI = \alpha + \beta_1 (IR) + \beta_2 (FDI) + \mu \qquad (2)$$

where CPI = % change in the consumer price index, or inflation,
Ms = % change in money supply,
Debt = % change in government debt,
GDP = % change in the gross domestic product,
IR = interest rate,
FDI = % change in foreign direct investment inflow of Japan,
α = intercept,
$\beta_1, \beta_2, \beta_3$= coefficient of variables,
μ = error term.

In equation (1), it is expected that when Japan's economy is growing, and money supply and government debt increase, there is a rise of the price of goods and services. Therefore, an increase in money supply, government debt, and real GDP should raise inflation in Japan. In equation (2), a rise in interest rate and foreign direct investment should increase inflation.

The result of regressing equation (1) describes that all variables affect inflation, with a t-statistic of more than 2 and a p-value of less than 5%. Only money supply shows a negative coefficient, with a t-statistic of -2.019 and a p-value of less than 5%. Equation (2) demonstrates a negative relationship between inflation and foreign direct investment, with a t-statistic of -2.3347 and a p-value of less than 5%.

Conclusions

Empirical analysis reveals that Japan's inflation is the result of several factors: money supply, government debt, and GDP.

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[1] *Yutaka Ikeda is a major in international business with a concentration in finance.*

It can be also be the case that other intangible factors influenced Japan's bubble economy. In general, people could lose their vision of reality when everything appears to be sound. This was also the case for the Japanese bubble economy. There was the "land myth" that resulted in an escalated expectation that Japanese people would incur further future growth (Tsuruta, 1999, p32). Japan's government had mistaken the possible occurrence of the bursting bubble because it failed to conduct the monetary tightening at the correct time.

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§§§

WHY E-FILE?

Lenette Williams [1]

Advisor: Prof. Terrie Gehman

Introduction

In today's society, the knowledge and use of technology is critical to the success of many professions, including accounting. One new development in this field is electronic filing, or e-filing, of tax returns with the Internal Revenue Service (IRS). Although electronic filing has been in use since 1986, it is only now becoming more widely recognized and accepted. A main reason for this change is the Internal Revenue Service Restructuring and Reform Act passed by Congress in 1998, which set out to achieve the electronic filing of at least 80 percent of all federal tax returns by the year 2007. My paper will attempt to prove that Congress' resolution will never be reached by such a date. I will then offer possible marketing strategies and target groups on which the IRS should focus their efforts.

To demonstrate my hypothesis, Part I of my paper will provide a detailed history and overview of e-filing, and what the IRS has done in response to the Act. Next, I will show that the e-filing goal is

[1] *Lenette Williams is an accounting major.*

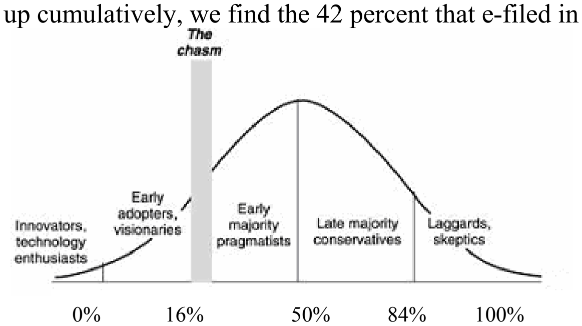
unattainable using Geoffrey Moore's technology adoption life cycle. In order to suggest marketing strategies and focus groups, Part II will examine the factors that affect whether or not an individual e-files. To achieve this objective, I performed a large-sample inference hypothesis test for two proportions on data acquired from the IRS. I also distributed a survey to the entire Elizabethtown College community to collect information on what affects a taxpayer's decision to e-file. With the survey data, I utilized the chi-square statistical test to establish relationships between the factors and e-filing. From this analysis, I suggested strategies for the IRS to use in strengthening their electronic filing initiatives.

Literature Review

Despite considerable IRS efforts to promote e-filing, its success has been questionable. Six years into the resolution, the government appears to be having difficulty achieving the goal of 80 percent. Part of this difficulty is expounded upon in the tax code. Section 6011 specifically states that the Treasury Department cannot prevent anyone from filing by any method other than the paper forms supplied by the government - meaning the IRS cannot force any individual to e-file. Another problem is related to infrastructure. In order to electronically file a tax return, one needs a computer, software, and the internet. According to the 2000 United States Census, 51 percent of American households have at least one computer, while only 42 percent have internet access. These figures indicate that the existing user infrastructure cannot support the 80 percent adoption of e-filing through home computer usage alone. Also, a report by the Electronic Tax Administration Advisory Committee noted that "attracting the first 50 million e-filers was relatively easy compared to what it will take to attract the extra 60 million more needed to meet the 2007 goal…Reaching the goal at this point requires a major and, most likely, unrealistic change in tax preparer and taxpayer behavior."

Framework and Analysis

Nonmandatory technology adoption follows a diffusion process. The use of new technology spreads through the overall market as different elements of it are recognized and appeal to various cohort groups. In his book *Crossing the Chasm*, Geoffrey Moore details this diffusion process in the form of a bell curve. By examining this life cycle we can identify at which point e-filing is on this curve and see that the IRS is unlikely to reach its 80 percent goal. Technology enthusiasts and visionaries make up 16 percent of the market, pragmatists 34 percent, conservatives 34 percent, and skeptics 16 percent. By adding these percents up cumulatively, we find the 42 percent that e-filed in 2003 is in the pragmatist market segment.



Five years, or midway into the 80 percent e-filing resolution, the IRS has reached the half-way point. Although this looks promising, the first 40 percent of taxpayers were much easier to persuade than the remaining 40 percent will be. Common sense tells us that technology enthusiasts and visionaries will take less time to attract than will pragmatists and conservatives, thus it is very unlikely the 80 percent goal will be reached.

In order to determine what factors influence whether or not an individual e-files, I analyzed IRS data and survey data using the large-sample inference hypothesis test for two proportions and chi-square test, respectively. From these tests, I discovered that several factors do influence whether or not a person e-files. These include age, income, technology skill level, preparation mode, and outcome of the tax return. Gender and filing status do not appear to influence the rate of e-filing.

As a result of these findings, I feel that the IRS should try different marketing avenues. Strategies could include sending mass mailings to the homes of taxpayers, TV commercials, placing pamphlets in tax preparation firms, advertising in business journals, or emailing taxpayers about the benefits of e-filing. Several of these methods have already been employed by the IRS. Making e-filing the preferred method of tax return transaction is critical to reaching the conservative market segment. The IRS must also achieve excellent word-of-mouth from the previous segments. I also think the IRS should have two different advertising campaigns, one directed at the younger generation and the other at the older generation. The campaign targeted to young adults should focus on the free aspect and the speed of refunds. While the campaign geared toward the older generation should focus on safety.

Conclusion

Despite the advances in electronic filing and the increasing number of e-filers, the IRS still has a long way to go to achieve the 80 percent acceptance rate by 2007. Perhaps the promotional strategies initiated this year will expand in future years to reach a wider audience. The main focus will be in attracting the remaining pragmatist and conservatives in the technology adoption life cycle; those who are cynical of technology or have no skill in using it. Despite the numerous advantages of e-filing, these people stick with tradition and will be tough to persuade.

