



YES /know

December 2001

New Haven rising

contents

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p4 J. Crew comes to New Haven

Does the preppy retailer
bring gentrification or
commercial expansion
to Broadway?

p6 A prosperous partnership

Cooperation between Yale
and the Elm City has
helped to build a
better community.

p7 Elmseed takes off

Student-run microlender
fuels local start ups.

p8 The power of context: new urbanism and New Haven

p9 What can biotech do for New Haven?

p10 Reflections on a burst bubble

p11 Book Review: 'Regional Advantage'

p12 The Beinecke brothers

p14 YES news

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Things we almost called 'YES/know'

Good ideas, bad ideas, and \$25 at Amazon.

This magazine used to be called *YES & Know*. The name created a small copyright problem, because there were a couple other magazines in the country that already had the same name. Neither of them was about entrepreneurship or remotely connected to Yale—in fact, one was a toy industry publication—but a copyright is a copyright. Not wanting to be sued over something stupid, we decided to change our name.

Earlier this semester, we announced a contest within YES to choose a new name. The resulting submissions varied in quality. Some were unprintable. Some were stupid. Others were pretty damn good. Rob Crawford '03 turned in the winning suggestion. His idea saved us a bit of time redesigning the cover, and it also beat the hell out of some other suggestions. As a reward, Rob nets \$25 to blow at Amazon.com. It isn't the Publishers' Clearing House, but neither are we.

—The Editors

Lux Yes Veritas

YESpirit

Capital Y

In the Blue

Know & Yes

**Yes
Know**

In the Know

*(we like what we chose, thank you)

Photopoll: In the aftermath of September 11, what security technologies do you believe the U.S. should develop?



Mike Yaeger, LAW '03

I think the most important thing the US can develop right now is new money laundering laws. The US also needs to regulate airport screening companies. Both of these are more important than developing new technologies.



Peter Devine, LAW '04

The US needs to develop new airport screening technologies. They need to be able to see what someone is carrying on their body, not just in their bags. Right now, metal detectors only pick up when someone is carrying metal objects. New screening techniques need to be developed in order to see what people are carrying.

Does J. Crew make 'A city on the move?'

Broadway redevelopment excites praise and worries of gentrification.

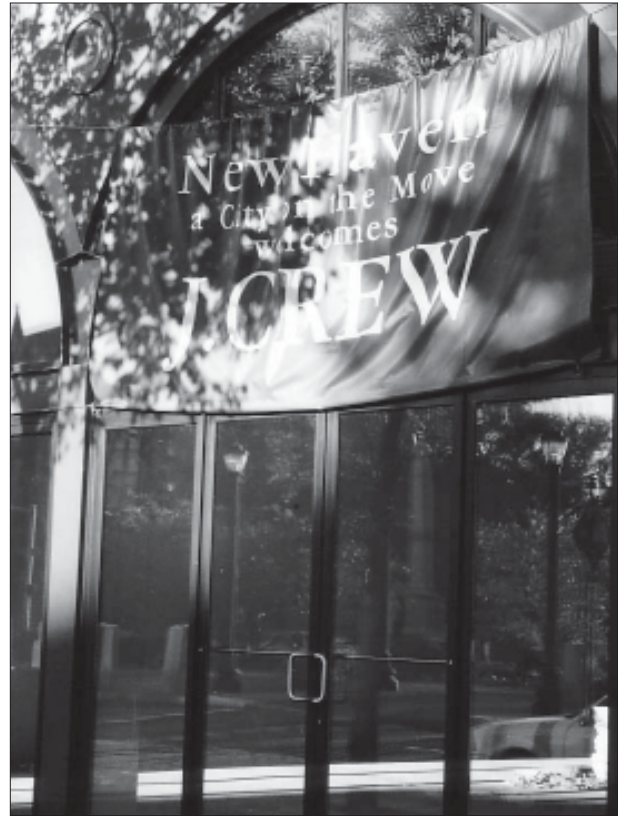
Max Pitman

The sign in the window of 29 Broadway speaks loud and clear to all who walk by. "Mayor John Destefano and Yale University Welcome J. Crew to New Haven, a City on the Move." Yale makes no attempt to hide its involvement in redevelopment of the Broadway area and shaping the commercial personality of downtown New Haven. With trendy upscale additions in the last year like Urban Outfitters and Alexia Crawford, Yale is using its property to give Broadway a facelift, with the hope of drawing shoppers from all over greater New Haven by presenting them with enough options to make a visit downtown worthwhile. J. Crew is the final big name in a years-long effort to create a coherent commercial community in an area that seemed cramped and confused just a few years ago, and Yale is proud of its redevelopment efforts, despite some complaints that the Broadway area is becoming too expensive and commercial.

The 10-year lease signed this summer for the brand new Broadway space was the final step in a selection process that took several months. Andrea Pizziconi, Financial Analyst for University Properties, said that J. Crew chose Yale just as much as Yale chose J. Crew. "They ran a zip code search on mail orders and found that a lot of Yale students were ordering," Pizziconi stated. "It was a market they were already capturing well, so they decided it would be a great location for a new store." But it was the downtown area more than anything that won over J. Crew. Karina Sokolovsky, a spokeswoman for J. Crew, stressed the importance

of having strong vendors around them that New Haven offered. "We like the other stores in the area. We like being around stores that serve the same customers. That's why it's a great time for us to open up there," Sokolovsky said. Yale's office of University Properties saw the surrounding retailers as a great advantage as well. "Big names like to cluster," said John Maturo, Yale's Director of Real Estate for University Properties. "They see names like Origins, Urban Outfitters, and Barnes and Noble, and they know that they will not be alone in attracting consumers to the area."

