

IF YOU'RE SO RICH, WHY AREN'T YOU SO SMART?

"coup de foudre" → a sudden intense and obsessive infatuation that strikes like lightning.

Nero Tulip

"flatness and tempered submission of employed life."

John - The High Yield Trader

"slow thinkers and semislow thinkers who express themselves in full sentences."

1994 - Bond Market Crash

non-middle-class work ethic

quantitative financial products

proprietary trading

middle-class work ethic

BLOW UP losing more money than one expected, to the point of being thrown out of the business. ex. Lawyer disbarred.

- ① those who merely work hard generally lose focus and intellectual energy.
- ② end up drowning in randomness.
- ③ focus on the noise rather than signal.

stop-loss, risk aversion.

Treasury Bonds

med-maturity

stock market is a form of investment scam

💡 Net worth as a function of cash earnings, not investment of his savings.

risk-conscious hard work, and discipline can lead someone to achieve a comfortable life with a very high probability.

Mild success : explained by skills and labour.

Wild success : attributed to variance.

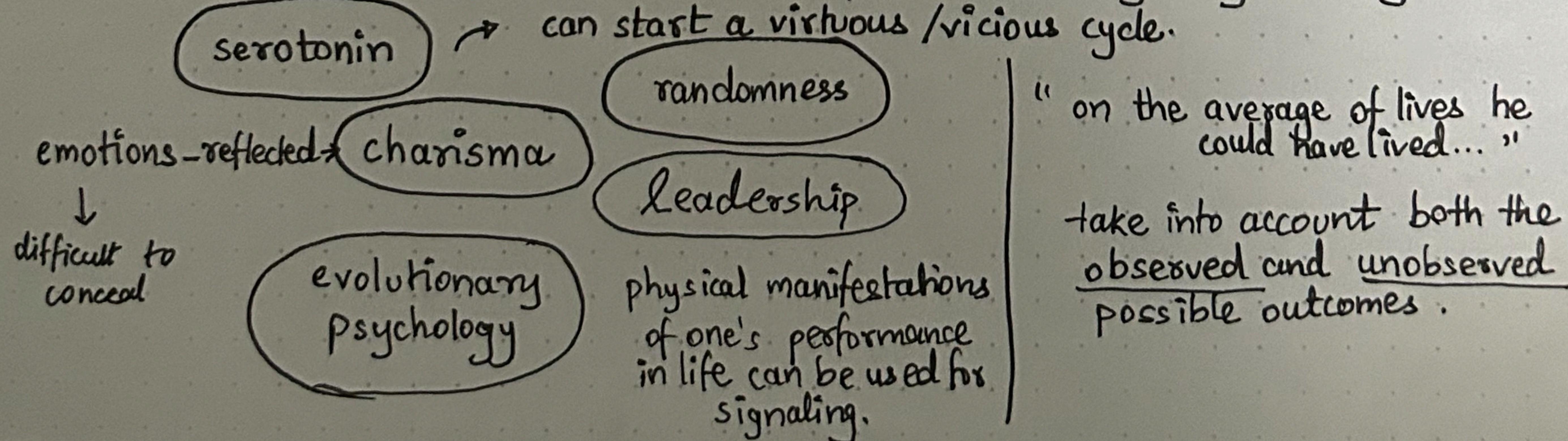
"refined taste" ← new wealth
rules of the pecking order.

"Intellectual contempt does not control personal envy."

Human Psychology: Measuring wealth is always a relative metric rather than an absolute one.

⌚ Can we judge the success of people by their raw performance and their personal wealth?
sometimes - but not always.

Lucky fools do not bear the slightest suspicion that they may be lucky fools.



A BIZARRE ACCOUNTING METHOD

"One cannot judge a performance in any given field by the results, but by the costs of the alternative.

quality of a decision cannot be solely judged by the outcome. (alternative histories)

— WAR
POLITICS
MEDICINE
INVESTMENTS

substitute course of events.

ex. Russian Roulette - \$10M v/s death

$$P(1/6) = x, P(5/6) = \$10M$$
$$E[P(x)] = ?$$

1. 25 yr-old playing 1/yr won't survive till 50 yrs.

2. 1000s of 25yr playing 1/yr result in small number of extremely rich survivors and a large cemetery.

x = Event of pulling trigger. (equally likely revolver chamber)

$$P(x = \text{death}) = 1/6 \quad P(x = \text{life}) = 5/6$$

$$E[P(x)] = \frac{1}{6} \times (\text{death})_{\text{Payoff}} + \frac{5}{6} \times (10M) = ?$$

$$P(x = \text{no death in } 25 \text{ attempts}) = [P(x = \text{life})]^{25} = \left(\frac{5}{6}\right)^{25} \approx$$

Graham Greene novels

\$10M earned through Russian Roulette is qualitatively different than \$10M earned through dentistry. (say) (quantitatively same)

One's dependence on randomness is greater than the other.

Mathematically, Monte Carlo engine. → try to get the intuitive point/idea.

Probability is a qualitative subject.

