On Thursday, April 29, the IFEP Concentration and the APEC Study Center held the 2011 Distinguished Speakers in International Finance and Economic Policy panel on “The Global Economy: Challenges and Prospects.” Moderated by SIPA Professor and IFEP Concentration Director Merit E. Janow, the panel featured Jacob Frenkel, Chairman of JPMorgan Chase International, Joseph Stiglitz, University Professor at Columbia, and Min Zhu, Special Advisor to the Managing Director of the International Monetary Fund.

In what is clearly a challenging time for the global economy, these three experts offered their insights to a packed room on the 15th floor of SIPA. Dr. Frenkel, who is also Chairman and CEO of the Group of 30, took a wide-ranging view of the economy in his opening remarks. He addressed new phenomena of the post-crisis global economy with analysis of emerging markets, the evolution of central bank balance sheets, and the Euro-zone sovereign situation. In particular, Frenkel emphasized the increasing divergence of the emerging market economies’ performance from that of industrial economies, yet was quick to note that emerging market growth doesn’t mean that everything is fine. Both macroeconomic and demographic challenges, such as fiscal deficits and aging industrial economy populations, will continue to weigh on global economic recovery.

However, Dr. Frenkel doesn’t see China as threatening further global imbalances. “The Chinese argue, correctly so, that in a world in which trade is to be accounted for in a multilateral setting, it’s a big mistake to look at [the trade relationship] only in a bilateral setting,” he said. “With the rest of Asia, China imports more than it exports, which gives us a hint about production chain. If the US and EU import less from China, China would import less from rest of Asia.”

Dr. Stiglitz, who also chairs Columbia University’s Committee on Global Thought and was recently named to Time’s 100 Most Influential People for 2011, followed Dr. Frenkel with a closer look at the American economy. “We are nowhere near a real recovery, not only this year, but next year and probably the year after,” Dr. Stiglitz said. Citing sobering statistics – one in six Americans who would like a full time job can’t get one— Dr. Stiglitz explained how monetary policy had reached the end of its effectiveness to boost economic growth, and that, while the fiscal stimulus worked, it was too small.

Currently, Congress is focused on shrinking the deficit, which could have further economic slowdown effects if not structured properly. “Ways to reduce deficit now and stimulate the economy now are not on the agenda,” Dr. Stiglitz said. He added that more thoughtful (continued on page 6)
ACADEMICS

THE DUKES OF MORAL HAZARD: THE TRUST BANKS, THEIR BAILOUT, AND THE VOLCKER RULE
February 18, 2011
By Sunil Arora

Anthony Dowd, the Chief of Staff to Paul Volcker (former Chairman of the Federal Reserve and most recently the Chairman of the President's Economic Recovery Board), came to speak at SIPA on February 18th, 2011. Mr. Dowd told a packed room of students and faculty members compelling stories about working with the President's Economic Recovery Board (PERAB) over the last two years.

Mr. Dowd discussed the challenges of addressing the problem of banks being "too big to fail" and highlighted the political complexities of working with the US Treasury and Congress on a coordinated framework. He explained the origins of the Volcker Rule, which aims to take proprietary trading activities outside of the regulated banking system. Mr. Dowd pointed out that the Volcker Rule originally had broad bipartisan support but quickly became divisive given the ongoing political battles between Democrats and Republicans. He estimated that between $600 million and $1 billion was ultimately spent by the financial industry to lobby Congress on the Volcker Rule and the Dodd-Frank legislation in general. Although parts of the Volcker Rule were opposed by the financial industry and eventually weakened, Mr. Dowd said that Chairman Volcker was happy with the progress that was made given the practical and political constraints involved.

Mr. Dowd pointed out that the Dodd-Frank bill creates useful new regulatory entities and contains relevant rules despite the criticism the legislation has received from some. He said that international cooperation will be paramount to achieving financial stability and that the US will need to work closely with the EU and its central member nations.

Mr. Dowd said that Chairman Volcker resigned from the PERAB at the beginning of this year but still informally advises President Obama as requested and continues to engage with a variety of public and private organizations and countries around the world on political and economic issues.

LESSONS OF THE CRISIS: EVALUATING THE SUCCESS OF TARP AND IMPLICATIONS FOR THE FUTURE FINANCIAL MARKETS
February 25, 2011
By Vanessa Lee

The International Finance and Economic Policy Concentration welcomed David Miller, Chief Investment Officer at the US Treasury’s Office of Financial Stability for the Investcorp Lecture on International Finance and Business. Mr. Miller summarized TARP as a “courageous and necessary” decision without which the economic environment would have been “far worse.” Questions from the audience, including members of the press, ranged from executive compensation to the “revolving door.”