The big names that helped attract J. Crew reflect Yale's larger goals for the area. University Properties sees J. Crew as the final anchor store in an already strong area that will bring shoppers downtown for all their shopping needs, not just to visit one or two stores. The idea behind an anchor is to have a few big names that attract shoppers to the area, hoping that they will then visit the smaller stores, creating more business for the entire area. "Brands are comfort," said Maturo. "The bulk of consumers are followers, and they need brand names to draw them to the area." Once they come, however, he



Rebecca Rosenthal-Y/k

The future site of J.Crew sits empty after construction crews have gone home for the day.

said that shoppers would then see all the smaller, more interesting businesses as well. Pizziconi stressed the importance of bringing shoppers other than Yale students to the area. "By opening J. Crew and a few other anchors," she said, "we will attract a diverse group of shoppers outside the Yale community, and the whole market will improve." She added that people will not travel to an area to shop at just one store, but if they see several names, like the Gap, J. Crew, Urban Outfitters, and Barnes and Noble, they will know that when they visit Broadway and the downtown area, they will have several options.

Yale's office of New Haven affairs sees J. Crew as one of a few big

names that will attract people to the entire area as well. Bruce Alexander, Yale's director of New Haven Affairs, stated in a press release this summer that "Broadway is now a vital retail district with evening retail hours that support York Square Cinema and our restaurants. There is plenty of parking in the lot in front of the Barnes and Noble Yale Bookstore, the surface lots next to Trailblazer, and in Yale lots less than a block away, which are free on weekends." He makes very clear Yale's overriding goal to make Broadway desirable to all types of shoppers and to accommodate their needs, such as flexible hours and cheap parking. Mayor DeStefano also stressed the idea of J. Crew as part of a versatile shopping area. "The addition of J. Crew to an already impressive list of retailers gives people another reason to come downtown seven days a week, and that benefits all our businesses," said DeStefano.

While Yale and New Haven are proud of the realization of their

goals, many Yale students worry that the addition of J. Crew will over-commercialize the area and make it too expensive, driving up rent and driving out the smaller, independently owned businesses. University properties, however, asserts that J. Crew will only help the smaller businesses. "The object of chains is to bring brand recognition to the Broadway area," said Maturo, "but the rest of the filling will be smaller entrepreneurial businesses, which we believe will thrive off of the consumers that J. Crew attracts." Pizziconi added that "we've been blessed by strong small retailers who are doing very well in New Haven." She also stressed that Yale's goal is to keep rents at market rates, making downtown New Haven available to private entrepreneurs. "Rent will go up if the market is good," she

'I've had my best summer yet,' Phil Cutler told the *Hartford Courant* last summer, attributing his success to the constant flow of shoppers that stroll along Broadway.

said, "not because Yale drives it up."

Phil Cutler, owner of Cutler's Music, was worried when Yale asked him two years to move his business a few storefronts down the street so that they could build the space that houses Urban Outfitters and Alexia Crawford, and soon J. Crew. His sales dropped slightly when scaffolding went up next door to his store, but the new Broadway has since improved his business greatly. "I've had my best summer yet," he told the *Hartford Courant* last summer, attribut-

ing his success to the constant flow of shoppers that stroll along Broadway.

In terms of creating an upscale market that excludes consumers on a tighter budget, Pizziconi noted that the per capita income for New Haven is \$45,000, while that of the rest of the country is just \$28,000. "We're meeting the needs of the market," she said.

Some students are not so sure that J. Crew will fit their budgets, however. Hilary Hammell '04, said "I'm glad to have J. Crew in the area as long as someone buys their clothes for me. I don't think I can afford most of their stuff." Other students are more enthusiastic about the famous chunky sweaters and comfort clothes coming to town. "I love their clothes," said Stephen Dougherty '04. "I'm going to go there all the time."

Many students, while happy to have J. Crew in the area as a retailer, still worry that it is part of a larger commercialization that drains personality from the Broadway area. "I'll be happy to shop there," said Ali Block

'04, "but I don't really like what it stands for in the area. I prefer Chapel Street."

While students may disagree on whether the university is selling Broadway out, Yale remains proud of the area and hopes that its properties on Broadway and Chapel will spur a growth in the area market that will eventually spread farther out of the immediate Yale area. "Our focus is on the area abutting the school," said Pizziconi. "We don't want to own all of New Haven. But we do hope that in the long run the activity of Broadway and Chapel will expand out toward Dixwell and the lower Chapel area." The University hopes that the 10-year lease with J. Crew will be one of many efforts to enhance downtown New Haven, creating a better community for Yale students.



Rebecca Rosenthal-Yik

Side by side, Cutler's and Urban Outfitters typify the meeting of old and new on Broadway.

Yale and New Haven: A decade of development

University agencies spur cooperation between town and gown.

Robert Crawford

The relationship between Yale and New Haven over the last six to eight years has flourished. In that time, Yale offices have helped broker deals that have led to the creation of more than 16 new companies in New Haven, produced more than a thousand new jobs, and last year brought \$1.1 billion in private equity investment to the area. New Haven is safer because of this, and the local economy is tremendously more vibrant than it was 20 years ago. With an increased relocation and founding of companies in New Haven, especially in the scientific and biotech sectors, there are major collaborative opportunities for New Haven business and the Yale community. The 300 George St. building, which had been vacant for much of the '90s now houses many such businesses.

Yale's Office of Cooperative Research was founded in 1982 with the mission of extending and expanding the university's interaction with the private sector. By all accounts, Managing Director John Soderstrom has run a very successful office. "Without his office and his direct involvement none of this would have happened," said Buzz Brown, who runs the Medical School branch of OCR. The office emphasizes the closeness of industry and Yale scientists.

