

PRINCETON



FINANCE

2004-2005

pup.princeton.edu

**ORDER
FORM**

NEW PAPERBACK

ONE OF *BUSINESS WEEK*'S TOP TEN BUSINESS BOOKS OF THE YEAR
WINNER OF THE *FINANCIAL TIMES*/GETABSTRACT BUSINESS BOOK AWARD
WINNER OF THE WILMOTT BOOK OF THE YEAR AWARD FOR GENERAL FINANCE

The New Financial Order

Risk in the 21st Century

Robert J. Shiller



"Robert Shiller has the remarkable ability to think independently and the courage to propose ideas that to middlebrow thinkers may sound speculative. Think of what your reaction would have been had someone discussed risksharing (insurance) before it became popular. . . . Throughout his career Shiller has stood for unpopular ideas and has been proven right (his 1981 paper on volatility, his 2000 discussion of the bubble). I would read and re-read this book."

—*Nassim Nicholas Taleb, author of Fooled by Randomness: The Hidden Role of Chance in the Markets and in Life*

In his best-selling *Irrational Exuberance*, Robert Shiller cautioned that society's obsession with the stock market was fueling the volatility that has since made a roller coaster of the financial system.

Less noted was Shiller's admonition that our infatuation with the stock market distracts us from more durable economic prospects. These lie in the hidden potential of real assets, such as income from our livelihoods and homes. But these "ordinary riches," so fundamental to our well-being, are increasingly exposed to the pervasive risks of a rapidly changing global economy. This compelling and important new book presents a fresh vision for hedging risk and securing our economic future.

Robert J. Shiller is the Stanley B. Resor Professor of Economics at Yale University.

August 2004. 384 pages.

Pa: 0-691-12011-0 \$18.95 | £12.50

Cl: 0-691-09172-2 \$49.50 | £32.50

ALSO BY ROBERT J. SHILLER

WINNER OF THE 2000 COMMONFUND PRIZE FOR BEST CONTRIBUTION TO ENDOWMENT MANAGEMENT RESEARCH

Irrational Exuberance

"Dazzling, richly textured, provocative. . . . It is by far the most important book about the stock market since Jeremy J. Siegel's *Stocks for the Long Run*."

—*William Wolman, Business Week*

2000. 312 pages.

Pa: 0-691-08915-9 £10.95

Cl: 0-691-05062-7 \$39.95 | £26.95

ISBN 0-691-05062-7 \$14.95

Paperback for sale in the U.K., Europe, Middle East, and Africa only

Ebooks are available through online booksellers

WINNER OF THE 1997 PAUL A. SAMUELSON AWARD

WINNER OF THE 1997 AAP AWARD FOR BEST

PROFESSIONAL/SCHOLARLY BOOK IN ECONOMICS

The Econometrics of Financial Markets

John Y. Campbell, Andrew W. Lo, and A. Craig MacKinlay

"[A] well written introduction (indeed, something more) to Financial Econometrics. It is alert, explicit and articulate about assumptions. . . . a splendid offering."

—*Maurizio Tiso, Review of Financial Studies*

1996. 632 pages.

Cl: 0-691-04301-9 \$85.00 | £55.00

NEW

Strategic Investment

Real Options and Games

Han T. J. Smit and Lenos Trigeorgis



"[This book] provides a powerful synthesis of modern corporate finance and corporate strategy."

—*Robert C. Merton, Harvard Business School and Nobel Laureate in Economic Sciences*

Though corporate finance and corporate strategy focus on the same broad problem, investment decision-making, the gap between the two sides—and between theory and practice—remains embarrassingly large. This book synthesizes cutting-edge developments in corporate finance and related fields—in particular, real options and game theory to help bridge this gap.

Han T. J. Smit is HAL Professor of Private Equity at Erasmus University in Rotterdam.

Lenos Trigeorgis has been the Bank of Cyprus Chair Professor of Finance at the University of Cyprus and Visiting Professor of Finance at the University of Chicago.

2004. 472 pages. 83 line illus. 22 tables.

