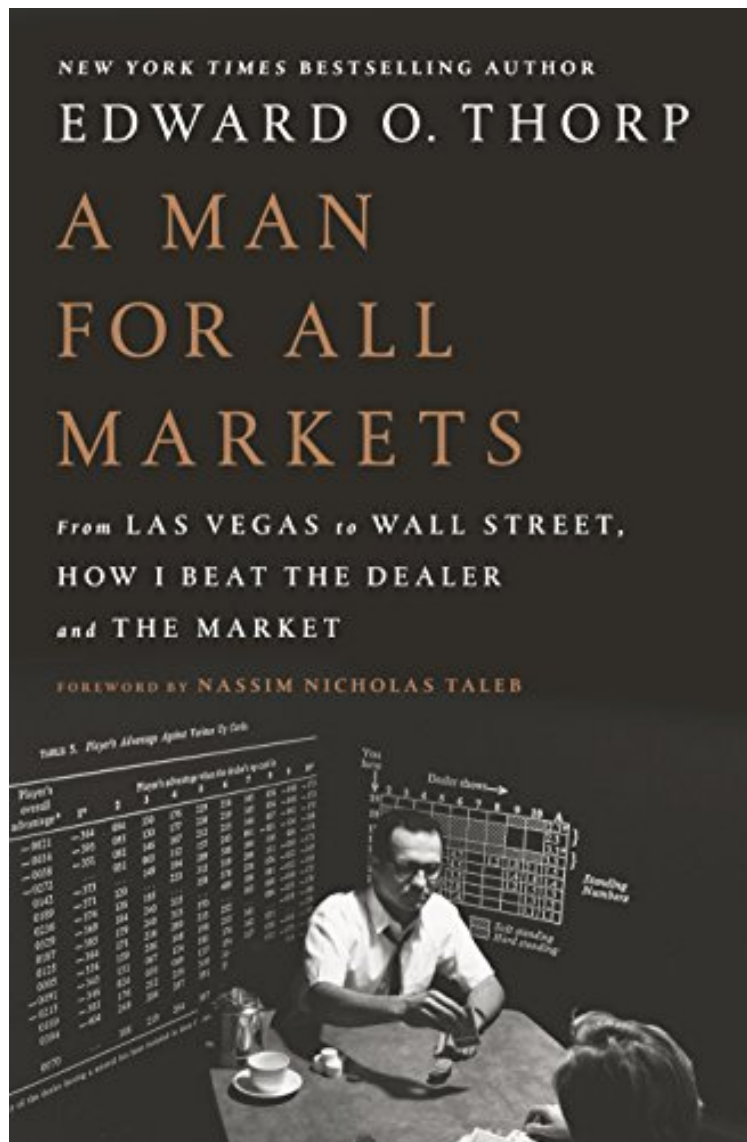


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# A Man for All Markets: From Las Vegas to Wall Street, How I Beat the Dealer and the Market

Edward O. Thorp

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**Edward O. Thorp : A Man for All Markets: From Las Vegas to Wall Street, How I Beat the Dealer and the Market** before purchasing it in order to gage whether or not it would be worth my time, and all praised A Man for All Markets: From Las Vegas to Wall Street, How I Beat the Dealer and the Market:

177 of 182 people found the following review helpful. Disappointing But Still WorthwhileBy A ReaderEdward Thorp is a remarkable man - a polymath of science, computing, mathematics, and finance - and I have looked up to him for a

