FINANCE INDIA
© Indian Institute of Finance
Vol. XXVII No. 3, September 2013
Pages—1013—1032

Book Review

Editor's Note

Our policy is to review all books which are either sent to us or in our opinion are useful to our readers.

Walter, Carl E. and Fraser J.T. Howie; ***Red Capitalism : The Fragile Financial Foundation of China's Extraordinary Rise*****; 2012, John Wiley & Sons (Asia) Pte Ltd, Singapore, pp. 260, Price US$ 29.95**

For many year China's economy seemed unstoppable. A slow appreciation of the Reminibi (RMB) in 2007 brought wave upen wave of liquidity into China and allowed its companies and banks to raise hundreds of billions in dollars via stock market listing. State banks that had started the new century as bankrupt relics of a communist past become the darlings of international investors. The Collapse of Lehman brothers in 2008 and the global financial crisis had little impact on China as the government quickly responded with a with a huge Stimulus package. This model of bank and capital market reform had brought great benefits to China for more than a decade. In Red Capitalism, Carl and Fraser detailed how the Chinese government reformed and modelled its financial system in last 30 year since it began its journey with the West.

The overall economics of China's current predicament is well understood by international economists, but the institutional arrangements underlying its politics and economics and their implications are far less understood. This book is about how institutions in China's financial sector —its banks, local government "financing platforms", securities companies and corporations affect the Country's economic choices development path. Prior to the Lehman shock of September 2008, the trajectory China's financial development had been tracing generally followed a well established path taken by more advanced economies elsewhere in the world. By the end of the 1980s, China saw the financial model embodied in the American Superhighway to Capital as its road to riches. In the 1990's China's domestic reforms followed a path of deregulation blazed by the United States. In Shenzhen, in 1992, Deng Xiaopign resolutely expressed the view that capilalism wasn't just for capitalists. China's accession to the World Trade Organization (WTO) in 2001 perhaps represented the (roaring achievement in the unprecedented 13 year run of the Jiang Zemin) Zhu Rongji partnership.

In 1994, various laws were passed that created the basis for an independent Central Bank and set the biggest state banks—Bank of China (BOC); China Construction Bank (CCB); Industrial and Commercial Bank of China (ICBC); and Agricultural Bank of China (ABC)—on a path to become fully commercialized or at least, more independent in their risk judgements and with strengthened balance sheets that did not put the economic and political system at risk. Reforms were strengthened as a result of the lessens learned from the Asian Financial Crisis in late 1997. China's Fortune Global 500 companies were the products of Wall Street; even China's own locally listed version of investment banking, represented by CITIC Securities with a market capitalization of US $ 26 bn, was built after the American Investment Banking model. China's capital markets, including Hong Kong, are new home to the largest IPOs and are the envy of investment bankers and issuers world over. What is remarkable about the financial reforms pursued by Zhu Rongji was that they were comprehensive transformational and pursued consistently. The 30 years encompassed by the policy reform and opening have been the most peaceful and economically successful in the past 170 years of China's history, lifting more than 300 mn people out of poverty. All over the world, all economic and political system experience booms and busts, scandals and wild speculative sprees. The difference lies in how each country manages the aftermath. The aim of this book is to pull back the edge of the Chinese curtain and peer at what is behind, to match the reality of the systems operations with the familiarity of the names it uses to describe them and then to look into the future in the belief that a straight forward look will benefit all.

"Growing big is the best way for Chinese banks to make more money—This model of growth, however, neither assures the long term sustainable development of the banking sector nor satisfies the need of a balanced economic and social structure. Thing are very complicated; so will be the Solutions" said Xiao Gang, Chairman, Bank of China on August 25, 2010.

In China, political imperative make significant internationalization of the banks unlikely. The Big Four banks form the very cove of the Party's political power. They work in a closed system with risk and valuation managed by political fial. Leader of major international banks in recent years have spoken of creating "Fortress Balance Sheets" able to withstand significant economic stress. In China, there is also the drive to make a fortress but it is one that seeks to insulate the banks from all external and internal source of change in the belief that risk should remain under the party's control. Over the past several years China's banks have enthusiastcally entered consumer business; credit/debit cards; auto loans and mortgages have become common in the country's rich coastal areas.

Compared with other financial instruments and against the backdrop of a high saving rate and high ratio of M2 to GDP, China's corporate bond market has been developing very slowly and its role in economic growth has been rather limited. Such lack of development has also distorted the financing structure and produced considerable implicit risks, whose consequences may be grave for social and economic development. China's banks face severe challenges on three fronts. In addition to their structural exposures to the old Non-Performing loans (NPL) portfolios of the 1990s', there will inevitably be new NPLs arising out of their lending spree of 2009. Thirdly, the banks are fully exposed to both interest rate related and credit induced write downs in the value of their fixed income securities portfolios. International financial, legal and accounting rules provided the creative catalyst for China's Vaunted Natural team. Even more important, their professional expertise and skills put Beijing and the Communist Party of China in the Drivers' seat for the first time ever. The central government and the Party's organization department own the National Team.

