



LEADING THE NEWS

# Delta Air's Pilots Offer 9% Cut in Pay

Wage Concession Indicates Movement in Stalled Talks For the U.S.'s No. 3 Carrier

By EVAN PEREZ

ATLANTA—The union representing pilots at Delta Air Lines has offered a 9% cut in wages to help the airline get its costs closer to those of its rivals.

The proposal from the Delta unit of the Air Line Pilots Association is a sign of progress in the difficult talks between the company and its only major union group. Talks between the nation's No. 3 airline and the union, which represents about 8,500 Delta pilots, broke down in July over what the union called "philosophical differences."

Yesterday, in a memorandum to rank-and-file members, the union's negotiating committee said talks were on track again, adding: "Your negotiating committee has seen enough progress in these areas to justify further negotiations."

For its part, Delta handed over an updated proposal to the union in a meeting between the labor leaders and Delta's incoming chief executive, Gerald Grinstein. Last week, Leo Mullin said he would retire Jan. 1, after six years as CEO.

Delta, which continues to tally losses on top of the \$2.87 billion in losses it has had since the start of 2001, is seeking pilot pay cuts as part of a companywide cost-cutting program. The company says it needs the cuts to compete with the top two airlines, AMR Corp.'s American Airlines and UAL Corp.'s United Airlines—which have already won concessions from their employees—and low-cost carriers, which have much lower operating costs.

Delta earlier this year asked the pilots for, among other things, a 31% cut in hourly wages, including a cancellation of a 4.5% raise they received this year and cancellation of a 4.5% raise due next year. Following the cuts at other airlines, pilots at Delta are by far the best paid in the industry. Annual pay ranges from about \$48,000 for beginning pilots to about \$275,000 each for a group of veteran Boeing 777 captains, according to a pay survey by Air Inc., an airline-career-consulting company in Atlanta.

United, under bankruptcy-court protection, cut pilots' wages 30%, while American, under threat of a bankruptcy filing, cut pilots' pay 23%, though that eases to 17% next year. American's pay ranges from \$31,000 for beginning pilots to about \$157,000 for 777 captains, according to Air Inc.; United's pay ranges from \$33,000 to \$195,000.

Progress in the talks, the union said, has come partly as a result of the company's willingness to discuss the pilots' request for a three-year extension to the current contract, which is due to expire in 2005. Union officials also said the company has made certain moves to ensure that "other stakeholders," including other employees, not just pilots, are making sacrifices necessary for the airline to return to profitability. Those moves include suspension of stock dividends, work-rules changes and benefits cuts for nonunion employees and suspension of a bankruptcy-proof executive pension plan offered to certain top brass at Delta.

The Delta pilots have maintained that their concessions should be considered an investment in the airline, meaning they want to receive profit-sharing incentives and stock in return for what they give up. The pilots' proposal also requests a link between management and

pilot bonus plans. In addition to the 9% wage-cut proposal, the union is offering to give up next year's 4.5% raise.

The two sides also have to bridge gaps on issues such as work rules and vacation pay.

New leadership at Delta raised hopes of an agreement with the pilots. The 71-year-old Mr. Grinstein, a longtime board member at Delta, has spent the past week since his announced succession meeting with employees trying to boost morale. Former General Motors Corp. Chairman John F. Smith is set to take over as Delta chairman at the April shareholders meeting. Mr. Mullin's tenure—which included leadership during the worst airline-industry recession, following the Sept. 11, 2001, terrorist attacks—has been overshadowed by controversy over executive pay and retention bonuses for executives, issues that have angered many employees.

Catherine Stengel, a spokeswoman for the airline, wouldn't comment on the specific proposals but said: "Delta remains hopeful that an agreement can be reached quickly."

Union officials, in their memo to members, said the opposing negotiating teams haven't reached consensus on the value of each other's proposals. "The current table positions, as measured in annual costs savings, are hundreds of millions of dollars apart," the union's negotiating committee said.