Mayor John DeStephano thinks the explanation for the recent success is apparent. "There is a recognition in the leadership of the university and the faculty that there is this intersection of interest of moving intellectual property into the

market place. It benefits the city by bringing jobs and growth, and it benefits the university by attracting faculty and creating a positive environment. I see this involvement as something that will color the relationship for a time to come," he said.

Many say no one is more responsible for this explosive growth than Bruce Alexander, adjunct professor of Architecture and Vice President and the Director of New Haven and State Affairs since 1997. Professor Alexander is Yale's key person in charge of Yale's interaction with the greater area, and through his office, he has forged a significant relationship between

'Creating a general environment that is friendly to entrepreneurs for starting up new businesses is, in my opinion, the best way to boost the local economy.'

—SOM Professor David Cromwell

university, city, and state.

Perhaps SOM professor and entrepreneurial guru David Cromwell best embodies the current rich economic climate and the reasoning behind it. "Creating a general environment that is friendly to entrepreneurs for starting up new businesses is, in my opinion, the best way to boost the local economy," says Cromwell. After working on Wall Street for 30 years, Cromwell retired to begin his second career of teaching at Yale. Perhaps because of his experience in the field, Professor Cromwell's interests have a real-world focus. He will begin teaching a class on entrepreneurship which will be open to undergraduates and presently advises a student-run venture capital fund, one of only two in the country of its kind.

Although student papers have recently charged the New Haven developments as being focused on industries requiring high levels of technical education, Professor Cromwell notes, "If the economic growth is sustained, a lot of small business startups (not just biotechs) will grow into large companies, based in New Haven, over the next 10 years." Moreover, he takes a realistic view of the problems facing New Haven's development, and has a vision for how these can be overcome. "I see the main local difficulty for New Haven as getting new businesses to start up in the inner city," he said, citing the extra obstacles residents thereof face,

notably especially low levels of education (25 percent of the adult population did not finish high school, or even worse in some neighborhoods.)

"There is no known quick fix to this, but trying to fix

it is better than just ignoring it," he notes.

His vision for how the area is to be brought up, and the shortage of proven, CEO-level, management experience in the area is closely tied to Yale. "This situation can be fixed over time by encouraging bright, motivated graduates to stick around after college and by recruiting proven talent from Boston, New York and elsewhere. For New Haven, most new companies must start up first, get going and get funding, then find a proven CEO elsewhere—to grow the company into a big time winner." As such Yale's graduate and undergraduate community as well as the successful initiatives of the university may play a major role in the growing prosperity of the city in years to come.

Elmseed Enterprises jumpstarts local entrepreneurs

Student-run microlender gives New Haven residents a shot at their own business.

Andrew Goldberg

Much like Kramer, that unemployed, comically clumsy, crazy character on *Seinfeld* remembered for walking into walls (figuratively and literally) on many a money-making scheme, many eager entrepreneurs similarly strapped for cash often get credit for their good ideas, but fail to gain the all-important financial credit needed to make them a reality. For those who have stumbled in starting small businesses, been rejected by the bank and forced to bank on friends as backers, however, there is now a new place in New Haven to turn for financial credit of their own: The Elmseed Enterprise Fund, a student-run, non-profit company awarded best social entrepreneurship in last year's YES Y50K Competition, became incorporated over the summer, and will provide loans to low-income, unemployed, and under-employed people who have won praise for their business proposals, but who have failed to secure the requisite seed capital needed to get their business ideas off the ground.

Conceived by juniors James Choy, President and CEO, Katharine Harvey, Nowshad Rizwanullah, and Gabriel Kuris at the beginning of last year as a way to help very small businesses get started or expand, The Elmseed Enterprise Fund works on a system of microcredit. Choy, who worked at a microlender in New York two summers ago, and Rizwanullah, the company's CFO, who was employed by the Grameen Bank in Bangladesh that same summer, both had hands-on experience with microcredit, and believed that implementing a similar system in New Haven could prove a big boon for very small businesses in New

Haven. "Because there was no microlender in New Haven, or in Connecticut in general, before Elmseed, we decided to enter the Y50K and try to start one up," said Harvey, Elmseed's Director of Marketing and Outreach.

Elmseed's clients, entrepreneurs who have started small businesses in New Haven, or who aspire to do so, are required to form groups of five. Although each group member receives an individual loan for his own business, if any group member falls behind on loan payments, no other member of the group is allowed to take out a new loan. That way, Elmseed told its prospective clients at an information session in September, "Group members have incentives to support each other and make sure that no one falls behind. That's what guarantees our loans."

Three hot dog vendors, a boutique owner on Whalley Avenue, the editor of an advertising magazine, and a man who will offer computer services have already signed on to become Elmseed's first group and are slated to receive their first loans in the next few weeks. Tim Washington, the group chair, along with his associates, attended four training sessions over the summer and was then approved for funding by Elmseed's board of directors. As first time borrowers, Elmseed's entrepreneurs are eligible for loans as high as \$1500 at a rate of 12 percent interest and can reapply for loans up to \$10,000 as their businesses continue to grow. Though collateral is never required and clients' credit history is never checked, Elmseed does strive to check up on the progress of its clients.

While it waits for its first clients' businesses to boom, Elmseed has already taken steps aimed at expanding its own operations. "We aim to have a full center by the end of the academic year," said Harvey, who is working to spread the word about Elmseed around New Haven and to organize more information meetings for potential clients. One center is composed of three groups, and the goal of the non-profit, according to its business plan, is to add a new center each year.

In addition to new clients, Elmseed has already added new staff. Joining its four founders are sophomores Jeremy Kahn, Julia Tobias, and Arjun Rajagopal, who are working with Kuris, the Center Manager, to run center meetings and assist clients. Sarah Sherblom '04 and Alexander Daberko '05 are helping Rizwanullah raise money and handle Elmseed's finances, which include the \$10,000 in services and \$10,000 in cash the company was awarded by YES for its winning entry in the Y50K Competition. Sophomores Justin Loring and Salima Remtulla are working on outreach with Harvey.

