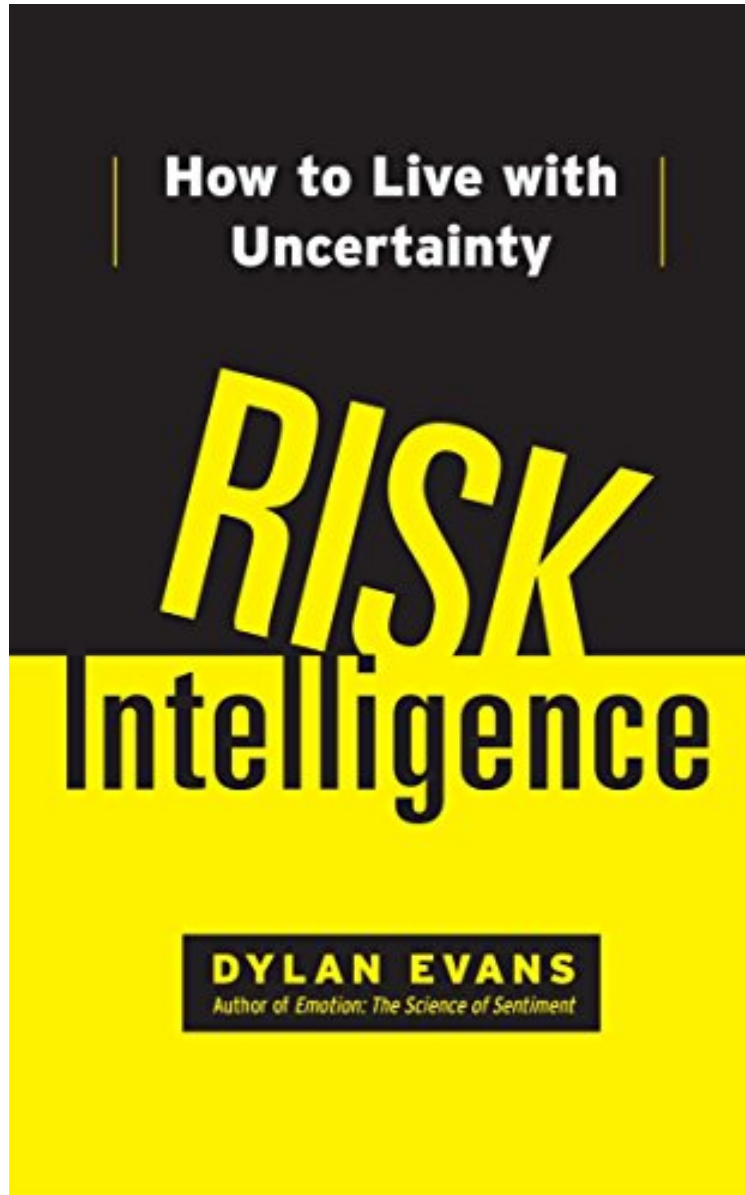


Risk Intelligence: How to Live with Uncertainty

Dylan Evans

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Dylan Evans : Risk Intelligence: How to Live with Uncertainty before purchasing it in order to gauge whether or not it would be worth my time, and all praised Risk Intelligence: How to Live with Uncertainty:

5 of 5 people found the following review helpful. I think this book does an excellent job showing that most knowledge should be expressed as ...By David R. Kent I am a hedge fund manager. Every day, I'm faced with making quantitative decisions under high uncertainty. I think this book does an excellent job showing that most knowledge should be expressed as probabilities rather than definitive true/false statements. By expressing knowledge with uncertainty, we

can make better use of the knowledge we have. I found the author's quantitative test and related plots quite useful. My results showed that my curve was very well calibrated, except for the rare times that I thought I knew an answer with 90% certainty. In those cases, I was slightly optimistic in my degree of knowledge. Simply knowing that I have a slight bias towards optimism when I'm extremely certain is very valuable to know. The real downer for the book is the length. I suspect the book's editor told the author that it had to be 250 pages or nobody would buy the book. If the author had been given a hard 100 page limit that he could not go over, this would have been a much better book. Fortunately I found the most useful information in the first half. The second half seemed like filler.

3 of 3 people found the following review helpful. Escape the hamster-wheel of risk management By Heath Nieddu