I have also discovered from my research that several factors do influence whether or not a person e-files. These include age, income, technology skill level, preparation mode, and outcome of the tax return. Although the IRS really has no control over these factors, they can use this knowledge to target their marketing to specific groups. Most importantly, the IRS should make taxpayers aware of the e-filing option, promote its benefits, and ensure its safety.

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THE NEW CONTRACT OF THE 21ST CENTURY

Lauren Mierzejewski [1]

Advisor: Dr. Sean Melvin

Introduction

Shrink-wrap, click-wrap and browse-wrap sound like alien terms to most reasonable American people. However, most of these same people have encountered one of these concepts without realizing what they were doing. Few people realize that by the click of a mouse or the removal of plastic wrap on a software program that they have entered into a legal contract.

With the growth of the e-commerce industry came the reality that traditional software license agreements would no longer be practical nor feasible for the rapidly increasing volume of activity in the

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[1] *Lauren Mierzejewski is a business administration major with a concentration in accounting and a minor in political science.*

computer software industry. Consequently, a more efficient and feasible means of protecting the software licensor had to be established. In turn, software companies have turned to contract law, specifically shrink-wrap, click-wrap and more recently, browse-wrap licenses.

The legality of these licenses has been variable. A rapid influx of cases regarding this e-commerce issue has inundated the American judicial system. This topic is extremely important and controversial as there is very little or no relevant case law on which judges base their verdicts. Are click-wrap, shrink-wrap, and browse-wrap licenses enforceable as binding contracts? Are the arbitration clauses within such licenses enforceable?

Literature Review

Increasingly, lawyers and journalists have reviewed the validity and implications of shrink-wrap, click-wrap and browse-wrap licenses. Consistently they warn that one click may equal a contract and 'buyer beware'. Numerous publications have recognized the advantages of the arbitration and forum selection clauses frequently contained in the licenses. In one of the most notable legal publications, the *National Law Journal*, Michael Cohen (2003) recognized the tendencies of federal courts to enforce shrink-wrap and click-wrap licenses except in instances when hidden terms exist or when the licensor is able to unilaterally amend the agreement. Similar sentiment appears in the *International Review of Law, Computers and Technology* and *Intellectual Property Today*, as well as numerous undergraduate level textbooks.

Framework and Analysis

Through review and analysis of the premise for a contract, a study of relevant case law, the Federal Arbitration Act and Uniform Computer Information Transactions Act, a determination may be made as to the validity of these agreements and their contents. The four basic considerations of a contract are all fulfilled by shrink-wrap and click-wrap licenses. These four conditions include manifestation of the agreement, fulfillment of the objective theory of contracts, clear definition and direct communication. Browse-wrap licenses fail to manifest the agreement, as no guarantee of assent exists.

The clarifying case for the legality of shrink-wrap agreements was *ProCD v. Zeidenberg* (1996). Through analysis of this case, it may be inferred that a valid license was fulfilled and assent to the license arose from the removal of the 'shrink-wrap' on the package. The court felt that placing all terms of the license on the outside of the box was impractical and therefore, through the formation of a 'pay now, read later' agreement, the license was valid. Then, *Hotmail Corp. v. Van$ Money Pie* (1998) established the legality of click-wrap licenses. The court held that the defendants conduct violated the 'Terms of Service', therefore enforcing the click-wrap license. Moreover, browse-wrap licenses have only been validated in one instance, *Register.com v. Verio* (2004); however, this case does not fit the conventional guidelines of a browse-wrap agreement. More appropriately, Specht v. Netscape (2002) deemed browse-wrap licenses unenforceable as the licensee fails to be compelled to review the 'Terms of Agreement'. In this case, the defendant argued the simple act of downloading software served as assent, but clearly according to contract formation guidelines, this is not the case.

Also, the courts have repeatedly held arbitration clauses and forum selection clauses valid. In many instances, the licensee attempted the defense that they did not read the agreement. The court maintained that their personal negligence was irrelevant, as a valid agreement had been formed in the cases of shrink-wrap and click-wrap licenses.

Conclusions

The future of shrink-wrap and click-wrap licenses is quite promising, but rather grim for browse-wrap licenses. The industry effort of the "Uniform Computer Information Transactions Act" or "UCITA" would undoubtedly eliminate the uncertainty surrounding the legality of these licenses, as it would provide uniform treatment of such agreements. It appears courts will continue to uphold shrink-wrap and click-wrap licenses as long as consumers are afforded the opportunity to view the licenses. It is rather unlikely that the Supreme Court will ever hear a case on this topic as the 2nd, 7th and 9th Circuit Courts have reached a consensus on the validity of the licenses. The optimal solution is state legislative remedies, as the state retains the authority to govern contracts. Click-wrap and shrink-wrap licenses appear to be the practical reality of the e-commerce marketplace and will continue to be extended and enhanced.

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CAN THE HORSE AND BUGGY TEACH MAIN STREET, USA HOW TO BE SUCCESSFUL: A STUDY OF AMISH BUSINESS MARKETING IN LANCASTER COUNTY, PENNSYLVANIA

Benjamin R. Osterhout [1]

Advisor: Prof. C. Powell Adams

Introduction

Assume that in one year, twenty Amish small businesses and twenty typical English (a term used by the Amish to refer to those who are not Amish) small businesses begin operations. At the end of 5 years, what are we likely to see? Nineteen of the original twenty non-Amish small businesses are likely to have failed; in contrast, nineteen of the original twenty Amish businesses would have been successful.

According to Kraybill and Nolt (2004, 190), "Fewer than 5 percent of the Amish operations fail." Contrast this with the US Small Business Administration's fact that 95% of all small businesses fail within five years. According to the SBA, the primary reasons for most small business failures are lack of sufficient knowledge in terms of location selection, lack of experience, poor inventory investment, and low sales (Gaebler).

In recent years, there has been a trend among Lancaster County Amish to wean away from the agrarian society more toward a market society complete with small businesses. "The shift to non-farm work is the biggest change in Amish society in the last century." (Kraybill 2003, 32)

This research draws from previous research and first-hand primary accounts to answer the question: What are the reasons for the growth in Amish businesses and the significantly low Amish failure rate?

Research Method

For this research, Amish businesses were identified from the 1995 and 2005 editions of the *Lancaster County Business Directory* published by DavCo. The *Directory* was first published in 1989 and has grown

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since that time. The 1995 edition was chosen for comparison because it was published several years after the *Lancaster County Business Directory* had been established as a legitimate source of advertising. Amish businesses were identified by their proprietors being a member of the Amish church. Several comparisons were made including product comparisons and zip code density for the businesses with advertisements in the 1995 and 2005 editions of the *Directory*.

In addition to the quantifiable results from the *Lancaster County Business Directory*, this research gathered some anecdotal data from businesses in Lancaster County, both Amish and English. The goal of the research was to analyze the population of businesses that advertise in the *Directory*, which accurately reflects the cross-section of the business structure of Lancaster County business. When interviewing the business owners, questions concerning the role of marketing and technology in their business were key issues as well as the impact of the Amish businesses on the local and regional economies.

