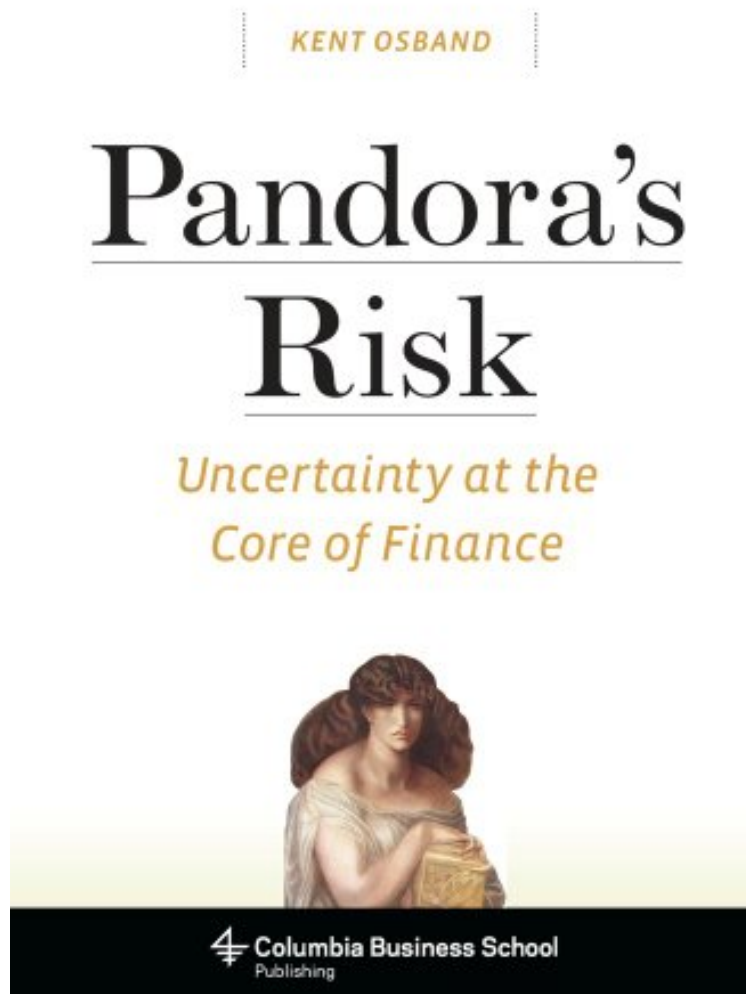


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# Pandora's Risk: Uncertainty at the Core of Finance (Columbia Business School Publishing)

*Kent Osband*

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**Kent Osband : Pandora's Risk: Uncertainty at the Core of Finance (Columbia Business School Publishing)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Pandora's Risk: Uncertainty at the Core of Finance (Columbia Business School Publishing):

0 of 0 people found the following review helpful. A Voice In The Wilderness By Tim Hatamian This amazing little book is unique in that it is essential reading simultaneously for novice outsiders, finance insiders, top-experts, and

policy makers alike! Like its contents, this book deserves a thoughtful, if extensive review; one that I hope to write soon and amend my unequivocal recommendation here. Pandora's Risk is the single best compilation of the open "puzzles in finance", along with the most physically (as opposed to philosophically) plausible set of explanatory models/hypotheses. Among the varied target audiences, no other group must hear the author's pitch on sustainable finance, than regulators and central bankers. Alas, I fear the call to heed fat-tails remains a voice in the wilderness. As we head into bigger and bigger financial collapses (each standing on the shoulders of the previous inaction) there is nothing more timely to heed the fundamental notions of lending and risk as addressed in this book or in equivalent ways. 1 of 1 people found the following review helpful. Deep knowledge successfully obscured By Prosumer21 Erudite writer but a confused and confusing book. It does a shoddy job in depicting the mathematics of risk which dominates the second half. The qualitative narrative of risk in the first half is banal. A waste of my money and time, and I had extremely high hopes, given the author's deep knowledge of the subject. I have read his research from his sellside days and know that he knows his stuff. It doesn't come through here. His editor really needs to learn finance and do a better job of editing. 0 of 0 people found the following review helpful. Claims too much delivers too little By Anonymous The book has some interesting points, but its claims are far more grandiose than what it actually delivers. It promises to develop / describe a new mathematically sound theory of understanding uncertainty, but in fact is just a rehash of standard Bayesian methods. Furthermore, the writing is very poor - terms are muddled and used imprecisely, a lot of unnecessary jargon is dropped without explaining what / how the author is interpreting the them. Moreover, there is nothing worse than math written out in words - I don't know of anyone except story-book editors who think it's clearer that way.

Author of the acclaimed work *Iceberg Risk: An Adventure in Portfolio Theory*, Kent Osband argues that uncertainty is central rather than marginal to finance. Markets don't trade mainly on changes in risk. They trade on changes in beliefs about risk, and in the process, markets unite, stretch, and occasionally defy beliefs. Recognizing this truth would make a world of difference in investing. Belittling uncertainty has created a rift between financial theory and practice and within finance theory itself, misguiding regulation and stoking huge financial imbalances. Sparking a revolution in the mindset of the investment professional, Osband recasts the market as a learning machine rather than a knowledge machine. The market continually errs, corrects itself, and makes new errors. Respecting that process, without idolizing it, will promote wiser investment, trading, and regulation. With uncertainty embedded at its core, Osband's rational approach points to a finance theory worthy of twenty-first-century investing.

This is an important book on financial risk, bringing together some little-known threads while adding significant new work. It is topical, actionable, and rigorous. (Aaron Brown, chief risk officer at AQR Capital Management and author of *The Poker Face of Wall Street*) While the rest of us are scrabbling around in the gutters, Kent Osband has set his sights on Mount Olympus in his latest book. Using math and imagination, he illuminates the key drivers of financial risk, the shortcomings of current risk management, and the potential for constructive reform. My one concern is that under the current system of compensation in the financial sector, even the gutters are lined with gold, and this will deter people from implementing his ideas. Still, I'm on Kent's side in his goal of educating people on the dangers and the possibilities of risk management. I want risk managers and regulators everywhere to read his work. (Paul Wilmott, founder of Wilmot and Wilmott.com and author of *Frequently Asked Questions in Quantitative Finance*) Pandora's Risk is a captivating book with important messages for researchers and decision makers in finance and statistics. Kent Osband combines fundamental economic insight with fresh, principled quantitative methodology to spur and demand new approaches of handling uncertainty in today's turbulent markets. (Tilman Gneiting, University of Heidelberg) With impressive breadth, Pandora's Risk offers a tour through economic history and modern global finance and persuasively argues that the confusion between 'risk' and 'uncertainty' has been a vital feature in risk management failures. Kent Osband's writing is passionate but not doom-laden. His is a fast-paced, lively, and hugely engaging book, full of humor as well as valuable, practical insight. Everyone in the business of financial risk will enjoy reading this volume and will learn something useful in the process. (Mary Hardy, University of Waterloo) Every financial regulator should have this book. Every academic burdened by the lies of Modern Portfolio Theory should get this book. Anyone who fancies himself to be a risk manager should have this book. If you want to understand why financial markets are inherently uncertain, this book will teach you well. (David Merkel Seeking Alpha) About the Author Kent Osband has worked for twenty-five years as a strategist/economist for major investment firms, international financial institutions, and think tanks. He holds a B.A. magna cum laude from Harvard University and a Ph.D. in economics from the University of California, Berkeley, and has taught at Harvard and at the University of California, Los Angeles. He is the author of *Iceberg Risk: An Adventure in Portfolio Theory*.