

Whether you find reading the late Peter Bernstein's *Against The Gods*, first published in 1996, worth your while probably depends on your expectations. Its somewhat bombastic title and cover illustration promise a bit more than this chronicle, though well written, delivers. The subtitle, *The Remarkable Story of Risk*, is a case of missing the subject: the author has a lot more to say about the development of risk assessment and risk management than about any risks that people actually took.

Nevertheless, Bernstein does tell a remarkable story: a novel-like narrative of philosophers and mathematicians, traders and scientists, gamblers and analysts, cool professionals and obscure amateurs. Starting with 13th-century mathematician Fibonacci, he presents the contributions of giants such as Galileo Galilei, Blaise Pascal, and Carl Friedrich Gauss, visits with obscure innovators such as 16th-century gambling addict Girolamo Cardano, and discusses theories developed by 20th-century celebrities like John Maynard Keynes, Fisher Black or Myron Scholes.

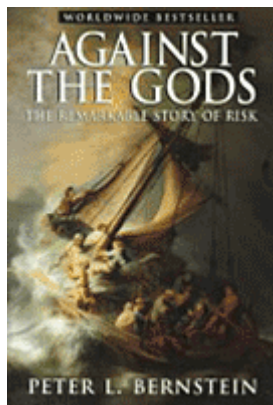
All of them helped develop modern risk management methods and ways of predicting, if not shaping, the future. The results have en-

abled individuals, organizations and whole countries to replace fatalism with educated decision making.

Along the way, the author sheds much light on the development of business forecasting, game theory, insurance and other areas of risk prediction, discusses implications on portfolio analysis, volatility studies, derivatives, hedging, side bets and similar market plays, and is brave enough to investigate an unpleasant gating factor: the "repeated patterns of irrationality, inconsistency, and incompetence in the ways human beings arrive at decisions and choices when faced with uncertainty" observed in newer research studies.

*Against The Gods* has its limitations. It does a better job discussing underlying principles than it does analyzing implications and presenting applications. Paradoxically, the book lacks an adequate discussion of the risks of risk management. Only one short statement hints at this: "The science of risk management sometimes creates new risks even as it brings old risks under control." In light of a not-quite-over-yet global economic crisis and the factors that caused it, this discussion calls for much greater depth than it received in the book.

Never was understanding and managing risk more important than in today's globalized world with its economic thunderstorms and omnipresent threats. In spite of its flaws, *Against The Gods* might serve as a light tower in stormy seas.



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