

The Daily Tar Heel

95th year of editorial freedom

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Beware of the Wall Street bear

Today's stock market is so complex that many people don't know how to analyze it.

board opinion

On Monday, the Dow Jones average of 30 industrial stocks fell a record 508 points, or 22.61 percent of its value. That's much greater than the 12.82 percent fall on Oct. 28, 1929, preceding the Great Depression.

The media has been awash with theories explaining why the market fell, stories of the panic created by its fall and scenarios for what will happen in the future.

Ignoring all the speculation and hyperbole, investors can learn lessons from the historic fall.

For the student who may be making his first investment, one lesson is especially important: to listen to those financial advisers who suggest not investing in the stock market without the surplus cash to do so.

Take the example of the student who used savings to purchase shares of Telerate at \$18 per share in March 1986.

Three weeks ago Telerate was at \$53 per share. Its owner had made \$35 on every share he bought, or an increase of nearly 200 percent over the original price.

Because he needed money and heard

that a fall was coming, he sold the shares.

On Monday, Telerate closed at less than \$11 per share. Had this student not seen the fall coming — and many much better informed people didn't — he might have waited until after Monday to sell the stock. His financial outlook would be very different.

The people who really were hurt by Black Monday are those who came into the market as short-term investors and guessed that it would rise.

Investors who hold long-term portfolios have only been hurt on paper. Since they don't need access to their money now, all that has happened to them is that the value of their portfolio has declined.

Such investors are looking at the long-term picture, and know that in ten years their portfolio will be worth more than it was when they bought it.

In today's market, dominated by big institutional traders, the small investor has almost no say in the direction stocks move. The small investor who looks to short-term increases is taking a gamble.

Students who have a little surplus money now that they'll need soon would be wiser to put it in a bank than in the stock market.

War — what is it good for?

Students at Columbia University's School of Business this semester have had the opportunity to take the class "Corporate Raiding: The Art of War" from Wall Street financier Asher Edelman. Edelman brought his first-hand experience with corporate warfare and his talent for business battleground tactics to the classroom, and much more.

During the second meeting of the class, he offered a \$100,000 finder's fee to any student who discovered a company that he could take over.

Edelman maintains that Columbia's administration initially approved his reward. However, John Burton, dean of the business school, last week demanded that the offer be withdrawn, saying that Wall Street ethics came into conflict with those of the classroom.

But Edelman argues that he is trying to show his students the reality of the business world. His reality is one of short-term shareholder values and greed, of merciless takeovers and ruthless moneymaking. The course title says it all — "Corporate Raiding: The Art of War." He is promoting the business world as a battlefield, where ethics disintegrate in the struggle to maximize profits and stock values.

The problem with the \$100,000 headhunter's bounty is that instead of teaching students the value of efficient

marketing strategies or the importance of a streamlined administration, it promotes short-term moneymaking as the important goal — to make as much money as possible as fast as possible. For Edelman, \$100,000 may be just so much Monopoly money to throw around, but for graduate students the reward is so huge that it will become their only goal.

Money becomes the only important thing, and ethics are ignored. Never mind the workers who lose their jobs in a takeover, or the small businesses that are destroyed trying to fend off a takeover bid. Buy them out, Edelman says, win the war.

His defense of his teaching is that students must understand the reality of business. However, he fails to see that by teaching cutthroat values, he is creating the values of tomorrow's business world. Or, lack of values. By exposing students to his version of reality, he perpetuates this reality for the future.

If the trend toward mercenary tactics and ruthless greed is ever to be halted, ethics should begin in the classroom. American business professors should examine the values they instill in students, and decide whether they are teaching what is inevitable in the business world, or designing a cold future that could be avoided. — **Brian McCuskey**

Readers' Forum

Students shape the chancellor's role

Editor's note: UNC Chancellor Christopher Fordham announced Aug. 28 that he will leave his post by the end of the school year. Since then, a 14-member committee has begun its task of finding his replacement.

This is the first in a series of weekly interviews with campus personalities whose ideas may shape the selection process. Brian Bailey, as student body president and an ex-officio member of the Board of Trustees, is the only student member of the search committee.

Daily Tar Heel: How do you see the chancellor's role, especially in relation to the students?

