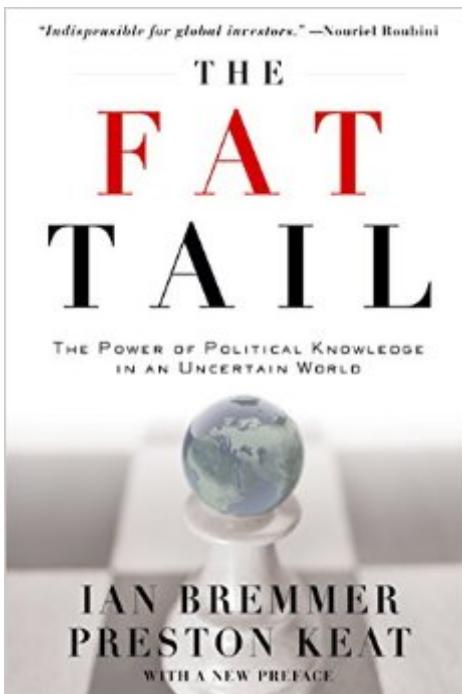


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The Fat Tail: The Power Of Political Knowledge In An Uncertain World



Synopsis

As Ian Bremmer and Preston Keat reveal in this innovative book, volatile political events such as the 2008 Georgia-Russia confrontation--and their catastrophic effects on business--happen much more frequently than investors imagine. On the curve that charts both the frequency of these events and the power of their impact, the "tail" of extreme political instability is not reassuringly thin but dangerously fat. Featuring a new Foreword that accounts for the cataclysmic effects of the 2008 financial crisis, *The Fat Tail* is the first book to both identify the wide range of political risks that global firms face and show investors how to effectively manage them. Written by two of the world's leading figures in political risk management, it reveals that while the world remains exceedingly risky for businesses, it is by no means incomprehensible. Political risk is unpredictable, but it is easier to analyze and manage than most people think. Applying the lessons of world history, Bremmer and Keat survey a vast range of contemporary risky situations, from stable markets like the United States or Japan, where politically driven regulation can still dramatically effect business, to more precarious places like Iran, China, Russia, Turkey, Mexico, and Nigeria, where private property is less secure and energy politics sparks constant volatility. The book sheds light on a wide array of political risks--risks that stem from great power rivalries, terrorist groups, government takeover of private property, weak leaders and internal strife, and even the "black swans" that defy prediction. But more importantly, the authors provide a wealth of unique methods, tools, and concepts to help corporations, money managers, and policy makers understand political risk, showing when and how political risk analysis works--and when it does not.

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Customer Reviews

Risk is an inherent part of business and anyone who has managed a business at any level knows that risk comes into play on a daily basis. In today's modern, global economy, the risks are greater than before and are often more difficult to predict. The Fat Tail is a book that discusses many of these unique risks, offering some ideas for spotting these risks and taking the proper precautions to make sure the effects are minimized. I have worked for many years in management and I am fully aware of these additional risks. It would be nice if risk was limited to supply/demand issues or employee retention but, unfortunately, risk is much more widespread than in the past and we have the global economy to thank for much of this. Some precautions can be taken, but there are some risks that cannot be controlled as well as others. A civil war, excessive regulation, foreign currency exchange issues, expropriation, and many other unforeseen events can cause a drastic change to the business climate and thus have a dramatic effect on business. The Fat Tail discusses these many different types of risk that we, as managers, face in the new century and I can relate directly to what much of it says. To backup its key points, The Fat Tail offers many examples from history that show how an unexpected event led to complete turmoil in every facet of life. In the past, revolutions and the lack of sufficient warnings were often cited among the many reasons why businesses suffered extraordinary losses. Today, certain countries of the world are known for their political instability and information regarding instability is more easily obtained, thanks to the information age in which we live.

I've read many books on investing. But none of them covered this topic - how global politics can affect investing. As the book's title suggests, political risks often fall into a "fat tail," the spot on a bell curve where you would expect the probability to tail off, but where it instead remains high or "fat." That means political risks should be given close attention, since they can mean more than we might otherwise think. They often turn out to be Nassim Nicholas Taleb's "black swans" that are

unsuspected until they are spotted. The "unknown unknowns" that Donald Rumsfeld famously talked about. The more we can learn about these risks, the less risk we will take. The book's authors make their living at the Eurasia Group, which does this type of political risk analysis for companies for a fee. So they try to hard to show that "political risk matters" (the first sentence in the book). They do a pretty good job of making their case, with a slew of stories from history that show how political risks have turned good investments bad. As good as the stories are, from the initial conquest of India in 1757 by a private army hired by a British corporation to the Russian government's default in 1998 on its debt, the quotations heading each chapter were also gems. Like Alfred Hitchcock's "There is no terror in a bang, only in the anticipation of it" heads Chapter 6: Terrorism. And citing rules like "buy when there is blood in the streets" brings powerful images to the often staid world of investing. Just one caution about the book. Its original subtitle was "The Power of Political Knowledge in an Uncertain World." That's more what the book is about.

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