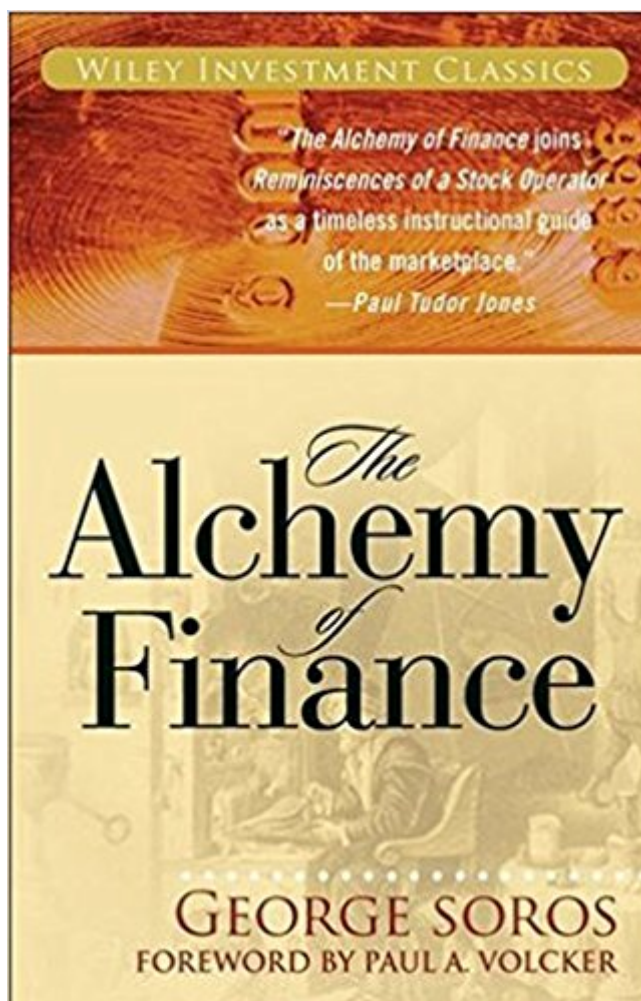




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# The Alchemy Of Finance



## Synopsis

New chapter by Soros on the secrets to his success along with a new Preface and Introduction.

New Foreword by renowned economist Paul Volcker "An extraordinary . . . inside look into the decision-making process of the most successful money manager of our time.

Fantastic."•The Wall Street Journal George Soros is unquestionably one of the most powerful and profitable investors in the world today. Dubbed by BusinessWeek as "the Man who Moves Markets," Soros made a fortune competing with the British pound and remains active today in the global financial community. Now, in this special edition of the classic investment book, *The Alchemy of Finance*, Soros presents a theoretical and practical account of current financial trends and a new paradigm by which to understand the financial market today. This edition's expanded and revised Introduction details Soros's innovative investment practices along with his views of the world and world order. He also describes a new paradigm for the "theory of reflexivity" which underlies his unique investment strategies. Filled with expert advice and valuable business lessons, *The Alchemy of Finance* reveals the timeless principles of an investing legend. This special edition will feature a new chapter by Soros on the secrets of his success and a new Foreword by the Honorable Paul Volcker, former Chairman of the Federal Reserve. George Soros (New York, NY) is President of Soros Fund Management and Chief Investment Advisor to Quantum Fund N.V., a \$12 billion international investment fund. Besides his numerous ventures in finance, Soros is also extremely active in the worlds of education, culture, and economic aid and development through his Open Society Fund and the Soros Foundation.

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## Customer Reviews

Soros, who manages the Quantum mutual fund based in Venezuela, here traces the fund's performance in a controlled experiment using leverage in many markets (stocks, bonds, indexes, currency, etc.), to test the Reaganomics "imperial circle" and to demonstrate his own economic theory of "reflexivity." It is investors' perception of market values, claims the author, which perpetuates up-or-down price trends, foreign exchange movements, periodic government regulation, and so on. The most studious investment calculations, he concedes, are in the end more alchemy than science. As to such problems as the massive U.S. domestic and trade deficits and the Damoclean Third World debt, Soros offers innovative suggestions, including an international oil-based currency and a system of variable interest-rate bonds keyed to the volume of a borrower country's export trade. Copyright 1987 Reed Business Information, Inc. --This text refers to an out of print or unavailable edition of this title.

Soros, manager of the billion dollar Quantum Fund, certainly has credentials that merit attention to his personal approach to money management. As might be expected, he describes his so-called "theory of reflexivity" in a manner more appealing to serious market players than to the casual investor. Of more general interest is his account of a one-year real time series of investment decisions that resulted in his Quantum Fund more than doubling in value. Libraries serving a serious investment community should add this. Joseph Barth, U.S. Military Academy Lib. Copyright 1987 Reed Business Information, Inc. --This text refers to an out of print or unavailable edition of this title.

