

ChazenInstitute

The Jerome A. Chazen Institute
of International Business



COLUMBIA
BUSINESS
SCHOOL

International Innovation in the Classroom

Professor David O. Beim: Emerging Financial Markets

Jay Hallen MBA '07

© 2006 by The Trustees of Columbia University in the City of New York. All rights reserved

In 2006 there need be no reminder that we live in a globalized world and that events in the farthest reaches of the Earth can affect us deeply. So, too, thought Citibank in 1995, when Columbia Business School approached it with a grant solicitation. Citibank, having recently lost large sums of money from clients who defaulted on their dollar-denominated loans during the Mexican financial crisis, responded with a unique suggestion: that their donation serve to create a course on emerging financial markets. With better technology, liberalization of capital flows and global integration of financial systems, the 1990s saw a fast-changing period of growth and turmoil, from the former Soviet Union to East Asia to Latin America. Citibank deemed it crucial that the next generation of business leaders understand and appreciate mature emerging markets and the challenges and opportunities that they present.

Columbia's choice to lead this course to fruition was Professor David O. Beim of the Finance and Economics Division. Professor Beim, formerly the head of investment banking at Bankers Trust, had also worked closely with emerging markets as executive vice president of the Export-Import Bank of the United States. He eagerly accepted the challenge, and Emerging Financial Markets has been a popular elective course ever since.

In 1996, Professor Beim invited Professor Charles Calomiris, who had become a member of the Columbia Business School faculty that year, to join him in teaching the course. After student feedback told them that the course needed better frameworks, Beim and Calomiris coauthored the first-ever textbook in the field, *Emerging Financial Markets* (McGraw-Hill, 2000).

Professor Beim, who is teaching the course in the 2005–06 academic year, advocates case-based teaching. In his opinion, “A well-written case is a puzzle with a number of ambiguities to it, . . . and that is a more effective technique than lecturing.” However, upon researching the Harvard Business School case offerings, he found only two that were relevant for the course: one on Czechoslovakian privatization and the other on Mexican conglomerate Grupo Alfa.

Professors Beim and Calomiris then realized that their best option was to engage students in their own case preparation. One student's paper on the Russian gas company Gazprom resulted in a case that is annually used in the course. Two other cases were commissioned from a former student currently working as a *Wall Street Journal* reporter in Hong Kong. Further cases were developed on a Brazilian bank, an Israeli finance company, a Bolivian microcredit lender, a Hong Kong securities company and a Hungarian telecom company.

The theme of the course is institutions. What distinguishes developed economies from emerging markets is not the business opportunities or the availability of capital or the quality of management; it is the existence of reliable business infrastructure and

institutions. While a developing country may offer attractive investment opportunities, if that country lacks a company law, a bankruptcy law, shareholder rights, contract law or antifraud measures, and legitimate means of enforcement, investors will be highly wary of putting their money there. The course focuses upon these issues, as well as other qualitative topics such as privatization, information availability, corruption and inflation.

Themes of the course change with the times. In 1997 and 1998, for example, the Asian financial crisis dominated the curriculum. Today, economic growth, individual debt or default crises, and the role of the IMF serve as study materials. And what would Professor Beim most like to include that is not already there? "I am trying to draw in Africa the best I can, but it's hard to do," he says. "But a good question would be, Why *isn't* Africa a part of this course?" Though Africa remains a bystander to the worldwide capital flows, he believes that South Africa is a mature enough market to provide good cases.

Professor Beim strives to make the class function like a seminar, with high levels of student engagement and participation. "There are a lot of students in the class with a lot to offer, so I try to make the course as participatory as possible," he says. The course's popularity has made this difficult, though, as more than 50 students are enrolled in the course this semester. The final project requires teams of up to four students to research an emerging markets success story, with the option of giving a presentation to the class. Many students are native to various emerging markets, and nearly all students in the class share a common interest in working either in or with emerging markets. Students hail from, and are researching projects in, Latin America, Russia/Eastern Europe, South Asia, East Asia and the Middle East.

Thus, it seems that Citibank has achieved its goal. Emerging Financial Markets is now a renowned class, students are eager to embrace global challenges and the course has helped Columbia Business School form a bridge to developing markets throughout the world.

David O. Beim is a professor of professional practice in the Finance and Economics Division at Columbia Business School.