Cl: 0-691-01039-0 \$65.00 | £41.95

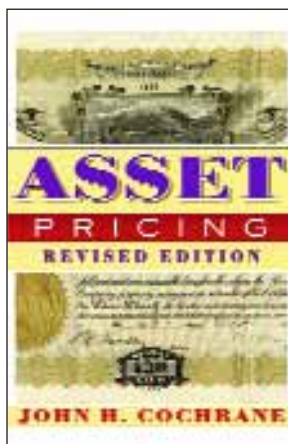
FORTHCOMING

WINNER OF THE 2001 PAUL A. SAMUELSON AWARD

Asset Pricing

Revised Edition

John H. Cochrane



Praise for the previous edition:

"[A] sparkling, intuitive, makes-it-look-easier-than-it-really-is, gem of a book."

—*Wayne Ferson, Review of Financial Studies*

This revised edition unifies and brings the science of asset pricing up to date for advanced students and professionals.

John H. Cochrane is Theodore O. Yntema Professor of Finance at the University of Chicago Graduate School of Business.

February 2005. 568 pages. 51 line illus.

20 tables.

Cl: 0-691-12137-0 \$85.00 | £55.00

A Non-Random Walk Down Wall Street

Andrew W. Lo and A. Craig MacKinlay

"What Andrew W. Lo and A. Craig MacKinlay impressively do. . . . [is look] for hard statistical evidence of predictable patterns in stock prices. . . . Here they marshal the most sophisticated techniques of financial theory to show that the market is not completely random after all."

—*Jim Holt, Wall Street Journal*

2001. 448 pages. 64 tables. 2 line illus.

Pa: 0-691-09256-7 \$26.95 | £17.50

Cl: 0-691-05774-5 \$85.00 | £55.00

**ORDER
FORM**

NEW

Interest Rate Models

An Introduction

Andrew J. G. Cairns



"This book provides an excellent introduction to the field of interest-rate modeling for readers at the graduate level with a background in mathematics."

—Rüdiger Kiesel, University of Ulm

The field of financial mathematics has developed tremendously over the past thirty years, and the underlying models that have taken shape in interest rate markets and bond markets, being much richer in structure than equity-derivative models, are particularly fascinating and complex. This book introduces the tools required for the arbitrage-free modeling of the dynamics of these markets. Andrew Cairns addresses not only seminal works but also modern developments.

Andrew J. G. Cairns is Professor of

Financial Mathematics at Heriot-Watt University in the United Kingdom.

2004. 288 pages. 52 line illus.

Pa: 0-691-11894-9 \$39.50 | £26.95

Cl: 0-691-11893-0 \$80.00 | £51.95

NEW

Mathematical Techniques in Finance

Tools for Incomplete Markets

Ales Černý



Modern finance overlaps with many fields of mathematics, and for students this can represent considerable strain. *Mathematical Techniques in Finance* is an ideal textbook for Masters finance courses with a significant quantitative element while also being suitable for finance Ph.D. students. Developed for the highly acclaimed Master of Science in Finance program at Imperial College London, it offers a carefully crafted blend of numerical applications and theoretical grounding in economics, finance, and mathematics.

Ales Černý is Lecturer in Finance at The Business School, Imperial College London.

2004. 352 pages. 90 line illus. 38 tables.

Pa: 0-691-08807-1 \$39.95 | £26.95

Cl: 0-691-08806-3 \$80.00 | £51.95



Modern Pricing of Interest-Rate Derivatives

The LIBOR Market Model and Beyond

Riccardo Rebonato

"Dr. Rebonato has blended technical mastery with many years of practical experience to produce what should become the standard handbook for anyone wanting to value, hedge, or control the risks of interest-rate derivatives."

—Ian Cooper, Professor of Finance, London Business School

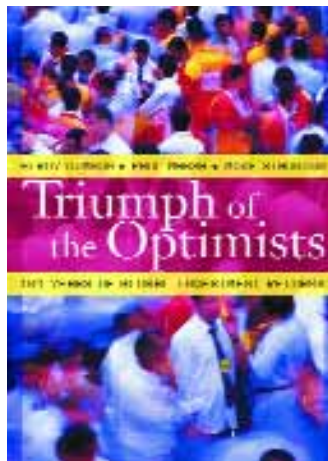
2002. 488 pages. 148 line illus. 41 tables.