Since China life's IPO on the New York Stock Exchange, in 2003, was investigated for a possible Sarbanes—Oxely violation (there was none), no other members of the National Team have listed there. Instead, Hong Kong become the venue of choice. Now the overseas "returnees" are moving back to Shanghai where things, as one SOE Chairman put it, are "a bit easier to mange". This trend of events is quite ironic if it is considered in the context of why China opened its border to international share offerings. When Zhu Rongji gave the go–ahead for overseas listing in 1993, one of the key reasons was that more professional and demanding standards of the Hong Kong regulators and international legal and accounting standards would upgrade the management capacity of China's enterprises. There had been talks of an international board at the Shanghai Exchange since 1996 when Mercades—Benz sought a listing in Shanghai. In the debt markets, only the Asian Development Bank (ADB) and the International Finance Corporation (IFC) had been allowed to issue bonds, and only within the existing interest and investor framework and to fund state approved projects. China's lively and important non-state sector had been allowed access to the Shenzhen stock market since 2004, but of the 400 companies listed, only four have made it to China's Top 100 by Market Capitalization and altogether they account for just 2.2 % of total capitalization. In addition, the non-state companies are to be found in such areas as consumer, food, certain are as of Hi-tech, pharmaceutical and other light industrial sectors in which the Party historically has had little stake. In short, the non-stake sectors, no matter how important to China's exports and employment, had not been allowed to develop into a challenge to the National Team. The success of the US $4.5 bn China Mobile IPO in 1997 showed a way forward. The goal of placing companies on the Fortune 500 list for Zhu Rongji become the equivalent of America's Apollo Moon Programme. Ironically, however , the National Champions were born with too much political power—the Party should never had allowed their Chairman and CEOs to remain on the *nomenkalatura* and enjoy such great political influence. As a result, these companies grew fat, wealthy and untouchable as they developed China's own domestic markets and always with the unquestioning support of a complaisant financial system. China had been a series of booms and busts within its overall growth story; it deserved a repaid fore closure scrutiny from all sides including the Chinese themselves, but especially from those in the West. The prolonged efforts of the past and government to mix western capital markets with state planning had produced spectacular change in a short period. If Karl Marx were alive today, he would without doubt find plenty of material for a new version of his masterpiece which, he might call Das Kapital with Chinese characteristics.

Looking forward, the governments response to the global financial crisis had created a banking system the stability of which could be maintained only behind the walls of a non-convertible currency, a myriad of off-balance sheet arrangements with non-public state entities and the strong support of its best borrowers—the politically potent National Champions who were the greatest beneficiaries of the financial status quo. Corl and Fraser were fortunate that 2008 was the 30th anniversary of China's highly successful Reform and Opening policy, so there were many excellent retrospectives prepared by the government agencies. The People's Bank of China produced very useful material. Authors emphasized that all the information used in writing this book derived from purely public source. In China, all the important ministeries, corporations and banks maintained excellent websites, so data is just out there in the wind waiting to be downloaded. Modern age technology provided all the dots that linked together, present a picture of the financial sector. Authors have done their homework, digging beneath the surface of China's financial world to reveal uncomfortable truths about a financial system riddle with hidden landmines that threaten to undermine China's hard fought economic success in the years ahead.

Red Capitalism provides an insight into how China's economy actually operates, begin here. It's a must read for anyone who wants to understand the sources of Chinese economic power, and the threat passed by the Nation's vast hidden debts. Each and every library must possess a copy of this book. I would world to thank the publisher John Wiley & Sons for providing a beautiful gift in the form of book to the academic world. The book would serve to be of high relevance for students of finance and international relations and researcher working on China.

IIF & The University of Delhi (MLNC) Manju Agarwal
Delhi

Sharma, Sanjeev; *5 Core Methods of Innovation*; 2013, Sanjeev Sharma Publication, New York, USA, pp. 220, Price US$ 19.99

Venture Finance and Entrepreneurship have provided the invisible levers controlling the growth of new Innovations in the world economy. Intel, Cisco, Microsoft, Oracle, Amazon.com, Yahoo, TATA, Airtel, Ranbaxy, Biocon, Infosys and many others have shown the growth potential of new ventures. The history of growth in venture finance in US, UK, Europe, Africa, Asia and India has been beautifully traced in Agarwal, Agarwal & Solojentsev (2013).

Chankaya (350-283 BCE) a Professor at Takshashila University on being thrown out by the Nanda King ventures in to make a boy wandering in the streets the first Maurayan Emperor Chandragupta. Chandragupta Maurya (340 BC - 298 BC) reign is remembered for defeating Alexander's Macedonian Satrapies, Nanda Empire and Seleucus and for unifying India. The period of Mauryan Empire (322 BC - 185 BC) is regarded as the Golden Age in Indian History with trading done in Silver Panas. Taksha, an ancient Indian king ventured into creating a centre of advanced learning called Takshashila (5th century BC) for teaching of Vedas and advanced knowledge in eighteen arts including archery, hunting, elephant lore, law, medicine and military science. The Nalanda University (1197BC-527 BC) was the first university to be setup in the world housed over 10,000 students and over 2,000 teachers on the campus. The Nalanda University attracted students and scholars from all across the globe in a period when global information flow and transportation was negligible. The idea of Pandit Madan Mohan Malaviya to set up a Hindu University which will spread oriental learning and theology contributed to the development of the prestigious Banaras Hindu University (1915), a centre of excellence even today. Kashi Naresh and Sri Rameshwar Singh Bahadur, Maharaja of Darbhanga funded this venture. In agriculture the share cropping institution (in which input costs and output revenues are shared by cultivator and land owner) of land tenancy lead to development of entrepreneurship in Indian farmers. Share cropping form of land tenancy promoted farming in a number of non-conventional items including tobacco. Most of the MBA's offered do not focus on a number of financial issues which have attained vitality post 1985 with organization failures due to poor management and understanding of Finance. There exists an over-emphasis on other streams of management which were on the peaks of organizational success in the 1950 to 1980s leading them to create general MBAs with specialization in only one semester having two to four papers in specific management discipline. Indian Institute of Finance recognising this need pioneered business finance education in India in 1987.

