

Economic Extinction of the Least Financially Fit

By [The Mogambo Guru](#)

06/02/09 Tampa Bay, Florida I was settling down with a little microwave pizza as I was watching the YouTube.com video that was featured at InformationClearingHouse.info, titled “The REAL Maverick: Present Economy Worse Than Depression” which was an interview with Nassim Nicholas Taleb and Benoit Mandelbrot.

Mr. Taleb is a famous economist and author of *The Black Swan*, a pivotal book concerning the catastrophic effects of improbable events, which shows that sudden, unforeseen cataclysmic discontinuities happen often enough to kick the living hell out of any stupid attempt to “invest for the long term.”

He was accompanied on stage by Dr. Benoit Mandelbrot, a professor of mathematics who famously brought us Chaos Theory (better known as “The Butterfly Effect”) and the revelations of fractal geometry, and I thought to myself, “Wow! This is going to be great! Improbable events are actually going to turn out to be fractal? Wow!”

But it was more than that, as Mr. Taleb starts off correctly saying that the economy is more dangerous now than at any time since the American Revolution, which took both the moderator and me somewhat aback, and that the banking system, as currently configured, is “a monstrous giant built on feet of clay.”

Impatient to get to the interesting part, I cut him off by entering an objection, mostly because I am a nasty, jealous little creep who is envious of Mr. Taleb’s intelligence and success, but also on the grounds that Mr. Taleb is not a recognized expert on sculpture, giants, the stability of feet, nor the load-bearing properties of clay, and I demand that his remarks be stricken from the record.

The judge looked down at me with a scowl, and said, “You can’t object, you moron! This is not a trial! You are watching your computer! There are no judges, and I am just a figment of your imagination, just like all your ‘friends’ that nobody else can see, either! Hahaha!”

Perhaps fearing an adverse ruling from the bench concerning my objection explains why Mr. Taleb suddenly left the subjects of giants, clay and feet, and went on to say that the point was that “Never in the history of the world have we faced so much complexity combined with so much incompetence in understanding its properties.”

I thought that he would then explain that his own work and that of Mr. Mandelbrot have proved, conclusively, that “complexity” is a guarantee of eventual failure, as having a lot of moving parts means that there are more things that can go wrong, any one of which is a potential “butterfly in the Amazon randomly flapping its wings” that will cause catastrophic failure in the near future,

and all those parts means that there are more things that WILL go wrong in the future, as one by one each of these myriad things will break, sometimes failing in clusters, and always at the worst possible time, but which you muddle through until one day a meteor appeared out of the sky and killed the dinosaurs.

Well, there was nothing about dinosaurs, but at the very least I thought that he would – at least! – say that he has shown that anyone using the normal bell-curve of probability theory to model long-term systems is an idiot because it assumes that the improbable never happens, which it nevertheless does, which is why it is called “improbable” rather than “impossible,” and anybody betting everything they have, or will have, on such an obvious statistical fact deserves what they get, which is, obviously, financial death in a perfect example of the Darwinian extinction of the least fit.

He did not, and even Benoit Mandelbrot was not ready to comment about the ramifications of things, but would only allow that “Everything which involves turbulence is enormously more complicated, not just a little bit more complicated.”

They both admit to having trouble sleeping at night because of these horrific economic things, which is, I assume, because they do not have enough gold, silver or oil with which to prosper and have a wonderful time as the government destroys the value of the paper money by letting the Federal Reserve create so much money and credit so that it allows the government to deficit-spend unlimited amounts of money.

Hey! That must be it! Follow my reasoning here, but if they had enough gold, silver and oil, then they would know that they could buy their way out of any trouble that comes along, and make money while waiting for trouble to arrive, since gold will, on average, go up in value the whole time because the purchasing power of the currency is going down the whole time because the Federal Reserve is creating excessive money and credit the whole time so that the government can deficit-spend the whole time!

That’s why I “buy gold, silver and oil because – whee! – this investing stuff is easy!”