



The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It

By Scott Patterson

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“Beware of geeks bearing formulas.”

--Warren Buffett

In March of 2006, the world's richest men sipped champagne in an opulent New York hotel. They were preparing to compete in a poker tournament with million-dollar stakes, but those numbers meant nothing to them. They were accustomed to risking *billions*.

At the card table that night was Peter Muller, an eccentric, whip-smart whiz kid who'd studied theoretical mathematics at Princeton and now managed a fabulously successful hedge fund called PDT...when he wasn't playing his keyboard for morning commuters on the New York subway. With him was Ken Griffin, who as an undergraduate trading convertible bonds out of his Harvard dorm room had outsmarted the Wall Street pros and made money in one of the worst bear markets of all time. Now he was the tough-as-nails head of Citadel Investment Group, one of the most powerful money machines on earth. There too were Cliff Asness, the sharp-tongued, mercurial founder of the hedge fund AQR, a man as famous for his computer-smashing rages as for his brilliance, and Boaz Weinstein, chess life-master and king of the credit default swap, who while juggling \$30 billion worth of positions for Deutsche Bank found time for frequent visits to Las Vegas with the famed MIT card-counting team.

On that night in 2006, these four men and their cohorts were the new kings of Wall Street. Muller, Griffin, Asness, and Weinstein were among the best and brightest of a new breed, the *quants*. Over the prior twenty years, this species of math whiz --technocrats who make billions not with gut calls or fundamental analysis but with formulas and high-speed computers-- had usurped the testosterone-fueled, kill-or-be-killed risk-takers who'd long been the alpha males the world's largest casino. The quants believed that a dizzying, indecipherable-to-mere-mortals cocktail of differential calculus, quantum physics, and advanced geometry held the key to reaping riches from the financial markets. And they helped create a digitized money-trading machine that could shift billions around

the globe with the click of a mouse.

Few realized that night, though, that in creating this unprecedented machine, men like Muller, Griffin, Asness and Weinstein had sowed the seeds for history's greatest financial disaster.

Drawing on unprecedented access to these four number-crunching titans, *The Quants* tells the inside story of what they thought and felt in the days and weeks when they helplessly watched much of their net worth vaporize – and wondered just how their mind-bending formulas and genius-level IQ's had led them so wrong, so fast. Had their years of success been dumb luck, fool's gold, a good run that could come to an end on any given day? What if The Truth they sought -- the secret of the markets -- wasn't knowable? Worse, what if there wasn't any Truth?

In *The Quants*, Scott Patterson tells the story not just of these men, but of Jim Simons, the reclusive founder of the most successful hedge fund in history; Aaron Brown, the quant who used his math skills to humiliate Wall Street's old guard at their trademark game of Liar's Poker, and years later found himself with a front-row seat to the rapid emergence of mortgage-backed securities; and gadflies and dissenters such as Paul Wilmott, Nassim Taleb, and Benoit Mandelbrot.

With the immediacy of today's NASDAQ close and the timeless power of a Greek tragedy, *The Quants* is at once a masterpiece of explanatory journalism, a gripping tale of ambition and hubris...and an ominous warning about Wall Street's future.

From the Hardcover edition.

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Editorial Review

From Publishers Weekly

In a fast-moving narrative, Wall Street Journal reporter Patterson explores the coterie of mathematicians behind the Wall Street crash of 2008. The story's stars are "an unusual breed of investors" called quants, who "used brain-twisting math and super-powered computers to pluck billions in fleeting dollars out of the market." Following the first quant, *Beat the Market* author Ed Thorp, from his graduate school days in 1955, and introducing others like Peter Muller and Ken Griffin as they established funds at major investment firms, Patterson spins a fascinating story of riches amassed for a few and, inevitably, lost for many: a collapsing hedge fund, "imploding under the weight of toxic subprime assets," took down the system "like a massive avalanche started by a single loose boulder." Though his narrative is interesting and easy to follow, Patterson's explanations of investment terms are not for novices; a glossary would have helped. As he puts the excesses and failures of Wall Street into perspective, however, Patterson also offers evidence that Wall Street hasn't learned its lesson: as of spring 2009, "several banks reported stronger earnings numbers... in part due to clever accounting tricks... and other potentially dangerous quant gadgets being forged in the dark smithies of Wall Street."

