2 English around the World

Small Talk - Telephone Talk - A Traveler's Conversations

5 Advertising

Small Talk - Introductions - Telephone Talk - Working with Numbers

A Traveler's Conversations - The Language of Business Meetings

8 Banking

Small Talk - Telephone Talk - Working with Numbers

A Traveler's Conversations - The Language of Business Meetings

11 Economics

Small Talk - Telephone Talk - Working with Numbers

A Traveler's Conversations - The Language of Business Meetings

14 Finance

Small Talk - Telephone Talk - Working with Numbers

A Traveler's Conversations - The Language of Business Meetings

18 Management

Small Talk - Telephone Talk - Working with Numbers

A Traveler's Conversations - The Language of Business Meetings

21 Insurance

Small Talk - Telephone Talk - Working with Numbers

A Traveler's Conversations - The Language of Business Meetings

24 Marketing

Small Talk - Telephone Talk - Working with Numbers

A Traveler's Conversations - The Language of Business Meetings

- MOHAMMAD YUNUS from "TIME", Oct. 23, 2006
- A CRUDE WARNING from "TIME", May 2007
- USEFUL IDIOMS AND THEIR MEANINGS

PROGRAMMA ECONOMIA AZIENDALE

A.A. 2012-13 PROF. SOFIA TERESA SCEMBO

ENGLISH AROUND THE WORLD

As the world becomes smaller with cheaper and faster means of communication and transport there is an urgent need for a global language. English seems to satisfy this need with more than 750 million people speaking the language from as far as Alaska to Hong Kong. Today it is English that unites the world of international business and communication. Three quarters of the world's mail, telexes and cables are written in English.

In most multinational companies today, English is the common language of internal communications and a must for anyone looking for a good job. A recent business meeting held in Sweden and attended by Greeks, Italians and Germans was conducted in English as it was the only common language.

The Story of English

What are the origins of this language that has conquered the globe? It has Indo-European roots which it shares with other languages like: Latin, Greek, Sanskrit and German. The word 'mother', for example, sounds alike in all these languages. The more recent history of English is divided into three broad periods that will be briefly examined here.

Old English (449 AD-1100 AD)

This period started with the invasion of England by three Germanic tribes. They were the Angles, Saxons and Jutes who migrated in masses and pushed the native Celtic populations to the west. The gradual blend of the Angle, Saxon and Jute dialects created Old English.

Some additions were made later during the invasions of the Vikings and Danes. Examples of the vocabulary brought to English by these invaders are: *sky, leg, skin, get, same, want.*

In this period another enriching influence on English was Latin brought in by the missionary St. Augustine when he converted the kingdom of Kent to Christianity in 597 AD. A sample of the words the Church brought to English are: *angel, disciple, mass, martyr, psalm.*

The grammar of Old English was very complicated and nothing like the English we use today.

Although English has changed a lot over the years the nine most commonly used words – *the, to, and, be, have, of, will, you, it* – are Anglo-Saxon.

The Norman conquest of England in 1066 AD challenged the survival of English as French and Latin became the languages of religion, law, science and literature. English left to the masses survived and went on to its second period.

Middle English (1100 AD-1500 AD)

The two main differences between Old English and Middle English were the simplification of grammar and the increase in use of French and Latin words.

During this period English was abandoned by the elite and developed in the mouths of the masses in a popular way. This provoked the main changes in the structure of English, for example, the loss of grammatical gender and with this the agreement of adjectives.

Many French and Latin words flowed into English at this time which left the English language with a rich legacy of synonyms. The same concept can be expressed with different shades of meanings. For example: *ask* (Old English), *inquire* (French) and *interrogate* (Latin); *kingly, regal, royal, sovereign; time, age, epoch.*

Geoffrey Chaucer, author of *The Canterbury Tales*, symbolizes the rebirth of English as a national language. During his lifetime French was still the language of the courts and English became the language of government only seventeen years after Chaucer's death in 1400. William Caxton brought the printing press to England in 1476 and printed books in "London English" which he established as the standard form.