Have read a lot of reviews about this book. Some complain that it rambles on. It does, and that's what I liked so much about it. Like Mr. Soros's explanation of reflexivity you really have to contemplate this book with "reflexivity". In other words, if you come to this tome thinking you are going to learn some of his billionaire secrets, forget about it. He is too smart for that. He is not going to spell it out for you. However if you can read between the lines and learn by doing so, then that is where your free education from Mr. Soros appears. A lot can be learned from words and patterns of speech, and to hear his perceptions of life and market conditions, one can walk away with valuable info about how to time the market and life correctly. Wanted to listen to this book since hearing Mr O'Reilly (with whom I respect) harp about Soros so much nightly. If nothing else just want to hear the "fair and balanced" sake of the dispute. If you like listening to things that are somewhat abstract, I recommend this book. If your trying to get detailed info about how Mr. Soros made billions in hopes of repeating his success, start by studying Finance and Economics at your local community

college. His words are like a beautiful Operatic Aria. His Political schemes a perk of success. And, you have to admire his freedom to do that. "That which does not destroy us, only makes us stronger."

He apologizes for not being able to explain his point as well as he wishes to and this is an apt criticism. He does beat around an important bush however, and you ought pay attention to the bush. His theme, that markets react to the actions of the participants forming a feedback loop, is being paid more heed to whether in the "what kind of return can I expect" sense or in the formulation of providential regulations.

Good read.

Crazy good and it's fun to read about someone that has such a high opinion about himself and isn't afraid to show it. Very articulate person who has a special gift that very few of us have other than a hand or two few.

George Soros is a legend but I must admit this book is flawed. While I love the old classics like Supermoney, Art of the Deal and One Up on Wall Street this doesn't match up in terms of insights or interest. The first few chapters are good but the book eventually rambles along and includes way too much historical information that isn't particularly useful now. There is an abundance of charts in the text. Even as an investment advisor I found the info was good but much of it is explained better elsewhere. Soros is holding back almost all of his secrets in this book. Investors in 2013 and beyond aren't going to learn much in the way of practical information but do get some philosophical questions to consider. You can learn from the mistakes of others by reading this. History is doomed to repeat (or at least rhyme) so you can learn from this investment legend's perspective. The title is intriguing but the book is very complicated and doesn't do a great job of explaining things throughout.

Soros has written a thoughtful and interesting book. However, there is nothing that is new theoretically. It was all said in a much more detailed and specific form in Keynes's *A Treatise on Probability* (TP; 1921), where uncertainty (Soros's uncertainty principle-see pp. 6-10, 40) was analyzed mathematically using the variable called the weight of the evidence,  $w$ , in chapter 26 (the weight of the argument in chapter 6 provided the logical analysis). Keynes used the term uncertainty in the GT to denote the same basic phenomenon applied to decision making involving a significant lack of

knowledge and information on (a) investment in long lived durable capital goods subject to technological innovation over time (Daniel Ellsberg's nearly identical concept of ambiguity improves on Keynes's completely original formulation), (b) financial markets, and (c) liquidity preference decisions concerning the amount of liquid assets to hold for speculative purposes. Keynesian expectations are liable to sudden changes because they are not representable by the normal distributions's standard deviation (Risk), which is the basic foundation of E Fama's Efficient Market Hypothesis, Milton Friedman's Monetarism, Robert Lucas's rational expectations, and Prescott and Kydland's real business cycle theory, etc. Keynes's analysis appears in chapter 12, pp. 239-241 of chapter 17, and in pp. 314-320 of the General Theory (1936; GT). It is interesting to note that Soros's own method of dealing with uncertainty, by using one's instinct and intuition, is identical to the manner in which it was handled by Keynes. Practically all of the examples from the financial markets used by Soros to show how his uncertainty principle (the reference to Heisenberg's uncertainty principle is defective since the probability distributions are known. What Heisenberg meant by uncertainty was risk. Only one of the two hypothesized probability distributions in Heisenberg's example can exist at any one moment of time) is operationalized could just as easily have been mistaken for Keynes's chapter 12 analysis in the GT. The value in Soros's book is that it provides a more modern set of examples that updates Keynes's chapter 12 analysis of how uncertainty impacts decision making. Risk is a very special case that occurs when there is no uncertainty about the future. Uncertainty automatically makes probability estimates indeterminate. They become intervals. Soros will have to be much more specific in the future about his uncertainty principle (reflexivity) so that a reader will be able to differentiate what Soros has done from what Keynes did (one must also mention Frank Knight's and Joseph Schumpeter's contributions in this area, although they are not nearly as specific and technical as the contributions of Keynes and Ellsberg). Soros needs to devote much more time to reading and digesting Keynes's works. The few one liners that refer to Keynes in this book illustrate that Soros has not done all of his homework yet. A clear cut comparison -contrast between Keynes and Soros would allow a reader to decide what is original in Soros's approach and what is merely a variation on Keynes's theme of uncertainty impacting many of the most important financial and investment decisions that will determine the future.

This is Soros masterpiece. Has everything you need if you want to understand the market analogy of a genius. You can find numerous quotes spread on the internet coming from G. Soros but his sayings are empty unless you have the whole picture. You can understand one of his famous theory

REFLEXIVITY only by sound study of this book.

Soros is too smart for his own good. Extremely drab reading. I'm sure there are valuable nuggets of wisdom I'll get to if I can manage to stay awake to the end.

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