The story of how Miller joined the Treasury is particularly inspiring. He wrote a personal letter to then-Secretary Paulson offering his help in DC when the crisis was in full swing. This dramatic decision instantly moved Miller from New York to DC, from the confines of his private office to the center of political action. Miller left his family in Scarsdale, N.Y. and dove into real and consequential work in what he perceived as a “scary time.” Though remarkable, Mr. Miller’s case was not an anomaly: the Treasury was fortunate to welcome many professionals from the private sector, who helped the agency take swift action and exercise good judgment. According to Mr. Miller, Treasury personnel had no precedent or blue print to rely on, except for sound judgment. Citing the US Government’s need for talented professionals passionate about public service, he applauded the present students’ decision to attend SIPA.

ECONOMIC CLUB LUNCHEON
March 7, 2011

Five IFEP students had the opportunity to attend a luncheon at the Hilton Hotel Ballroom with the Economic Club of New York. Retired Senator Alan Simpson and Erskine Bowles, co-chairmen of the National Commission on Fiscal Responsibility and Reform, discussed their proposal to reduce the national debt.

BROWN BAG LUNCH WITH PROFESSOR MERIT E. JANOW
April 13, 2011

IFEP students shared an informal lunch with Concentration Director Professor Merit E. Janow. They learned her thoughts on China’s trade and role in world organizations, and her views on what role SIPA students should play after they graduate.

Photo courtesy of Holly Williams
THE FUTURE FINANCIAL CENTER OF ASIA
March 8, 2011 By Burak Guresci

IFEP cohosted a panel discussion on the Future Financial Center of Asia with the Columbia Law School Society for Chinese Law. The panel was moderated by Professor Merit E. Janow and included Rebecca Blumenstein, International Editor and former China Bureau Chief of the Wall Street Journal, Christopher LaFleur, Vice Chairman of JP Morgan Japan and former US Ambassador to Malaysia, Ramesh Parameswar, Managing Director at Moon Capital, an emerging markets hedge fund, and Owen Nee, an expert on foreign investment transactions in China at Jones Day.

The panelists analyzed the attributes of leading and vigorous financial centers like New York and London and tried to answer whether any markets in Asia were equipped with these features. The panelists agreed that a large GDP, concentration of talent, and strong social and professional networks were characteristics of a financial center together with capital, confidence, and credibility. They identified Japan and China as possible future financial centers of Asia. They cited the rule of law, transparency, big stock of wealth, and mature economy as advantages of Japan, while the lack of direction of the economy and small number of IPOs were seen as disadvantages. High growth rates, accumulation of capital, and confidence favor China, while lack of rule of law and pluralistic society, the presence of state-owned enterprises in the economy and financial sector, and the Yuan not being a reserve currency were mentioned as obstacles.

SAVING THE GLOBAL TRADING SYSTEM: AN INSIDER’S PERSPECTIVE ON THE WORLD TRADE ORGANIZATION AND THE TPP
April 19, 2011 By Burak Guresci

Michael Moore, New Zealand Ambassador to the US and past Director-General of the World Trade Organization, spoke during Professor Levy’s International Trade class. Ambassador Moore first presented a short history of the multilateral trade regime in the last 60 years, emphasizing that more wealth has been created during these years than the rest of history. He added that the GATT and later the WTO have been very important for stability of international relations. He then discussed the current multilateral trade negotiations under the Doha round and the difficulties faced by the negotiators. He said that it should not take a decade to complete rounds as we live in faster times and things change quickly. He stressed the fact that the existing deal at Doha, if an agreement is reached, will have three to four times greater impact on Africa, especially in terms of agriculture, than the current aid going to the continent. Finally he mentioned the danger regional trade agreements pose. While everyone wants to do trade deals with China and the US, smaller countries are left out in these types of bilateral agreements. Thus, multilateral negotiations are the only way to increase prosperity and wealth around the world as a whole.

THE WORLD BANK AND TRADE: LOOKING AHEAD TEN YEARS
April 25, 2011 By Burak Guresci

IFEP and the APEC Study Center cosponsored a lecture by John Wilson, the Lead Economist of the Development Economics Research Group of the World Bank. Sara Calvo of SIPA moderated. During his speech, Mr. Wilson highlighted the World Bank’s programs in the field of trade facilitation, lending operations to the least developed and middle-income developing countries. He underlined the continued global imbalances, removing of south-south barriers, cutting trade costs, and increasing private capital flows as the trade issues that need to be addressed while looking ahead to 2011 and beyond.