The public observes the external signs of wealth without even having a glimpse at the source, the GENERATOR.

idea of alternative histories

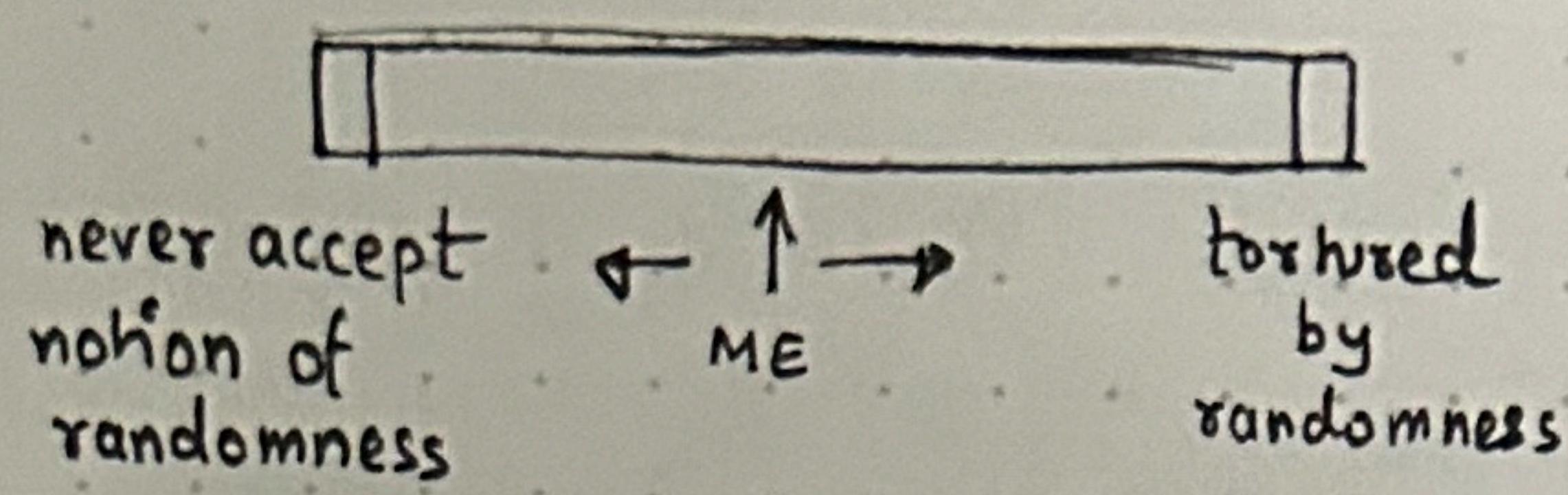
philosophy → Leibniz' idea of possible worlds.
physics → Hugh Everett's many-world interpretation in QM.
economics → Kenneth Arrow, Gerard Debreu state space method

Reality is far more vicious than Russian Roulette

- ① $P(x = \text{death}) \ll \frac{1}{6}$
false sense of security
- ② $P(x)$ is difficult to calculate due to lack of visibility - imperfect game.
mistake "low-risk" Russian Roulette.
- ③ People are ingratitudinous when warned about something abstract.

Kenny juding matters in a probabilistic manner

Jean-Fabrice
Robert Shiller
George Will



introspective professions.

we shouldn't take the notion of randomness to an extreme that it tortures us.

chess skills on Résumés.

« Beware the spendthrift "businesswise" person. »
"bottomline" people.

superficial knowledge of the rules of the game → marketing "expertise"

Heroes are heroes because they are heroic in behavior, → Iliad
not because they won or lost.

forecast \Leftrightarrow prophecy

- conflating these 2 is fooled-by-randomness.

media caters to our heavily warped common sense and biases

Our tendency to make/unmake prophets based on the fate of the Roulette wheel is symptomatic of our ingrained inability to cope with the complex structure of randomness prevailing in the modern world.

We are not wired to understand probability.

↳ donot confuse complex ideas that cannot be simplified into media-friendly statements as symptoms of a confused mind.

Risk detection, Risk avoidance are largely mediated in emotional brain, not rational brain.

sensationalism can divert empathy towards wrong causes.

↳ grabbing attention via emotions fool us into an incorrect worldview.

Beware the confusion between correctness and intelligibility.

What sounds intelligent is suspicious.

Traders
v/s

Risk Managers

EPIPHENOMENALISM - illusion of cause-and-effect.

illusion of control (on risk) among others.

A MATHEMATICAL MEDITATION ON HISTORY

Monte Carlo mathematics

more a way of thinking
rather than just compute.

- ① realism without shallowness
- ② intuition without excessive abstraction.

Monte Carlo methods consist of creating artificial histories:

sample path \approx invisible histories

only 1 reality among many

random sample paths/random run \sim may not be equiprobable.

DEMIURGOS

ex: body temp measured hourly during fever

valuation of a tech stock measured daily.

Stochastic Process — dynamics of events unfolding with the course of time.

Monte Carlo generator

the dispersion
b/w results is
indicative of the
degree of resistance
to randomness

pioneered at Los Alamos
by Stanisław Ulam

→ one sets conditions believed to resemble the ones
that prevail in reality, and launches a collection of
simulation around possible events.

many problems resembling real-life situations require MC simulator.
"summing under histories"

Mathematics is a tool for greater problems.

this method can provide a
better intuition about the subject
rather lines of equations.

