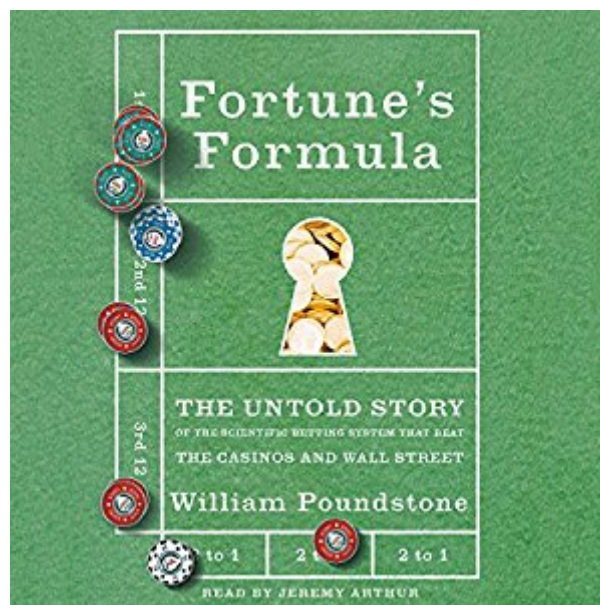




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# Fortune's Formula: The Untold Story Of The Scientific Betting System That Beat The Casinos And Wall Street



## Synopsis

In 1956 two Bell Labs scientists discovered the scientific formula for getting rich. One was mathematician Claude Shannon, neurotic father of our digital age, whose genius is ranked with Einstein's. The other was John L. Kelly Jr., a Texas-born gun-toting physicist. Together they applied the science of information theory - the basis of computers and the Internet - to the problem of making as much money as possible as fast as possible. Shannon and MIT mathematician Edward O. Thorp took the "Kelly formula" to Las Vegas. It worked. They realized that there was even more money to be made in the stock market. Thorp used the Kelly system with his phenomenally successful hedge fund, Princeton-Newport Partners. Shannon became a successful investor, too, topping even Warren Buffett's rate of return. Fortune's Formula traces how the Kelly formula sparked controversy even as it made fortunes at racetracks, casinos, and trading desks. It reveals the dark side of this alluring scheme, which is founded on exploiting an insider's edge. Shannon believed it was possible for a smart investor to beat the market - and Fortune's Formula will convince you that he was right.

## Book Information

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## Customer Reviews

This book talks about the fundamentals about logic, information and probability. It talks a lot about Claude Shannon's story which is very attractive to me. And then it discusses the generation of information theory and the essence of it. As a scientific researcher in a very much related field (operations research), I find the discussion precise and accurate. It also talks about the story about

several other important figures in the development of information theory, such as Kelly, Thorpe etc. In particular, it includes the debate over the celebrated Kelly's formula. This is the best book I have ever read on the topic of Kelly's formula. And it really explains it well. I will recommend this book to any person who is interested in information theory or computer science (or any related field).

Love the story about Kelly formula. Ed Thorp is very curious and brilliant. He tests the Kelly formula on gambling and investing. And made a lot of money. He further develops new tools for both gambling and investment, making more money. In fact, Thorp has one of the best track records in investing. The book also talks about Claude Shannon, a great mathematician and a great investor. Overall, a highly recommended book.

Amazing book that breaks down the Kelly Criterion and all of the past mathematical equations and other weirdness that helped him establish it. The book is chocked full of good stories and explanations but it's drawn out with stories that in my opinion are based solely off of people's ego instead of there lack of understanding. I would still recommend this book but I would google "Kelly Criterion" for some background information about what in Christ's name you're actually reading about.

Excellent, educational and entertaining. Now I understand much more of the investing advice Warren Buffett gives and Charlie Munger's advice on understanding probabilities. The difference between geometric and mathematically averages, etc, etc. Fantastic.

You could say that I have been an Ed Thorp fan for almost 15 years. I haven't met the man personally, but I have benefited a lot from his willingness to share his thoughts on risk management and more. He appears frequently in this book, because of his application of the Kelly criterion and his work with Claude Shannon who popularized it in the context of investing. You can learn a lot from this fun read. The math isn't too involved for general audiences. On the other hand, Mr. Poundstone is very capable with technical topics and I assure you he could have treated the math more in depth. What makes his writing so great is that he provides context and a fun way to learn the ideas with enough substance from the research that you can use it as a bibliography to begin serious research.

Bought this book after I heard an interview with William Poundstone on the Michael Covel

Trendfollowing podcast. He caught my interest and I bought the book and read the entire thing on vacation. It's an excellent read. Not only discusses the Kelly betting criterion, but gives a complete history of how it came about, the history of its use in gambling and betting prior to, how academia tied into it, how the mob used it, and so on. Very interesting read. Would definitely recommend this book.

OK, everyone knows what slimeballs casino operators are, so when a book comes out explaining how someone gave them a comeuppance, it's hard to resist. But this book is a lot more. It's a fun mix of information theory, mob history, big-money investment folklore (including the trillion-dollar blowup of Long Term Capital Management), and more. All of it is held together by a mathematical glue that appeals to geeks like me. Even better, the personalities of the protagonists are not lost on the story. You feel like you know these guys, and the book is hard to put down. William Poundstone is a fine author. I've re-read very few books, and Poundstone's "Prisoner's Dilemma" is one of them. "Fortune's Formula" will be another.

Remove the esoteric math and explains in clear concise example. Felt like I was reliving some of the important but darkest moments of the Wall Street past in a somewhat different prospective. Highly recommend

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