

# THE WALL STREET JOURNAL

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## Not Black and White Colleges Cut Back Minority Programs After Court Rulings

### They're Wary of Scholarships Based on Race in Wake Of the Michigan Cases

#### New Ways to Define Diversity

By DANIEL GOLDEN

The Supreme Court's June rulings on racial preferences in University of Michigan admissions were widely interpreted as a victory for affirmative action. Six months later, the impact looks considerably more ambiguous. Although the decisions allowed colleges to preserve the ability to consider race in choosing students, many schools have felt obliged to change how they factor race into other big academic decisions, particularly in awarding minority-only scholarships. In the Michigan cases, both of which were brought by rejected white applicants to the university, the court approved of using race as one tool to achieve a diverse student body. But the court said schools can't maintain quotas or separate admissions tracks for racial groups—nor define diversity solely in terms of race.

### Wider Access

Many schools have opened minority scholarships to all races since the Michigan rulings. Among them are:

| SCHOOL                            | OLD SCHOLARSHIP NAME                             | NEW NAME                       |
|-----------------------------------|--|--------------------------------|
| <b>Williams College</b>           | Bolin Fellowships for Minority Graduate Students | Bolin Dissertation Fellowships |
| <b>Indiana University</b>         | Minority Achievers                               | Hudson & Holland Scholars      |
| <b>Carnegie Mellon University</b> | Carnegie Mellon Scholarships                     | No change in name              |

Source: the colleges

As such, it struck down a point scale for admitting undergraduates that gave an automatic boost to blacks, Hispanics and Native Americans, ruling that applicants must receive "truly individualized consideration." In other words, all aspects of a student's life should be taken into account, from race to family background to economic opportunity.

The court didn't mention financial aid or scholarships in its decisions. But because aid is so closely linked to admissions, many schools fear that race-conscious scholarships and other programs would be interpreted by lower courts as impermissible under the standard set in the Michigan cases. Already, the court's decisions have accelerated conservative legal activists' challenges of minority scholarships.

In the months since the rulings, Williams College, Indiana University, Carnegie Mellon University and other schools have opened minority scholarships to all races—even at the risk of alienating some minority students, alumni and donors. Amherst and Mount Holyoke colleges have taken the same step with campus minority-recruitment events. Among the biggest potential beneficiaries of scholarships that until now were reserved for minorities: white students with diversity credentials, such as those who come from disadvantaged backgrounds or specialize in unlikely fields.

Meanwhile, the U.S. Department of Education's Office for Civil Rights is investigating complaints by conservative activists and students about race-exclusive programs at several public and private universities. Among the programs are tuition waivers for native Hawaiians at the University of Hawaii and minority scholarships and job fairs at Seton Hall University School of Law, in Newark, N.J. Schools found in violation could forfeit federal funding, although the Office for Civil Rights generally works with schools to bring them into compliance, rather than penalizing them.

"Minority scholarships are quite common in undergraduate institutions around the country," says Kent Syverud, dean of Vanderbilt Law School, a former Michigan professor who testified in the case. *Please Turn to Page A2, Column 3*

## What's News—

Business and Finance World-Wide

**PARMALAT'S FOUNDER** admitted to being involved in the alleged fraud at the company, according to two people who attended his interrogation. Italian prosecutors increased their estimate of the money Calisto Tanzi allegedly misappropriated to \$994 million. The SEC accused Parmalat of selling about \$1.5 billion in debt securities, and trying to sell itself, while engaged in a fraud. (Articles on Pages A3 and C1)

**The Nasdaq jumped 1.7%** to 2006.48, its first close above 2000 in almost two years. The surge leaves it up 50% for the year. **The dollar fell to another record low against the euro.** Gold hit \$414.80 an ounce, its highest level in 13 years. (Articles on Pages C1 and C11)

**The number of cows in the U.S.** that may have been exposed to mad-cow disease was increased to 81 by federal investigators. **Cattle-futures prices plunged** by their maximum permissible limit of five cents a pound. The limit could be increased today. (Articles on Pages A3 and C1)

**Footstar was suspended** from trading and threatened with delisting by the NYSE after it failed to meet a filing deadline. (Article on Page B7)