Intel, Cisco Systems, Microsoft, Oracle, Amazon.com and Yahoo have all shown the significance of innovative venture capital growth in promoting growth and contributing to society. The major hindrance for growth oriented entrepreneurial ventures was lack of adequate finance. Venture finance provided the necessary support to tap competence, experience and networks necessary for an entrepreneurial venture. Agarwal (1976, 1988); Murray (1995); Mason (1996); Wright (1998); Landstrom (1998); Shepherd (2000); Cumming (2003); Maula (2005); Solojentsev (2006); Zahara (2006) and have all contributed significantly in the better understanding of the concept and practice of venture capital across a modern complex resource inter-locked globe.

Innovative and venture capital are investments made by an institution, firm or wealthy individual in business ideas which have the potential to show meteoric rise and become dominant players in the world market. Financing of such a venture may be in the form of equity or equity linked investments, management buy-outs, replacement capital and turnarounds. The return in a venture capital investment is empirically found to be in the form of capital gains by way of sale rather than dividend income. The three generally recognised sub-markets of venture finance include institutional venture capital, corporate venture capital and informal venture capital. Institutional venture capital was first defined by Wright and Robbie (1998) as the finance provided by professional investors for long-term in un-quoted and risky firms. Mason and Harrison (1999) further explained that the professional investors could include pension funds, insurance companies, banks and other financial institutions and the firms could develop into publicly traded companies, captive subsidiaries of large banks or independent limited partnerships. Bygrave and Timmons (1992) distinguished between classical and merchant venture capital funds. In classical venture capital, finance was provided by wealthy individuals and families and who provided it in the early stage of growth and remained actively as a part of the venture. Merchant venture capital fund is a form of institutional venture finance which focuses on financial engineering to invest for short term investment horizon. Hence, corporate venture finance may take place by investing in either externally managed or internally managed firms. According to McNally (1994) internal corporate venture may be in the form of spin offs from the company which are managed in-house and external corporate venture may take place by investment in semi-autonomous and autonomous firms which are independently managed. William Wetzel (1983) first defined informal venture capital as the finance provided by business angels for young entrepreneurial ventures. Lerner (2000) later defined business angels as wealthy individual who invest in innovative ventures.

The genesis of modern venture capital in existing literature is traced to the activity of Spanish Queen Isabella of Spain who sponsored the voyage of Christopher Columbus. DuPont (1919) is regarded as the first modern day venture. DuPont purchased thirty eight percent of equity interest in General Motors. IBM was established in 1924 by a group of wealthy individuals by merging a few smaller companies. Ralph Flanders, president of Federal Reserve Bank of Boston proposed creation of fiduciary funds which would enable institutional investors to invest five percent of their assets in equity of new ventures. Xerox Corporation is an excellent example of corporate venture finance whereby Haloid Corporation invested in the technology developed by Chester Carlson and Battelle Memorial Institute. The first venture capital firm in California – Draper, Gaither and Anderson was founded in 1958 and led to development of formal venture capital firm in Silicon Valley and San Francisco (Florida and Kenney, 1988).

In the year 1286 in Italy, Giordano da Pisa invented eye glasses by utilizing convex glasses to correct vision problems. However, it took more than 400 year before a British optician Edward Scarlett created a modern pair of glasses by connecting the frame to a "temple" passing over the ears to hold it. For nearly 20 generations, people have had to hold the glass frames in their hands while reading, before this easier way was found. Almost till recently, there has been very little published work teaching various processes to do innovation and due to the absence of such material, it used to take a very long time, before new products could be created with the available technologies. In the last few decades, due o rapid communication, technology and globlization; rapid innovation has become important to remain competitive for most corporations had Industries. The knowledge gap between Nations has been greatly reduced by the internet. While Spaniards could keep the recipe of making chocolate a secret for a hundred years, it is difficult to do so in this small world. With globalization, protectionist trade barriers which used to protect local industries have also been removed by most nations. Leaders, from both the political and business worlds, and from both the developed and developing worlds, have realized that only innovation can give them competitive advantage and have been urging their people to think innovatively.

Political and business leaders in United States and other developed nation have been supporting the off-shoring of jobs hoping that their people are innovative and would create new products and services. Their assumption that future innovation will happen mostly in United States or other developed countries is based on the fact that previously most new products and services were created in the developed world and the developed world has been blessed with the right social, legal and industrial environment to support innovation. However, with the knowledge gap between the developed and developing world evaporating due to the internet and globlization, Innovation has become possible in almost any part of the world. The developing world which till now has been mostly using concepts and products created and tested in the developed world, now has the potential and the capacity to create new products and services on their own. Just like the last fifty year have produced a breathtaking number of innovation like the Internet, GPS System and Mobile Phone and has handsomely rewarded those who have produced innovative products, the nest fifty years will also witness a race among nations, corporations and individuals to innovate. This book is an effort to answer two main questions in this space (a) What are the major ways of doing innovation? ; & (b) If a particular innovation would sell in the market?