The reappearance of English as the official national language and the printing press set the stage for the English language at the time of the Renaissance.

Modern English (1500 AD-the present)

The Renaissance had a strong influence on early modern English bringing with it 12,000 words from the classical and romance languages. English scholars read and translated the classic works which were valued not only for their contents but also their writing style.

This period brought us the works of William Shakespeare who used the English language with a fluidity and flexibility that brought together literature and common culture. Shakespeare lived at the time when printing presses were gaining popularity and it is thanks to this we have records of his work.

Another important literary influence on early Modern English was The King James I version of the Bible which was published in the same year as Shakespeare's last play.

The Renaissance was followed by a period of order and restraint. It became important to establish the rules and logic of the English language. This gave us English Grammars and was the start of English Language Dictionaries.

While English was evolving at home, the British were expanding their Empire overseas in the Americas, The West Indies, The East Indies, Africa and Australia. The colonialists who came in contact with the "natives" of these nations brought back new terms from around the globe. Some of these new imports were: *hickory, squash* from North American Indians; *chili, coyote* from Mexico; *bungalow, cashmere, chintz* from India; *chimpanzee, voodoo, zebra* from Africa; *boomerang, kangaroo* from Australia.

This trend of borrowing foreign words has continued up to today with the result that 80% of the entries in any English dictionary has foreign roots, but the hundred most commonly used words have Anglo-Saxon origins.

Since War II the United States of America has built on this legacy and thanks to its economic power has continued to spread the use of English. Although this time it is American English which has gained ground.

The Future of English

Just as English has borrowed and will continue to borrow words from other languages it is generous in its offerings. As the language of the media and entertainment industries it has an influence on the lives of people around the globe everyday. Many of these people have borrowed words from English enriching their languages with terms like: fast food, film, broker, bar, computer.

The popularity of English is not just due to British colonialism or American economic might. It is also the relative simplicity of the language structure and its vast vocabulary that has contributed to making it the most widespread language today.

With the development of technology to facilitate international communications English will be used by more and more people and eventually may branch into two separate streams. One more simple for international communication and the other would be a cultural continuation of the original stream.

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ADVERTISING

Advertising's Age

In the beginning, advertising agencies were advertising "agents". They sold advertising "space," primarily for newspapers and magazines, and earned a commission.

Advertising was "keeping your name before the public," since customers who knew your name were more likely to buy your product or brand. Today, we call that "Awareness" and it's still a priority of almost all advertising.

Then, in the early 1900's a young man named Albert Lasker at the Lord & Thomas agency (now Foote, Cone & Belding) had a startling revelation. The advertising business was not selling space. Rather, it was selling what was inside that space. The advertising itself.

'A' is for Advertising and...

Advertising is an active relationship. It is something that happens to another person, whether reader, viewer, listener or someone not paying much attention. It is not merely the ad, it is the response. It is not what happens in the ad, it is what happens inside the person. That is how advertising works advertising that does not do that "talks to itself".

... Attention, Awareness, Attitude and Action

Let's take them one by one. First there is ATTENTION. People notice an ad, and, to some extent, remember it. A certain percentage of these people will buy the product. Breaking through to get attention is one of the toughest jobs. Because you're not only competing with a lot of other messages done by other skilled ad people, but people are very good at tuning out what doesn't interest them. Overcoming all the barriers to communication and getting attention is advertising's first job.

Second, there is AWARENESS. On this level, advertising moves from merely being noticed to being remembered. It occupies a space in the conscious or subconscious mind or memory. This is usually a cumulative process and building awareness is a constant goal of virtually all advertising. At this second level, advertising has an ongoing existence inside people. A greater percentage of these people will be disposed to buy the product.

