Spring 2012 Distinguished Speaker in International Finance and Economic Policy
Tan Chin Hwee, Co-Head of Asia for Apollo Global Management
“The Pitfalls and Opportunities of Investing in China and Asia”
By Anna Snyder, Photos courtesy of Daniel A. Mikhailov

On February 22nd, Mr. Tan Chin Hwee, co-head of Apollo Global Management Asia, addressed a combined audience of SIPA and Columbia Business School students and faculty on forensic accounting practices in Singapore, mainland China, and Hong Kong in an event hosted by the IFEP Concentration and the APEC Study Center. As the regional head of an investment management practice in one of the world’s most complex and important emerging markets, Mr. Tan provided unique insights on how to evaluate prospective investments in Asian markets, placing particular emphasis on the importance of the balance sheet and capital fundraising and financing practices as key indicators of an investment’s strength and value. Following the presentation, a dialogue with David O. Beim, Professor of Professional Practice in Finance and Economics at Columbia Business School, ensued. In this discussion, moderated by Professor Merit E. Janow (Director of the IFEP Concentration), the two exchanged views on accounting fraud in the U.S. and China, and the difficulties inherent in performing due diligence on Asian companies hoping to go public in the United States.
Dean Coatsworth’s Roundtable Discussion with Howard Davies
By Ben Green

On January 24th, students and faculty gathered to hear Professor Howard Davies of SciencesPo Paris, formerly Director of the London School of Economics and Special Advisor to the Chancellor of the Exchequer of the UK (among many distinguished roles), discuss the Eurozone crisis.

Davies provided a brief history of the Euro before discussing the impact of this crisis on us all. He harshly criticized the oversights of those planning the Euro as well as bond markets, which allowed the currency’s failings to continue without correction for years after it was launched. All the EU responses so far, he said, have been focused on past crises or future ones, but not on the current crisis; support has not been strong enough and severe austerity has not offered those most in need with a feasible way out. Instead, he suggested a stronger and bigger firewall (for Greece in particular) as well as centralized financial decisions with an EU finance minister and a pan-EU regulator which could also act as a lender of last resort. Unfortunately, however, he sees little will among the political classes to make this happen. Rather he thinks that the crisis may have to get even worse before those in charge are driven to realize what is actually required to make the Euro survive.

Davies did see the Euro-project as being somewhat flawed from the start due to the differing requirements of each participating state and the lack of a centralized regulator. He believes the break-up of the Eurozone could only bring further catastrophes to the region, including the UK.

The questions that followed ranged from general theories of how the Euro had managed so far to the various reactions of rating agencies and the market to the responses of the EU.

Brownbag Lunch with Professor Moshe Adler
By Sunil Arora

Professor Moshe Adler was the featured speaker at a brown-bag lunch for a group of IFEP students on February 1st. Professor Adler is an economic consultant, specializing in the analysis of working conditions in different industries and of how these conditions are affected by different government policies. In addition, he has conducted studies about privatization, the effect of taxes on employment, and the causes of poverty in NYC, and done cost benefit analyses of urban renewal projects. He recently wrote a book titled, Economics for the Rest of Us: Debunking the Science That Makes Life Dismal. His talk focused on the second half of his book, in which he discusses the theories of wages. Professor Adler noted that wage inequality is one of the most pressing issues in economies around the world right now. He discussed the origins of the marginal productivity of labor theory and its founder, Professor John Bates Clark, who taught at Columbia for most of his career. Professor Adler offered a contrarian view and questioned the basis for the marginal productivity of labor theory; he claims that there is little empirical evidence to support it and that we live in a co-dependent society in which no individual produces anything entirely on their own. Professor Adler also explained his belief that wage discrepancies can be best understood by the power dynamic in the labor market.

