A World of Chance: Betting on Religion, Games, Wall Street

Reuven Brenner, Gabrielle A. Brenner, Aaron Brown
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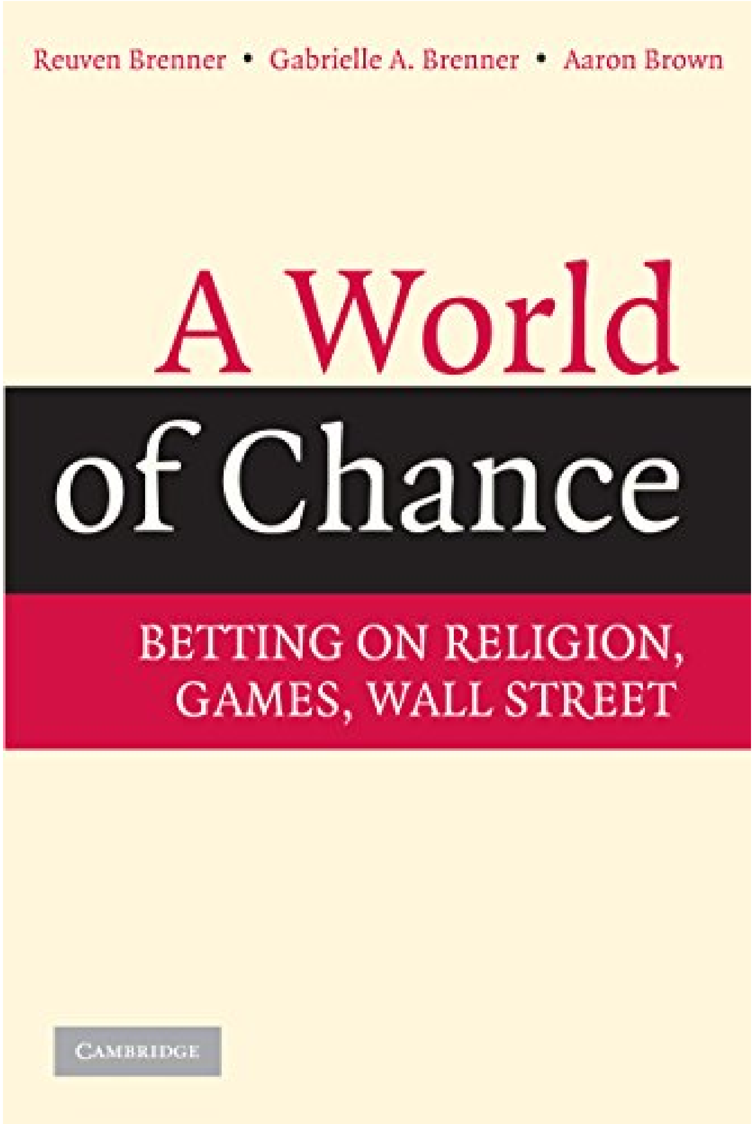

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Reuven Brenner, Gabrielle A. Brenner, Aaron Brown : A World of Chance: Betting on Religion, Games, Wall Street before purchasing it in order to gage whether or not it would be worth my time, and all praised A World of Chance: Betting on Religion, Games, Wall Street:

1 of 1 people found the following review helpful. Stimulating, worthwhile, not entirely convincing in a few passages but overall deep and thoughtfulBy Phil O.I am ready to concede that the world could well benefit from a broader range of more risky instruments available to more people. This basic idea attracted me to this book. However, that is not the same as saying the authors "close the sale" completely by the means used here. A lot of touting is done of various acts of short-term-ism such as drinking and gambling, the case being pressed that the poorer classes actually did know

