



Beaumont's Bonus Column

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Welcome to the new special columnist edition of the riskandinsurance.com e-newsletter, produced by *Risk & Insurance*®. It will be sent every month and complements our new Web site.

In addition to his regular column in *Risk & Insurance*®, Beaumont Vance is publisher and editor of "Risk Management Reports," a newsletter that's been in circulation since 1974. We are offering a free monthly preview and, going forward, we are calling it, of all things, "Beaumont's Bonus Column."

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By Beaumont Vance

Only the Brain Damaged Are Good at Risk Management

It is an odd fact of life that you often find what you are looking for in the place you would not expect to find it. For example, the best risk management books—such as *Moneyball*, *Bringing Down the House* and *Foiled by Randomness*—were not explicitly about risk management. Similarly, I find some of the best ideas concerning risk management come from science magazines.

In the June issue of *Scientific American*, regular columnist Michael Shermer frames the issue of decision-making from an evolutionary perspective. Decision-making, he suggests, is the product of the evolutionary drive toward efficiency:

"Life, like the economy, is about the allocation of limited resources that have alternative uses. ... It all boils down to energy efficiency. To a predator, prey are batteries of energy."

In other words, the animals that allocate resources best by making wise decisions regarding what prey to attack, have a much better chance of survival and, therefore, of passing on their traits.

This makes sense. When our primitive ancestors were living on the edge of survival, bad decisions would take the decision-makers' genes out of the pool. This does not, however, work well for modern humans.

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