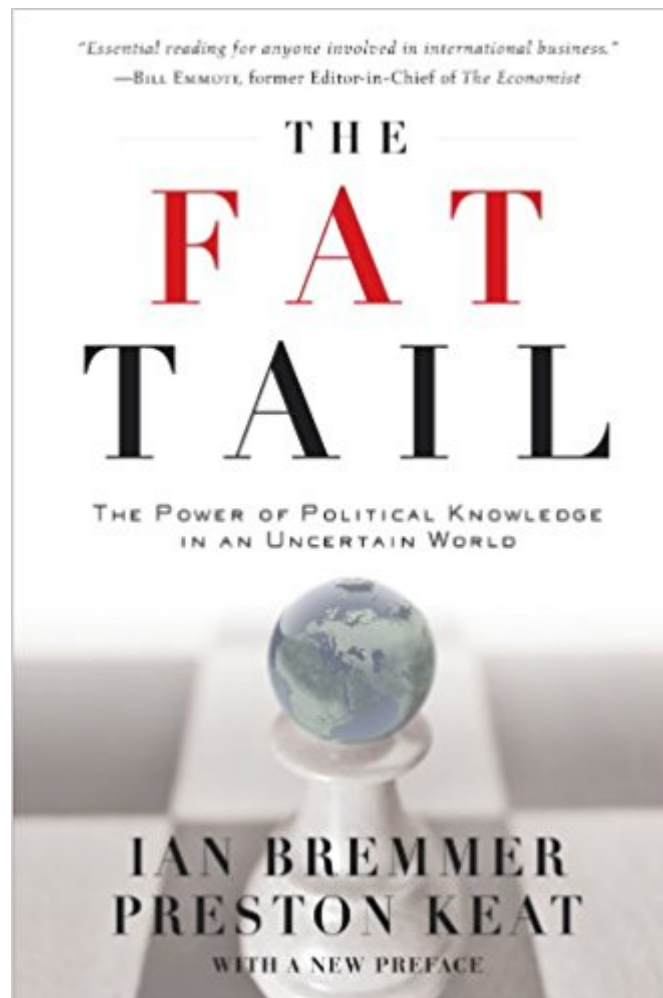




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# **The Fat Tail: The Power Of Political Knowledge In An Uncertain World (with A New Preface)**



## 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 Foreward 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. "The Fat Tail delivers practical wisdom on the impact of political risk on firms of every description and valuable advice on how to use it. Ian Bremmer and Preston Keat offer innovative thinking and useful insight that will help business decision-makers find fresh answers to questions they may not yet know they have." --Fareed Zakaria, best-selling author of *The Post-American World* "Political risk has become increasingly complex, and *The Fat Tail* provides a truly new way to quantitatively assess it in established and emerging markets. It is essential reading for any CEO with multinational interests." --Randall Stephenson, Chairman, CEO and President, AT&T Inc. "Should be essential reading for anyone involved in international business even--perhaps especially--in places that seem politically stable." --Bill Emmott, former editor-in-chief of *The Economist*

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## Customer Reviews

Bremmer and Keat, executives at Eurasia Group, explore how global political risks influence the business world in this cogently argued analysis. The book details key areas corporations must be wary of in order to survive in the new global economy including foreign laws and regulation, government changes, civil unrest, expropriation, terrorism and war. With excellent examples, the authors demonstrate how planning for such political developments may make or break a company. It's the difference between Morgan Stanley and the Bank of New York in the aftermath of the September 11 terrorist attacks. Both companies had large offices in or near the twin towers. Morgan Stanley had an emergency plan and the Bank of New York didn't; one suffered minor disruption and the other suffered extreme loss of business momentum. These persuasive case studies want for a clearer summary of how to actually implement plans that fortify companies in such situations. This is not a field guide but a sketch of the landscape, not a consulting session but an overview. It remains for the individual or corporation to take the initiative to further pursue the assessments needed to mitigate any risk. (Mar.) Copyright © Reed Business Information, a division of Reed Elsevier Inc. All rights reserved. --This text refers to the Hardcover edition.

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EXCELLENT!

A textbook on understanding political risk, it's complexity and why it should be included in our ERM systems, must read for the risk scholar in sociology.

Was in great condition!

It was delivered in a timely manner. I was glad because I need for an assignment. Would buy again. Thanks

Powerful examples and a nice story flow. The book tries to raise awareness on the importance more than providing practical ways to do it.