In 4 p.m. New York Stock Exchange composite trading, Delta Air fell 13 cents, or 1.1%, to \$11.84.

*This Year Is Likely To Be Third Hottest; Warm Fall Is Cited*

*Many Scientists Say Trend To Higher Temperatures Is Due to Gas Emissions*

By ANTONIO REGALADO

Meteorologists say 2003 is on its way to being the third-hottest year since modern temperature readings began.

An exceptionally warm autumn partly accounts for this year's No. 3 rank, according to scientists at the World Meteorological Organization in Geneva and the U.S. National Climatic Data Center in Asheville, N.C. The record-setting heat marks the 27th consecutive year that average temperatures have exceeded historical averages.

Many scientists cite the warming trend as evidence that emissions from smokestacks and tailpipes, mainly carbon dioxide, are altering the climate, though some skeptics disagree. The heat record won't be official until mid-December.

Global warming is an issue addressed in the Kyoto Protocol, a treaty that seeks to reduce emissions of carbon dioxide and other greenhouse gases in the atmosphere. But the treaty faces ebbing interest. Please Turn to Page A10, Column 4



## Pension Payoff

Companies voluntarily pumped billions of dollars into their pension plans this year. This triggers deductions and guaranteed investment returns, which combine to provide companies with an effective return of 44% to 45% in the first 12 months.

COMPANY	2003 CONTRIBUTION (in millions)	GUARANTEED RATE <sup>1</sup>	12-MONTH RETURN (in millions)	TAX BREAK <sup>2</sup> (in millions)	EFFECTIVE FIRST YEAR RETURN
General Motors	\$14,400	9.0%	\$1,296	\$5,040	44%
Boeing	1,700	9.0	153	595	44
3M	600	9.0	54	210	44
Caterpillar	563	9.0	51	197	44
PepsiCo	500	8.2	41	175	43
Sprint PCS	400	9.5	38	140	45
Aetna	180	9.0	16	63	44
Whirlpool	162	8.8	14	57	44

<sup>1</sup>Most recent available <sup>2</sup>Either current or deferred, at a 35% tax rate

Source: company filings

## GM, Other Firms Boost Earnings By Pouring Billions Into Pensions

By ELLEN E. SCHULTZ  
 And THEO FRANCIS

For all the wailing about how the so-called pension crisis might force many employers to put money into their pension plans, there may, in fact, be no better investment for most companies. And many of them are taking advantage of it.

Companies have pumped billions of dollars into their pension plans this year, even though most haven't been required to contribute a dime. Rather, by contributing to their pension plans, companies are assured of a guaranteed, effective return that can exceed 40% in the first year, thanks to an interplay of tax and accounting rules.

Consider General Motors Corp. Yesterday, GM shares shot up more than 5% after a Goldman Sachs analyst drew attention to the good performance of the auto maker's pension plan. But while the stock-market recovery may have helped GM's pension plan, that isn't the entire story.

The company—like many others—also made some pension moves that will help its bottom line handsomely.

In the third quarter, GM shoveled \$13.5 billion into its pension plans, bringing its total contributions for the year to \$14.4 billion. Because the company assumes that the pension assets will return 9% over the next year, the move automatically guarantees the auto maker a \$1.3 billion boost to its bottom line over the next year. Not only that, but GM can deduct the entire contri-

but, which will shave \$5 billion from its taxes. Combined, the effective guaranteed return in the first year is 44%.

Over the past year, employers have complained that a combination of low interest rates and investment losses have caused liabilities to balloon, prompting companies with seriously underfunded pensions to make mandatory contributions to their plans. In response, many employers have cut pensions, and next week the Senate is slated to vote on a measure that would let employers with the sickest pension plans suspend contributions for years.

But many companies are only too happy to put money into their pensions.

