Seeing Tomorrow: Rewriting the Rules of Risk

By R.S. Dembo and A. Freeman

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Reviewed by Denis Smith

The book's dustsheet tells us that this book is a 'milestone addition to risk literature that will dramatically alter the way you view, identify, and manage risk'. This is a powerful statement for any book dealing with the complex dynamics of risk. Given the existing literature in the field, including such excellent texts as Bernstein's (1996) and Dowd's (1998), such marketing hype sets high expectations for those who will read the text. The multi-disciplinary dynamics of risk would normally dictate that any book seeking such a wide-ranging impact would incorporate the latest research findings from across a number of disciplines. Unfortunately, this text tends to take a financial approach to risk, and fails to include much of the work drawn from other perspectives. As such, the title of the book needs to be qualified to make clear the focus of the approach chosen.

The book is well written (in a chatty and accessible style) and the arguments presented are generally well structured and concise. The book is interesting in that it does try to incorporate the more subjective aspects of our assessment of risk into (financial) decision-making. Given the dominance of the positivistic paradigm within that area of work, such an aim, if it had been realised, would mark the book out as important. The downside is that the book still adopts a somewhat narrow perspective on risk, tending to approach the core theoretical issues from the perspective of financial risk. That this is so, and without the benefit of an extensive review of the literature, makes the book's contribution to the field somewhat limited. It is this latter criticism that restricts the usefulness of the text for the academic community. Anyone wishing to follow up the work cited by the authors will find it difficult to trace the references, and this severely weakens the book's use within an academic context. For example, pages 43–45 refer to the work of Kees van der Heijden, and yet no specific reference to his work is given in the text. For those readers with a genuine interest in the literature this proves to be a frustrating experience.

For those seeking a broad-based discussion of financial risk concepts, the book serves a purpose. More experienced readers might find its style less relevant to their needs. The lack of an effective bibliography severely limits the book's contribution to the scholarly literature, and might render it impractical for use by those seeking an introduction to that literature and to those issues that are important if we are really to rewrite the rules for risk. Similarly, the focus on financial issues will not endear the text to those who approach risk from other perspectives. If the authors are seeking to rewrite the rules on risk then one might assume that they would have approached the topic from a multi-disciplinary perspective. Unfortunately, they fail to do this and, in this sense, the focus is too narrow. The claim that the book will 'dramatically alter' your world-view on risk is far too powerful to substantiate.

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