Third, there is ATTITUDE. It is the feeling people have towards your product. Attitude is more active than awareness. When there is an Attitude towards a product, people can usually tell you how they feel. Attitude can be positive, negative or neutral. An attitude is usually the result of some type of experience: an ad, a product experience, etc. A major long-term job of advertising is to build or shift attitudes toward the product and about the product. Often this shift has specific strategic focus, i.e. improve reputation for quality. In general, the better the Attitude, the better the sales.

Finally, there is ACTION. The relationship is externalized and the person actually acts! He buys the product, sends for a brochure or writes his Congressman.

For every advertiser, every ad should be part of a long-term process. Once more that process is...gain ATTENTION, build AWARENESS, shift ATTITUDE and motivate ACTION.

Adapted from *The Copy Workshop*, B.B.C. Communications Inc, 1988

BANKING

Where did it all start?

Banking can be traced as far back in time as Babylon where the people entrusted their savings to temple priests. The etymology of the word bank suggests that banking as we know it today has its origins in the market places where early bankers transacted their business at a bench or *banco*. French *banque* or Italian *banca*, comes from medieval Latin: *banca* or *bancus*.

This trade was exported to England by the Lombards, Northern Italians, who lived and worked in the city of London. After some time the Lombards went bankrupt, but their home Lombard Street is in the heart of London's financial district today.

The goldsmiths took over from where the Lombards left off and became the new bankers of the day. They became the well established safe havens for bullion, jewelry and cash for which they issued receipts for deposits. The person who deposited his surplus funds with the goldsmith became known as a "depositor" and paid for the privilege of having his money protected. These payments were called "bank charges". The depositor who needed funds, to pay wages or debts, could come to the bank at any time and take out the necessary amount.

Soon it was clear that unnecessary risks were being taken by depositors who needed to pay money to creditors. The depositor had to take the money and deliver it to the creditor who immediately took it back to the bank. Why not simply order your bankers to transfer funds from your deposit to the creditor's deposit? This was the origin of the check system.

The goldsmiths also saw that only a small percentage of each depositor's funds were used regularly and that there were large sums of money that remained unused for long periods of time. It seemed safe to lend some of this money, at a price, to people eager to borrow for industrial or commercial reasons.

The Essence of Banking

In a few words the essence of banking was the safekeeping of deposits, making payments on behalf of depositors and lending money. Banking today is all of the above and much more. It has developed into a very sophisticated and varied trade and now we talk of it as "the supermarket of financial services". Walk into a bank in almost any part of the world and one can choose to open a checking account, change money, send money to another country, buy insurance, make an investment, ask for a loan or simply use the A.T.M.

As the services of banking have grown so have the different types of banks, which for simplicity we have divided into three main areas borrowing the terminology from Citibank.

The Three 'I' s of Banking

The **Institutional Bank**, the Corporate Bank or the Commercial Bank, historically was the first type of bank. It came into being to provide capital to the agricultural and industrial revolutions. It offers large companies, financial institutions, domestic and foreign governments a wide range of financial services, some of which are loans, cash management services and payment services.

The **Individual Bank**, the Consumer Bank or the Retail Bank, provides the individual with services such as checking accounts, savings accounts, investment opportunities, credit cards, loans and electronic banking services like A.T.M., home banking and wire transfers.

The **Investment Bank**, or Merchant Bank, generally offers investment services some of which are: fundraising, merger and acquisition services, management of investment portfolios, venture capital activities and management of interest rate and foreign exchange risks.

ECONOMICS

What is Economics?

Economics is the science of making choices. Individuals must decide whether to stay in the office for another hour or go home to the family; whether to choose a career in advertising or banking; and whether to play golf, watch television or read a book for relaxation. As a group, people must also choose through their governments whether to build a dam or repair highways with their taxes; and whether to build a subway line or increase the size of the police force.

The common element in all these decisions is that every choice involves a cost. Choosing anything means that something else must be given up. Listening to this text means that you are not watching television. Since people want to get the most out of their choices – maximizing the benefit – understanding the process and cost of each choice is important.