In January, IFEP students kicked off the new semester with ice skating in Central Park.
“Managing the Global Financial and Sovereign Debt Crises”: A Discussion with Professor Andrés Velasco and Professor Merit E. Janow
By Neha Shah

Addressing an overflowing room of students on February 14th, Professor Andres Velasco, former Finance Minister of Chile, began his IFEP-sponsored brownbag lunch lecture with a poll. “How many of you would say that Italy is solvent if the interest rate it pays on its debt is 7%? What about 1%?” All hands went up the second time.

Professor Velasco continued to engage students as he provided his insight into the financial crisis as both an academic and a practitioner. His experiences range from his role as the former Finance Minister of Chile to teaching at the Harvard Kennedy School of Government. He provided students with a deep perspective into the most pressing issues of the debt crises in many European countries such as Greece and Italy. Professor Velasco explained that the most important tool at a policymaker’s disposal when faced with a financial crisis is managing market failure and moral failure. Professor Janow, Director of the IFEP Concentration, moderated the event and facilitated student interaction with Professor Velasco.

“Economic Growth and Structural Change: Priorities for the Least Developed Countries”
UN/World Bank Conference
By Anna Snyder

On March 9th, the day most SIPA students departed for spring break, a handful of eager IFEP students attended a UN/World Bank Conference, co-sponsored by the APEC Study Center and the IFEP Concentration, on Economic Growth and Structural Change held at Columbia’s Faculty House. Unlike most IFEP events, this conference was not held explicitly for Columbia students and faculty, but rather was a forum for review of the May 2011 Istanbul Programme of Action for Least Developed Countries 2011-2020 (IPA), a shared vision for the next decade of development in the world’s most impoverished nations articulated by Least Developed Countries (LDCs) and their development partners. After a keynote address by Justin Yifu Lin, Chief Economist at the World Bank, World Bank specialists including Dr. Aaditya Mattoo and LDC representatives to the UN provided insights into the unique development challenges faced by LDCs, and initial steps towards implementation of the IPA. An informal reception followed where students had the opportunity to converse with speakers and colleagues about eradicating poverty, sustainable development, and economic growth in LDCs and throughout the developing world.

Bloomberg Visit and Training
By Neha Shah

Traveling to the Bloomberg headquarters in midtown Manhattan, approximately thirty IFEP students received a private training session on Bloomberg terminals on March 2nd. Students learned the basics of navigating through the massive data stream in order to access news, analytics, charts, and communications. Bloomberg Equity Portfolio Specialist Kelvin Sanchez led the one-hour training session and allowed students the time afterwards to explore the terminals on their own.
World Bank Discussion and Q&A
By Anna Snyder

On March 19th, Ian H. Solomon, U.S. Executive Director of The World Bank Group, addressed a room of Columbia students and faculty in an event co-sponsored by the Office of Faculty Affairs, Center on Global Economic Governance, PEPM, IFEP Concentration, and EPD Concentration. Mr. Solomon spoke on the World Bank, the United States’ role in one of the most powerful development institutions in the world, and why the World Bank’s work should be important to everyone at SIPA – development skeptics and believers alike. After providing a brief history of the World Bank, Mr. Solomon discussed the World Bank’s transition from a Bretton Woods institution known as the International Bank for Reconstruction and Development to the World Bank Group, an institution with strategic consulting, insurance, and political risk departments as well as an ever evolving lending model and a growing client list. Mr. Solomon concluded with a candid question and answer session where he responded to students’ concerns about the World Bank’s current focus, and the nomination and appointment of the World Bank’s next president.

Breakfast Event at The Economic Club of New York
By Vanessa Lee
Photo courtesy of Daniel A. Mikhailov

On March 28th, a few IFEP students had the privilege of attending a breakfast hosted by the Economic Club of New York at the Sheraton Hotel Lenox Ballroom. William R. Rhodes, President and CEO of William R. Rhodes Global Advisors, LLC, senior advisor for Citi, and author of Banker to the World: Leadership Lessons from the Front Lines of Global Finance, discussed the ongoing European sovereign debt crisis and his outlook for the future. Emphasizing the need for strong leadership, Rhodes cited contagion as a source of serious concern and stressed the importance of implementing growth-generating policies in Europe. “Austerity alone won’t do it,” he said.

