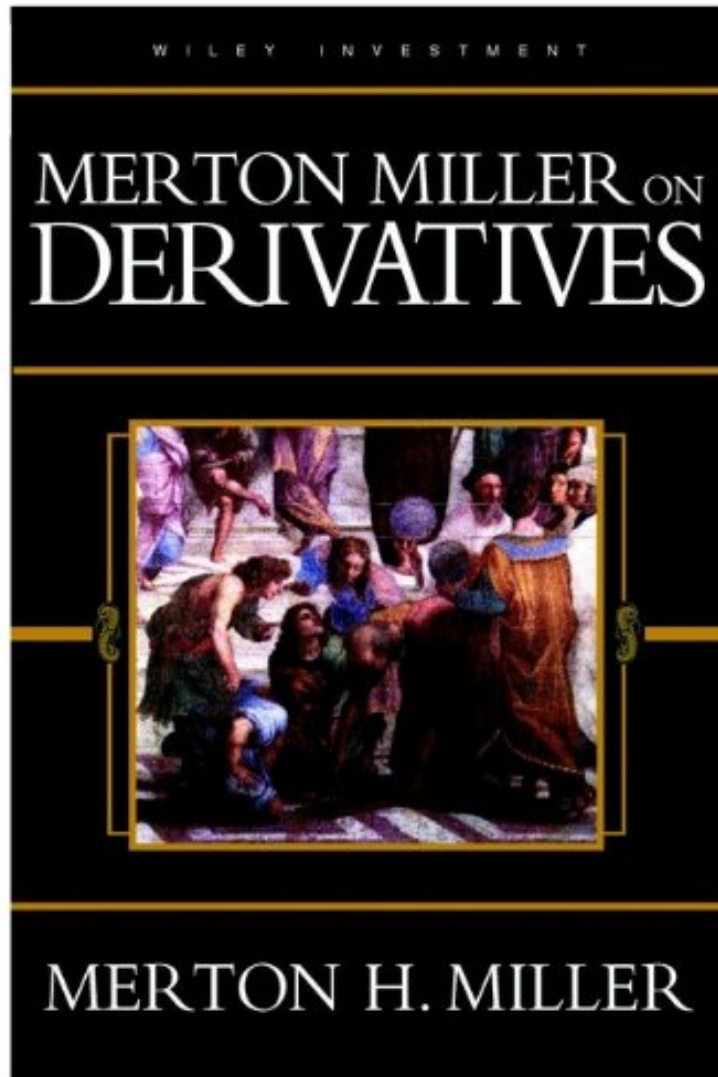


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Merton Miller on Derivatives

Merton H. Miller

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Merton H. Miller : Merton Miller on Derivatives before purchasing it in order to gauge whether or not it would be worth my time, and all praised Merton Miller on Derivatives:

0 of 0 people found the following review helpful. And now the booster side for unregulated derivatives, with little gems in it By Phil O. This is a very accessible book showing a pure, unadulterated late 20th-century Chicago school view of derivatives. In this narrative, the regulators are always self-interested bunglers who can never do anything right, and the derivatives innovators are out there solving innumerable problems. (Some or much of both of these things have truth to them, by the way; but I differ in how universal these claims are.) But the whole setup always has the same good guys and bad guys, forget the circumstances. That does not take away a lot of informative bits here. (I

can't expect many authors to be as ambidextrous in views as I might like; certainly that would preclude them from staking out a space in today's academic/publishing marketplace, not to mention popular culture.) These are talks given mostly in the 1990s by Merton Miller. As such, they have a light, candid tone, versus some tomes that are dreary to follow. Those looking closer might find little delicious ironies between theory and practice, for example, Miller touting derivatives to Mexican financial elite listeners, in an era when the latter's derivatives deals (and some sales of same to unsuspecting American pensioners, among others, along that road) accompanied an extremely wobbly period in Mexican finance culminating in a bailout orchestrated by Robert Rubin of the US Treasury. (The story is more complex than I depict here.) Doubtless Dr. Miller would have a perfect set of rationalizations for that, and bad guys to blame, but this is still a quite worthwhile book, as a part of my journey of learning all about derivatives. 0 of 3 people found the following review helpful. To leverage or not to leverage? By A Customer

