

WHARTON

M A

Our Very Own Maestro

James DePreist, W'58, ASC'61,
HON'76, on the musical life—
and the long, difficult journey
to music stardom.

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bad, Wharton experts say.

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All Over the Map

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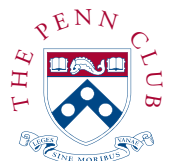
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THE Match GAME

Huntsman Hall. Irvine Auditorium. The Palestra. Almost every Wharton grad knows those landmarks. But how well do you *really* know campus? You're about to find out. Each of the bizarre and whimsical statues and carvings pictured here belong to a building somewhere on Penn's campus. Think you can match each to the building it calls home? Go ahead and give it a try—then, when you're finally stumped, check out the answer key on Page 5.

PHOTOGRAPHY BY KAMILA DYJAS



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I always have been awed by Wharton's capacity to look and move forward—to the next generation of business leaders, to the next research breakthrough, to the next paradigm shift in industry—and 2010 was no exception.

In December the Wharton faculty approved, by an overwhelming majority, a new vision for MBA education, grounded in flexibility for our diverse student body, academic rigor, and continuous innovation of course content. On all fronts the new curriculum design reflects the evolving business landscape, and our firm belief that the leaders of the future must be able to think globally, manage responsibly, and anticipate and adapt to change.

The passage of our new MBA curriculum was just one of the many highlights of an exhilarating year packed with outstanding student conferences, inspiring guest speakers, new renovation projects, and alumni events around the world—to say nothing of the learning and research that takes place on our campus every day. Wharton never ceases to make us proud, and with all we have accomplished, I have a feeling that this new year is going to be even better than the last.

Thomas S. Robertson

Dean and Reliance Professor of Management and Private Enterprise

ON THE WEB

Moving Forward

To read more about Wharton's new MBA curriculum, visit the School's website (www.wharton.upenn.edu) and click on "News."

The Match Game Answer Key: 1. School of Dental Medicine 2. Claudia Cohen Hall 3. The Quadrangle 4. The Quadrangle 5. Claudia Cohen Hall 6. The Quadrangle 7. The Quadrangle 8. Phi Kappa Sigma 9. School of Dental Medicine 10. E. Craig Sweeten Alumni House 11. School of Dental Medicine

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Editor's Letter



The debate over network neutrality and the risks of investing in natural gas. The midterm elections and the economics of Internet advertising. The state of business in Brazil—and the state of sports in Brazil.

Those are just some of the topics that have been explored over the past five months by the bloggers of the new Wharton Blog Network. In other words, yes, we've covered a lot of ground.

But we're just getting started.

When we here at *Wharton Magazine* launched the Wharton Blog Network back in August, our blog experiment was just that: An experiment. We had only a handful of bloggers signed up. We had no idea what our bloggers would write about, how often they'd write—or who would read what they wrote. We didn't know, quite frankly, if this thing was going to work.

Well, as I write this in late November, up to my ears in blog copy, I can confidently say: *It's working.*

Our contributors—Wharton faculty, alumni and senior staff—have proven themselves to be eloquent and insightful, and our readers, it turns out, are rather eloquent and insightful, too; they have responded to our posts, challenged our ideas, chimed in with ideas of their own. And in December, we learned that the Network had won a Bronze Award in the 2011 CASE District II Accolades Awards.

So now, we're taking the next step. We've recently welcomed several new contributors, and we're excited to see what they have to say. We're exploring new sectors—real estate, health care—and hope to further expand our reach in the weeks and months to come. We're even redesigning our magazine website, specifically to accommodate all of this exciting Blog Network content.

Our ultimate goal is to create a truly world-class conversational space—a forum in which the Wharton community can debate and discuss the most pertinent business issues of our time.

We hope that you've enjoyed what we've accomplished so far and we hope, too, that you'll share your feedback with us on what we can improve. Our contact information, as always, can be found at the end of this letter.

But first, here's a quick rundown of some of the highlights of the Winter 2011 issue of *Wharton Magazine*.

- Have you noticed longer lines at your local Starbucks? Well, there's a good reason for that. As Wharton Assistant Professor of Operations and Information Management **Senthil Veeraraghavan** explains in "Long Lines Brewing" (pg. 14), a piece he originally wrote for the Wharton Blog Network, the ubiquitous coffee chain recently mandated that its baristas pay more attention to each and every drink they make. The idea was to improve quality. But as Veeraraghavan writes, the decision also has a downside.

- Wharton has turned out Wall Street titans and television stars, Internet pioneers and pro athletes, Hollywood bigwigs and heads of state. But it may surprise you to learn that the School has also produced at least one winner of the National Medal of Arts, the nation's highest honor for artistic excellence. **James DePreist, W'58, ASC'61, HON'76**, is now recognized as one of the finest and most accomplished conductors in the world. But as you'll read in our cover story (pg. 16), his journey has not always been a simple (or painless) one.

- Just how bad is America's residential real estate crisis? That was the question contributing writer Steven Kurutz set out to answer in his piece, "No Magic Bullet" (pg. 22). The good news? He found an answer. The bad news? It's not pretty. After speaking with industry insiders and experts from Wharton's Real Estate Department, Kurutz paints a bleak picture of the nation's real estate mess—a mess, he writes, that will be cleaned up neither easily nor quickly.

Thanks again for reading, and please feel free to send us your comments, criticisms and more. Letters can be sent via email to letters@whartonmagazine.com or via snail mail to the address at right.

Sincerely,
Tim Hyland / Editor

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Seeking Sustainability

I'd like to see more about sustainability in the magazine, and as a category in the Wharton Blog Network (we have 'Sports Business,' but not 'Sustainability?') Really?).

Wharton seems to be very thin in this area, which concerns me. Over half of the startups I work with or hear about are in clean-tech/green categories and sustainability/alternative energy will arguably be one of the biggest growth sectors of the next two decades.

I hope to see Wharton emerge as a thought leader in this area—the absence of which, I fear, comes off not only as behind-the-times, but worse, more as part of the problem than part of the solution.

Greg Helmstetter, WG'95

Editor's Note: We agree with you that sustainability is an important topic. That's why we've featured it in such stories as "He Won't Back Down" (Fall 2010), "A Battle in The Pacific" (Summer 2010) and "Growing Ever Greener" (Winter 2010), and plan to continue covering the topic in future issues. It should also be noted that the School recently launched the Wharton Sustainability Program (sustainability.wharton.upenn.edu/) to achieve "substantive reductions in the environmental impact of the Wharton community."

Brilliance in the Name of Hate?

I would like to thank you for continually producing a quality Wharton alumni magazine. The new format is a great innovation for the publication.

I am also writing to comment on the Editor's Letter regarding the Gustavus W. Smith Elementary School (Summer 2010). I understand the usage of Gustavus as a leadership figure who did not have adequate plans to conquer the Union army. I was slightly concerned of the unabashed exaltation of Robert E. Lee as a brilliant and decisive general. I would hope that this commentary would be countered with the reality that this brilliance

was in the name of maintaining a hateful slavery system in the South.

As an African American alumna of the class of '92, it was a little jarring to read about Lee without any further commentary to the civil context of the day that was so wounding to the advancement of freed African Americans today.

Please continue to keep up the good work on the magazine. I felt I would be remiss if I did not write you to share my feelings on the particular editor's letter in the summer issue.

Elizabeth Jennett, WG'92



Doing Both
BY ROGER SIDHU, WG'91
A Cisco Executive Explains Why It Makes Sense to Avoid 'Either-Or' Scenarios—Both in Life, and in Business

"Even in the remotest times, long preceding the Christian era, the ancients understood the value of dignifying their labors with impressive works. The Colosseum in Rhodes and the Pyramids of Alexandria were counted among the seven wonders of the world. But the bridge across the Golden Gate would dwarf and overshadow them all."

When James William wrote these words in an August 1904 editorial for the San Francisco Call Bulletin, he was an respected journalist, an aspiring engineer and a frustrated commuter. The Marin County resident bemoaned a long walk they crossing the increasingly crowded waters of the San Francisco Bay to his office in the city. In an era of automobiles, cross-country drives were still the norm and would become a reality of life. But even pedestrians were in the United States looked. San Francisco found its economic growth stymied and its voters plagued with angry demands for better services. Service simply couldn't keep up with demand or population growth in a city surrounded by water on three sides. Without a sustained link to neighboring communities, the region struggled to grow or connect with existing communities.

William's 1904 editorial was a rallying cry. He challenged the beleaguered city, which had only recently rebounded from the brunt of collapse after the 1906 earthquake, to build a bridge on the great east side. William envisioned not only a road between San Francisco and Marin County, but a work of art that would endow the world's great engineering with a new wonder—a monument to the other.

But building a bridge wasn't a daunting challenge. It would need to span more than 2,600 feet across a steel almost constantly generated by the cold, grey bay waters. It more or less than the San Andreas Fault, whose tremors nearly destroyed San Francisco in 1906, the bridge would certainly need to withstand regular seismic activity. It would have to be tall enough to accommodate ships passing underneath its deck. The city estimated the would likely show construction. And the project would need to overcome those obstacles without disturbing the natural beauty of the San Francisco Bay.

Could it be done?

Many had their doubts. But San Francisco native Joseph Strauss, a bridge engineer with knowledge of bridges in his blood,

Strauss initially proposed a combination cast-iron and suspension bridge to span. Properly criticized, his carefully designed was widely derided. "A hybrid monstrosity with little but functionality to recommend" and "an error,"

While he spent eight years lobbying for support from governmental officials, local citizens, fellow engineers, and convinced voters who approved a \$13 million bond to finance construction, Strauss overcame the odds. But he was not done. While he was the chief engineer and the project's most vocal champion, Strauss surrounded himself with a team that had expertise in both structural engineering and construction.

Engineer Louis Malvern joined Strauss after getting a national reputation for his work on the Mackinac Island Bridge. Malvern was especially well known for his pioneering efforts in deflection theory, which stated that a bridge must flex and bend in the wind and without being blown. Malvern and fellow engineer Charles Allen Ellis applied this theory to the Golden Gate Bridge. Working by telegraph from their offices in New York and Chicago, respectively, the two men addressed the seemingly endless series of engineering challenges, eventually designing a bridge that was flexible enough to avoid damage during earthquakes or sustained winds in "blowing" or flat.

Meanwhile, architect Irving Morrow envisioned not just a bridge, but a sculpture that would complement, not undermine, the natural beauty of the area. He was responsible for the art direction, including the side-walks and suspension lighting. But Morrow's most important contribution to the structure's design and his ultimate focus on International Style. With this coloring, the bridge blends with the surrounding landscape, yet is still distinguishable through San Francisco's hazy morning fog.