Research Data

Marketing is the act of linking potential consumers with particular goods and services. This has been the mission of Amish businesses. Originally, the goal was to provide goods and services to other Amish families within the church district, however, in recent years the goal has shifted. The target market for many of the products and services produced by Amish entrepreneurs in Lancaster County consists of the tourists who come by the busload and spend their disposable income on handmade and unique Amish goods and to wholesalers who bring large tractor trailers to buy Amish goods to resell in other markets. Consumers are intrigued by the Amish lifestyle, and therefore have a desire to purchase Amish goods.

The products themselves have changed with the times, partly because their target markets have shifted. In the past, where a woodworking might have made a wooden crate to store potatoes in, now some of the woodworkers produce entertainment centers, even though televisions are not parts of the Amish society.

The Amish population has doubled in Lancaster County nearly every twenty years, while at the same time, the number of Amish enterprises has increased about 600% in the same timeframe (Kraybill and Nolt, 2004, 37).

One of the populations examined in this research was the businesses that advertise in the *Lancaster County Business Directory.* In addition, of the 134 Amish businesses identified in the 1995 edition of the *Lancaster County Business Directory*, 105 of those businesses had an advertisement in the 2005 edition of the *Directory.* The number of Amish businesses identified in the 2005 edition of the *Directory* was 354.

Conclusions

This study only utilized data from the *Lancaster County Business Directory* for research. A future study could examine all Amish businesses in Lancaster County, not just those that have advertisements in the *Directory*.

There are no magic answers to determine whether or not a business will be successful, but the Amish businesses have shown that they can be successful over a period of time. Here are some lessons from the study:

The first is – "To be successful takes commitment". In general, Amish businesses are run by their owners. They do not depend on other managers to run their business, but rather are at the heart of the production process.

The next reason for Amish success has been – "Not sacrificing beliefs for money". Amish businesses operate according to the rules of their church district. They have adopted their businesses to understand the cultural limitations, while at the same time maximizing potential.

"Business can be family-run". Amish businesses are run by the husband and the wife and many times assisted by their children and other family members. Amish businesses accept the families as an integral part of the success of Amish businesses.

Along with family is the "Teaching younger generations skills". Apprenticeships are a part of the education that Amish youngsters receive. After they finish the eighth grade, they learn hands-on experiences through their apprenticeship. This is useful because it allows the skills from previous generations to be learned and able to be utilized in further generations.

The final reason for success is "Making products that are durable and full of pride". Businesses in America today are looking at their bottom-line, but Amish businesses are more concerned about quality and their reputation. Most of their business results from word-of-mouth advertising and negative advertising can have just as much impact as positive advertising. Amish businesses are concerned about the quality of their products and services.

These are just some of the reasons for the success of Amish businesses. Perhaps if non-Amish businesses adopted some of these techniques, they would have similar success rates as the Amish businesses.

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§§§

COMMUNITY BANKS: GETTING PERSONAL TO IMPROVE THE CUSTOMER EXPERIENCE

Adam Rebert [1]

Advisor: Dr. Ed Chung

Introduction

As consolidation and merging banks are changing the banking industry from one of stagnation to one of high competition, this new environment is providing customers the opportunity to choose banks that can more effectively meet their needs. These new mega-banks are using improved technology due to larger assets and market share to more efficiently meet their customer's service needs. This change has pushed "community banks" to change their marketing tactics and find niche markets that are not having their needs effectively met by the large mega-banks.

The questions I seek to answer are what exactly is the impact that consolidation is having on community banks and how are community banks responding to these changes? I am attempting to determine what and where exactly the niche market is that community banks need to focus their efforts on. I am also seeking to find the impact that technology has had on the banking industry and what channels community banks can use to effectively compete and meet their customer's needs. Lastly, I'm attempting to determine who the biggest competitors of community banks are and in turn suggest and find ways that community banks can effectively create a competitive advantage within the industry.

Analysis

Based on my research, community banks are facing a difficult road ahead. Not only do they have to compete with the newly created mega-banks, but research according to (Critchfield et al., 2004) the FDIC has found that many community banks owners consider credit unions, brokerage firms, and other community banks their biggest competitors. As the culture of the United States continues to evolve toward technology, community banks must do as much as they can to exploit this channel. Obviously, they are not going to be able to compete with mega-banks due to significantly less assets, they need to find ways to

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compete against other community banks, to more effectively meet customer service needs. According to a study at Ohio University, community banks must not try to make Internet banking a new business, but rather use it as a channel their customers can use to access their services (Analysis of the Banking Industry). Further research at Ohio University stated that almost a third of the 9.4 million who have tried using online services have stopped using the service and only 35% who have stopped using online banking are thinking about trying it again (Analysis of the Banking Industry). I also used extensive data from the FDIC and the American Banking Association Journal. According to (Critchfield et al., 2004), community banks provide more than 40% of small commercial real estate loans, 65% of all farm real estate loans, 61% of all farm operating loans, and about 75% of small farm loans (less than $500,000 at origination).

Despite the rapid acceleration of globalized banking due to consolidation, the creation on new community banks, 1,250 of them since 1992, leads investors to believe community banks remain viable (Critchfield et al., 2004). The FDIC also found that community banks are finding their niche markets to be in rural areas and in suburban markets. "The Department of Agriculture finds that in seven of eight rural counties, those with less than 1,000 people per square mile, the economy is dominated by manufacturing, services, and other employment not related to farming" (Critchfield et al., 2004, p. 16). Obviously the community banking model is very important to the economy of our culture and it is discussed in much greater detail in the paper the role that community banks play within their niche markets. The data I included from my sources proved very useful and is also discussed in greater detail within the paper.

Conclusion

In conclusion, properly marketing community banks is very important and was the basis for the scope of my paper. Being in a service industry, the service that community banks provide is inseparable from the employees, therefore hiring and retaining key employees is very important for the future success or lack thereof for community banking. Community banks are facing a strategic choice between performing traditional functions more efficiently or broadening into new activities involving greater risk and in some cases greater cost for their small scale operations. Being service providers, it is imperative that banks improve the experience for their customers. There are few ways they can go about this. First of all they could transform the teller line to better meet customer needs, entertain them and reduce the real and more importantly the *perceived* wait time. I feel that community bank customers remain customers because they enjoy the interaction with other people, which is why the teller line could be a point of differentiation for community banks. Based on this assumption, the retention of key employees plays another role of importance. Banks need to allow their customers to voice their opinions in terms of what they are expecting to receive. Bernstal (2004) describes in detail that banks must ask to learn, listen to understand, and solve to meet each customer's needs. It is imperative that banks do this in order to increase their customer retention numbers. Community banks must adopt/create a strategy that best fits their customer's needs based on the assets and market share they can use. Based on the research I've compiled and evaluated, the strategy must embrace technology, analyze the needs of their market and strive to provide innovative channels and systems that effectively meet these needs.

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EXCHANGE RATES: A VIEW OF THE FUNDAMENTAL APPROACH

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Introduction

The purpose of this study is to test the significance of economic variables on exchange rate fluctuations. The study also compares the strength of the model between developing and developed countries. It is interesting to see whether certain variables affect exchange rates between the US and developed countries more than between the US and developing countries.