Boeing Co. stuffed \$1.7 billion into its pension plan this year, ensuring the plane maker of a gain of \$153 million in 2004, plus a tax benefit of \$595 million. Caterpillar Inc. contributed \$563 million to its pension, which will generate \$51 million in gains over the next 12 months, while 3M Co. contributed \$600 million to its pension program, which will bring the company a return of \$54 million. With the tax deductions for these contributions, the effective first-year returns for these companies will be 44%.

A spokeswoman for Boeing says the company made its voluntary contributions while it had "strong cash flow." "This is a good use of this cash," she adds. "When you can fund voluntarily, it makes sense to do so."

For its part, GM says it made the

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EQUITY FUNDS BOND FUNDS INTERNATIONAL FUNDS MONEY MARKET FUNDS

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# Small Companies Are Adding Jobs

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worked a number of years to a smaller organization," says Mr. Jarrett. "You're not going to make as much."

The flow of information is almost instantaneous, says Denny Dennis, senior research fellow of the National Federation of Independent Business Research Foundation.

Building Up  
This leads to quick hiring in hot industries such as housing, which has been a stronghold of the economy in the past few years. Housing starts rose by a larger-than-expected 2.9% in October from the month before, to a seasonally adjusted annual rate of 1.96 million units, the largest increase since 1986.

That means more work for companies in the construction business—which, in turn, means new jobs. William Cully, president of United Plate Glass in Butler, Pa., needs another five to eight people to run new equipment in his new building, constructed this year. "I don't have the people in house to keep two buildings going," he says.

The same logic has led to job creation in the manufacturing sector, which has led job elimination through the recession. Mike Baldino, president of Kelly Industries Inc. in Fremont, Neb., has added five people since September, bringing employment to about 50. He didn't have enough people to fill December orders to spend their calendar-year budget, the current levels are significantly above the seasonal uptick. "We're producing and shipping at a record," he says. A good month is \$500,000. "We're doing \$700,000."

Downsizing also has created opportunities for smaller companies. Bigger businesses, having expanded significantly in the go-go '90s, have been cutting jobs over the past two years, and offloading work onto small businesses. Mr. Jarrett, of Jarrett Logistics Systems Ltd., finds himself picking up work managing deliveries that companies once did themselves. "They can reduce internal cost—whether payroll, head count or infrastructure—and shift that cost to a third party such as us," he says.

The formula seems to be working: Revenue has nearly quadrupled this year for his logistics firms and 51% for his package-shipping company. He has added about five people this year, which represents 30% job growth, and recently invested in a new warehouse.

Health-care has proved to be another hot sector for small businesses, as overall health spending picks up and aging baby boomers require increased medical attention.

Popular retirement destinations, such as Nevada and Arizona, are seeing a boom in health-care construction over the past two years. Meantime, specialty inpatient medical centers are increasingly popular among doctors, as well as patients who don't want to wait in emergency rooms. Often owned by a group of physicians, they are kept small—10 to 15 people—to maintain low costs and boost profits.

Pennsylvania's 101 stand-alone surgery centers, 85 of which are for-profit centers such as Southwestern Pennsylvania Eye Surgery Center and Three Rivers Endoscopy, recorded an average profit of close to 12 cents on each dollar of revenue. That compares with two cents of profit for general hospitals, according to the Pennsylvania Health Care Cost Containment Council. Some of the centers posted profits of up to 63 cents a dollar.

Barth Holohan invested in another fast-growing sector of health services: in-home care. He bought the St. Louis territory from Cincinnati-based Home Helpers in March 2002, and now has 60 employees, with seven added in the past month. The new workers help fill increased requests for noncritical services, such as helping with shopping or paying bills, which he takes as a sign that people feel more comfortable about spending.

The job market has tightened in recent weeks, he says. Several months ago, he was flooded with applicants when he ran an ad in the newspaper or at the local university. Now, he has to spend more time and effort on recruitment.

Help From Bush  
Bush tax incentives targeting small firms' capital investment are beginning to translate into job creation. Butler Technologies Inc., which makes touch-sensitive screens for medical devices and recreational vehicles, purchased expensive new laser-cutting machines and needs more people to operate the machines continuously and more cost effectively. "When you get a piece of equipment like that, you want to run it as many shifts as possible," says Nadine Tripoli, co-owner of Butler Technologies, which had a low of 41 employees in March and is now up to 47.

