

Re: OT: interesting global warming quote found elsewhere

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- *From:* John Popelish <jpopelish@xxxxxxxx>
 - *Date:* Sun, 03 Aug 2008 22:18:18 -0400
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John Larkin wrote:

On Sun, 03 Aug 2008 21:57:15 -0400, John Popelish <jpopelish@xxxxxxxx> wrote:

I'll try. The book is all about how we pretend to be able to predict the future based on inductive logic (extrapolating from past experience), and how this falls down in the presence of rare exceptions or "black swans" (with rare being defined as outside recent memory or education). It doesn't explain how to predict the unpredictable, but how to avoid being a sucker by mistakenly thinking you have predicted (quantified) risk but have not.

One of the common ways that people fool themselves into thinking they have a grasp of future risk is to model the past as a Gaussian process. But many processes, including the stock market and business in general (the big exception being gambling casinos), are more chaotic, or Mandelbrotian rather than Gaussian. But you can perform Gaussian modeling on long stretches of Mandelbrotian data between the explosive exception parts and it looks like a good fit... until the next blow up happens.

Experience is the worst teacher.

Exactly the point of the book. Our brains are generally wired up for simple things and short terms, not long and complicated patterns. Modern life has left common sense behind. Ask any bank manager who has, in the last year, lost more money than his bank has made since the day he was born, estimating his risk on Gaussian models.

As I was reading this book, I found myself thinking that you, out of everyone I have met in this group, would most get a big charge (flash of recognition) out of it.

You sound like the author in so many posts.

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Regards,

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John Popelish

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