



the

lemberger

Truth unto its innermost parts, parts that nothing has ever touched before

Summer 1991

EDITOR'S NOTE:

Yes we are back! We finally got around to putting out the second LSA newsletter. It took us a long time but that means the newsletter is better than ever (it also means we had a lot of academic work).

In this newsletter we attempt to show the many changes in the Lemberg Program, bring you news from the students here and abroad, and tell you about some of the students and faculty who have creative and awesome culinary talents (especially Jane with her famous spinach dip). Among the changes, we have a new vending machine, a new computer, and posters in The Lounge. We have also increased in size to roughly 40 students. LINC has taken off and is trying to make itself famous.

I would like to thank everyone who contributed to the newsletter. It took a whole semester to get the writers started, but once they did, they did not want to stop; and thanks also to those who gave their moral support by asking every day when this newsletter would be finished.

Maria Haza ('92)

Contributions to the next edition of The Lemberger may be sent in care of "The Lemberger," Brandeis University, The Lemberg Program, Waltham, MA 02254-9110 USA. These will be greatly appreciated.

PROFESSORS' FAVORITE PHRASES (OR AT LEAST MOST USED ONES)

(Class of '91 and '92)

DOLBEAR: What's the story about?

SINAI: There will not be any class next week. I've got to go away....

HUGHES: Maybe yes, maybe not....We really don't know....That's interesting. Did anybody else get that?

ALIBER: The stylized facts are....Let's pick up additional questions before we move on! Are we comfortable? I'm making this up.

RATHJENS: What's new in the world today? Has anyone done the readings?

HORN: Could you tell these folks about your first export experience?

LEWBEL: $Y = L + B_1X_1 + B_2X_2 + \dots + B_nX_n + e$.

CARTER: My sense is.....

Americans who spent almost a lifetime in Japan: The Japanese Today (1988) by Edwin O. Reischauer, a lifetime diplomat and scholar, and Kaisha: the Japanese Corporation (1985) by James Abegglen, who founded the Tokyo office of the Boston Consulting Group some 30 years ago. The first book even surprises Japanese by its depth and insights, while Kaisha stays away from exaggerated cultural explanations for Japanese corporate successes.

Abegglen lectures at Sophia University, so we had the opportunity to hear him render a second opinion on some of the more stylized conceptions about Japanese business practices. Actually, most of what is said about Japanese firms applies to the large, prestigious companies only. In fact, many firms are highly inefficient, many go bankrupt, and only a few can afford to offer lifetime employment. Yet even when the Mitsubishis or Sumitomos offer a job for life, white-collar workers are not paid salaries but hourly wages with 150% overtime pay. This, in addition to peer and management pressure, provides a calculated incentive to work overtime. In bad years, these overtime hours provide an easy way to cut back.

Arguments that the Japanese are great imitators but show little creativity are also weak when compared with reality. For example, the Japanese developed manufacturing methods which revolutionized industries throughout the world. The Just-In-Time (JIT) system, pioneered by Toyota in the 1950s because of cash shortages, is considered to be as important as Henry Ford's assembly line innovation. As you know, the JIT method keeps inventories to an absolute minimum, thereby cutting costs (inventory, floor space) substantially. For example, Toyota has in its production line only two hours of inventory. The GM Framingham plant, which recently closed, needed about 2 weeks of inventory for operations. Furthermore, it takes Toyota only half as long to develop a

new car from scratch as U.S. companies, and less time to completely manufacture a car than it takes Mercedes Benz to fix the mistakes from its production line. With the JIT system's primary production line, Toyota produces almost 80 different models of cars; traditional mass production requires a line for each product. The Machine that Changed the World (Womack, 1990) can give you more details about that topic.

Obviously, these huge Japanese companies are the remaining few after decades of fierce domestic competition. As champions in corporate strategy, many of these companies were constructing "entry and mobility barriers" against their competitors long before the concepts became fashionable. Sony, for example, has been fighting for decades to break through Matsushita's tightly controlled domestic distribution network. Sometimes these entry barriers are not even creations of the Japanese: Coca Cola, for example, makes more money in Japan than in the U.S.--in part by successfully keeping PepsiCo out of the market. Even though most of Japan's trade barriers were dismantled in the 1970's and 1980's, entry into these market segments is difficult--and not just for foreign companies.

Most of today's Japanese exporters saturated the domestic market before they went overseas. Consequently, these products had already overcome extremely tough competition before they hit the U.S. or European markets. Even today, observing the Japanese market gives you an edge of about one year. Or, as Abegglen put it, actively participating in the Japanese market is crucial for most international companies. Now, many U.S. firms know better. The Europeans, however, still seem to be on the edge of a serious mistake. Self-centered as they are right now with plans for "Europe 1992," they don't pay enough attention to developments in Japan. Economic statistics of the next years may still favor the Europeans due to increased

"Comparative Advantage"

Nobuhiro, the computer specialist.