Likewise, Brian Stowell, president of 94-employee Crown Point Cabinetry in

Claremont, N.H., bought \$800,000 of equipment and a new, larger building, which will triple the size of the high-end cabinet maker. "With the incentives, combined with the low interest rates, I knew it was now or never to move into expansion mode," he says. He hired four cabinet designers in October and is hiring more. "I'm committed to adding 25 people," he says.

Some banks, seeing the increasing growth potential in small businesses, have become more aggressive in courting them. Cleveland-based National City Corp. launched a blitz this summer, with teams of branch managers and company executives dropping in to visit between 1,500 and 2,400 small-business owners in each of six locations in the Midwest. Loan applications have been up year-over-year since July, according to Mark Price, senior vice president of Small Business Banking at National City, which typically processes 40,000 small bank loans a year in the Midwest.

Security Isn't There  
Shelly Nseir received a National City loan to start a restaurant outside of Detroit. The timing was right, she says, not just because of the low interest rates but because her husband, a mechanical designer in the auto industry, felt increasingly vulnerable.

"The auto industry in Detroit has really taken a turn for the worse. Security isn't there," she says. He is managing the restaurant, while she continues her day job as an engineer. They have 10 employees and ideally want to have twice as many, with a mix of full- and part-time workers.

There are plenty of small firms, even those with much improved sales, leery of bringing on more workers just yet. Patrick Lancaster remains reluctant to add his staff of 350 at Lan-tech, which makes shrink-wrap machines in Louisville, Ky. Over the past 45 days, sales have been up 17%. But he wants to wait until he sees November and December numbers before he decides to add more people. Monthly numbers are volatile, he says. Plus, once he hires employees, he's loath to let them go.

"If November and December come in like October, then I'm going to be in a hiring panic," he says. Even those hiring are doing so cautiously. "It's always a tough call: How soon do you bring back the up-front people who develop new parts?" asks Todd Eaton, controller of Webster Plastics, which makes injection molding for the automotive, medical and consumer-goods industries.

He says the company finally decided to add engineers because of all the bidding activity. "If we hit only 25% [of the contracts bid for], we're going to be really busy. We'd rather bring people on too soon, rather than too late."

# Pentagon Awards Antimissile Pact To Northrop Team

By J. LYNN LUNS福德

Northrop Grumman Co. and Raytheon Corp. won a Pentagon contract valued at as much as \$4.5 billion over the next eight years, to develop a rocket capable of intercepting and destroying a hostile ballistic missile within five minutes of its launch.

The Northrop-led team had been counting on the "kinetic energy interceptor" competition as a way to earn the status of a major player in the missile-defense arena. "This is a very important win for Northrop Grumman," said Ronald Sugar, Los Angeles-based Northrop's chairman, chief executive and president.

The Northrop-Raytheon team competed against a team composed of Lockheed Martin Corp. and Boeing Co., which so far have grabbed the largest share of missile-defense work. The Pentagon's Missile Defense Agency had given each team \$10 million to develop a design for the interceptor.

William Swanson, CEO and president of Raytheon, Lexington, Mass., said the team's proposal should "minimize" risks typically posed by new technologies by building on established parts and systems used in other rocket programs.

The eight-year contract covers development and testing of the first 10 interceptors, which would be grouped in pairs and transported by tractor trucks. The companies said they expect to receive about \$56 million this year to begin the work, with the bulk of the money coming later in the contract. Deployment of land-based interceptors is expected between 2010 and 2012.

The Missile Defense Agency says it wants the companies to develop a rocket that can be based on land or at sea with the capability of destroying an inbound ballistic warhead while it is still climbing through the atmosphere in the first few minutes after launch, when it is most vulnerable. This type of missile the Northrop team is building was banned under 1972 Anti-Ballistic Missile Treaty, which the U.S. withdrew from last year.