The Economic Club of New York is a membership organization with members drawn from top executive levels of business, industry, and finance. Founded in 1907, the purpose of the Club is to promote the study and discussion of social, economic and political questions.

Finance and the Good Society – by Robert Shiller
Book Review
By Alvise Lennkh

Amidst the financial crisis and the resulting debate about the role finance ought to play in a society, Robert Shiller’s book is a welcome reminder of the positive and essential contributions the financial system is capable of achieving. Finance, the author persuasively argues, is not about making money per se but instead constitutes the science that mobilizes and structures the necessary resources, subject to a society’s assets, to achieve a set of goals, namely those defined by the society. In this regard, the better aligned a society’s financial institutions are with its goals and ideals, the stronger and more successful the society will be. To achieve this alignment, Shiller makes the case for both the humanization as well as the democratization of finance.

Against this background, the book first describes the roles and responsibilities of the numerous actors constituting the financial system – CEOs, investment managers, bankers, investment bankers, mortgage lenders and securitizers, traders and market makers, insurers, market designers and financial engineers, derivatives providers, lawyers and financial advisers, lobbyists, regulators, accountants and auditors, educators, public good financiers, policymakers, trustees and finally, philanthropists – and their value added to society. Why do we need these professionals and how do they contribute to the “good society”? Shiller refrains from the impossible task of defining the good society, and instead provides excellent examples of how the contributions of financial professionals have improved our quality of life over the past decades and indeed centuries. It is surprising however that among his long list of actors Shiller does not at all discuss the role of rating agencies. Surely they are an important part of our financial system, whether they are right or wrong with their analyses and consequent decisions.

With regard to the democratization of finance – the opening of financial opportunities to everyone – Shiller argues that financial innovation ought to be encouraged. It is only through innovations that the system will keep reforming itself and ultimately serve those who are currently out of the system. In this regard, Shiller argues that providing access to already existing financial products to low-income earners would go a long way in contributing (continued on page 6)
“Finance & Politics - A Discussion of Dodd-Frank, Campaign Finance, and the 2012 Election”
Lunch Discussion with Richard Goldberg and Al Puchala
By Serene Ghneim

IFEP concentrators gathered on March 29th for a brown-bag lunch with Al Puchala and Professor Richard Goldberg, who led a lively, interactive discussion of the Dodd-Frank Act, campaign finance issues, and the 2012 election. The speakers fostered debate by presenting both sides of each issue, sometimes playing devil’s advocate and adopting positions that were not necessarily their own.

Mr. Puchala and Professor Goldberg evaluated the Dodd-Frank Act and its impact thus far on the financial system. Mr. Puchala argued that the financial system is now worse off than it was before, explaining that there is no longer any weaponry ready and available to stabilize any future shocks to the financial system. He suggested breaking up the four major banks – Wells Fargo, JP Morgan Chase, Bank of America, and Citigroup – into smaller entities could still be a viable path forward. Meanwhile, Professor Goldberg argued that breaking up these four major players would hurt globalization and diversification, putting consumers at a severe disadvantage.

Moving onto the next topic, Mr. Puchala described campaign finance in the U.S. as a “snake-pit circle surrounded by a cesspool of shark-infested waters.” He was referring to the flawed nature of the Citizens United case that gives corporations – non-human entities – the right to spend endlessly without assuming the obligations or consequences of an ordinary citizen. Mr. Puchala argued that unlimited spending means that one person with a lot of money can give fringe-candidates enough funding to stay in election races for longer than popular support would dictate. Assuming the contrarian view for argument’s sake, Professor Goldberg responded by saying that in a democratic society guided by the principle of free will, we should have faith in the checks and balances put in place and not place limitations on what individuals and corporations choose to do with their money.

Mr. Puchala is a Managing Director at Moelis & Company, where he is responsible for public sector business development. He has nearly thirty years of investment banking experience, most recently as a Co-Founder and Managing Director at Signal Equity Partners. Professor Goldberg is an Adjunct Associate Professor at SIPA, and author of the book The Battle for Wall Street: Behind the Lines in the Struggle that Pushed an Industry into Turmoil. He teaches a short course at SIPA, entitled the Future of Global Financial Institutions.