When Strauss combined Morrow's design with Ellis and Malvern's engineering, the result was a flexible, single span, suspension bridge—one that was longer, narrower, lighter and more graceful than anything the world had ever seen.

"The feat of engineering the Golden Gate Bridge has now survived for more than 70 years. 70 years of one-way cars traverse it each day—more than 40 million per year. But the bridge is a monument not only for transportation capabilities, but also for engineering. The American Institute of Architects called it "One of the greatest engineering achievements of the century."

The American Society of Civil Engineers named the Golden Gate Bridge one of the Wonders of the Modern World in 1994, stating "It's a monument to engineering through the ages."

The collapse of two seemingly opposing ideals—beauty and strength—at the heart of the bridge's design makes it stand out. The city of San Francisco has managed here with modern engineering 100 years on. Would Strauss envision, an artist's design has been sufficient in carrying care to and from San Francisco? Perhaps, but would it really be the Golden Gate Bridge was the longest single-span suspension bridge in the world, a position it retained for more than 20 years. Some decades later, it fell from the record longest single span of any suspension bridge in the United States. It was replaced by a double bridge in Portland, Oregon, but the Golden Gate Bridge still stands as a great work of engineering.

Spanning just six months before the Golden Gate Bridge, the Bay Bridge in the region high level, and bridge in the world. The structure required the greatest expenditure of funds ever used for a single structure in the history of man. Its foundations extend to the greatest depth below water of any bridge built by man ever put was sunk at a cost before war, and another at a cost war. The danger was higher than the height of the Pyramids and required more concrete than the Empire State Building in New York's case.

Send your letters via email to letters@whartonmagazine.com or via traditional mail to: Letters, Wharton Magazine, Wharton External Affairs, 344 Vance Hall, 3733 Spruce Street, Philadelphia, PA, 19104-6360. Letters may be edited for clarity or brevity.

Disraeli? "There are three kinds of lies: lies, damned lies, and statistics."

Good luck to the winner—just a bit of humor in this way-too-serious world.

Benjamin Young, W'89

A Perceptive Reader

The one thing that impressed me most about the 'From the Vault' article on Michail M. Dorizas (From The Vault, Fall 2010) was the fact that he had served in World War I by the time he arrived at Penn in 1913. How was this remarkable man able to serve in WWI before it started?

It is well recognized that World War I started when Archduke Franz Ferdinand, heir to the throne of the Austro-Hungarian Empire, and his wife were assassinated in Sarajevo during the summer of 1914.

Theodore Jon Cohen, W'68

Editor's Note: Yes, Mr. Cohen, you are, of course, correct. We incorrectly worded our piece about Dorizas, who arrived at Penn as a student in 1913 and earned his M.A. in Philosophy in 1915. He did later serve as a sergeant in the U.S. Army, during World War I, in France.

Kudos to Mr. Sidhu
I was very impressed with Inder Sidhu's guest commentary in the most recent edition of *Wharton Magazine* ("Doing Both," Fall 2010).

It was extremely well written, very interesting and chock full of excellent ideas. As a native Californian, I have an enhanced appreciation for our magnificent Golden Gate Bridge.

George J. Moore, WG'63

Regarding that last 'Final Exam' Challenge ...

I am a Wharton undergraduate (class of '89) who enjoyed statistics (Final Exam, Fall 2010). But it was an English class that reminded me of one of my favorite quotes from Mark Twain ... or was it the 19th Century British Prime Minister Benjamin

Debris

At the Center of the Storm

Betsey Stevenson has made a name for herself in the world of economics as an expert on issues of “happiness.” So how in the world did she end up at the U.S. Department of Labor, serving the Obama administration as that department’s Chief Economist?

It may seem an odd fit, but Stevenson, an Assistant Professor of Business and Public Policy, sees the progression as a natural one. As she explained, economists, like the U.S. government, are interested in the well-being and happiness of the public. In this new role, Stevenson will actually have the opportunity to influence that happiness.

As Chief Economist, Stevenson will inform policies on unemployment insurance, job creation, job training and readiness, the minimum wage and retirement security. And she’s taking on the role at an especially crucial and challenging time.

But the center of the storm is where Stevenson wants to be. At the end of October, she answered a few questions for *Wharton Magazine*.

The challenges the Department of Labor faces now are daunting. Why is this the time for this particular career move?

This is an historic time to be a policymaker working on employment issues. It’s an historically bad time for workers, with unemployment hovering near 10 percent, but this makes it the most important time I could ever work fashioning labor market policy. I truly hope that in my lifetime, this is the worst labor market the United States faces.

The policies that we implement in response to this—or that we don’t implement—will shape

Betsey Stevenson made her name studying ‘happiness.’ Now she’s working to tackle the misery of unemployment.

the labor market for several decades to come. Recessions don’t just come and go. They leave a lasting legacy. The response of the labor market will guide the research agenda of my generation of labor economists for several decades to come.

Your research has confirmed that life satisfaction in America itself has been stagnating for decades, despite increases to personal wealth, which is usually correlated to happiness. Why?

What we see in the research is that richer countries are happier countries. When we look across time we see that as countries like Japan or many in Europe have gotten richer, their citizens have gotten happier. But here, the United States is a bit of an outlier—we’ve gotten richer over the past four decades, but we haven’t gotten any happier. So we’re left wondering why we’re not getting happier.

I can offer some possible explanations. If you look over this period of time from the 1970s to today, you see Gross Domestic Product increasing. But most of these gains have gone to very few people. The income held by the top one percent has more than doubled and the income going to the top five percent has also increased. As a result, a third of all income in

the United States goes to the top five percent.

So what we’ve seen are rising incomes for the rich, but not a lot of improvements in the middle. The improvements that have happened in the middle have been driven by women’s increasingly equal role in the labor market. The typical man in the United States hasn’t actually seen his real income rise. And some of the rise in household income has come from women working longer hours in the market instead of working those hours unpaid in the home. So it is worth asking just how much happier the typical family should have gotten from the income gains that have accrued in the United States over the past several decades. My research suggests that we should have gotten happier, but not by very much. If we can produce broader income gains, then it is likely that average happiness in the United States will rise.

You’ve spent a lot of time in your career researching marriage, divorce and families. So how does that work relate to what you’re doing now in the Department of Labor?

A lot of my research on families has been focused on understanding women’s changing roles in the labor force. Of course at the Department of Labor I’m thinking about everyone’s participation in the labor force—Secretary [Hilda] Solis’s goal of “good jobs for everyone.” But within this goal is an understanding that work/family balance is important for helping families have good, sustainable jobs.

What I’ve seen in my research is that moms and dads are playing more equal roles in terms of taking care of their kids. That has contributed to moms being able to participate in the labor force, but equally, moms’ growing value in the

ef

labor force has pushed families into more equal sharing of household work. This shift means that employers need to realize that all parents need the ability to leave to take a kid to a doctor's appointment or pick a kid up from day care on time. The division we used to have in traditional 1950s-style households meant that historically employers didn't have to worry about letting male employees take time for family responsibilities, but those days have come to an end. Employers need to give families the flexibility to fill all of their roles.

As the economic recovery begins, many individuals remain among the long-term unemployed. What do you make of the argument that the long-term, structural level of unemployment has increased because of the economic crisis?

There's not a lot of evidence that the problem is structural. Structural unemployment is when we have plenty of available jobs, but employers can't find suitable workers to fill them. With structural unemployment firms are unhappy because they can't find workers, and workers are unhappy because they can't find jobs. Right now we just don't have that problem. When jobs open up, there are many workers ready and able to fill most of them. Today's problem is simpler: there simply aren't enough jobs.

There's been concern because we've seen the number of job vacancies rise, but this hasn't caused a corresponding fall in unemployment. This is a pattern that often occurs at the beginning of a recovery. Perhaps employers become overwhelmed with the number of people applying for a job opening, and so they're slower in filling those positions. But that would be



DENNIS DRENNER

“The United States is a bit of an outlier. We've gotten richer over the past four decades, but we haven't gotten any happier.”

a temporary problem, while structural unemployment is an entrenched problem.

There are always jobs that are harder to fill because the labor market is a dynamic, moving thing. The health care sector is growing, for example. It grew throughout the entire recession and it will continue to grow, while construction has declined. We are continually shifting our needs as a society and thus some sectors grow, while others contract. But we haven't seen an acceleration of the pace of this change.

Some people worry that these changing needs create a mismatch between the skills that workers have and the skills that employers need. But if we were experiencing this kind of structural problem, you would hear that while folks in “cold” sectors couldn't find work, those in “hot” sectors are beating down job offers. The lucky few with the right skills would have recruiters calling them nonstop, saying they have the skills they need, offering them more money and better jobs to come work with them instead

of the guy they're currently working for. But we don't see this—there aren't any occupations that are really hot right now.

In time the recovery will gain strength, and we need to be prepared, and in particular to make sure that the unemployed aren't simply left behind. Here at the Department of Labor we spend time and energy training people so that when jobs become available, they're prepared to take them. But right now, a lack of training is not the fundamental problem; rather it's simply a shortage of jobs.

How difficult is the transition from a research and teaching environment to the head of a large, policy-influencing government department? Why did you decide that this was the right step right now?

The point of doing research is to inform the public and to shape public policy. Having economists go between doing in-depth, focused academic research and trying to implement and communicate that research in Washington helps ensure that our research is relevant to the policy debate. On a personal note, I have no doubt that this experience will make me a better economist. In research we tend to have a very narrow lens as we attempt to answer very specific questions with reams of data and hundreds of hours of careful study. When you come into a position like this, you must widen your lens enormously. I need to understand the scope of all the policy problems that affect the labor market from both a microeconomic and macroeconomic perspective. I also need to be able to step back and think about the legal environment in which the labor market operates.

Putting my economist hat back on, this is a terrific opportunity to work with some of the best data on labor markets in the world. I have the same access to data sets generated by the Bureau of Labor Statistics that I've worked with throughout my career, but I have better access to people who can help me understand it and who work with me to use it to its fullest capacity. It's a real luxury to get the opportunity to know labor market data better and to participate in potentially improving them.

In sum, this experience is going to have an enormous impact on the shape of my research. When I look at academics who have spent time in government, what they then go on to achieve in their research careers is astounding. I can only hope my research impact will be as effective as the people I am following here.

—Kelly Andrews



A rising tide?

