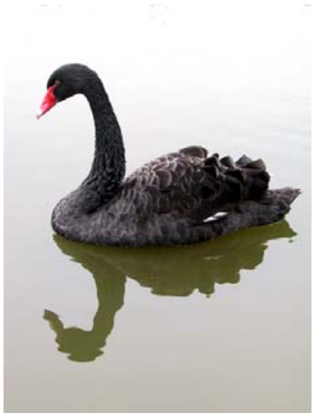

THE BLACK SWAN

The 21st Century Challenge for Public Policy

What you think you know may not matter. What you don't know certainly will. And why you are unlikely to know what matters in time.

Nassim Nicholas Taleb, Ph.D.

In 2001, the stock market lost $7 trillion dollars in value at about the time experts were declaring an end to the business cycle. In 1989, the Soviet Union and Eastern European nations abandoned communism, and the Cold War ended, taking the world by surprise; historically, prominent civilizations such as the Mayan and the Anasazi collapsed seemingly without warning. Such events, found throughout history, can be explained by *Black Swans* -- large surprise events perceived to have a very low probability of occurring, but an extremely large impact when they happen. These events appear evident in hindsight but lie outside the path of predictions or normal expectations. Generally, our inferential intuitions, cognitive harm-avoidance apparatus, and learning mechanisms are made for a different type of environment. They are geared to the study of the usual and the repeatable; the thinkable and discussible. The gap between the attributes of the Black Swan class of uncertainty and our intuitions about randomness is widening as the world is becoming more complicated, requiring more prevention than is currently accepted in most policy circles. This discussion presents the various dimensions of the problem and addresses its policy consequences.

Woodrow Wilson International Center for Scholars
February 9, 2005
1:30 – 3:30 pm
5th Floor Conference Room

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ABOUT THE SPEAKER

NASSIM NICHOLAS TALEB is an essayist and mathematical trader. He is interested in the epistemology of randomness and the multidisciplinary problems of uncertainty and knowledge, particularly in the large-impact hard-to-predict rare events ("Black Swans"). Taleb is the founder of Empirica LLC, a trading firm and risk research laboratory and Adjunct Professor at the Courant Institute of Mathematical Sciences of New York University.

Taleb held senior trading positions with trading houses in New York and London and operated as a floor trader before founding Empirica LLC. His degrees include an MBA from the Wharton School and a Ph.D. from the University of Paris. He is the author of *Dynamic Hedging* and *Fooled by Randomness* (published in 17 languages).