Some of the basic concepts and models associated with the study of making choices, the building blocks of economics, are: scarcity and opportunity cost, marginal analysis, demand and supply, specialization and comparative advantage, markets and prices, competition and aggregate supply and demand.

Why are choices necessary? Choices must be made because resources needed to make goods and services are limited, but the competing uses for them are not. One limited resource, for example, is time. There are only 24 hours in a day, and people do not live forever. Choosing to work for another hour means that time for some other competing activity, such as playing tennis is lost. It is the scarcity of productive resources that makes choices necessary. Making choices under conditions of scarcity is not only a part of life but also the subject of economics: Economics is the study of how individuals allocate scarce resources among competing uses to maximize their satisfaction.

Microeconomics and Macroeconomics

Economics branches out in two broad areas. Microeconomics deals with individual markets and entities. (The prefix *micro* means "small.") The market for wheat, the price of housing, the demand for factory workers, the supply of engineers, and effect of the gasoline tax on gasoline sales are all microeconomic subjects. Microeconomists answer questions like this: How much will the price of orange juice increase when too much rain destroys half the orange crop in Sicily. How many students will drop out when the university raises tuition by 25 percent? As one can see, microeconomics is concerned with very specific questions involving individual markets, firms and consumers.

In contrast, Macroeconomics deals with aggregates or the sum total of actions in many separate markets. (The prefix *macro* means "large".) It focuses on the macro, or large, economic elements of the economy as a whole. Macroeconomics is concerned with how total output in an economy is determined, rather than the output of wheat or cars; with the average level of prices, rather than particular prices for fish or gold or computers; and with total employment or unemployment rather than the number of workers in the car industry or in a particular car factory.

While there are more microeconomists at work, macroeconomists get more of the headlines. They track the national and world economy, answering questions and making predictions about inflation, unemployment rates, and how government might use its taxing and spending powers to prevent business recessions and promote economic growth.

Adapted from *The Copy Workshop*. B.B.C. Communications Inc. 1988

FINANCE

What is Finance?

Finance is a body of facts, principles and theories dealing with the raising and using of money by individuals, businesses, and governments. The primary role of the financial system in the economy is to aid the transformation of savings into investment.

Personal Finance

An individual's financial problem is to maximize his or her financial well-being by appropriately using the resources available. Finance is about how individuals divide their income between consumption (food, clothes, etc.) and investment (stocks, bonds, real estate, etc.). For example: John's salary is $3,000/ – a month, he budgets $2,000/ – for food, rent and clothes and the rest ($1,000) he invests in government bonds.

Finance is also how the individual raises money to provide for increased consumption or investment. For example: Sally needs a new car but she does not have enough money to pay the full amount. She goes to the bank and takes out a loan to pay for the car and in this way she has just financed increased consumption. Then when John and Sally get married and want to buy a new home John can use his savings (his investment in government bonds) for the down payment and they can get a mortgage from the bank to pay the rest. In this way they have financed increased investment. The head of a family usually manages its finances, but with savings and investment products becoming increasingly sophisticated one can get professional help from personal finance managers.

Corporate Finance

Firms also have the problem of allocating resources and raising money. For example: Can management allocate 10% more to advertising this year? Management must decide which investments to make and how to finance those investments. For example: The new machinery for the factory costs $4,000,000; should the firm finance this investment with a loan from ABC Bank or sell more company stock? Which option is better? Just as the individual seeks to maximize his or her happiness, the firm tries to maximize the wealth of its owners or stockholders.

The firm's finances are managed by its finance manager and if the firm is large enough by its finance department. The size of a corporation's finance department naturally will depend on the size of the firm. In an American firm the finance department is headed by the vice president of finance who is responsible for managing and coordinating the department's two main areas: the treasury and the controller group. The treasurer is responsible for obtaining financing from banks, managing the firm's cash accounts and maintaining relationships with financial institutions. The controller's functions are to make sure that money is used efficiently and to do the budgeting, accounting, auditing and the company's taxes. The successful management of a firm's finances is fundamental to a company of any size as money managed well means success and growth.