Wharton Folly

Illustration by Brian Ajhar, Concept by the Wharton Folly Committee

(Joel Serebransky, WG'85, Matthew Sinacori, WG'03, Ram Rajagopal, WG'02, Steve Margolis, WG'86, and Andy Stack, WG'01)

For more on America's real estate crisis, see our feature, "No Magic Bullet," on page 22.

Baker Gift Permanently Endows Retailing Center



In one of the largest gifts in recent Wharton history, Patty and Jay H. Baker in October donated \$15 million to endow permanently the Jay H. Baker Retailing Center. **Jay Baker, W'56**, is a member of the Wharton Board of Overseers and retired president and director of Kohl's Corporation, the Milwaukee-based department store chain.

Building on the successful foundation of the School's Baker Retailing Initiative, the expanded Center will offer innovative programs for graduate and undergraduate students; support and disseminate cutting-edge research with both academic and industry applications; enhance student activity support and curriculum development; and offer a broad array of outreach initiatives to focus attention on the retail sector.

"Jay and Patty Baker are treasured members of the Penn community," **Penn President Amy**

The Art-Full Halls of Steiny-D

STEINBERG HALL-DIETRICH HALL HAS UNDERGONE AN ARTISTIC MAKEOVER.

In August, “Jean d’Aire” by Auguste Rodin—a gift of Mr. and Mrs. Jeffrey H. Loria, in honor of **Saul P. Steinberg, W’59**—made its long-awaited return to Steiny-D, and in October, Charles Wilson Peale’s portrait of Thomas Wharton, Jr. was unveiled in the Dean’s Conference Room. That work was donated to the School by Richard “Tom” Wharton, himself a descendent of Wharton.

Rodin’s work, completed in 1889, was created by the artist in remembrance of the 1347 Siege of Calais, during which six French city leaders offered themselves in sacrifice to England’s King Edward in hopes of saving their countrymen. Rodin’s sculpture portrays the anguish of one of these men as he marches off to his own death (in the end, Edward spared the men—at the request of his pregnant wife).

Peale’s portrait, meanwhile, offers a stately image of Wharton, who served as the first President of the State of Pennsylvania—today’s equivalent of Governor—from 1777 until his death a year later. His descendent, Joseph Wharton, eventually founded the School in which his portrait now hangs. The work is one of many by the well-regarded Peale, who during his career also painted such important Revolutionary figures as George Washington, Thomas Jefferson and Penn founder Benjamin Franklin. —T.H.

Gutmann said in announcing the gift. “Their generous commitment allows the Baker Center to continue to draw on expertise from across the University to generate leading-edge knowledge with important practical applications for retail, which is a dynamic and incredibly important sector of the economy, both in the United States and across the world.”

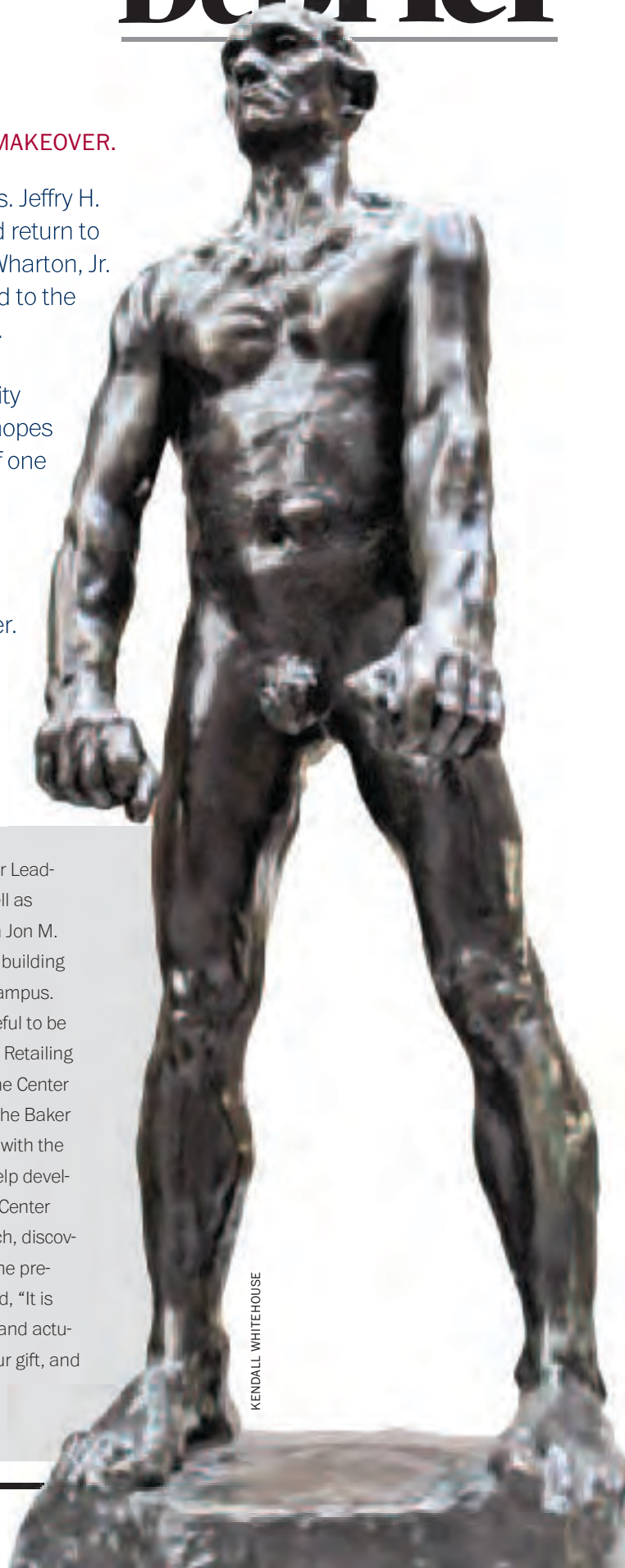
Added **Wharton Dean Thomas S. Robertson**:

“We are honored by Jay and Patty Baker’s gift. The Baker Center offers an increasingly important and popular career choice for both our MBAs and undergraduates. With this gift, the Center will continue to be the premier source of knowledge within the retailing industry. Our goal is to have an impact on the welfare of retail nationally and globally.”

The Bakers have previously endowed the Patty and Jay H. Baker Professorship, the Patty and Jay H. Baker Ph.D. Fellowship, the Jay H. Baker 50th

Reunion Scholarship, and the Baker Leadership Endowed Scholarship, as well as the Patty and Jay H. Baker Forum in Jon M. Huntsman Hall, Wharton’s flagship building on the University of Pennsylvania campus.

“Patty and I are happy and grateful to be able to fund in perpetuity the Baker Retailing Center at Wharton,” Baker said. “The Center will continue work that began with the Baker Retailing Initiative and work closely with the industry, students, and faculty to help develop the leaders of retailing. A global Center that will create cutting-edge research, discovery and innovation, it will become the premier Retailing Center.” He continued, “It is wonderful to give while we’re living and actually see the benefits derived from our gift, and feel the immense joy from that.”



KENDALL WHITEHOUSE

The Sporting Life. A Happier Life.

Robert Herzog, WG'95, had already worked out and stopped to get his mail before jumping on the train that sunny morning. By chance, he caught a local train, instead of the express, which set him about five minutes behind schedule.

The slight delay saved his life.

Because a short while later, Herzog emerged from the subway and stepped out onto the plaza at the World Trade Center, just in time to see American Airlines Flight 11 crash into the North Tower's 96th floor—the exact floor where his office was located.

Marsh and McLellan, a professional services and insurance brokerage, occupied eight floors—93 through 100—of the North Tower. That put the firm directly within the impact zone. Nearly 300 employees were killed, along with 60 consultants.

"A confluence of small coincidences had me arrive at the World Trade Center four or five minutes later than I would have been," Herzog says. "Basically I arrived, came outside and saw the first plane directly hit my office."

Some 900 other employees had stories just like his—stories of averting death, literally, by a matter of minutes. The ensuing days played out according to the terrible 9/11 script: the phone calls to locate colleagues, the efforts to recover data. Wondering: "What if?"

Fast forward a few months. Herzog was on vacation at the beach, puzzling over his life. He made a list of what had gone well, what had gone badly and what, really, he wanted to do with the rest of his life. As he struggled to figure out a new future, he recalled his days at Wharton—and first-year class on entrepreneurship.

"That's when I had my first epiphany," Herzog explained. "I realized I don't need to be a banker or a consultant or a marketing person or whatever it is to have a successful career. I can go out and run my own business."

So he did.

In 2001, he launched ZogSports, a co-ed, social sports club that promotes charity and social action. This year 80,000 young professionals in New York City, New Jersey, and Washington, DC were participating on ZogSports teams and the business behind it all employs 17 people. Herzog, who previously worked as a management consultant and

Robert Herzog was five minutes late for an untimely death. In the years since his near-miss, he's found a to way live happier—and give back to the city he loves.

BY LIZ FARQUHAR



WILLIAM WADMAN

Bottom Line

While Wharton may be better known for its "quant jocks" than its athletes, the School's reach extends throughout the sports world, from the front office to the field (or court, or rink, or track). From the pathbreaking Wharton Sports Business Initiative to game-changing faculty research to the 2010 World Series alumni showdown, read on to discover how it's a wide Wharton world of sports.

70 professional and collegiate sports teams partnering with StubHub, "the world's largest ticket marketplace," co-founded by alum **Jeffrey Fluhr, W'96, ENG'96**

18,060 & 45,479

number of NBA and NCAA basketball games, respectively, analyzed by professors **Devin Pope** and **Jonah Berger** for a 2009 project that showed teams slightly behind at halftime stand a better-than-expected chance of winning

Wharton Sports Business Initiative (WSBI), a research- and education-focused "think tank" that generates and disseminates knowledge about the sports industry

Debrief

entrepreneur, received no venture funding for the company, instead launching with his own savings soon after that post 9/11 vacation.

ZogSports' first league—a flag football league—debuted in 2002. On opening day, 500 people showed up.

“It was time to quit my job,” Herzog says.

ZogSports has been so successful, Herzog believes, because the company is built on things he truly cares about. He had always been a sports nut as a kid—at age 8, he recalls creating a fantasy league based around his friends' little-league teams—and remained a weekend warrior as an adult; he actually met his wife while playing in a recreational softball league. Through ZogSports, he hoped to provide opportunities to play sports for the pure joy of sport itself, without the feverish competitiveness of some leagues, and help young people in New York strike up new friendships.