Accidentally I met this book on the lecture-the one about the risk management. I guess Merton Miller is a great story teller. And most of them are full of wisdom and financial philosophy. The MM theory is one of the milestone in the finance which does intrigue a lot of work about Leverage buyout, corporate governance, etc. This one also contains a lecture he gave in the Royal Swedish Academy of Sciences in Stockholm for his Noble prize winning. The one is titled "Leverage". I guess I am moved and totally..... Mr. Miller has many greatest students, as you know, the one is Fama, another great scholar in the finance society. This book is a collection of his lectures he gave before. Unfortunately, Mr. Miller died in June, 2000. So this one seems turn out to be the last fine words he gives us. 5 of 6 people found the following review helpful. A general book on derivatives designed for the casual reader By A Customer

This book was very disappointing to me. I consider myself well read but a novice at derivatives. This is a book of speeches made by its author and is focussed on making the point that derivatives are a cheap insurance tool for certain situations and like all tools can be misused. There is the usual polemics of why a mandarin government like Japan cannot manage a twenty first century country and why China should reject this form of development. I found the book lacking in rigor, insight and relatively low on substance. This book compares roughly to a Sunday newspaper article from a not very good newspaper.

A rare opportunity to go one-on-one with an industry giant and one of today's most respected financial thinkers, Merton Miller on Derivatives is a refreshingly accessible overview of derivatives, the revolution they have wrought, and the disasters they've supposedly caused. Though routinely assailed by regulators and the media, derivatives are hailed by a celebrated group of practitioners, analysts, and theorists, led most notably by Nobel laureate Merton Miller. Miller is legendary for repeatedly demonstrating-often with humor and always with grace-the value of derivatives in price discovery, managing financial risk, and tailoring a risk-return profile. Here, in this collection of his recent essays, Miller expounds on a number of critical derivatives issues. Is it a problem that some organizations have lost substantial sums on derivatives? Miller's short answer: Some organizations will always find ways to lose money. Nor does he believe that more government regulation is the answer. He notes, for example, that for all the horror stories about derivatives, the world's banks have lost vastly more in bad real estate deals than they'll ever lose on their derivatives portfolios. Merton Miller on Derivatives offers twenty-two provocative chapters. A sampling: "The Recent Derivatives 'Disasters': Assessing the Damage" takes a close look at such debacles as Procter Gamble, Orange County, and Barings Bank. "Financial Regulation: The Inside Game" uses an apt sports analogy to show how the derivatives regulatory game is really played, as opposed to the way outsiders imagine it is played. "Japanese-American Trade Relations: Can Rambo Beat Godzilla?" succinctly sums up the nature of Japanese-American trade. And "Risk and Return on Futures Contracts: A Chicago View" highlights the pivotal role derivatives play in hedging risk. There are also penetrating pieces on corporate governance that compare the system existing in the United States and England with the one existing in Germany and Japan. To complete the collection, a section called "Questions I'm Often Asked" features Miller's unique perspective on a wide range of topics, from what's ahead for China to what we've learned from the Crash of 1987. Contrary to widely held perceptions, the so-called "derivatives revolution" has made the world safer, not more dangerous. This explains the phenomenal growth of financial futures. As Miller shows, derivatives enable organizations to deal effectively with risks that have plagued them for decades, even centuries. Praise for Merton Miller on Derivatives "Miller is one of the clearest thinkers of our time. Once again, he provides a simple, insightful, and witty analysis of an important and complex topic. This book is truly fun to read." -Kenneth R. French Beinecke Professor of Management Studies and Finance Yale University School of Management. "Some of us trade markets; others of us observe markets; Merton Miller understands markets. As this volume demonstrates, Professor Miller is unsurpassed at cutting through fluff, misinterpretation, and even obfuscation to get to the heart of highly charged issues." -Charles W. Smithson Managing Director, CIBC Wood Gundy. "Vintage Merton Miller: zesty writing and forcefully communicated ideas, not only on derivatives, but on a wide range of topics in financial markets. This is no ponderous academic tome, but rather a series of entertaining, yet devastatingly analytical essays on controversial issues in finance. Great reading and great analysis." -Hans R. Stoll Walker Professor of Finance and Director of the Financial Markets Research Center, Vanderbilt University. "I am grateful to Merton Miller for setting the record straight, once again, regarding derivatives. With his customary brilliance, Merton cuts

