



BOOK REVIEW

Pioneers of Financial Economics. Volume 2: Twentieth-Century Contributions
Edited by Geoffrey Poitras with Franck Jovanovic
Edward Elgar Publishing, \$130
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The second of two books on pioneers of financial economics, this volume is a collection of essays, in 13 chapters divided into three parts, examining the development of the discipline in the twentieth century:

Introduction by Geoffrey Poitras

Part I: Early Contributions

1. “A Brief History of Yield Approximations” by Gabriel Hawawini and Ashok Vora
2. “Early Contributors to Financial Management: Jeremiah Jenks, Edward Meade and William Ripley” by Morgen Witzel
3. “Irving Fisher and his Students as Financial Economists” by Robert W. Dimand
4. “Frederick R. Macaulay, Frank M. Redington and the Emergence of Modern Fixed Income Analysis” by Geoffrey Poitras

Part II: The Modern Finance Revolution: The Inside Perspective

5. “A Portfolio of Nobel Laureates: Markowitz, Miller and Sharpe” by Hal Varian
6. “Merton Miller and Modern Finance” by René M. Stulz
7. “In Honor of the Nobel Laureates Robert C. Merton and Myron S. Scholes: A Partial Differential Equation that Changed the World” by Robert A. Jarrow
8. “Fischer Black” by Robert C. Merton and Myron S. Scholes
9. “The Efficient Markets Hypothesis: A Developmental Perspective” by Kian-Guan Lim

Part III: Alternative Perspectives on the Revolution

10. “The Role of the CAPM, the Modigliani-Miller Theorems and the Efficient Markets Hypoth-

esis in the Rise of a Scientific Discipline” by Franck Jovanovic

11. “The Emergence of Option Pricing Theory” by Donald MacKenzie
12. “The History of Quantitative Risk Measurement” by Elton G. McGoun
13. “Understanding Financial Market Prices: Reality versus Rigor” by Paul Davidson

Six of the researchers discussed in this volume have won the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel: Franco Modigliani (1985), Harry M. Markowitz (1990), Merton H. Miller (1990), William F. Sharpe (1990), Robert C. Merton (1997), and Myron S. Scholes (1997). If Fischer Black had not died, he would have shared the 1997 Prize.

For many actuaries, the most interesting chapter will be Chapter 4. Most of us have learned about Frank M. Redington’s theory of immunization and Frederick R. Macaulay’s concept of duration when studying asset and liability management. Redington was an actuary, but Macaulay was not. This chapter reveals that Macaulay’s father was Thomas Basset Macaulay, president of the Actuarial Society of America from 1899 to 1900 and one of three Canadians in the Insurance Hall of Fame.

Several chapters discuss the development of option-pricing theory. Since 2007 the Society of Actuaries has added Exam MFE, which is an examination devoted entirely to this area. Students studying for this exam will find these chapters informative.

I enjoyed reading this book. It reminded me of discussions on intellectual history that I had with the late James C. Hickman, FSA, to whose memory this review is dedicated.

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