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From [Booklist](#)

Starred Review Journalist Patterson proves Mark Twain's point that "truth is stranger than fiction." Patterson's recounting of the events leading up to and including the global financial meltdown in 2007 and 2008 features the Quants, a new breed of investor, a corps of elite math geniuses who exchanged the hunches of risk-taking traders for advanced mathematical tools, including complicated algorithms and supercomputers. These new titans of Wall Street set off a chain of events for a financial catastrophe beginning in August 2007, which nearly destroyed the world's financial markets. This is primarily the story of four main "characters"—Morgan Stanley's Peter Muller, Citadel hedge fund's Ken Griffin, Cliff Asness of AQR hedge fund, and Boaz Weinstein of Deutsche Bank. These and other number-crunching wizards amassed multibillion-dollar war chests and then the numbers turned against them. Their ascendancy to the heights and then extraordinary fall to near extinction is a remarkable story, as is the possibility that they all will rise from the ashes. This is a must-read, excellent book. --Mary Whaley

Review

"Scott Patterson has the ability to see things you and I don't notice. In *The Quants* he does an admirable job of debunking the myths of black box traders and provides a very entertaining narrative in the process."

--**Nassim Nicholas Taleb**, New York Times bestselling author of *Fooled by Randomness* and *The Black Swan*

"Fascinating and deeply disturbing...Patterson gives faces and personalities to the quants, making their saga accessible and intriguing...[he's] onto a big story that begs follow-up."

--**New York Times**

"Valuable...makes [the quants'] secretive world comprehensible...the story radiates with hubris, high stakes and expensive toys."

--**Bloomberg.com**

"A riveting account...there are many dramatic moments and a good dose of schadenfreude in Scott

Patterson's THE QUANTS."

--**Financial Times**

"Read this book if you want to understand how the collapse of the global financial system was at its core a failure of modern financial theory and its most ardent disciples. Patterson is able to gracefully explain the complex ideas underpinning our financial system through an extraordinarily engaging and insightful story."

--**Mark Zandi**, Chief Economist of Moody's Economy.com and author of *Financial Shock*

"Enlightening and enjoyable...Patterson masterfully recounts how brilliant mathematicians and technologists ignored the human element...If you're serious about understanding the financial meltdown, you need to read this book."

--**David Vise**, Pulitzer Prize Winner, author of *The Google Story*, and Senior Advisor, New Mountain Capital

"A compelling tale of greed and conceit, *The Quants* tells the inside story of the Wall Street rocket scientists who could couldn't resist playing with numbers and nearly blew themselves up."

--**Michael J. Panzner**, author of *Financial Armageddon* and *When Giants Fail*

"*The Quants* will keep hedge fund managers on the edge of their Aeron chairs, while the rest of us read in horror about their greed and their impact on the wider economy. A gripping tale right until the last page...but I fear this is perhaps not yet the end of the story."

--**Paul Wilmott**, Oxford Ph.D., founding partner of Caissa Capital, and author of *Paul Wilmott Introduces Quantitative Finance*

"A character-rich tale of how quirky geniuses cut their teeth on gambling, then moved on to the biggest casino of all, Wall Street. From blackjack to black swans, *The Quants* tells how we got where we are today."

--**William Poundstone**, author of *Fortune's Formula*

From the Hardcover edition.

Users Review

From reader reviews:

Ilene Venne:

Reading a reserve can be one of a lot of exercise that everyone in the world really likes. Do you like reading book consequently. There are a lot of reasons why people enjoyed. First reading a book will give you a lot of new information. When you read a guide you will get new information because book is one of numerous ways to share the information as well as their idea. Second, reading a book will make anyone more imaginative. When you reading through a book especially fiction book the author will bring someone to imagine the story how the characters do it anything. Third, you could share your knowledge to some others. When you read this The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It, you could tells your family, friends and soon about yours guide. Your knowledge can inspire the others, make them reading a book.

Keri Yokum:

The guide untitled The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It is the book that recommended to you you just read. You can see the quality of the reserve content that will be shown to you actually. The language that publisher use to explained their way of doing something is easily to understand. The article writer was did a lot of exploration when write the book, and so the information that they share to you personally is absolutely accurate. You also can get the e-book of The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It from the publisher to make you far more enjoy free time.

Jeremy Clayton:

The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It can be one of your starter books that are good idea. All of us recommend that straight away because this book has good vocabulary which could increase your knowledge in vocab, easy to understand, bit entertaining however delivering the information. The writer giving his/her effort to get every word into delight arrangement in writing The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It yet doesn't forget the main stage, giving the reader the hottest and also based confirm resource details that maybe you can be one among it. This great information can certainly drawn you into new stage of crucial imagining.

Jennifer Johnson:

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