Cl: 0-691-08973-6 \$80.00 | £51.95

Triumph of the Optimists

101 Years of Global Investment Returns

Elroy Dimson, Paul Marsh,
and Mike Staunton



"Connoisseurs of financial history will find plenty to enjoy in *Triumph of the Optimists*. . . The evidence produced by Mr. Dimson and his colleagues is striking, [and] . . . these issues are more than just academic. . . . A provocative lesson."

—Matthew Lynn, Financial Times

Investors have too often extrapolated from recent experience. In the 1950s, who but the most rampant optimist would have dreamt that over the next fifty years the real return on equities would be 9% per year? Yet this is what happened in the U.S. stock market. The optimists triumphed. However, as Don Marquis observed, an optimist is someone who never had much experience. The authors of this book extend our experience across regions and across time. They present a comprehensive and consistent analysis of investment returns for equities, bonds, bills,

currencies and inflation, spanning sixteen countries, from the end of the nineteenth century to the beginning of the twenty-first. This is achieved in a clear and simple way, with over 130 color diagrams that make comparison easy.

2002. 320 pages. 131 color illus.

Cl: 0-691-09194-3 \$99.50 | £65.00

NEW

WINNER OF THE 2003 AAP AWARD FOR BEST PROFESSIONAL/SCHOLARLY BOOK IN ECONOMICS

Interest and Prices

Foundations of a Theory of Monetary Policy

Michael Woodford



"Michael Woodford's *Interest and Prices* is a major contribution to economics. . . . It is an impressive intellectual achievement, all the way from abstract theory to Taylor rules for central banks."

—Olivier Blanchard, Massachusetts Institute of Technology

Interest and Prices seeks to provide theoretical foundations for a rule-based approach to monetary policy suitable for a world of instant communications and ever more efficient financial markets. In such a world, effective monetary policy requires that central banks construct a conscious and articulate account of what they are doing. Michael Woodford reexamines the foundations of monetary economics, and shows how interest-rate policy can be used to achieve an inflation target in the absence of either commodity backing or control of a monetary aggregate.

Michael Woodford is the Harold H. Helm '20 Professor of Economics and Banking at Princeton University.

2003. 800 pages. 42 line illus. 6 tables.

Cl: 0-691-01049-8 \$65.00 | £41.95

ORDER
FORM

The Paradox of Asset Pricing

Peter Bossaerts



"An important and timely book, *The Paradox of Asset Pricing* offers a fresh look at what the efficient markets hypothesis really implies. Summarizing forty years of asset pricing tests, it compels researchers to think deeply about what they are doing."

—Bernt Arne Odegaard, Norwegian School of Management, Central Bank of Norway

2002. 192 pages. 7 tables. 21 line illus.
Cl: 0-691-09029-7 \$60.00 | £38.95
Frontiers of Economic Research
David M. Kreps, Thomas J. Sargent,
and Paul Klemperer, general editors

The Winner's Curse

Paradoxes and Anomalies of Economic Life
Richard H. Thaler

"By unraveling a series of real-world puzzles with philosophical and practical implications, Thaler illuminates some fairly abstruse ideas in an entertaining way. . . . The best minds in economics today, as Thaler's provocative book suggests, are trying to supplement [insights into markets and prices] with a broader understanding of what makes people tick."

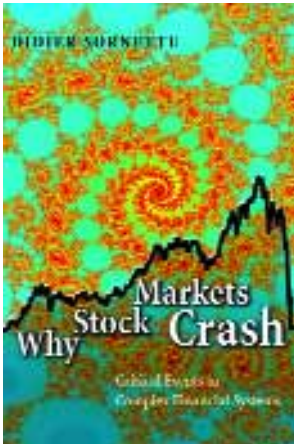
—Christopher Farrell, *Business Week*

1994. 240 pages.
Pa: 0-691-01934-7 \$20.95 | £13.95
Not for sale in the Commonwealth (except Canada)

NEW PAPERBACK

Why Stock Markets Crash

Critical Events in Complex Financial Systems
Didier Sornette



"Didier Sornette's insights into why markets behave as they do are fresh, productive, and provocative. This work is bound to become an important baseline for anyone trying to understand what will happen next in the stock and currency markets not only in the U.S. but in Europe and Asia as well."

