



# Newsletter

**\*\*Special Finance Issue\*\***

## **FIRST MSF CLASS HITS ITS STRIDE**

The 25 students in the inaugural class of the Master of Science in Finance (MSF) program are enjoying the academic challenge this program presents for them. This first MSF class includes professionals from companies such as BankBoston, StateStreet, Fidelity, Scudder, Putnam, Standard & Poor's and American Express. They find the program to be extremely challenging but manageable and appreciate the diverse student population as a key ingredient to the high quality of the classes. One student commented, "The whole field of international finance is opening up for me."

The ten-course evening program is tailored to working professionals seeking advanced training in financial management and techniques. An international emphasis is possible. Five core courses provide solid grounding in the analytical foundations of modern finance, training in the quantitative techniques of financial decision-making, background in the institutions

of capital markets and an understanding of management issues in the financial services industry. Five elective courses are selected from more than twenty offerings in the areas of business and finance, including a week-long World Markets course offered in such financial centers as Frankfurt (see box), Hong

### ***MSF COURSE SLATED FOR FRANKFURT***

Frankfurt is emerging as a leader in the new era of trans-European financial markets -- an ideal setting for the first weeklong World Markets course to introduce MSF students and other qualified executives to the characteristics of major international markets. The July 1999 program will include classroom instruction by GSIEF faculty, dialogue with European market professionals and visits to the market centers.

Kong, London or Singapore.

The program starts in the summer semester, and students usually finish the degree in two to three years. Tuition includes course materials and dinner. Online communications facilitate interaction among students and faculty outside the classroom. Admissions requirements include strong academic preparation through the bachelor's level, an acceptable score on the GMAT and at least two to three years of professional work experience.

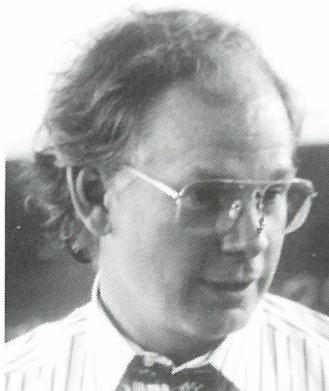
### ***GSIEF FACULTY LAUNCH GLOBAL CRISIS INITIATIVE***

Graduate School faculty, in conjunction with prominent outside colleagues, have banded together to undertake a "Global Crisis Initiative." Combining their expertise in many facets of the current global economic crisis, they will address its historical antecedents, immediate causes and implications for the future of international finance in a series of Web pages. Each page, prepared by a member

will bring a hands-on approach to his Foreign Exchange Markets and Fixed Income Securities courses this spring.

Adjunct Professor **John Ballantine** got his feet wet in the Graduate School this summer, teaching the Capital Markets course in the MSF program. He has spent the past five years as an Associate at Harvard University's Kennedy School of Government, conducting research and teaching courses in finance, economics and banking. Other academic appointments include Consultant at the University of Pennsylvania's Wharton School, where he undertook an analysis of retail banking systems and technology investments, and Assistant Professor in Finance at Babson College. In the private sector, Professor Ballantine spent four years as a Senior Consultant for the Financial Industries Group at Arthur D. Little and six years with Chase Manhattan Bank as a Vice President for Strategic Planning, experiences that he brings to bear in his Creating and Managing Value course this fall (he will teach International Corporate Finance in spring). With numerous articles, monographs and presentations on banking, credit markets and securitization to his credit, Professor Ballantine also appears regularly to discuss the regional economy on local radio and television. As President of Carlisle Communications, he publishes the Carlisle town newspaper, for which he is an occasional

columnist, and is prominent in local politics and civic affairs. Professor Ballantine holds an MA from the



*Professor John Ballantine*

University of Chicago and a PhD in Economics and Strategic Management from New York University. Watch for him in the New York City and Boston marathons.

### **LEMBERG TAKES ON BLOOMBERG**

Effective immediately, unlimited access to The Bloomberg, a leading subscription service of business and financial data, news, research and analysis, is available online to all GSIEF students, faculty and staff. This new resource was added in response to the growing need among the faculty and students for reliable, up-to-the-minute information on the issues that affect our global economy. Among the many services provided by The Bloomberg are current and historical data on global markets, 24-hour news and analysis with an emphasis on business and finance and in-depth research on economies, companies

and markets around the world.

### **INVESTMENT CLUB LOOKING FOR HOT TIPS ON FOREIGN STOCKS**

The Brandeis University Investment Club's first meeting on October 1 featured a talk by Douglas Stocklan, a Consultant from the Club's brokerage, Salomon Smith Barney. The club is a General Partnership focusing on education through investment. Equal voting membership is available to anyone in the Brandeis community for a minimum capital contribution of \$50. A web page showing, among other things, all positions and results will be available at [www.brandeis.edu/~asmoler](http://www.brandeis.edu/~asmoler). The club will break down into "cells" by investment interest, with each cell presenting its recommendations to the membership as a whole for discussion and vote. Professor Atreya Chakraborty, faculty advisor to the club, is banking on an international investing cell stacked with GSIEF students, so please bring yourself and your investment expertise to the next meeting! Contact Simeon Gutman at 781-529-6522 for further information.

**Check out our Web site!  
Point your Web browser  
to [www.brandeis.edu/ief](http://www.brandeis.edu/ief).**

## ***GSIEF FALL OUTING 1998!!***

*Beautiful foliage, apple picking and cool crisp air: GSIEF students, faculty and staff took a road trip to the mountains of New Hampshire to enjoy this quintessentially New England experience.*



*The first stop was at the Gould Hill Orchard in New Hampshire, where GSIEF students picked lots and lots of apples!*



*After the apples were gathered, the group proceeded to Dean Petri's home for a truly international game of soccer ..*

*... and a cookout prepared by Dean Petri and his wife Jean.*



(only) 35 percent. Bread and potatoes appear to be exceptions, and these two foods have come to play a much larger role in people's diets. As spending on food more broadly has come to virtually exhaust disposable income of the average family, consumption of fruits, vegetables and meat has dropped sharply.