For a long time in history, it had been assumed that only a few people with exceptional education and skills can be innovative. It was assumed that Innovation is an inborn talent and only a few people have this skill. When we thought about innovative person, we started thinking of only people like Thomas Edison, Bill Gates and recently Steve Jobs. Innovation can be done in a methodical way and the book will explain the different ways of doing innovation. This book attempts to create and lay down different frameworks for innovation, readers can use these to improve upon their existing products and to create new innovative solutions and products. The book starts with a description of the frameworks, then list a few products and services, categorizing them into the different frameworks. It will then explain how these frameworks can be applied to develop new products and services. Citing examples, it later tests the understanding of innovation examples. The reader progressively learns to identify different patterns of innovation in various products and subsequently will be able to utilize these framework to design new products. The book also makes an effort to explain how to understand the consumer psychology and find out what new products would the consumer be interested in. Understanding consume psychology will help in designing of new products. The book is an outfall of the Sanjeev's experience in the venture capital industry which is plays an important role in development of companies with new innovative products.

Innovation is a skill to improve an existing product/service or create a new product or service. The skill of innovation is different from the skill required for fundamental research in science. I t requires deep understanding of the scientific theories and processes in a particular and specialized field of science. Fundamental Research is done by those who have spent many years in that field; typically these people have advanced degrees in their fields of science. Innovation, on the other hand requires a keen eye to comprehend existing and available technologies and utilize them to solve particular needs of consumers. Many times, the outputs of fundamental research are utilized by innovative thinking people to create customer-centric products. For example, the founders of Google did research in data mining on internet and used that research to create the Google search engine, which led to many other products form the company utilizing this unique ability. Similarly, fundamental research created electricity which has been used in millions of ways to create new types of products. Perhaps the ability to identify a customer requirement is more useful than an in-depth knowledge of a particular technology or tool to create a new product or service.

The expertise and skills required to do fundamental research are somewhat different from those required to utilize that research to create consumer products. When we think about these tow approaches and the important innovators in history, few people have been able to do both the fundamental research as well as utilize that research to bring a product fulfilling customer needs in the market. Based on the nature of contribution in the process of product development, one can divide the contributors into there categories: Fundamental Research based Scientists, Pure Innovator and those how have been doing both research as well as utilizing that Research to innovate. Scientists have been doing fundamental research facilitating new discoveries and evolution of scientific concepts. These contributors have expertise in their field of science and their research produces the basic building block to be utilized in creating new products. The work of these scientists was utilized by many people and corporations to come up with new products and solutions, thus creating wealth for companies, society and nations.

Innovators utilize their understanding of consumer needs and utilize available research work to create new products and services. Steve Jobs become a billionaire by understanding the needs of the end-user and created desirable products from existing set of technologies. Steve jobs utilized the concept of digital music on a handheld device to create iPod. He later, utilized the concept of smartphones and multi-touch screens to create iPhone. He also create the iPad that supported basic customer requirements form a personal computer and made it easy to use. Mark Zuckerburg, another innovator has utilized the concept of social networking to create a multi-billion dollar company facebook.com. He utilized existing set of available tools on the internet to create this website and made it popular.

A skill to identify a customer need and then how it can be fulfilled by utilizing existing set of technologies what is required by organizations. Few people have both the skills of doing basic research as well as doing innovation. One of these few people was Thomas Edison as he was equally successful in doing both the fundamental research on electricity (had over 1000 patents) and using that research to come up with innovative products and selling them. It is noteworthy that many the companies started by Edison still exist in one or the other from as large profit making corporations. His Edison General electric which later merged with another organization become GE (General Electric). In today's world, Larry Page and Sergey Bring, the founders of Google have displayed the capacity of doing both the fundamental research as well as the ability to utilize that research for creating innovative products. The company was founded based on their research world for their PhD program on data mining of the we pages. Their research was utilized to create Google's powerful internet based search engine. Once this fundamental capability of web search was built, other products of Google were created by innovation. For example, Google utilizes data mining about an online user's interests (based on the user's searches, the web sites her browsed and based on the email contents he read) and matches the user to display only those online advertisement that would be of interest to the user.

Sanjeev, has outlined five main methods to outlined the basic framework of any innovation. The text explains how these methods have been applied products, processes and industries as wide ranging as finance, Information technology, mechanical tools, consumer electronic and internet. Sanjeev Sharma gives examples of innovative products and explains the methods that have been used in creating these products. He has explained how products ranging from simple household items to cutting edge electronics and telecom products, all utilize the same basic methods of innovation. Sanjeev also shares his ideas on how these methods can be applied to solve the existing needs of consumers and new products can be designed. He explains what would make in innovation desirable by the consumer and the step by step process of applying these. Sanjeev also draws on to his two decades working experience in the financial technology world in USA and Asia, sharing insights into the strategies of many companies and also explains the working and problems of the venture capital industry and the innovations there in.

Sanjeev beautifully brings forth as to how Innovation is an application of better solutions that meet new requirements, inarticulate needs and existing market needs. This is accomplished through more effective products, processes, services, technologies, or ideas that are readily available to markets, governments and society. Innovation marks the path of something original, new, and important - in whatever field - that breaks in to (or obtains a foothold in) a market or society. The text lays a good foundation for one to understand and take necessary steps to induce innovation and venture capital to have inclusive growth and development. It would have been nice to see some detailed real life case studies given for the five core components discussed in the text to enable the reader have a better understanding of them. The book is relevant for post-graduate students of Management, entrepreneurs and professors looking at text to introduce innovation and venture capital formulations inducing innovation.