The Financial Activity of Governments

Governments have financial problems similar to those of individuals and firms. They have to manage financial resources and distribute these to the different ministries or departments.

For example: Can the government finance 5 new hospitals and build 25 new schools? In a democracy the finances of a country are managed by the finance ministry along with the central bank.

The central bank of the United Kingdom is known as The Bank of England and in the United States it is known as The Federal Reserve System. Sound financial policy leads to political and economic stability and is a very important influence on the well-being of both individuals and firms.

MANAGEMENT

The History of Management

Management, the art of organizing available resources in such a way that maximum benefit is gained, has been with man since prehistoric times. It is partly due to this capacity that prehistoric man has evolved into the man of today. The survival and continuing development of man has depended on his, and his community's ability to manage resources.

Stepping forward in time this instinctive behavior was rationalized and has now become a discipline and profession. Some of the management profession's cultural milestones are: Aristotle who believed in authoritarian direction; Plato who wrote about man as a social animal with a need to participate in his own destiny; Machiavelli whose text *The Prince* is a classic on leadership and power.

In spite of its rich historical background, management as a discipline or profession is a fairly recent development. It started gaining recognition only in the early part of this century when the work of Henri Fayol, generally regarded as the first to ask, "What is management?", began to be appreciated. But, it was only after World War II that the field of management was established as a discipline.

This was achieved when Peter Drucker published his book *Concept of the Corporation* (1946), where the successes of large organizations were analyzed and were identified with certain winning structural and managerial characteristics such as: decentralization, delegation and management by objective.

The Essentials of Management

The classical theorists of management have identified five main processes as essential for a manager to be successful in the job of organizing resources to achieve the satisfactory performance of an enterprise, and they are:

1. *Planning* - deciding on a strategy to achieve a desired result.
2. *Organizing* - creating and staffing the most appropriate group to achieve the aim.
3. *Motivating* - leading and motivating a team to give their best while working together smoothly.
4. *Controlling* - measuring and checking the progress of work in relation to the plan.
5. *Development* - continuing the process of development for both the staff and the manager himself.

This view of management has been questioned by some management experts like: Rosemary Stewart and Henry Minzberg, who claim that although managers intend to control their environment it sometimes controls them. To these experts, management is a process that involves both a mix of rational, logical, problem-solving, decision-making activities and intuitive, illogical and irrational activities. It is therefore both science and art.

The Future of Management

The etymology of the word management comes from the Latin *manus* which means hand in English. The managerial hand has been perceived as a closed fist controlling the reins of every situation. In the book *Megatrends 2000* (1990) Naisbitt and Aburdene maintain this approach is changing, and that it is giving way to a more open managerial hand. "Today we are replacing the manager as order giver with the manager as teacher, facilitator, and coach."

The future they claim is with "The leader as facilitator", a manager who "asks questions, guides a group to consensus, uses information to demonstrate the need for action", and "knows how to draw the answers out of those who know them best – the people doing the job".

INSURANCE

Insurance Has Many Faces

Insurance provides vital financial protection against risk, loss and misfortune for individuals, their families, the business community and other organizations. People need to protect, for example, their property, their homes, their possessions and their cars. They need to know that if any of their possessions are damaged or stolen or lost they will be compensated. By taking out an insurance policy they cover a possible future misfortune.

In the same way, it is sensible to take out insurance against accidents occurring to people or property. Sometimes the law requires this, as is the case with motor vehicles or an employer's liability for accidents to employees or the public. More frequently insurance is taken out as a precaution rather than being a response to the requirements of the law. For example, many people take out insurance to cover the many risks they run if they are going on holiday abroad - accidents, illness and loss of luggage.

