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to attend and participate in the program during the free hour next Thursday. Coffee will be served outside B-11 following Dean Carroll's address.

Dean Donald C. Carroll will address Wharton Graduate students for the first time this school year on February 3. His presentation will be followed by a questioning period.

Rotberg Speaks on Global Environment

by Ramon Carlos Nivera

Honed in the art of adversary rhetoric by virtue of his training as a lawyer, World Bank Treasurer Eugene Rotberg coolly projects the authority and power he wields as a key officer in one of the world's leading financial institutions. Last December 8, Rotberg spoke before Wharton Graduate students on the World

Bank's activities in the context of today's global environment.

Rotberg views the World Bank as fulfilling a special intermediary role—that of channeling finance capital to developing economies for vitally needed infrastructure so that the widening economic gap between LDC's and advanced economies may be bridged, and so that there may be a more stable world situation in the future.

The World Bank must fulfill this role within the context of many complex economic, political, and cultural problems, among which are worldwide inflation, the energy crisis and its concomitant consequences on global political relationships, and the extreme poverty that over half the world's population lives in.

Rotberg also offered a candid view of other institutions and groups engaged in international lending, as well as an insider's view of some of the intricate political and diplomatic trappings that go with it.

Rotberg is a native Pennsylvanian, who obtained his law degree from the University of Pennsylvania Law School, and his undergraduate degree from Temple University.

INFLATION AND OIL

Within the past 3 years, the world as a whole, with the exception of West Germany, has experienced a 20% inflation rate, which, unless checked, is expected to double in 5 years. A multiplicity of complex and oftentimes inter-related causes can be cited: the quintupling of oil prices; the massive growth of Western economies; the increased demand for consumer goods and raw materials; the shifting of control over raw material resources from the multinationals to sovereign governments of host countries that have poor populations and who are angered by the treatment they

received in the previous decades; drought and crop failures in Europe, Asia, and Africa, as well as the reduced wheat crop of the US, USSR, and Canada; the far reaching consequences of the Vietnam war where the US financed war production neither by taxes nor cuts in consumer consumption; escalating cost of living caused in labor contracts; the oil embargo of 1973 that triggered increases of crude oil.

The increase in oil prices is a unique and rare situation in that a few countries with relatively small populations control a globally vital commodity. OPEC countries, before the embargo, grossed \$23 billion; by 1974 this had risen to over \$100 billion. The financial surplus derived from these revenues increased from \$60 billion in 1974 to \$95 billion in 1976.

These surplus funds have been rechanneled into New York banks and reinvested in liquid Treasury Bills and Certificates of Deposit. This marked preference for US over European banks and securities may be attributed to the historically higher yields for US \$ securities, and the correct assessment that the US economy shows more resiliency in weathering economic crises.

That a freezing of these assets is a possible counteracting weapon against future oil embargoes offers only marginal leverage for the US, when one realizes that all it takes is a twist of the spigot and no oil. For the West, this is a rude awakening, and a realization that this economic interdependence does warrant greater effort at cooperation and reconciliation.

RESILIENCY OF WESTERN ECONOMIES

All these events have made the populations of advanced countries aware of their economic vulnerability. As a result, see Rotberg - page 2

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reasonable facsimile thereof) at the Class of '23 Rink. It is at this point that the commonality with past orientations ceases.

Picture yourself in Hoover Lounge on Friday evening everybody looking handsome in their "interview clothes", even though there is no interview. There is a nice fire in the fireplace, Irish coffees are being dispensed at a rapid rate, a piano player is playing softly in the background, when all of a sudden the overhead sprinklers begin raining down on 200 very startled partygoers.

The official cause of the indoor water display has not been determined—the fire department never made an appearance. However, the unofficial cause has been listed as smoke which backdrafted from the fire place.

In true Wharton style, the Party's not over until the booze is gone, so the group moved to the lounge by the mailboxes where the bar was set up and the show went on until 11:30 pm.

The Orientation activities were the product of months of hard work by the WGA Orientation Taskforce chaired by Mike Gilson. Several first year students labored long hours in what Jeff Ferguson, Director of Student Services, termed "one of the most successful Orientation programs held at Wharton."



in Houston Hall. See

Rotberg Speaks on Global Environment...

continued from page 1

people are now even more cost conscious, and anxious about the erosion of purchasing power, and have put increasing pressure on their respective governments to act.