Though some minor issues that might stem from starting up any business remain to be ironed out, almost everything at Elmseed is already up and running smoothly. As it awaits approval from the government as an official non-profit with 501(C)(3) status and prepares to dole out its first loans, Elmseed also sees itself as partially indebted to its first clients. "We've certainly been successful so far," said Harvey, who credits the company's first borrowers for helping to get a new public service off the ground. "It is really exciting seeing Elmseed take off."

The power of context: New Haven and Providence

Social entrepreneurship, new urbanism, and sustainability.

Nathan Bixby

YES was born on the wave of the “New Economy” now known as a burst bubble. Exuberance that burned bright just a year ago now seems distant. Historical flows much deeper than IT flamed forth into the public mind with ironic suddenness on 9/11,

Opinion

making a stupendous impact that reverberates still, overshadowing our thoughts, calling out for our highest and best involvement in the common life of humanity and Earth.

As entrepreneurs we go beyond fanciful dreaming to bring about great results. As Herb Allison put it in his Y50K keynote address last spring, we are people “who organize, operate, and assume the risk for *any* venture, not only one in the business world.” He further indicated that “deciding on a pursuit where you can have a major impact on the world is like shooting clay pigeons—you have to aim well ahead of where most people are today.”

How do we do this? Systems thinking sure helps. For the sake of brevity, systems thinking is a matter of understanding context. Of course, in some sense, *everything* is context, but when it comes to planning context is everything. To create solutions that really work without causing numerous negative side effects, one must consider the whole system in which a problem is embedded. To do this one must start from most inclusive and move inwards to the most local.

This article explores the context for Y2K competition. From inclusive to local, let’s consider Purpose, Globalization and New Urbanism.

Purpose is the essential differ-

ence between social and business entrepreneurship. Profit as primary purpose limits freedom to weigh other values equitably. Profit motive is easier to follow. A highly developed set of tools exists to guide business ventures. The current infrastructure grew around this purpose.

“*SE’s play the role of change agents in the social sector, by:*

Adopting a mission to create and sustain social value. This is the core of what distinguishes the s.e.’s from the business entrepreneurs and even from socially responsible businesses. For a s.e. the social mission is fundamental.”(1)

The effect of the purpose of the entrepreneur cannot be overestimated. Any other aspect of context is interpreted on the basis of this all-important decision.

The most critical factor in our global context is sustainability.

“Sustainability is a simple idea. It is based on the recognition that worsening ecological conditions threaten people’s well-being. When humanity’s resource consumption and waste generation exceed what nature can bear, we move into what is termed “ecological overshoot.” Just as constant erosion of business capital weakens an enterprise, such overshoot erodes the planet’s “natural capital,” and reduces humanity’s ultimate means. Thus, sustainability is a commitment to creating satisfying lives for all within the means of nature.”(2)

“Overshoot,” another basic systems dynamics term, occurs when feedback is insufficient or delayed, allowing depletion of a stock, often beyond critical limits. In retail outfits good inventory management prevents failure due to overshoot. Markets can

accommodate that. Natural capital has somehow remained outside the market feedback system.

All businesses old and new will have to deal with this context. Ironically though, markets are defined not by need, but by the capacity to spend, and those of us with the greatest capacity to spend are the last to feel the impact of environmental degradation. Only the kind of imagination and courage implied in Dees’s definition of social entrepreneurship will liberate us from this apparent trap.

Cities represent key units of infrastructure. Both New Haven and Providence, RI were cradles of the industrial revolution. Their infrastructure formed around the industrial principle of maximizing productivity per man-hour. There were seemingly endless natural resources to be collected processed and sold to a relatively small population. This situation has recently inverted. Forward-looking corporations realize that future success now lies in resource productivity, i.e. maximizing support for a seemingly endless population from rapidly shrinking natural capital.

New Urbanism, a term applied to redevelopment in both these cities, can at its best, reduce environmental impact by transforming infrastructure. in neighborhoods and citywide. This poses enormous challenges and great opportunity because the infrastructure of the industrial and consumer age (from the physical systems of roads and malls, to the financial system, and our habits, expectations, desires and thoughts!) actually promotes waste and discourages conservation.

(1) <http://the-ef.org/resources-Dees10-3198.html>

(2) Mathis Wackernagel, “Advancing Sustainable Resource Management” *Redefining Progress*.

What can biotech do for New Haven?

An exodus of growing firms leads to uncertainty.

Kristen George

Biotechnology at Yale has been broadcast nationally in recent years, making headlines in the *Wall Street Journal*, *The New York Times*, and *U.S. News and World Report*. The biotech industry has been an integral part of New Haven and Yale since the opening of Science Park in 1982. The 80-acre Science Park complex is situated off Prospect Street, not more than two miles away from the heart of campus, and is where several Yale-researched biotech companies including Genaissance Pharmaceuticals currently are headquartered. Its counterpart near the School of Medicine, the George Street Technology Center, is a 500,000 square-foot building that serves as the home office for tenants such as Molecular Staging and Achillon Pharmaceuticals. Both of these sites have been heralded as the home of New Haven's nascent biotech boom.

The process of establishing New Haven as an alluring site for biotech start-ups began in earnest with the 1982 creation of a Yale Office of Cooperative Research. The self-spoken reasoning behind its creation was to "to manage the University's intellectual assets, and to establish commercial partnerships to develop their full potential." It was not until the mid-1990s that the Yale Office of Cooperative Research was granted permission to create companies based on the University's research. It now seeks out inventions by Yale researchers with commercial potential and works to generate venture capital for startups based on this research. And not until 2000 did Science Park project its first year of profits, an estimated \$1 million in net revenue.