large portion of my life, from when I read "Beat the Dealer" as an impressionable young teenager, to my career in finance as I learned more about his incredible investing exploits, told skillfully in Poundstone's "Fortune's Formula". So, I came to this book with very high hopes. The book is basically four parts: First, a relatively uninteresting account of Thorp's early years, which were mainly spent reading and experimenting. Second, the stories of his successful card counting, roulette, and baccarat adventures, which were more interestingly told in "Beat the Dealer" and several other accounts. Third, his investment management career, which was so consistently successful until it came to a screeching halt on federal charges against members of the east coast branch of his firm (Thorp does appear to have been completely uninvolved and unaware). Most of his success appears to have turned on what would today be considered fairly simple options arbitrage, albeit only simple because Thorp himself devised much of the foundational work on which options pricing rests today. Fourth, and longest, a 120+ page meditation on the recent past, including a handful of successful investment ideas that have been discussed ad nauseam elsewhere (thrift conversions, the Palm/3Com arbitrage trade, statistical arb) and long ruminations on compound interest, personal finance, the hedge fund industry, personal fitness, time, and his interesting but fairly tangential interactions with Warren Buffett, among other things. This section also contains a jarring discussion of Thorp having extensively vetted Bernie Madoff's fund in 1991 and then conclusively proving that it was a fraud. Then, shockingly, other than telling an investor client to withdraw his funds, he sat on this information for 17 years despite having located investors who had entrusted at least \$500m to Madoff, and likely being aware of far more. The SEC ignored Harry Markopolous, but it seems much more likely that they would have taken Thorp, a distinguished academic and well-connected public figure, seriously. It is hard to take Thorp's moralizing on much smaller issues seriously when he seemingly sat on information that could have saved hundreds of investors their life savings. Thorp then describes a similar situation with a smaller \$200m Ponzi scheme in 1982. Many of us may have failed to speak up as well, but Thorp devotes no time to the ramifications of his failure to act. I came away very disappointed in this book - Thorp is a brilliant, brilliant individual who has contributed significantly to numerous fields - but most of these stories have already been told in classic works by Thorp himself, Klarman, Greenblatt, Poundstone, etc. The book feels padded with wise but fairly generic advice, and notably lacking in discussion of his family life and how he coped with the abrupt end of Princeton Newport, with a nearly two-decade skip between Chapter 16 and Chapter 17. I would still recommend this to almost anyone interested in gambling or finance (especially both!), and remain a fan of his, but I came away from this very disappointed.

0 of 0 people found the following review helpful. Incredible investing information that reflects today's environment. By Rik in SE First read his first book in 1960s. Great guy in his 80s. Very valuable information on hedge funds and ETFs too. 0 of 0 people found the following review helpful. American genius By William An amazing life. I loved this book.

The incredible true story of the card-counting mathematics professor who taught the world how to beat the dealer and, as the first of the great quantitative investors, ushered in a revolution on Wall Street. A child of the Great Depression, legendary mathematician Edward O. Thorp invented card counting, proving the seemingly impossible: that you could beat the dealer at the blackjack table. As a result he launched a gambling renaissance. His remarkable success—and mathematically unassailable method—caused such an uproar that casinos altered the rules of the game to thwart him and the legions he inspired. They barred him from their premises, even put his life in jeopardy. Nonetheless, gambling was forever changed. Thereafter, Thorp shifted his sights to "the biggest casino in the world": Wall Street. Devising and then deploying mathematical formulas to beat the market, Thorp ushered in the era of quantitative finance we live in today. Along the way, the so-called godfather of the quants played bridge with Warren Buffett, crossed swords with a young Rudy Giuliani, detected the Bernie Madoff scheme, and, to beat the game of roulette, invented, with Claude Shannon, the world's first wearable computer. Here, for the first time, Thorp tells the story of what he did, how he did it, his passions and motivations, and the curiosity that has always driven him to disregard conventional wisdom and devise game-changing solutions to seemingly insoluble problems. An intellectual thrill ride, replete with practical wisdom that can guide us all in uncertain financial waters, *A Man for All Markets* is an instant classic—a book that challenges its readers to think logically about a seemingly irrational world. Praise for *A Man for All Markets* "In *A Man for All Markets*, [Thorp] delightfully recounts his progress (if that is the word) from college teacher to gambler to hedge-fund manager. Along the way we learn important lessons about the functioning of markets and the logic of investment." —*The Wall Street Journal* "Thorp] gives a biological summation (think Richard Feynman's 'Surely You're Joking, Mr. Feynman!') of his quest to prove the aphorism 'the house always wins' is flawed. . . . Illuminating for the mathematically inclined, and cautionary for would-be gamblers and day traders." —*Library Journal* "Thorp's in-the-trenches account of gaming the system(s) is a pleasure—and instructive, too." —*Kirkus Reviews* "An amazing book by a true icon. . . . Edward O. Thorp launched revolutions in Vegas and on Wall Street by turning math into magic, and here he weaves his own life lessons into a page-turner as hot as a deck full of aces. Loved it!" —Ben Mezrich, *New York Times* bestselling author of *Bringing Down the House* and *The Accidental Billionaires* "Whether you are an aspiring professional player, a casual gambler, or an occasional visitor to Las Vegas, you can feel the impact of Edward O. Thorp's intellect on that desert