Brian Bailey: The chancellor's role is to run the day-to-day affairs of the campus. He's really in charge of everything that takes place on campus, and when we're sitting on the Board of Trustees we need to realize that, and realize that when we're getting a chancellor, we're not going to go over his or her head on things that are happening on campus. The chancellor's job is not so much to cover things on a statewide level — his or her domain is the boundaries of this campus.

DTH: What qualities should the chancellor have to serve the University effectively?

Bailey: The chancellor needs to understand why students are coming to college. There are a lot of reasons students come to UNC — some of it's social, some of it's the experience of getting away from home; the primary reason is for academics. We hear a lot about how the chancellor needs to be an educator. I agree with that. But what we don't hear as much is that the chancellor needs to understand the whole concept of student life and that he or she needs to work on a program that integrates all these factors and can provide for the maximal student experience here.

Who's Next? The Chancellor Interviews

That means a lot more than the maximal academic experience or faculty/student contact, because there's a lot more to Carolina than that.

When you get past that general quality, you need to have someone who's going to be a good educator, who's going to be a good administrator, who works well with people, who will be able to raise the funds. But the main thing is someone who doesn't come in with a personal agenda, but with a vision of what a university should be like.

DTH: Is it possible for someone to be an educator and an administrator?

Bailey: When you're educating people, you're probably not doing as much administration as when you're working in a bank. I think that administration and education, although they don't go hand-in-hand, can come together in a person. I think we've seen that in Chancellor Fordham.

DTH: How much impact does the chancellor have in shaping the University's direction?

Bailey: He or she has the impact. In the sense that the only University administration official who sits at the table at Board of Trustees meetings is the chancellor, the trustees look at the chancellor as the University. If we're going . . . (to make changes) from within, it's going to take his or her approval. That's why it's so important that we get a chancellor who's student-oriented.

DTH: And what direction should the University take?

Bailey: I guess you have to think about what's bad right now, and what could be better. I can't really do that — I don't think

anything's bad here. The future's holding the key to a lot of new things in Chapel Hill. The bicentennial's coming up — we're going to be raising a lot of funds. The chancellor needs to be able to raise the funds. There'll be a lot of new buildings going up; there'll be a lot of new programs and scholarships. The chancellor needs to be on top of all that.

But the chancellor also needs to steer the University away from the drive toward research. I know that research brings much, much money to the University, but we can't forget that students come to this school because they want to get an education, and if we want people to be doing research in 20 years, we need to be educating them today. We cannot let the money, the high technology of our age, make us eclipse the values that have given UNC-CH such a high national reputation.

DTH: As a member of the search committee, do you think that the chancellor, for all practical purposes, has already been chosen?

Bailey: You're always going to hear the names of the inside candidates. I honestly don't believe that anyone has any kind of an idea at all. We're (committee members) taking applications from everywhere. This is a really hot position, and it'll take a while to go through all the names. There are advantages to being from inside the University community, and there are advantages to being from outside the University community. I don't think we're going to separate them (applications) into two stacks.

DTH: How can students have input?
Bailey: They can come talk to me, they can write letters to people on the committee. That's about all they can do.

Brian Bailey was interviewed by editor Jill Gerber.

Harsh words destroy support

To the editor:

This letter is really addressed to Joey Templeton. Come now — implying that someone who is offended by protest belongs in the KKK or is a neo-fascist isn't very nice. Beyond that, it is insulting, narrow-minded and prejudiced (yes, that awful word). I happen to agree with your position on divestment, and I'm a firm believer in social protest, but I'm afraid your polemic alienates the very people you hope to enlighten. It is true that there is a tragic lack of knowledge and concern about South Africa (and Nicaragua and El Salvador, etc.). However, letters such as yours only hurt in that they close minds and ears to your message.

TRACY K'MEYER
Graduate History

Frustration breeds apathy

To the editor:

For the past two years, I have observed a major problem that exists on our campus — voter apathy. Most students do not vote on campus issues. In fact, campus politicians consider a good election turnout to be 20 percent of the student body, when it should be at least 50 percent to 60 percent. How have we come to accept this turnout as the norm? I see two major causes of voter apathy: the national election syndrome and a plain lack of interest.