IFEP Faculty Career Panel with Professors Robb, Tuckman, and Janow
By Sunil Arora

On April 3rd, a large group of IFEP students gathered to listen to a panel discussion with some of IFEP’s most distinguished faculty members. Professor Janow (Director of IFEP) moderated a discussion focused on careers in finance between Professor Robb (Finance Track Director) and Professor Tuckman (who teaches a course on Advanced Fixed Income Securities at SIPA).

Professor Robb discussed how his career has unfolded and said that it is hard to plan exactly how things will turn out in your career. He emphasized learning by doing and considering all types of opportunities, including sales oriented roles in finance. He also highlighted the importance of being able to eloquently explain to potential employers why students chose to come to SIPA and concentrate in IFEP.

Professor Tuckman explained that it is best to go somewhere early in your career where you can learn a lot and bigger firms are typically better for this purpose. He said it is important to ask questions as you learn and to continually think about a path forward in your career. He also encouraged students to consider a broad array of career opportunities and endorsed sales roles in the same way that Professor Robb did. He told students to understand their resumes thoroughly and be able to talk through any part of their background effectively.

In April, IFEP students toured the Museum of American Finance.
(Good Society, continued from page 4) to the good society. He goes beyond the usual praise for Microfinance, and provides other, less obvious examples. For instance, he argues that the fundamental tragedy of the Haitian earthquake of 2010, even including the loss of life, was that few buildings were insured there. This meant not only that there was no compensation for damage but also that there had been no insurance companies overseeing building codes in years past—a practice that certainly would have reduced damage and loss of life. In fact, Shiller makes the case that the difference between the impact of the Haitian earthquake with a magnitude of 7.0 claiming 50,000 lives compared to the 33 deaths in the 1994 California earthquake of similar magnitude and proximity to an urban center, was in large part a result of the poorly, if not non-existent insurance market in Haiti.

Shiller also introduces various ideas and potential financial products that could very positively affect our lives. He makes the case for social policy bonds issued by governments that would pay out more if certain social policy objectives were met. Similarly with a view towards reducing risk in our lives, he expresses surprise that there are currently few or no derivatives for economic variables such as GDP, wage rates, real estate prices, health care expenses or average lifespans. Furthermore, he asks if governments subsidize medical advice, then why not subsidize financial advice. Surely we can appreciate that some of the errors made regarding the purchase of homes and the selection of mortgages could have been prevented had consumers been given access to fair financial advice. Other interesting ideas include giving people shares in the nation’s GDP, GDP-linked bonds, the indexation of pensions to indicators of taxpayers’ ability to pay (such as GDP) as a means of creating sustainable pension systems as well as the indexation of tax systems to inequality indicators as a tool for ensuring a constant or even achieving a reduction of inequality within societies. The possibilities for finance to meaningfully improve our lives are thus substantial and intrinsically linked with our day-to-day problems.

Nonetheless, Shiller’s discussion on the ethical shortcomings that certainly permeate some corners of the financial system is brief, if not too brief. In light of the revelations of the excesses and fraudulent behavior of some actors over the past few years, including self-serving yet revealing accounts by insiders like the recently published diatribe by former executive director Greg Smith against his 12-year employer Goldman Sachs, one can be forgiven for questioning the willingness of some actors to be in finance for any reason beyond making a lot of money. It thus seems that, like any other system, the financial one has the tremendous capacity to contribute meaningfully and effectively to the good society, but that its ultimate impact is dependent upon the motives and integrity of the people that constitute the system. In the final account however, Shiller’s book succeeds in reminding the reader that at its core, finance ought to be about achieving human goals for all, and that participating in this process is indeed purposeful, exciting and satisfying, in both the private and public sectors.

On April 20, IFEP students and faculty celebrated the end of the school year with a party at the Boat Basin.