Indian Institute of Finance Aman Agarwal
Delhi, Noida & G-Noida

Lo, Androw W. and Jasmina Hasanhodzic; *The Evolution of Technical Analysis : Financial Prediction from Babylonian Tablets to Bloomberg Terminals*; 2010, John Wiley & Sons, New Jersey, USA, pp. 212, Price US$ 51

Does past recall factor ever help? Perhaps!! But only if one knows when to recall it and how to use it. In situations of most grave nature, we solicit answers to our problems through the past actions and reactions. Whether the present and future is dependent on the past is purely a matter of belief, culture and attitude. For many, having faith in the western philosophy, past has been found to have less regard as against many Asian cultures that are more inclined to the blind faith of past precedence whether in numerology, astrology or other sciences (much to the Gann Analysis). Yet, technical analysis whose routes have been traced from the Ancient Babylon period in Europe and then Asia, found much relevance at the Wall Street. The author traces this remarkable development of records and their use from the ancient Greek and Roman traders to the Asian traders in Japan, China and then at the Wall Street with the famous Dow Theory. With a difference that as against faith or belief that history will repeat itself, mathematical and statistical representation were used to justify actions and predictions. Much to the appeal of the professionals that believed in the scientific laws of nature and logic which the human mind accepts and human behavior complicates. Law of averages to begin with, mean reversion, Bollinger bands, Filters, Resistance and Support levels were technical terms derived by the historical assessment of the stocks and the stock market. Data speaks for itself and has information content to predict the future became the basis for investment. Most books would trace the history for technical analysis from the Dow theory, surprisingly, this book gives a new dimension and thought to the technical analysis. Extremely new and refreshing in its thought and approach, the book offers a compilation of eight chapters each dedicated to identify and reach out to the beginning of the revolution called technical analysis. The field that helps a trader make informed decisions.

Many investors have tried their luck in the market. Gain and failures were close to gambles whose probability estimates were a mathematician's fascination. Some succeeded awfully well and some failed miserably, yet the temptation of the market for many to earn good returns never died. With technological developments, electronic price quotation and quick trades, things became more simple and accessible. Till 1950s, gamblers and stock market investors were clubbed together with their well reputation to lose what even their families possessed or had accumulated, besides their own fortunes. But after the 1960s, things changed, investment in stock market was a science and art that needed expertise. Stock analyst, investors became too professional who worked as hard and well as doctors or others. Academicians and traders interest built the field into a scientific discovery and journey that made investors more confident of their trades. Certainty over uncertainty was an obvious choice for many who pledged their hard earned money into the less known avenues.

Past, present and future are not disconnected but strongly connected to the thread of knowledge and use of that knowledge. The most naïve transactions in the markets also used past data. Most people while buying vegetables from vendors would be found quoting the last season prices and making comparison to this year, without much effort or knowledge, predicting what the next season would offer. Irrespective of their professional qualification, they attempt the most simple and well acknowledged fact that time is of essence and nature has a pattern that repeats itself. Where there is no past precedence, there is a future that rests on more uncertainty and non-familiarity of actions. This may make many of us jittery of the consequences of our actions. To secure more acceptances it comes naturally to use the past precedence for our future estimates. So what do does one do? He studies the behavior of trades, stocks, their prices and tries to estimate the future. For, a windfall fortune is the most unacceptable fact for the knowledgeable and hardworking scientific minds. They seek logics and magical formula that can repeat the windfalls or at least built hope to achieve and secure one. When interconnected variables did not carry the answer, it was best to study the variable with its own potential. Stock and its price over different time periods could tell a story that only technically qualified and experienced people could understand and act upon. Volumes, trades, prices and above all perceptions of the markets could be deciphered through charts of different types.

Cycles, seasons, trends and irregular fluctuations have been the commonly observed patterns in a time series data by most statistician and mathematicians and day traders. Much to the credit of the physicist who joined the trading commerce, this field received its scientific inclination. Multiplicative or Additive, the patterns could provide a direction and food for thought. Randomness in the data could never be eliminated and stochastic process with white noise never underestimated. Random walks, Markov chains were also a part of the analytical ideologies. The desire to make abnormal or above normal returns made people postulate hypothesis and test them for several and large beliefs that guided trading strategies, leading to systematic development of this field. Successful traders and their strategies also contributed to this field. Most contributions mentioned in this book carry the name of the columnist who wrote and observed the stock markets for a long time and penned their thoughts in different publications. As the subject gained attention, grew and attained academic relevance, academicians and their contributions were no less to extent the field and its dimensions. Just like "a picture is worth a thousand words", for many traders, analyst and others, stock charts became worth a million dollars explicitly laying down the strategies for the right time to enter and exit the market and a stock. Market depths, breadth, advances, declines, trends and every minute detail were recorded interpreted and guided trade since 1960s. What aided this development was technology with the electronic trading and e-financing. Where the book appreciates the development, it also makes a referral remark to the front running scandal of NYSE and NASDAQ in 1990s, but offers no insights with respect to the Worldcom, Enron, Lehman brothers or the Rajat Gupta insider trading disasters which could not be traced by most technical analyst. Economic, financial or technical laws become irrelevant during episodes of irrational exuberances, insider trading or during technical glitches. Such episodes do not question the relevance of the field but offer more fertile grounds to improve the field of study.

The book is a learning for everyone who trades or in any way is connected with the stock market movements. The book offers a good historical view of the how the field originated and acquired its significance and relevance. At some places, history seems to be an overrated virtue of this book but for rest of the places it makes the book an interesting piece to be read. References to many unknown works, well known books and several of the traders, columnists, academicians can make traders, researchers, MBA graduates, chartist and analyst to look for new trading strategies that have been forgotten or are less used now.