what they were doing with their calculations of risk, given their repressed economic straights. Interesting stories are recounted, which bolster the case somewhat, except I see a pattern: some mainstream view (usually propounded by oppressive ecclesiasts or overbearing elites, but often here a sort of straw-man view, now conventionally mostly NOT today's mainstream) is "revealed" (my word) as misguided. Then, the punters who were doing this unapproved stuff are said, based on some anecdotal contrarian view, to have known just what they were risking and doing. This formula is repeated with such things as the tulip craze 1635-37, then ale-houses and lotteries. Let me tell you my anecdotal experience: yes, people who have poor educations and lots of kids and low-paying jobs tend to do things like smoke, drink, and gamble. The statistics here are borne out. But the inferences from those statistics are not as neat as are posed here. Such folks tend in my view to degrade their lives and possibilities, and to die considerably younger than they might have. Their short-term-ism quickly feeds back into their poor outcomes and destroys them. They double down that much more, and the spiral accelerates. These people are merely ignorant, not some sort of unsung and unheralded calculators of unseen risk metrics. They make bad choices, make more bad choices, then die, often young and unpleasantly. They simply read risks badly and make poor calculations. It isn't rocket science. That's a better explanation for me of why they are poor, than some regulator off stage right holding them back from tossing the dice (and their children's food and rent away) in one throw on the rest of their lives. They make foolish dice throws frequently enough to materially worsen their outcomes. Hence, many of these activities which are no sensible bet to begin with, are regulated, to prevent the exploitation and despoilation of these people and their dependents. Which, surprise, breeds crime. Sorry that uncool fuddy-duddy view is so boringly true, for people looking for some magical new view of this (or dressing up a book to sell).Yes, it is different for my poor friend Vince to bet on the ponies than for a rich guy to do so. The same for his choices to drink, and do all kinds of risky things. Vince now is toothless and sleeps on the street. He never understood statistics well. He was just a guy with a short attention span who wanted something for nothing. If he knew something I missed, that defies common sense.I respect the authors' patiently explicating opposing views; that makes them intellectually respectable. And I gain much from these accounts, often loosely along the lines they are pointing. I like histories of insurance and various risk-transfer devices, and this book is rich with them. But to be told in one or two sentences that contrary to most considered views, the Dutch who traded tulips thought this-and-that, because this-and-that was happening, is too facile, and at its worst moments, in effect (IMO) amounts to marketing old and very time-tested and debated ideas as some kind of revelation, or as turning on some flip arrow of causation not rigorously documented here. Again, I like this book and benefited much from reading it.Once that relatively unfortunate opening is behind the reader, the authors/book plumb much deeper, richer, more enlightening and more scholarly depths, going back into various advances and missteps in societies' and legal systems' recognition of the value of risky transactions to the surrounding economy. A reader looking for depth, breadth and imaginative views of all this will be well rewarded.7 of 7 people found the following review helpful. Economists argue to legalize gamblingBy David J. AldousThis (rather unhelpfully titled) book discusses gambling from an Economics viewpoint, and argues three main theses. That traditional moralistic objections to gambling are misguided. That all forms of gambling should be treated as ordinary businesses -- private rather than governmental, regulated and taxed no more stringently than any other private business. That zero-sum (fair) gambling with a small chance of a big gain, which academics usually regard as irrational (for reasons of risk-aversion and concave utility function) is explainable under a "leapfrogging" model in which people care about relative economic status. The style is at the serious end of the "popular science" spectrum, a little too weighty for pleasant bedtime reading, but (aside from a mathematical appendix) perfectly understandable by an educated reader without needing any specific technical background.Much of the book deals with history, from the 20th and earlier centuries, of gambling practices: how laws on gambling were influenced overtly by cultural and ethical views (and covertly by vested business interests) in different countries and periods, and what were the economic effects of these laws. This historical discussion, used to support their arguments for contemporary policy, is quite differently focussed and much more detailed than most "popular science" style books treating the history of risk or chance, e.g. Against the Gods: The Remarkable Story of Risk and Chances Are: Adventures in Probability. Part of the book discusses empirical evidence to refute the traditional moralistic concerns about gambling: statistically, gamblers behave as responsibly in other affairs as non-gamblers, and big lottery winners typically do not fritter away their winnings.I found the factual material to be both interesting and informative. As for any book arguing a thesis, the arguments need to be read critically. It's written from what one might call the Economist magazine view of the world, which I tend to share, so I am predisposed to agree with the authors' theses, but let me try to engage it critically anyway.The authors correctly point out that gambling involving small stakes and small rewards (slot machines, poker, sports betting) is just a form of entertainment, so the existence of a thicket of laws restricting this particular form of entertainment is bizarre. They note the clearly desirable risk-taking that drives economic growth in a free market society, from the hands-on entrepreneur starting a physical business to the familiar financial spectrum of venture capital, IPOs, and secondary markets (i.e. Wall Street) to which speculators, who as individuals are acting as gamblers, have the desirable effect of adding liquidity. But they are implicitly arguing there is some meaningful connection between entertainment gambling and liquidity provision in more tangible markets. Despite their collection of cute historical stories ("poker banks" in the settlement of the southern and western U.S.; late 19th century "bucket shops" allowing ordinary people to bet oncommodity price fluctuations; lottery brokers founding the Chase National Bank and the First National Bank of NYC) and a brief chapter (8) speculating on how sources of capital and attitudes to risk-taking varied between different societies, the connection today is not particularly convincing.Underlying this book is the first author's theory (reiterated in Appendix 1) of "leapfrogging", developed in the 1980s. This takes the familiar idea that people are concerned with their relative position in society, and tweaks it by adding the "dynamical" notion that people whose position has declined are more motivated to take risks to restore their position. This sounds plausible, and is an interesting academic exercise to examine. Though (to caricature slightly) it is attacking a recent dogma that people are "predictably irrational" in dealing with matters of risk, and returning to the earlier Economics dogma that people always act rationally, so that apparent irrationality must mean that people are acting in accordance with some less apparent objective.