—Richard N. Foster, Director, McKinsey & Company

Didier Sornette is Professor of Geophysics at the University of California, Los Angeles, and a research director at the Centre National de la Recherche Scientifique, France.

2004. 448 pages. 10 halftones.
155 line illus. 21 tables.
Pa: 0-691-11850-7 \$19.95 | £12.95
Cl: 0-691-09630-9 \$45.00 | £29.95

NEW PAPERBACK

WINNER OF THE 2003 AAP AWARD FOR BEST PROFESSIONAL/SCHOLARLY BOOK IN BUSINESS, MANAGEMENT, AND ACCOUNTING

The Big Problem of Small Change

Thomas J. Sargent and François R. Velde



"This fascinating new history of money shows that the key ingredients of a sound currency were identified in Europe hundreds of years ago. The mystery is why, even today, so many governments fail to put this knowledge to work."

—Economist

Thomas J. Sargent is Donald Lucas Professor of Economics at Stanford University and Senior Fellow at the Hoover Institution. François R. Velde is Senior Economist at the Federal Reserve Bank in Chicago and Lecturer in Economics at the University of Chicago.

2003. 432 pages. 21 tables. 9 halftones. 42 line illus.
Pa: 0-691-11635-0 \$24.95 | £15.95
Cl: 0-691-02932-6 \$55.00 | £35.95
Princeton Economic History of the Western World
Joel Mokyr, series editor

FORTHCOMING

The First Crash

Lessons from the South Sea Bubble
Richard Dale



"This book represents an extremely useful contribution to the field. It serves to remind nonhistorians, and particularly most financial economists, that almost all of what is thought of as modern financial analysis today was available 300 years ago."

—Forrest Capie, *City University Business School, London*

The First Crash throws light on the current debate about investor rationality by re-examining the story of the South Sea Bubble from the standpoint of investors and commentators during and preceding the fateful Bubble year. In absorbing prose, Richard Dale describes the trading techniques of London's Exchange Alley (which included 'modern' transactions such as derivatives) and uses new data, as well as the hitherto neglected writings of a brilliant contemporary financial analyst, to show how investors lost their bear-

ings during the Bubble period in much the same way as during the dot.com boom.

Richard Dale is Emeritus Professor of International Banking at Southampton University, United Kingdom.

November 2004. 192 pages. 10 halftones. 4 line illus. 17 tables.
Cl: 0-691-11971-6 \$29.95 | £18.95

FORTHCOMING

Economic and Financial Decisions Under Risk

Louis Eeckhoudt, Christian Gollier, and Harris Schlesinger

This book introduces the basic concepts of risk and risk aversion and applies these basic concepts to a multitude of personal decisions under risk—showing how markets for risk are organized and how risky assets are priced.

February 2005. 240 pages. 32 line illus.
Pa: 0-691-12215-6 \$35.00 | £22.95
Cl: 0-691-09655-4 \$75.00 | £48.95

**ORDER
FORM**

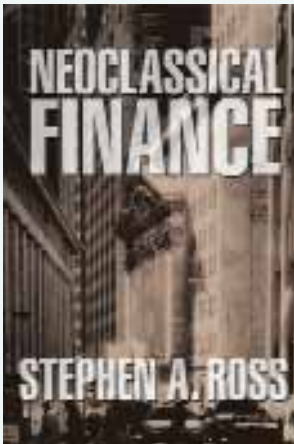
THE PRINCETON LECTURES IN FINANCE

Yacine Aït-Sahalia,
series editor

It is our pleasure to announce a new and exciting series of lectures. *The Princeton Lectures in Finance*, to be published in concert with the Bendheim Center for Finance of Princeton University, under the direction of Professor Yacine Aït-Sahalia. Each year, the Bendheim Center will invite a leading figure in the field of finance to Princeton to deliver a set of lectures on a topic of major significance to researchers and professionals throughout the world. The published lectures will appear as Princeton University Press books.