Indian Institute of Finance Yamini Agarwal
Delhi, Noida & G-Noida

Read, Colin; *The Portfolio Theorists: Von Neumann, Savage, Arrow and Markowitz*; 2012, Palgrave MacMillan, New York, USA, pp. 228, Price US$ 110

While the world attributed the global financial meltdown to complex financial instruments and greed, the author attributes the same to the change in way the profits are generated in financial markets. In 2006, almost a third of the profits generated in financial markets are based on pieces of paper without being backed by real assets/wealth and which carry value as long as there is somebody to understand its worth. Indeed, the author's observation is quite relevant especially when the next generation rejoices the possession of paper without much concern or understanding the possibility of default on behalf of the individual/institution making the promise.

Read has made a novel effort to understand and interpret some of the great minds in finance like Von Neumann, Savage, Arrow and Markowitz in this volume of the Finance Series. The earlier volume focussed on Life Cyclists emphasised on Inter-temporal Choice and Life Cycle Model. This volume on the other hand is focussed on risk and uncertainty. The treatment of the probability of risk significantly improves the current understanding of financial markets and equilibrium. Von Neumann and Morgenstern contributed to the field of game theory and utility. Savage extended Neumann's work to provide a statistical perspective to expected utility interpretations. Arrow formulated the equilibrium model in light of expected utility and Markowitz laid the foundation of Modern Portfolio Theory.

Neumann brief bio-sketch narrates his life as a child and his mathematical brilliance as visible to his tutors at a very young age. He studied at Budapest, Berlin, Switzerland and completed his Ph.D. at a very young age of 22 years on an axiomatic approach to set theory. While pursuing his career at the University of Berlin, he became recognised as one of the greatest mathematicians producing almost one paper per month in areas of set theory, quantum physics and theory of games. Later owing to changing political situation for Jewish academic, he along with his family shifted to Princeton University. John Neumann worked extensively with Oskar Morgenstern who had his roots grounded in political sciences. Morgenstern felt that excess of mathematics and physics was making the field of Economics uprooted from its grounding in political science. Morgenstern's thesis tried proving that economic predictions are futile.

The discussion on risk and return brings out the paradox in Bernoulli's way of defining expected values. Mathematically acceptable universal principles are till date devoid of incorporating the reality of peculiar situations of an individual/institution. Utility as a concept is far more individual specific than expected values and it may be said that up to a point an individual faces diminishing but positive utility but beyond a point the utility becomes negative. A novel attempt has been made to summarize a full 635 page book by Neumann and Morgenstern in mere two pages. The four axioms on outcome, transitivity, completeness and independence have been explained in an extremely simplified manner. Neumann's axioms have enabled solving problems in a number of areas like oil exploration, operations research, war, weather forecasting and advancements in computers. The expected utility hypothesis of John von Neumann contributed in making finance more of a science than art.

Savage also completed his Ph.D. at a relatively young age of 23 on the subject of differential geometry. After completing his dissertation, he took a post-doctoral year at Princeton University. Later he lectured at Cornell University and Columbia University. In one of the instances, Friedman made more than 100 corrections to the joint work of Savage and Mosteller. Savage would have always remembered Friedman as a critical reviewer. Even Savage had a multi-disciplinary experience of engineering, chemistry, physics, mathematics etc. At a similar time significant advancements were made in the field of risk and uncertainty, probability, economics and finance by authors like Ramsey, Keynes and Finetti in the field of subjective probability.

Savage collaborated with Friedman and raised the issue of choice amongst insurance and gambling. Uncertainty in economic environments makes is more complex to understand utility from alternate choices made by individuals or institutions. Interesting discussion on how level of income affects the choice of buying motor insurance or purchase a lottery ticket may interest some readers. The author can also be found to be critical of the manner in which the utility was explained by Savage and Friedman to change across various socioeconomic classes. Savage later improved upon his work by providing an axiomatic approach to utility. The proposition made by Friedman and Savage that the wealthiest would never take risks was challenged by Markowitz.

Arrow's work improved our understanding of risk. His childhood was spent mostly with books and encyclopedias. The Great Depression affected his family as well and he could not afford the high quality education. During childhood real punishment to Arrow would mean his mother asking him to go outside and play with other children as he would always prefer to read and discover complex world of science. Arrow's work was significantly influenced by work of Hotelling. Arrow's first major academic contribution was related to the field of aeronautics. Arrow's relationship with his to be wife resulted in his joining the Rand Corporation and work in the area of game-theoretic analysis. Arrow's Impossibility theorem made him win the coveted Nobel Prize. Arrow's approach can be gainfully used even today for improving the future's market. Arrow extended the works in welfare economics to finance. His work on contingent claims and securities prices resulted in a new wave of research in this field. His major contribution is to provide the first general competitive equilibrium existence proof. Arrow was successfully able to relate general equilibrium with uncertainty and information. Arrow's impossibility theorem related to understand the preference order of a group. The preference was then matched with the social welfare function under conditions of non-dictatorship, monotonicity, unrestricted domain and independence of irrelevant alternatives exists. Hence, a social welfare function cannot be represented by a preference of a group.

Last but not the least, the father of the Modern Portfolio Theory has been discussed. Harry had a keen interest in Physics and Mathematics. Jocob Marschak motivated Markowitz to work on stock prices and present value of dividends. Markowitz dedicated most of his energies in finding algorithms that could optimise to create an optimal mean-variance portfolio. J.B. Williams work on fundamental analysis motivated Markowitz to work in this field. Joseph Schumpeter recommended Williams to work on finding the intrinsic value of securities. This laid the foundation for the current day Dividend Discount Model (DDM). Markowitz provided the first direction to calculate the expected return and risk for a portfolio considering the effect a security has on the other in the portfolios. The idea of efficient frontier whereby you cannot have any other point giving more return for a level of risk or lower risk for a level of return is still the basis for the current day capital market theories. Markowitz's theory acted a bridge between fundamental and technical analysis.

