

Supplementary Readings: These aren't readings which I want you to complete during the course. These are books which I have found interesting as well as informative. If after my class you are interested in additional reading, this list is meant to be my suggestions of where you can start looking.

*Valuation: Measuring and Managing the Value of Companies*, by Tom Copeland, Tim Koller, and Jack Murrin, John Wiley, 1991. This is a practitioners guide to valuation, and is on the whole correct.

*The New Market Wizards*, by Jack Schwager. This book is a series of interviews with very successful traders. These are people who have beaten their respective markets.

*Liar's Poker: Rising through the Wreckage of Wall Street* by Michael Lewis. Lewis is a good story teller and this is his first story. It traces his experience right out of college working on Wall Street. He is at Salomon Brothers at the time the mortgage market was born. Many of the institutional details in the book are dated now. However, his comments on the Wall Street (especially traders) culture are very interesting. Plus, several of the people you will meet in this book will reappear over the next several decades in the world of finance.

*Merchants of Debt*, by George Anders. This is a about the leveraged buyout firm of Kohlberg Kravis Roberts and Company.

*Capital Ideas*, by Peter Bernstein. This book is a history of modern finance. If you read this book you will notice how closely academic and practical finance are intertwined.

*Investment Under Uncertainty*, by Avinash Dixit and Robert Pindyck. This book is a very in depth look at what we referred to as asset or real options (Lecture 5). If you are interested in learning more, this book may become the most important book in the field.

*A Piece of the Action: How the Middle Class Joined the Money Class*, by Joseph Nocera. This book traces the history of consumer finance in the U.S. from the fifties through the nineties. Its relevance goes beyond consumer finance in the U.S. Many of the financial structures that our generation takes for granted were created during this period. Thus to understand where we are today, this history provides an excellent background. I think you will find the discussion of credit card drops fascinating.

*When Genius Failed: The Rise and Fall of Long-Term Capital Management*, by Roger Lowenstein. Of the many books written on LTCM and its collapse, I found this one to be the most useful. The events surrounding LTCM's incredible success and dramatic destruction are a lesson in the incredible value of models of economic activity and financial markets – it is also a lesson on their danger – which I hope you learn in class.

*Moneyball: The Art of Winning an Unfair Game* by Michael Lewis. Technically this is a book about baseball in general, and the strategy used by the Oakland A's to win. At a deeper level, it is a wonderful description of the efficient market theory. When is it possible for you to develop a strategy that beats the market (i.e. the other players in the market). If you have developed such a

strategy, and used it successfully, why don't other imitate you and thus compete away the effectiveness of your strategy. If you can't get your head around the infamous Efficient Market's Hypothesis, but love baseball, this book may be for you.

*The Essays of Warren Buffet: Lessons for Corporate America*, by Warren Buffet and Lawrence Cunningham. Warren Buffets annual letters to shareholders, which are part of Berkshire Hathaway's annual report, are his commentary on what is wrong with Corporate American (and right with Berkshire Hathaway). This book is a compilation of these letters organized by topic. Notice that the issues, if not the point of view, examined in this book are the same issues we have been grappling with in class.