Literature Review

Although the fundamental exchange rate model has been around for sometime, other models have been developed and compared to it. In an International Monetary Fund working paper prepared by Peter B. Clark and Ronald Macdonald (1998), the authors set out to compare the Fundamental Equilibrium Exchange Rate model with the Behavioral Equilibrium Exchange Rate model. The authors found that the Fundamental model did not incorporate a number of factors which were seen to affect exchange rates such as the prices of tradables and non-tradables. In their study, they found that the Behavioral method was able to do a better job at determining the exchange rates. The information for the Behavioral model is difficult to acquire while the information for the Fundamental model is easier to gather thereby still making it useful.

Framework and Analysis

Canada, the United Kingdom, Japan, and Switzerland were chosen for this study as the developed countries. These countries have a similar GDP per capita and are located in the top 25 countries on the Human Development Index. Singapore and Korea were chosen as the developing countries. These countries were not in the top 25 of the Human Development index. These countries have a slightly lower GDP per capita than the above countries. All of these countries are compared to the US through regression analysis. The regression equation used is given in Table 1.

Interest rate differential was chosen since the country with the higher interest rate should attract excess funds seeking higher returns from the country with the lower interest rate. The GDP growth rate differential was chosen since a higher growth rate should indicate a higher growth in income. A higher income allows a higher demand for imports. As the country demands the imports, the foreign currency would appreciate. Lastly, the monetary supply growth rate differential was chosen since an increase in money supply could cause higher inflation which would drive the value of the currency down. The regression analysis will show us the significance of each of these variables as well as the strength of the model.

Results

The results of the regression analysis are shown in Table 2. It is evident from the results that there is a clear difference between the explanatory power of the model for developed countries and developing countries. We can ascertain this from the R^2 of the regressions. Take notice that the R^2 is much lower for developed countries than for the developing countries. For instance, the regression ran between the US and Canada produced an R^2 of .43526. This means that the model can explain 43.5% of the variability in the exchange rate based on the independent variables. Although this is the highest R^2 for the developed countries, it is still too low to be a strong model. Conversely, Korea produced an R^2 of .82251. Therefore, the model can explain 82.2% of the variability in the exchange rate. This is a much stronger result and is the strongest of the developing countries.

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Conclusions
It can be concluded from the results that this model does not sufficiently explain exchange rate fluctuations. But it does show that the variables have an influence on exchange rates. In Korea, for instance, the variables chosen explain 82.3% of the variability in the exchange rate. The P-values for Korea are also below .05 (significance level tested) except for the P-value associated with the money supply variable. To make a better model, this money supply variable could be removed since it is not statistically significant in any of the regressions. Also, the money supply and the interest rate both account for inflation. This can skew the results. For further research, a study could be done similar to this but with additional variables. As the model is developed it should also begin to be a better predictor of the currency fluctuations.

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Table 1. Regression equation

$$e_t = \alpha + \beta_1 (I_{US} - I_F) + \beta_2 (\Delta GDP_{US} - \Delta GDP_F) + \beta_3 (\Delta M_{US} - \Delta M_F) + \mu_t$$

where	e_t	=	exchange rate
	α	=	intercept
	β_x	=	coefficient of the variable
	I_x	=	interest rate
	ΔGDP_x	=	change in Gross Domestic Product (GDP)
	ΔM_x	=	change in money supply (M2)

Table 2. Regression results

Country	**α**	**β_1**	**P-value$_1$**	**β_2**	**P-value$_2$**	**β_3**	**P-value$_3$**	**R^2**
Developed								
Canada	0.73047	-2.43032	0.03081	0.26385	0.71895	-0.62863	0.12202	0.43526
UK	0.62435	-0.32467	0.66863	1.59961	0.00791	-0.03338	0.66570	0.28768
Switzerland	0.67804	-1.98048	0.01455	0.28809	0.71346	-0.26780	0.41063	0.30055
Japan	0.00588	0.00023	0.99167	0.03448	0.06708	-0.00071	0.95427	0.18136
Developing								
Korea	0.00066	-0.00470	0.00104	-0.00274	0.00065	0.00003	0.96271	0.82251
Singapore	0.55389	2.05383	0.08446	-0.31574	0.15244	-0.23299	0.14748	0.60475

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RFID: ARE THEY HELPFUL TO BUSINESSES AND CONSUMERS?

Brynn Sievers [1]

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Introduction

Imagine a future, where fast food can be bought with a wave of a wand, a shopping cart full of groceries can calculate the balance due without products being removed from the cart, and a refrigerator can notify the household when the milk is set to expire. These inventions can all be attributed to a technology called Radio Frequency Identification Devices (RFID). RFID is a method of storing and retrieving data using portable tags. These tags have the ability to store information related to each product on one tag. This system includes tags with antennas, the program for the computer system, and the readers located throughout a retail store. This technology is fairly new to the public, so most of the information that is discovered comes from the Department of Defense (DOD). There are active and passive tags that can be programmed to write once read many (WORM), read only, or read and write (Wikipedia, 2005). Since these tags are designed to use radio frequencies, they must follow certain regulations based on the frequency level.

Framework

These devices were developed by the British military and US Department of Defense in the 1940's (Goodman, 2005). It was not released for commercial use until 1975 with the development of Electronic Article Surveillance (EAS) in 1970's and electronic tolling in the early 1980's (Kimball, 2005).

The DOD uses active tags throughout their supply chain, therefore are many standards and regulations attached to this system. RFID technology is monitored by the Defense Logistic Agency (DLA). There is a detailed list of all the content needed to be present on each tag when the product is shipped and received (Wynne, 2004). Besides this detailed list, each company must follow ISO Standard 18000-2 through 18000-7 that applies to the specific frequency level of the tag (Glidden, 2004).

The first retailer/supplier pair to introduce RFID into the market was Procter and Gamble and Wal-Mart. Wal-Mart required its top 100 suppliers to change from bar codes to RFID tags by January 1, 2005 (Rosen, 2005). Currently, Wal-Mart has 104 stores and 36 Sam Club locations set up with tag readers to monitor all tagged merchandise. Proctor and Gamble, one of Wal-Mart's suppliers, was able to meet the deadline and delivered all pallets with the RFID passive tags attached. Currently, Wal-Mart has a 99.7% accuracy rate with all reader and tag interactions (Roberti, 2005).

There are three major benefits for businesses as well as consumers including cost reductions, revenue increases, and security. These benefits make it easier for businesses to increase shareholder's wealth, while creating an atmosphere that both employees and consumers can enjoy.

RFID reduces cost through lowering inventory levels, waste, manual checks and handling, and customer claims. The retailer achieves lower inventory levels because products will be monitored by the computer system and tag readers. When ordering is taking place, the computer notifies the retailer of the exact repurchase count. This eliminates back stock and over ordering by employees. Asset utilization is achieved because limited products are kept on hand, increasing product turnover for the company (Business Benefits, 2005). Unlike bar codes, these tags can be reprogrammed for each shipment; therefore, there is less waste (i.e. paperwork) involved. Manual checks and handling costs decrease because employees do not scan every bar code. Instead, the employee steers the pallet through the readers and the new merchandise is automatically entered into the computer system, which reduces the chance of products being damaged. Another cost cutting advantage of RFID is through customer claims and deductions. The reprogrammable tags allow the price to be automatically updated, even if the product is on the shelf. This will eliminate customer discrepancies in price and the cost to the company. These tags also notify employees of the out of date merchandise allowing the employees to remove the merchandise from the sales floor (Business Benefits, 2005).

