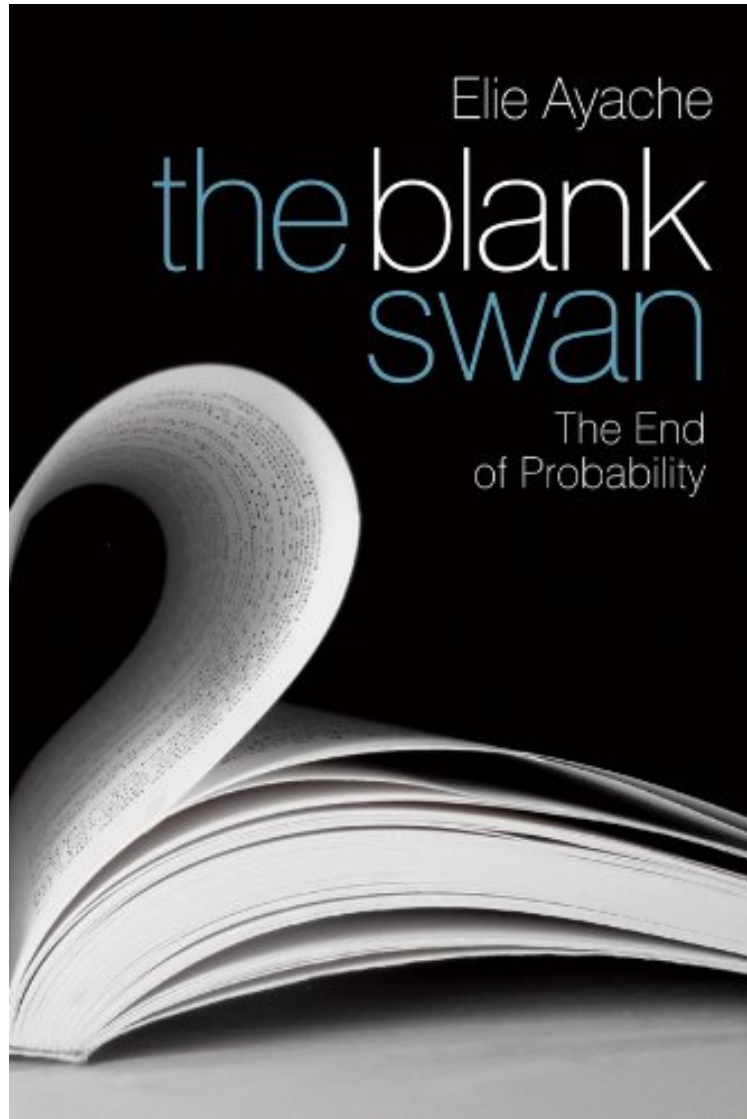


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## The Blank Swan: The End of Probability

*Elie Ayache*

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**Elie Ayache : The Blank Swan: The End of Probability** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Blank Swan: The End of Probability:

18 of 21 people found the following review helpful. UnreadableBy JCJOn page 196, the author has a quote: "I, too, seek an unreadable book ... a book incapable of being read straight through, even, to bring reading to stop" That this quote should so absolutely summarize this book, cannot be by chance. Trying to read The Blank Swan straight through is a frustrating experience and needlessly so in my view which is the reason I rated it 3 stars. As it stands, it is a book that needs to read in small quantities and not in chronological order, but I believe this is how the author intended it. Further too this point, there are a few aspects of this book that make it very tiresome to read. First, it is highly