This volume is a novel attempt to explain lives of some of the greatest minds in Finance and relates the changes in their life with the development of some of the most remarkable ideas in the field of finance. It is not only academically stimulating to read a book written with such great academic rigour but highly educational from a perspective of life in terms of how some of the greatest finance experts progressed in their lives. This book is recommended for Masters students (MBA, MBF & MIF) and professors in the field of Finance and Economics.

Indian Institute of Finance Saurabh Agarwal
Delhi, Noida & G-Noida

Manzoni, Alex and Sardar M.N. Islam; ***Performance Measurement in Corporate Governance: DEA Modelling and Implications for Organisational Behviour and Supply Chain Management;*** **2009, Physica-Verlag, Springer, Heidelberg, Germany, pp. 232, Price US$ 169**

In Global Knowledge Economy, Corporate Governance organisational behaviour and performance of the supply chain are becoming increasing by important aspects of the evaluation of an enterprise. The fields of organization behaviour and supply chain management are integrate with an open Socio-Technical Systems theory of management and the application of Operations Research to Corporate Governance for the measurement of organisation performance.

The subject of the book is the development of a contemporary organisation behaviour performance measurement (OBPM) model for enterprises in the modern economy. The book is divided into eight chapters covering related areas of corporate governance. World has experience a period of rapid economic growth and progress in human development. Growth in world experts increased from 8.5% of gross world product in 1970 to 16.19% in 2001. Real income growth also saw a rapid growth downing the same period which makes it evident that an important contributor to this phenomenon is global station which in a simplistic sense, can be viewed as the transforming of local and regional phenomena into global ones where people become more misfired and behave more interactively through the diminution or elimination of borders.

The viewpoint of this book is that organization performance is embodied throughout the global and local economies the corporation operates in, and the social and business more it must adhere to. However, performance emanates primarily form the direct stewardship of the firm by its management, hence the role of CG for the firm, and its migration into the supply network. But performance must be measured before it can be improved. Operations Research provides the methodology.

Corporate social responsibility is generally accepted as one of the dimension of corporate governance. CG is a system of multiple parameters with many factors. Those factors that were tested as antecedents of CSR, and thus of CG, were validated by DEA and supported by further correlation analysis. This suggests that CSR can contribute to organization performance, and that other dimensions of CG could be similarly investigated. The factors identified as contributors to performance also happen to coincide as factors characteristic of the organization behaviours found in those enterprises that adopt an OSTS style of management.

Data envelopment analysis (DEA) is a linear programming technique successfully used to measure performance in instances where other techniques were found wanting. It has been so widely applied in very diverse areas of research by many investigators that it is approaching mainstream with dedicated computer software available.

DEA is a well established technique for identifying efficient production frontiers in many fields of study. Here it has been successful in identifying the efficient frontier for those business units in the corporation that are the top achievers in corporate social responsibility. It has thus performed the intended task of providing an organization performance metric with information from the fundamentally qualitative construct of CSR. This strengthens the adoption of DEA as a legitimate diagnostic instrument for the measurement of performance across various organizational dimensions.

The enterprise of the new era will need to be accountable, responsive and adaptable, yet proactive and innovative. It will need to draw on its knowledge capital and rapidly evolving hard and soft information communication technologies, which parallel the social and technical sub–systems of socio–technical systems theory. The quest to be competitive will require it to reconfigure itself to the OSTS design of this book, with an intergration of CG, OB and SCM through a PM System based on optimization techniques from operations research.

This book has made significant and valuable contribution to the literature in the fields of OB and management theory, SCM, CG, PM and DEA. These are well established fields in their own right with comprehensive literature supporting their academic interest, and each with relevance to organization performance. Each has research supporting the main tenets of these disciplines. There is little however, that bridges these disciplines. This book commences that process.

The book offers a new and innovative quantitative approach to qualitative concepts of corporate performance measurement and makes a significant contribution to the fields of management theory, supply chain management as well as operations research. The book will be useful for post–graduate students of management, doctoral students, CSR practioners and researchers.

Indian Institute of Finance Pushpender Singh Raghav
Delhi, Noida & G-Noida

Vietnam MPI; *Agreements on the Promotion and Protection of Investment between Vietnam and Other Countries, Territories*; 2009, Ministry of Planning and Investments, Statistical Publishing House, Hanoi, Vietnam, pp. 998, Price NIL

In recent years, Vietnam's economy has benefited from its government's open door policy. One of the most important aspects of economic reforms in Vietnam has been the encouragement of domestic and foreign private investment. In 2010, foreign investors had registered capital of nearly US$ 18.6 billion, and since then they have increased it to much bigger amounts. Agreement on the promotion and protection of investment between Vietnam and other countries is a book written to promote investment by nationals residing in other countries. It is very necessary that continuous money flows into an economy either from domestic or international source. This book aims at promoting cross border trade and improving investor's relation by covering all the framework of laws and regulation that governs an investment made in cross border trade or between two countries having different currencies. The modern era of investment is characterized by growing uncertainty, political risk, and regulation governing the investment made in that particular industry, this book would be a great help for all those people who are engaged in cross-border trade or investment because it talks about protection of their investment and various laws governing it.

