



## Models.Behaving.Badly: Why Confusing Illusion with Reality Can Lead to Disaster, on Wall Street and in Life

By Emanuel Derman

John Wiley & Sons Inc. Hardback. Book Condition: new. BRAND NEW, Models.Behaving.Badly: Why Confusing Illusion with Reality Can Lead to Disaster, on Wall Street and in Life, Emanuel Derman, Emanuel Derman was a quantitative analyst (Quant) at Goldman Sachs, one of the financial engineers whose mathematical models became crucial for Wall Street. The reliance investors put on such quantitative analysis was catastrophic for the economy, setting off the ongoing string of financial crises that began with the mortgage market in 2007 and continues through today. Here Derman looks at why people -- bankers in particular -- still put so much faith in these models, and why it's a terrible mistake to do so. Though financial models imitate the style of physics and employ the language of mathematics, ultimately they deal with human beings. There is a fundamental difference between the aims and potential achievements of physics and those of finance. In physics, theories aim for a description of reality; in finance, at best, models can shoot only for a simplistic and very limited approximation to it. When we make a model involving human beings, we are trying to force the ugly stepsister's foot into Cinderella's pretty glass slipper. It doesn't...



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