Although financial markets often try to distance themselves from gambling, the two factors have far more in common than usually thought. When, historically, there were no financial institutions such as banks, lotteries constituted the ways by which expensive items were disposed of, and governments raised money quickly. Gambling tables fulfilled roles that venture capital and banking do today. 'Gamblers' created clearinghouses and sustained liquidity. When those gamblers bet on price distributions in futures markets, they were redefined as 'speculators'. Today they are called 'hedge fund managers' or 'bankers'. Though the names have changed, the actions undertaken have essentially stayed the same. This book shows how discussion on 'chance', 'risk', 'gambling', 'insurance', and 'speculation' illuminates where societies stood, where we are today, and where we may be heading.

"Did you know that the modern insurance industry is a direct outgrowth of gambling? Did you know that poker provided one of the most important sources of capital for penniless Western frontiersmen in the United States? Did you know that major opera houses of Europe began as gambling halls with the theaters attached (history, if not always the quality of music, repeats itself in Las Vegas)? Do you know the real reason the NFL resists the legalization of sports betting in America? For the fascinating answers and insights into the politics, the finance, and the economics of that over-maligned pastime, gambling, and, yes, including the surprising role it has frequently played in finance - read A World of Chance. The odds are strong that you will love it." - Henry G. Manne, Dean Emeritus, George Mason Law School"A World of Chance undermines our usual view of 'economic man' and substitutes the angst-ridden, uncertain denizen of a world that offers no certainties and requires risk-taking as a matter of survival.... For providing a theoretical foundation for the counter-intuitive behavior of American taxpayers, the Brenners deserve the Nobel Prize in economics." - Asia Times"No one since Joseph Schumpeter has done more than Reuven Brenner to put risk-taking and innovation at the center of economic theory." - Laury Minard, Forbes"...a fine, freshly produced reference for those presenting the argument about pros and cons of gambling versus Wall Street and how they compare in the 21st Century." - Howard Schwartz, The Gamblers Bookshop"A World of Chance puts up a stout defense of gambling both as a form of entertainment and source of hope.... The book does an excellent job of disassembling all the bogus arguments for keeping lotteries and other forms of gambling under state control, and in particular highlights the self-interested nature of the assault on internet gaming, which is a threat neither to national security nor public morals." - Peter Foster, National Post"The relationship between gambling and finance (let alone religion and politics) eludes even the most erudite among us because it is clouded in misunderstanding, prejudice and good, old-fashioned politics. Reuven Brenner, Gabrielle A. Brenner, and Aaron Brown have written several books in praise of gambling. In this book, they draw insights from sociological theories of gambling and propose a risk-taking model of expected utility. They use it to disentangle the relationship between fortune and providence, democracy and autocracy, chance and mobility. It is a tall order, but... they succeed admirably." - Nikolaos Zahariadis, Perspectives on PoliticsPraise for Gambling and Speculation: "Brenner is one of the freshest writers I have read in economics, willing to introduce himself into his prose and express (sometimes outrageous) opinions. I like to read him." - Richard C. Rockwell, Social Science Research CouncilPraise for Rivalry: "This is an important book. Schumpeter would have been impressed." - Graham Bannock, Business EconomistAbout the AuthorReuven Brenner holds the Repap Chair in the Desautels Faculty of Management at McGill University, Montreal, Canada, and is a partner in Match Strategic Partners. The author of seven other books, including Gambling and Speculation (Cambridge, 1990, with Gabrielle A. Brenner) and Rivalry: In Business, Science, Among Nations (Cambridge, 1987), he examines what makes societies and firms leapfrog over others or fall behind them. The Wall Street Journal, the Financial Times, the New York Times, the Boston Globe, the Times of London, Asia Times, and Smart Money have reviewed his books. He has also served as a consultant to companies such as the Bank of America, Bell Canada, and Knowledge Universe, and he has worked with financial institutions throughout North America. Brenner has also been a frequent commentator in leading media around the world. Forbes Global's columnists have put two of Professor Brenner's titles on their list of recommended books for all time and profiled him in a cover story titled 'Leapfrogging'. He has served on the board of several companies, received a Fulbright Fellowship and the Killam Award, and is a Fellow of the Royal Society of Canada.Gabrielle A. Brenner is Associate Professor of Economics at the Ecole des Hautes Etudes Commerciales in

Montreal, Canada. She holds a PhD in economics from the University of Chicago and has written about risk taking, entrepreneurship, and anti-trust. Professor Brenner worked at Lexecon and has also served as a consultant to the World Bank, UNIDO, and CIDA.Aaron Brown is risk manager for AQR Capital Management in Greenwich, CT. He holds degrees in applied mathematics from Harvard University and finance from the University of Chicago. He has worked as a trader, portfolio manager, head of mortgage security, and risk manager for such Wall Street firms as Morgan Stanley and Citigroup; taught finance at Fordham and Yeshiva universities; and ran a public mutual fund. Mr Brown is the author of The Poker Face of Wall Street.