**Chinese regulators approved** auto-financing ventures by GM, Volkswagen and Toyota, a move that could further spur car sales. (Article on Page A8)

**AES reached agreement** with Brazil and some creditors to re-finance \$2.3 billion of debt tied to its holdings in that country. (Article on Page C5)

**Lehman and Starwood plan** to complete a \$1.24 billion deal to take over hotel chain Le Meridien within the next few days. (Article on Page B5)

**The White House proposed** tax-shelter standards to limit the use of advisers' opinion letters as a defense against IRS penalties. (Article on Page A2)

**Some firms are devising** ways to retain mothers with young children amid a decline in their representation in the work force. (Article on Page D1)

**China's Fujian Asian Bank,** a Sino-foreign joint venture, will be taken over by Hongkong Bank and Ping An Insurance. (Article on Page C5)

**The government will pay** private insurers more for covering people with costly disease as part of a new risk-adjustment system. (Article on Page B1)

**Russian President Putin** signed into law a milestone bill that will insure household bank deposits of as much as \$3,400. (Article on Page A8)

**A judge denied prosecutors'** attempts to subpoena numerous documents related to a key charge against Martha Stewart. (Article on Page C13)

**China's securities regulator** said greater accountability will be placed on underwriters involved in equity fund-raising. (Article on Page A8)

**South Korean industrial activity** slowed in November as consumer and corporate spending declined. (Article on Page A8)

**Markets—**  
Stocks: NYSE vol. 1,011,544,650 shares, Nasdaq vol. 1,363,981,717. DJ Industrials 10450.00, ▲ +125.33; Nasdaq composite 2006.48, ▲ +33.34; S&P 500 index 1109.48, ▲ +13.59.  
Bonds (4 p.m.): 10-yr Treasury ▼ -24/32, yld 4.248%; 30-yr Treasury ▼ -1 4/32, yld 5.047%.  
Dollar: 107.04 yen, -0.48; euro \$1.2486, +0.57 cent against the dollar.  
Commodities: Oil futures \$32.40 a barrel, ▼ -\$0.46; Dow Jones-AIG futures 135.099, ▲ +0.427; DJ-AIG spot 172.071, ▲ +0.545.

**THE FDA PLANS** to ban ephedra today after a troubled health history. It will mark the first prohibition of a dietary supplement by the agency and will set precedents for any possible future cases. Three states had already outlawed the sale of the substance, used by dieters to curb appetite and athletes to enhance performance. It had long been tied to heart problems and strokes, and its role in the spring death of an Orioles pitcher pushed the ban forward. (Column 5)

**U.S. troops killed** three suspected members of an al Qaeda-tied group in Mosul, Iraq. Two Americans were wounded in the battle. Iraqi officials say Saddam Hussein has provided information on as much as \$40 billion he deposited abroad under fictitious company names. Japan and China responded positively to U.S. requests to forgive some of Iraq's debt burden.

**Homeland Security is requiring** foreign carriers in certain cases to post air marshals on flights to and from the U.S., including cargo planes. Failure to comply could cost the airlines U.S. landing rights. (Page B2)

**Aftershocks tormented** Bam, Iran, where more than 25,000 bodies have now been found and operations have shifted from rescue to recovery. A girl was pulled alive from rubble in which she was buried for four days. **Natural disasters killed** nearly five times more people in 2003 than 2002, Munich Re said. Iran's earthquake and Europe's heat wave were factors.

**U.N. inspectors said** Libya's nuclear program isn't advanced and is of a "familiar design," indicating the technology's sources can be traced.

**Israeli settlers braced** for a government push to dismantle four outposts, some already vacant. Palestinians called the move a publicity stunt.

**Gunmen in Burundi assassinated** the papal nuncio as he returned from a funeral in a Hutu rebel stronghold. A motive wasn't immediately clear.

**Pakistan's parliament voted** to expand President Musharraf's powers vastly if he adheres to a promise to step down as army chief next year.

**Milosevic won** a seat in Serbia's parliament in Sunday's vote, as did ultranationalist ally Seselj. Both are on trial for war crimes at The Hague.