city.”—Nicholas G. Colon, professional advantage gambler and managing director, Alea Consulting Group  
“This book is in part the gripping story of how one man’s genius and dedication has solved so many problems in diverse fields. But more important, it’s a fascinating insight into the thought processes of someone with little interest in fame, who has mostly stayed under the radar, yet who has followed his inquisitive mind wherever it has led him, and reaped the resulting rewards.”—Paul Wilmott, founder, Wilmott magazine

In *A Man for All Markets*, [Thorp] delightfully recounts his progress (if that is the word) from college teacher to gambler to hedge-fund manager. Along the way we learn important lessons about the functioning of markets and the logic of investment.”—*The Wall Street Journal*  
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“[*A Man for All Markets* is] the kind of thing any would-be investor, to say nothing of casino cowboy, ought to read. Thorp’s in-the-trenches account of gaming the system(s) is a pleasure—and instructive, too.”—Kirkus  
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“Whether you are an aspiring professional player, a casual gambler, or an occasional visitor to Las Vegas, you can feel the impact of Edward O. Thorp’s intellect on that desert city. In 1962, Thorp published the classic book *Beat the Dealer*. The text was based on Thorp’s original research that stemmed from his curiosity about the game of 21 and was billed as a how-to book for the layperson to beat the casinos at blackjack. Simply stated, it changed everything.”—*A Man for All Markets* chronicles Thorp’s personal journey in navigating the unexpected and sometimes dangerous obstacles that come along with challenging the status quo of a wealthy corporate adversary.”—Nicholas G. Colon, professional advantage gambler and managing director, Alea Consulting Group  
“What a CV! Figure out how to win at blackjack using card counting? Check. Build the world’s first wearable computer? Check. Find the formula for valuing financial options but use it to make money rather than win a Nobel Prize? Check. This book is in part the gripping story of how one man’s genius and dedication has solved so many problems in diverse fields. But more important, it’s a fascinating insight into the thought processes of someone with little interest in fame, who has mostly stayed under the radar, yet who has followed his inquisitive mind wherever it has led him, and reaped the resulting rewards. There is nothing more important than knowing how to think clearly. Read this book and learn from a master.”—Paul Wilmott, founder, *Wilmott* magazine  
About the Author  
Edward O. Thorp is the author of the bestseller *Beat the Dealer*, which transformed the game of blackjack. His subsequent book, *Beat the Market*, co-authored with Sheen T. Kassouf, influenced securities markets around the globe. Thorp is one of the world’s best blackjack players and investors, and his hedge funds were profitable every year for twenty-nine years. He lives in Newport Beach, California.  
Excerpt.  
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Chapter 1  
Loving to Learn  
My first memory is of standing with my parents on an outdoor landing at the top of some worn and dirty wooden steps. It was a gloomy Chicago day in December 1934, when I was two years and four months old. Even wearing my only set of winter pants and a jacket with a hood, it was cold. Black and leafless, the trees stood out above the snow-covered ground. From inside the house a woman was telling my parents, “No, we don’t rent to people with children.” Their faces fell and they turned away. Had I done something wrong? Why was I a problem? This image from the depths of the Great Depression has stayed with me always.  
I next recall being taken at age two and a half to our beloved family physician, Dr. Dailey. My alarmed parents explained that I had yet to speak a single word. What was wrong? The doctor smiled and asked me to point to the ball on his desk. I did so, and he asked me to pick up his pencil. After I had done this and a few more tasks he said, “Don’t worry, he’ll talk when he’s ready.” We left, my parents relieved and a little mystified.  
After this, the campaign to get me to talk intensified. About the time of my third birthday, my mother and two of her friends, Charlotte and Estelle, took me along with them to Chicago’s then famous Montgomery Ward department store. As we sat on a bench near an elevator, two women and a man got off. Charlotte, keen to tempt me into speech, asked, “Where are the people going?” I said clearly and distinctly, “The man is going to buy something and the two women are going to the bathroom to do pee-pee.” Charlotte and Estelle both blushed deeply at the mention of pee-pee. Far too young to have learned conventional embarrassment, I noticed this but didn’t understand why they reacted that way. I also was puzzled by the sensation I had caused with my sudden change from silence to talkativeness. From then on I spoke largely in complete sentences, delighting my parents and their friends, who now plied me with questions and often received surprising answers. My father set out to see what I could learn.  
Born in Iowa in 1898, my father, Oakley Glenn Thorp, was the second of three children, with his brother two years older and sister two years younger. When he was six his family broke up. His father took him and his brother to settle in the state of Washington. His mother and sister remained in Iowa. In 1915 my grandfather died from the flu, three years before the Great Flu Pandemic of 1918–19, which

