Part II contains three chapters with the general theme of developments in strategy, value, and risk.

Chapter 5 discusses strategy in a generic fashion. Chapter 6 provides a brief introduction of the types of real options. Chapter 7 talks about risk in general.

Part III contains four chapters that show the methods of quantifying real options.

Chapter 8 discusses elementary options. Chapter 9 discusses time series methods (ARCH and GARCH) and then goes on to introduce the notion of volatility. The discussion of the time series method is never discussed again in the book. Chapter 10 briefly introduces the Black-Scholes model only to be dismissed in favor of a trinomial approximation. Chapter 11 discusses how to implement real options but all in theory. Thus, the reader is left with no clue as to how to do it practically.

Part IV has two chapters with three case studies.

The three case studies are revisited with the consideration of the real options. As expected, the real options increase the projects.

The book is very economical in terms of words. The entire book is of 134 pages (excluding a long index). If we count the blank pages, figures, tables, and graphs, it is even shorter. As a nice introduction to the topic, the book does a good job. But the brevity also makes some things very sketchy. For example, the discussion of theory should have been supplemented with examples. Many other competing titles have them. In fact, many other books on real options come with CDs where templates are set up for Microsoft Excel. This becomes very useful for using it in the classroom.

I find it quite unacceptable to have such a book priced at $180. This is not the fault of the author. As we know, authors never get to set the price, publishers do.

What I found even more objectionable is false advertising by the publisher. In the website of Palgrave, they list the following items for the book: Introduction, The Development of Strategy, Valuation, and Measuring Risk, Three Strategic DCF Case Studies, Real Options, Developments in Strategy, Developments in Risk Management, Quantifying Real Options, Three Strategic Real Options Case Studies, Conclusion, and Practical Implications.

One glance at the book shows this is not what we get in the book. The chapters are different. Even more objectionable is that the website says that the book contains 250 pages. It does not. Thus, unless you can literally get your hands on the book, trying to buy it on the Internet can be deceptive. *Caveat emptor.*

The Development and Regulation of Nonbank Financial Institutions, by Jeffrey Carmichael and Michael Pomerleano, March 2002, World Bank

Reviewer: Kathleen S. McNichol, MBA, CPCU, ARM, La Salle University, Philadelphia, PA

How important are nonbank financial institutions to the success of emerging economies? What role does regulation of these institutions play to ensure this success? These and other questions are addressed by Carmichael and Pomerleano in *The Development and Regulation of Nonbank Financial Institutions* published by The World

Bank. The work is a fascinating journey through the intricate web of nonbank financial institution regulation, its origins and evolution, and how regulation has influenced the development of financial market networks in countries striving for economic development.

The main theme of the book is the relationship between financial development and economic advancement in countries where The World Bank is most active and the role of nonbank financial institutions in meeting this goal. Using appropriate quantitative and qualitative information to support this idea, Carmichael and Pomerleano write convincingly about the positive influence of nonbank financial institutions in these developing economies. Although this reviewer needs no convincing that efficient financial markets and institutions are at the heart of a country's economic health, Carmichael and Pomerleano provide sufficient documentation of the positive influence of nonbank financial institutions that would sway the opinion of even the most severe skeptic.

The major audience is those who create and design financial policy but finance professors, graduate students, and legislators would benefit from reading the work. Early chapters provide an overview of the nature of nonbank financial institutions and principles of regulation, which helps a novice understand the rationale and characteristics of various financial institutions and the structure of their regulatory systems. The book's subsequent chapters thoroughly describe market characteristics of insurance companies, savings institutions, securities firms, and specialized firms such as leasing companies and real estate. Sophisticated readers may find themselves using the information to begin thinking about alternative regulatory schemes for domestic markets. This line of thought is motivated by the authors' discussion of how efficient (or inefficient) regulatory structures are currently.

The structure and content of the work gives all readers a greater appreciation for the importance of sound financial markets for economic growth. Discussion of the significance of strong capital markets to economic stability emphasizes how fortunate we are in the United States. It is safe to say that we take our financial system for granted and may balk at the need for regulatory oversight. However, as one considers the economic difficulties of countries that do not have well functioning capital markets and regulatory structures, the benefits become apparent.

From the standpoint of someone who teaches about financial institutions, this book brings together information on the regulatory schemes that greatly affect the operations of financial institutions, both domestically and internationally. This is useful to an educator for comparative purposes and provides a deeper understanding of regulation. For example, the author discusses the International Association of Insurance Supervisors (IAIS), which is an international effort to standardize insurance regulation and to facilitate cooperation among global firms involved in the insurance business. If the insurance mechanism is to be successful in developing and emerging economies, the wealth of information regarding effective regulation must be shared. Through this international dialogue, benefits can be reaped for all.

Carmichael and Pomerleano assert that for capital markets to be successful there must be a high degree of transparency, corporate accountability, and governance. The veracity of this idea is especially appreciated and understood as we consider recent scandals in U.S. corporations, both financial and nonfinancial, and the havoc wreaked on our own capital markets as faith in our accounting practices is shattered.

Some helpful features of each chapter include supporting tables with summary statistics and numerical data. For example, Chapter 5 includes numerous tables with bar graphs and line graphs depicting information such as market capitalization and liquidity in emerging markets between the years 1990 and 2000. This type of visual presentation reinforces the major ideas presented in the narrative. Also, a great volume of narrative information is captured in summary tables that facilitate easy review and further consideration. Inset boxes capably provide a greater depth of information on related topics such as the Chilean Model of Pension Reform and Mutual Fund Governance.

The major theme that capital markets and the financial institutions residing in these markets have a significant impact on the economic development, growth, and stability of a country is well documented and convincing. The authors are successful in making a connection between sound capital markets and a solid economic system. The importance of the role of regulation of financial institutions on this success is convincingly crafted. Carmichael and Pomerleano use a consistent framework to analyze nonbank financial institutions and their specific impact on economic growth and stability. The work also gives the reader an appreciation for the differences among countries in their approach to regulation and how each individual approach may contribute to the success or failure of the institution in question. The greatest compliment that can be given to the book is that it is intellectually stimulating as well as being a reliable source of information on the topic.

An Introduction to Actuarial Mathematics, by A. K. Gupta and T. Varga, 2002, Dordrect: Kluwer Academic Publishers

Reviewer: Maurizio Pompella, University of Siena

In just a few chapters, the fundamentals of actuarial mathematics are covered in this book by Gupta and Varga. An introduction to financial mathematics comes first; mortality functions, main life insurance contracts, premiums, and reserves calculation are dealt with in the following sections.

The volume represents a good example of an institutional textbook about the mathematics of life insurance. The rigorous—but not so terribly high—level of actuarial sophistication adopted by the authors is one, probably the main, of the added values, which can be appreciated by the "target readers." As specified in the preface, in practice these are undergraduate students to be provided with the conceptual and statistical tools needed to gain a perspective into the basic calculus of life policies. A much wider audience could be interested in the offered contents, anyway, as suggested by the friendly writing style.

The first chapter goes to the very fundamentals of financial mathematics: compound interest, present value, and annuities are the titles of three paragraphs, which constitute the first approach to the subject matter. That is a formal approach, based on a set of key theorems and an abundant series of most useful examples, which also characterize the treatment throughout the book. Problems and questions, as complementary exercise tools, may be found at the end of each paragraph; and this is the standard for the subsequent sections as well.