**A Georgia rocket attack damaged** offices of an independent TV station that had been sharply critical of Shevardnadze. Elections loom on Sunday.

**Russian planes removed** stocks of Soviet anti-aircraft missiles from the Trans-Dniester region of Moldova Saturday to block possible terrorist use.

**Guatemala declared** Oscar Berger, a conservative businessman and ex-mayor of Guatemala City, the winner of Sunday's presidential runoff.

**Suspected letter bombs** were sent in recent days to heads of EU institutions such as the police agency and central bank. No one has been hurt.

**The Sept. 11 fund reported** 4,033 claims have been filed by families of attack victims, representing 97% of those eligible and exceeding goals.

**SARS-fighting efforts** continue to be hampered by the lack of a reliable diagnostic test, as shown by a suspected case in China. (Page B1)

**A hormone-replacement study** says about a quarter of women who stop the pills due to the risk go back because of menopausal ills. (Page D3)

**A federal judge ruled** Rhode Island acted properly in closing a tax-free Indian cigarette store because it was refusing to collect state levies.

**A U.S. Mars probe made** a last-minute course adjustment, with a lander due to parachute in on Saturday. A second is to follow on Jan. 24.

**On Film:** Producer Samuel Goldwyn Jr. discusses piracy, the studio system and the dearth of good screenwriting.

**Harris Health Poll:** Despite shortages this flu season, most Americans approve of the system for making and distributing the vaccine.

## No, Virginia, There Isn't a Betty Crocker; Ms. Leopold Is Close

### Novice Cooks in Distress Get Help From General Mills; The Bundt-Pan Mystery

By SHIRLEY LEUNG

**GOLDEN VALLEY, Minn.**—Children aren't the only ones making pleas to a fictional character at holiday time. Calls to the consumer hotline at General Mills Inc. sometimes begin: "Are you Betty Crocker?"

None of the 80 food experts who answer such calls is Betty Crocker, the cuisine queen whom the company invented in 1921 to answer baking questions and serve as its public image. But Linda Leopold may be her living embodiment. The 59-year-old former home-economics teacher is the star of the team, the one who answers questions that stump her colleagues.

She is busiest during the Thanksgiving, Christmas and New Year's holidays. Her particular specialty is the library of recipes—about 100,000 of them—that General Mills has created over the decades to promote its products.

Americans' memories of those recipes tend to be warm, nostalgic and vague. "I have to be a detective," says Ms. Leopold, who with her short blonde hair bears little physical resemblance to the fictional Betty Crocker, a younger, computer-generated brunette composite; the company has regularly updated Betty's image through the decades. "They will give you the name for a recipe and it isn't the actual name."

Take the case of the Golden Fruitcake. Last month, Canadian retiree Lynn Houle sent an e-mail seeking a recipe for a fruitcake containing coconut and orange juice. Ms. Houle, 58, remembered the name as Golden Fruitcake. The only recipe Ms. Leopold could find by that name contained no coconut. Ms. Houle offered one other bit of information that proved crucial: The recipe came from a Betty Crocker Cookbook that she had received as a wedding-shower gift in 1965. This led Ms. Leopold to a 1960s-era Betty Crocker recipe called Yellow Fruitcake. Ms. Houle, corrected on the name, is delighted to have the recipe, which she has used this month to make four fruitcakes. "I will be making it every year," Ms. Houle says.

For amateur chefs during the holidays, Ms. Leopold and her team are the next best thing to Grandma. The consumer hotline receives about 100,000 calls a month. This time of year, questions related to product preparation soar 86%, and questions involving a recipe rise 67%. Pie alone is a huge subject of inquiry—as once-a-year bakers are suddenly thrust center stage.

That's where Ms. Leopold comes in. When she taught in the Minneapolis suburbs, Ms. Leopold used to bring her students on field trips to General Mills, which is based in Minneapolis. She quit that job to raise two sons. When she was ready to return to work, she recalled how much she enjoyed touring the Betty Crocker kitchen with her students. She applied for a job answering consumer calls from the General Mills hotline. "It was my pie in the sky," she says of the job. She started in December 1991.

