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# Recommended Books for Finance Students: An Annotated Bibliography and Faculty Ratings

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*In this paper, we provide an annotated bibliography of 26 books that we have recommended over the years to our finance students along with the results of a survey of faculty ratings and additional recommended books.*

**Keywords:** *Recommended finance books, faculty ratings of finance books, finance bibliography*

## INTRODUCTION

Over our teaching careers, many students have asked for recommendations regarding books that they can read on their own, often during the summer. Receiving such inquiries from students who have become so interested in our subject that they want to continue reading beyond their course requirements is one of the many gratifying aspects of teaching.

In response to student requests and our own reading, our lists of recommended books have evolved over the years. Many of the books are well known bestsellers. Others are less well known but nonetheless valuable in terms of the insights and lessons they provide. Our personal lists of books are diverse, some chronicling the history of companies, corporate takeovers, and bankruptcies; others focus upon the unethical and fraudulent behavior of individuals. Several of the books tell the stories of the individuals who were instrumental in developing modern finance theory that is taught in our classroom and studied in our research.

Teaching finance poses the challenge of connecting theories and models to the “real world” and providing students with an organizational frame of reference to help them understand and appreciate the relevance and context within which the subject matter applies. Complicating this further, it is also challenging to include the human dimensions of our disciplines. It is ultimately men and women who practice finance, people who are motivated by egos, desire for career success, lust, money, job security, excitement, competition, greed, and power. Most students,

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especially undergraduates, do not have the business experience and organizational context within which to place much of what is learned in the classroom. This is especially the case when studying the managerial motivations (e.g., personalities, egos, and greed) surrounding strategic decisions such as corporate takeovers and proxy fights or malfeasance such as insider trading and fraud.

Many of the books on our list bring finance alive in ways that are difficult to achieve in traditional lectures and assignments. They focus on the human side of finance that we believe is important for those students considering careers in our discipline to understand.

In this paper, we provide an annotated bibliography of 26 books that we have recommended over the years to our finance students, followed by the results of a survey of professors soliciting their ratings of the books along with other books they recommend to students.

## **The Books**

Below is a list and brief summaries of the 26 books. They are listed in no particular order.

(1) *Liar's Poker*—Michael Lewis (1989). This well-known autobiographical bestseller colorfully describes Michael Lewis's experience as a bond salesman with Salomon Brothers during the 1980s. It also chronicles the development of the mortgage bond market of which Salomon Brothers was a pioneer. The book provides insights into the culture of Wall Street in general and trading in particular, and provides context for the savings and loan crisis.

(2) *Chasing Goldman Sachs: How the Masters of the Universe Melted Wall Street Down—And Why They'll Take Us to the Brink Again*—Suzanne McGee (2010). This book provides an excellent overview and explanation of the transformation of investment banks from their traditional roles of raising capital to the myopic emphasis on profits and return on equity (ROE) with little regard to risk, which ultimately led to the 2007-08 global financial crisis.

(3) *Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System and Themselves*—Andrew Ross Sorkin (2009). This well-known book on the global financial crisis, later dramatized in a 2011 HBO movie, chronicles the events surrounding Lehman Brothers' bankruptcy, the acquisition of Merrill Lynch by Bank of America, the bailout of American Insurance Group (AIG), negotiations leading to the Emergency Economic Stabilization Act of 2008 that created the \$700 billion Troubled Asset Relief Program (TARP), and the U.S. Government's direct capital injections into the largest banks. It provides excellent background regarding the causes and results of the crisis.

(4) *Barbarians at the Gate: The Fall of RJR Nabisco*—Bryan Burrough and John Helyar (1990). This book, later an HBO movie, chronicles the history of R.J. Reynolds Tobacco Company from its inception to its acquisition of Nabisco

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Brands, Inc. and the historical takeover battle and leveraged buyout of the company. Reading like a novel, the book colorfully describes the events, personalities, greed, and egos of the executives, lawyers and investment bankers who were drawn into the takeover battle.

(5) *The Big Short: Inside the Doomsday Machine*—Michael Lewis (2010). In this book, later an Academy Award-winning movie, Michael Lewis provides an insightful and entertaining look into the global financial crisis by focusing on the individuals who saw it coming and eventually profited from the crash in real estate prices. The book provides clear explanations of collateral debt obligations and credit default swaps.

