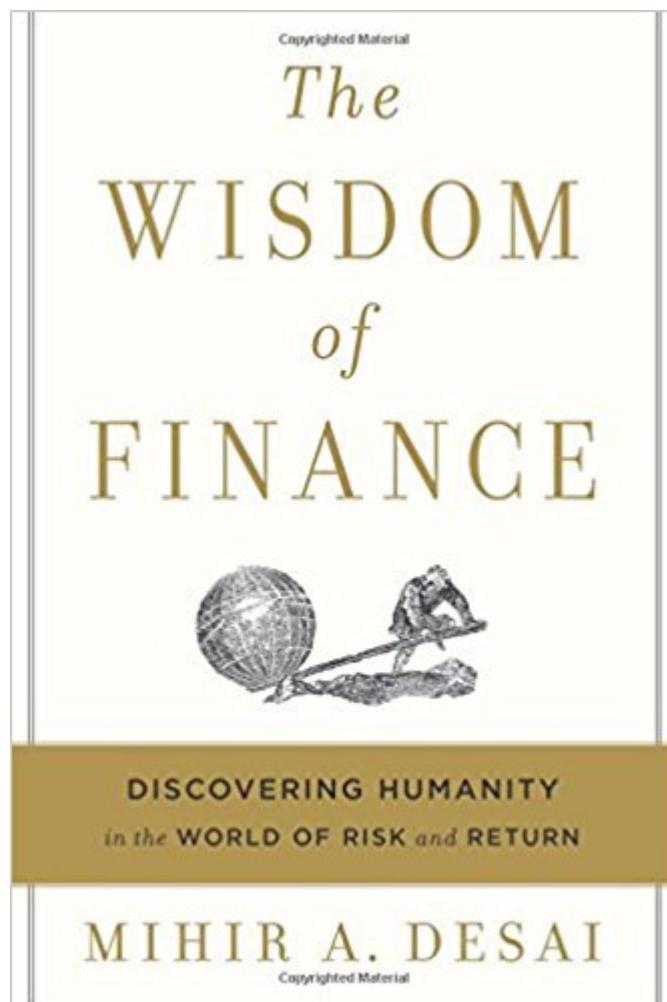


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The Wisdom Of Finance: Discovering Humanity In The World Of Risk And Return



Synopsis

"A fascinating new perspective on modern finance," --Oliver Hart, 2016 Nobel Laureate in Economics"Lucid, witty and delightfully erudite...From the French revolution to film noir, from the history of probability to Jane Austen and The Simpsons, this is an astonishing intellectual feast." --Sebastian Mallaby, author of *The Man Who Knew: The Life and Times of Alan Greenspan* In 1688, essayist Josef de la Vega described finance as both "the fairest and most deceitful business . . . the noblest and the most infamous in the world, the finest and most vulgar on earth." The characterization of finance as deceitful, infamous, and vulgar still rings true today -- particularly in the wake of the 2008 financial crisis. But, what happened to the fairest, noblest, and finest profession that de la Vega saw? De la Vega hit on an essential truth that has been forgotten: finance can be just as principled, life-affirming, and worthy as it can be fraught with questionable practices. Today, finance is shrouded in mystery for outsiders, while many insiders are uneasy with the disrepute of their profession. How can finance become more accessible and also recover its nobility? Harvard Business School professor Mihir Desai, in his "last lecture" to the graduating Harvard MBA class of 2015, took up the cause of restoring humanity to finance. With incisive wit and irony, his lecture drew upon a rich knowledge of literature, film, history, and philosophy to explain the inner workings of finance in a manner that has never been seen before. This book captures Desai's lucid exploration of the ideas of finance as seen through the unusual prism of the humanities. Through this novel, creative approach, Desai shows that outsiders can access the underlying ideas easily and insiders can reacquaint themselves with the core humanity of their profession. The mix of finance and the humanities creates unusual pairings: Jane Austen and Anthony Trollope are guides to risk management; Jeff Koons becomes an advocate of leverage; and Mel Brooks' *The Producers* teaches us about fiduciary responsibility. In Desai's vision, the principles of finance also provide answers to critical questions in our lives. Among many surprising parallels, bankruptcy teaches us how to react to failure, the lessons of mergers apply to marriages, and the Capital Asset Pricing Model demonstrates the true value of relationships. **THE WISDOM OF FINANCE** is a wholly unique book, offering a refreshing new perspective on one of the world's most complex and misunderstood professions. A A A A A