The book covers each and every topic in detail that is related to investment such as definition of investment, company, nationals, investors, returns, territory, etc, for example in the article "agreement between the government of the socialist republic of Vietnam and the government of the republic of Indonesia" the book defines returns as "any amount yielded by an investment and in particular, though not exclusively, includes profits, interest, capital gains, dividends, royalties of fees". So each and every such definition is provided in detail for better understanding of the individual. So, Vietnam offers a welcoming investment climate for firms and individuals that wish to establish a presence here, including solid economic growth, political stability, a more open and transparent market, abundant natural resources and a good geographic position in the region so that they could establish quickly and increase total wealth for themselves and also for Vietnam. The author also goes one step forward by including all contingencies that might affect investors and also explaining each and every in detail such as if the contracting party suffers damage or loss owing to war or other armed conflict, revolution, a state of national emergency, etc, and it also includes concepts like expropriation, repatriation of investments, subrogation, settlement of dispute between investors and contracting part, exchange rate and investment dispute. However, some parts have not been covered in this book such as taxation, which is relatively high in Vietnam. A foreign invested enterprise is subject to five main taxes: corporate income tax, import-export duties, value added tax, special sales tax and finally personal income tax. Profits in Vietnam can be easily repatriated without any problem, so long as all applicable taxes are paid to the government beforehand.

The author covers Vietnam relation with mostly all of its trading partner which include Australia, Thailand, Philippines, Singapore, china, Taipei, Korea, Denmark, Sweden, Finland, Netherland, Hungary, Poland, Romania, Latvia, Cuba, Tajikistan, Chile, Mongolia, Myanmar, Iceland, United Kingdom, Mozambique, Kuwait, Hellenic Republic, Venezuela, U.A.E, U.S, Qatar, Oriental Republic of Uruguay, Estonia, Srilanka and Kazakhstan. Other countries have also shown interest in making a healthy relationship with Vietnam. In June 2012 the EU and Vietnam launched negotiation for a comprehensive free trade agreement with a view to ensuring an effective environment for trade and investment relations. Of the 10 ASEAN members, Vietnam is the EU's fifth most important trading partner. Ever since the end of the cold war relations between Philippines and Vietnam has warmed rapidly. Today the Philippines and Vietnam are economic allies and have a trade deal with each other. After 1991, growth in bilateral trade between Vietnam and People's Republic of China has increased from US$ 32 million in 1991 to almost US$ 7.2 billion by 2004 and now in 2013 it is around US$ 11 billion. So, from the early 1990s Vietnam moved quickly to restore relations with the international community. 1995 was the historic year for Vietnam to enter into ASEAN (Association of South East Asian Nations). Around 30%

of Vietnam trade is with ASEAN countries. Vietnam is becoming an increasingly active member of ASEAN. In 1998 Vietnam was admitted to full membership of APEC, and hosted a summit in November 2006. Vietnam was formally acceded to the WTO (January 2007) and is currently undertaking the role of non permanent member of the United Nations Security Council for the year 2008-2009 year. As we can see, that over the years Vietnam has penetrated into different sectors and different global parts of the world therefore this book is very important for those involved directly and indirectly with Vietnam and other countries. The author of this book has taken all parties into consideration that are involved or that will be effected by cross border trade while writing this book. It points out goods which cannot be imported such as cigarettes or drugs, although they will generate revenue for the government but will also be harmful for the people of Vietnam. It has also protected local supplier by banning import of used consumer good and used spare parts of automobile.

The book in every aspect facilitates trade in goods among parties of different countries, and also promotes and enhances investment opportunity for further development of favorable investment environment and also establishes a cooperative framework for strengthening, diversifying and enhancing trade and also promotes economic link among parties. The book is very useful for both consumer and producer because it includes phased out period of each good, import quantitative restriction, export quantitative restriction, export that subject to state trading, and it also provides details of tariff on agriculture and other products for example current tariff on apple is 40% and tariff to be implemented by three years after the date of entry into force of this agreement will be 25%. So, it is important for anyone who wants to do business with Vietnam, he can do the cost benefit analysis by taking all these factors into consideration before importing or exporting a particular good or service or making any investment. In the end the author also includes various sectors and subsectors and gives information on each with respect to limitations on market access and on limitations on national treatment and other necessary information. Sectors that offer the greatest investment opportunity include information and communication technology, mining, tourism, manufacturing, education, and infrastructure. Anyone who wants to invest or setup business in any of these sectors to reap the benefit can take the help of this book and use it as a guide for judicious decision making. For example if one wants to check cross border supply in telecommunication, he can easily do this without any complication and see that for value added services it happens only through business contract with Vietnamese gateway operator. Many such features and valuable information is available in this book for everyone.

The book provides all the details involved for the promotion and protection of investment, it includes all the laws that governs investment in Vietnam. However, there still could be some improvement that can made to the text in the book, for example real life scenarios could be taken to show how importer and exporter could benefit by reading this book. Instead of making this book a bit monotonous and including only theory part some examples should also be used to develop the interest of the reader. It is a must for all players who are involved in this business to read it, even the policy maker can read it before applying any import or export restriction or any other related policy. It is equally important for people who are in any form or other related with economic planning activity. Students doing MBA, Masters or specialization in international finance ought to read this book to have better understanding of the concepts. Exporters, Importers, Government official and Bankers dealing with Vietnam and the trade component would specially benefit from the text.

Indian Institute of Finance
Delhi, Noida & G-Noida

Gurmeet Singh