The national election syndrome is a label given to the practice of not voting because of the idea that one's vote does not make a difference. When it comes to a national election, one vote obviously does not have the impact that it would in a smaller election because so many people are voting. But when a campus has only 22,000 students, one vote weighs heavily and can change the results. Unfortunately, students do not think their votes have influence. Also, the students do not seem to care about campus politics. They say that they are only here for four or five years, and what happens on campus during that time does not matter. For example, there was an election recently for unfilled Student Congress seats. After the election, three seats were still vacant. Also attached to the ballot was a very important

referendum dealing with the installation of a telephonic registration system. If 10 percent of the student body had voted, then the long lines and frustration that confront students when registering would have been eliminated. Students need to take note and realize that they can make a difference in this and other issues if only they would get involved. Speaking from experience, voting is painless and only takes a couple of minutes.

DAVID MAYNARD
Junior
Political Science/RTVMP

Bicycles are traffic solution

To the editor:
I have a relatively simple and inexpensive solution to both

the traffic and parking problems facing the University and Chapel Hill: Create more bicycle paths and add shoulders to existing roads. In short, take measures to encourage bicycling as a form of commuting by making it safer to bicyclists. Although by no means a cure-all, these measures would certainly lure a substantial number of would-be cyclists into actually venturing forth. In addition, greater recreational possibilities would be realized for everyone. Sure, there is a cost involved, but it would definitely be much cheaper in terms of money, environmental impact and human suffering than either building a new parking lot or extending Pittsboro Street through fraternity court.

WAYNE PEIN
Graduate
Physical Education

Time to stop stock market madness

While most of us were enjoying fall break, pandemonium descended upon Western civilization.

In other words, the stock market dropped. Actually, it dropped a lot. Actually, *dropped* is an inadequate word to describe what the market did — *plummeted, plunged and sank like a stone* are more appropriate terms.

At the end of Black Monday, Oct. 19, the stock market racked up a 508-point collapse, or a 22.61 percent loss. If this figure doesn't mean anything to you, compare it to the mere 12.82 percent drop of Oct. 28, 1929 — the day of the Great Crash that set off the Depression.

The collapse affected stock markets around the world. From London to Tokyo, financial centers were caught in a wave of panic-selling. On Wall Street, brokers heard a disturbing rumor that a diving board would be soon set up on top of the World Trade Center.

In the world of capitalism, mass hysteria was the order of the day.

At least we can be secure in the knowledge that we're not in for another depression — the U.S. government would never allow it. But doesn't this chaos raise some disturbing questions about the necessity of the stock exchange?

Let's face it — the stock market isn't a practical institution. After all, no one

Sally Pearsall News Editor

seems to know why it does what it does. Analysts offer all kinds of crazy ideas to explain the ups and downs of stock. Several analysts, for example, said Monday's fiasco stemmed from a widespread fear that the United States would go to war with Iran.

Now seriously, folks . . . isn't it a little ridiculous to assume that American investors are terrified of Iran? And even if they were, why would they react by purging themselves of all stock holdings? It's hard to believe that hundreds of thousands of teeth-chattering stockholders called up their brokers on Monday and shouted, "My God, we just shelled out two Iranian oil platforms! Sell, sell, sell!"

(Come to think of it, there probably was one event that caused widespread fear and worry, and that was Nancy Reagan's cancer surgery. Americans panicked when they realized that the real leader of the nation was hospitalized while U.S. ships were making a retaliatory strike in the Persian Gulf.)

Whatever the reasons, the stock market is obviously too unstable — and imprac-

tical — for the '80s. Someone should have abolished it back in 1929. It's time for Congress to get a clue and get rid of it. Even with all the regulations, it's out of control.

We don't even need to replace it with anything — let's just go back to the days when companies used their own profits to expand their businesses instead of using capital accumulated from thousands of shareholders. After all, that's how businesses used to get along. They can do it again.

And just think — if Congress abolishes the stock market, all of those small-time investors will be protected from their own reckless tendencies to invest. It'll be one of those "it's for your own good" laws — like the seatbelt law and the new drinking age law.

The fate of the free world is at stake here. And isn't it foolish to allow the fate of the free world to rest upon a bunch of ulcer-plagued maniacs who rush around in a large room somewhere in New York, waving pieces of paper and shouting at each other?

It's time to stop the madness.

Sally Pearsall is an English and journalism major from Mobile, Ala.

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