Hans, the mechanical engineer.

Bob, the bombardier.

This past October, during a press conference in Moscow, Mikhail Gorbachev was quoted telling a joke: "They say, Mitterand has one hundred lovers; one has AIDS and he does not know which one. Bush has one hundred bodyguards; one is a terrorist and he does not know which one. I have one hundred economic advisors, one

is smart and I do not know which one."
(Japan Times)

"Kaifu has one hundred economic advisors, too. One is an Economics professor and he does not know which one."
(T.J.)

"LLL" - the Lemberg Love Life

(By Paula and Hannes)

Often enough we have stressed that the Lemberg program is constantly growing, evolving into a distinct and competitive education. Now in its fourth year, a new but pleasant component was added. The program has its own love life, or at least the gossip surrounding it. Last fall semester was the one which brought change. Of course, we won't deny the German-Spanish flamenco last year, but now things happen on a different scale. A popular final-year student and a charming visiting student started to like each other enough to spend the money for a transatlantic flight this spring break; more letters seem to be sent to France than to potential future employers. Two Danish students had to come to Lemberg to appreciate the thrills of life after classes. Some other flirtations evolved, but nobody is supposed to know.

Of course, this caused other dreams to burst, unfulfilled. Much time was spent together at parties and after, sometimes "only" for a "pure" friendship. The warm and spring-like first weeks of this spring semester abruptly activated several pineal glands, causing at least two friends of our jogging crowd to "flirt at first sight." Attendance at parties is above average, and some of us discovered irresistible attraction in darkened kitchen corners. Even though a Texan relocated to New England complains that he lives like a monk, by the amount of complaints about "wasting" time on "unproductive" activities, the spring semester might well out-do last fall. Some concluding statistics: in addition to eight married students among us, three have publicly stated plans to say the "y"-word, and others would love to. The error term might be normally distributed--but who cares?

Enchilada sauce:

- 1/3 cup vegetable oil
- 1 clove garlic
- 3 tablespoons flour
- 2 tablespoons of chili powder
- 1 1/2 cups of hot water
- 1/2 teaspoon of salt

Method for Sauce:

1. Combine oil, garlic and flour in medium pan.
2. Cook over low heat, stirring constantly until lightly browned.
3. Dissolve chili powder in 1/4 cup of hot water. Stir into flour mixture.
4. Add remaining water to mixture, stirring constantly.
5. Add salt. Cook for 5 minutes.

Method for enchiladas:

1. Sprinkle 2 cups of cheese over tortillas.
2. Sprinkle onion over cheese.
3. Roll up each tortilla and place seam down in baking dish.
4. Top with sauce and remaining cheese.
5. Bake 15 minutes at 350 degrees.
6. Serve immediately.

(Submitted by Howard).

JANE'S FAMOUS OHIO SPINACH DIP

Ingredients:

- 1 pkg. Knorr vegetable soup mix
- 10 oz. pkg. frozen chopped spinach
- 1 1/2 cups sour cream (or yogurt if you are concerned about fat content)
- 1 cup mayonnaise
- 8 oz. can water chesnuts, chopped
- 3 chopped green onions
- 1 round loaf of unsliced sweet bread such as Hungarian sweet bread

Method:

1. Thaw spinach and squeeze out excess water.
2. Blend all ingredients well.
3. Cover and refrigerate for 2 hours.

4. Cut a hole in the top of the bread loaf and hollow it out.
5. Fill the hollowed bread with the dip just before serving and use the leftover bread for dunking.

Notes:

This recipe originally appeared on the Knorr Vegetable Soup Mix package (and still does). One fine day, a most uncreative Jane decided to whip up some dip for a Lemberger party. The dip was a hit, especially with Hannes, who renamed it much to the embarrassment of poor Jane. Whenever Hannes and this dip are at the same party, Hannes will be sure to greet you with, "You MUST try some of Jane's famous Ohio spinach dip."

ARABIAN STUFFED CAMEL

My husband and I have lived in various parts of the world and have travelled extensively. I make an attempt to collect unusual recipes as we travel, and the following is an especially exotic sample from the Middle East where we lived for awhile. Unfortunately, it serves a large number of people and is most appropriate for festive occasions, such as, weddings and public executions.

Ingredients:

- 1 medium camel
- 4 lambs
- 20 chickens, roasted
- 40 kilos of tomatoes
- 150 eggs, boiled
- Salt and seasonings

Method:

1. Stuff eggs into tomatoes.
2. Stuff tomatoes into chickens.
3. Stuff chickens into lambs.
4. Stuff lambs into camel.
5. Roast until tender.
6. Serve with rice and Alka Seltzer.

