At N.Y.U., a Crash Course: Business students and professors worried ...
By N.R. KLEINFIELD
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At N.Y.U., a Crash Course

Business students and professors worried about job prospects and pensions.

By N. R. KLEINFIELD

WHEN the students need a breather or something for the stomach, the really good place to go is Over the Counter. Not the market, but the cafeteria on the 14th floor of Merrill Hall. While you eat your sandwich, you can watch the two illuminated tickers on the wall, where the trades on the New York Stock Exchange and the American Stock Exchange scamper by in fits of symbols and digits.

Around the scattered wood-block tables, there is always good talk about business conditions, as one would expect at New York University's Graduate School of Business Administration, and there is always talk about heart throbs, as one would expect anyplace where the average age is about 22 and the average status is single. But in the last two weeks there has mostly been talk about market throbs.

"Like any Monday morning quarterback, I'm not surprised," Hugh Thomas, a finance major, was saying over coffee. "I thought the roll had gone on too long.

"Some students are talking about how they'll never get jobs after graduation," said Lena Rosen, a second-year student working on an apple. "I think they're seriously worried, but I haven't yet seen any crying."

"The few students who were bragging the first few weeks about how they were financing their business school education from trading in the stock market have been incredibly quiet," said James O'Brasky, a first-year finance major. "But I don't think anybody has withdrawn from school."

"I've been pretty excited," he went on. "History is being made down here."

Mr. O'Brasky might have been less excited had he not married in April. He sold his stock to pay for a honeymoon to Portugal.

The N.Y.U. business school, a mecca of business learning where you can literally walk out of class and into the financial world, consists of two high-rise towers joined by a pedestrian bridge on Trinity Place, adjacent to the American Stock Exchange and a few blocks west of the New York Stock Exchange. It's the sort of school where the 4,000 students spend a lot of time riding elevators. The only campus, students will say, is the Trinity Church cemetery, which lies across the street.

Like other business schools, the N.Y.U. institution was feeling the recent market rumblings in ways big and small. On the Tuesday after the crash, a few students phoned the main office to check if classes had been canceled, thinking perhaps that a market storm was no different from a snowstorm. Otherwise, students were worrying more about job prospects, and professors were nibbling their nails over the shrinking size of their retirement accounts.

But, for the most part, school life plodded on. There was still the Halloween party last Thursday night, where the prize for best costume was a gift certificate at Brooks Brothers. There were still fliers offering students a chance to buy a Hickey-Freeman suit at half-price — "an excellent investment to make for when you must look your best." And there were still mid-terms,

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A Crash Course for N.Y.U. Business Students

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many of which were coming up this week.

Richard West, who looks like a good approximation of Clark Kent, is the dean of the school, and he was as befuddled as anyone else. He had been comparing the market collapse to an atomic bomb having erupted, and uppermost in his mind was how he was going to find enough jobs in the rubble for his graduates.

"To use the industrial model," he said, "we turn out a product. The product is M.B.A.'s. A high percentage of the M.B.A.'s go to Wall Street and investment banking. So we have to preach more about not being pigheaded about your job choice. In the vernacular of the 18-year-old going to college, the students have to think about their safe school — their second and third job choice."

"This is really becoming M.B.A.-bashing time," the dean went on. "We're hearing all the jokes. You've probably heard this one: What is the difference between an M.B.A. arbitrager and a pigeon? A pigeon can still make a deposit on a Porsche. I don't really think it's so funny."

Dean West had another concern. N.Y.U. is planning to build a new home for the business school at Washington Square, to open in the fall of 1991. It would cost something like $35 million to $40 million. A big chunk of the money was to come from the sale of the school's present buildings. But, as the dean put it: "I don't know what these two buildings are worth, but I think I can say that nothing that's happened in the past two weeks has made them more valuable."

The dean felt he had to stand steady, though. As far as he was concerned, the project would move forward. "This is the time to be realistic," he said, "but it's not the time to be chicken."

Allen Sinai marched into Room 407, shucked his jacket, rolled up his sleeves and began his attempt to make sense of another senseless week.

To the business community, Mr. Sinai is best known as the chief economist of Shearson Lehman Brothers. To the students at N.Y.U., he is best known as the teacher of "Business Cycles and Forecasting," Tuesday evenings from 5:30 to 7:30.

All of the professors were finding that before they could get on to econometric modeling or discussions of butterfly spreads, they had to let the students get the latest market news out of their system. Being an all-knowing professor had suddenly gotten tougher. Though the teachers hadn't yet formally set fire to any of their theories, some of them didn't know where to squeeze the latest events into those theories. They saw investment instruments that were supposed to moderate risk seem to do the opposite, and so they were redefining the meaning of risk.

Mr. Sinai took some questions. A student wanted to know about the psychological factor in the crash.

