

# Why did THIS Future Emerge?:

Integrating the Downstream Effects  
of Shaping Ideas Using Holistic  
Assessment to Forecast Change.

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# COULD YOU HAVE FORESEEN *THIS*?

- DEFINITELY YES → Doing Business in the New World Disorder & related themes – from 1992.
- CAS HAS MY 2008 & 2010 CONTENT SPECIFIC PPTS HIGHLIGHTING **RISING** BORDER WALLS, ANTI-IMMIGRANT, ANTI- GLOBALIZATION SENTIMENT AND SOCIO-POLITICAL SHIFTS.
- I WROTE IT ALL OUT FOR ODNI-Proteus Futures Group IN 2008; WITH ACCESS & HONORS.



# Well? → Yes = Various Aspects

- 1970's U.S. Chamber of Commerce Task Force on laid off workers - <http://minnesota.publicradio.org/radio/programs/marketplace/>
- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Harvard & Institute for International Economics, Washington DC. [https://www.theguardian.com/commentisfree/2008/jul/31/economy.globalisation:](https://www.theguardian.com/commentisfree/2008/jul/31/economy.globalisation)
- Stiglitz, Joseph. 2002. *Globalization and its Discontents*. New York: Norton and Company.
- Frieden, Jeffry. 2006. *Global Capitalism: Its Fall and Rise in the Twentieth Century*. New York: Norton.

# MY MAIN “*THIS*” FORESIGHT THEME TODAY.

- Human societies choose specific *shaping ideas*, institutionalize them, *pursue them via goals and policies*, and *reap their desired and undesired consequents*.
- *Focus on some core ‘global shaping’ ideas/consequents.*

# HOW DOES THIS TIE TO THE ACTUARY OF TOMORROW?

- *What 'Is' The Finance Professional Of The Future?*  
**RISKMINDS – America Annual Conference**, Chicago Illinois, September 22, 2016.
- "Man Vs. Machine: Do Actuaries Have the Skill set to Leverage Machine Outputs in the Future?" **Casualty Actuarial Society (CAS)**, Philadelphia, PA. November 16, 2015. \*\*\* ACTUARY OF TOMORROW
- **FORGING SYNERGIES: A CHANGING GLOBAL SYSTEM, EMERGING RISKS AND CATASTROPHE DYNAMICS – CAS** October 2015 & November 2016.

# ...THE ACTUARY OF TOMORROW? THEME (2)

- **Beyond Tomorrow – Aon Hazards Conference - DOING BUSINESS IN THE NEW WORLD DISORDER (again?)** – Aon-Benfield, Gold Coast Australia 2015.
- **International Congress of Actuaries Quadrennial Meeting: "Improve Forecasting Through a Different Focus: 'Is it the fault of the paint and the brushes when we cannot paint like Rembrandt?'"**  
Washington DC: (April 4, 2014). \*\*\* ca. 2000 article
- **"When Black Swans Aren't"** (revised), **Society of Actuaries**, Atlanta, GA. November 22, 2013.

# THE MAJOR TAKE AWAYS OF THESE PRIOR WORKS...

- MOST 'BLACK SWANS' AREN'T...
- EVEN TALEB'S CORE EXAMPLES AREN'T...
- AN OVERSOLD & TOO CONVENIENT EXCUSE
- RELYING IN 'BLACK SWAN MIND' LEADS TO  
OVERRELIANCE ON RESILIENCE / COSTS
- LEADS TO CAREER DECLINE FOR ACTUARIES,  
FINANCE AND RISK PROFESSIONALS.