Serves 150 people.

(Submitted by Connie Brennan).

GOSSIP CENTRAL

(Barbara Clarke '91 and Jane Dishong '91)

O.K. we admit we are not gossip magnets like Thomas Racky appears to be, but, hey, it's better than nothing. Last fall we organized the first Lemberg Program reunion in München for Oktoberfest. Fortunately, Francois Juif was working in München for a French firm, so of course we sponged off him and stayed at his apartment while we were there. "We" consisted of the two of us (Barbara on exchange in Koblenz and Jane on exchange in Copenhagen), Paul White (on exchange in Barcelona) and a friend of Barbara's visiting from California. Last minute cancellations by other people made this a small gathering. It was just as well that it was small because we got kicked out of Francois's apartment by his landlord-from-hell.

Speaking of Francois, we just received word that he will be entering the French Army soon. Hopefully he will be as far away from the Gulf as possible.

Miscellaneous

Last we heard, Thomas Racky was headed to the former East Germany as part of a rotation thing with Deutsche Bank. Since Barbara was on exchange in Koblenz, she saw more of his parents in neighboring Neuwied than she did of Thomas --and for all of you who have had the pleasure of the Racky family's hospitality you know how that was.

The first European sighting of Franz Alstrom found him in worse health than when he left Brandeis last spring. He had just been released from the hospital after further complications with his leg and a rare tissue-type disorder. By Thanksgiving he was in fine form! He credits his physical therapist and her miraculous efforts to nurse him back to health.

Thanksgiving

After a previously bad experience with Thanksgiving overseas, we vowed this year to be more prepared. We planned early on to get together in Denmark and make our own celebration. In fact it turned out rather well. On the actual Thanksgiving Day we were in a youth hostel in Odense (the birthplace of Hans Christian Andersen--can't beat that, eh?), but on Saturday we celebrated Thanksgiving with a righteous Turkey dinner prepared by a Texan who was on exchange in Copenhagen. Franz was there, which is rather comical since he spent Thanksgiving at Chez Clarke in Walpole last year.

From the Asian sector

Paula Spencer, Hannes Pfeifenberger, and Phil Rudnicki spent fall semester in Tokyo. Paula and Phil spread their knowledge of English throughout Japan as English teachers. How do Japanese people sound with Michigan accents? Phil was allegedly the busier of the two, but then again he had to pay for large telephone bills back home to his fiancée, who's at Mt. Sinai Medical School. Also, Phil is allegedly the only one who made it to Disneyland in Tokyo.

T.J. returned to Japan from his semester in Rotterdam just in time to take Paula and Hannes on a nightclub tour of Tokyo. Naturally, he brought his girlfriend who is, according to all reports, very nice and, of course, beautiful.

Stephanie Schear is still working in Washington, D.C. on her Presidential Management Intern program. They were going to send her to Japan before Christmas, but she had to stay behind in Washington due to a high-level meeting,

EXCERPT FROM "PASSIONS WITHIN REASON: THE STRATEGIC ROLE OF THE EMOTIONS"

By Robert H. Frank

Preface: As economists we are all familiar with the concept of free-riding. The free-rider problem in this particular article involves the production of public or collective goods voluntarily. Here, a public good has the two following characteristics; 1) once it is produced, it is difficult to prevent people from consuming it; and 2) one person's consumption does not diminish the value of consumption by others. A classic example is public television. Once aired, it is difficult to prevent select groups from tuning in, and one neighborhood of people viewing a show will not diminish the signal to others.

Though many watch PBS, some percentage of viewers (free-riders) rely on the "other guy" to pay for it. The self-interest model which assumes people will always act efficiently in the pursuit of self-interest predicts that as the number of consumers, or in our case, viewers increases the amount each person will voluntarily contribute to a public broadcast falls to zero. This is the strong free-rider hypothesis.

Many studies have contradicted this hypothesis. One such study involves a group of eight people unknown to one another. Each subject was asked to give one of two responses to a dilemma - either cooperate or defect (free-ride). Payoffs for the responses were always higher for defection but if all defected, each did worse than if all cooperated. This is the classic prisoner's dilemma. In some trials subjects were allowed to communicate to varying degrees and in some they did not communicate at all. All choices were subsequently marked in private and subjects were promised anonymity. The strong free-rider hypothesis would predict that all would defect. In reality, unanimous defection did not occur in any of the trials. Also, the more communication allowed, the fewer defections occurred and participants often displayed extreme anger when it was clear that one or more members of the group

had defected even though it was not known who had done so.

How did economists fare as subjects in the studies? Read on.