In science, probability and information are treated in exactly the same manner.
ex. Brownian Motion 1905.

"It is impossible to assess the quality of the knowledge we are gathering without
allowing a share of randomness in the manner it is obtained..."

computers provide access to fast processors to run simulations.

options trading w/ insurance allowed for long-term survival.
(against blowup)

"Learning from history does not come naturally to us humans."

2 ways of learning from history

- ① from the past — reading the elders
- ② from the future — Monte Carlo sim.

denigration of the experience of others
 (or history) → ex: children touching hot stoves.
 ↓ reading history books doesn't make it easy
 to learn from their mistakes.
 ↓
 those who denigrate history
 Blows up. ↓ every man believes himself
 to be quite different.
 ↓ historical determinism - we think we would know when history is made.
 civil servants - subjectively assessed positions. ↗ hindsight bias

"A mistake is not something to be determined after the fact, but in the light of the information until that point."

ERGODICITY → under certain conditions, very long sample paths would end up resembling each other.
 ↓ Bad trades catch up with you. → Each one would revert to his long-term properties.
 time eliminates (survivorship bias) History cannot be experimented with - only 1 visible outcome.
 annoying randomness' distilled thinking over newer thinking.

"new new thing" NOISE : INFORMATION :: JOURNALISM : HISTORY

For an idea, age is beauty → survival is indicative of its relative fitness.
 Opportunity cost is minute compared to the toxicity of finding jewels in the garbage.
 ↗ same with information. → minimal exposure to media as a guiding principle for someone involved in decision making under uncertainty.

Robert Shiller 1981 → markets are not as efficient as established by financial theory

Anatole Kaletsky

Jim Grant

Alan Abelson

Ex: Dentist frequently looking at his ~~profile~~ portfolio perf.

↓ with high freq.

emotional angle/deficit
w/ negative affecting us more.

limit reading into returns

narrower/shorter timescale produces more noise than signal. scaling property of randomness.

↓ over a short time increment,
one observes variability (variance + returns)
of portfolio.

Wealth does not count so much into one's well-being as the route one uses to get to it.

RANDOMNESS, NONSENSE and THE SCIENTIFIC INTELLECTUAL

bringing scientific rigor to humanities.

Vienna Circle 1930

HEGEL

deductive statement → verifiable.

inductive statement → difficult to verify

everything else is just rhetoric

scientific intellectual

literate scientist
"thinker"

literary intellectual

literate nonscientist
"babble"

Reverse Turing Test:

"Pseudothinkers"

"science is method and rigor."

"Rhetoric can be constructed randomly,
but not genuine scientific knowledge."

fuzziness of his thought, they can be
fooled by randomness.

A HUMAN can be said to be unintelligent if we can replicate his speech
by a computer (unintelligent), and fool a human into believing that it was
written by a human.

AI → intelligence b/c fools other humans most of the time.

"recursive grammar"

"I like to be fooled by randomness."

→ literature

→ superstitions

↳ "exquisite cadavers"

origin of aesthetic doesn't matter as long as
it speaks to us.

' Our human nature dictates a need for péché mignon.

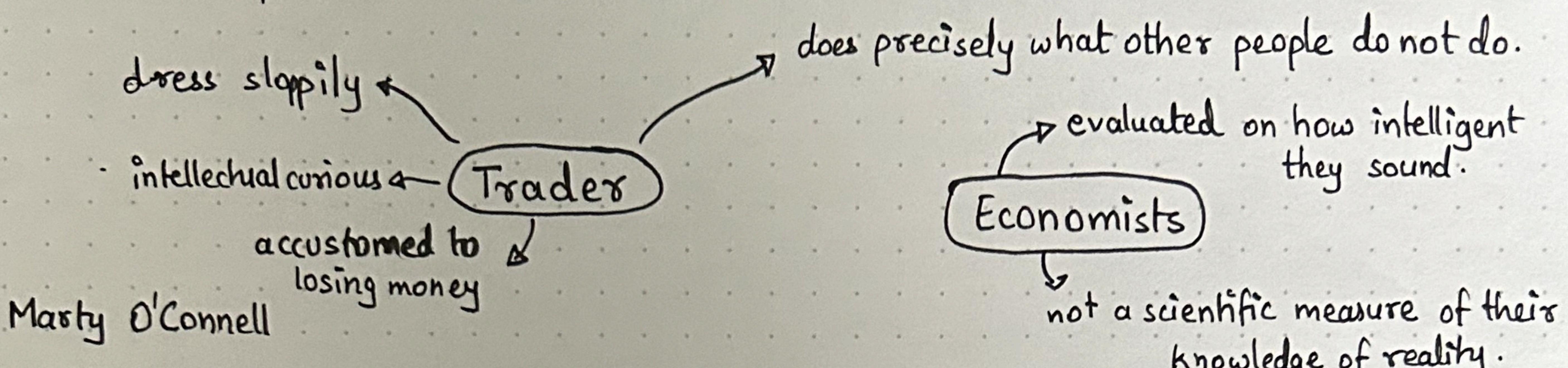
|| we are rationalising aesthetics, like religion
and act irrationally in matters ruled by randomness, like portfolio.