killed between twenty and forty million people worldwide. The two boys lived with an uncle until 1917. Then my father, at age eighteen, went to France to join World War I as part of the great American Expeditionary Force. He fought with the infantry in the trenches, rose from private to sergeant, and was awarded the Bronze Star, the Silver Star, and two Purple Hearts for heroism in places like Chacirc;teau-Thierry, Belleau Wood, and the Battles of the Marne. As a very small boy I remember sitting in his lap on a humid afternoon examining the shrapnel scars on his chest and the minor mutilation of some of his fingers. Following his discharge from the army after the war, my father enrolled at Oklahoma AM. He completed a year and a half before he had to leave for lack of funds, but his hunger and respect for education endured and he instilled them in me, along with his unspoken hope that I would achieve more. Sensing this and hoping it would bring us closer, I welcomed his efforts to teach me. As soon as I began to talk, he introduced me to numbers. I found it easy to count first to a hundred, then to a thousand. Next I learned how to increase any number by adding one to get the next number, which meant I could count forever if I only knew the names of the numbers. I soon learned how to count to a million. Adults seemed to think this was a very big number so I sat down to do it one morning. I knew I could eventually get there but I had no idea how long it was going to take. To get started, I chose a Sears catalog the size of a big-city telephone book because it seemed to have the most things to count. The pages were filled with pictures of merchandise labeled with the letters A, B, C .??.?, which I recall appeared as black letters in white circles. I started at the beginning of the catalog and counted all the circled letters, one for each item, page after page. After a few hours I fell asleep at something like 32,576. My mother reported that when I awoke I resumed with ldquo;32,577 .??.rdquo;A trait that showed up at about this time was my tendency not to accept anything I was told until I had checked it for myself. This had consequences. When I was three, my mother told me not to touch the hot stove because it would burn me. I brought my finger close enough to feel the warmth, then pressed the stove with my hand. Burned. Never again. Another time, I was warned that fresh eggs would crack if they were squeezed just a little bit. Wondering what ldquo;a little bitrdquo; meant, I squeezed an egg very slowly until it cracked, then practiced squeezing another, stopping just before it would crack, to see exactly how far I could go. From the beginning, I loved learning through experimentation and exploration how my world worked. After teaching me counting, my father's next project for me was reading. We started with See Spot, See Spot Run, and See Jane. I was puzzled and disoriented for a couple of days; then I saw that the groups of letters stood for the words we spoke. In the next few weeks I went through all of our simple beginner books and developed a small vocabulary. Now it got exciting. I saw printed words everywhere and realized that if I could figure out how to pronounce them I might recognize them and know what they meant. Phonics came naturally, and I learned to sound out words so I could