

To start the new year, we thought it would be interesting to provide suggested reading for our clients. What follows is the first part of a list of book reviews that pertain to finance and investment, and other topics we find worthwhile. We've categorized the books as either technical (i.e. the content gets into the weeds a bit) or general (i.e. the content is suited for a broader audience). Enjoy!

The Maxims of Wall Street, by Mark Skousen, 2013

Category - General

A mix of wisdom and humor, this book's roughly 200 pages is filled with pithy quotes delivered down from the past century from some of the industry's prominent leaders. "Bears Make Headlines, Bulls Make Money – A compendium of financial adages, ancient proverbs, and worldly wisdom" is the fitting subtitle. The book is full of insightful quotes:

A 50% loss requires a 100% gain to break even
It's better to be approximately right than precisely wrong
Better to prepare than to predict
We can't direct the wind, but we can adjust the sail
The man who's a bear on the U.S. will eventually go broke

Against the Gods: The Remarkable Story of Risk, by Peter Bernstein, 1996

Category – Technical

We say it's technical, but *Against the Gods* is not necessarily overly abstract. Bernstein does a remarkable job of mapping the history of our understanding of risk. Thousands of years ago (think ancient Greece), astronomers had mapped the skies and mathematicians had mastered geometry. Yet, as inconceivable as it might seem today, there was no concept of risk. The future path of events was at the whim of the gods, and oracles and soothsayers were endowed with magical crystal balls.

There was no consideration at the time that we could predict what might happen in the future and make choices today based on those predictions. There was no construct to guide the decision-making process that might lead to better outcomes based on information known today. It wasn't until the Renaissance when mathematicians developed fields such as probability.

Bernstein walks the reader through history, from the time of crystal balls to the development of chaos theory. The story is quite amazing.