ISLAMIC FINANCE: ITS INCREASING REGIONAL AND GLOBAL RELEVANCE
April 26, 2011

Navid Goraya, Founder & CEO of White Oak Advisors Inc., a New York based advisory firm specializing in shariah compatible investments with presence in the UAE, lectured over a brown bag lunch. Mr. Goraya discussed the ways in which Islamic financial institutions must operate to remain shariah compliant, and explained that differing schools of thought on the shariah further complicate the issue. He considered where centers for Islamic Finance are located, and where they will grow in the future. He emphasized that Islamic Finance has an increasingly important place in the West because it opens up a new source of capital.
If the number of books about the financial crisis are an indicator of business, the financial crisis was a godsend for publishers. A search in Amazon books for “financial crisis” yields over 1,000 titles, many of which were published in the last few years. Authors range from screen-writers, whistle blowers, policy makers, and industry insiders. Some names include: Henry M. Paulson (the former Secretary of the Treasury and Tim Geithner’s predecessor), Judge Richard Posner (US Court of Appeals and armchair economist), Andrew Ross Sorkin (Times columnist), Paul Krugman, and a slew of economists too many to mention. These books distinguish themselves by the expertise of the authors and their forensics of the murdered economy. Commonly, the books amount to finger-pointing, gross generalizations, and I-told-you-so boasting, where “banks” are portrayed as careless through avalanches, and I-told-you-so boasting, where the role of complicit sideliners cheering on the industry and aligned himself with ACORN and other consumer protection agencies. Eisman, a comic book teenager (Spider Man is his favorite), had sympathy for the little guy and found echoes of the moral dilemmas faced by his favorite super hero’s in his own life. Early on, he alerted reporters to fraud in the subprime mortgage industry and aligned himself with ACORN and other consumer protection agencies. Eisman’s experience in the subprime lending industry and the death of his infant son had made him more suspicious, cynical, and pugnacious. He started to find ways to bet against the subprime mortgage bonds.

Michael Burry, a one-eyed neurosurgeon-to-be began his investing career while in med school, writing a blog (before blogs existed) after hospital shifts at three in the morning. Analysts at JP Morgan and other investment banks were taking his stock tips and making money. Burry used the inheritance his father left him to open Scion Capital. He quickly found investors in New York and amassed huge amounts of capital. Burry studiously read financial statements, and developed a rubric analyzing home-to-value ratios of home loans, second liens on homes, location of homes, and what documentation had been generated to determine the likelihood that a loan beginning in 2005 would go bad. He convinced Goldman Sachs and others to enter into credit default swaps (CDS) on mortgage bonds. In 2005 and 2006 CDS’ primarily existed as hedging and speculative instruments for corporate bonds. Much like any CDS, it is essentially a bet from Burry’s viewpoint that the reference entity will default. When it does, he gets paid – hence the title “The

(continued on page 6)
THE JOB SEARCH

GETTING THE MOST OUT OF YOUR SUMMER INTERNSHIP

By Burak Guresci

While the summer is approaching, most of the first year IFEPers are getting ready for their internships or still waiting nervously for a reply to their applications. Internships provide a great opportunity to test out potential career choices, to learn about different management styles and work environments in specific industries, and eventually get prepared for full-time jobs. It’s even possible to get an offer at the end of the internship.

We asked second year IFEPers who have done their internships in the private and public sectors and in multilateral organizations to share their own internship experiences from last summer. All IFEPers answering our questions agree on one thing: it’s up to you to turn your internship into a valuable and useful experience. Among the most important tasks is, as always, networking. You should seize the opportunity to meet people during your internship, especially those who are not your direct supervisors or not working in the same department. One IFEPer cited not attending more events and activities as a mistake while another recommended networking outside of your department. Another student mentioned how his exposure to different parts of the company he interned for opened his horizons and how it was a useful source of ideas and contacts for his potential future career.

Fellow IFEPers also recommend doing some research and learning as much as you can about the organization where you will be interning before you get there. This way, you can recognize opportunities during your time there and make the most of them. Three months won’t be sufficient to make a substantial contribution considering the time you need to spend to understand the organization. By doing research beforehand you can get information about the projects that the organization in general or your team specifically is dealing with at the time. By being informed and ready, you can show that you could be useful to your supervisors and gain the confidence of the people you work with.