In my opinion, this book tells you nothing of importance you cannot find more eloquently stated in Black Swan. Bremmer is an extraordinary person, which is why he is so successful. There is nothing in his writings that suggest his success is based on some superior method for identifying or analyzing political risk. Therefore, while I celebrate Bremmer's success as an entrepreneur, I will not be buying any more of his books.

Book Review submitted by: Stephen J. Hage, [...] I bought this book because Fareed Zakaria recommended it at the end of one of his Global Public Square (GPS) broadcasts. The authors describe a Fat Tail as being the same as what Nassim Nicholas Taleb described as a Black Swan in his book of the same name. One which, by the way, I bought for the same reason I bought the Fat Tail. Early in the book, the authors, after showing what a fat tail looks like on a graph compared to a normal Gaussian distribution or bell shaped curve made a statement which caught my attention and made reference to Taleb's excellent work. "Those who would apply Taleb's theory to political risk face another important problem. Unlike financial, economic, or environmental risks, political risks are usually generated by individuals, people with particular and identifiable sets of motivations and limitations. This makes them predictable--and not black swans. If we can map these incentives and

constraints, it is considerably easier to forecast downside risks (and the limitations on upside outcomes.)"I grabbed my pen and wrote in the margin BIG IF!It's hard to argue against the conclusion that political risks are usually generated by individuals. I'm not as sanguine, however, regarding how readily identifiable sets of motivations are in any individual at any given time. And, the moment I hear anyone begin talking about mapping incentives and constraints, alarm bells start going off and red lights start blinking on my danger grid. Human nature, motivations, political advantage and hidden agendas are, under ideal circumstances, at best squishy. When I think of mapping something...anything, I see mental images of scientists, mathematicians or technologists working with sets of data represented by numbers. I see graphs, computers and mathematical models. In this book, I saw none of that. Instead, I saw a series of discussions about events like geopolitics, political risk and capital markets, domestic instability, civil war, state failure and terrorism discussed with anecdotal references to how such events impacted the business of companies and corporations and how they were able to deal with those situations. And, while these discussions were interesting and instructive, in my opinion, they hardly represented even any semblance of the word mapping, as I believe most people understand the term. I found the book disappointing because, as I read it, I couldn't help thinking that what Bremmer and Kent were saying, in addition to their exposition was, we're the ones who know this stuff and, if you are interested in or worried about any of what we've said, maybe you should get in contact with us. Now, maybe that's just me but after making a concerted effort to read the book objectively I can't, in good conscience, recommend it. My strong recommendation for and support of Taleb's Black Swan, however, remains unchanged.

The book starts off reading like an employment ad for Political Scientists for the private sector. Move a few economists out and put a few of these guys in. Couldn't hurt. How can we quantify political risk? Is it even possible? Politics in general are extremely hard to figure out. You may think you know what someone is going to do because of what he says he is going to do, but you have no idea of his true intentions. There is a lot of political debt they usually need to pay back so it may shape the final decisions. Plus most politicians realize that their constituents as a group are pretty stupid and will accept just about anything. Sure individuals are smart, but politicians do not care about individuals. Were there warning signs that Russia was planning on defaulting on its debt? Maybe, but who positioned themselves for it? In Mexico the peso crisis could have been handled better. But some poor political decisions crushed the peso triggering Mexico's worst economic crisis in over 50 years. There is always risk that a company will be expropriated by a foreign government, but does

that mean it will happen? Not necessarily. The Chrysler plant in Peru was a good example of preparing for this type of risk. Even if the Peruvian government did try to expropriate the Chrysler plant within their borders they would only be able to manufacture 50% of the vehicle because Chrysler strategically manufactured crucial parts in Brazil, Argentina, and Detroit. While the Peruvian government was seizing almost all foreign companies, especially American companies, it could not profitably seize the Chrysler plant, so it was spared. While I did enjoy this book, I am not sure I will be able to use any of the information in my investing and trading portfolio. For me it was a thought provoking overview of many things that can and do go wrong in the world. I believe this book has more use for fund managers who invest heavily on foreign soil. They will find much value here. The part I liked best about this book is that it shows how human most politicians are. They are not making decisions based on the good of the people, but rather they make decisions based on their own personal good. Which wasn't a surprise at all, but I did enjoy the story.

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