

Good Thought This Thought

Your weekly newsletter

Fifth Newsletter - More in depth!

Down with creativity. We should all play with trains more: a look into OpenTTD. Hedge funds explained. So much fun. All in this fifth edition of the Good Thought This Thought newsletter. Perhaps there is more, I don't know. Honestly I didn't have so much time to write this one. OpenTTD sucked a lot of my time.



No front page news.

by MR ME

No front page news this week. It seems absolutely nothing of interest has happened this week. At least, nothing interesting enough to be put on the front page of this extremely important newsletter.

But what about all the new AI innovations? Or what about Lebanon messing up their time zone? Or the protest in France and Israel? Or the 27 km traffic on the A2 between Amsterdam and Maastricht? Nothing new there? Of course they've got new stuff, it's just not good enough for the front page. So instead, we have this rant about not having anything front-page-worthy to

report.

This Week's content:

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Debunking creativity – A preliminary chapter of my book

by MILO GRILLO



Humans, and most other animals for that part, are very complex and well trained input-output machines. We see the world. We observe. And then we react. Possibly, we change our wiring to some extent along the way.

Creativity

Original ideas are any ideas which are novel; either conceptually or in implementation. To have a novel idea is not hard. Most likely the idea of an elephant-sized cat jumping on a trampoline is novel. But it is meaningless. The hard part is to be the first to have a novel idea which is truly meaningful. Evaluating ideas on their usefulness is already orders of magnitude easier, although not trivial per se. Unfortunately, we cannot create something novel.

What we call creativity, is a (complex) combination of applying concepts from other field, often but not necessarily deriving from a misunderstanding of the concept, with a sprinkle of outside randomness. This is why we perceive creativity to be so much greater in young people.¹ They are often active in a wider range, more often meet different types of people, and

they do not have a (false) sense of understanding the world yet. And it is also why so many of the greatest inventors and thinkers were chaotic.

One of the most common tools in brainstorming sessions are the mind maps. They start with a central concept, usually related to a problem, and by association add other concepts, related to what has been written already. And if a mind-map is done in a group, some of the associations made by others seems random for some individual. This allows the individuals or the group to connect poorly related concepts, to hopefully find a new solution. Nothing novel is done. Other established ideas are simply being connected.

New things are It is the randomness which brings us novelty. And a proper evaluator to assess the generated ideas. Thus those who we deem creative are have a short list of attributes. They spend a lot of time in a random environment, in such environment, they can apply ideas out of context, and they are able to properly and efficiently evaluate generated ideas. Creativity is trial and error, not some personal trait one is born with.

If we evaluate this idea to the real world, we see how well it holds. We see many In research, if one novelty is thrown into the world, showing large potential, it is applied everywhere just to see where it sticks.²

The argument for goal-oriented research

This entire speech is in some sense an argument against goal-oriented (read: academic) research. Goals, and trial-and-error don't match too well after all. And I am writing this in the process of doing a PhD; a process which sup-

¹Many great inventors and scientist did their ground-breaking discoveries before they turned 30.

²AI is topical at the moment.

posedly is very much goal-oriented, exploring and expanding the boundaries of a very specific part of human knowledge, and requires a lot of this so-called creativity. Although I feel conflicted with my own opinion³, I do stand by it. Let us however also shed some light on the arguments for such research.

As we discussed, many things were discovered by accident. Whether those were philo-

sophical ideas, inventions, or models for the world seems to be irrelevant. And many (but definitely not most) of those things were discovered during goal-oriented research. They, however, discovered things they were not intending to discover. Half the results by famous organisations like NASA and CERN are only somewhat connected to their respective research goals.

Good Picture This Picture

by MILO



Photo of the Week: Berkson's paradox predicts this to be the best tzatziki around.

Do you want a chance to get the photo of the week? Send in your suggestion to milogrillo@hotmail.com with 'Good Picture This Picture' in the mail title.

³Imagine realising the pointlessness of your life's work.

Product Review: OpenTTD

by MILO GRILLO & CHATGPT

OpenTTD: The Game That Lets You Build and Manage Your Own Transportation Empire.



OpenTTD, an open-source simulation game based on the classic 1995 game, Transport Tycoon Deluxe, is taking the gaming world by storm. With its realistic transportation network simulation, players get to build and manage their own transportation empire, using trains, buses, trucks, ships, and planes to transport passengers and cargo between different cities and industries.