Increasing revenue is another benefit in using RFID technology. By accurate inventory levels, the company eliminates the chance that products are out of stock. This is convenient for both parties because

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the retailer is able to increase sales, while providing customers with the merchandise of their choice. Since the paperwork decreases for retailers, employees can provide remarkable customer service, which will increase customers' chances of returning to the store or recommending the store to co-workers or friends (Business Benefits, 2005).

Enhancing security and reducing theft is the last major benefit of RFID technology. To enhance security, the United States government has started to implant tags inside the United States dollar. This produces an authenticity to the currency, while reducing the possibility of counterfeiting (Makow, 2005). The United States government is not the only country participating in this attempt the European Union has also inserted these tags in their currency. This allows governments to track money, which will reduce chance of illegal opportunities worldwide (Watson, 2005). Theft is another large problem for retailers in the world today. RFID can lessen this problem because these tags can be inserted into packages and are not deactivated until the product is paid for at the registers. There are tag readers at every exit to the store, which will sound if the tags are not deactivated (Wikipedia, 2005).

Some emerging applications related to RFID tags are VeraChip, the "magic wand", and the "Smart Key". VeraChip, which is a tag that can be inserted into a human's body, will contain a person's entire medical history along with the identity of the person (FDA OKS Medical Chip, 2004). The "magic wand", like SpeedPass, lets customers wave their wand at McDonald's and pay for their fast food order. This wand is attached to a major credit card or debit card (Brewin, 2001). . Finally "Smart Key", developed by Toyota's research and development department, is designed to allow owners easy access to their car. The sensor unlocks and automatically starts the vehicle for the owner (Toyota Hybrid, 2003).

Conclusion

In conclusion, this technology has the capability of creating an easier life for consumers and businesses alike. New innovations, like hassle free grocery shopping, and buying fast food with the "wave of a wand", are two of several different opportunities that RFID technology provides for consumers. From the supplier's perspective, this new technology is improving the way business is done.

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DROP ON THE HOT STONE: THE STATUS OF WATER IN MODERN CIVILIZATION

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Introduction

It is one of the most basic aspects of life on this planet, and yet one of those most important ones. Water, the world's most basic resource, has always been of great importance for both human civilization, and the general survival of the human species. Its uses and roles include hygiene, nourishment, transportation, and finally manufacture, as it is a central resource in many industrial processes. The advent of industrial use, however, along with the strong population growth of the last few centuries, have rendered this once abundant resource valuable, and forecasts indeed list it as a scarce resource. In their quest to sustain abundant supplies of water, a number of different institutions, from governments to private industry, have taken steps to improve existing purification systems, as well as preventing pollution. These steps, not always crowned with success, can be roughly divided into five categories, from whence recommendations can be made for the sustenance, and improvement, of that most critical resource.

Analysis

Given its status as a vital resource, it comes as no surprise that a number of players are involved in the management of water. While some, such as the multinational organizations, seek to remedy the greater shortages of the world at large, others, specifically country governments, tend to focus more on providing water to their constituencies, both to improve the standard of living in their countries, and to curry favor with voters, while simultaneously reducing costs for healthcare. These projects, however, tend to be expensive, as technology and infrastructure needs to be acquired or improved, and maintenance becomes necessary to enable to an effective continued supply of water to the people. Hence, privatization becomes an option that many governments have followed, opening up their water industries to private management or even foreign investment. The results of this can be beneficial to a country, or can hurt citizens more than an inefficient system created and run by the government itself.

In their quest to provide citizens with water, governments tend to go to great lengths, engaging in investment, modernizing systems, or even threatening or maintaining conflict with their neighbors. Nowhere is this more apparent than in the case of Israel.

A water starved country in the Middle East, Israel has long been in the unenviable position of having water supply problems. This has forced the country engage in some desperate measures, such as trading their advanced weapons systems to Turkey in exchange for water, or maintaining a state of constant conflict with neighboring Syria, as well as its own Palestinian population, to retain control of wells and water sources vital to its population's continued prosperity. The modern history of water conflict in the region dates back to 1967, when Syria sought to build a canal that would divert water from two tributaries to the Jordan River. Faced with a growing shortage of water, Israel responded with artillery barrages and air strikes, eventually bringing work to a halt, and unofficially beginning the Six Day War which would consume the region. To this day, the Israeli army occupies the Golan Heights, which originally were part of Syria, to prevent that country from using, and thus polluting, water ways vital to Israel.

Other examples of water politics include Australia, where a stock exchange system was developed for the trade of water rights, as well as Egypt, where the government has issued threats of war against Ethiopia due to that country's desire to use part of the Nile River's water for its own uses.

When the public sector no longer has the funds to sustain its water systems, or citizens demand an increase in productivity, many governments seek to privatize their water industries, thus allowing for private investment in the sector, while reducing their own stake in the matter. Examples of this can be found all over the world, from China to South America, and varying degrees of success have been achieved for a number of reasons.

Successful projects include water treatment plants constructed to help the Middle East and the Caribbean islands, as well as the privatization of China's water systems, which have allowed for large

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amounts of foreign direct investment to flow into the country, and thus provide not only employment and clean water, but also much needed technology and management expertise.

Failures, however, do abound. From flawed project designs, like the Shouaiba water treatment and power project in Saudi Arabia, where a plant was to be constructed in an area originally designed for a natural gas project, to Buenos Aires, Argentina, where privatization worsened an already existing supply problem, costing the poor citizenry more than it would have benefited, troubles have come to characterize many privatization attempts, causing many to question the overall usefulness of such projects.

A third group involved in the struggle for water purity and safety are international organizations, such as the United Nations and the World Bank, which seek to provide feasible projects and guidelines for countries to engage in to remedy their individual projects, while keeping costs at a reasonable level. The United Nations Taskforce on Water and Sanitation has for years engaged in projects that would improve the water supply situation in developing countries, and, while some successes have been achieved, retain the Millennium Development Goal of halving the number of people without access to clean water by 2016. The World Bank has seen some tangible success in its projects, such as bringing water distribution systems to Georgia, a former Soviet Republic racked by political instability and municipal government poverty.

Conclusions

Given the successes and problems encountered in the various approached to water supply improvement, a number of recommendations can be formulated that may aid countries. Changes in population policy to restrict growth certainly can be seen as a measure to prevent shortages, but its potential side effect of economic development would require more water for industry. This industrial revolution would call for countries to pursue new avenues of technology to minimize water usage and pollution, thus reserving more clean water for civilian use. On the international playing field, policies of cooperation may benefit countries more than adversity. Finally, when engaging in privatization, countries should seek to create feasible projects, and carefully choose companies based on expertise and honesty. Taken together, these recommendations should allow countries to improve their water supply systems, and ward off humanitarian crises. that may arise from acute shortages of the precious resource.

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OUTSOURCING: WHERE IS IT HEADED AND HOW DOES IT EFFECT OUR ECONOMY?

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Today's world is marked by increasing global relations. Communications, travel, technology, and trade all contribute to the growth of globalization. Socially, politically, and economically, nations are becoming increasingly intertwined. This is seen in trade negotiations, cultural influences, and most importantly to United States workers, outsourcing offshore.