But ZogSports isn't just about sports. From the start, it was also about giving back to the community. It's an element that can be traced directly to the 9/11 attacks. It was important, Herzog says, to make it easy for people to carry on the giving back part of the post 9/11 recovery. Charity and volunteering are part of the DNA of the company.

“We have integrated charity into how we do business,” he explains. “So we have some core values, and one of our core values is commitment to community. And we live commitment to community. We basically say three things: We give back. We help you give back. And we help you get more involved.”

The company donates a portion of all proceeds to charity and helps participants *Play For Your Cause* (the marketing tagline) through charitable donations to each winning team's charity of choice. Partnerships, such as one with Modell's Sporting Goods, assist in the company's philanthropic efforts as well. Since ZogSports hit the field in 2002, the company and its players have donated some \$1 million to charity.

Herzog added his first employee, VP of Operations Christie MacKinnon, about a year after the 2002 founding. The company grew fast until 2005, when Herzog's first child was born. Then ZogSports hit a holding pattern while Herzog learned to be a dad. After the birth of his second child, the company took off again, growing 100 percent a year through 2009.

He's enjoyed the company's success, of course.

But the bottom line isn't how he measures his life these days. Not anymore.

“The way I measure success is how much time I have to spend with my family,” he said. “It would be great if the business was five times the size and I made five times as much money. That'd be great, but I wouldn't grow one penny if it was at the expense of being able to do the things that make me happy.”

What does make him happy?

Driving his kids to school three times a week. And coaching his son's soccer team.

The Digital Revolution

WHARTON SCHOOL PUBLISHING HAS GONE DIGITAL.

Wharton has launched Wharton Digital Press, a new all-digital publishing initiative that will publish its titles via all of the major e-book platforms available today—from the iPad to the Kindle to the Nook—instead of in print.

“We believe the digital revolution in publishing provides a very efficient way for the Wharton School to reach a much wider global audience,” says Stephen Kobrin, Executive Director of the new press and Wharton's William H. Wurster Professor of Multinational Management.

Wharton appears to be jumping into the digital space at precisely the right time. In November, Forrester Research predicted that e-book sales would reach \$966 million in 2010—and cross the \$1 billion mark in 2011. According to the Association of American Publishers, total sales in 2009 were \$170 million, up a whopping 176 percent from the previous year. And in July, Amazon.com announced that in the previous year it had sold 143 e-books for every 100 traditional books that came off the shelves.

Given the shifting dynamics of the book marketplace, Kobrin says, the shift to a digital format just seemed to make good business sense.

“We hope to take full advantage of all of the innovative technologies the digital revolution presents in communicating innovative, practical, useful knowledge to readers—knowledge that will enable them to deal with the problems of the present and the challenges of the future,” Kobrin says.

Wharton Digital Press is a collaborative effort with *Knowledge@Wharton*, the School's online journal of research and business analysis. The first books from the new press should be available by this spring. —T.H.

ON THE WEB

For more information about Wharton Digital Press, please contact Stephen Kobrin at kobrins@wharton.upenn.edu.



502 NFL players who have participated in the NFL Business Management and Entrepreneurial Program at Wharton and other elite business schools since 2005. Thirty-seven players participated at Wharton in 2010.

77 members of the Wharton Sports Business Initiative Alumni Advisory Committee, with 10 sports—including tennis, basketball, baseball, football, soccer, hockey, golf, ice skating, rugby, and horse racing—represented among them

3 games for the Philadelphia Phillies (and owner **David Montgomery, WG'70**) to clinch the National League Division Championship over the Cincinnati Reds (and owner **Robert Castellini, WG'67**) in October 2010

Long Lines Brewing

By Senthil Veeraraghavan, Assistant Professor of Operations and Information Management

The *Wall Street Journal* recently reported that Starbucks is now asking its baristas to make no more than two drinks at a time.

According to the new policy, which was instituted along with many other new rules at the ubiquitous coffee chain, baristas were required to steam milk for each drink and each customer, rather than steaming an entire pitcher to be used for several beverages. For many coffee connoisseurs, this was a welcome change, and for obvious reasons: Starbucks believed the move would ensure “quality of the beverage in taste, temperature and appearance” while also reducing the “possibility for errors.”

As a coffee aficionado myself, I entirely agreed.

However, many baristas (correctly) worried that the change would eventually lead to longer lines, causing some customers to drop out and take their business elsewhere.

Making a *good* cup of cappuccino, like many things in life, takes *time*. But no one would wait forever for a cup of coffee. (The writer-comedian Larry David had a hilarious take on this issue, in one of his “Curb Your Enthusiasm” episodes,

in which he talks about “sample abuse” at an ice-cream parlor.) This dichotomy between consumers’ valuing a service that takes more time and their dislike towards *waiting* for the same service is not peculiar to coffee alone.

Think, for instance, about waiting for an appointment with a tax consultant or a primary care doctor. Of course, no customer likes long wait times. However, during these appointments, the same customers would prefer that the tax consultant or doctor spend more time with him or her, because the service value improves in time. On one hand, addressing this preference implies a longer waiting time for all future customers. On the other hand, to cut wait times, the service provider may have to speed up and reduce quality, which helps no one.

So, is Starbucks right in slowing down? Will this slow-down cause more waiting lines for customers? Yes and yes.

Theory suggests that it is in the interest of a high-quality firm to slow its service down, even at the risk of increased waiting time. I addressed this tradeoff in a paper called the “Quality-Speed Conundrum,” which appeared in the journal *Management Science*.

Unfortunately, even a small change in service time creates a non-linear and significant impact on waiting times. Eventually, Starbucks will have to cut wait times for customers and generate revenues, which will leave limited options for boosting revenues: increase the number of shops at a location, or the number of baristas per shop, or decrease the variety of options available at a shop.

Equally unfortunate, some of these changes would create one more unpleasant experience for customers: Higher prices.



A Celebration of Women at Wharton

Wharton has come a long way since 1954.

October 28, students, faculty and alumnae gathered to celebrate the presence of women in Wharton’s undergraduate program for more than 50 years. In an event coordinated by Wharton Women members **Alice Lee, W’12, Trisha Mantri, W’11, and Vice Dean Georgette Chapman Phillips**, the attendees spanned generations, from the first

graduating class to include women in 1958 to the freshman class of 2014.

Three of the School’s female pioneers reminisced over a photo of the original 16 women in 1954. They spoke of an environment in which wearing Bermuda shorts (then in style) resulted in dismissal from a final, and of a few professors who blamed their misunderstanding of a concept on gender.

A panel of Wharton alumnae, **Ann Harrison, W’58, L’61, Virginia Hepner, W’79, Randi Brosterman, W’81, WG’88, Eliza Mosurick,**

W’01, and Elizabeth Schweitzer Miller, W’06, discussed their varying experiences at Wharton and the evolving attitudes towards women on campus.

Harrison had primarily positive interactions with faculty, but noted that the “boys” were less accepting. Hepner, highlighting female faculty, said: “**Susan Wachter** was our advisor and really important to us. She, **Jean Andrus Crockett** and **Anita Phillips** were extremely generous.” Wachter, the Richard B. Worley Professor of Financial Management, still teaches at Wharton

“It was the first time I saw a woman have it all—with such success in her career and family life. It was incredible to see this in the ’70s.”

From The Vault



today. **Diane Krausz, W'77**, also mentioned Wachter's prominent role. She recalled: "Susan had us over for dinner, with her husband and baby daughter playing in the next room. She cooked a wonderful meal for us and talked theory. It was the first time I saw a woman have it all—with such success in her career and family life. It was incredible to see this in the '70s."

While it was clear that campus culture has changed dramatically—for the better—since 1954, work remains to be done.

Vice Dean Phillips noted that not long ago, a woman was told her salary would be less than that of her male coworkers and recruiting interviews with women were not taken seriously by top companies. Now, discrimination may

be less obvious, but there is still statistical difference in wages and hiring rates. She pointed out: "Only 15 Fortune 500 CEOs are female today." **Dean Thomas S. Robertson** also spoke about the need to continue efforts to equalize the field for women. "Here at Wharton," he said, "we hope to prepare you with the knowledge and leadership that can withstand discrimination in the work force."

This event served as a reminder to all in attendance, explained Vice Dean Phillips: "For undergraduates, to recognize that classes here were not always the same. And for alumnae, to see the path they have blazed." —*Crystal Lu, W'11*

The Quad

Take a peek at Penn's dormitories in the early 20th century and you'll gain a glimpse into another world.

This study room in the Lippincott House, photographed in 1901, is now a part of the Quad's Fisher Hassenfeld College House. Designed by the nation's leading collegiate architects, Cope and Stewardson, in 1895, the Quadrangle is an easily recognizable landmark—at Penn and of the Collegiate Gothic style. And its original furnishings appear fit for a king, as the architects intended to romanticize the college experience.

While the Quad's stately and distinctive facade remains largely unchanged, its interiors have undergone a dramatic renovation. No longer are there ornate chandeliers, heavy draperies and Oriental rugs, but there is wireless Internet access and air conditioning—more modern luxuries.



A Maestro of His Own Making

James DePreist, W'58, ASC'61, HON'76, may have been born into a musical family. But there was nothing easy about his rise to prominence in the world of classical music.

JAMES DEPREIST was lying in bed, stranded, in a Bangkok hospital ward. Stranded because he could not reach his family back home. Stranded because the State Department, which had sent him to Thailand in the first place, would not send a plane to bring him back. And stranded, in the most literal sense, because of his new disability: He was paralyzed below the waist.

The year was 1962. Just days before, the 26-year-old DePreist had come to the life-altering realization that, despite his earlier ambitions for a career in law—and despite his undergrad degree from Wharton, and his master's degree from the Annenberg School—he wanted a life in music. He would be a conductor—the Bernstein of Philadelphia. He was sure of it.

Then came polio. So as he lay in that hospital bed, cut off from the world and unable to get himself back home, he couldn't help but wonder if the musical world would ever be ready to accept a disabled conductor. "I had decided what I wanted to with the rest of my life, and how I wanted to commit myself, and I was sure that this is the path," DePreist recalls. "But now I had this blockage, and I realized it was something that may indeed prevent me from ever doing what I wanted to do."

BY TIM HYLAND • PHOTOGRAPHS BY LANDON NORDEMAN

Suffice to say, DePreist's disability—he would never walk again—proved to be no match for his talent, nor his will.