The first couple of weeks of the internship are the hardest, when you and people you work with are in the process of learning each other’s capabilities, demands, and ways of doing things. Second year students recommend that you not be shy to make constructive comments and criticism during these first couple of weeks. This way you can show your supervisor that (continued on page 6)

THIS SUMMER, PRACTICE JUST IN “CASE”

By Andrea Moore

When the last final is completed and spring semester officially ends, first-year students will sigh with relief and want to forget about studying. However, for students interested in full-time consulting or investment banking jobs, summer months are also ideal for perfecting case interview skills before the fall recruitment crunch begins.

Case interviews present a problem-based scenario, often drawn from an organization’s past client projects, and require a thoughtful step-by-step analysis of both the problem and potential solution by the interviewee. This approach helps assess a candidate’s quantitative abilities, communication skills, and relevant sector knowledge. For first-time case interviewees, the temptation is high to rely on past interview skills and “wing it” through the process.

Jennifer Hoffman, Director of Student Relations at the Office of Career Services (OCS), strongly advises against this approach. “There is a difference between knowledge and habit,” she said. “Unless you’re habituated to [the case interview structure], it will be very hard to perform well under the stress of an interview.” The habit can be cultivated in a variety of ways. Live practice with another person who is skilled in the case method, as well as those who are also learning, can be very helpful. Case books like Case in Point and Ace the Case, which can be found in the OCS office, provide detailed practice tips and sample cases. Case-based SIPA coursework can also simulate the case interview thought process. Regardless of the form, practice and preparation are necessary for success.

While there were several public sector consulting recruiting successes this year, Hoffman pointed to a private-sector consulting firm, new to SIPA on campus recruiting, that recently recruited for summer internships. The firm’s ambassador is a SIPA alum who was very invested in the success of SIPA students through the recruiting process. Unfortunately, the firm ended up not hiring anyone as a result of students’ general lack of knowledge about management consulting and lack of preparation for the case interviews. This feedback has also come from other private sector recruiters. And while the intelligence and experience levels of SIPA students are high, they can’t substitute for strong interview preparation in a highly competitive environment. “If SIPA students want to compete in the same arena as [MBA students who are their primary competition in investment banking and consulting], they need to be as good through the interview process,” she said.

Over two months, Hoffman says, a little practice each day will “build the case interview muscle.” But individually reading through cases, learning business problem-solving frameworks, and designing hypotheses are (continued on page 6)

FEDERAL RESERVE BANK PANEL

April 14, 2011

By Vanessa Lee

On April 14, 2011, the IFEP Alumni Committee hosted a panel of SIPA alumni currently working at the Federal Reserve Bank of New York. Representing the Markets Group, the Financial Institutions and Supervisory Group, and the Chief of Staff’s Office, Lisa Chung ('08), Toni Dechario ('07), and Rania Perry ('05) shared their relevant experiences at SIPA and the work of their respective groups within the New York Fed during and post crisis. Citing significant changes within the organization, including prospects for hiring new personnel, the alumni offered practical advice to those interested in pursuing careers there after SIPA.

THE CASE INTERVIEW

April 20, 2011

By Holly Williams

Professor Thurman, who has held senior positions at Booz Allen Hamilton and American Express, lectured informally at a brown bag lunch on the case interview. He provided tips related to interviews, the hiring process, and how to best utilize your first two years as an entry-level associate. Professor Thurman also revealed a few secrets of various consulting firms, including how they really function and what they look for in potential candidates.
THE GLOBAL ECONOMY: CHALLENGES AND PROSPECTS (continued from page 1)
tax cuts could help. Tax reductions at the top and the bottom of the income brackets would be more effective than middle income, since both brackets have higher propensities to consume.

Dr. Zhu, who successfully battled significant flight delays from Washington to join the panel, offered his own thoughts on the “two-speed” recovery between the emerging and advanced economies, especially as emerging markets drive continued demand for commodities and energy to fuel their economies. But despite their rebound from the crisis, the emerging markets face three challenges. First, continuing growth isn’t just a demand stimulus issue, but a structural issue. “Countries need policies to guide structural change; it will not happen otherwise,” Dr. Zhu said. Fiscal policy is another challenge, especially as emerging markets’ debt-to-GDP ratios continue to increase even as they have not yet implemented robust social support systems like pensions and healthcare.

Dr. Zhu mentioned that new economic “lifestyle” models must be developed. With three billion people aiming at the same quality of life as industrial economies have achieved, there simply aren’t the resources — water, energy, land — to support such aspirations sustainably. “The world is changing and will continue to change,” Dr. Zhu said. “And nothing is guaranteed in emerging markets.”

