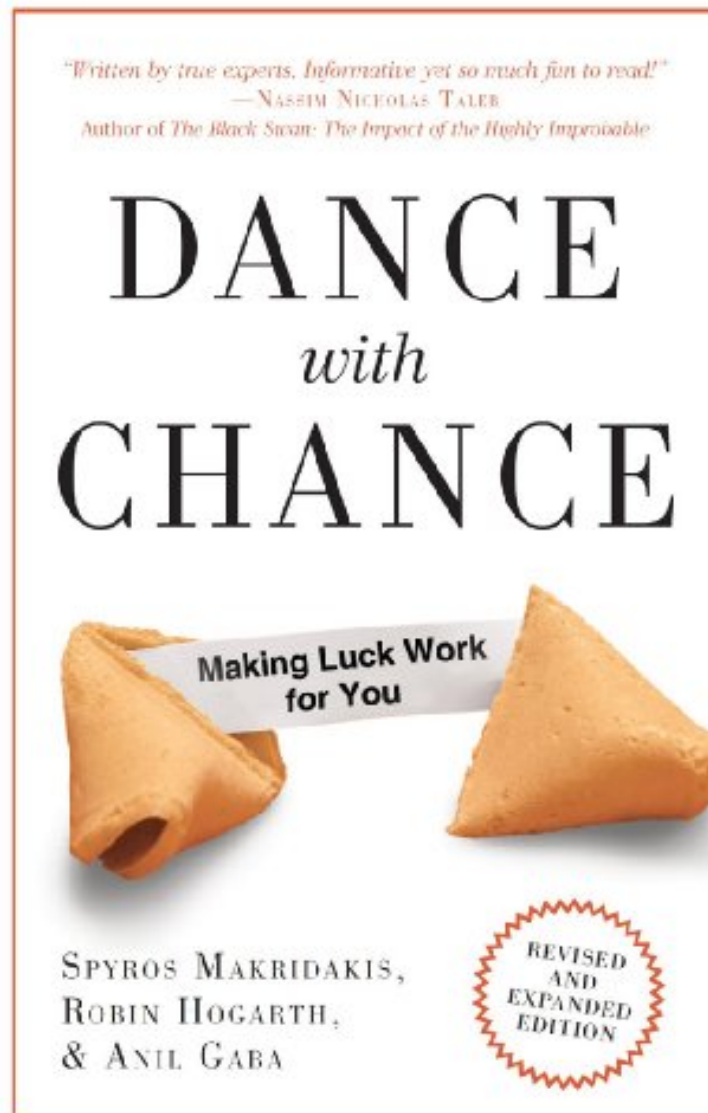


(Free read ebook) Dance with Chance: Making Luck Work for You

## Dance with Chance: Making Luck Work for You

*Spyros Makridakis, Robin Hogarth, Anil Gaba*  
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**Spyros Makridakis, Robin Hogarth, Anil Gaba : Dance with Chance: Making Luck Work for You** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Dance with Chance: Making Luck Work for You:

1 of 1 people found the following review helpful. Beyond forecasting By Sandro Saittalf you ever worked on time series prediction (forecasting), you should read Dance with Chance. It is written by a statistician, a psychologist and a decision scientist (Makridakis, Hogarth and Gaba). As it is the case in The Numerati or Super Crunchers, authors

explain complex notions to a non-expert audience. I find the book really interesting and provocative. The main concept of *Dance with Chance* is the "illusion of control". It is when you think you control a future event or situation, that is in fact mainly due to chance. This is the opposite of fatalism (when you think you have no control, although you have). The book teaches how to avoid being fooled by this illusion of control. This is a very interesting reading for any data miner, particularly involved with forecasting. The book contains dozens of examples of the limitation of forecasting techniques. For example, it explains the issues of forecasting the stock market and when predictions are due to chance. Authors use a brilliant mix of statistics and psychology to prove their point. Of course, it is difficult for someone in the field to completely agree with the authors. For example, they often state that no one can predict the future in advance. Formulated this way, one may agree. However, data mining and machine learning techniques are able to predict future situations (based on past data) to a certain extent (probabilities). Another bias of the authors is their tendency to reject complex models simply because...they are complex. Although I know the famous Occam's razor, advanced and complex techniques such as Support Vector Machine (SVM) have proven their efficiency in several applications. To conclude, whether you agree or not with the authors, *Dance with Chance* opens your eyes on the illusion of control and thus on the limitations of predictive algorithms.

11 of 12 people found the following review helpful. Old and new ideas about uncertainty, entertainingly written by David J. Aldous. The title made me initially skeptical, but this quickly turned out to be one of the best books I have read on the theme of dealing with chance in our everyday life and career. It has a clear thesis, our "illusion of control" -- that more of life than we realize is outside our control, and that being more realistic about this fact, while at first sight psychologically unsettling, in fact increases the "genuine control" we have over our lives. The authors focus on medicine, investment and business (after surveying potential readers to discover their interests-- what a radical idea!). Within these broad topics they cover a lot of ground, staying "on theme" and spending more time on real data and checkable historic illustrations and less time on fiction or personal anecdote. The authors, serious academics in different fields, maintain an easy to read style while staying in touch with academic literature. Finally, they actually have a bottom line conclusion that is neither trite nor ridiculous -- I copy it at the end of the review. These positive features put it way ahead of other books on similar themes. I have few substantial criticisms of what they explicitly say, though some reservations about the overall picture of chance that a reader might implicitly draw from the book. And, since many ideas touched upon briefly have been treated in more detail in other non-technical books, they could have been more helpful by saying explicitly "for more on this topic read ...".