When President and CEO William Rice, PhD founded Achillion Pharmaceuticals in 2000, his objective in coming to New Haven was to join with Yale and its community of researchers, namely Dr. Yung-Chi Cheng. Dr. Cheng had already been developing anti-infective compounds, and such research would be valuable for Achillion in their commitment to designing antiviral drugs to treat infections caused by hepatitis B and C, herpes, and HIV. This story reveals the allure of New Haven as a mecca for biotech companies due to its wealth of expertise in Yale's research staff and their facilities. This attractiveness is a permanent one, and it has the potential to survive the trials of an economic downturn.

The greatest misconception of biotech in New Haven is its expansive role in creating jobs for local residents. The nature of small biotech firms demands the expertise of a few highly qualified PhDs, and not much else work is necessary for these companies to run efficiently. It is not surprising that the latest report by the Connecticut Center for a New Economy states that only 800 jobs have been created to date by biotech in New Haven. The vast majority of the people that fill these positions are not exactly hard pressed at finding employment.

To add to the difficulties faced by relying on biotechnology as an economic boost, the task of keeping companies in New Haven has proved difficult for the YOCR. Soon to move its headquarters to Branford is Curagen, a company founded in 1993 that engineers genomic-based biopharmaceuticals. Other recent movers have been

Alexion Pharmaceuticals (to nearby Cheshire) and Cellular Genomics (to Branford). While the move to the suburbs is unfortunate for the New Haven community, the connection to Yale's researchers is not severed. And even though some firms choose to leave New Haven, the ones which have stayed have prospered.

Gualberto Ruano 92PhD, 97MD launched Genaissance Pharmaceu-

Only 800 jobs have been created to date by biotech in New Haven.

tics of Science Park in 1997. His company specializes in "personalized medicine" and develops "smarter" techniques for testing and differentiating drugs on the market. In a recent press release, Ruano talked of the importance its new clinical study to develop innovative therapeutic approaches to lowering cholesterol. He says, "Genaissance is uniquely positioned" with its research to "ensure that the safest and most effective drug reaches the patient." Genaissance's recent successes can be seen in its latest third quarter revenue report of \$1.1 million, a sharp increase from \$67,000 for third quarter last year.

Although the road to building a robust biotech community in New Haven has been bumpy, the work being done is exiting and beneficial to all involved. Yale and New Haven have much to gain by striving to keep companies like Achillion and Genaissance in town, including the momentum that they generate to attract and create more companies. But the focus on biotech must be coupled by growth in all sectors of the city's economy in order for these startups to stay in town and for this cycle to perpetuate.

Reflections on a burst bubble

Shmully Hecht

The best thing to have happened to the Internet bubble was its pop. That is my humble opinion about the last few years of unprecedented wealth creation and its recent demise. I say this particularly to the students on campus that attempted to benefit from what seemed to be a promise of retirement before graduation and a utopian life prior to stepping foot into the real world. But I also speak from experience. Let me explain.

I spent the last year of Rabbinical Seminary in Melbourne Australia. It was 1995/96 and Australia was undergoing an equity boom fueled by rising prices in precious and base metals. After convincing a few friends from the US to send funds to the southern hemisphere, I began to manage money in the equity markets. Eventually I carved myself a niche of being an on the spot trader in Australian equities for American investors. My dorm room turned into a trading floor with charts hang-

ing across the wall, two laptop screens displaying the Chicago and Sydney exchanges and my Talmud and code of Jewish Law on the pillow of my bed. The mining sector, like the Internet sector, would double on the slightest rumors of a metal discovery in a particular company or the latest move in gold prices on the Comex.

As my portfolios under management often doubled daily, I was convinced that I was going to be the world's first self made millionaire Rabbi, all at the age of 21. It did not quite turn out that way.

In the fall of 1996, European banks began to unload their gold reserves and reassess the value of this long trusted precious metal as a hedge against inflation and back-up for their currency. No one foresaw this happening, and it did not take long for the mining sector to crash. In the short term I was lost, and my dreams of riches had withered away. In the long term I learned one of the greatest lessons one can learn at such

a young age: Nothing lasts forever and eventually markets balance themselves out. These are some of the factors one ignores when blinded by greed and irrational trends.

I have since witnessed the bravery of many Elis as they jumped on the bandwagon of our recent boom and I commend them. As Yale students launched their dot-coms and consulting businesses we were convinced the good times would be here forever. You have had the opportunity to experience something that your classmates and colleagues may take years to see. And you have lived through it before graduation. Markets will rise and fall over your lifetimes, dreams will be built and shattered, the question is who will be prepared? The lessons you have learned will remind you on the next run to look out for the things your friends will never expect. You are now ready for the real world and no MBA will ever give you that experience. Now you can graduate and attempt round two.

YESdex

In the fourth installment of the YESdex, we witness the fourth straight decline in the index's value. Considering the bear market of the past few quarters, the tech-laden nature of the YESdex, and most of all the tragic events of September the 11th, it is no surprise that the index has suffered a 38.5% decline in value since last April. Over the same period, the Dow Jones Industrial Average and the NASDAQ composite have declined 10% and 18%, respectively. This more dramatic drop-off of the YESdex is due in large part to the sharp corrections in the technology sectors, to which most of the index's stocks belong.

The markets as a whole have suffered from poor economic conditions. There has been near zero GDP growth in the past few quarters and the numbers are not firming up as quickly as had been expected. Furthermore, the weakness in stocks has been exacerbated by the September terror attacks: consumer confidence has plummeted; a rash of layoffs and pay cuts has hit America's corporations; and as a whole, America stands on high alert and in fear. Naturally, the YESdex has not been immune to these market trends. In spite of all this, the Dow Jones and NASDAQ have both zoomed up from their September 21 lows, sparking hopes for a full-market recovery. YESdex figures accurate as of the close of trading Oct. 26, 2001.