"Outsourcing offshore" can be a frightening phrase, suggesting loss of domestic jobs and increased unemployment. However, when the facts are reviewed, this daunting idea doesn't seem so bad. There are many questions to be asked. Primarily: Where do these jobs go? When a firm considers a location to send a process, there are characteristics that make certain countries liable targets. Another issue is the types of jobs being sent overseas. At first, only manufacturers were worried about losing their jobs, now, IT workers face competition from other countries.

Often, discussions of outsourcing lead to negative prospects for the United States economy. In the long run, however, some predict that there will be a trend of global development and betterment of all economies involved. There are many good arguments in this debate which leads to a brighter conclusion than many see.

Top outsourcing locations for IT: Assessing potential risks and benefits

Throughout the decision to send production or services abroad, there must be analysis of prospective locations. Though cost is the most fundamental issue, there are other criteria to explore. According to the Global Outsourcing Report, recently published in the CSI Insight magazine, the most important features to weigh are "quality and speed to market," (Minivich 2005). Mark D. Minivich and Frank Richter, both business executives at international firms, compiled data and ratings, along with predictions for the near future. They established the Global Outsourcing Index (GOI) which ranks nations based on a scale from one to five, one denoting the lowest risk. Each country's assigned rating reflects a comprehensive analysis based on three factors: cost, risk, and cultural compatibility. According to the GOI, the top five outsourcing locations are India, China, Costa Rica, the Czech Republic, and Hungary. However, by 2015, these positions are predicted to shift substantially.

Therefore this study produced the Future Outsourcing Rating (FOR). In terms of GDP and population growth, quality of laborers, and analysis from business experts, the top five positions are predicted to change in the next ten years. One considerable change is the inclusion of the United States in the top five as other countries are predicted to outsource high tech service jobs to the US.

Loss of Jobs and Unemployment

It is a fact that there has been a recent decrease in jobs and weak growth in the manufacturing sector. However, this is not necessarily directly correlated to the increase in global outsourcing. The cause can be more accurately traced to a reduction of manufacturing companies and increased technological advances.

Automation has been the number one job taker since 1900. At the beginning of the twentieth century, 40% of the US population was employed by the farming industry, compared to 2% today. Similarly, in 1940, 38% of the population was working in a factory on the production line. Now, it is only 17%. This phenomenon is not likely to slow down and will cause extensive job loss in the future.

It is not just the United States that has seen this decline in manufacturing activity. China, the country that is supposedly gaining all of the US jobs, experienced a 15.3% loss in manufacturing jobs between 1995 and 2002. These figures demonstrate that this is not solely a US epidemic and is not only the result of big business decisions to send jobs overseas.

Though the manufacturing industry has taken a big hit in the past, the growing concern now lies with the IT industry. Though offshoring has had an effect on job loss in this market, the result has been minimal. According to a report released by the U.S. Labor Department, only 16,073, or 3% of IT layoffs in

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the US are due to offshoring. Additionally, the numbers suggest a significant decrease in IT layoffs during the last three months of 2004.

Many think that outsourcing will lead to higher unemployment in the future. However, today's statistics render these concerns unwarranted. The unemployment rate has actually been dropping since the middle of 2003 despite the increase in offshoring. When compared to historic unemployment rates, the 5.4% rate in February 2005 is relatively low.

Future Benefits

Though there may be a short term threat to job security, outsourcing may provide some valuable long term benefits. Lower labor and production costs overseas lead to lower expenses for companies. Investment in developing economies will lead to increased trade and foreign investment. Increased investment and economic development will have a positive effect on the standard of living in all involved countries. Interestingly, India has been "outsourcing high value services to Britain and the *United States* because they cannot be done in India." Already, the U.S. has been reaping some benefits of outsourcing.

There is an argument that economics should be analyzed at the global level. With increased integration of the world, business development will not be left behind. If business is seen on the global level, it does not matter if a business has its plant in the United States or in another country, as long as it is leading to profit and job creation. Not to say that all negative outcomes will be countered by positive effects in the future, however, some positives are likely to be gained in the process.

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THE ECONOMIC AND SOCIAL EFFECTS OF AMERICAN DRUG POLICY

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Introduction

The "war on drugs" is a fight that the United States government has been waging for quite some time. It is only natural then to ask what kind of results this war is yielding. The main objective of this paper is to evaluate the effectiveness of American drug policy in achieving its stated goals by analyzing the overall intended and unintended economic and social consequences of the current policy. Once a comprehensive evaluation of the current drug policy is established, the effects of possible alternative policies are considered. These alternatives include the decriminalization and/or legalization of certain drugs on one

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side of the spectrum, and increased funding and enforcement of drug prohibition on the other. By far, the most controversial of the prohibited drugs in the U.S. is marijuana, and any discussion regarding some sort of reform in drug policy undoubtedly starts with this drug. Therefore, the exclusive focus of this paper will be on marijuana and the positive and negative effects that differing policies would have on it.

As we all know, the current policy concerning marijuana in the United States is prohibition. Basically, marijuana is illegal to use, sell, or possess in the U.S. This policy "seeks to minimize or prevent use of marijuana with strong legal sanctions and aggressive interdiction of supply routes" (Joffe & Yancy, 2004, p. 633). Some evidence suggests that current drug prohibition has enjoyed moderate successes. According to a University of Michigan study, "the percentage of high-school seniors who reported using any drug within the past month decreased from 39 percent in 1978 to 26 percent in 2001" (Dobbs, 2003, p. A12). A 2004 article stated that there has been "an 11 percent reduction in youth marijuana use over the last two years, while perceptions of risk have soared" (Walters, 2004, p. 42). However, there is also much evidence that the war on drugs has not been effective in achieving its goals. Despite the widespread campaign aimed at eventually eliminating drug use, the CQ Researcher (2005) reports that approximately 80 million Americans admit to having used marijuana at some point, while nearly 15 million Americans admit to being current users. Studies cited in the Finance CustomWire (2005) show that nearly one in every three Americans have tried marijuana, with user rates highest in the 18 to 20 age range.

Even if a degree of success is admitted, it comes at a hefty cost. The war on drugs has a massive and ever-increasing budget – $18.8 billion were shelled out by the federal government in 2002 alone as reported by Jensen, Gerber, and Mosher (2004). It has also been estimated that annually, state and local costs for marijuana-related arrests are $7.6 billion, or approximately $10,400 per arrest as identified in the CQ Researcher (2005). A number of social costs have emerged as a result of drug prohibition as well. One result of prohibition is the emergence of a huge black market. The result is that casual recreational users are forced to come in contact with a dangerous criminal element in order to make their purchases. Economist Daniel Klein declares that drug prohibition "creates a black-market combat zone that society cannot control" (as cited in Thornton, 2004, p. 93). In this underground economy, no regulations of purity exist and marijuana is sold alongside and often laced with a variety of harder drugs.