Today, at age 74, DePreist is recognized as one of the world's most gifted and accomplished conductors. A 2005 recipient of the National Medal of Arts—the nation's highest honor for artistic excellence—DePreist has appeared with every major American orchestra, as well as those in Amsterdam, Berlin, Budapest, Copenhagen, Helsinki, London, Manchester, Melbourne, Munich, Prague, Rome, Rotterdam, Seoul, Stockholm, Stuttgart, Sydney, Tel Aviv, Tokyo and Vienna. He is widely credited with transforming the Oregon Symphony, his home for 23 years, into a truly world-class orchestra.

He appears regularly at Aspen Music Festival, with the Boston Symphony at Tanglewood and the Philadelphia Orchestra at the Mann Music Center, and currently serves as Director of Conducting and Orchestral Studies at The Juilliard School at New York, where he splits time between tutoring the maestros of tomorrow and sharing his talents with orchestras worldwide (most recently, he served as guest conductor for the Seoul Symphony).

By most any measure, DePreist's career has been a smashing success. But none of that success, it turns out, came easily. Though he was born into a musical family—his aunt, Marian Anderson, was among the most celebrated contraltos of the 20th century—and though his talents early on caught the eye of none other than the great Leonard Bernstein, DePreist's climb to the top of the conducting world was, to hear him tell it, a decades-long *slog*. At more than one point, in fact, he admits he came to believe a career in music would never materialize at all.

In October, DePreist sat down in his Juilliard office for a lengthy interview with *Wharton Magazine*. Affable, funny and self-deprecating, DePreist over the course of an hour recounted his long, trying trip. He also talked about his remarkable efforts to put the Oregon Symphony on the map, the struggles of orchestras in this tough economic time, his college “friendship” with filmmaker Henry Jaglom and more.

WHARTON: How did you end up at Wharton?

DePREIST: Well, I lived in Philadelphia and the University of Pennsylvania was of course a signal institution. I had planned all along to be an attorney, and after talking to some people in my family, they told me, ‘Listen, if you go to Wharton, you’ll not only get a solid business education, but they also have a pre-law minor.’ The program was a little bit more liberal-arts oriented than the other majors at Wharton—I would be able to take courses in the College, too—so it seemed like a perfect fit. Still, there was this contrast between what I was doing at the School, which I thought was really interesting, and the extracurricular activities that I was doing—the concerts I would put on, whether jazz or some other things. So there was always music there, too.

WHARTON: How and why did you end up choosing a musical career over a business or law career?

DePREIST: I was going to take the LSAT. But one night I was at a fraternity house, and I ran into a person I knew at the time. His name was Henry Jaglom, C’59, and I really didn’t like him. He was coming in as I was going out, and he actually stopped me and said, ‘You really don’t like me much, do you?’ And I said, ‘No.’ He asked, ‘Do you want to talk about it?’ And I said, ‘Yeah.’ So we sat down and talked. This was about 8 p.m. When we finished, it was 4 in the morning. It was fascinating, just talking with Henry about his plans. He didn’t want to be an English teacher, which is what he was in school for. He wanted to make films. We were both talking about the trajectory that our lives might take, wondering if we’d get the chance to do what we really wanted to do. Well, it turns out that Henry became a very successful filmmaker, and I ended up doing what I did. I think that conversation was the very beginning for me of taking some kind of action on the desire to follow a path in music, rather than being a lawyer.

WHARTON: Why even the thought of a career in law?

DePREIST: Music was a part of my family—it was a big part of my upbringing. I had piano lessons when I was younger, and timpani lessons, and had taken part in performances with a jazz group and performed in concerts while at Penn at Irvine [Auditorium].



Music had always been there, but not in an organized way—not in a way that seemed that I could do it and make a living. Meanwhile, my godfather John Francis Williams was a very successful lawyer in Philadelphia, and the assumption all along was that I was going to be some kind of professional person—a doctor or a lawyer. But I’m not sure it was ever in my blood. I guess the interest was partly because of a family connection, and partly because there was a ‘plan’ in place for me—you’d go to Wharton, you’d graduate from Wharton, and then you’d go to law school. It seemed right. And indeed, it may have worked. But the fact that I was staying up all night, talking with Henry [about our passions], was fascinating. I should also say that he’s now one of my best friends.

WHARTON: How does one launch a career in music?

DePREIST: It certainly depends on the situation, but I would say that there has to be more than just a decision. There has to be a commitment that you’re not just going to ‘try’ it, but that you’re going to be ‘committed’ to it—with the understanding that things



“When I got on that podium,
it felt as natural to me as anything
I had ever done in my life. I said, ‘This is it.’”

may not always go super smoothly.

For me, it started when right after Wharton, I went to the Philadelphia Conservatory of Music, where they were having a student competition. This was the same time as when I was at Annenberg [where I got a master’s degree]. When I was there, I was asked to write a ballet score for the Philadelphia Dance Academy. So I wrote that for them and as it turned out I also had to conduct it. The conducting part, I found, was something that I loved just as much if not even more than the composing part. There was something about conducting that was intriguing to me and in some way compelling. At about that same time, I graduated from Annenberg, but because of the classes I was taking at the Conservatory, I got an invitation from the State Department to

go on a tour of the Far East as part of one of their special missions.

WHARTON: What was the mission all about?

DePREIST: It basically involved taking part in lectures about American music, and giving a recital or two. I started in Bangkok, and the mission there was to introduce up-to-date music to the King, who actually had his own jazz band, believe it or not. They would play at the palace every Saturday, and the performances were broadcast around the country. Well, they had these old 1940s stock arrangements—kind of staid—and the band was good but not great, so some of the arrangements were just beyond them. But I eventually found out that in Thailand there were these fantastic Filipino musicians who were playing the night clubs. We gathered them up—or, somehow, they found me—and we

got together on Saturday at one of the local universities. We would have these reading sessions, and I’ll tell you, these guys were phenomenal. I started asking those guys, ‘Is there a symphony orchestra here?’ One of my friends eventually said there was, and he asked me, ‘Why don’t you swing by sometime for rehearsal?’ This was the first time that I was actually in the presence of a symphony orchestra, and after a while they asked me if I would like to conduct a part of a performance they were working on. When I did that—when I had my first chance to conduct an orchestra in the symphonic repertoire—I realized, ‘Wow, this is a whole different kettle of fish.’ And I’ll tell you, when I got on that podium, it felt as natural to me as anything I had ever done in my life. I said, ‘This is it!’

WHARTON: But then just as you had this breakthrough, you got sick, correct?

DePREIST: Yes, at approximately the same time, I contracted polio. I didn’t know it was polio. I just knew I couldn’t stand up. All I was concerned about was getting out of the hospital so I could get to the next rehearsal. But I kept getting these bureaucratic messag-

es as to why I couldn't [get out of the hospital]. I wanted to get home as soon as possible to begin therapy, you see, but I was just laying there in that hospital bed. Eventually I asked somebody on the staff at the U.S. Embassy if they would send a telegram to my Aunt Marian [Anderson], who was just on the front page of the *International Herald Tribune*, pictured walking with Bobby Kennedy. Now this was before email, so the telegram said: 'Eager to get home to begin therapy. Is there anything RFK or JFK can do to get me out of here?' Well, I figured that even if that note wasn't helpful, it would at least make clear just how desperate I was. But the secretary from the Embassy came back and said, 'Jimmy, we think this is going to cause more problems than it's worth.' So finally I found a friend and asked him, 'Will you please make sure this thing gets sent?' Long story short, I heard almost immediately that there was going to be a plane.

I didn't know it was polio. I just knew I couldn't stand up. All I was concerned about was getting out of the hospital so I could get to the next rehearsal.

WHARTON: What do you remember about the trip home?

DePREIST: We were loaded up on this hospital plane, and there were stretchers [stacked one on top of the other]. The space between my head and the stretcher above me was maybe six inches, and it was very claustrophobic. But I remember very clearly that directly in front of me there was this marine, and he had a very serious gunshot wound to his abdomen. He was not supposed to drink any water. But he was thirsty, and he was really in agony. By comparison, I knew my problem was nothing. And I remember thinking, 'There's a lesson here.' It was a teachable moment. I'd been blessed my whole life, and I figured that I should be able to handle this.

Eventually we landed at an Air Force base in California, and as they were unloading us, I saw that these were all guys who had been wounded in Vietnam. Some of them had serious, serious wounds, and the worst off was that poor Marine. So that night, I'm in my bed, and between my room and the next room there was a bathroom. At some point

I hear water running, and I assume, just because of the karma spinning around, that it must have been the Marine, trying to drink water. So I told the corps man who was on duty, 'I want you to go check in that bathroom.' Turns out it's the Marine, and the guy is just about passed out. They have to work on him, get him back in the bed, and manacle him down so he won't get up. All night, you heard this straining on the bed. I felt so sorry for him.

Well, the next morning, the door opens and the nurse says, 'The Marine would like to say something to you.' The Marine said, 'Could you come over here? I'd like to thank you.' But of course, I couldn't. That was the first time I had to tell somebody I couldn't walk. It was a reality check.

WHARTON: How, then, did you go about launching your career, despite your new disability?

DePREIST: I finally got back to Philadel-

phia, and I didn't know what was going to happen. I wasn't even thinking about a career in conducting. I was just dealing with this impediment. At the same time, there was no frame of reference for anyone having a conducting career with this kind of disability. So at one point I wrote to Leonard Bernstein, and told him about my problem, and he said, 'That's horrible, but if you want to give conducting a shot, you should still do it.' He suggested I enter the Dimitris Mitropoulos International Conducting Competition, which was the most prestigious competition in the world at that time.

Eventually I get up there, and when I finally got the chance to conduct, I had forgotten how much I loved it. Hearing those sounds—it was really wonderful stuff. I was just so thrilled that all of the sounds in my head were exactly the same sounds that were coming out of the orchestra. I reached the semifinals that year, and soon after a letter came from Lenny [Bernstein], saying how impressed he and the judges were. They thought I had a very bright future. That was enough to keep me going.

WHARTON: What was your next step? Did the competition gain you any opportunities?

DePREIST: I actually had an invitation to return to Bangkok. Some people wondered if I'd even accept, but I did accept, went back and worked with several orchestras over there. I eventually returned to the United States, entered the Mitropoulos competition again and won first prize. Then I served as Bernstein's assistant for the 1965-1966 season, with the New York Philharmonic. And then of course you figure, 'Well, that's it, right? The career is on its way.' But you know what? There was no interest from anybody in me. 'Oh, you won first prize in the Mitropoulos? You served as Bernstein's assistant? Oh, well, great.' It just didn't mean anything to anybody. ... I was convinced the conducting business did not need me. There was a wonderful review of one of my concerts in *The New York Times*. I had a letter of recommendation from Lenny. And after all of that, only one person wrote back.