Businesses insure their factories, plant and offices. Shipowners and airlines are insured against accidents to their vessels or planes, or the passengers, cargoes and crew. Businesses can also obtain cover for the sudden death of their key employees where this would affect the prosperity and future well-being of the business and reduce its profits.

People, as well as businesses, need to protect themselves and their families against the financial consequences of untimely death. Life insurance is available for this purpose. The insurance industry also covers people who are temporarily or permanently disabled, paying them substantial sums during their disablement to cover loss of earnings.

The knowledge, skills and expertise accumulated over hundreds of years by the insurance industry in investing the contributions, called premiums, paid to buy insurance cover and provide for payment of future claims has also been put to good use in providing an ever-widening range of savings, investment and pension plans.

How is the Industry Organized?

There are many different types of insurance but the bulk of cover is provided in these categories: marine and aviation; property; liability; life; and pension.

Insurance Companies may provide cover against all types of risk or specialize in particular sectors of the market, for example, marine insurance or life insurance and pensions. They vary in size from relatively small privately owned companies to multinational organizations whose shares are listed and traded on stock exchanges in London, New York and other leading financial centers around the world. An insurance market also includes branches or representative offices of foreign insurance companies.

Insurance Brokers advice clients on their insurance needs and place the business either in the company or Lloyd's market. Some brokers also act for insurance companies who wish to share large risks with other insurance companies. Like insurers themselves, brokers, agents and other intermediaries vary in size from relatively small local businesses to multi-branch stock exchange listed companies operating either in one country or internationally.

(Adapted from *Professional Opportunities in Insurance*, The Chartered Insurance Institute, London.)

MARKETING

Marketing is an inescapable influence which touches all of us every day of our lives. We wake up to a Sony alarm clock, which begins to play a song sung by Zucchero, followed by an Alitalia commercial advertising a flight to New York. We enter the bathroom where we brush our teeth with Colgate, shave with Gillette, spray our hair with Clairol, and use other toiletries and appliances produced by manufacturers around the world. Later we step into our Fiat car and drive off to work. The marketing system has made all of this possible, with little effort on our part. It has delivered to us a standard of living that would have been inconceivable to our ancestors.

What is Marketing?

What does the term marketing mean ? Most people mistakenly identify marketing with selling and promotion. Selling is only the tip of the marketing iceberg. Selling is only one of several marketing functions, and often not the most important one. If the marketer does a good job of identifying consumer needs, developing appropriate products, and pricing, distributing, and promoting them effectively, these goods will sell very easily.

When Eastman Kodak designed its instamatic camera, when Atari designed its first video games, and when Mazda introduced its RX-7 sports car, these manufacturers were flooded with orders because they had designed the "right" product. Not me-too products, but distinct ones offering new benefits. Peter Drucker, a leading management theorist, put it this way: "The aim of marketing is to make selling superfluous. The aim is to know and understand the customer so well that the productor service fits him and sells itself".

The Evolution of the Marketing Concept

The marketing concept may seem like an obvious approach to running a business. However, business people have not always believed that the best way to make sales and profits is to satisfy customers. A famous example is Henry Ford's marketing philosophy for cars in the early 1900s: "The customers can have any color car they want as long as it is black". The philosophy of the marketing concept emerged in the third era in the history of business, preceded by the production and the sales eras.

The Production Era. During the second half of the nineteenth century, the Industrial Revolution was in full swing in Europe and the United States. Electricity, railways and the assembly line made it possible to manufacture products efficiently and in large quantities. With new technology, products poured into the marketplace, where consumer demand, guided by production, was strong. This production orientation in the marketplace continued into the early part of this century.

The Sales Era. In the 1920s, the strong consumer demand for products subsided. Businesses realized that consumers were making choices and that products would have to be "sold" to consumers. From the mid 1920s to the early 1950s, businesses viewed sales as the major means of increasing profits.