—Alexi Nazem

Symbol	Name	Last Trade	Shares Outstanding	Market Cap
FDX	FEDEX CORP	26-Oct 39.48	298,100,000.00	11,768,988,000.00
RNWK	REALNETWORKS	26-Oct 6.63	161,400,000.00	1,070,082,000.00
HAND	HANDSPRING INC	26-Oct 2.11	126,830,000.00	267,611,300.00
DCLK	DOUBLECLICK INC	26-Oct 6.99	135,200,000.00	945,048,000.00
LU	LUCENT TECH	26-Oct 6.95	3,403,608,000.00	23,655,075,600.00
LMGa	AT&T LIBERTY A	26-Oct 12.11	2,369,761,594.00	28,697,812,903.34
Index				Total Market Cap
11.01				66,404,617,803.34

Book review

All entrepreneurship is not created equal.

Regional Advantage: Culture and Competition in Silicon Valley and Route 128

By AnnaLee Saxenian

If you are looking for an edge-of-your-seat thriller in the mode of Hannibal, *Regional Advantage* may not be your cup of tea. It is, on the other hand, an academic text, grounded in a slew of insightful first-hand accounts and statistical data. This is no surprise, given author AnnaLee Saxenian's background as an Associate Professor in the Department of City and Regional Planning at Cal-Berkeley.

Regional Advantage is widely considered the authoritative and unprecedented guide to the histories of Silicon Valley and Route 128. (As a caveat, do not expect a recent account of the two regions. The book was published in 1994 and presents analysis up until roughly 1992.) Here Saxenian holds that Silicon Valley has consistently prospered as a technological hub since the 1950s because it is decentralized, team-oriented, and change-driven, while Route 128 has declined throughout the period due to its independent, almost self-centered ideology that stifles continuing innovation and entrepreneurship.

The way to get the most out of this book is to read the introductory section on Route 128 and then to pay little attention to any mention of the area from that point onward. Saxenian, unfortunately, has very little that is novel to say about the Boston area. This is perhaps because she is so close to the Valley from her scholarly perch at Cal-Berkeley. Or it is because the story of Route 128, as she readily admits, is grounded so deeply in an inability to escape the past that this recurring theme loses its force early on and takes a backseat to her preferred discussion

topic: the rapid-fire adaptability of the West Coast.

As someone with very little prior understanding of the histories of both regions, I found this aspect of this book quite interesting. Very few people my age would be able to tell you with a straight face that both Silicon Valley and Route 128 did not just spring forth from the ground sometime during the early 1990s. I put some of the blame for my ignorance on not having surveyed the history of these two areas at some point throughout my life. The majority of the blame, however, lies in the lopsided coverage afforded by our nation's media. In their quest to discover and glamorize the "newest new thing" they have done little to educate their readers on the past—the newest new things of decades gone by, and the newest new meltdowns (or should I say, corrections) that befell each of these technological booms.

In *Regional Advantage*, Saxenian shines in her examination of Silicon Valley's rise to technological supremacy. It was interesting to learn that much of the region's dynamism was actually reactionary, as opposed to being purely novel and deliberate. Silicon Valley, founded largely through the efforts of MIT graduate and Stanford Dean of Engineering Frederick Terman, was designed to be everything that the East Coast, and specifically the Boston area, was not. In place of the suits and ties and executive suites of Route 128 companies such as DEC, the West Coast adopted a communal sort of capitalism that set all employees on an equal, competitive footing, both within the physical work environment and between firms.

It was this culture, according to Saxenian, that encouraged innovation and made the Valley such an

inviting location for disenchanting northeastern engineers and computer scientists. Although the region was fiercely competitive, it was also, paradoxically, communal and supportive. Saxenian argues that it was this element of community that was the single most important factor in the Valley's success. According to her anecdotal evidence, rival companies would allow each other to use their factories in the event of a plant malfunction. The entire Valley-based semiconductor industry came together to formulate design and production standards so that they could better serve the ever-expanding multitude of suppliers. Valley execs were strongly supportive of, and often integral in, efforts to educate and network area workers to increase the overall quality of the talent pool. And although such initiatives were not conducted with entirely altruistic motivations, Saxenian argues that they did serve both to propel everyone forward and to generate substantial rewards to those firms or individuals that spearheaded these practices.

I found myself particularly attracted to the section that detailed the contributions of MIT and Stanford to the development of their respective technological regions. According to Saxenian, both universities served as the principal research centers for nearly all of the defense and aerospace innovation beginning in the 1940s. While both regions were (and still are) heavily funded by the federal government, only MIT was strongly connected to and supported by many of the large, entrenched private firms. Stanford lacked such ties and, consequently, its research often became the starting point for scores of new companies. Furthermore, Terman, whom I mentioned earlier, succeeded in bridging the gap between the busi-

ness community and academia, making the relationship between the two seamless and mutually beneficial. Terman said in the 1940s what Yale's own President Levin has only recently hinted at in the 1990s.

As an interesting point of further discussion, it would be interesting to consider the implications for Yale and New Haven, based on this book's main issues. Does New Haven even have a starting point from which to draw a comparison to Silicon Valley and Route 128? Is New Haven encumbered by the same "East Coast" mentality that was claimed to hinder Route 128? Do you believe that the region is physically large enough to accommodate the necessary infrastructure for a burgeoning technology hub? Will biotechnology be New Haven's equivalent of the semiconductor industry? Can biotech provide the region with a strong enough sustainable competitive advantage?