About five years ago, she was elevated to the new role of information specialist. This means she takes the calls that other hotline employees can't answer quickly. General Mills receives about 1.2 million consumer calls, e-mails and letters a year. About 98% can be answered immediately. Nearly all other inquiries go to Ms. Leopold, who got this job because she was "battle tested" and was "consistently providing the right answer and not getting flustered," says her boss, Jeff Hagen. *Please Turn to Page A2, Column 6*

**Harbor School Hits Stiff Winds**  
Halfway through its first year, the tiny experimental New York school has energized students, but academic gains remain elusive. PAGE B1

**Squibb Squawk Box**  
The Street is talking about new life for Bristol-Myers stock, with several drugs in the pipeline. HEARD ON THE STREET, C1 ...

## A Bull's Market How Grasso's Rule Kept NYSE On Top but Hid Deep Troubles

### Big Board Chief Ran Exchange With Iron Fist, Holding Computer Age at Bay

#### Plaque for 9/11 Turns Divisive

Only one obstacle remained after Michael LaBranche agreed in 2000 to merge his company with a smaller rival to create the largest "specialist" firm working on the New York Stock Exchange's trading floor: the blessing of Big Board Chairman Dick Grasso.

By Greg Ip, Kate Kelly, Susanne Craig and Ianthe Jeanne Dugan

There was, however, a hitch. Much to the surprise of Mr. LaBranche, Mr. Grasso strongly suggested that Robert Murphy, head of the smaller firm, be named chief executive of LaBranche & Co.'s main operating unit after the merger, according to current and former LaBranche executives. Mr. Murphy, a longtime friend and booster of Mr. Grasso, needed to remain at the top of a specialist firm if he was to continue serving on the exchange's board. And that's where Mr. Grasso wanted him.

As a member of the NYSE's board, Mr. Murphy had voted to approve a lucrative contract for Mr. Grasso that led to a payout of \$139.5 million in retirement compensation and other benefits. Outrage over that stratospheric payment ultimately led to Mr. Grasso's ouster in September.

Operating much like an old-time political boss, Mr. Grasso often ran the world's biggest stock market as though he owned it. He controlled the composition of the board and its agenda. Having quit college and joined the NYSE in 1968 as an \$80-a-week listings clerk, he fought mightily to uphold its traditions. Although he spent heavily on new technology, he didn't let the onslaught of automation significantly alter the exchange's century-old system of using specialists to individually match buyers and sellers of stock.

For many years the results looked fabulous. His political savvy and hard work helped preserve the Big Board's

### Trading Places

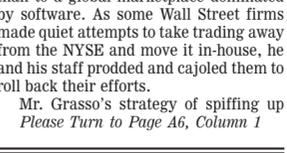


status as the world's most prestigious stock exchange. The NYSE's bustling floor, projected daily onto television screens in offices and living rooms, was the icon of U.S. capitalism. Mr. Grasso's push to get the exchange up and running after the Sept. 11, 2001, terror attacks made him celebrated far beyond Wall Street.

But behind his energetic marketing, the true legacy of his autocratic reign was something entirely different: deep problems that now make the exchange more vulnerable to change—and competition—than at any other time in its 211-year history. His efforts to ward off electronic trading meant that the Big Board relied on a people-oriented system arguably more fitting to the

Manhattan of 1792, when the exchange was founded under a buttonwood tree, than to a global marketplace dominated by software. As some Wall Street firms made quiet attempts to take trading away from the NYSE and move it in-house, he and his staff prodded and cajoled them to roll back their efforts.

Mr. Grasso's strategy of spiffing up *Please Turn to Page A6, Column 1*



Dick Grasso

## FDA Is Expected to Ban Ephedra, Citing Supplement's Health Risks

By SARAH LUECK  
And ANNA WILDE MATHEWS

**WASHINGTON**—After years of debate, federal health officials are expected today to announce they will act to remove the herbal weight-loss treatment ephedra from the marketplace, the first time the Food and Drug Administration has moved to ban a dietary supplement.

The action will set a precedent for how the FDA deals with the alleged risks posed by supplements and could draw litigation from manufacturers who dispute the agency's assertion that ephedra is a proven health risk. Ephedra, once

widely taken to enhance athletic performance and as a weight-loss aid, has been linked to heart problems and strokes and was fingered in the death earlier this year of 23-year-old Baltimore Orioles pitcher Steve Bechler.