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Customer Reviews

"This is a charming, provocative and readable book. For non-financiers, it can be a great teaching tool; for financiers, it is a badly needed rap on the knuckles, and perhaps an inspiration." - Gillian Tett, Financial Times "Those familiar with the world of finance will have their perspective shifted, and for the rest of us, Desai provides a welcome entry."--The Boston Globe "Mihir Desai is a fortunate person: he is an expert economist who is also well-read. In this book he uses his skills to provide a fascinating new perspective on modern finance, showing how the main concepts have parallels in literature and the arts. Students of finance will learn literature, students of literature will learn finance, and everybody will learn something." --Oliver Hart, 2016 Nobel Laureate in Economics "For those of us who have long believed that the field of finance was more than a way to make a good living, Mihir Desai has written a liberating book. He shows us how an understanding of the humanities can increase our effectiveness as financial practitioners and add a dimension of joy to process." --Byron R. Wien, Vice Chairman, Multi-Asset Investments, Blackstone Group "In this lucid, witty and delightfully erudite study, Mihir Desai connects finance to philosophy, literature and the deep essence of the human condition. From the French revolution to film noir, from the history of probability to Jane Austen and The Simpsons, this is an astonishing intellectual feast."

--Sebastian Mallaby, author of The Man Who Knew: The Life and Times of Alan Greenspan "This book is startling, a stunning, erudite, fascinating look at the world as we think we know it, but it's a world where all roads lead to finance, and in particular, insurance. Highly recommended."

--Seth Godin, author of Purple Cow " The Wisdom of Finance is fascinating and delightful throughout. Desai explains the world of economics to those who love literature and the world of literature to those who are passionate about economics. And if you enjoy both -- well, then you are in for an extra-special treat. I kept shouting aloud: "I get it, I finally get it!" Here is a book that will

make you richer in spirit -- and maybe in money, too." --Will Schwalbe, New York Times bestselling author of *The End of Your Life Book Club* and *Books for Living*"The Wisdom of Finance is required reading for anyone interested in finance or in pursuing a career in the industry. Mihir eloquently traces the products, practices, and services of our modern financial system to their roots while providing literary context and illustration. It's a refreshing approach to what can be a turgid topic, and it can provide practitioners with a new appreciation (and understanding) of their role in their companies, the industry, and in the broader economy." --Vikram Pandit, Chairman and CEO of The Orogen Group and former CEO of Citigroup. "In *The Wisdom of Finance*, Mihir Desai masterfully achieves two goals - bringing great clarity to how finance works and why it is important, and shining a bright light on how the humanities helps us to better understand our lives and world." --Clayton Rose, president of Bowdoin College "Mihir Desai brilliantly applies original lessons drawn from the world of finance to enable all of us to lead more secure, fulfilling and happier lives. Using myriad examples from historical sources and current experiences, Desai takes essential financial theories and translates them into easily understood ways to enrich and improve our lives." --Bill George, former chairman and CEO of Medtronic and author of *Discover Your True North* "The Wisdom of Finance does for the global economy what Alain de Botton's *How Proust Can Change Your Life* did for French literature: it expands our idea of an obscure topic and illuminates its centrality to your everyday. This is a work of true philosophy and passion, incorporating thinkers and artists from E. O. Wilson to Jeff Koons elegantly into our understanding of how we make choices. In a chaotic world, everyone should read Mihir Desai's extraordinary debut." --Lea Carpenter, author of *Eleven Days* "The Wisdom of Finance is that rare book that manages to be both illuminating and truly fun to read. It puts in deeply human terms ideas that have so often become caricatured and one-dimensional. You will be glad you spent time with Mihir Desai, and you will think of several people to whom you will send this book once you've finished." --Gayle Lemmon, author of *Ashley's War* "Mihir Desai has written a thoughtful and remarkable book. It takes us not only on a functional journey about the role of finance in society, but also an ethical and social one." --Rakesh Khurana, dean of Harvard College "A scholar who is equally at home with art, literature, contemporary culture and financial theory, Mihir Desai improbably brings these worlds together in an absorbing, personal narrative that has much to teach us about how they are deeply connected." --Will Goetzmann, author of *Money Changes Everything*; Edwin J. Beinecke Professor of Finance and Management Studies; Director, International Center for Finance, Yale School of Management "This slender but erudite treatise...does valuable work toward demystifying finance for

laypeople and deepening the art for practitioners. Desai's approach will broaden and enrich any perspective." --Publishers Weekly

Mihir A. Desai was born in India and raised in Hong Kong and New Jersey. As a professor and award-winning teacher at Harvard Business School and Harvard Law School, Desai teaches finance, tax law, entrepreneurship and has recently developed an online finance course for the HBX platform. His scholarship on corporate finance, international finance and tax policy has prompted several invitations to testify before the U.S. Congress and serves as the basis of his advisory role to leading global companies and organizations. A