SURVIVAL OF THE LEAST-FIT : CAN EVOLUTION BE FOOLED BY RANDOMNESS

Carlos → Emerging Markets bonds financial instruments issued by foreign govts. of developing nations.

1998 Russian Bond Default

"comparison to other traders"



Marty O'Connell
firehouse effect : firemen with much downtime who talk to each other for too long come to agree on many things that an outside, impartial observer would find ludicrous.

cross-sectional problem : At a given time in the market, the most successful traders are likely to be those that are best fit to the latest cycle.
professions involving randomness

Why do traders, who are no better than us, become successful?

SURVIVORSHIP BIAS. → certain favourable traits for a specific segment no relation w/ competence. one can make money totally out of randomness.

short-medium survival advantage over good traders.

Darwinian ideas are about reproductive fitness, → not to used in other domains.
not about survival. → applicable to long time scale
with randomness, evolution may be a diversion,
possibly a regression.

Dragon King concept
by Sornette

Regime Switch : situations when all the attributes of a system change to the point of its becoming unrecognizable to the observer.

owing rare events → we do not live in a world where things "converge" continuously toward betterment
nor do things in life move continuously - they jump.

- X An animal is at max. fitness for the conditions of its time
- ✓ On average, animals will be fit, but not every single one of them,
and not at all times.
some would be ~~tucky~~ individuals with lucky sample paths.
ERGODICITY wipes out them over time.

People may survive owing to traits that momentarily fit the given structure
of randomness.

SKEWNESS and ASYMMETRY

Steven Jay Gould

"The Median is Not the Message."

Do not confuse probability and expectation.

"bearish" and "bullish" are terms used by people who do not engage in practicing

It is not how likely an event is to happen that matters, uncertainty.

it is how much is made when it happens that should be the consideration.

↳ Not the frequency of profits, rather the magnitudes.

"skewed" rare events present a large payoff
bets rare events are not fairly valued - undervalued.

people in finance tend to ignore outliers.

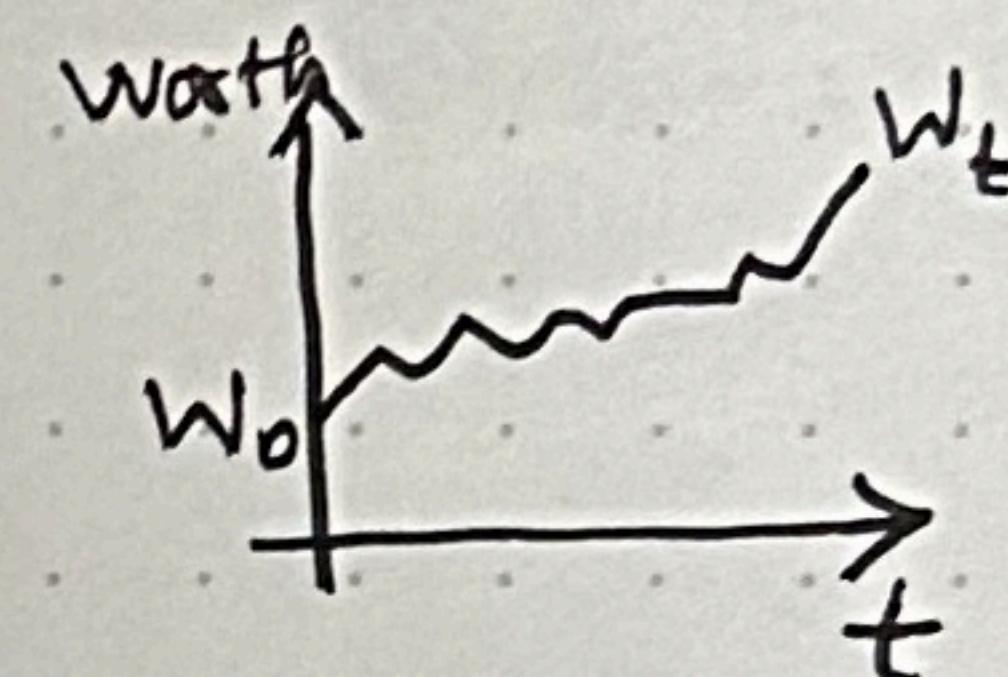
An event, although rare, that brings large consequences cannot just be ignored.
"second-rate engineer"

If the world is deterministic, (non-random)

we can perform Time Series Analysis
to predict the market.

In non-deterministic world, these analyses can sometimes mislead.

Currencies that exhibit the largest historical stability are the most prone to crashes. (1997 Asian Flu)



Is past an indication of future performance?

skeptical view → NO.

(noise-signal) Read from history in a broader scale instead of small time series.

e.g. history teaches that things that never happened before do happen.

→ Rare event = any behaviour where the adage "beware of calm waters" can hold.

often associated with misunderstandings of the risks derived from a narrow interpretation of past time series.