(6) *One Up on Wall Street: How to Use What You Already Know to Make Money in the Market*—Peter Lynch with John Rothchild (1989). This bestselling classic by the legendary and former Fidelity Magellan Fund manager Peter Lynch explains in layman's terms his common sense approach to investing.

(7) *A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing*—Burton G. Malkiel (2016). First published in 1973 and updated in eleven subsequent editions, this classic investments book presents a life-cycle strategy for investing based on the efficient market hypothesis.

(8) *Bogle on Mutual Funds: New Perspectives for the Intelligent Investor*—John Bogle (1993). This well-known investments book, written by legendary founder and former chairman and CEO of the Vanguard Group, discusses the benefits and limitations of mutual fund investing. Because of the less-than-impressive performance of actively managed mutual funds, often with high expense ratios, Bogle makes a strong case for investing in passively managed index funds.

(9) *A Colossal Failure of Common Sense: The Inside Story of the Collapse of Lehman Brothers*—Lawrence McDonald and Patrick Robinson (2010). In this semi-autobiographical book, former Lehman Brothers vice president and convertible bond trader Lawrence McDonald provides an inside look at the firm culminating in its collapse and the global financial crisis.

(10) *Flash Boys: A Wall Street Revolt* - Michael Lewis (2015). In this entertaining and insightful book, Michael Lewis focuses on high-frequency trading in the stock market. Through fiber optic cable, he explains how electronic traders are able to “front run” investors' orders to generate profits.

(11) *Merchants of Debt: KKR and the Mortgaging of American Business*—George Anders (1992). In this well-written book, the author chronicles the history of the buyout firm Kohlberg Kravis Robert (KKR) and the rise of leveraged buyouts (LBOs) and the junk bond market. It is an excellent companion to *Barbarians at the Gate: The Fall of RJR* for students interested in private equity and LBO's.

(12) *King of Capital—The Remarkable Rise, Fall and Rise Again of Steve Schwarzman and Blackstone*—David Carey and John E. Morris (2010). This book chronicles the turbulent history of The Blackstone Group, one of largest private equity firms in the world and a rival of Kohlberg Kravis Roberts,

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(13) *Boomerang: Travels in the New Third World*—Michael Lewis (2011). In another excellent and entertaining book on the global financial crisis, Michael Lewis explores the bubbles and the effects of cheap credit beyond the United States, including Iceland, Greece, Ireland, and Germany.

(14) *When Genius Failed: The Rise and Fall of Long-Term Capital Management*—Roger Lowenstein (2001). This book chronicles the rise and fall of Long-Term Capital Management, a hedge fund founded by former Salomon Brothers executive John Meriwether and Nobel Laureates Myron Scholes and Robert Merton in 1993.

(15) *The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron*—Bethany McLean and Peter Elkind (2003). In this book, later presented as an Academy Award-winning documentary, the authors chronicle the demise of Enron Corporation, one of the largest corporate frauds in history. It examines the moral vacuum, excesses, and obsessive pursuit of profit at any cost that eventually resulted in the company's bankruptcy.

(16) *Capital Ideas: The Improbable Origins of Modern Wall Street*—Peter L. Bernstein (1992). This seminal book chronicles the origins of modern finance theory, including the pioneering work of Noble Laureates Harry Markowitz, Merton Miller, William Sharpe, Myron Scholes, Robert Merton, and others.

(17) *Capital Ideas Evolving*—Peter L. Bernstein (2007). Following up *Capital Ideas*, this book published in 2007 continues the story of modern finance theory and its impact on the practice of finance and investing.

(18) *The Black Swan: The Impact of the Highly Improbable*—Nicholas Nassim Taleb (2007). This book focuses on the tendency of individuals to simplify explanations of unpredictable events, since referred to as “black swan theory.”

(19) *Fooled by Randomness: The Hidden Role of Chance in Life*—Nicholas Nassim Taleb (2001). This former academic and hedge fund trader examines randomness in life and the tendency of individuals to equate luck with skill and accomplishment.

(20) *The New Finance: The Case Against Efficient Markets, Fourth Edition*—Robert A. Haugen (1995). The author makes a case against market efficiency by focusing on behavioral finance to explain overreacting pricing in the stock market.

(21) *Against the Gods: The Remarkable Story of Risk*—Peter L. Bernstein (1998). Beginning with Ancient Greece, this book traces the history of the concept and mathematical analysis of risk and probability.

(22) *The Intelligent Investor: The Definitive Book on Value Investing*—Benjamin Graham (2006). Originally published in 1949, this seminal book updated with new commentary by Jason Zweig continues to be viewed as a practical and enduring guide to “value” investing.