The United States has been fortunate in that it has the structure, institutions, and market mechanisms that have enabled it to weather the recessionary impact triggered by the energy crisis. Through a combination of economic policies and tools such as tax cuts, government spending, unemployment compensation, subsidies and direct transfers, and a myriad of other alternatives it has been able to temper adverse effects.

Western Europe and Japan, too, have been lucky, although the recession has in fact been a drain on their resources since they have been unable to benefit from the recycling process of Petro-Dollars. As a result these countries have had to draw

down on their savings to pay for commodity imports. In addition, these countries can export capital goods, arms, and readily borrow from the international markets to support their balance of payments.

THE THIRD WORLD CRISIS

For the 800 million to 1 billion people that comprise the third world and live on daily incomes of \$0.30/day, these alternatives do not exist. With nothing to export and plagued by massive hunger, malnutrition, high infant mortality rates, illiteracy, and uncontrolled population growth, a continuation of this situation poses a grave threat to global peace. For these countries, the alternatives are limited to borrowing from countries that have accumulated resources, from the OPEC group, from the IMF, from the major international commercial banks, and from the World Bank.

In countries that have accumulated resources, these resources are controlled by a select few who are conservative, responsible, and tough. Above all, Rotberg claims, they do not like the poor, both domestic and foreign. OPEC, on the other hand, does lend to the LDCs but has a scale of priorities. Arab countries come first, Moslem countries come next, and finally, the poor that do not fit the first two categories. The IMF does lend on occasion to LDCs, but this is limited since IMF is still basically a rich man's club, and allocations to borrowing countries are governed by the extent of equity participation or contribution to the IMF fund. Commercial banks have their own problems, particularly when lending to LDCs. Usually, commercial bank loan portfolios are short term, relative to the long term financing needs of an LDC intending to develop its basic infrastructure. Further, the

banks do not have the expertise for development banking type activities. Consortium lending, an attempt to spread/reduce lending risks among participating banks, has not been a successful mechanism in reducing risk exposure in loans to LDCs.

THE WORLD BANK

The World Bank fills a role that other aforementioned institutions do not cover. It is the intermediary between ADCs and LDCs.

The World Bank is a multi-lateral institution. Its stocks are owned by participating governments, thereby dispersing the risk. Loans are made for projects that suit the following criteria: that the project helps the country earn foreign exchange; that it increases productivity; that it improves the infrastructure network; that it leads to the development of industry; that it improves education.

Because none of its loans has political strings attached, and because loans are made to

countries that qualify regardless of the prevailing political ideology it professes, the Bank exercises an unprecedented degree of moral authority over borrower countries. To date, the bank has no bad loans, nor any late repayments.

The Bank has two lending arms. The first deals with countries that are assessed as able to pay, and are therefore charged an interest rate over the cost of money. The second, under the International Development Authority (IDA), lends to especially weak countries that have promising projects at zero cost and liberal grace terms. IDA funds are sourced for tax dollars provided by rich participating governments.

The bank's risk lending budget amounts to \$200 million per year. But its lending has always been extremely cautious, as a mistake can mean that it can no longer get funds, thus ending its role as a critically needed financial intermediary.

Taskforces Accomplish Many Goals, Plan More

by Lee Graham

A career counselor, a newly structured orientation program, and vacation get-togethers with alumni in various cities across the country: these are several of the accomplishments of the W.G.A.'s taskforces last term.

differentiation, time value of money, and linear programming. Also in the works are an alumni referral service and recruiter luncheon program.

The spring term will also see the birth of two new taskforces: the Vance Hall Taskforce, and a

Wharton's long-range goals and objectives; the competitive advantage of the Wharton MBA; and the role students can and should take in planning for Wharton. This program is scheduled for February 3 at 10:30 AM in Vance B-11.

students the full range of placement services available at Wharton

b) improvement of placement services to students who wish to work with small firms or with those not interviewing at

c) helped advertise several Philadelphia Alumni Club activities

d) investigated Alumni Referral System possibilities

Plans for Spring