She was a big manager in Holland, and she said, 'Even though you're a complete unknown here, if you're ever in Holland, please stop and see me.' Well, it turns out that while I was with the Philharmonic, I came to know Edo de Waart, who was from Holland and also a prize winner. He was the only person I knew in Holland, and because Antal Doráti, whom I also knew from the competition, was in Stockholm, I decided I would move to Europe and starve slowly, rather than rapidly in New York.

So I went to Rotterdam. It was just phenomenal, if a little bittersweet. Because while you're happy for your friend Edo—he has this great orchestra, 105 pieces, and even though he was the second conductor, he had this huge dressing room—you're also wondering, 'Why not me?' But it turned out that Edo had spoken to his manager about possibly giving me a chance. And it ended up being quite a serious concert—not light in any sense. I did Stravinsky, and Schubert, and Dvořák. Of course, your hope when you do one of these things is not just that the reviews are good, but overwhelmingly good. And they were. It was spectacularly successful—with the critics, with the orchestra, with everyone. That was really the beginning of things for me.

WHARTON: Jumping ahead a bit, then, how did you eventually start your career back here in the States?

DePREIST: Doráti became the music director at the National Symphony Orches-

tra in Washington, DC, and this was in the last year that the National Symphony was at Constitution Hall, which was the very place that my Aunt Marian was denied the chance of singing [because she was African-American]. I remember calling her after I went to DC, telling her, 'I cannot believe there was a time when you just couldn't come here and work.' And she said—this was very much Aunt Marian—'Times have changed, and I'm happy for that.' Then the symphony moved to the Kennedy Center, and that was the start of really active work for me, as Doráti's assistant. Soon after, I was offered the chance to take over Quebec's orchestra, which was looking for a music director. It was a stimulating time, and I loved it. From there, I was also asked to guest conduct in Portland.

WHARTON: You have been widely credited with helping put the Oregon Symphony on the map—of making it into a truly world-class orchestra. How did you pull that off?

DePREIST: It was about being in the right place at the right time. When I got there, they were a part-time orchestra. They were rehearsing in the evenings so their musicians could have day jobs, because they simply couldn't afford to pay them full-time salaries. So the first thing we needed to do was identify how we could take the next step and also to have the musicians play full time, which meant they had to make a decision about whether they wanted to keep their day jobs or not. And at the same time, the management needed to make the commitment to pay them decent wages. Well, this was all a big issue as you might imagine. But that was my job—to make it happen—because I felt it was important. We moved over into a new theater, and started paying musicians a decent wage—it was still a pittance, really, but at least it was a decent salary. The orchestra started to get better and better, and we started inviting better guest conductors to come and spend some time there. And there were also some people in the community who had the money to make this all work. It was just a perfect time to make the move. We started to do recordings, and people actually started to notice that, yes, we had an orchestra in Portland.

WHARTON: You mentioned that a key factor in your success at Portland was the fact that you had the support from the community—and donors. Given the state of the economy today, and given the news of many orchestras facing serious financial trouble,



would it be fair to say that classical music is in "crisis" right now?

DePREIST: People have always said it's in crisis. 'Oh, those orchestras—they're of the past.' The reality is that relatively few have actually gone out of business. But at the same time, nobody has come up—and this is one area where my Wharton background comes back—with a system by which orchestras can have sustainable financial support from commercial entertainment, where they can generate funds by putting on what you might call 'popular concerts.' They have to be able to do something beyond just relying on their traditional concerts to bring in people, because the reality is that the old idea of philanthropy that was such a part of the generation before is over. I'm not saying it was always super easy, but it was easier to get those people to give back because they understood. Today, obviously, everything costs much more, and musicians also expect much more. I read recently that musicians in the Detroit Symphony Orchestra had scheduled a strike because they felt their \$106,000 base pay was in jeopardy. Now, I am always supportive of musicians, but in the court of public opinion, that seems a bit absurd.

There are certainly problems. I am music advisor for the Pasadena Symphony, and in Pasadena you have a community that in the past had generated considerable funds. But now, this wonderful orchestra in this beautiful place is struggling. And they aren't alone. I think it's the marginal orchestras in those marginal communities that are in trouble. It's a difficult time.

WHARTON: You are still actively conducting, and you serve in many other roles, too. So how did you end up at Juilliard?

DePREIST: After 23 years at Oregon, I knew that there had to be something else that I could do. And around that time I had been approached by the president at Juilliard, who asked me to think about maybe coming here to teach and do some concerts. I told him, 'You know, I'm really not yet ready to leave that active arena.' And he said, 'OK, I'll wait.' I eventually decided that it was the right time to do it, and I must admit, I had no idea that I'd enjoy it as much as I do. It's the absolute perfect job for me right now. I have independence. I can do concerts at Carnegie Hall and elsewhere. And I have independence in my selection of conducting students, and helping them shape their course of study. It has been wonderful.

WHARTON: Last question: What's next for you?

DePREIST: I would like to stay at Juilliard as long as they'll have me, and I'd hope to try and remain helpful elsewhere if there are any orchestras out there who need me—orchestras who need advice on how to avoid the pitfalls that have been there for other orchestras. But of course, conductors don't really retire. They just morph into some other role, or they continue to conduct, but in a different place. The amount of enrichment I get when I conduct—that's too valuable of a feeling to give up. That's why Juilliard is so wonderful right now. I can give back to the music world by teaching, and also reward myself with the concerts I get to do. ■

No Magic Bullet

Make no mistake, experts warn: **The U.S. residential real estate market is in a full-blown crisis.** And there's no easy way to solve it.

I**N FEBRUARY** 2009, one month into his presidency, Barack Obama appeared at a high school gymnasium in Mesa, AZ to unveil his administration's response to the foreclosure crisis. In presidential speechifying, as in real estate, location is everything. Arizona, and the metro Phoenix area in particular, had been one of the country's high-flying housing markets during the bubble years, and the sector crashed just as dramatically. Two months after Obama's visit, the data firm RealtyTrac announced in its first-quarter '09 report that Arizona had the second-highest foreclosure rate in the country, behind only beleaguered Nevada, with one in every 54 homes receiving a filing. President Obama was addressing a community that's become a symbol of the economic excesses and ravages of the subprime era. ¶ "The Sun Belt markets like Arizona probably got 50 percent-plus overvalued," says **Joe Gyourko**, the Martin Bucksbaum Professor of Real Estate and Director of the Samuel Zell and Robert Lurie Real Estate Center at Wharton. They were also overbuilt. "If you go take a field trip to Phoenix," Gyourko says, "you can find developments way out in the middle of nowhere where clearly no one is going to be buying now."





Obama told the crowd that the federal government's \$75 billion plan would "not save every home," but "by bringing down the foreclosure rate" it would "shore up housing prices for everyone." Nearly two years later, the rhetoric appears wildly optimistic. In September, the number of U.S. homes foreclosed upon hit 102,134—a single-month record. Many of the foreclosure filings originated in the usual problem areas—Nevada, Florida, California and Arizona continue to top the foreclosure list, as they have since the crisis began. Even after government intervention, increased cooperation from the banks and the end of toxic subprime lending, the foreclosure wave appears to be spreading. Of the 206 metro areas RealtyTrac studied, 133 of them, or 65 percent, posted year-over-year third-quarter increases in foreclosure activity. They include previously relatively

stable markets like Chicago (up 35 percent) and Seattle (up a staggering 71 percent).

Equally troubling is the number of homeowners underwater, with mortgage loans that exceed the value of their property, which ticked up to 23.2 percent, meaning nearly 14 million U.S. homes have negative equity—a statistic unlikely to shore up home values. All of this has economists, politicians and the American people wondering how much longer the country will remain mired in the housing mess, and how we can pull ourselves out without sliding into the no-growth economy of 1990s Japan.

For his part, Gyourko envisions a period of stabilization in some markets and modest declines in others, especially in housing prices. "While I think the freefall is over," he says, "I see no reason for prices to rise, largely because there are very big supply overhangs

out there, both in terms of vacant homes and foreclosures." Speaking more broadly of the foreclosure crisis and the erosion of housing values, Gyourko says, "In terms of owner-occupied housing, in the post-war era, there's nothing like this."

When looking at the housing crisis, Gyourko says he goes market by market, rather than seeing one national picture. While the Sun Belt has been hammered, he says, "places like Atlanta, Charlotte and Dallas didn't get overvalued much at all" and the coastal markets, "while they had booms and busts, some are having reasonable growth now." **Susan Wachter**, the Richard B. Worley Professor of Financial Management at Wharton, agreed that conditions vary by market, but stressed that "this is a national event, caused by a national bubble, through the under pricing of credit risk. Credit pricing was a national event." Wachter says the crisis has played out differently across the country largely because local markets had what she calls varying degrees of "supply elasticity"—that is, in places like Texas where there are few regulations on building, supply was high, so prices never rose much, despite great demand. In Arizona, it's different story.

Alan Mallach, a nonresident senior fellow with the Brookings Institution who studies community planning and housing, has noticed the strange, uneven ways in which the housing crisis has played out. "Foreclosures don't seem to be as big a problem in Pittsburgh as they are in Cleveland," he says, "even though the cities aren't that different," both located in the hard-hit Rust Belt. Mallach recently gave a lecture in Las Vegas, an area whose economic troubles (Nevada has the highest unemployment rate in the country) are no mystery, a result of "insane overbuilding." As Mallach says, "People could crank out another 500 houses in the desert and sell them to home buyers or speculators overnight." His prognosis for the local economy was grim: continued foreclosures, stagnant home values, high unemployment (especially in the construction sector) and population loss are all likely for the next decade.

As for the financial outlook in other cities and nationwide, it's a bit of a chicken-and-egg debate as to whether housing is drag-

ging down the economy or the economy is responsible for the continued housing woes. Karl Guntermann, a real estate professor at Arizona State University, believes the economy is the biggest factor affecting the local housing market. “How much is the local economy affecting housing? It’s the biggest underlining problem,” Guntermann says. “We’re going to have a serious foreclosure problem well into next year. How fast do those homes get absorbed? That’s where I look to the economy. In Phoenix, we don’t see much evidence of job creation. Until we have jobs here, we won’t have the migration that will bring more demand into the housing market.”