# OPEC Welcomes High Oil Prices

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The Bush administration has signaled to financial markets this year that it won't stand in the way of a gradual decline in the dollar, a move widely seen as an effort to boost the fortunes of U.S. companies that compete with foreign firms. The dollar's decline has been especially acute in recent months on mounting fears over the impact of America's huge current-account deficit, a broad measure of a nation's global trade, and its government-budget deficit. But U.S. officials apparently didn't expect OPEC to use the dollar's weakness as a justification for a price increase.

In private talks, the Bush administration has tried to persuade the Saudis that it's in OPEC's interest to keep oil prices steady to avoid putting a brake on the U.S.-led global recovery. From time to time, American officials have complained to OPEC members that they have allowed prices to dwindle at the top—or even exceed—the cartel's stated target range. "It is important for those who are adjusting their production to keep in mind the needs of a growing economy," a senior administration official said yesterday.

Higher oil prices act as an added tax on consumers, hurting businesses such as airlines and motorists filling up at the pump. Higher crude prices also could drive up natural-gas prices, raising heating bills and raw material prices for industry.

Federal Reserve Chairman Alan Greenspan has often observed that nearly every U.S. recession was preceded by a jump in oil prices. But the recent rise in oil prices hasn't clouded economists' increasingly optimistic forecasts that the U.S. economy is rebounding from a period of sluggish growth.

Indeed, private economists predict that OPEC's move would have slight impact on the U.S. economy, such as raising the range to \$25 to \$32 and said the issue would be taken up at today's meeting. OPEC officials denied such a plan at the time.

"They want high revenues, so they're going to justify the high price any way they can," said Adam Sieminski, an analyst at Deutsche Bank in London.

Mr. Naimi's call for an informal rise in prices runs the risk of backfiring. OPEC's existing price band is a gentlemen's agreement among OPEC ministers that has been endorsed, even if reluctantly, by the U.S. and other major importers, and their energy-watchdog organization, the Paris-based International Energy Agency. Breaching that understanding could prompt a push by buyers for non-OPEC sources of oil. Some OPEC officials noted that higher prices also could reduce demand for oil and shrink OPEC's share of a global market.

—Michael M. Phillips and Greg Ip in Washington contributed to this article.

duction cut at today's meeting, in order to stave off a possible fall in prices come next spring, a time of year when demand typically falls. But Kuwait's oil minister and other OPEC officials said the group is more likely to leave output levels unchanged for now and call another meeting early next year.

But it was the Saudi oil minister's contradictory statements on the price band that gripped oil watchers yesterday. Mr. Naimi told reporters that OPEC's current price band didn't need to be changed. But he also suggested that OPEC wanted high prices, saying that even though oil is fetching above the \$28 cap, "current prices are right. The dollar is weakening, and purchasing power is quite weak, so the price is OK."

Mr. Naimi's statements signaled an end to the OPEC price cap, at least for now, some observers said. "It effectively means revising the dollar price of oil," said Nordine Ait-Laoussine, a former Algerian oil minister, attending as an observer to the OPEC meeting. "That means they will consider revising the price band," though not necessarily at today's meeting.

Mr. Naimi didn't indicate whether OPEC had a new, higher price target in mind to offset the dollar's recent erosion. In October, Venezuelan President Hugo Chavez suggested OPEC should consider raising the range to \$25 to \$32 and said the issue would be taken up at today's meeting. OPEC officials denied such a plan at the time.

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—Michael M. Phillips and Greg Ip in Washington contributed to this article.

# New Stresses of Chinese Society Shape Bella's Life

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Under traditional Confucian teachings, respecting and obeying one's elders were paramount. In today's urban China, it is increasingly children who guide their parents through a fast-changing world. When the Zhous bought a new television set last year, Bella chose the brand. When they go out to eat, Bella insists on Pizza Hut. She teaches them the latest slang and shows them cool sites on the Internet. Her parents usually call her by the English name chosen by an early teacher rather than Zhou Jiaying, her Chinese name.