Decriminalization

Many drug reform advocates have called for some form of decriminalization and/or legalization of certain drugs such as marijuana in order to eliminate or decrease the economic and social costs associated with prohibition. Economically speaking, decriminalizing and/or legalizing marijuana would necessarily lead to an overall increase in welfare. "Free trade benefits all parties. It can be assumed that if drugs were legalized, and thus were a part of the market, both the buyer and the seller would gain. Each time a trade occurs, the welfare of both parties is improved" (Cussen & Block, 2000, p. 525). Indeed, the government would be able to gain substantial revenues from taxes and the country as a whole would enjoy an increase in Gross Domestic Product. Social benefits may also arise by bringing marijuana into the legitimate market where it would be regulated for purity and safety.

Defenders of the current policy of prohibition argue that a relaxation in marijuana laws would undoubtedly lead to a sizeable increase in consumption and that a number of significant negative effects would result from this increase. Economists draw on basic economic principles to account for this proposed increase. "No student of supply-and-demand curves can doubt that marijuana would become cheaper, more readily available, and more widespread than it currently is when all legal risk is removed" (Walters, 2004, p. 41). Economist Paul Taubman also supports this line of reasoning, noting that "since decriminalization would sharply lower prices, there would probably be a noticeable increase in use of drugs and new users and addicts" (as cited in Thornton, 2004, p. 99). Increased use may cause negative economic and social effects. Health-care costs would almost certainly increase, and increased marijuana use may also influence educational attainment through its impact on cognitive functioning, and hence influence human capital accumulation (Pacula, 2004). Social costs may also arise – a decrease in the health of a greater number of citizens is as much a social issue as an economic one. Also, marijuana use may cause adverse effects on coordination, judgment, reaction time, and tracking ability which may substantially contribute to the number of unintentional deaths and accidents, especially those associated with motor vehicles (Joffe & Yancy, 2004). More general than this, some argue that the decriminalization/legalization of marijuana would admit a general acceptance of drug use in our society and that this would send a dangerous message to America's youth.

The negative effects of liberalization in drug policy are contingent upon if and how much marijuana use actually increases. In order to evaluate this, comparisons to other more liberal nations is necessary. Comparisons to the Netherlands, which has widespread decriminalization, give mixed results. From 1984 to 1996, marijuana consumption grew steadily until 1992 while use in other nations decreased or remained stable during this same time frame. However, marijuana use in the United States and Norway experienced steady increases from 1992 to 1996, making it difficult to ascribe any change in marijuana use after 1992 to the more liberal drug policies in the Netherlands (Joffe & Yancy, 2004). Also, a comparative study conducted by Reinarman, Cohen, and Kaal (2004) between San Francisco and Amsterdam showed almost identical statistics in marijuana use rates and patterns between the two cities, further supporting the notion that drug policy does not significantly affect use. We can also gain insight by comparing current marijuana prohibition to previous alcohol Prohibition from 1920 to 1933 in the U.S. Alcohol Prohibition aimed to significantly reduce alcohol consumption, but ultimately failed to do so. In addition, a number of economic and social costs arose as a result of Prohibition, leading to its repeal in 1933. Many marijuana reform advocates point to this example in our nation's history as proof that prohibition policies do not work.

Conclusion

Given the substantial economic and social costs associated with the current prohibition drug policy and its overall inefficiency in achieving significant reductions of drug consumption, it is apparent that the existing policy is in desperate need of a change. Although a policy of decriminalization may bring with it a host of new economic and social costs, these costs could hopefully be combated effectively by the increased tax revenues of a decriminalized drug trade, which could fund payment for drug treatment and awareness programs. Therefore, of the currently devised drug policies, decriminalization appears to be the most effective alternative for maximizing the overall economic and social welfare of society.

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WHEN POKÉMON MEETS MICKEY MOUSE: POPULAR CULTURE AND INTERNATIONAL MARKETING

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Advisor: Dr. Ed Chung

Introduction

What attracted hundreds of children, teenagers, and their parents to Anaheim, California in July 2004? A summer vacation visit to Disneyland, which is one of the city's most popular attractions, is not the answer. Instead, the group converged at The Anaheim Convention Center for the Anime Expo 2004 (Palmeri & Byrnes, 2004). The event is sponsored each year by the Society for the Promotion of Japanese Animation (http://www.anime-expo.org/2005main.html). The juxtaposition of the gathering in support of the very popular Japanese cartoon style and the nearby home of one of American's most famous cartoon characters, Mickey Mouse, presents an interesting look at popular culture at work in the United States today (Palmeri & Byrnes, 2004).

Business has become increasingly more internationally focused through such developments as globalization and innovations in technology and communications. World trade affects nations, firms, and individuals, and has expanded over the past three decades from $200 billion to almost $7 trillion. It is now practically impossible for a country to exist in "economic isolation" (Czinkota & Ronkainen, 2004). These changes have affected international marketers as they have found it necessary to develop strategies for many parts of the world, often taking into consideration a country's popular culture (Czinkota & Ronkainen, 2004).

Popular culture is the current, everyday culture that exists in a given modern society. It is the "vernacular culture that prevails in a modern society" (Popular Culture, 2005). Marketers must stay abreast of popular culture in their efforts to appeal to various markets because, as its name implies, popular culture has wide appeal across a market and because popular culture does not remain stable. Oftentimes, success for international marketers is a "function of cultural adaptability" (Czinkota & Ronkainen, 2004).

Two of the main influencers on the formation of popular culture are globalization and changes in communications. Globalization is taking place as people across the world become increasingly similar in their wants (Tharp, 2001). Harvard professor Theodore Levitt, in his 1983 book, "The Marketing Imagination," supports and explains globalization. Levitt claims that technology drives the world to "commonality" and helps to homogenize markets across the globe. Homogenization of wants allows for the existence of global markets and globally standardized products (Levitt, 1983). Through globalization, people around the globe become more exposed to each other, which means that items popular in one area can become popular in another. Connected with the idea of globalization is the possibility for the existence of a global consumer culture. Global consumer culture involves consumers around the world becoming connected and united to such a large degree that they have the same wants. This process is greatly aided by developments in communication.

There are changes both in the number and types of media options available to international marketers. In her 2001 book, "Marketing and Consumer Identity in Multicultural America," Marye C. Tharp argues that today it could be stated that few types of media truly reach mass markets because of the variety of options that divide consumers into smaller segments. One example of this change taking place involves network television. Today network stations are declining in popularity due to cable and satellite programming that is increasingly aimed at more specific target markets like sports fans or people who like to cook (Tharp, 2001). International marketers must therefore carefully segment their market and carefully select the type of media they use in their marketing efforts. The role of communications in the formation and development of popular culture is two-fold. Communications transmits advertisements, which some feel instructs society on how to dress and what to like. Communications efforts may also serve as a reminder to consumers as to what is popular (Schiffman & Kanuk, 1991).

How do marketers determine what is popular and what will appeal to their target markets? Surveys and interviews are two ways of revealing what appeals to members of a market. Because popular culture involves what is accepted at the moment, perhaps the best manner to determine popular ideas and

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items is to directly interact with members of the market that is to be targeted. For instance, there is a market research firm called *Look-Look*, that sends out "cool hunters," which are teenagers or college-aged students who themselves could be described as "cool," to interact with the market and report back to the research company about what is "cool" at the moment (The Merchants of Cool, 2002).

