

Foreword

“**Victory begins here**”, read the sign over the gate at Fort Jackson, South Carolina, when I passed under it many years ago. For those persons who are interested in learning about and perhaps playing a role in the great world of global finance, the same thing might apply to this book. My basic intention in this short text is to introduce many categories of readers to real-world financial markets and practices, and to help make it possible for them to follow *all* the financial commentary in the press, in other books, on the radio, and on television. Former president Lyndon Johnson once said that “international finance is a mystery to most men and women”, which is true, but it will not be true for those persons who read most of this book.

I have taught from previous versions of this book in Sweden, Australia, France, Singapore, and at the business school of Charles University, Prague; and I am convinced that it contains materials that will be useful to all levels of readers. The first thing I want to emphasize is that this is a book on international finance, and not international micro and macro economics. Its purpose is to assist readers in analyzing and thinking about real-world financial markets, and that *especially* includes persons who are using it for self study, and as a review. I had as my “models” for this project “Alexander” in Michael Lewis’ book *Liars Poker*, and “Thomas” in Nancy Goldstone’s *Trading Up*. These were the kind of people who were dedicated to the pursuit of excellence, and for better or worse have made the international financial community a place where high salaries, high bonuses, and even higher levels of competition are the rule. Everyone who wants to can match their knowledge, providing that they learn two things: concentration and patience.

And now an important observation is necessary. Great care has been taken to keep the mathematical content of this book at the level of simple

algebra. In principle, there is nothing in this book that will exhaust the mathematical resources of a first year economics student in a Swedish university, and much of the book contains no more than secondary school algebra. This book also says something about the lecturing style that I adopted early in my teaching career. It is based on a combination of the methods introduced at the Ecole Polytechnique (Paris) by Joseph Fournier, and those which have been employed at the United States Military Academy at West Point. At the present time the term that would be used to describe these methods is *interactive teaching*. Exercises are worked at the board by teams of three or four students, who then discuss their work, and answer both my questions and those of the remainder of the class. It is for this reason that no answers are provided in the book for the chapter exercises. Of course, most of the exercises are easy, and their purpose is to build rather than undermine self confidence. Readers should also be aware of the survey format of the first and last chapters. These chapters are designed to get everyone into the “swing” of international finance.

In preparing this book I want to thank, first and foremost, the many “kulls” of international economics students at Uppsala University who have been subjected to my polemics and rather special vocabulary through the years; and before them my students in mathematical economics at the University of New South Wales (Sydney), the Technical University of Lisbon (Portugal), and the African Institute for Economic and Development Planning (Dakar, Senegal). Here I must single out the brilliant linguist Ulf Carlander and express my gratitude once again for the invaluable help he gave me with the first version of the book, and the same applies to my colleague Ann-Sophie Djerf. I also thank Shadi Amin, my daughters Amelie and Madeleine, my colleagues Åke Qvarfort and Pebbe Selander, and my personal trainer Thomas Banks for their assistance. All mistakes are, of course, my very own, and let me apologize to those colleagues whose work could not be cited in this short book.

Finally, I would like to thank my own teachers. My decision to teach is the result of having the good fortune to hear a few brilliant lectures at an impressionable age. The first of these was by S.I. Hayakawa at Illinois Institute of Technology (Chicago), and in case anyone is interested, its title

was “When is a square not a square”. The most important, perhaps, was by a captain in the US Army at Camp Gifu, Japan — at that time home of the 24th (US) Infantry Regiment. His message was that real intelligence consists of looking at and/or listening to, and trying to remember everything that takes place around you. Thinking about it also helps. I would also like to take this opportunity to thank my teachers at Roosevelt University (Chicago), and the University of Stockholm.

Finance — like the universe itself — might be described as following Nils Bohr’s quantum law: there is no precisely determinable objective universe — the universe exists only as a series of approximations. At the same time though, mainstream finance suggests that objects on a human scale generally obey several well-defined (i.e. classical) laws of causality. The most provocative of these laws is that they prefer more money to less, regardless of the amounts under discussion. Virtually every millionaire will tell you without hesitation that a million dollars isn’t what it used to be! Whether this attitude makes the present subject more or less interesting for the individual student is left for that person to decide for himself/herself.

Let me close by reminding readers that the time you spend learning the definitions in the glossary is one of the best investments that you can make. Most of these definitions are in the text, of course, and in teaching finance, after we have covered about half of the book, I will use a few minutes of every class session for students to demonstrate their familiarities with these expressions, with the emphasis on speed. Finance is a serious business, and you should do everything humanly possible to put yourself in the path of some of the serious money associated with it.