The threat to public health is heightened by the sharp drop in drug imports, including vitamins, which had captured 70 percent, by value, of the Russian drug market. (Hoarding of drug products has further aggravated the problem.) In time, the weakened ruble may revive the domestic drug industry. For the moment, however, the income effects of the current crisis are proving to be a serious deterrent. This is a general phenomenon. The domestic auto industry is having a similar experience. Avtovaz, Russia's largest carmaker, has been forced to lower the price of its lead model, the Lada, to an equivalent of \$3,000US.

**GT:** While we thought GKO restructuring was possible and even likely, the devaluation seemed a very poor policy choice, since the stable ruble and low inflation were the only real accomplishments of the Russian Central Bank and its two aces for securing further IMF funding.

Chronic non-payments, capital flight and pathetic tax collection would have led to this crisis sooner or later. The

Asian flu and low commodity prices only affected the timing of the event.

The long-term investor mindset necessary for sustained economic growth is completely absent here. Some of the oligarchs and smaller company owners were just starting to gain enough confidence in the ruble and the banking system to change their business practices from transferring profits from their companies to their Swiss bank accounts to reinvesting them domestically. Now we are back to square one.

**What are some of the more significant long- or short-term consequences on employment, growth, inflation, and foreign investment activity? How long-lasting is the adverse impact?**

**BS:** The collapse of imports, of import-related activities, and of the demand for financial services has dealt a serious blow to what is taken to be Russia's emerging middle class. At the lower end of the spectrum are "byudzhetniki" (government employees, pensioners, and others dependent on government funding), peasants, and the unemployed. It is painful to consider the effects of the current contraction and inflation on them. A search for "winners" in the current situation produced the following: Natural resource

exporters, lawyers, and movers.

**GT:** There is no question that devaluation will lead to higher consumer prices in Russia. If it leads to higher wages and higher prices elsewhere in the economy, it will probably result in an inflationary spiral whether or not the Central Bank of Russia issues money to accommodate them. My suspicions regarding money printing were not allayed when I went to exchange some dollars for rubles last week and got a stack of really crisp, sequentially numbered bills.

The new government counts among its primary objective the development of the domestic manufacturing sector and will probably limit imports in the process. Since as much as 70% of Russian consumer spending goes to imported goods, this measure is unlikely to enhance the standard of living soon.

**What is the likely political fallout? What are the possible effects on the Duma and the next presidential elections? What interests stand to gain or lose?**

**GT:** The political implications are difficult to predict. The center (federal government) is likely to gain power through printing money and controlling its distribution. As after any power shift in Russia, new people will find themselves in a position to get rich. Some of the old oligarchs will

disappear, only to be replaced by new ones. The effect on the next election cycle depends heavily on the economic situation. In my view, the best thing that could happen is for the current government to screw up the economy so badly as to provoke a recoil from the populace during the next elections. The biggest threat to the reform-oriented forces in 2000 could come from a new left-centrist block being formed right now. If the Communists manage to re-invent themselves as social democrats and bring somebody like Luzhkov (the extremely popular Moscow mayor) on board to represent them in a run-off. Seems unlikely, though.

**What do you expect from the Primakov government? What are the possible policy options? Are the early pessimistic appraisals justified?**

**BS:** The accession of Yevgeniy Primakov to the Premiership was greeted with widespread skepticism. The aging former KGB official and, more recently, Foreign Minister, drew groans from the group of Russians with which I watched the TV broadcast of Primakov's nomination. Confidence in the competence and integrity of the Russian government could hardly be lower, and Primakov's nomination seemed likely to alter this very costly condition. What especially impressed me was a particular criticism of Mr. Primakov that was heard with some frequency in the

following days: "But he is not an economist!" What should we make of this, given all that has befallen Russia under the guidance of some of the world's finest economists?

**GT:** A plan subsequently prepared by Deputy Prime Minister for Economic Affairs Yuri Maslyukov contains spending promises and tax cuts but few revenue generating measures. The Central Bank will only print money to redeem government debt, but there are hints that it will lend to the government to cover shortfalls. Indexation of spending is only partial. A State Bank for Reconstruction and Development will be created using the assets of banks which are nationalized.

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Your comments and suggestions are always welcome! Please contact Macee Damon at Brandeis University, GSIEF, MS-032, Waltham, MA 02454, call 781-736-2250, or email [mdamon@brandeis.edu](mailto:mdamon@brandeis.edu).

The program has some sensible things. There is greater fiscal autonomy for regions, but they have less control of transfers from the center. Also the tax reforms streamline the system, and create tax breaks for investment. The ruble will be strictly controlled, with almost no capital account accountability. Individuals will only be allowed to sell hard currency at exchange points. They will have limits on what they can take out of the country.

The plan seems intended to satisfy the social demands of the Duma while concealing its worst features from the IMF. We think it will mean spending that requires printing money and, despite the controls to keep a lid on devaluation and inflation, will inevitably lead to both.

**How should these developments affect Lemberg students' thinking about Russia as a focus of their expertise or employment intentions?**

**GT:** Employment-wise, I think Russia is a great long-term opportunity. Things won't turn around in time for this year's graduating class, but the class of 2000 should consider Russia very seriously. Even in the best of times this market is not for the faint-hearted, but, as the Russians say, "those who don't take risks don't drink champagne."