From the Publisher The winner of the 1990 Nobel Prize in Economics offers his valuable insights on the state of today's markets and the future of today's most talked about investment vehicle. From the Back Cover A rare opportunity to go one-on-one with an industry giant and one of today's most respected financial thinkers, Merton Miller on Derivatives is a refreshingly accessible overview of derivatives, the revolution they have wrought, and the disasters they've supposedly caused. Though routinely assailed by regulators and the media, derivatives are hailed by a celebrated group of practitioners, analysts, and theorists, led most notably by Nobel laureate Merton Miller. Miller is legendary for repeatedly demonstrating—often with humor and always with grace—the value of derivatives in price discovery, managing financial risk, and tailoring a risk-return profile. Here, in this collection of his recent essays, Miller expounds on a number of critical derivatives issues. Is it a problem that some organizations have lost substantial sums on derivatives? Miller's short answer: Some organizations will always find ways to lose money. Nor does he believe that more government regulation is the answer. He notes, for example, that for all the horror stories about derivatives, the world's banks have lost vastly more in bad real estate deals than they'll ever lose on their derivatives portfolios. Merton Miller on Derivatives offers twenty-two provocative chapters. A sampling: "The Recent Derivatives 'Disasters': Assessing the Damage" takes a close look at such debacles as Procter Gamble, Orange County, and Barings Bank. "Financial Regulation: The Inside Game" uses an apt sports analogy to show how the derivatives regulatory game is really played, as opposed to the way outsiders imagine it is played. "Japanese-American Trade Relations: Can Rambo Beat Godzilla?" succinctly sums up the nature of Japanese-American trade. And "Risk and Return on Futures Contracts: A Chicago View" highlights the pivotal role derivatives play in hedging risk. There are also penetrating pieces on corporate governance that compare the system existing in the United States and England with the one existing in Germany and Japan. To complete the collection, a section called "Questions I'm Often Asked" features Miller's unique perspective on a wide range of topics, from what's ahead for China to what we've learned from the Crash of 1987. Contrary to widely held perceptions, the so-called "derivatives revolution" has made the world safer, not more dangerous. This explains the phenomenal growth of financial futures. As Miller shows, derivatives enable organizations to deal effectively with risks that have plagued them for decades, even centuries. Praise for merton miller on derivatives "Miller is one of the clearest thinkers of our time. Once again, he provides a simple, insightful, and witty analysis of an important and complex topic. This book is truly fun to read." -Kenneth R. French Beinecke Professor of Management Studies and Finance Yale University School of Management. "Some of us trade markets; others of us observe markets; Merton Miller understands markets. As this volume demonstrates, Professor Miller is unsurpassed at cutting through fluff, misinterpretation, and even obfuscation to get to the heart of highly charged issues." -Charles W. Smithson Managing Director, CIBC Wood Gundy. "Vintage Merton Miller: zesty writing and forcefully communicated ideas, not only on derivatives, but on a wide range of topics in financial markets. This is no ponderous academic tome, but rather a series of entertaining, yet devastatingly analytical essays on controversial issues in finance. Great reading and great analysis." -Hans R. Stoll Walker Professor of Finance and Director of the Financial Markets Research Center, Vanderbilt University. "I am grateful to Merton Miller for setting the record straight, once again, regarding derivatives. With his customary brilliance, Merton cuts through the fog of misunderstanding and nonsense that too often surrounds derivatives and reveals them for what they truly are: phenomenally successful and essential risk management tools." -Jack Sandner Chairman, Chicago Mercantile Exchange. About the Author MERTON H. MILLER was awarded the Nobel Prize in Economics in 1990 for his pioneering work in the field of corporate finance. He is the Robert R. McCormick Distinguished Service Professor Emeritus at the University of Chicago Graduate School of Business and has served as president of the American Finance Association. He is currently a director at the Chicago Mercantile Exchange, Globex, and several other financial institutions. A frequent contributor to the op-ed page of the Wall Street Journal, he is also coauthor of The Theory of Finance and author of Financial Innovations and Market Volatility.