The Marketing Era. By the early 1950s, some business people began to recognize that efficient production and promotion of products did not guarantee that customers would buy them. These people found that they must first determine what customers want and then produce it, rather than simply make products first and then try to change customers' needs to correspond with what is being produced. As more organizations realized the importance of knowing customer's needs, businesses entered the marketing era – the era of customer orientation – the era of today.

(Adapted from: *The Employment Kit*, American Marketing Association; *Marketing Concepts and Strategies*, Houghton Mifflin Company, Boston 1991.)

A Crude Warning

The largest oil spill in Alaska's North Slope raises sticky questions about future drilling in the Arctic

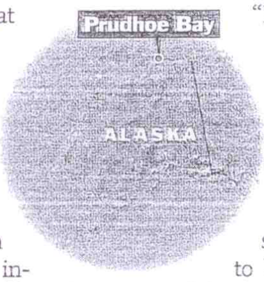
By NATHAN THORNBURGH

AT 5:45 ON A SEARINGLY COLD MARCH morning, still 2½ hours before sunrise, a BP worker driving along an empty access road at Alaska's Prudhoe Bay oil field suddenly smelled oil.

On the side of the road, hidden below a field of snow, a massive slick of crude oil had spread over nearly 1 hectare of tundra. An aging pipe, installed during the 1970s, had corroded from the inside and oozed oil out of an almond-size hole—a leak that went undetected for at least five days. None of the pipeline's alarms were tripped. In all, 760,000 L of crude escaped, making the spill the largest ever to hit Alaska's North Slope.

The accident raises sticky questions about the oil industry in Alaska at an awkward time for the Bush Administration and its supporters in Congress. While the Senate was busy last week passing a largely symbolic budget amendment in support of opening the Arctic National Wildlife Refuge (ANWR) to new drilling, Prudhoe Bay was facing the harsh realities of operating the state's existing wells.

The great petroleum reserves of Alaska are slowly but inexorably drying up, along with the profits of the oil companies that operate there. Meanwhile, 30-year-old pipelines that stretch like a giant cobweb over the oil fields of the North Slope, a flat expanse between the majestic Brooks Range mountains and the Arctic shore, need more and costlier maintenance than ever. The new spill puts into sharp relief the same question that has stalemated the ANWR debate since the 1980s: Can oil companies focused on their bottom line be trusted to protect Alaska's fragile environment?



There is no question that Prudhoe Bay, the nation's largest oil field, is in decline. Production has slumped from a daily average of 1.6 million bbl. in 1988 to just 425,000 bbl. in 2005. To extract whatever oil remains, BP, which operates the field for a consortium of petroleum companies that includes ConocoPhillips and Exxon Mobil, has been taking measures that may have unintentionally raised the risks. Drilling more wells to further develop Prudhoe just adds to the more than 2,700 km of pipeline that already crisscross the North Slope, increasing the chance of leaks. And other techniques, such as injecting water into old wells to flush out remaining pockets of oil, can be hard on the pipes. The corrosion behind this month's leak, for example, is thought to have been started by water that got into the pipeline, eating away at the steel.

Even measures taken to protect wildlife can cause problems. The hole that created the new spill was located at one of dozens of caribou-crossing sites, where the pipeline is tucked in a culvert that helped shield the leak from view.

BP says that it increased corrosion-management spending 16% from 2004 to 2005 to meet these challenges. But an alarming U.S. Department of Transportation document obtained by the Anchorage *Daily News* raises questions about BP's diligence in inspecting its pipelines, pointing to no fewer than six other anomalies found on the same 15-km stretch of pipeline, including a spot where the pipe had corroded so badly it was less than 1 mm thick.

Local political leaders are concerned about the oil companies' priorities. "I'd like to see them use the best available technology to prevent major spills like [this one]," says North Slope Borough Mayor Edward Itta. "That's not happening right now."