Mr. Sinai said it was there, but, like any panic, there were lots of factors. He talked about the "twin deficits" and the "drop in the dollar" and the "crisis of confidence" and the "herd instinct," which he said "even works in soccer matches down in South America."

Then he started putting chalk to the board. Equations emerged to show the effect of the market drop on household net worth. Allegedly, these were elementary equations, since Mr. Sinai tries to teach the students what he calls the "short-ski method" of forecasting; in other words, he starts with simple equations so that in a few weeks he can have them up on their feet and going down the hills of forecasting without too many falls.

A student interrupted Mr. Sinai's scribbling to point out a mistake.

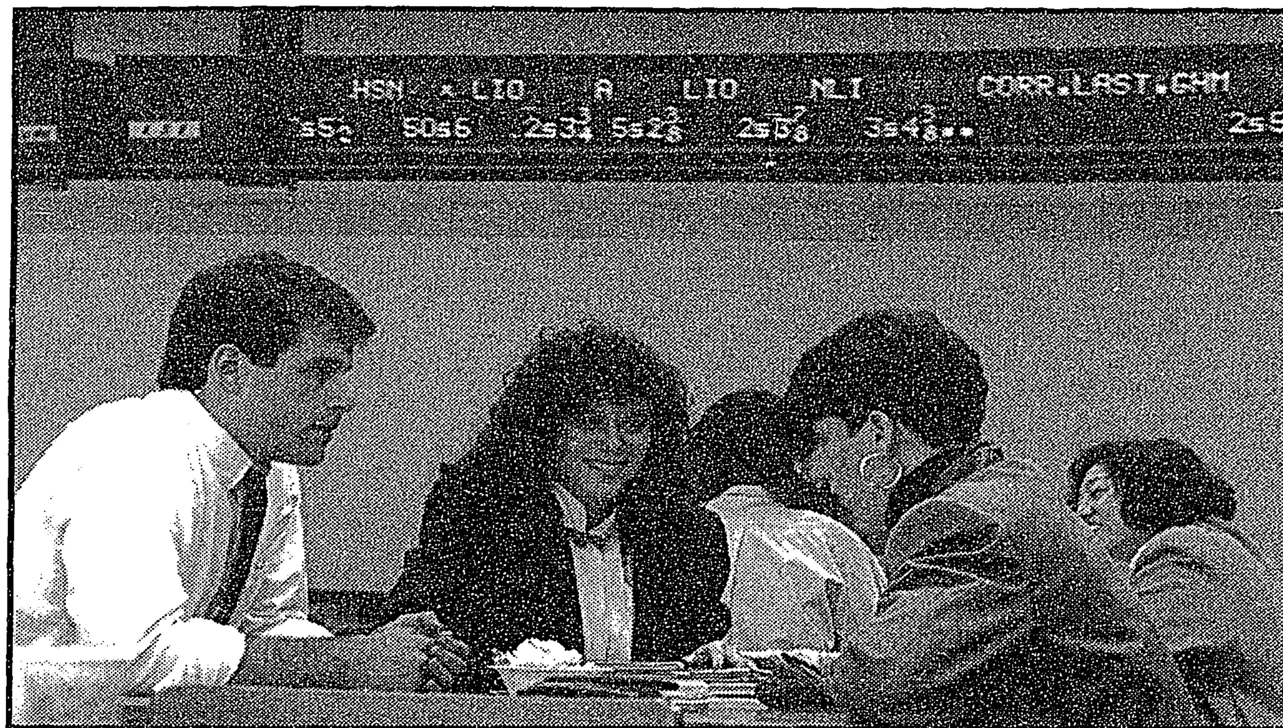
"O.K., you're right," Mr. Sinai said.

He made another mistake, then one more. "Thank you," he told his correctors. "It's been a long week."

ROBERT KAVESH, an elder statesman of the school, likes to start his class, "The Social Setting of Business," by reciting a poem or song of relevance to the day's lesson. For the evening of Oct. 19, the topic, oddly enough, was the 1929 market crash. To start the class, Mr. Kavesh had settled on the lyrics from the song, "Brother, Can You Spare a Dime?" After Monday's collapse, he didn't have to change his plan.

One of the most nettlesome problems afflicting N.Y.U. has been the loss of ace professors to Wall Street jobs, where the pay is about a trillion times greater and there are no tests to correct. In the last year alone, five professors have deserted. When Dean West addressed an alumni dinner last Tuesday evening, he said that one of the silver linings may be that professors will be less likely to leave and some market professionals might now feel that maybe teaching wouldn't be all that bad.

Arnold Sametz, a finance professor and the director of the school's Salomon Brothers Center for the Study of Financial Institutions, was scheduled to teach a financial markets course and a regulatory course in the spring term. "Last week, I asked to get out of teaching the markets course," he said. "To do justice to the course, I would have had to swallow everything that had gone on and changed in the last two weeks and work through the literature again and rethink this



The New York Times/Eddie Hausner

David Sanders, Andrea Rawicz-Sclar (center) and Lisa Trell in the cafeteria.

stuff. It was too much. To do all that and run the center, I would have gone out of my skull."

