

Fooled By Randomness

CHAPTER SUMMARIES

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

An illustration of the effect of randomness on social pecking order and jealousy, through two characters of opposite attitudes. On the concealed rare event. How things in modern life may change rather rapidly, except, perhaps, in dentistry.

TWO: A BIZARRE ACCOUNTING METHOD

On alternative histories, a probabilistic view of the world, intellectual fraud, and the randomness wisdom of a Frenchman with steady bathing habits. How journalists are bred to not understand random series of events. Beware borrowed wisdom: How almost all great ideas concerning random outcomes are against conventional sapience. On the difference between correctness and intelligibility.

THREE: A MATHEMATICAL MEDITATION ON HISTORY

On Monte Carlo simulation as a metaphor for understanding a sequence of random historical events. On randomness and artificial history. Age is beauty, almost always, and the new and the young are generally toxic. Send your history professor to an introductory class on sampling theory.

FOUR: RANDOMNESS, NONSENSE, AND THE SCIENTIFIC INTELLECTUAL

On extending the Monte Carlo generator to produce artificial thinking and compare it with rigorous nonrandom constructs. The science wars enter the business world. Why the aesthete in me loves to be fooled by randomness.

FIVE: SURVIVAL OF THE LEAST FIT—CAN EVOLUTION BE FOOLED BY RANDOMNESS?

A case study on two rare events. On rare events and evolution. How “Darwinism” and evolution are concepts that are misunderstood in the nonbiological world. Life is not continuous. How evolution will be fooled by randomness. A prolegomenon for the problem of induction.

SIX: SKEWNESS AND ASYMMETRY

We introduce the concept of skewness: Why the terms “bull” and “bear” have limited meaning outside of zoology. A vicious child wrecks the structure of randomness. An introduction to the problem of epistemic opacity. The penultimate step before the problem of induction.

SEVEN: THE PROBLEM OF INDUCTION

On the chromodynamics of swans. Taking Solon's warning into some philosophical territory. How Victor Niederhoffer taught me empiricism; I added deduction. Why it is not scientific to take science seriously. Soros promotes Popper. That bookstore on Eighteenth Street and Fifth Avenue. Pascal's wager.

EIGHT: TOO MANY MILLIONAIRES NEXT DOOR

Three illustrations of the survivorship bias. Why very few people should live on Park Avenue. The millionaire next door has very flimsy clothes. An overcrowding of experts.

NINE: IT IS EASIER TO BUY AND SELL THAN FRY AN EGG

Some technical extensions of the survivorship bias. On the distribution of “coincidences” in life. It is preferable to be lucky than competent (but you can be caught). The birthday paradox. More charlatans (and more journalists). How the researcher with work ethics can find just about anything in data. On dogs not barking.

TEN: LOSER TAKES ALL—ON THE NONLINEARITIES OF LIFE

The nonlinear viciousness of life. Moving to Bel Air and acquiring the vices of the rich and famous. Why Microsoft's Bill Gates may not be the best in his business (but please do not inform him of such a fact). Depriving donkeys of food.

ELEVEN: RANDOMNESS AND OUR MIND: WE ARE PROBABILITY BLIND

On the difficulty of thinking of your vacation as a linear combination of Paris and the Bahamas. Nero Tulip may never ski in the Alps again. Do not ask bureaucrats too many questions. A Brain Made in Brooklyn. We need Napoleon. Scientists bowing to the King of Sweden. A little more on journalistic pollution. Why you may be dead by now.

TWELVE: GAMBLERS' TICKS AND PIGEONS IN A BOX

On gamblers' ticks crowding up my life. Why bad taxi-cab English can help you make money. How I am the fool of all fools, except that I am aware of it. Dealing with my genetic unfitness. No boxes of chocolate under my trading desk.

THIRTEEN: CARNEADES COMES TO ROME: ON PROBABILITY AND SKEPTICISM

Cato the censor sends Carneades packing. Monsieur de Norpois does not remember his old opinions. Beware the scientist. Marrying ideas. The same Robert Merton putting the author on the map. Science evolves from funeral to funeral.

FOURTEEN: BACCHUS ABANDONS ANTONY

Montherlant's death. Stoicism is not the stiff upper lip, but the illusion of victory of man against randomness. It is so easy to be heroic. Randomness and personal elegance.