In Congress, supporters of the Administration's policies say the country needs ANWR oil to be energy independent and to fight the pinch at the pump, while opponents call it a land grab for Big Oil. Most observers agree, however, that with House Republicans deeply divided on the topic, the Senate's ANWR amendment will probably die the same death it did last year. One Republican staff member called it the *Groundhog Day* amendment.

Back in Prudhoe Bay, the battle lines are clearer. Braving temperatures as low as minus 40°C, cleanup crews have contained the spill and are trucking in fresh snow to absorb whatever oil can't be vacuumed up. BP hopes to recover 90% of the lost crude, which it will funnel back into the pipeline and pump to the port of Valdez for sale on the open market. —*Reported by Wesley Loy/Anchorage*

MOPPING UP White-suited cleanup crews had to battle temperatures as low as minus 40°C

BP EXPLORATION—AP

Q & A

Muhammad Yunus

In 1974, Bangladeshi economist Muhammad Yunus began making tiny loans to the rural poor. The success of his charity led him to found Grameen Bank, pioneering microcredit. Yunus spoke to TIME's Ishaan Tharoor last week, moments before learning he and Grameen had won the 2006 Nobel Peace Prize.

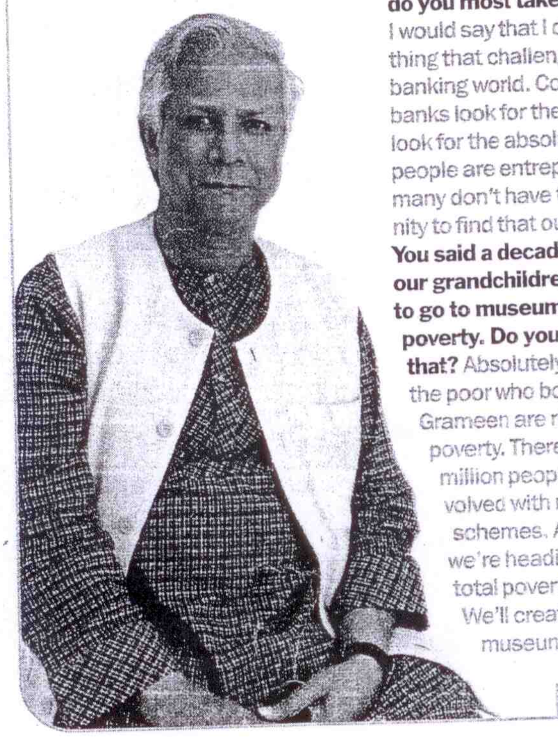
When did the microcredit idea dawn on you? In 1974, there was a famine in the country. I felt empty because my knowledge in economics meant little to the people suffering. Villagers had to borrow from loan sharks on terrible conditions—some even becoming slave labor for the moneylenders. I made a list of 42 people most seriously in debt who, all together, owed no more than $27. I went around the village according to the list, giving each of them the money they owed with no conditions other than that they concentrate on their work and repay me when they could.

About 97% of Grameen members are women. Why? The main challenge for a poor woman was overcoming the fear in her, which was holding her back. We found that, compared with men, who spent money more freely, women benefited their families much more.

In a heavily Muslim society, did this trigger opposition? Of course. The first opposition came from the husbands, who thought we were insulting them. Second were the mullahs, who started preaching that taking money from Grameen Bank was against the religion. We told them that in Islamic history, women had been warriors and businessmen—look at the Prophet's first wife!

What singular achievement do you most take pride in? I would say that I did something that challenged the banking world. Conventional banks look for the rich; we look for the absolutely poor. All people are entrepreneurs, but many don't have the opportunity to find that out.

You said a decade ago that our grandchildren will have to go to museums to see poverty. Do you still think that? Absolutely—58% of the poor who borrowed from Grameen are now out of poverty. There are over 100 million people now involved with microcredit schemes. At the rate we're heading, we'll halve total poverty by 2015. We'll create a poverty museum in 2030.



BAUMANNTOO B—SIPA

TIME, October 23, 2006