"She forces us to learn things so we can stay ahead of her," says Bella's father. "Otherwise she will trick us." One recent evening, to avoid going to bed, she persuaded her parents to let her play "Rich Man 6," a Chinese computer game, one last time. Her parents didn't know that she could prolong the session without ever losing; she just kept playing. Finally, her father had to turn on the TV to distract her as a way of coaxing her to bed.

Part of Bella's closet stems from the fact that she is an only child. A 1980 government policy to limit population growth spawned more than 80 million only children, primarily in urban China where the policy was strictly enforced. "Society has completely turned around," says Zhou Xiaohong, a Nanjing sociologist. "Fathers used to give orders, now fathers listen to their sons." Professor Zhou, 46, first noticed the phenomenon in the late 1980s when with his own father, a retired military officer, asked the son for a lesson in knotting a Western tie.

Hidebound Rules  
If modern China forged a new type of citizen in Bella, it still forces her to live by hidebound rules. Chinese schools expect obedience. Textbooks teach lessons of self-sacrifice and egalitarian heroism at odds with the qualities rewarded outside the school gates. Many hallmarks of student life, such as the requirement that all second-graders join the Communist Party's Young Pioneers, are relics of the Communist system.

Yet Bella's upbringing has also encouraged her to stand up for herself. In second grade, she turned insurgent, joining a few classmates who marched to the principal's office to demand more time to play (the student election). The chief teacher of Bella's present class, who is in charge of student discipline, regularly phones Bella's mother to complain about her disruptive behavior: Bella bossed around the other students. Bella showed her temper when the teacher asked her to help out during the lunch hour.

"I tell her, you are like this now, in the future how will you survive in the work unit?" says Bella's mother, Qi Xiayan, 34, who teaches computer classes at a vocational college. A work unit is the traditional name for an employer in the state-run economy. Both Bella's parents



Qi Xiayan

for class cadres—student posts that mimic the organization of the Communist Party—was a cadre in fifth grade is very important," she said pensively. In the past, teachers simply picked students based mostly on academic performance. In Bella's school, from first grade up, elections are based entirely on a majority show of hands reflecting the state's desire that children learn about democracy. Because anyone can now run, many children do, adding an extra layer of competition to the existing battle for grades.

The students were seated at their wooden desks by 8:30 for the elections. In Bella's class of 25 students, there were nine posts available and almost everyone wanted to run. One by one, they filed up to the blackboard and gave campaign speeches in a set pattern: Candidates listed their qualifications, and then criticized a personal failing they pledged to improve if elected. ("If you say only good things about yourself, people will say you're arrogant," Bella later explained.)

"This semester, I want to change my nail-biting habits," said a boy running for propaganda officer.

"I will not interrupt in class anymore. Please everyone vote for me," said a girl in a striped sweater.

Students who don't stick to the form suffer sharp rebukes. "My grades are not good because I write a lot of words wrong. Please everyone vote for me," said one girl.

"What, 'You write words wrong, please vote for me?'" the teacher mim-

icked, faulting the girl for citing a flaw without providing its remedy. "I want to work to fix this bad habit," the student corrected herself. "Please everyone vote for me."

Bella was running for re-election as sports officer—a position that entails leading the class to gym, morning callisthenics and other activities. She walked to the front, took a deep breath, and began. "I think I am very responsible and my management abilities are pretty good," she said breathlessly. "Sometimes I have conflicts with other students. If you vote for me, it will show your support and help me change my bad habits." Relations with peers have been a weak point. On occasion, Bella has slapped classmates who disagree with her.

Nonetheless, the other students decided to give her a chance. In a tight three-way race, Bella squeaked to victory by a single vote. "For those who lost the election this time, do not feel bad," Bella's teacher Lu Yan told the class. "It just means you must work even harder." Later, Ms. Lu says the competition is good training for the increasingly tough outside world. "They need to know how to face defeat and adjust themselves to it," she says.