Outside of class, the consuming topic in faculty lounges and around water coolers was retirement accounts. "I was depressed to see the value of my pension fund going down," said John Merrick, an associate professor of finance who is

Some professors were several hundred thousand dollars humbler last week.

young enough not to have to worry too much. "Really yukky news," was the comment of a professor with a few more decades on his age.

The major asset of college teachers tends to be money squirreled away in pension plans. The N.Y.U. faculty has two choices for savings — a stock fund or a bond fund. Most of the finance professors had been heavy users of the stock fund.

"I won't tell you that we calculate our pensions every day," Dean West said, "but we do calculate them. If there has been any discussion among faculty, it's been 'how badly have you been mauled?'"

For some professors, the scratches went pretty deep. Senior members of the faculty, after 30 or more years poised before the blackboard, had accounts worth between $400,000 and $1 million. Some of them, on paper, were several hundred thousand dollars humbler last week. Dean West was a loser, too, but he had his dignity to uphold and would not reveal figures.

A fair number of prescient professors told how they shifted money into the bond fund early on in the year. Faculty members who had not were talking much less.

One professor, when asked about the size of his fund, responded: "What's your next question?"

It was in the Investment Club that, from a student viewpoint, one might find real anguish, real conviction that life was too cruel to be believed.

John Helms, one of the presidents of the club and a second-year finance major, was occupying the group's small headquarters in Room 706 of the main building.

The main point of the club, he explained, was The Game. Members were allotted $100,000 of fictitious money, which they could trade to their delight. Whoever built the biggest fortune at term's end received $250. What's more, members were eligible for a nationwide contest offering a prize of $1,000.

The opening day of trading for the club was Oct. 12, one week before the bomb. So far, most members hadn't found the time to do any trading at all. Their inactivity, however, generally left them with more in their portfolios than those members who had found the time to trade. One active account had already withered to $47,000.

Mr. Helms, though, was feeling smug. "The way to win this game," he said, "is to do some risky things." Before the downfall, he bought a bunch of put options in the stock-market indexes, thereby betting that the market would sink. Down went the market, up went his account. Last week, it was worth $1,291,115.20. He had opened a lead of almost $800,000.

That was the game, though.

Here was real life: Mr. Helms also has invested in the market the kind of money with which you can buy tape decks and pinstriped suits. He even manages a bit of money for his father, a semi-retired tax lawyer in Santa Fe, N.M. "The combined portfolios lost about $40,000 on that bad Monday alone," Mr. Helms said. In real life, Mr. Helms thought Black Monday was going to be an up day.

That's the way it goes, he more or less figured. "I'm still fascinated by the market," he said. "My only regret is I don't have any cash or I might buy some stocks."

Right now, though, the head of the Investment Club had more pressing worries: two cases due for class, a mid-term and extreme hunger. He was going to get a pizza.

WEEK in and week out, corporate recruiters briskly patrol the graduate school, looking for raw talent. Over the last two weeks, nobody canceled their seminars or appointments. Presentations, however, were often sober.

After scattered conversations with the pros, Luigi Buttiglioni, a second-year finance student, was toying with two possibilities. If a top firm said it had to have him, he would go to work after getting his M.B.A. If not, he would pursue a doctorate. "After last week, it looks like lots more schoolwork in my future," he said.

Steven Leder, though, spoke with enthusiasm. He was on campus last Thursday hunting for students to work as financial analysts for Pfizer Inc., the big drug company.

"From our parochial point of view, I look at this as an opportunity," he said. "The glitz and polish is off investment banking. So I see the market drop in a selfish way. This should help our recruiting."

Tumbling stock prices. Evaporating fortunes. Prof. William Silber's reaction amounted, in effect, to "pshaw."

Why is that, since he happens to moonlight as a market professional when he's not busy teaching?

Because he trades gold (among other futures contracts). On Black Monday, while everything in sight fell, gold prices soared. As it turned out, Professor Silber was flapping his arms in the gold options pit that day. "It was a reasonably profitable session," he acknowledged.

Anyway, Professor Silber was not entirely shocked by the market dive. Why should he be? He predicted it. He yanked the evidence out of his desk drawer. On Oct. 1, he mailed a column to a national publication, for use on its opinion page. In the column, he warned that "the seeds of a major crisis in financial markets have already been sown." He wrote that "most of us are convinced that safeguards are in place to avoid a disaster. Unfortunately, that is not the case." He wrote that there could be a one-day drop in the Dow Jones average of 200 points. ("I was a little off," he said last week.)

So why isn't Professor Silber being hailed as the most brilliant market seer on the planet? The publication turned down the column on Oct. 13. ■

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