

The Principle of Ignorance



The Principle of Ignorance is a 'corollary' of the Principle of Fragility, which states:

Complexity X Uncertainty = Fragility

This principle states that highly complex actions (or business models) lead to situations of fragility in uncertain environments (e.g. markets). For example, a highly articulated portfolio may result to be fragile in a turbulent market. In effect, the more an environment gets uncertain and volatile, the better it is to be simple and pragmatic.

This is quite intuitive. By the way, the uncertainty, which characterizes the markets and the economy, is increasing (and the central banks can do nothing about it). In effect, as the economy becomes increasingly complex, it is also becoming more fragile.

Moreover, this increase in volatility of the economy is a manifestation of the Second Law of Thermodynamics, which states that the amount of 'chaos' is either constant or it increases. The ancient Greeks would say that each generation leaves behind more chaos than it inherits. Things will not get simpler. Nothing new under the Sun.

The Principle of Ignorance states that:

Complexity X Ignorance = Fragility

To put it simply, a highly complex product, or tool, in the hands of a fool leads to fragility (danger). Place a child at the wheel of a sports car, an incompetent CEO at the helm of a multi-national firm, or a sophisticated derivative in the hands of an inexperienced investor. The results are easy to imagine.

Observing our society one comes to the inescapable conclusion that on average, the level of ignorance increases, much like the volatility of the global economy. True, we do have more technology, but people have traded books for tablets and this is generally not good. One trend that we witness is that in many countries the middle class is shrinking as the poor get poorer and the rich get richer.

When it comes to education and intellectual endowment a similar pattern may be observed: the scientific elite on the one hand, a generation which 'lives' in the inappropriately called

‘social networks’, which are instruments of propagation of decadence, emptiness and mediocrity, on the other. Where will this take us?

As the complexity of our lives increases – think of the volatile economy, terrorism, migrations, climate change, pollution, epidemics, cyber-attacks, oil crisis, corruption, etc. – so does the overall level of ignorance of the society. Both factors on the left hand side of the equation are increasing: a spiral of complexity, ignorance, an increasingly fragile world.

Optimum Complexity Ltd.
1 Mayfair Pl, W1J 8AJ
London, United Kingdom

E-mail: dc@optimumcomplexity.com

Website: www.optimumcomplexity.com

Phone: +44 7808 763 348

Disclaimer

The Adviser Optimum Complexity Ltd. is an appointed representative of Atlantide Asset Management Limited which is authorised and regulated by the Financial Conduct Authority

The concepts and methods presented in this document are for illustrative purposes only and are not intended to be exhaustive. This document is not intended as a recommendation, an offer or solicitation for the purchase or sale of any securities or other financial instruments. It is not intended to serve as the basis of any future investment decision and should not be considered as a recommendation or investment advice. No investment decision should be made on the basis of this document in whole or in part. No warranty is made as to the accuracy or reliability of any estimates, opinions, conclusions, recommendations (which may change without notice whether in writing or otherwise) or other information contained in this document and, to the maximum extent permitted by law, all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from this document is disclaimed without reservation. This document has been published by Optimum Complexity Ltd. based on information provided to it. Optimum Complexity Ltd. has taken care in the preparation of this document to ensure that it accurately reflects the current state of the development of the project, though no representation or warranty is provided as to its accuracy. Certain information contained in this presentation has been obtained from public sources prepared by other parties. No responsibility is assumed for the accuracy or completeness of any information in this document. Any reproduction or distribution of this document, in whole or in part, without the prior written consent of Optimum Complexity Ltd. is prohibited. Reverse-engineering of the concepts, methods or ideas contained in this document is strictly forbidden. The methods described in the present document are protected by US patents. This document should not be accessed by any person in any jurisdiction where it is unlawful to do so. This document is for the intended recipient only and is provided on the condition that it be kept confidential and that it is not copied or circulated in whole or in part.