repetitive. On a banal level, the author refers to "the last part of the book" about 50 or more times in the first two parts of the book (there are four parts). In some cases, the author will start a paragraph saying "As will be shown in the last part of the book", only to finish the paragraph "(see the last part)". These are not word for word quotes, but capture the meaning. The book is also repetitive in that it addresses the same topic from a very slightly different point of view multiple times. This means you have to read essentially the same thing over and over again, only at the end to get 90% of the same message. As a historical process, it's clear to see why the book feels so repetitive, because many of the chapters were published separately before coming together as a book. To continue to the content of the book, I think the effort is worthwhile, for those predisposed, to understand what is being written. It is mostly a book on philosophy and not the markets or derivatives. But it does make a few points about the market which can help someone gain insight into its behavior. To speak to the philosophy, the book borrows most of its foundation from Gilles Deleuze and to a lesser extent Quentin Meillassoux and Alain Badiou. The author may say the latter are more important to his work, but to the user of this philosophy rather than the creator, the work of Deleuze in my view is more important. A problem with the book arises here because the philosophical concepts are not well explained. They assume a knowledge not only of Deleuze et al themselves, but also of philosophy in general. This means the book inhabits a nebulous middle ground in terms of its intended audience. The meaning in all this is that a reader of this book should expect to have to read several other books in order to really understand what the author is talking about. Herein lies my biggest criticism of the content of this book. If you take the time to read Deleuze, Meillassoux, Badiou; and to add one to the list, Bergson; and also to read a few of their popularizers such as De Landa, your time will have been better spent than reading this book. There just isn't enough synthesis here to make the whole of *The Black Swan*, better than the sum of its parts which is these philosophical works. In light of the above criticisms, I have still given the book three stars. The reason is that there is a lot here and forming a full picture of it could in fact take a year or more at my pace. I fault the author for making the reader really assemble the concepts in the book themselves, but better to have what is here than nothing at all. In need of summary, let me end the review with a few comments. This is not a simplistic book, it will take much mental effort and time to get anything out of it. In addition, it can be tiresome to read because it is needlessly repetitious. Certain investor types will get something out of it, but not a specific formula for a particular investment strategy. On the other hand, this book will change my portfolio and what more can be said? I hope this helps a little in judging whether to read the book. It's probably some time before a full review of this book can be written, at least by me.

17 of 21 people found the following review helpful. *Absolute Contingency* By Caleb Romo

Before I write my review, know that I'm not some tenured professor of postmodern/continental philosophy or sipper of ultra-super-duper, non-fat, double-soy-mocha cappi-latte thingies in some Parisian cafe with other quasi-intellectuals. I'm a shockingly lazy 20-year-old full-time student (Spanish and Arabic major) who works two hourly-wage jobs and spends waaaay too much of his very limited supply of money on books. Everyone complaining about the difficulty of this book merely didn't give the patience the book deserves. I'll try to help these childish "mature grown-ups" a bit. After a very odd sequence of events, a sequence of "Black Swan" events in my life, I was lead to Taleb's *The Black Swan: The Impact of the Highly Improbable*. I loved it. I read Taleb's other two non-technical books. Loved them. I'm a HUGE fan of Taleb. The dude's my hero in more than one context, and having met plenty of celebrities and Rock stars, all of them boring and none worth my time, Taleb is one of the few "celebrities" I would actually gush over if I met him. Having said that, when I found Ayache's book, I flipped out, probably squealed like a little girl, and immediately ran home and started reading. Oh. My. God. Hard reading, but holy shiznit this book is awesome. The book's writing style is a bit difficult before you know how to read it, I admit, but having since had little chats with the author, I find the language is unavoidable. To help you out a bit, here are a few inadequate translations of terms: "Debt" = Belief in possibility, being bound to the past. Also goes by "ruins" and other names in the book, depending on which of the four parts of the book you're reading. I suggest reading Part 4 first. "Equity" = Mediation of contingency, looking to the future. Also goes by (sort of) "writing," among other names. Equity and writing aren't necessarily synonyms, but until you see how they're used in the book, you can treat them similarly (due to their relationship) until you discover their relationship's dynamics. "Conversion" = Going from debt to equity, from looking to the past to writing the future. The point of this book is the conversion. "The market" = Loosely speaking, it means "reality," or perhaps our way of perceiving it. This is the hardest term to simplify or "translate," but how it's used in context of the book makes the term easy to understand. "Price" = Again, loosely speaking, let's call it "effect of contingency on 'the market'." Let's call it the impact of the Black Swan event, for simplicity's sake. These are only a few of the book's terms, but the ones used the most. My overly simple translations are only to help those get started, and giving more adequate explanations would require me to write the entire *BLANK Swan* in this review, like Pierre Menard wrote the *Quixote*, right? The fact that I have to even (inadequately) simplify those terms is sad. Okay, so imagine some Black Swan event happens, the Black Swan being some context-changing event. The Black Swan causes us to panic, searching for the new context, the new way to understand reality and our role in it. Let's look at the market (the market-market, not Ayache's "the market" yet). The very job of the market-maker, the writer of options, is to be shoved into the correct (market-related) context by that event, by contingency. When something happens, he has to evaluate and reevaluate the prices of new options, a process that absolutely must be founded on the