Analysis

The specific example of Japanese popular cultural items and its role in the United States was examined and researched. The United States has been considered a popular culture powerhouse for many years. American films, music, and even food have become popular throughout much of the developed world in recent times (Palmeri & Byrnes, 2004). Japan's increased popularity is related to increased competition from China and Korea. China and Korea can generally produce their goods more cheaply than Japan. Japan has therefore had to seek a new element for differentiation. Japanese producers have begun to focus on design and fashion. By making high-quality fashion items, they have entered into a different niche. Now many Japanese products are viewed as sources of high-fashion and quality design, which aids in the possibility that these products develop into popular cultural items (Palmeri & Byrnes, 2004). Examples of Japanese cultural items that are specifically addressed in the paper as Japanese cultural items that have become popular in the United States are: Pokémon, Nintendo, Hello Kitty, samurai fight scenes, Godzilla, The Iron Chef, and The Mighty Morphin Power Rangers (Schilling, 1997).

Conclusion

Popular culture must be addressed by international marketers. This idea seems straight-forward and easy to accept. In order to appeal to various markets, marketers must address, or even utilize, the ideas and images that are currently a part of their consumers' mind. At the same time, and within the context of their global segments, international marketers must not ignore traditional elements of culture. Modern communications systems have helped in the development and spread of popular culture by linking people across the world. Globalization also plays an important role in the development of popular culture. The world has become a seemingly smaller place through globalization and international marketers now have a great opportunity to appeal to similar market segments around the world.

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FED POLICY: OBSERVATIONS & RECOMMENDATIONS

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Chris Williams [2]

Advisors: Dr. Maurice Hoppie, Dr. Sanjay Paul

Introduction

In June of 2004, the United States Federal Reserve implemented a monetary policy of marginal interest increases. This strategy consisted of raising the interest rate by 0.25% every two months. The interest rate at the time of this publication is 2.75%. We believe this policy is sound and recommend its continuation. The objectives of monetary policy include controlling inflation, sustaining economic growth, and maintaining stable employment. To support our case for the continuation of the current monetary policy, we will demonstrate that these goals are being met, provide a historical analysis of similar monetary policies, and address concerns with Fed's strategy.

Analysis

First, we will discuss inflation. We used the consumer price index (CPI) to measure inflation. CPI steadily rose from December 2003 through May 2004, but, in June, inflation began to rise less rapidly. This leveling off of CPI coincides with the implementation of the restrictive monetary policy (see Fig. 1).

In 2005, we expect continued control over inflation due to less rapid rises in oil prices and positive economic forecasts.

Economic growth in the United States has remained strong and stable around 4% since the middle of 2003 and is projected to remain at this level through 2005. In addition, unemployment rates are down from 6.4% in June 2003 to 5.4% in February of this year, and nonfarm payroll employment has been consistently rising since the middle of 2003. As a result of this research on inflation, economic growth, and employment levels, we feel that FED policy has met its three objectives in the recent past.

To be reassured of the accuracy of positive economic forecasts through 2005, we also looked at the key variables comprising the index of leading indicators. This index is made up of a group of ten items that generally swing up or down before the economy as a whole does. This index has remained relatively stable over the past nine months, and has been increasing slightly since October. This movement is demonstrated in Fig. 2.

Next, we turn to a historical analysis of two prior marginal interest rate increases in order to examine their effectiveness in hopes of hypothesizing about the effectiveness of the current monetary policy. We looked at the marginal interest rate increases beginning in 1994 and ending in 1995. To determine their effectiveness, we asked ourselves if the strategy met the goals of monetary policy. Concerning inflation, CPI was rising 0.3% per month prior the interest increases and, after the policy was enacted, CPI remained steady at this growth rate.

Turning to economic growth, GDP was growing at around 3% per quarter before the interest rate increases and continued to grow at approximately the same rate afterwards. Finally, unemployment fell from 6.1% to 5.6% after the policy began. The second instance of incremental interest rate increases we examined began in 1999 and ceased in 2000. Looking at the same three objectives of monetary policy, we found that inflation remained stable, only increasing 0.1% per month after the interest increases; GDP continued to grow at approximately 4% per quarter; and unemployment fell from 4.2% to 4.0%. Thence, we find that in two past instances in which the Fed has invoked marginal interest rate increases the policy has proved effective.

Recommendations

As a result of our findings on key economic variables, we recommend an interest rate policy consistent with the incremental increases that have occurred over the past year. Although policy concerns such as rising oil prices, the continual threat of terrorism, and the U.S. current account deficit exist and could

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hinder the effectiveness of the recommended policy, we feel these increases should occur until the federal funds rate reaches a more sustainable base level of 3-5%.

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Fig. 1. Consumer Price Index for 2004

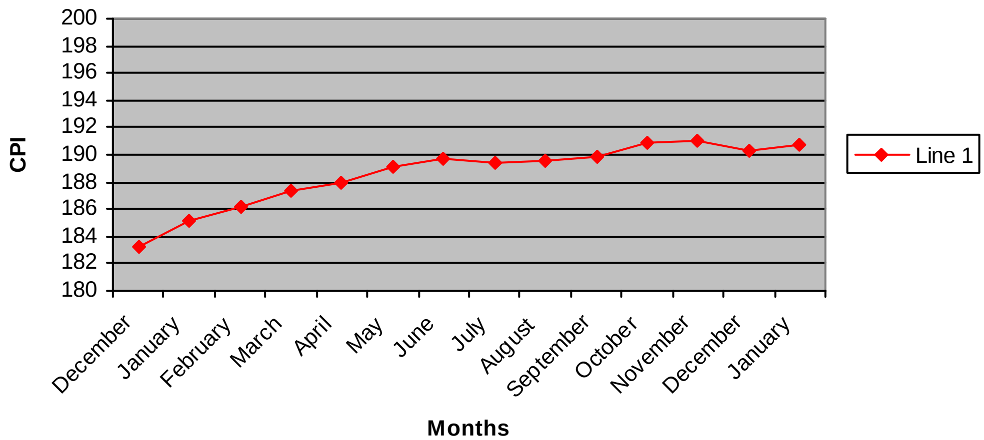
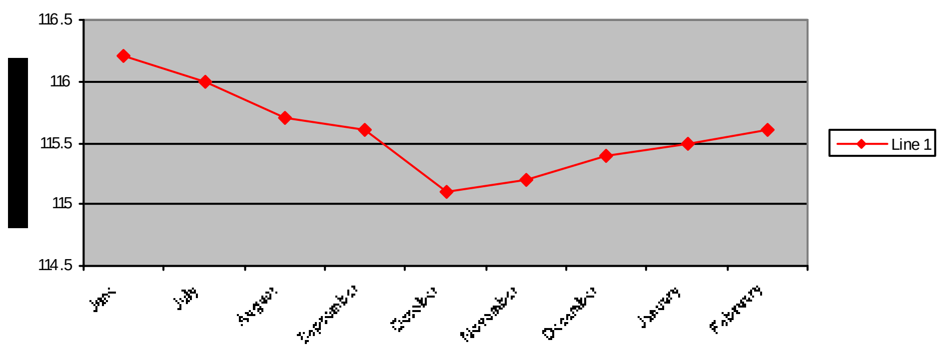


Fig. 2 Composite Index of Leading Indicators Over the Last Nine Months



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