



Fortune's Formula: The Untold Story of the Scientific Betting System That Beat the Casinos and Wall Street

William Poundstone

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In 1956 two Bell Labs scientists discovered the scientific formula for getting rich. One was mathematician Claude Shannon, neurotic father of our digital age, whose genius is ranked with Einstein's. The other was John L. Kelly Jr., a Texas-born, gun-toting physicist. Together they applied the science of information theory—the basis of computers and the Internet—to the problem of making as much money as possible, as fast as possible.

Shannon and MIT mathematician Edward O. Thorp took the “Kelly formula” to Las Vegas. It worked. They realized that there was even more money to be made in the stock market. Thorp used the Kelly system with his phenomenally successful hedge fund, Princeton-Newport Partners. Shannon became a successful investor, too, topping even Warren Buffett's rate of return. *Fortune's Formula* traces how the Kelly formula sparked controversy even as it made fortunes at racetracks, casinos, and trading desks. It reveals the dark side of this alluring scheme, which is founded on exploiting an insider's edge.

Shannon believed it was possible for a smart investor to beat the market—and *Fortune's Formula* will convince you that he was right.

William Poundstone is the bestselling author of nine nonfiction books, including *Labyrinths of Reason* and *The Recursive Universe*.

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"*Fortune's Formula* may be the world's first history book, gambling primer, mathematics text, economics manual, personal finance guide and joke book in a single volume. Poundstone comes across as the best college professor you ever had, someone who can turn almost any technical topic into an entertaining and zesty lecture."—*The New York Times Book Review*

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"Poundstone, a two-time Pulitzer Prize nominee, takes us from chalkboard to stock market and back as he explains the 'Kelly formula' for gambling through the lives of those who developed and exploited the system. It is a rollicking tale about money, mathematics and greed."—**Bloomberg**

"A dazzling array of math geniuses, rogues, swindlers, Nobel Prize winners, gun-toting physicists—all massaging the formulas that give them an edge in creating fortunes."—**George J. W. Goodman (aka "Adam Smith"), author of *The Money Game and Supermoney***

"This is a wonderful tale of how mathematics got married to gambling and went off to honeymoon in Las Vegas, before finding ultimate happiness in the biggest casino of all—the world financial markets. Poundstone has produced a rogues' gallery of mobsters and mathematicians, kneecappers and handicappers, card sharps, professors, systems players, numbers runners, and number crunchers—the best 'investment advisers' you can find. Anyone interested in playing the markets should buy this book and read it immediately."—**Thomas A. Bass, author of *The Eudaemonic Pie* and *The Predictors***

"The true story of the intertwining lives of financial legends, mathematical geniuses and crooked mobsters. Who would you expect to win an intellectual battle between professional gamblers and Nobel Prize winners? This book confirms what I'd long suspected, that the successful gambler knows more about managing money than the most PhD-laden investment banker. Poundstone's book explains that knowledge, and you'll be surprised by its elegance and simplicity. A fascinating book, both a cracking good yarn and a practical guide for investment success."—**Paul Wilmott, mathematician, bestselling author, and editor of *Wilmott magazine***

"From bookies to billionaires, you'll meet a motley cast of characters in this highly original, 'outside the box' look at gambling and investing. Read it for the stories alone, and you'll be surprised at how much else you can learn without even trying." —**Edward O. Thorp, author of *Beat the Dealer* and *Beat the Market***

"What a fantabulous book! *Fortune's Formula* provides a deep but crystal-clear understanding of information theory, card-counting schemes, plunging necklines, mean-variance mapping, junk bonds sold short and gambler's ruin, all part of an epic suspense tale crowded with eccentric geniuses and cold-blooded killers. You'll never follow a horse race, push forward a casino chip or enter a market the same way again. Read this and weep for the edge you only *thought* that you had, then read it again for a real one."—**James McManus, author of *Positively Fifth Street***

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