Escape the hamster-wheel of risk management The current conversation regarding risk management sometimes sounds like it's going in circles. The logic spins upon itself and doesn't seem to really take traction, like a hamster spinning away on his wheel, in a cage. We can't really put our finger on it, but we know that something is still missing. The shame is that the topic is usually approached with such hubris, that risk managers fail to see just how behind the curve they are in some areas, the holes they are digging that have already been dug many times over, or the overreach of their inferences. Dylan Evans transcends the current discussion. "Risk Intelligence" does many things well, but its most refreshing gift is the acknowledgement that risk intelligence requires a mix of intuition and rationality. He reinforces his acknowledgement by going to great lengths in his discussion to appreciate both sides of this coin. Sometimes it seems as if Evan's is only providing a nice introduction of risk management by synthesizing many established concepts in a digestible format. I'll admit I never understood Bayes' theorem so well until after I read the explanation here. He also does a good job with cognitive bias. Don't be fooled though. Evans' is making it look easy and only warming up. When I step back, I recall just how much I've learned. The concept of Risk Intelligence itself is novel, and Evans' own creation. Instead trying to provide another framework for risk management, he's actually approaching a new slice of the puzzle by performing original research and providing an original concept. Over 50 thousand people so far have taken his risk intelligence battery. The questions force people to make decisions on things they probably know little about in a short time span. This is an area of research that I believe is desperately lacking in risk management. What evidence is there that any sort of risk management actually improves outcomes? I asked this during a recent risk measurement course I took and really didn't receive an adequate response. Evans actually gets the closest to convincingly answering this question. He did this by side-stepping the definition of success in an institutional sense, focusing on the person, and defining success in his experiment. Granted, his subjects are in a simple environment, but at least he addresses this limitation. By pin-pointing and discussing the difference between his own questions and the real world (or a variety of contexts), he is moving an "unknown unknown" into a "known unknown," for the rest of the field. Most commentators aren't even asking which frameworks are actually successful and in what circumstances. Often they are building rigid analogies between simple problems in gambling and complex problems in business, with an unsatisfactory caveat of, "although the real world is a little more complicated," and then go on their way with inference as if it wasn't really that more complicated. Evans' starts here too, but transitions to complexity honestly by not overselling the results found in the simple environments. Many risk measurers accept that we can calibrate our decisions based on the opinion of experts, and use assumptions about the normal bias of experts. Evans' treatment of experts is more descriptive. He describes under which conditions expert opinion is more helpful and under which conditions amateurs do just as good as experts. These are examples of how Evans rises above others in this field. His ascendancy is accomplished with humility, resulting in nuance and well-rounded thought. His ideas are therefore realistic and begin to be usable in our daily lives. I do have a wish list for further research. Is there more evidence about outcomes in the real world? Could the next experiment focus on problem-solving scenarios? Are people with high risk intelligence also successful in business or politics? Are there any suggestions for how education should change as a result of studying individuals with high risk intelligence?

2 of 2 people found the following review helpful. Another great work from a great scientist in the field By Douglas W. Hubbard

I should disclose that I am briefly mentioned in the acknowledgements of this book. I suppose I'm further biased by how closely the author's views match my own on the topic. Still, I honestly believe that any intelligent reader with an appreciation of great scholarly work and an interest in this topic will find this book to be well worth the time to read. This is an expansive treatment of a topic of the psychology of risk and uncertainty from one of the best researchers in the field. The centerpiece of the book is Evans' derivation of a "risk quotient", a measure of intelligence dealing with all matters of risk. The author sought out the best examples of experts who have a knack for assessing risk (the horse handicapping examples are a great illustration) and developed a measure of this skill. He then points out that this particular measure of intellect may not be closely related to traditional measures of IQ and yet is critical to dealing with uncertainty in any area of life. The measurement method of "RQ" alone would be worthy of a book. But Evans also discusses the consequences of poor RQ and focuses on helping the reader improve their own risk quotient. Part of the book is a basic introduction to how to think about probabilities using such tools as Bayes Theorem and the book provides several examples of common fallacies and poor thinking about risk. One of the joys of reading this book is the numerous, relevant references spanning psychology, economics, management, history, philosophy, current events and science in general. The reader should be prepared for a rapid-fire array of real-world examples and research sources from an author who is about as well-read as they come. This book

is thoroughly sourced and, at the very least, the reader should expect to come away with a broad knowledge of virtually all key components of the entire body of work in the psychology of risk.

We must make judgments all the time when we can't be certain of the risks. Should we have that elective surgery? Trust the advice of our financial adviser? Take that new job we've been offered? How worried should we be about terrorist attacks? In this lively and groundbreaking book, pioneering researcher Dylan Evans introduces a newly discovered kind of intelligence for assessing risks, demonstrating how vital this risk intelligence is in our lives and how we can all raise our RQs in order to make better decisions every day. Evans has spearheaded the study of risk intelligence, devising a simple test to measure a person's RQ which when posted online sparked a storm of interest and was taken by tens of thousands of people. His research has revealed that risk intelligence is quite different from IQ, and that the vast majority of us have quite poor risk intelligence. However, he did find some people who have very high RQs. So what makes the difference? Introducing a wealth of fascinating research findings, Evans identifies a key set of common errors in our thinking that most of us fall victim to and that undermine our risk intelligence, such as "ambiguity aversion," overconfidence in our knowledge, the fallacy of mind reading, and our attraction to worst-case scenarios. We are also regularly led astray by the ways in which information is provided to us. Citing a wide range of real-life examples— from the brilliant risk assessment skills of horse race handicappers to the tragically flawed evaluations of risk that caused the financial crisis— Evans illustrates that sometimes our most trusted advisers, including the experts and analysts at the top of their disciplines, don't always give us the best advice when it comes to risk evaluation. Presenting his revolutionary test that allows readers to evaluate their own RQs, Evans introduces a number of simple techniques we can use to build our risk assessment powers and reports on the striking results he's seen in training people to develop their RQs. Both highly engaging and truly mind-changing, Risk Intelligence will fascinate all of those who are interested in how we can improve our thinking in order to enhance our lives.