—Evan LePatner

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The Beinecke brothers

Pioneers in entrepreneurship.

Adam Rein

Unlike many of the namesakes of the buildings at Yale, the Beinecke Rare Book and Manuscript Library is named after three Yalies who made significant contributions to society through entrepreneurship.

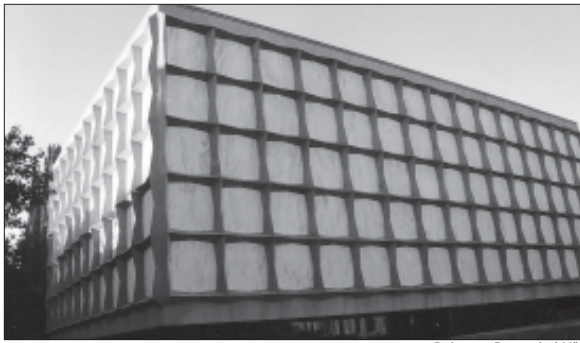
But who were the Beinecke Brothers? Edwin, Frederick, and Walter Beinecke attended both Phillips Academy and Yale University at the turn of the twentieth century. All three brothers had unique and complementing interests, ranging from machinery to helping create the official rules of contract bridge. Two brothers left Yale College early, however, to help in the construction of a major hotel, demonstrating that a Yale education can be just as important as a Yale degree. Despite divergent early careers, two Beinecke's married into the prominent Sperry family and by 1923, the Beinecke family bought the Sperry and Hutchinson Company from the Sperry family.

The Sperry and Hutchinson Company was the creator of the unique S&H Green Stamps, and under the leadership of Edwin Beinecke, it grew to change the shape of American consumer culture in the mid-20th century. For most current students, the S&H name is unknown, but in 1964, there were three times more S&H Green Stamps than US Postal stamps and the S&H catalog was the largest single publication in the United States.

The idea for "trading stamps" – namely, paper coupons with a gummed backing – was fashioned in the 1890's. Stamps were created as a tool for merchants to hand out to customers as an incentive for paying cash as opposed to credit. Customers

pastored the stamps into booklets and eventually exchanged a specified number of filled booklets for household merchandise. In 1896, the Sperry and Hutchinson Company, which began issuing S&H Green Stamps that year, was the first trading stamp company that operated as an independent business. S&H issued its own stamps and booklets and built its own redemption centers for customers. The idea caught on as customers flocked to collect stamps by buying merchandise, but with the outbreak of World War I, the stamp craze faded.

Ten years later, the Beinecke family would take over S&H with Edwin at its helm until his death in 1970. Edwin Beinecke's tough competitive edge and strong management skills kept the company alive during the Great Depression and helped it launch the trading stamp phenomenon in the 1950's and 60's. With help from his brothers, who ran the executive and finance committees for various periods, Edwin Beinecke re-launched S&H Green Stamps in 1951 in the prime of the post-war boom. Trading stamps soon became a multi-million dollar industry and S&H remained the only company with national coverage. The Beinecke's faced tough opposition from state legislators and supermarket chains who opposed trading stamps as being parasitic on the economy. However, the Yale graduates never backed down, and by the 1960's, S&H was the nation's largest purchaser of small GE appliances. In one classic story, when the president of Safeway supermarkets offered to buy out S&H to end its stamps, Edwin told the head, "then I will break you," and the president



Rebecca Rosenthal-Yik

The Beinecke Library: one of the family's many gifts to Yale.

was soon fired. By the time super-market price-cutting and gas shortages ended the popularity of trading stamps in the early '70s, the Beinecke brothers had built S&H from a small enterprise to one with revenues over \$350 million.

S&H is still controlled by the Beinecke family, and is currently attempting to renew its past success and the stamp fever through "S&H Greenpoints," a new online incentive and redemption currency. The successor to the

ment of the Beinecke family towards their alma mater – Yale University.

Edwin Beinecke was a man of diverse interests, and was a major collector of Robert Louis Stevenson works, German stoneware, and gardens. Frederick added to this collection through his fascination with documents from the American West. Both Edwin and Frederick donated their collections along with Walter's towards The Beinecke Rare Book

and Manuscript Library in 1963. This library is one of the largest dedicated entirely to rare books and manuscripts, and holds such precious collections as the Gutenberg Bible and the first Western book printed from movable type. The Beinecke brothers matched their financial dedication with their university service, and both Edwin and Frederick were awarded with the Yale Alumni Medal. The Beinecke name can be found throughout Yale University because the Beinecke family has been one of the premier benefactors towards the university.

When Yale students think of famous alumni, most think of past presidents or famous actors. However, the Beinecke brothers showed a strong dedication toward family, entrepreneurship, exploring diverse interests, and giving back to Yale. As much as anyone, the Beinecke brothers should serve as models for students well into Yale's fourth century.

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YES News

Upcoming events on campus and around the country.

YES Silicon Valley

In July, YES held its first alumni event in the San Francisco Bay area. YES Silicon Valley included a networking session and panel discussion at Michael's at Shoreline in Mountain View. The panel featuring Yale School of Management's David Cromwell, and local Yalie venture capitalists Quincy Smith, Partner at The Barksdale Group, Peter Ziebelman, Partner at 21st Century Internet Ventures, and Ram Shanmugam, a Principal at Greylock covered a wide range of topics from philanthropy in the venture community to how to get VCs to notice your business plan. One attendee called the discussion "surprisingly candid." The VCs all mentioned actively looking at new investment opportunities even in the face of the technology downturn. Smith said, "It's a great time to be a VC," noting the increased opportunity for VCs to have their pick of good new entrepreneurial ideas. Michael Dawson '04, the event's coordinator, called the evening "very successful" and noted that plans are already underway for another YES Silicon Valley event next year.