Rare-event Fallacy

↓
peso problem
in Mexico

preference for lower number of losses and high number of gains rather than optimizing the total performance.

Treasury Bond = benchmark of the minimum expected return on an investment.
returns

crisis
hunters

Most fixed-income financial instruments present rare events.

Why don't statisticians Detect Rare Events?

concept : the more information you have, the more confident you are about the outcome.

problem : by how much? confidence level?

$$\text{confidence level} \propto \sqrt{n} \quad n = \text{no. of observations}$$

- For n times increase in the sample size, our knowledge increases by \sqrt{n} .
- fairly us when distributions are not symmetric. AND/OR distributions change over time i.e. dynamic.
- econometrics → an accumulation of research and gains in complexity will lead to naught if there is no firm ground beneath it.

Robert Lucas - Lucas critique = if people were rational then their rationality would cause them to figure out predictable patterns from the past and adapt, so that past information would be completely useless for predicting the future.

scientism - economics ~ transfer of "rigor" from hard sciences to social sciences
+ equations
↓
used for top-down "planning."

THE PROBLEM OF INDUCTION

problem of induction — a problem of inference — especially affecting domains dealing w/ randomness — (finance)
not hard sciences yet.

Cygnus atratus

David Hume

Francis Bacon → empiricism.

ex: Turkey problem

OR

IMMORTALITY.

Victor Niederhoffer

without a proper method, empirical observations can lead one astray.
epistemology = we need to add rigor in the gathering and interpretation.

"pure empiricism implies necessarily being fooled by randomness."

"We can more safely use the data to reject than to confirm hypotheses."

→ Not all swans are white. v/s All swans are white b/c all my observations say so.

Ludic Fallacy

don't approach anything as a "game to win", except if it is a game.

Russian Roulette ~ selling PUT options.

work ethics

↳ inefficient mediocrity

"skewness"

→ stay away from 'competitive' pnatured-people as they tend to reduce the world to categories.

extreme, naive empiricism

+ competitiveness + absence of logical structure to inference = time-bomb fragile.

"impressions are quickly replaced."

"I have to discover things by myself."

→ self-discoveries last

George Soros → Karl Popper

→ answer to the problem of induction

science is not to be taken as seriously as it sounds.

There are only 2 types of theories:

- ① Theories already falsified. (proven wrong)
 - ② Theories that haven't been falsified yet.
- } ① A theory cannot be verified. It can only be falsified.

Astrology v/s

cannot be disproved

Newtonian Physics

scientific b/c disproved.

"problem of demarcation."

② A theory that does not present a set

of conditions under which it would be considered wrong (impossible to reject) is charlatanism.

Some type of knowledge does not increase with incremental information.

useful to remember
when dealing w/
uncertainty.

→ foundation of statistical inference.

"Naive Falsificationist"

- ① speculate in all my activities based on theories.
- ② no rare event should harm me.
- ③ all conceivable rare events should help me.
- ④ Science is mere speculation,
mere formulation of conjecture.

open society

- ① no permanent truth is held to exist.
- ② allow counter-ideas to emerge.
- ③ open mind. analogy.

"Karl Popper did not execute his logical / rational ideas in personal life."

large machine to make
inductive inferences

MEMORY

Causality is easier to commit to memory.
Hence, we recall stories rather than
trivia facts easily.

"The optimal strategy for humans is to believe in the existence of God."

Make allowance for events
that would prove the conjecture
wrong.

PASCAL'S
WAGER

"STOP LOSS"

Use statistics and inductive methods to make aggressive bets.
Not to manage risks and exposure.
make sure that the costs of being wrong are limited.

Is King Croesus the happiest man of all?

"SOLON'S WARNING"

"it ain't over until it's over."

- ① that which comes with luck could be taken away rapidly by it.
- ② things that come with little help from luck are more resistant
to randomness.

TOO MANY MILLIONAIRES NEXT DOOR

social treadmill effect

psychological treadmill effect

"Chekovian Dilemmas" Marc, Janet

There is no solace to be found from reasoning.

Becoming rich is a purely selfish act, not a social one.

The virtue of capitalism — society can take advantage of people's greed rather than their benevolence.

survivorship bias

→ the mistake of ignoring the survivorship bias is chronic among professionals.

→ it implies that the highest performing realization will be the most visible, because the losers don't show up.

OPTIMISM

→ can be predictive of success or failure.

→ Optimistic people are overconfident about the odds.

IT IS EASIER TO BUY and SELL THAN FRY AN EGG

How do we know somebody is competent in their domain?

What role does luck play in a "track record"? \rightarrow physical world
 \rightarrow business world

survivorship bias,
overfitting,
regression to the mean

situations where the performance is exaggerated by the observer
owing to a misperception of the importance of randomness.

placebo investors on Monte-Carlo engines

reality \rightarrow we do not know the structure
of randomness.

- ① Even a broken clock is right twice a day. \rightarrow we configure the structure of randomness.
 $P_{\text{success}} = 0.5$
- ② Nobody has to be competent $P_{\text{success}} < 0.5$

- Q: A population entirely composed of bad managers will produce a small amount of great track records.

owing to volatility, some bad managers will make money.

