

"The link to the web that provides a brief overview of the book is <http://www.wwnorton.com/catalog/spring96/031457.htm> . Here are Maury's notes for a book review intro at a Books and Ideas session at ASPEC.

### "Strategy in Poker, Business and War By John McDonald

One of my favorite books.

Collateral reading for a course in management that I took as a college senior in 1953. Published in 1950 as an outgrowth of a couple of articles in *Fortune*, 1948 and 1949. The first was, "Poker, an American Game." The second was, "A Theory of Strategy." It is built upon an understanding and application of ideas in a book, ***The Theory of Games and Economic Behavior***, by John von Neuman (a mathematician) and Oskar Morganstern (an economist).

A good example of the theory of games that requires a strategy is in a duel in which one has to choose between first shot and best shot. Each gets one shot. The closer one gets the better chance of a hit. A miss, however, is fatal – the other gets a clear close shot. Each has different skill and different probability at any range. No one can maximize both getting first shot and his best shot.

The biggest uncertainty is when the other would shoot. That uncertainty is key. The theory of games provides a mathematical calculation, and the strategy may be to minimize the risk. The key is the interdependence.

There was a recent film called *Casino Royale* in which James Bond plays poker against the banker to the world's terrorist organizations. Bond's view is that he is playing a person rather than the cards. The cards are only the vehicle, but the game is the person.

The first chapter of the McDonald book uses poker as an example of the application of the theory of games. The main points are:

The bets are representations of the quality of the hand.

Not all representations are accurate, hence a bluff.

The good strategist will bluff enough, i.e. create enough uncertainty, to induce the opponent to bet against the strategists better hand.

Good cards are helpful, but not enough.

The key to a bluff is in the math of the size of the pot relative to the worthiness of the bluff, and the use of the bluff for future hands. Thus, the strategy is based upon the interaction of the players responding one to another.

My summary is that while sometimes raising the stakes may be enough to take the hand, the key is in the outcome of the series of hands. That outcome is based on the strategy applied."