FORTHCOMING

Neoclassical Finance Stephen A. Ross



"*Neoclassical Finance* is a significant contribution to the field that deserves to be widely cited. Stephen Ross provides a clear and concise discussion of basic theory, a new and in some ways unique look at arbitrage and market efficiency, and resolves a long-standing empirical puzzle about closed end funds."

—Richard Roll, *Japan Alumni Chair in Finance, Anderson School of Business at the University of California, Los Angeles*

Neoclassical Finance provides a concise and powerful account of the underlying principles of modern finance, drawing on a generation of theoretical and empirical advances in the field. Stephen Ross developed the no arbitrage principle, tying asset pricing to the simple proposition that there are no free lunches in financial markets, and jointly with John Cox he developed the related concept of risk neutral pricing. In this book Ross makes a strong case that these concepts are the fundamental pillars of modern finance and, in particular, of market efficiency.

Stephen A. Ross is the Franco Modigliani Professor of Finance and Economics at the Massachusetts Institute of Technology.

December 2004. 120 pages. 10 line illus. 5 tables.
Cl: 0-691-12138-9 \$35.00 | £22.95

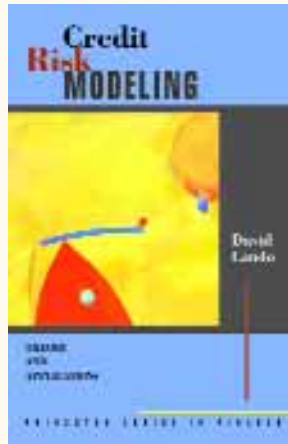
THE PRINCETON SERIES IN FINANCE

Darrel Duffie and Stephen Schaefer,
series editors

We are pleased to initiate the *The Princeton Series in Finance*, under the editorship of Professors Darrell Duffie of Stanford and Stephen Schaefer of the London Business School. This series will include monographs, treatises, and advanced texts of the highest standard, written by top experts, and aimed at the graduate, research, and practitioner markets in finance and investments.

NEW

Credit Risk Modeling Theory and Applications David Lando



"*Credit Risk Modeling* provides the broadest coverage of topics I have seen in a book on credit risk. Lando successfully guides the reader through the maze of a very active field of research by clearly identifying the leading problems and the attempts that have been made to solve these problems. At the same time, never does he neglect the statistical estimation of the models he presents."

—Philipp Schönbucher, *Swiss Federal Institute of Technology Zurich (ETH)*

Credit risk is today one of the most intensely studied topics in quantitative finance. This book provides an introduction and overview for readers who seek an up-to-date reference to the central problems of the field and to the tools currently used to analyze them. The book is aimed at researchers and students in finance, at quantitative analysts in banks and other financial institutions, and at regulators interested in the modeling aspects of credit risk.

David Lando is Professor of Finance at the Copenhagen Business School.

2004. 320 pages. 45 line illus. 30 tables.
Cl: 0-691-08929-9 \$65.00 | £41.95

NEW

Microfoundations of Financial Economics An Introduction to General Equilibrium Asset Pricing Yvan Lengwiler



"[A] wonderful book. In less than 300 pages of highly readable text, Yvan Lengwiler covers the basics of modern asset pricing theory. Students of advanced finance will want to use this book as an effective learning tool and reference. It's going to be a permanent part of my library."

—Simon Benninga, *Tel Aviv University*

This textbook takes the reader from the level of microeconomics principles through to modern asset pricing theory. Yvan Lengwiler elegantly links together issues that have in the past been the territory of general economic theorists on the one hand, and financial economists on the other.

Aimed at masters or Ph.D. students specializing in financial economics, the book can also be used as a supplementary text for students of macroeconomics at this advanced level and will be of interest to finance professionals with a background in economics and mathematics. It includes problems (with solutions), and an accompanying website

provides supporting material for lecturers.

Yvan Lengwiler is Assistant Professor of Economics at the University of Basel and Lecturer of Economics at the University of Zurich.

2004. 320 pages. 19 line illus. 4 tables.
Cl: 0-691-11315-7 \$49.95 | £32.50

**ORDER
FORM**