\rightarrow assists bad investment decisions.

\times only the best are visible, not everybody

- Q: The expectation of the maximum of track records depends more on the size of the initial sample than on the individual odds per manager.

i.e. no. of managers with great track records in a given market depends far more on the no. of people who started in the investment business, rather on their ability to produce profits.

Regression to the Mean

The larger the deviation from the norm, the larger the probability of it coming from luck rather than skills.

ergodicity \leftarrow Over time, such large deviations revert to the mean.

NOTE: Not all deviations are attributable to luck.

- Q: People believe they can figure out the properties of the distribution from the sample they witness.

survivorship bias = diff. b/w the avg. of distributions and the unconditional distribution of winners (max) and losers.
 0.03 (after 5 years)
following power law distribution.

e.g. 0.5
uniform distribution

- ① Mysterious Letter Scam
- ② Adverse Selection Bias → high prob that an advertised investment's success is caused by randomness.
- ③ Reverse Survivors → even with high prob of success, one might not survive. (roulette/black swan)
- ④ Birthday Paradox → $\frac{1}{365}$ prob of me sharing a birthday with somebody
 $\frac{1}{2}$ prob of any 2 people sharing birthdays in a party of 23.
- ⑤ "It's a Small World!"

As a statistician, we need to test a specific, given relationship to look for correlation b/w the occurrence of a given event, rather than generic searches.

Randomness will pop-up "some" relationship.

- ⑥ Backtesting → fitting the rule on the data. (data snooping)
 A random series will always present some detectable pattern.
 The more I try, the more likely to find a rule that worked on past data.
- ⑦ Medicine → statistical as it is based on trial-and-error.

Comparative Luck: comparing 2 entities dependent on randomness.
 "outperformance"

alternative medicine

Linus Pauling - Vitamin C.

reference case problem

cancer clusters phenomenon.

Real randomness does not look random.
 A single random run is bound to exhibit some pattern.

16 squares darts

scientific ~~research~~ → results that don't yield no result are not published
 A random series of runs need not exhibit a pattern to look random.

finding of absence - absence of finding.

Market Makers ≈ dentists of finance

Don't mistake the distribution of the maximum of a variable with that of the variable itself.

LOSER TAKES ALL - ON THE NONLINEARITIES OF LIFE

Life is unfair in a nonlinear way

→ even a small advantage in life can translate into a highly disproportionate payoff.

→ a small help from randomness can lead to a bonanza.

CHAOS THEORY

Population
Weather

sandpile effect - nonlinear response

Tower of Babel → a small additional input caused disproportionate result w/ sand.

people patronize what other people like to do. ← more so because of current tech industry.
based on chance encounters ↓
path dependent outcome

↓
against classical economic models.

→ results are deterministic (no uncertain)

→ skills/tech wins

Brownian
Random
Walks
probability does not
depend on past
independent

→ Poly α
Process
probability depends
on past success

Independence is a requirement for
working with the known math of
probability.

What has gone wrong with the development of economics as a science?

economists took math seriously for as a substitute for rigor.

but we don't have the correct math. for real world.

— Monte Carlo simulations

complexity theory

Network Effect

↳ creation of clusters

→ clusters

which we will never know much,
are unstable owing to their unstable properties.

↓
difficult to predict → models cannot
be accurate.

Mandelbrot

there's a wild type of randomness of

Our brain is not cut out for nonlinearities.

ex: practicing piano - barely any progress, and suddenly everything comes together.
These are routes to success that are nonrandom, but very few people have the mental
stamina to follow them.

Nonlinearity in random outcomes is sometimes used as a tool to break
stalemates.

World's Bipolarity < succeed wildly
fail miserably.

It is better to have a handful of enthusiastic advocates than hordes
of people appreciate your work.
better to be loved by a dozen than liked by the hundreds.

RANDOMNESS and OUR MIND: WE ARE PROBABILITY BLIND.

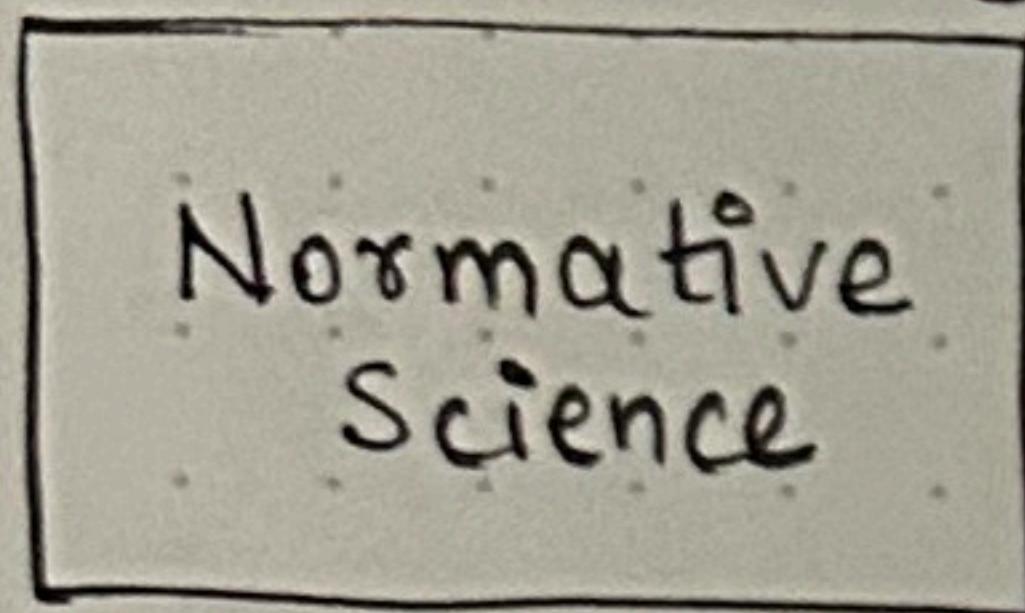
Given more than one possible outcomes, our brain can properly handle one and only one state at once.