The Wisdom of Finance is worth reading if only to marvel at Mihir Desai's amazing mind, wide range, and exciting set of insights. The book undersells itself, claiming to use a range of novels, movies, music, TV shows, philosophy and history to better understand and illuminate finance. And it certainly does that, covering the full set of topics: insurance, asset pricing, corporate finance, principal-agent problems and bankruptcy among other topics. But the book is about much more, including better understanding literature and our own lives. To give one example that illustrates the astonishing range of Desai's understanding, consider his illustration of leverage by comparing George Orwell (who went into semi-seclusion for years to write 1984) to Jeff Koons (who at his peak employed 150 people to produce his ideas). He uses this not just to understand the role of leverage in the financial system but also to introspect about his own life where he is on the Orwell-Koons spectrum, and how that relates to happiness. And did I mention the astonishing range? We have gotten used to Jane Austen and Leo Tolstoy showing up in economics books. But everything from ancient Greek tragedy to Kanye West? All effortlessly incorporated in many cases with interesting juxtapositions, like the Orwell-Koons example. If this enjoyable and thought-provoking book does not convince you of the wisdom of finance it will at least convince you of the wisdom of Mihir Desai.

Fascinating book...but it's not what I expected. This isn't a book about improving your finances or getting out of debt. It's actually a book of philosophy, using the various branches of finance as the examples. If you like books like Scale (by Geoffrey West), Blank Slate (by Steven Pinker), The Road to Reality (by Roger Penrose), or Anti-Fragile (by Nassim Nicholas Taleb), this book fits right into this mode. If you haven't read any of these books, The Wisdom of Finance is a series of essays that

feel like many college lectures— but half math and half literature. It's like reading *Pride and Prejudice* with math, science, history and art footnotes after every three sentences. Some people will love it. I did. But it's not for everyone. As mentioned, it's certainly not a book on how to improve your personal finances. The best book I've read on that topic is entitled *Financial Fitness: The Offense, Defense, and Playing People of Personal Finance*. The *Wisdom of Finance*, in contrast, is a whole different thing. It's more like a book to help economists or mathematicians see the world from the perspective of the humanities. It makes me think of an advanced version of books like *The Tipping Point* or *Freakonomics*, except it seems to aim less to a business audience and more to academia. If you enjoy studying things like insurance and investment banking, this book gets past the math and statistics and helps finance come alive through stories and the human element. If you aren't really interested in topics like financial risk analysis or diversification as a management strategy, you probably won't like the book.

Witty and wise, this book demystifies a number of assumptions I had held for a long time. It's the perfect book for 2017, when we can't be sure what the government is going to do next. This book helps me, a confused citizen, see facts and trends in a new light.

The author has a rather brilliant polymath mind. He is a teaching professor at both Harvard Business School and Harvard Law School. He therefore has a profound understanding of the math associated with finance and the abstract concepts and context of finance. The latter is something Business schools do not always teach all that well. They teach you about present value of money, asset allocation, diversification, CAPM, ROA, ROE, Alpha, Beta, CDS, MBS, etc. But, they sometimes do not place those tools in an adequate context. So, students know a bunch of tools that they at times do not fully understand. This book is a wonderful remedy to all that. It is an extremely cultured, philosophical, and entertaining guide to the very broad context of finance. The author has a very broad view on finance that includes also all aspects of risk, a fairly thorough body of probability, insurance, and social sciences (some may call the latter behavioral finance or behavioral economics). The knowledge and culture of the author is really impressive. He does not quote Shakespeare, Jane Austen, or Socrates to show off his knowledge but instead to place whatever concepts he presents (such as options, derivatives, investments) in an interesting and often ancient historical context. I only wished I had a professor half as good when I went to Business school. I did not. And, it took me a while to recreate the context associated with the tools I had learned in school.

I derived a good empirical knowledge and understanding of all that stuff as all practitioners of finance eventually do. If I had come across such a book earlier, I would have "gotten it" that much earlier. Last but not least, the book is really enjoyable to read.

One of the best books on finance that I've ever read. Professor Desai is able to show how life and all its messiness and complex is reflected in the world of finance and vice versa. It's really a different kind of book. He takes a complex subject matter and marries it with the humanities in such a seamless way that neither discipline drown each other out but rather compliment each other quite well. I highly recommend this book for the financial industry professional but more so for those who want to understand what finance is REALLY about

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