Alan Mallach believes that while the issue is “so damn circular,” the housing collapse is in fact hampering the economy in a variety of ways. “The huge loss of people’s equity is an enormous thing,” he says. Wachter cites the tight restrictions on credit nationally, which affect businesses and workers even in areas relatively untouched by foreclosures, like New York and Washington, DC. The crash has also brought the dismantling of a whole economy that built up around the housing industry during the boom years and fueled spending and growth—jobs in construction, financial services, real estate. “That’s a huge drag on the economy,” Mallach says.

Gyourko agrees that the loss of construction jobs hasn’t helped matters, adding, “You can’t count on new construction jobs goosing the recovery because, quite frankly, we don’t need to build.” But he doesn’t believe housing is dragging the economy down so much as not providing the “normal oomph” he says the country would get from a housing sector recovery. As for that economic oomph coming in the near future, Gyourko says, “We’re not going to get it for sure in the next year, in my opinion.”

THE FORECLOSURE crisis has been a windfall for introducing new terms to the lexicon: subprime, no-doc loan, “tickle” rate, toxic debt, mortgage-backed security. To that list, add another: strategic foreclosure. Increasingly, the thousands of foreclosure filings include homeowners who

“While I think the freefall is over, I see no reason for prices to rise, largely because there are very big supply overhangs out there, both in terms of vacant homes and foreclosures.”

can afford to make their mortgage payments but have chosen to default because it makes economic sense. Mallach explains the trend this way: “Visualize three identical houses, side by side. House A has an owner paying a \$250,000 mortgage. House B has an owner who just bought that same house as an REO for \$90,000. House C has a tenant of somebody who bought the house at a sheriff sale for \$75,000 and is renting it out for \$850 a month. The guy in House A is looking at this and thinking: What am I, stupid?”

The concept of strategic foreclosures illustrates the changing face of the housing crisis, and underscores the economic dangers of having so many mortgage holders underwater. In the early phase of the housing bust, most defaulters were those who had signed up for teaser-rate, or option-arm mortgages. The truck driver whose monthly payments ballooned from a manageable \$1,300 a month to an unaffordable \$2,300 and had little recourse but to foreclose. John Plocher, president of WSR Sales and Management in Riverside, CA, saw the effects of bad lending practices first-hand. Plocher’s firm does “trash-outs,” cleaning and maintaining foreclosed homes on behalf of lenders, and his location in California’s subprime-ravaged Inland Empire has made him a busy man. At the peak of the housing crisis, two years ago, WSR did about 60 trash-outs a day, or 1,500 a month. I followed Plocher’s workers for a story in 2009, and the financial trauma was distressingly visible: freshly built sub-

divisions riddled with “For Sale” signs in the yard; empty homes with furniture and half-eaten food left behind, as though the inhabitants had been swept off in a plague.

When I called him recently, Plocher reported that the number of trash-outs his crews perform is down by half, though he was by no means optimistic about a housing turnaround. “I don’t think there are any less distressed properties out there,” he says, citing the increase in short sales, government-imposed moratoriums on foreclosures and banks’ willingness to work with troubled lenders as the reasons for the decrease. Plocher has also noticed the changing profile of defaulters; these days, the subprime candidates have given way to strategic foreclosures or families who held on to their homes during the worst of the crisis but lost a job or depleted their savings and tipped into foreclosure. Plocher says: “A couple of years ago, when the market completely fell apart, I think there were a lot of people who thought, ‘This thing is going to change, it’s just a cycle and in a couple of years my property will be back up in positive territory.’ That hasn’t happened. As a matter of fact, we’ve seen a further decay in prices.”

The easy credit and high debt levels that allowed so many Americans to buy a home beyond their means continue to haunt the country in another form. “The unemployment rate in 1981 got as high as it did today,” Gyourko says, “but imagine that you had to put 20-25 percent equity in your house.

Would you walk away because you lost your job? Compare that to now when maybe someone put down nothing or one or two percent. It's a much clearer decision to walk away. It's the bank who will lose, not you."

According to Wachter, if there's a "double dip" and housing values fall 10 percent further, as many as 50 percent of American mortgage borrowers are likely to be underwater, which, she says, "could lead to severe consequences." Those would include more strategic foreclosures and the further erosion of capital in the banking sector. "Unlike what some believe, borrowers are generally not ruthless defaulters," Wachter says. "There are some who are strategic defaulters. But most are not. Homeowners usually do want to stay in their home. But the critical factor is that now, on top of the initial crisis, a credit crisis, we have an unemployment crisis. If the mortgage wasn't underwater, homeowners who can't keep up with the payments could sell."

NEARLY everyone who studies the foreclosure crisis cites high mortgage debt levels as the underlying problem—the "deep source," to use Wachter's phrase. But many are divided as to how to solve the issue, or even if it is solvable. It's clear, though, that the Obama administration's Homeowner Affordability and Stability Plan did little to address that deep source. "Restructuring loans just makes them temporarily a little more affordable," Gyourko says. "It doesn't change the fact that homeowners can't support the debt. That's why this foreclosure problem keeps rolling"

During the Great Depression, when as many as half the country's borrowers were underwater, the government created the Home Owners' Loan Corporation (HOLC), an agency that purchased delinquent loans from lenders, backing them with government bonds and refinancing and stabilizing payments. According to David C. Wheelock, vice president of the Federal Reserve Bank of St. Louis, who authored a paper analyzing the reserve's response to the housing

"The critical factor is that now, on top of the initial crisis, a credit crisis, we have an unemployment crisis."

crisis of the 1930s, the HOLC employed several strategies to aid underwater borrowers. "They allowed interest-only payments for a while," Wheelock says. "They also showed flexibility in their appraisals. They didn't appraise homes at current market value, but rather at some estimate of the long-run value of a home, recognizing that in the middle of a depression, market values are going to be depressed."

Wheelock is careful to point out significant differences between the Depression-era and today; short-term, non-amortizing loans were common then, home ownership wasn't as widespread and mortgage down payments were as high as 50 percent. But some believe the current government should use a similar solution in the form of a shared appreciation deal between lenders and underwater borrowers. If, say, a home carries a \$300,000 mortgage but is now worth only \$200,000, the lender would write down the difference and receive half the profit if the home sells above its new value. "That's the kind of deal the administration should have strong-armed the banks and all the people who hold the paper into doing," Mallach says. "Ultimately, it's the only kind of deal—something that reduces the principle—that will resolve the situation."

But Wachter believes there's no "magic bullet" solution to end the housing crisis quickly, and as she and Mallach both acknowledge, the government is unlikely to launch a "cram-down" program to force banks to accept a deal to absolve billions in loans, especially considering the shrink-government wave that elected Republicans

to Congress pledging to reduce spending. "If Obama didn't embrace this option when he had political clout, it's unlikely he will now," Wachter says.

Whether the current and future supply overhang is eaten up in the next few years depends on the economy. "If the economy rebounds strongly," Mallach says, "you could see a significant increase in household formation that would start eating up the oversupply and you may be out of this by 2015 or so. That's best case." If the economy doesn't rebound strongly, he adds, "we may be in a low-demand, low-production, low-price housing environment for the next decade."

For his part, Gyourko doesn't see a quick-fix plan, either. But he does suggest that the federal government stop subsidizing the restructuring of loan payments (the redefault rates in many of these programs is at least 50 percent) and instead use the money towards a more realistic purpose. "I'd use it to help people get out of homes they can't afford, get into good apartments, maybe put the money towards a security deposit, a couple of months' rent," he says. "I think we're extending the inevitable with the current policy."

Plocher, who knows better than anyone the on-the-ground realities in hard hit areas, agrees. "We're going to start to see things get better," he says. "But in the short term, no way—it's a mess out there. The government has put moratoriums on banks to do no more foreclosures for a while, but there is a backlog of foreclosures out there that one day will have to be dealt with." ■

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All Over The Map

BY KELLY ANDREWS

How Wharton's research programs prepare undergraduates for careers in academia and the private sector

Soon after **Valeria Montero, W'10**, began working with **Peter Fader**, the Frances and Pei-Yuan Chia Professor of Marketing, as an undergraduate Wharton Research Scholar, she ditched her initial line of inquiry and instead joined a project team that included senior Wharton faculty. It was the opportunity of a lifetime.

More than a year later, the team's work continues. And along the way Montero has learned one definite truth: She wants a career in academia.

"Going into a five-year program is a big decision," says Montero, now a first-year Ph.D. student in Wharton's Marketing Department. "Academia is a lot about research, and once I experienced it, I discovered that I liked working on big questions and seeing where the research takes you."

In recent years, Wharton has expanded on its flagship undergraduate research program, Joseph Wharton Scholars, to provide under-



graduates such as Montero additional opportunities for self-directed research. Research projects can be completed

over the course of a summer or a year, on campus or overseas. These programs are, essentially, internships in research.

"A research career path is not for everyone," says Finance Professor and Director of Research and Scholars Programs **Martin Asher**. "But it is for more Wharton students than know it before they arrive."

While some of these students will take what they learn from their research into Ph.D. programs, others will put their learnings to work in consulting, public service, finance or other careers.

"A research experience permits a student to delve more deeply into a single topic, learn about specific research methods, and do so with a faculty expert on that subject," Asher says. "It leverages one of the key strengths of a research university, whose faculty both creates and conveys knowledge."

And through Wharton's research programs, the students do as well.

Making An Impact

Julia Huang, C'11, W'11, grew up in Newtown, PA, and Montreal, and spent a fair amount of time abroad, including during her freshman summer, when she worked at a Shanghai real estate company, and her entire junior year, which she spent in Lyon, France. But her experience with the Wharton Social Impact Experience (SIRE) was something else entirely: It landed her in the midst of desperately impoverished Madagascar to study mHealth—the delivery of healthcare via a mobile platform.

Huang came across the topic when she responded to a call for research collaboration from a group of Lauder MBA students. As she worked with the MBAs, she became interested in how innovative management and financial practices improved outcomes for the organizations and communities served. Advised by management professor **Stephen Sammut**, she applied to SIRE so that she could travel with the MBA group and answer her independent questions. The travel was the most challenging she has experienced.

“Because Madagascar recently had a military coup, virtually no Western countries recognize the government,” Huang says. “It’s a really big, sprawling island, but there’s very little infrastructure, which makes it hard for transportation. How can you deliver mobile health care to people when there aren’t any roads?”

Still, Huang was able to identify promising mHealth innovations. Organizations like the Gates Foundation and Clinton Foundation have been ushering a new wave by applying business models to charity organizations, and the private sector is leading as well, she says.

“If companies are going to operate in these areas,” she says, “they need to become involved.”