say them aloud. Next was the reverse processmdash;hear a word and say the lettersmdash;spelling. By the time I turned five I was reading at the level of a ten-year-old, gobbling up everything I could find. Our family dynamics also changed then, with the birth of my brother. My father, fortunate to be employed in the midst of the Great Depression, worked longer hours to support us. My mother was fully occupied by the new baby and was even more focused on him when, at six months of age, he caught pneumonia and nearly died. This left me much more on my own and I responded by exploring endless worlds, both real and imagined, to be found in the books my father gave me. Over the next couple of years I read books including Gulliver's Travels, Treasure Island, and Stanley and Livingstone in Africa. When, after an eight-month arduous and dangerous search, Stanley found his quarry, the only European known to be in Central Africa, I thrilled to his incredible understatement, ldquo;Dr. Livingstone, I presume,rdquo; and I discussed the splendor of the Victoria Falls on the Zambezi River with my father, who assured me (correctly) that they far surpassed our own Niagara Falls. Gulliver's Travels was a special favorite, with its tiny Lilliputians, giant Brobdingnagians, talking horses, and finally the mysterious Laputa, a flying island in the sky supported by magnetic forces. I enjoyed the vivid pictures it created in my mind and the fantastical notions that spurred me to imagine for myself further wonders that might be. But at the time Swift's historical allusions and social satire mostly escaped me, despite explanations by my father. From Malory's story of King Arthur and the Knights of the Round Table, I learned about heroes and villains, romance, justice, and retribution. I admired the heroes who, through extraordinary abilities and resourcefulness, achieved great things. Introverted and thoughtful, I may have been inspired to mirror this in the future by using my mind to overcome intellectual obstacles, instead of my body to defeat human opponents. The books helped establish lifelong values of fair play, a level playing field for everyone, and treating others as I myself wish to be treated. The words and adventures were largely in my head; I didn't really have anyone to discuss them with, except sometimes my tired father after work or on weekends. This led to an occasional unique pronunciation. For instance, for a couple of years I thought misled (miss-LED) was pronounced MYE-zzled, and for years afterward when I saw the word in print I would hesitate for a beat as I mentally corrected my pronunciation. When I was reading or just thinking, my concentration was so complete that I lost all awareness of my surroundings. My mother would call me, with no response. Thinking I was willfully ignoring her, the shout would become a yell, then she would bring her flushed face right up to me. Only when she appeared in my visual field did I snap back into the here and now and respond. She had a hard time deciding whether her son was stubborn and badly behaved or was really as unaware as he claimed. Though we were poor, my parents valued books and managed to buy me one occasionally. My father made challenging choices. As a result, between the ages of five and seven I carried around adult-looking books and strangers