(23) *The Money Culture*—Michael Lewis (1991). His second book after *Liar's Poker*, this book is a collection of 30 previously published newspaper and maga-

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zine essays on a variety of topics and events of the 1980s, including commentaries on the Harvard Business School, the takeover battle for RJR Nabisco, earthquakes in Japan, the savings and loan crisis, and even Donald Trump.

(24) *The Warren Buffet Way: Investment Strategies of the World's Greatest Investor, Third Edition*—Robert Hagstrom (2004). With forwards by Howard Marks, Bill Miller and Peter Lynch, his bestseller focuses on the investment philosophy and strategies of renowned and successful investor Warren Buffet.

(25) *Manias, Panics & Crashes: A History of Financial Crises, Seventh Edition*—Charles P. Kindleberger and Robert A. Aliber (2015). This periodically updated classic, now in its seventh edition, examines stock market bubbles and financial crises over the centuries.

(26) *Den of Thieves*—James B. Stewart (1992). This bestseller evolved from Pulitzer Prize-winning *Wall Street Journal* articles by journalist James B. Stewart. It chronicles the insider trading scandals of the 1980s perpetrated by Dennis Levine, Michael Milken, Ivan Boesky, and Martin Siegel that ultimately led to the demise of the investment bank Drexel Burnham Lambert.

## Survey of Faculty Ratings

To obtain faculty ratings of these 26 books, we used email and SurveyMonkey to survey 748 current and past members of the Financial Education Association and Academy of Business Education. We asked the respondents to rate each book using a four-point scale of 1 = not recommended, 2 = weakly recommended, 3 = recommended, and 4 = highly recommended. Respondents who had not read a particular book were asked to indicate 0 = no opinion. Our list of books is certainly not all-inclusive. Therefore, our questionnaire also solicited other recommended books by the survey respondents.

The questionnaire did not ask respondents to identify themselves or their universities. It was emailed in early August 2016, and we received 69 responses initially. A complete second emailing was conducted two weeks later to improve the response rate. In total, we received 104 responses, an overall response rate of 13.9%.

Our cover letter email accompanying the questionnaire is shown in the Appendix.

## RESULTS

Table 1 contains the results of our survey. The percentage of responses within each rating are calculated based upon the ratings of those respondents who rated the books with a rating of 1 to 4. The mean ratings are calculated by multiplying the percentage of responses in each rating category with values of 1 through 4. The 26 books listed in Table 1 are ranked according to the weighted average mean ratings.

**Table 1. Survey Results: Faculty Ratings of Recommended Books in Finance.**

Book	Number of Ratings	Percentage of Responses Within Each Rating				
		1	2	3	4	Mean
<i>A Random Walk Down Wall Street</i>	91	1.1%	12.1%	28.6%	58.2%	3.44
<i>The Big Short</i>	84	1.2%	9.5%	44.0%	45.2%	3.33
<i>Liar's Poker</i>	75	1.3%	9.3%	54.7%	34.7%	3.23
<i>The Intelligent Investor</i>	74	1.4%	13.5%	50.0%	35.1%	3.19
<i>The Smartest Guys in the Room</i>	61	3.3%	19.7%	37.7%	39.3%	3.13
<i>Manias, Panics &amp; Crashes</i>	31	3.2%	9.7%	61.3%	25.8%	3.10
<i>Barbarians at the Gate</i>	67	4.5%	14.9%	59.7%	20.9%	2.97
<i>When Genius Failed</i>	63	1.6%	23.8%	50.8%	23.8%	2.97
<i>Capital Ideas</i>	48	6.3%	27.1%	31.3%	35.4%	2.96
<i>One Up on Wall Street</i>	61	1.6%	27.9%	44.3%	26.2%	2.95
<i>Too Big to Fail</i>	60	6.7%	16.7%	53.3%	23.3%	2.93
<i>Flash Boys</i>	62	9.7%	25.8%	30.6%	33.9%	2.89
<i>Chasing Goldman Sachs</i>	20	10.0%	15.0%	55.0%	20.0%	2.85
<i>The Black Swan</i>	66	7.6%	27.3%	42.4%	22.7%	2.80
<i>Fooled by Randomness</i>	51	15.7%	13.7%	47.1%	23.5%	2.78
<i>The Warren Buffet Way</i>	47	6.4%	27.7%	51.1%	14.9%	2.74
<i>Bogle On Mutual Funds</i>	33	6.1%	30.3%	48.5%	15.2%	2.73
<i>A Colossal Failure of Common Sense</i>	33	6.1%	30.3%	48.5%	15.2%	2.73
<i>Capital Ideas Evolving</i>	29	13.8%	31.0%	24.1%	31.0%	2.72
<i>Den of Thieves</i>	33	3.0%	36.4%	48.5%	12.1%	2.70
<i>Boomerang</i>	27	14.8%	25.9%	37.0%	22.2%	2.67
<i>The New Finance</i>	46	8.7%	43.5%	26.1%	21.7%	2.61
<i>Against the Gods</i>	46	8.7%	43.5%	26.1%	21.7%	2.61
<i>Merchants of Debt</i>	22	13.6%	36.4%	40.9%	9.1%	2.45
<i>The Money Culture</i>	31	16.1%	38.7%	35.5%	9.7%	2.39
<i>King of Capital</i>	14	35.7%	57.1%	7.1%	0.0%	1.71

