Foreword

About a half century ago began a remarkable intellectual revolution

which transformed the field of finance from a collection of anecdotes

and accounting identities into a scientific discipline with general principles

and rigorous empirical assessments of its hypotheses. In the ensuing

decades, finance science was both shaped, and shaped by, the extraordinary

transformation of the practice of finance.

Oldrich Vasicek was one of the pioneer scientists to provide foundational

contributions in the pricing and risk measurement of fixed income

securities–default-free bonds that form the term structure of interest rates,

and credit-risky bonds and loans–and to implement them in practice. Here

we have the collection of the original papers and articles of his intellectual

history of thought–with the content of the models still applicable today.

Whether a master researcher, experienced finance professional or novice

student of finance, you are in for a treat.

*Bon appétit!*

Robert C. Merton

Distinguished Professor of Finance

MIT Sloan School of Management

1997 Nobel Memorial Prize in Economic Sciences

ix