The problem with thinking is that it causes you to develop illusions, while wasting energy.

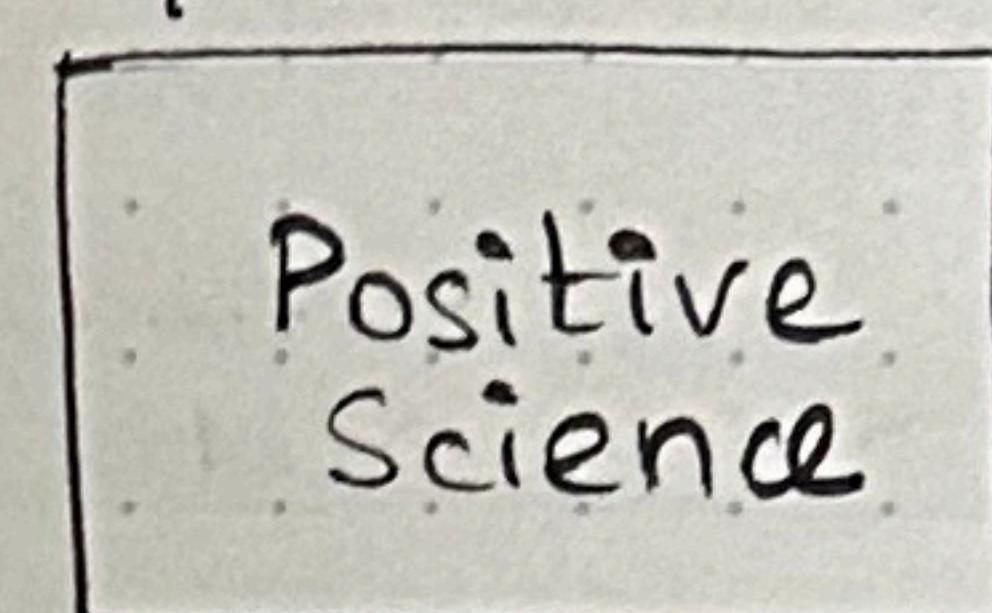
Nero Tulip cancer

Rules: value = save time and effort as it does not take nuance into account.
it is not always efficient to understand things.

Kahneman Tversky : human beings are not endowed with rational probabilistic thinking and optimal behavior under uncertainty. \Rightarrow biases and heuristics.
human beings are flawed, not just imperfect.



studies how things should be
e.g. humans are rational.
neo-classical economics
microeconomics



studies actual observed behavior
e.g. physics

We have internally conflicting rules - rules that are not transitive.

Heuristics are blind to reasoning.

Anchoring effect

availability : estimating the frequency of an event corresponding to the ease with which instances of the event can be recalled.

simulation: the ease of mentally undoing an event - playing the alternative scenario.

representativeness: gauging the prob. a person belongs to a particular social group by assessing how similar the person's characteristics are to the "typical" group member's.

affect: the emotions elicited by events determine their probability in your mind.

System 1: heuristical

bullet chess

System 2: rational

classical chess

evolutionary psychology

socio biologists

we our brains are optimised
for prob. reasoning in a diff. env.

we have evolved out of our natural habitat
much faster than our genes.

- ① emotions affect one's thinking.
 - ↳ we feel emotions, then find reasoning.
limbic → neocortex.
- ② emotions are lubricants of reason

- ① we do not think when making choices
but use heuristics
- ② we make serious probabilistic
mistakes in today's world.

encapsulation = we cannot interfere
with a module's functioning as
we are not aware of using it.
much of "risk assessment"
may be a result of emotions.

we need mathematical modelling when dealing with higher dimensions.

We are Option Blind.

→ people undervalue options as they are unable
to correctly mentally evaluate instruments
that delivers an uncertain payoff, even w/ math.

confuse the expected value and the most likely
scenario.

long volatility = bleeding a little in the short run.
make money in the long run.

✗ option selling.

$$P(D) = 0.001$$

$$P(FP) = 0.05$$

$$\begin{aligned} P(D | P) &= \frac{P(D \cap P)}{P(P)} \\ &= \frac{P(D \cap FP) + P(D \cap P)}{P(FP) + P'(FP)} \\ &= \frac{0 + 0.001}{0.05 + 0.001} \\ &= \frac{0.001}{0.051} \approx 2\% \end{aligned}$$

People overvalue their knowledge, and underestimate the probability
of their being wrong.

