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# Theory Of Interest



## Synopsis

The third edition of The Theory of Interest is significantly revised and expanded from previous editions. The text covers the basic mathematical theory of interest as traditionally developed. The book is a thorough treatment of the mathematical theory and practical applications of compound interest, or mathematics of finance. The pedagogical approach of the second edition has been retained in the third edition. The textbook narrative emphasizes both the importance of conceptual understanding and the ability to apply the techniques to practical problems. The third edition has considerable updates that make this book relevant to students in this course area.

## Book Information

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## Customer Reviews

This book is highly mediocre, at best. I am a mathematician, and have no complaints about the mathematics in the book. The theory presented within is mathematically sound. However, the presentation was found wanting. To give just a few examples of why this book does a poor job of teaching the concepts: Lack of motivation. Every topic should start with some sort of motivating example. Given that the theory of interest has myriad applications, I find it difficult to understand why the author chose not to use a single example of why a particular topic is relevant to the real world. Chapter 1 starts off (section 1.2; the intro was section 1.1) with the accumulation function. We don't even see an example of the simplest kind of interest (i.e. simple interest) until section 1.4! The chapter should have started with some examples of interest (simple interest, maybe even annual interest for a simple exponential model) to build the reader's intuition. With this already laid out, introducing the accumulation function becomes very natural. 2. The author introduces terms that "is

not intuitively clear" (e.g. "effective" on page 5 -- a bit too early?). This should not ever happen in any textbook whose goal is to teach! Had the author actually presented a few examples (using different periods such as a year vs. a month), "effective" could easily be explained by a need to have some way to do an apples-to-apples (i.e. yearly) comparison of different interest models. Sometimes the mathematical explanations could have been made simpler. For example, on page 11, the author uses linear interpolation between two values  $(1+i)^n$  and  $(1+i)^{(n+1)}$ . The formula he uses is  $(1-k)(1+i)^n + k(1+i)^{(n+1)}$  with 0

Getting a hardback book at the paperback book price was great! Getting a copy that was in good versus new condition was ok as it dropped the price and notes in the margin helped me understand the material.

I took a class where this book was used and this book taught me everything I know about financial math. The teacher was very unclear but this book was super helpful & definitely helped me.

Book is missing the first 200 pages. Ridiculous

This book is about the maths of interest not the theory of interest. The only book I have found actually about the Theory of Capital and Interest is the three volume set by Eugen von Boehm-Bawerk from 1888, recently republished by the Libertarian Press.

Just what I need!

Great book

if you need it for school it would be better to ask the prof to change the book or not to take the course at all dont buy!!!!!!!

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