

Decision Theory in Iambic Pentameter

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Stop reading this introduction at the end of the first paragraph. Grab a copy of *Hamlet*, and go to Act III, Scene 1, line 56. Read the famous soliloquy, “To be, or not to be.” Then come back here and see whether you found the great jewel there that I find. On occasion, great investment wisdoms appear in the most unlikely places.

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Hamlet is posing a terrible question: Should I continue to live, or should I commit suicide? Here is how he casts his dilemma:

*Whether 'tis nobler in the mind to suffer
The slings and arrows of outrageous fortune,
Or to take arms against a sea of troubles,
And by opposing end them.*

Like all wise decision-makers, Hamlet then analyzes the risks to be faced in each alternative. He begins by reciting the attractions of his preferred choice:

*. . . To die; to sleep;
No more; and by a sleep to say we end
The heart-ache and the thousand natural shocks
That flesh is heir to. 'Tis a consummation
Devoutly to be wish'd.*

Although Hamlet derives comfort from the prospect of sleeping into eternity, his vision is merely something “devoutly to be wished.” There is no certainty here. “To die; to sleep” may be far preferable to suffering “the slings and arrows of outrageous fortune,” but the sleep of peace without heart-ache and shocks is only one possible outcome. We may sleep after dying, but is that all? Is death “no more” than falling asleep forever?

So Hamlet carries the analysis a step further:

*To sleep? Perchance to dream! Ay, there's the rub;
For in that sleep of death what dreams may come,
When we have shuffl'd off this mortal coil,
Must give us pause.*

Ay, there's the rub—the decision to commit suicide may lead to a set of consequences even worse than suffering the slings and arrows of staying alive. The scenario of insufferable nightmares into eternity (in Hell) “must give us pause.” Indeed, Hamlet now understands why so few people do commit sui-

cide despite the “calamity of so long [a] life.” He follows with a devastating laundry list of the “whips and scorns” that people will suffer “to grunt and sweat under a weary life,” such as “the pangs of dispriz'd love . . . the oppressor's wrong . . . the insolence of office.”

This view leads him to the critical question:

*For who would bear the whips and scorns of time . . .
But that the dread of something after death,
The undiscover'd country from whose bourn
No traveller returns, puzzles the will
And makes us rather bear those ills we have
Than fly to others that we know not of?*

Although Hamlet's clear preference is to be done with the whips and scorns of life, he knows too little about that “undiscover'd country” to face the consequences of a possible outcome even more awful than the pain of living. He arrives at a conclusion he will reach repeatedly right up to the final decision that leads to the tragic consequences at the end of the play:

*And thus the native hue of resolution
Is sicklied o'er with the pale cast of thought.*

Note that Hamlet does not even bother to guess at the probability of a sleep of peace as compared with endless nightmare. When the consequences of a decision are so enormous, the probabilities are irrelevant. If he does not know what the future holds—as long as he is making a decision under conditions of uncertainty—Hamlet must frame his choice around the consequences stemming from each option.

Powerful advice for investors from a non-financial guy writing 400 years ago.

A NOTE ABOUT THE BERNSTEIN-FABOZZI-JACOBS-LEVY AWARD FOR 2003

You, our readers, will choose the winners of the BFJL Award in 2003. We will use an electronic ballot and response this year instead of the paper ballot we tried in the first award year. As you read each issue of the Journal, please keep in mind that we will be asking you to vote for your favorite among all the articles in the four issues published Winter 2003–Fall 2003. This election will be a milestone. It marks the fifth annual award of the prize.