writing/publishing of "exotic" option prices, those of an order of complexity above the simple "vanilla" options whose prices he's trying to find. Basically, he has to write/create/publish the price of a not-yet-traded complicated option in order to find the correct price of the simpler option. So, in the crazy, "unexpected," high-impact event, the market-maker's writing is what shoves him into the right context, instead of running around like a chicken with his head cut off like everyone else does. Now look at this process in a broader philosophical context, and you'll start to get this book. This explanation is WAY simplified and therefore inadequate and unfaithful to the book, but if you understand this paragraph to some extent, then you can enjoy this book. The true genius of the book really hits you at the end, when Ayache explains that the market-maker's role, and you see that the whole book, the whole of 'The BLANK Swan: The End of Probability' IS the writing of the "exotic," the more complex. Let's call Taleb's 'The Black Swan' a Black Swan event, the ideas presented being the simple vanilla options needing a price. Ayache's 'The BLANK Swan' is the publishing of the more complex, not-yet-"traded" exotic options, the foundation against which we build this whole edifice of mediating contingency. THE BOOK IS AN EXAMPLE OF WHAT THE BOOK IS ABOUT. It's really, really quite clever. Like. Really clever. Really. Now, I'm purty smart, sure. And my life's pretty good, being that I had the time to give this book some patience. I know three or so languages; I have two steady sources of income, my own health insurance; I know plenty about plenty in subjects like philosophy, linguistics, psychology, economics and markets, medicine, mathematics, even quantum physics; I play a few musical instruments; I have zero debt; pay my own bills (-I'm in college, so this is kinda impressive); got a cool car (GK Tiburon -very proud); I have no specialty in skill or knowledge, and I'm very comfortable in time and (mostly so in) finances (at least, for an easily bored college student). I had no experience in abstract postmodern/continental philosophy, Deleuze or Hegel or Massui or whoever, but I still got this book. To those who opened this book, got confused, and wrote that it's the author's fault, are you REALLY going to accept that you're dumber than a 20-year-old smart^\$\$\$ who works two crappy hourly-wage jobs and drives an 8-year-old Hyundai? Of course not, so go pick up the book and BE PATIENT. Geez. The reviews of this book drive me nuts. It's like reading complaints dictated by toddlers. I wrote his at Ayache's request; he wanted someone who had the patience to understand the book help drown out the noise of impatient toddlers (my words, not his). But having got here and read the reviews, I ended writing this not for Ayache's sake, but rather for the sake of his book. It deserves the patience required, trust me. It's genius and, perhaps (to me) more importantly, really very clever. 5 of 7 people found the following review helpful. The art of considering oneself an artist By Barnaby It's one of those books which will be quoted by a certain strata of people who don't read anything except the look of intimidation in the face of confused 'philistines'. It's a rather good analysis of the 'there' in the nothing there there phenomenon prevalent in a commodity driven mercantile system that's running out of things to make, sell and especially: say. I.e. the 'art world'. Fun reading if you have a sense of humor.

October 19th 1987 was a day of huge change for the global finance industry. On this day the stock market crashed, the Nobel Prize winning Black-Scholes formula failed and volatility smiles were born, and on this day Elie Ayache began his career, on the trading floor of the French Futures and Options Exchange. Experts everywhere sought to find a model for this event, and ways to simulate it in order to avoid a recurrence in the future, but the one thing that struck Elie that day was the belief that what actually happened on 19th October 1987 is simply non reproducible outside 19th October 1987 - you cannot reduce it to a chain of causes and effects, or even to a random generator, that can then be reproduced or represented in a theoretical framework. The Blank Swan is Elie's highly original treatise on the financial markets - presenting a totally revolutionary rethinking of derivative pricing and technology. It is not a diatribe against Nassim Taleb's The Black Swan, but criticises the whole background or framework of predictable and unpredictable events - white and black swans alike -, i.e. the very category of prediction. In this revolutionary book, Elie redefines the components of the technology needed to price and trade derivatives. Most importantly, and drawing on a long tradition of philosophy of the event, from Henri Bergson, to Gilles Deleuze, to Alain Badiou, and on a recent brand of philosophy of contingency, embodied by the speculative materialism of Quentin Meillassoux, Elie redefines the market itself against the common perceptions of orthodox financial theory, general equilibrium theory and the sociology of finance. This book will change the way that we think about derivatives and approach the market. If anything, derivatives should be renamed contingent claims, where contingency is now absolute and no longer derivative, and the market is just its medium. Also, the book establishes the missing link between quantitative modelling (no longer dependent on probability theory but on a novel brand of mathematics which Elie calls the mathematics of price) and the reality of the market.