The top ranked book was Burton Malkiel's classic *A Random Walk Down Wall Street* followed by *The Big Short: Inside the Doomsday Machine* and *Liar's Poker*, both by Michael Lewis. The book with the lowest rating among our list of 26 recommended books was *King of Capital—The Remarkable Rise, Fall and Rise Again of Steve Schwarzman and Blackstone* by David Carey and John E. Morris. However, only 14 respondents rated it.



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Interestingly, when ranked according to the number of respondents who rated the books, the top three were again *A Random Walk Down Wall Street*, *The Big Short: Inside the Doomsday Machine*, and *Liar's Poker* and the lowest was *King of Capital—The Remarkable Rise, Fall and Rise Again of Steve Schwarzman and Blackstone*.

It is important to note the limitations of this research and our results. As previously acknowledged, the data presented in Table 1 is based on the particular books that we personally recommend to students -- books that we have found to be enjoyable, insightful, and informative. As indicated by the number of ratings shown in Table 1, not all respondents had read all 26 books. In fact, no one rated all 26 books. This limits the comparability of the ratings.

Beyond the 26 books listed in the questionnaire, 100 additional books were recommended by the survey respondents. The wide diversity of survey-recommended books, including books on investing, behavioral finance, the global financial crisis, and even finance textbooks, was not surprising. The books most numerous recommended, with four recommendations each, were *Stocks for the Long Run* by Jeremy Siegel (2014) and *The Millionaire Next Door: The Surprising Secrets of America's Wealthy* by Thomas J. Stanley and William D. Danko (2010). The books with three recommendations each were *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything* by Steven D. Levitt and Stephen J. Dubner (2009), *The (Mis)behavior of Markets: A Fractal View of Financial Turbulence* by Mandelbrot and Hudson (2004), *The Total Money Makeover: A Proven Plan for Financial Fitness* by Dave Ramsey (2004), and *Irrational Exuberance* by Nobel Laureate Robert Shiller (2000). A complete list of the additional 100 books recommended by the finance faculty responding to our survey is available from the authors upon request.

## Concluding Comment

Notwithstanding the limitations of our research, we believe that our results should be of interest to colleagues who are looking for good finance books to read themselves and/or to recommend to their students. Virtually all of the books help bring finance alive in ways that journal articles, textbooks, lecture and cases cannot easily achieve and therefore enhance the understanding and application of our discipline. Over the years, our former students have confirmed to us the usefulness and “wisdom” of our list, and so we hope that sharing our list and the recommendations of other books will be helpful to our colleagues and students at other institutions.

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## APPENDIX

### *Cover Letter for Faculty Survey*

Dear Colleagues:

Over our teaching careers, many students have asked for recommended books that they can read, often during the summer. Receiving such inquiries from students who have become so interested in our subject that they want to continue reading beyond their course requirements is one of the many gratifying aspects of teaching.

We have developed a questionnaire contains asking about 26 books that we often recommend to our finance students. We are interested in your ratings of these books. Of course, few if any of us have read them all; simply indicate “no opinion” for those you have not read.

<https://www.surveymonkey.com/r/FEAsurvey2016>

We also provide you with an opportunity to list and rate other books that you would recommend to finance students. We would like to include these in the results of our research study.

We plan to present the results of the survey at the Financial Education Association/Academy of Business Education 2016 Conference. Please be assured, however, that the survey is anonymous and does not solicit any information identifying you or your university.

Thank you,

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