Dietary supplements are regulated under a 1994 law that sets a high bar for restrictions. Unlike drugs, herbal supplements don't have to be approved by the FDA before going to the market, and the agency must prove that they pose a "significant or unreasonable risk" before blocking their sale.

The steps the government took before acting to stop the sale of ephedra in dietary supplements—including commissioning a safety study by independent researcher Rand Corp.—demonstrate the hurdles to regulating dietary supplements under current law. But the ban demonstrates the government's authority and willingness, at least in cases as high-profile as this, to ban an herbal supplement. And the outcome of any resulting litigation could determine the scope and limits of the agency's authority to regulate the widely used substances.

Ephedra accounts for about 7% of dietary-supplement sales, or about \$1.4 billion last year, according to the Nutrition Business Journal. Amid decisions by companies to stop selling ephedra supplements and the crush of negative publicity, the trade journal predicted that figure could fall to \$300 million or \$500 million this year.

Ephedra, also known as ma huang, for years has been suspected of causing heart problems and strokes. Sales of the sub- *Please Turn to Page A4, Column 6*

### Drug Ban

Tracing ephedra's recent history

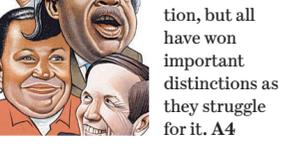
- 1997:** FDA proposes warning labels, dosage limits for dietary supplements with herbal ephedra.
- 2000:** After Congress and industry complain, FDA withdraws proposal.
- 2001:** National Football League bans ephedra. Canada warns against use.
- 2002:** After a consumer group seeks ephedra ban, HHS commissions Rand Corp. safety study.
- Early 2003:** Baltimore Orioles pitcher who took ephedra dies; FDA proposes labels warning of possible heart attacks, strokes, death.
- Today:** FDA announces ban on ephedra.

The action will set a precedent for how the FDA deals with the alleged risks posed by supplements and could draw litigation from manufacturers who dispute the agency's assertion that ephedra is a proven health risk. Ephedra, once

### INSIDE TODAY'S JOURNAL

**... And Herd on the Street**  
Senior Journal writer Ken Wells on the animal attraction of tales with tails. LEISURE & ARTS, D8

**Triumvirate of Long Shots**  
Al Sharpton, Dennis Kucinich and Carol Moseley-Braun may not win the Democratic nomination, but all have won important distinctions as they struggle for it. A4



### PERSONAL JOURNAL

**Personal Health**  
Safer Surgery: New Findings About a Risky Vascular Operation  
Car-Rental Confusion: A Guide to the New Features  
Companies Fight To Stop Female Flight

### INDEX

|                               |                                |
|-------------------------------|--------------------------------|
| Abreast of the Market.....C3  | Leisure & Arts.....D8          |
| Amex Stocks.....C9            | Markets Lineup.....C2          |
| Bond Data Bank.....C11        | Media & Marketing.....B5,7     |
| Commodities.....C12           | Money Rates.....C11            |
| Corrections.....A2            | Mutual Funds.....D6            |
| Credit Markets.....C11        | Nasdaq Stocks.....C6           |
| Currency Trading.....C11      | NYSE Stocks.....C2             |
| Deals & Deal Makers.....C5    | Personal Finance.....D2        |
| Directory of Services.....B4  | Personal Health.....D3         |
| Dividend News.....C13         | Politics & Policy.....A4       |
| Earnings Digest.....C13       | Small-Stock Focus.....C8       |
| Editorials.....A10,11         | Technology.....B5              |
| Enterprise.....B2             | Travel/Agency Issues.....D3    |
| Heard on the Street.....C1    | Treasury/Agency Issues.....C13 |
| Index/Options.....C10         | Weather Watch.....C14          |
| International News.....A8     | Who's News.....B7              |
| Key Interest Rates.....C11    | World Stock Markets.....C14    |
| Index to Businesses.....B2    |                                |
| What's News Online.....B2     |                                |
| Global Business Briefs.....D4 |                                |
| Classifieds.....B4, B6, D5    |                                |