wondered if I actually knew what was in them. One man put me to an unexpected and potentially embarrassing test. It happened because my parents became friends with the Kesters, who lived on a farm in Crete, Illinois, about forty-five miles from our home. They invited us out for two weeks every summer, starting in 1937 when I was turning five. These special days were what I most looked forward to each year. For a city boy from the outskirts of Chicago, it was sheer joy to watch "water spiders" scoot over the surface of a slowly meandering creek, to play hide-and-seek in the fields of tall corn, to catch butterflies and display them arrayed and mounted on boards, and to wander through the fields and among the cottonwood trees and orchards. The Kesters' oldest boy, strapping twentysomething Marvin, would carry me around on his shoulders. My mother, along with the women of the household, Marvin's pretty sister Edna Mae, their mother, and their aunt May, would preserve massive quantities of fruits and vegetables. In our basement back home my father built racks for the rubber-sealed mason jars of corn, peaches, and apricots that we brought back. Then there were the rows of fruit jellies, jams, and preserves in glasses sealed with a layer of paraffin on top. This cornucopia would last us well into the next year. My father helped Marvin and his father, Old Man Kester, with the work of the farm, and sometimes I tagged along. One sunny forenoon during the second summer of our two weeks in Crete, my father took me to pick up supplies at a local store. I was just turning six, tall and thin with a mop of curly brown hair, lightly tanned, pants too short, the bare ankles ending in a pair of tennis shoes with frayed laces. I was carrying A Child's History of England by Charles Dickens. A stranger chatting with my father took the volume I was holding, written at the tenth-grade level, thumbed through it, then told my father, "That kid can't read this book." My father replied proudly, "He's already read it. Ask him a question and you'll see." With a smirk the man said, "Okay, kid, name all the kings and queens of England in order and tell me the years that they reigned." My father's face fell but to me this seemed to be just another routine request to look into my head to see if the information was there. I did and then recited, "Alfred the Great, began 871, ended 901, Edward the Elder, began 901, ended 925," and so on. As I finished the list of fifty or so rulers with "Victoria, began in 1837 and it doesn't say when she ended," the man's smirk had long vanished. Silently he handed me back the book. My father's eyes were shining. My father was a sad and lonely man who didn't express his feelings and who rarely touched us, but I loved him. I felt that this stranger was using me to put him down and I realized that I had stopped it. Whenever I remember my dad's happiness at this, it echoes in me with a force that still seems undiminished. My unusual retention of information was pronounced until I was about nine or ten, when it faded into a memory that is very good for what I'm interested in and, with exceptions, not especially remarkable for much else. I still remember facts from this time such as my phone number (Lackawanna 1123) and address (3627 North Oriole; 7600 W, 3600 N) in Chicago and Chicago's seven-digit population (3,376,438), cited in the old green 1930 Rand McNally Atlas and Gazetteer that's still on my bookshelf. Between the ages of three and five I learned to add, subtract, multiply, and divide numbers of any size. I also learned the US version of the prefixes million, billion, trillion, and so on, up to decillion. I found that I could add columns of figures quickly by either seeing them or hearing them. One day when I was five or six I was in the neighborhood grocery store with my mother and overheard the owner calling out the prices as he totaled up the customer's bill on his adding machine. When he announced the answer, I said no, and gave him my number. He laughed good-naturedly, added the numbers again, and found I was right. To my delight he rewarded me with an ice-cream cone. After that I dropped by when I could and checked his totals. On the rare occasions when we disagreed, I was usually correct and would get another cone. My father taught me to compute the square root of a number. I learned to do it with pencil and paper as well as to work out the answer in my head. Then I learned to do cube roots. Before the advent of writing and books, human knowledge was memorized and transmitted down the generations by storytellers; but when this skill wasn't necessary it declined. Similarly, in our time with the ubiquity of computers and hand calculators, the ability to carry out mental calculations has largely disappeared. Yet a person who knows just grammar school arithmetic can learn to do mental calculations comfortably and habitually. This skill, especially to make rapid approximate calculations, remains valuable, particularly for assessing the quantitative statements that one continually encounters. For instance, listening to the business news on the way to my office one morning, I heard the reporter say, "The Dow Jones Industrial Average [DJIA] is down 9 points to 11,075 on fears of a further interest rate rise to quell an overheated economy." I mentally estimated a typical (one standard deviation) DJIA change from the previous close, by an hour after the open, at about 0.6 percent or about sixty-six points. The probability of the reported move of "at least" nine points, or less than a seventh of this, was about 90 percent, so the market action was, contrary to the report, very quiet and hardly indicative of any fearful response to the news. There was nothing to worry about. Simple math allowed me to separate hype from reality.