—Gus Fuldner

Y2K educational events

As the deadline for Y2K applications is approaching, YES has sponsored a number of team-builders and informational sessions to allow entrants with ideas to encounter other inquisitive students with skills and resources. Students and potential team mates have the chance to interact with entrepreneurs and advisors to help strengthen and hone their ideas. On October 17th, Yale professor and founder of Honest Tea Barry Nalebuff spoke regarding the appropriate time and the skills necessary to start a business. He focused on the implementation of ideas and the actual follow-through, while also describing the process of starting his own company. The lecture ended with a question and answer session in which Nalebuff challenged students to present him with their ideas.

—Katherine Pustay

YES Boston

On October 25th, YES kicked-off its first alumni and networking event in Massachusetts, YES Boston. Held at the Wyndham hotel, YES Boston provided a chance for businessmen and entrepreneurs in the area as well as numerous current Yalies to chat and dine together. Opening remarks began during dinner with YES president Julian Revie '02 and Buzz Brown of Yale's Office

of Cooperative Research, who discussed YES's beginnings and its current impact on the community.

Key note speaker Josh Lerner '82, professor of Business Administration at Harvard Business School, and author of *The Venture Capital Cycle*, delivered the presentation, "Venture Capital in 2001: What's Next?" After beginning with a historical synopsis and analysis, Lerner delved into a discussion of private equity partnerships, institutionalization, and traditional and successful strategies. He concluded with a dialogue concerning the changing market conditions, a topic engaging to entrepreneurs and investors alike.

YES COO and YES Boston coordinator Brennan Igoe '04 summarized the impressions of most at the event by commenting, "I thought YES Boston was a great success. I couldn't have hoped for a better introduction to the Boston alumni community."

—Katherine Pustay



Rebecca Rosenthal-V/K

The YES Center, YES's new headquarters, opened this September. It's conveniently located between the Doodle and Barrie Booters. Come up and visit, but handle your booting needs downstairs.

Entrepreneurship news from the graduate and professional schools

Chad Troutwine

This year the Yale Entrepreneurial Society has made a concerted effort to attract participants from all of the graduate and professional schools on campus. To better realize that goal, Chad Troutwine, School of Management '02 was appointed to a newly created YES position: Vice President, Campus Networking. Additionally, Troutwine has recruited YES contacts at the following schools: Tamara Zavaliyenko, Law; Oliver Grantham; Forestry; Marcos Diaz-Gonzales, Architecture; Daiva Gostautas Braunfelds, EPH; Michael Sherling, Medicine; and Erin McCourt, Nursing.

Graduate students from many disciplines have shown interest in entrepreneurship and YES. For instance, several teams of students from Prof. Robert Apfel's "SynThesis: New Product Development" class are planning to enter the YES-sponsored Y2K concept competition and Y50K business plan competition. Apfel's class consists of engineers, computer science specialists, and management students. In a related effort, YES is bridging the divide between students in management and the sciences with its teambuilding events and upcoming Innovation Summit.

Diaz-Gonzales articulated why students in the School of Architecture should be interested in YES: "Because the professional requirements to attain independent practicing status are time-consuming (professional degree, three year internship with accredited architect, and aboard examination), few students consider entrepreneurship. Yet, those same hurdles could potentially entice architecture students to entrepreneurial activities that combine part of their education (computer graphics, construction, furniture design, etc.) into independent careers."

Even students that appear to lack a natural connection to YES have shown interest. According to the Yale School of Nursing's McCourt, "several YSN students have entrepreneurial interests. Many nurse practitioners and nurse-midwives contemplate starting their own practices or birth centers. Currently we cover information on business and management in our coursework, but we would welcome invites to lectures on these topics."

As more graduate and professional students attend YES events, all members will benefit. Throughout the year, the YES contacts listed above will inform the membership about relevant speakers and events at each of the various schools.

Graduate students who would like to publicize their entrepreneurial activities should e-mail Chad Troutwine at chad.troutwine@yale.edu.

Microlending and social entrepreneurship in New Haven

Nathan Bixby

Each issue this column will highlight one social venture in or around Yale and New Haven. We hope greater visibility will both promote the cause of these enterprises and provide information and models for others considering social entrepreneurship themselves.

Last week I had an inspiring and informative talk with James Choy '03, CEO of the Elmseed Enterprise Fund. EEFF was the winner of the Social Entrepreneurship prize in the 2001 Y50K contest.

Opinion

EEF grew out several of the experiences of members of the class of '03 in well established microcredit enterprises in New York overseas. Pioneered by the Grameen Bank in Bangladesh, microcredit institutions around the world have raised millions of entrepreneurs out of poverty. Entrepreneurs born into poverty are confronted with a catch-22: they cannot build successful businesses without capital and they cannot get capital without successful businesses. Through small but significant loans, microcredit offers an underprivileged person the chance to rid himself of the desperation of poverty while contributing to the community.

The principals of EEFF, after sharing their experiences as microcredit interns, decided that New Haven could really use this service and went about researching and documenting all the details of how to make it happen from face to face research in the community to be served to finding board members willing to commit to the project. This work, in the form of the winning business plan will be available for review in the YES social entrepreneurship resource center.

According to James, the Fund is right on track with its plan. They have one group of local business people already sign on, trained and moving ahead with the loan application process. Winning the contest has been significant help, especially in being able to present their plan and in the very challenging process of setting up a legal structure. Other challenges require immersion. The team has had to learn to read cues correctly in the inner city culture they are serving.

They have also found that, while able to set their own pace preparing the business plan, putting that plan into practice requires balancing outside forces and interests. They have been surprised by just how strong has been the positive response to their offering by the community.

Students involved in social entrepreneurship should e-mail Nathan Bixby at nathan.bixby@yale.edu.