Exam Time  
Next spring, Bella and her classmates will undergo exams and interviews for junior high school, a process that will scatter and stratify them at schools throughout the city. With the commercialization of education, good private schools have proliferated. Bella will have to take a separate exam for each one where a single exam previously sufficed for entry into the state-run system. Tuition is an increasing burden as the government cuts back funding. Bella's parents say they spend a third of their income on her, or about \$4,000 a year. When Bella goes to school, her father Bella went to day-care. When Bella entered third grade, Ms. Qi stopped picking her up after school, forcing her to learn how to change buses and cross high-traffic streets alone. "Sooner or later she must learn independence," Ms. Qi says. Once, Bella was frightened when several boys followed her; after that, her parents worked out a new route to shorten her walk home from the bus stop.

On a rare Friday evening out, Bella waited with her mother on a busy street corner while her father parked the car. When he returned, she jumped into his arms and wrapped her legs around him in a bear hug. "I think she sees this behavior on TV," said Bella's mother, who never hugged her parents as a child.

Bella dragged her parents to Pizza Hut. Her father prefers traditional Chinese restaurants and tried to coax Bella, unsuccessfully, to switch. In the crowded restaurant, Bella took charge. She ordered a pineapple pizza, chicken wings and iced tea for all. She then went to the salad bar and filled a communal bowl for the table, another novelty she has intro-

duced to her parents. When she returned, her parents were having one of those regular conversations about Bella's future. Her eyes moved anxiously from her mother's face to her father's.

"This child in society will suffer setbacks," pronounced Bella's father. "I have to see a leader who wants someone to raise opinions and criticism in front of him."

Bella objected. "Daddy, what you say is wrong. Maybe when I raise my opinions, there will be a leader who wants to listen to me. I don't have to work for that work unit. I can find another one."

After dinner the family walked down Nanjing Road, Shanghai's prime shopping street, bright despite the hour with the neon glow from restaurants and department stores. Bella walked ahead of her parents into Baodaxiang, a six-story emporium of children's goods. She

exam performance, although that's not the case at Bella's school. But parents are still demanding. They frequently call to ask the teacher why she isn't assigning more homework. The teacher has other anxieties: At a recent parent-teacher conference, she urged parents to find out why Bella's class was slipping, compared with other fifth-graders at the school.

Bella's parents were introduced to each other by Bella's maternal grandmother in the late 1980s when they were still all college. Six months after they started dating, Bella's mother, Ms. Qi, came home one night after a movie at 11. Ms. Qi's father was so angry he didn't speak for her for an entire day. Bella's father's family was also strict. "In my family, all the big things were decided by my father, and the small things by my mother," says Mr. Zhou.

Bella's relationship with her parents was similarly strict at the beginning. When she was young, her father says he would hit her when she got in trouble in school. "Then she would sleep and I would lie awake with tears running down my face," Mr. Zhou recalls now. Discussions with friends and colleagues struggling to discipline their own children persuaded him to soften his approach. When Bella was in second grade, her father recalls telling her: "If parents say sensible things, you should listen. But if you raise opinions that are reasonable, Daddy will listen to you too."

Despite their own traditional upbringing, Bella's parents have gone to unusual lengths to instill self-reliance in their daughter, rejecting traditional child-rearing methods that tend to coddle children.

When Bella was not yet 2, her grandmother offered to care for the baby during the day while Ms. Qi worked. Ms. Qi refused, worried that grandparents would spoil the child. Bella went to day-care. When Bella entered third grade, Ms. Qi stopped picking her up after school, forcing her to learn how to change buses and cross high-traffic streets alone. "Sooner or later she must learn independence," Ms. Qi says. Once, Bella was frightened when several boys followed her; after that, her parents worked out a new route to shorten her walk home from the bus stop.