Students and professors asked about the risks of a weak dollar, sovereign debt restructuring, and new market regulations. “The dollar as a reserve currency is anachronism,” said Dr. Stiglitz, noting that the dollar is artificially inflated because of this role, and that a stronger world economy would make exchange rate adjustments easier. Dr. Frenkel stated that rigidities in the economic system cause the disequilibrium in nominal exchange markets, reiterating that structural reform was necessary, but that a global level playing field must be created to prevent “regulatory arbitrage.”

Dr. Stiglitz also emphasized that debt restructuring should not be off the table as an option for countries with severe debt problems. “There is life after restructuring,” Dr. Stiglitz said, citing Iceland and Argentina as examples. With such varied and significant challenges for the global economy over the short and medium-term, the IFEP and Columbia community certainly received greater depth of insight from these three expert speakers.

THE BIG SHORT (continued from page 4)
Big Short.” In May of 2005, Burry made his first subprime mortgage deal with Deutsche Bank, entering into $60 million worth of CDS contracts.

Timing is everything. Eisman and Burry were arm wrestling against the market — they were betting the market would go one way, while the market was bullishly going the other. The risk was that the market could continue it’s irrational spree longer than Eisman and Burry could finance their bet against it. Eisman and Burry knew the fall was coming, they just did not know exactly when. Ultimately, the market crashed and the shoddy practices behind subprime mortgage lending were revealed. Eisman and Burry’s bet was right and they earned billions for their investors.

In Chapter nine of the book, Lewis tells the story of Howie Hubler, who exited his bet against the market early and left his former employer, Morgan Stanley, with a loss of more than $9 billion, “the single largest trading loss in the history of Wall Street.”

The Big Short has plenty of material for students of finance to go out on. Additionally, the backstories and actions of the personalities presented will trigger conflicting sentiments in the reader. The context in which any strength or superpower is implemented determines its usefulness and merit. (Spider Man would be less effective in a city with no buildings.) The ability to correctly predict the future undoubtedly brings responsibility, and Lewis presents enough of the story for the reader to decide for himself if this particular combination of context and ability is inspired genius, or abhorrent profiteering.

GETTING THE MOST OUT OF YOUR SUMMER INTERNSHIP (continued from page 5)
you have good ideas and you’re contributing to the group, and gain his trust so that you will be delegated more responsibility and work.

A final suggestion coming from our sector consulting and investment banking.

BY SPENDING TIME THIS SUMMER TO PREPARE, you can get yourself ahead of the curve for the fall. Being well-prepared for your case interviews can not only ensure your individual success, but also encourages firms to return and hire SIPA students again each year.

CASE INTERVIEWS (continued from page 5)
only the first steps of interview preparation. One-on-one practice is also invaluable to translating case knowledge into habit. One IFEP student recently made it successfully through the interview process and landed a summer internship at a consulting firm. She practiced cases with a representative from the firm that hired her, as well as with a friend. “It’s very helpful to work through solutions out loud — it really makes a difference,” the student said.

Below are more specific tips from OCS and student experience on how to practice and deliver a great case interview:

• Online resources like Caseinterview.com can provide video training and email newsletters.
• Consulting firms’ websites also provide many resources. BCG’s website has interactive cases available, and McKinsey provides sample assessment tests.
• Take advantage of current SIPA students and SIPA alumni who have worked for the firm you’re interested in. Searches in the Student Directory or Alumni Career Advisory Program database can help identify them.
• OCS advisors can provide general one-on-one case interview practice by appointment.
• Student groups like the SIPA Consulting Club can provide more specific practice. Groups can even practice via Skype over the summer if they’re not in the same place. A few students could also get together and offer to pay someone for individual practice sessions — like hiring a tutor for a challenging class.
• OCS has a premier membership to Vault.com, available to all SIPA students, which provides extensive insider guides to case interviews, as well as to consulting in general, and provides information about individual firms. It is important to consider the sector you will be entering, as cases differ by sector.

• Some types of cases require more quantitative problem-solving, especially for private sector consulting and investment banking.

Solving case interview quantitative problems can be daunting, but a number is only part of the solution. Be sure to state not only what the number you’ve found means to the case as a whole, but also use it to help you draw conclusions for specific recommendations or next steps in the case.

By spending time this summer to prepare, you can get yourself ahead of the curve for the fall. Being well-prepared for your case interviews can not only ensure your individual success, but also encourages firms to return and hire SIPA students again each year.

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