To me the most memorable idea (Chapter 12) was their description of decision making as thinking or blinking or sminking. Here thinking means trying to take everything into account (often too difficult); blinking means instant gut reaction (often unreliable); and they invent the word sminking to mean "using some simple explicit rule". They give some cute illustrations (marital happiness, credit scores, ...) and advocate its use more widely. Anyway, to a reader of this review I propose a smink. Read Chapter 12 first; if you enjoy it, read the whole book; if not, forged about it!

Here's their treatment of investment. They tell the story of the collapse of Long Term Capital Management and of hedge funds, they relate forecasts that turned out badly, they emphasize that historically equities have outperformed other instruments in the long term but not necessarily over the next 15 years; that the best way to invest in equities is via index funds with low fees; that most investors do much worse than the index for various reasons they list, and warn of the dangers of relying on emotion rather than following a consistent strategy. This is all stuff -- standard amongst academics -- that every investor needs to know. Indeed it has all been said before, most famously in *A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing (Revised and Updated)* (and the reader curious about where a suggested balanced portfolio comes from can consult the more analytical *Unconventional Success: A Fundamental Approach to Personal Investment*) but it's so vital to have objective voices raised against the self-interested clamor of the financial complex that it's well worth repeating. This book's two chapter account is one of the most convincing I've read. Now financial markets have a unique feature, that (for instance) buying an individual stock rather than the index is like "betting against the spread" in football -- you are trying to predict the future better than the consensus. But the book doesn't emphasize enough (in my opinion) the point that this feature is special to investing and analogs -- it's one extreme of a spectrum of chance. A different extreme is, say, choosing a spouse, which is similar to investment as regards long-term unpredictability and importance to one's life, but is very different in that one is not competing to do something better than the consensus. For the declared goal of teaching the reader how to think about chance, an exercise of the form: [here are 10 situations, place them on a spectrum from "similar to investment" to "similar to choosing a spouse"] would be more engaging than telling many stories about Wall Street.

More briefly: the chapters on medicine form a plea for evidence-based medicine, making the point that (both historically and currently) many treatments or screenings have been in widespread use without clear evidence of their effectiveness. The chapters on business criticise management theory gurus and applaud the "creative destruction" view of capitalism. They propose that managers should ignore fashionable theories, remember that over the long term prices of standardized goods/services go down relative to wages, which can only be dealt with via (obviously) increasing productivity and via the somewhat vaguer notion (p. 125) "manage people to generate creative destruction". Other chapters describe (in an oddly coy way) the authors' own research on the ineffectiveness of prediction (this research featured prominently in *The Black Swan: The Impact of the Highly Improbable*), followed by advice on "how to

predict, if you must": first look at historic data, then imagine drastically different future scenarios, then ask other people for their 95% confidence intervals, form a consensus of such, and double the length of the interval! Anyway, the book's conclusions (p. 256) are worth knowing, so here they are. (But don't be misled into thinking the book is full of "complex statistical models", because it isn't). The future is never exactly like the past. Complex statistical models fit past data well but don't necessarily predict the future. Simple models .... predict the future better ... Both statistical models and people have been unable to capture the full extent of future uncertainty and been surprised by large forecasting errors .... Expert judgement is typically inferior to simple statistical models. Averaging (whether of models or of expert opinions) usually improves forecasting accuracy. 0 of 0 people found the following review helpful. GoodBy Peter Ensor Contained good counter arguments about some common trends in the medical and financial worlds in particular. Found the majority of the book interesting though there wasn't enough information in some sections on how they arrived at their conclusion (my stats theory isn't that good). Felt the last section didn't offer as much to the book. Overall a good and enlightening read.

"Written by true experts. Informative yet so much fun to read!" Nassim Nicholas Taleb author of The Black Swan  
"Easy-to-digest and highly competent. If everyone were to read this book, the world would become a more enlightened place." Gerd Gigerenzer author of Gut Feelings: The Intelligence of the Unconscious  
Uneasy with how chance determines a huge part of our lives, we try to control what cannot be controlled and predict what cannot be predicted. It's a self-delusion that can have serious consequences for our personal finances, careers, happiness and health. Dance with Chance explains how we all fall foul of this Illusion of Control. Fortunately, when we understand how luck operates, we can lessen its ill effects. By learning when to cede control over certain aspects of our life, paradoxically, we gain more control. By making small changes to our lifestyle, we can make a huge difference to the things that matter to us. From simple investment strategies to warning against health screenings, the authors offer revolutionary and often counterintuitive advice to make luck work for you. You'll find out why millions of deaths are caused each year by medical negligence and why a billionaire is no happier than an Eskimo. You'll discover why no-one predicted the worst financial crisis since the great depression and what makes a sports star. Updated to include the latest happenings in the credit crunch and informed by the latest findings in psychology and statistics, Dance with Chance is an essential guide to navigating the uncertain world in which we live. Spyros Makridakis is Distinguished Research Professor at INSEAD, Abu Dhabi Centre and a former Greek Olympian. Robin M. Hogarth is ICREA Research Professor at Universitat Pompeu Fabra, Spain. He was formerly a professor at the University of Chicago's Graduate School of Business.