Journalists

most communicative.
not necessarily the most knowledgeable.

mixing up absence of evidence
and
evidence of absence.

$\text{Max}(\text{avg}(x_1, x_2, \dots, x_n))$ less volatile than $\text{Avg}(\text{Max}(x_1, x_2, \dots, x_n))$.

Statistical Significance

"It is not the estimate/forecast that matters,
so much as the degree of confidence with the opinion."
variance matters!

Causality

difficult to isolate a single cause when
there are plenty — multivariate analysis

LIVING with RANDOMITIS

Odysseus epiphany → I'm not intelligent enough, nor strong enough, to even try to fight my emotions.

I need my emotions to formulate my ideas, and get the energy to execute them.

conditional information → Unless the source of the statement has extremely high qualifications, the statement will be more revealing of the author than the information intended by him.

Wittgenstein's Ruler

↓
The emotional system does not understand it

GAMBLER'S TICKS and PIGEONS IN A BOX

superstitions ↔ gambler's ticks

- * our bias is immediately to establish a causal link.
- * we are not made to view things as independent from each other.

Skinner's Pigeon Experiment → randomly feeding pigeons developed rituals.

Emotions cannot be reasoned with. → Trick ① \$100,000 return → 2% profitable.
\$1M return → 99% profitable.

- ☺ - "We need to accept the fact that we are mere animals in need of lower forms of tricks, not lectures."

② do not look at performance report too often.

→ ex. cigarette smokers.

The problem is execution, not the absence of knowledge.

CARNEADES COMES TO ROME: ON PROBABILITY and SKEPTICISM

Probability is not about odds,
but in the belief of an alternative outcome, cause or motive.

Carneades - Cato.
(skeptics) → Cicero

Korax

Romans did not have a religion per se.

we are supposed to be faithful to our opinions
otherwise, we become a traitor.

Modern times → self-contradiction is made culturally to be shameful.

Monsieur de Norpois' - In Search of Time Lost
by Marcel Proust.

Nigel Babbage

George Soros

Jean-Manuel Rozan

endowment effect

Path dependence → past actions following suit.

↳ beliefs: sequence of ideas such that first one

↳ for evolutionary reasons dominates.

"married to your position" ↳ otherwise, one becomes a
(rational) psychopath.

1998 LTCM

"start every meeting at my boutique by convincing everyone that
we are a bunch of idiots who know nothing, and are mistake-prone,
but happen to be endowed with the rare privilege of knowing it."

Attribution Bias: You attribute your successes to skills, but your failures
(self-esteem) to randomness.

BACCHUS

elect to control one's destiny
in the face of a random outcome

STOICISM

ABANDONS

Randomness will have the last word.

DIGNITY

→ execution of protocol of behavior that does not depend on immediate circumstance.

→ emotions are natural.

Cavafy's poem "Apoleipein o Theos Antonion"
THE GOD ABANDONS ANTONY

Exhibit sapere vivere in all circumstances. AND OTHER UNSOLICITED ADVICE.

Lady Fortuna has no control over your behavior.

AFTERTHOUGHTS IN THE SHOWER

① INVERSE SKILLS PROBLEM

The higher up the corporate ladder, the lower the evidence of contribution.

skills that are visible

clearly defined, and observable.

ergodicity

Law of Large Numbers.

skills that are not visible

randomness-laden professions

repetition is key for the revelation of skills.

or any long-term properties if they exist.

lower-ranked employees — judged on process AND results

process converges to results

top management — judged only on results regardless of process.

empty suits ← **CEO** → need to take a small number of large decisions:
corporate political skill. → (\$1M bets).

Monkey-on-the-typewriter effect.

Entrepreneurs

executives have almost nothing to lose; shareholders bear the risk.
(no skin in the game)

not all leaders are heroic. → same goes for civil servants.

↳ we continue to worship those who won battles, and despise those who lost no matter the reason.

② ADDITIONAL BENEFITS OF RANDOMNESS

Ex: Buridan's Donkey

↳ What is random, and what we don't know is functionally the same.

Ex: Commuting

Some degree of unpredictability (or lack of knowledge)
can be beneficial to our defective species.

A slightly random schedule prevents us from optimizing and being efficient
particularly in wrong things.

satisficer v/s maximizer.

satisficer

maximizer

Are ~~do~~ optimizers unhappy because they are constantly seeking a better deal? OR if unhappy people tend to optimize out of their misery?

We are not made for clear-cut, well-delineated schedules.
e.g. train instead of plane.
no alarm clock.

You can decide whether to be relatively poor, but free of your time,
or rich but as dependent as a slave.

A mild degree of unpredictability in your behaviour can help you to protect yourself in situations of conflict.

↳ Unpredictability is a strong deterrent.

③ STANDING ON ONE LEG

Don't do to others what you don't want them to do to you;

We favor the visible, the embedded, the personal, the narrated,
and the tangible; we scorn the abstract.