When Huang spoke to *Wharton Magazine*, she was weighing competing consulting job offers. The lessons she had learned would serve her well.

“When you work on a different project every few months, you need to land on your feet and get up to speed quickly. Doing a research project, especially in an undeveloped country, gives you the same skill set,” she explains. “When I was in Madagascar, I was freezing for eight days straight. At some points, I didn’t want to go out into the city and drop in on NGO offices to ask for interviews. Doing what I didn’t want to do gave me a tremendous learning experience.”



A Researcher Is Born

The path toward a research career wasn't an obvious one for **Xiao Qiao**, **ENG'11, W'11**. Qiao started out in Penn's School of Engineering and Applied Science before joining the Jerome Fisher Program in Management & Technology his sophomore year. The Ontario native is now looking at Ph.D. programs.

"Dr. Asher always says that SPUR (Summer Program for Undergraduate Research) is for students who didn't know they wanted to do research yet," Qiao says. "I guess that was me."

Qiao started out working with **A. Craig MacKinlay**, the Joseph P. Wargrove Professor of Finance, and Associate Professor of Statistics **Dylan Small**, studying the Capital Asset Pricing Model. "Ten weeks just wasn't enough," he says. But it was enough to hook him the on research process itself.

When Qiao took a class with **Franklin Allen**, the Nippon Life Professor of Finance, on the financial crisis, he developed the idea for a SIRE research project—studying the impact of the crisis on China, where he was born. He decided to focus on the Chinese real estate market, and found that market to be overheated even by American standards. "There are apartments in Beijing selling for 100,000 RMB per square meter, [which would stretch] even the incomes of well-to-do individuals," he says

He also discovered that the Chinese have a very different take on their country's role in the worldwide economic downturn. "While the American economists tend to think that China adopted very strict self-preservation policies during the crisis, the Chinese economists believe that China played an important role leading the global financial recovery," Qiao says.

Qiao says he now plans to continue researching the financial crisis, from several different angles.

"I'd definitely like to learn more about financial crises, since this is going to be a relevant topic for as long as financial markets exist," he says.



Following The Data

Noah Rosenthal, W'13, had been intrigued with Ecuador's dollarization since high school. SPUR gave him a chance to pursue his questions about the process after his first year at Wharton.

The answers he found, it turned out, were unexpected.

"In the end, the project I set out to do was actually very different than the one I just finished up," he says. "That's the way it usually works for SPUR scholars. My initial goal was to figure out how businesses convinced the Ecuadorian government to adopt the U.S. dollar as its currency. As I discovered in my research, businesses didn't do much. It was mainly at the political level that these decisions took place. My research details who the political actors were and how the decision-making process reflects on the dollarization or lack of dollarization in other countries."

Rosenthal deployed a wide range of other Wharton resources. He pored over Spanish-language Ecuadorian newspapers borrowed through interlibrary loan, then reenacted the events using Geopolitical Influence and Strategy Tool, or GIST, a simulation authored by his faculty advisor, Associate Professor of Management **Witold Henisz**. The simulation was an innovative way to test his results on a tool usually used for forward-looking results. "For example," he says, "if two companies are competing for a government contract to run a mine, and each of these companies has political connections, which company will get the contract? It actually has useful implications for management, and in future research and the general business world."

Rosenthal is now considering applying to the Wharton Research Scholars program, possibly to study agribusiness, another topic of interest.

"Technically, SPUR is 10 weeks but it's not enough for me," he says. "When you're going through a research project for the first time, you second-guess yourself. You change your hypothesis. You go off on a tangent to research something else."





An Unexpected Turn

Andrew Brodsky's research kept him in Philadelphia. But it did take him somewhere a bit unexpected—Wharton's home-grown, world-class behavioral lab.

While many academic disciplines involve analysis of existing financial data or case studies of business practice, Brodsky's chosen topic, organizational behavior, exists in the interstices between psychology and business.

Brodsky, W'11, from Hazlet, NJ, who is currently applying to Ph.D. programs, believed he wanted to pursue a career as a researcher before he had ever undertaken research. His experience with Wharton Research Scholars (WRS) cemented that view.

Through WRS, which has provided intensive research experience since 2003, he had an opportunity—unusual for undergraduates—to access the Wharton Behavioral Laboratory, a state-of-the-art experimental research laboratory. Founded in 2005, the lab supports a broad range of behavioral research and experimental research methods, from psychology studies on consumer behavior, to experimental economics research on market behavior, to investigations into group and interactive situations such as negotiations and game theory.

"I had been working in a research group with my advisor, management professor **Adam Grant**," Brodsky says. "I took his Organizational Behavior class last fall, and afterwards he asked if any of us wanted to be in a group that he calls Impact Club. We meet once a week with him and a Ph.D. student, discuss papers and look at research on pro-social behavior."

Brodsky saw the opportunity to answer some of his own questions with WRS. He designed two projects to uncover the truth behind some intuitive but contradictory beliefs about the Internet. On the one hand, the Internet has increased productivity through improved information and workflow, but on the other decreased it by creating a powerful distraction for workers.

Brodsky designed an experiment to give participants a boring work task with Internet access to test whether they do their task more quickly or with more interruptions. "Many people consider the availability of the Internet a distraction, but my argument was that people with Internet access, who have more autonomy, will be willing to do more work," says Brodsky.

Brodsky initially came to Wharton intent on a consulting career, but found himself drawn to research the more he was exposed to it.

"I realized that research was what I wanted to do," he says. "You answer your own questions, really study whatever you find interesting. I like pushing assumptions and seeing what might be wrong. As long as you're good at studying it and come up with answers, you'll be successful."

Changes on the Ground

Darren Xu, ENG'12, W'12, from Calgary, Alberta, was drawn to the the SIRE program after developing a rather unique interest: Agriculture insurance.

In Morocco.

"I was learning about agricultural insurance, and the more I read into problems in Morocco, the more interesting it was," Xu says. "Morocco is highly dependent on agriculture, so when you look at GDP swings, bad weather can cause big dips. And although agriculture accounts for 15 percent of their GDP, it employs 30 to 40 percent of their workforce. Since Morocco has a lot of variability in its rainfall, it's important to ensure that the people are protected."

Working with advisor **Greg Mooney**, an insurance professor, Xu designed an initial project examining why the participation rate in agricultural insurance was so low. He looked at rainfall-based index insurance, since it has shown promise in countries such as India.

Once in Morocco, he spoke with local faculty and took a daytrip to Tizgha, a remote mountain village. While there, he interviewed a number of small-scale farmers working less than five hectares of land.

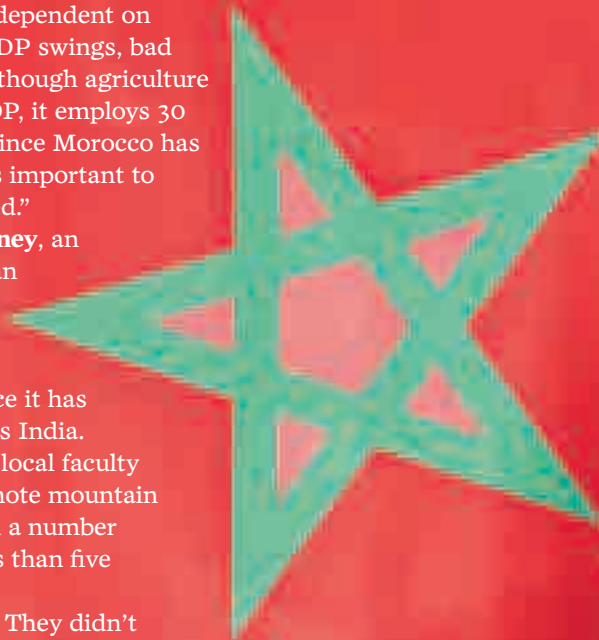
He quickly realized the problem: They didn't have enough income to buy insurance.

"They were sustenance farmers and did not generate income except in years with an excellent harvest," Xu says. "It was a different way of life, and I wanted to make sure that their problems were represented in my research. I wasn't able to solve it, but I hope to suggest a restructuring of how the insurance program interacts with people from the remote mountain villages."

The entire experience was eye-opening for Xu, who had traveled extensively in the past. "This was my first time by myself. It was my first time with an explicit research goal. It was my first time in an African nation, an Arabic nation, and a predominantly Muslim country."

Xu says his research experience was inspiring.

"I could see myself working in government or the World Bank—something similar to what I did in the project, fairly academic in nature, but where I'd have an influence on addressing pertinent social issues," he says. ■





The Basics

Due to poor diet, lack of exercise and various genetic conditions, many people develop clogged arteries and require major medical intervention. The process of unclogging the artery and inserting a stent is called angioplasty. However, metal stents have several limitations. Some patients require repeat angioplasties. Others end up undergoing bypass surgery.

A well-known company, FLO-RESTOR, has developed a new kind of stent, the CUPER, which is superior to traditional metal stents. Data suggest that if all angioplasties were done using CUPER, 100,000 repeat angioplasties and 100,000 bypass surgeries could be prevented in the United States each year. Each angioplasty costs \$10,000 and each bypass surgery costs \$14,000.

Hospitals bill Medicare for all these procedures and Medicare pays the hospitals a fixed amount per procedure. Medicare currently reimburses hospitals \$500 for metal stents, and this amount is part of the \$10,000 paid to hospitals for an angioplasty. Assume 900,000 angioplasties are done each year with metal stents within the U.S.

Final Exam

In each issue of *Wharton Magazine*, we'll test your knowledge with a question taken straight from an actual Wharton course exam. Submit the correct answer and you might just walk off with a great prize—a Wharton Executive Education program.

This issue's Final Exam question comes from **Jagmohan S. Raju**, the Joseph J. Aresty Professor of Marketing, and deals with ... angioplasty. Yep. Angioplasty.

Curious? We thought you might be. Read on—and good luck.

Question:

What is the maximum amount that Medicare would be willing to reimburse per CUPER? Please explain your answer.

**ON
THE
WEB**

Think you know the answer?

Submit your response at www.whartonmagazine.com by March 1. Professor Raju will post the correct answer on March 4. One winner will be selected to attend, tuition-free, one Executive Education, 3- to 5-day open enrollment program.

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Wharton will hold its 40th Global Alumni Forum on June 23-24, 2011, in San Francisco. Engage with top academics, business and civic leaders, and Wharton alumni from around the world—and celebrate the 10th anniversary of the establishment of Wharton | *San Francisco*, the School's West Coast campus and home to a thriving MBA Program for Executives.

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