The game has a strong focus on logistics and planning, making it a favorite among strategy game enthusiasts and autists like me. With over 300 base industries, players must consider supply and demand, terrain, and competition from other transportation companies to succeed. But the game isn't just about maximizing profits; players must also balance their environmental impact and keep their customers happy.

One of the best things about OpenTTD is its large and active community, which has developed many mods and add-ons that enhance the gameplay experience. Players can choose from a variety of different game modes, including multiplayer mode, where they can compete against other players from around the world. Creating a world together is an amazing experience, in which you can choose to cooperate, or annoy each other (for example by building airports in cities other players are focusing on).

The mechanics are a bit hard to learn, but easy to master. You can definitely feel that the game is old, but it adds to the experience positively. The vibes are very much similar to roller coaster tycoon, but more autistic as it's about logistics.

If you're a fan of strategy games and transportation, OpenTTD is definitely worth checking out. With its realistic simulation, endless possibilities, and supportive community, it's no wonder that OpenTTD has become one of the most popular open-source games available today.



★★★★★ (5 / 5)

What product should I review next? Let me know! Feel free to send in suggestions.

Explainer: Hedge funds

by GRILLO, M.



You have probably heard of hedge funds before. And you likely know that they somehow invest money or get money from the economy. But what are they really? In this explainer, we'll discover the world of hedge funds.

What is a hedge fund?

Hedge funds are companies which produce nothing. Instead, they invest money by buying securities (think stocks, options etc.) with the goal to get more money back. Hedgefunds actively follow the market and the fundamentals of the securities they have invested in, or plan to invest in, and they try to find new interesting securities. It is a myth that hedge funds try to beat the market.⁴ Some hedge funds may want to do that, but for many other, the goal is to reduce negative exposure, that is not to crash down during market-crashes. Each hedge fund has a different goal, and different approaches to achieving the goals.

But where does the money they invest come from? The main source is investors. Unlike with other companies, the investors to a hedge fund are not necessarily partial owners or loan providers. Investors can store their money in a hedge funds and pay fees to the fund. A part of the profits can then be paid out to the investors.

⁴'Beating the market' is an umbrella term, that usually means doing better than if you had invested all your money into a market-wide ETF, such as the S&P 500.

⁵Famous investor Warren Buffett opposes the operational profit fee. He argues it incentivises short term profits over long term decision making.

Fees

Investing is how a hedge fund makes money, but fees are how hedge fund managers make money. There are usually two types of fees, the asset management fee, and the operational profit fee. The asset management fee is usually a yearly fee of roughly 1 – 2% of the total investment, and the operational profit fee is proportion of the annual profits, usually around 20%. The fees are chosen in this way, so the interests of the investors and those of the managers are aligned, which grows trust between the investors and managers. And hedge funds are free to choose their own fees.⁵ Investors are willing to pay these fees, so that the investors can become passive, and not have to pay attention to the markets anymore, simply putting the trust in the hedge fund.

Banks vs hedge funds

Similar to banks, hedge funds store the money of their clients, and they use this money to invest further. But that is where the similarities end. Where banks offer a money and transaction service, hedge funds offer an active investment service. Although investors can pull their money from a hedge funds, this is usually not possible on short notice, and possibly with more restrictions. And putting money *in* a hedge fund is restricted, unlike for banks. One has to be a so-called accredited investor. What this means, differs per location, but for example in the US, this means to have a stable yearly income of 200.000 USD or more, or to have a net worth over 1 million USD.

The incentives of hedge fund managers largely overlap with the hedge fund investors,

unlike the incentives of bankers and depositors; and investors undertake a well-understood risk. And when hedge funds fail, it is due to poor investments, not to due (bankers') greed.

So what's the point?

So what's the point of hedge funds? Clearly, from their perspective, it's to make money for the investors and the managers. But what do they offer the wider economy? There are two

main macro benefits to the existence of hedge funds. The first is that they act as a capital allocator, meaning that they can choose businesses to invest in. In particular industries which are not doing well, but should supposedly have a bright future can benefit a lot from such allocation. But another clear benefit is the market efficiency they provide. Particularly funds which are very active on the market force the market to be more efficient, that is they make sure that the stock price is close to the fundamental value of the underlying business.⁶

⁶How are stock prices determined? More on that in text week's issue.