Economists As Free-riders

It is interesting that the only group for which the strong free-rider hypothesis receives even minimal support in this vast experimental literature turns out to be a group of economics graduate students. In experiments essentially like the ones run by Dawes et al., Marwell and Ames discovered that economics students were significantly more likely to defect than any of the other groups they studied. This finding agrees with the finding by Kahneman et al. that commerce students are more likely than psychology students to make one-sided offers in ultimatum bargaining games.

These authors are by no means the only ones to have observed that economists behave differently. Consider this brief report from a recent issue of *The Chronicle of Higher Education*:

Over the last 200 years, economists have made great strides in describing how an economy functions, but people mistrust them as much as they did a century ago, said Robert M. Solow, professor of economics at the Massachusetts Institute of Technology, in a speech marking the centennial of the American Economic Association.

In 1879, Mr. Solow said, Francis Amasa Walker, an economist who would later be elected the group's first president, wrote an essay on "Why Economists Seemed to Be in Bad Odor Amongst Real People."

Happenings

Daniel Lenzo '92 and Yisroel Markov '92

The Lemberg Lounge has been transformed into the Lemberg Computer Cluster. With four computers and two printers, it fits the description. Now we only await the laser printer which, with the help of Lemberg alums, should be coming soon (hint, hint).

We definitely need these machines too --the size of the program is growing. Incoming class of '92 is 26 people large.

Additionally, for the long nights of study and computing, the lounge now has a vending machine equipped with food and drinks.

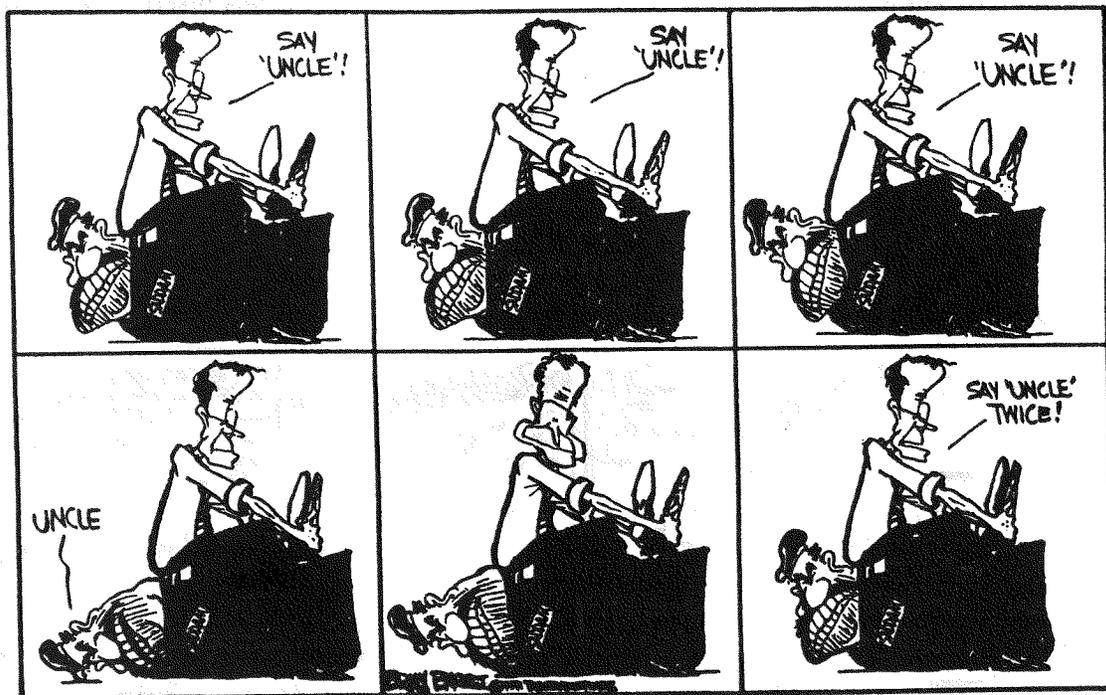
Canoeing down the Charles River started the fall semester and it did not end there. In the tradition of the Lemberg Program, the fall semester was fraught with parties and stuff: Halloween, Thanksgiving, holiday and Just-for-the-Heck-of-It parties.

Speakers have been plentiful. Bank of Boston and Bank of New England were among the visitors. There was even a three-buck lunch during the semester.

The program now has a Director of External Communications, Mr. Peter Quandt. His expertise will aid in getting the word out about Lemberg, getting more funds for the program, and helping with job placements and internships. Cool, huh?

We now have a greater say as to who gets into the program too. Starting this year a second-year and a fifth-year student will sit on the Admissions Committee to help make the big decisions.

Congratulations to Yisroel (Sergey) Markov on his marriage to Elana Volchek of Malden, Massachusetts, on January 20, 1991. Yisroel has now become a commuter student.



Brian Basset

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