On a rare Friday evening out, Bella waited with her mother on a busy street corner while her father parked the car. When he returned, she jumped into his arms and wrapped her legs around him in a bear hug. "I think she sees this behavior on TV," said Bella's mother, who never hugged her parents as a child.

Bella dragged her parents to Pizza Hut. Her father prefers traditional Chinese restaurants and tried to coax Bella, unsuccessfully, to switch. In the crowded restaurant, Bella took charge. She ordered a pineapple pizza, chicken wings and iced tea for all. She then went to the salad bar and filled a communal bowl for the table, another novelty she has intro-

duced to her parents. When she returned, her parents were having one of those regular conversations about Bella's future. Her eyes moved anxiously from her mother's face to her father's.

"This child in society will suffer setbacks," pronounced Bella's father. "I have to see a leader who wants someone to raise opinions and criticism in front of him."

Bella objected. "Daddy, what you say is wrong. Maybe when I raise my opinions, there will be a leader who wants to listen to me. I don't have to work for that work unit. I can find another one."

After dinner the family walked down Nanjing Road, Shanghai's prime shopping street, bright despite the hour with the neon glow from restaurants and department stores. Bella walked ahead of her parents into Baodaxiang, a six-story emporium of children's goods. She

picked out three miniature erasers for \$1.30, rejecting an expensive Cupid design with two matching heart-shaped erasers. She eyed but didn't venture over to the toy section; her mother long ago told her that she is too old for toys.

When she emerged from the store, it was night. The next day, Saturday, Bella stayed in the apartment doing homework.

Bella's mother often tells her daughter that if she gets into a good middle school next spring, her reward will be a trip to the mountains or drawing lessons. It is a dream in which both mother and daughter indulge.

But it's not likely. "If she gets into a good middle school, she will have to spend the summer doing a lot of school work to prepare," says Bella's mother. Bella, she says, knows that promises of a summer of freedom are an illusion.

# GM's Pension Returns Help Net

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pension-plan contributions to avoid paying higher premiums through 2007 to the Pension Benefit Guaranty Corp., a quasi-public pension insurer.

"I don't think the motivation in contributing to the pension is its earnings rate. This means that the extra gains of \$875 million can be stockpiled and used to reduce pension expenses in later years. Boeing says its pension assets have returned 17% this year.

In 4 p.m. composite trading on the New York Stock Exchange, GM shares rose 5.2% to \$45.54.

A spokesman for GM confirmed the figures but declined further comment. A spokeswoman for Caterpillar said that it is misleading to combine the effect of the tax deduction and the pension income. Part of the secret to the companies' pension-investing success lies in accounting rules that allow companies to use hypothetical returns on their pension assets—instead of the actual returns—when calculating the pension plans' impact on company earnings. Boeing assumed its pension assets would return 9%, for example. In 2002, large companies generally assumed rates of return between 8.5% and 9%, with some assumptions reaching as high as 10%.

Analysis has criticized this practice in recent years, complaining that some companies are using unrealistically high hypothetical—or "expected"—rates of return to enhance earnings. Last year, for example, GM assumed its pension assets would return 10%, while they actually lost 5.2%.

In response, employers have argued that the accounting rules cushion company earnings from the ups and downs of their pension investments, and that the company ultimately pays the piper. If the investments exceed their "expected" return, the company can stockpile the gains to use later, which is what happened com-

# Journal's Bartley Is Awarded Medal Of Freedom by Bush

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"What I've learned over three decades is that in this society, rationality wins out, progress happens, and problems do have solutions." Mr. Bartley said at a retirement party last year. "This, I think, is what happens when a society incorporates the traditional editorial credo of my newspaper-free markets and free people."

Peter Kann, chairman and chief executive officer of Dow Jones & Co., said the citation "speaks eloquently to Bob's enormous contributions to journalism and to public life over an extraordinary 40-year career with the Journal."

The Presidential Medal of Freedom was established by President Truman in 1945 to recognize notable service in the war. In 1963, President Kennedy reintroduced it as an honor for distinguished civilian service in peacetime.

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