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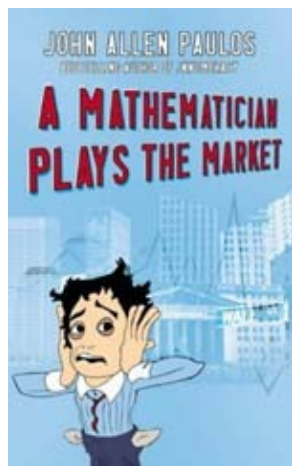
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January 2004

Reviews

'A mathematician plays the market'

reviewed by Helen Joyce



A mathematician plays the market

John Allen Paulos is the man who popularised the word "innumeracy", meaning the all-too-common condition of ignorance and bewilderment about maths and numbers in general. A light, cheerful and ever-so-slightly smug look at the problem, his best-known book of the same name ([reviewed in Issue 11 of Plus](#)) traces the roots of innumeracy to poor teaching and offers suggestions for antidotes and inoculation.

So a reader of *A mathematician plays the market* can perhaps be forgiven for gloating slightly upon learning that even the great Paulos succumbed to one of the most debilitating attacks of collective madness in recent history – the dotcom boom. In this book he describes how he lost large sums (just how large is never stated) on internet stocks, investing particularly heavily in – wait for it – WorldCom. Of course, we all have 20/20 vision with hindsight, but shouldn't his clear reasoning abilities and understanding of numbers have saved him from this bout of innumerate madness?

The self-recriminations are clearly still fresh, and defending, or at least explaining, his lapses is a big part of Paulos's motivation for writing this book. Also, with a return to cannier form, he presumably thought that book royalties would recoup some of his losses. This is smart psychology – if he can recast all that money

'A mathematician plays the market'

spent on worthless shares as "business expenses", presumably they will hurt a lot less. But he's not there yet – throughout the book runs a refrain of *mea culpa*.

I do wonder if one person's dotcom bust is really enough to write an entire book about – sometimes *A mathematician plays the market* seems a little thin. However, the material is well-chosen and Paulos has not lost his trademark light touch. He wanders through probability theory (random walks, trends), psychology (self-fulfilling beliefs, common knowledge), finance (technical strategies, stock options), statistics (expected values, six sigma), mathematics (Benford's Law, Game Theory) and economics (efficient markets, Homo Economicus), touching on many interesting topics, but (hardly surprisingly) giving much time or space to any of them. But although the reader will gain no more than a smattering of any of these topics, for a reader who knows nothing at all about financial bubbles it could be a very useful, indeed salutary, smattering.

After all, not all of us can hedge against losses by resolving to write books about them!

Book details:

A mathematician plays the market

John Allen Paulos

hardback – 200 pages (2003)

Allen Lane

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