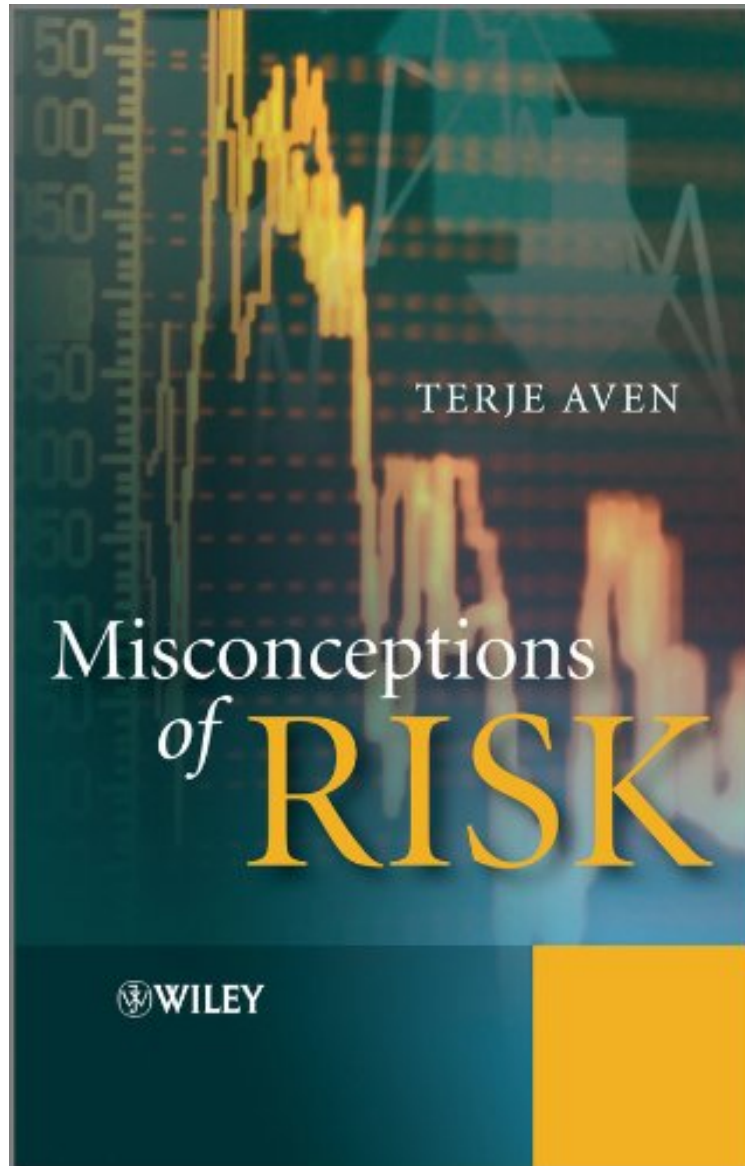


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## Misconceptions of Risk

*Terje Aven*

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**Terje Aven : Misconceptions of Risk** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Misconceptions of Risk:

13 of 13 people found the following review helpful. Review of "Misconceptions of Risk" By Meine van der Meulen This book is special. Terje Aven takes nineteen popular misconceptions about risk and analyses them thoroughly. By doing this he manages to address a myriad of issues and theories related to risk without writing a (boring) text book. Aven manages to explain Bayesian analysis, utility theory (Bernouilli!), risk perception, expert

elicitation, decision making (Kahneman!), the precautionary principle, and so on, and so on. Only sometimes Aven presents more demanding mathematics, but these sections can be skipped without losing track. The book is a good read until the conclusion in which Aven starts explaining his own theories. Here he wants to cover too much in too few pages, the chapter is pretty much unreadable. This book provides many useful insights for the daily life of a risk analyst. For example, one of the killer questions always is: "Did you model the uncertainty in your models?" (try it on your colleagues). Aven explains why this question is not relevant and gives us good arguments on how to cope with it. The essence of his argument is: if we had so much information that we would be able to model uncertainty, we would have made better use of it by making our models better. Aven also explains why it is sensible to separate between risk analysis and risk evaluation. The argument here is that risk analysis should be as objective as possible, whereas the evaluation is necessarily subjective. Although this sounds pretty obvious, Aven manages to provide many examples where this has gone wrong and as such raises awareness of possible pitfalls. Did you also wonder what the concept "probability" means? Aven does and he provides a remarkable insight in the various approaches to the concept. All this comes with extensive reference lists and suggested further reading. Some remarks though. The book presents many different approaches to the various concepts related to risk. So many that one starts wondering which definition Aven would support. Aven does not help the reader by providing a list of definitions. For example, Aven makes the point that "probabilities", "chances" and "propensities" are almost the same concepts, only viewed from different disciplines. But are they? Where I struggled most is the concept "uncertainty". Aven uses the term often, not to say very often (there are sentences in which the word occurs three times), and it seems one of the key concepts of his view on risk. But what does it mean? Aven presents a definition in the Conclusion (p. 227): "whether events occur and what the consequence of these events are". Given this, how do we interpret "uncertainty about the world (p. 116)", "uncertainty about the uncertainty about the world (p. 116)" or "model uncertainty (p. 233)"? Or is uncertain synonymous to random (p. 29) or a standard deviation (p. 7)? And even people can be uncertain (p. 119). To me it seems Aven uses the term as a container for issues we are not certain about, issues experts disagree on, or even things we don't know. I.e. the informal meaning of the word. Anyway, I do understand Aven's take on uncertainty. He warns us for a too simplistic approach to risk assessment, and urges us to analyse and describe the many factors underlying the risk picture. He advocates a thorough understanding of risk and his book certainly contributes to this. I therefore recommend it.

We all face risks in a variety of ways, as individuals, businesses and societies. The discipline of risk assessment and risk management is growing rapidly and there is an enormous drive for the implementation of risk assessment methods and risk management in organizations. There are great expectations that these tools provide suitable frameworks for obtaining high levels of performance and balance different concerns such as safety and costs. The analysis and management of risk are not straightforward. There are many challenges. The risk discipline is young and there are a number of ideas, perspectives and conceptions of risk out there. For example many analysts and researchers consider it appropriate to base their risk management policies on the use of expected values, which basically means that potential losses are multiplied with their associated consequences. However, the rationale for such a policy is questionable. A number of such common conceptions of risk are examined in the book, related to the risk concept, risk assessments, uncertainty analyses, risk perception, the precautionary principle, risk management and decision making under uncertainty. The Author discusses these concepts, their strengths and weaknesses, and concludes that they are often better judged as misconceptions of risk than conceptions of risk. Key Features: Discusses common conceptions of risk with supporting examples. Provides recommendations and guidance to risk analysis and risk management. Relevant for all types of applications, including engineering and business. Presents the Author's overall conclusions on the issues addressed throughout the book. All those working with risk-related problems need to understand the fundamental ideas and concepts of risk. Professionals in the field of risk, as well as researchers and graduate students will benefit from this book. Policy makers and business people will also find this book of interest.

"Therefore it is enjoyably readable by a wide audience, by virtue of the efficacy of a simple - even if accurate and rigorous - treatment of conceptually advanced issues." (Zentralblatt MATH, 2011) [nbsp](#);