# THE MAJOR TAKE AWAYS OF THESE PRIOR WORKS (2)

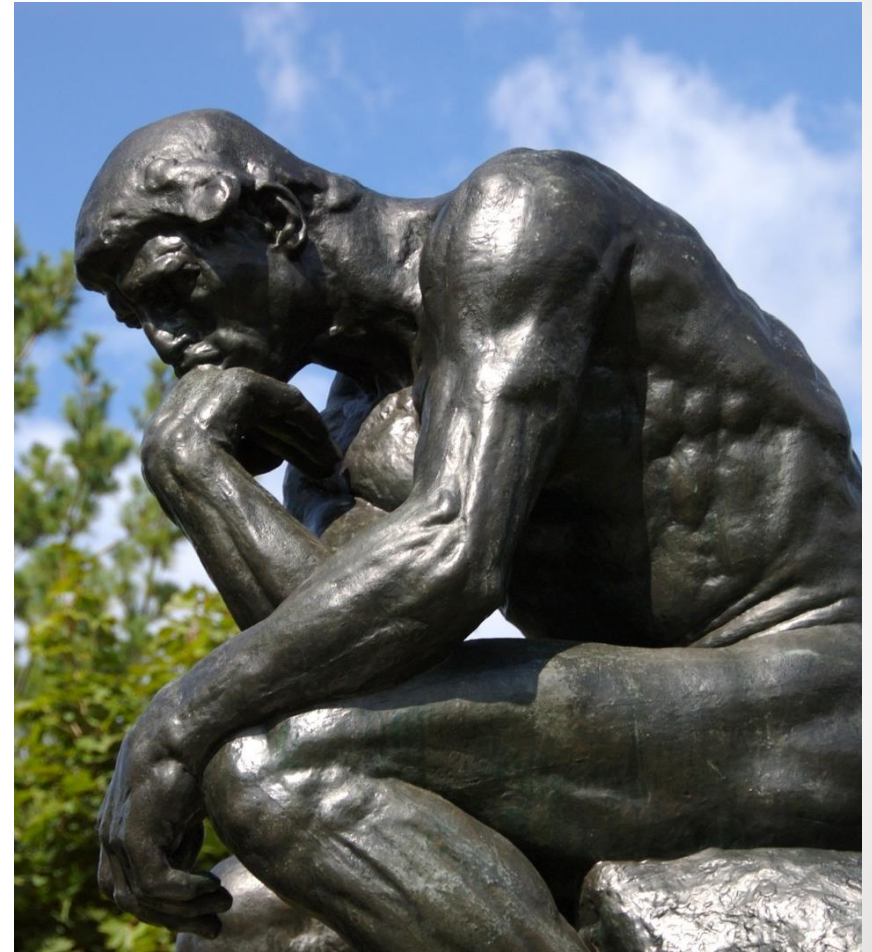
- FOR USEFULLY APPLYING MACHINE/MODEL OUTPUTS TO REAL-WORLD JUDGEMENT  
PROFESSIONALS IN ACTUARIAL SCIENCE, RISK MANAGEMENT & FINANCE RATE THEIR FIRM AND INDUSTRY...
- 2-3 ON A 5-SCALE (5 = EXCELLENT) FOR USEFUL NORMAL CHANGE FORESIGHT.
- 1-2 ON A 5-SCALE (5 = EXCELLENT) FOR USEFUL CRISIS OR RARE EVENT FORESIGHT.



# THE MAJOR TAKE AWAYS OF THESE PRIOR WORKS (3)

- ROBOTICS/AUTOMATION/AI ETC → ABOUT 40% OF NEAR-FUTURE TASKS.
- ALGORITHMS & MACHINES CANNOT FORECAST WELL EITHER.
- PRESSURE FOR GREATER ACCURACY IS BEING APPLIED TO PROFESSIONALS.
- DOWNWARD PRESSURE ON PAY AND, POTENTIALLY, STATUS.

# IF YOU CANNOT ADD VALUE BEYOND THE MACHINE...



# MOST OF THAT ABILITY IS QUALITATIVE & CONTEXTUAL

- NOBODY HAS A 'IN GENERAL' OR 'AVERAGE' HEART ATTACK.
- CHANGE IS CONTEXT SPECIFIC.
- THUS GOOD FORESIGHT ABILITY IS 'THIS SPECIFIC CONTEXT' EMBEDDED, ENTANGLED & EMERGENT THINKING.
- STATISTICS & MODELLING IS, BY DEFINITION, TRUE 'IN GENERAL' THINKING → A TOOL.

# MUCH OF THE FUTURE FORESIGHT CHALLENGE IS...

- COMING FROM SOCIO, CULTURAL, POLITICAL REALMS → **HARD TO MODEL**
- FROM **MISUNDERSTANDING THE 21<sup>ST</sup> CENTURY WORLD YOU ARE IN.**
- **'THIS'** WORLD IS SIGNIFICANTLY A CONSEQUENCE OF PRIOR CHOICES MADE → **FORESEEABLE.**

# IMPROVING REQUIRES CHANGES IN...

- **MINDSET** → HOW DID / DO CERTAIN PEOPLE HUNDREDS OF YEARS AGO (AND NOW) CORRECTLY FORESEE WHAT MOST PEOPLE DO NOT?
- **FORESIGHT / FORECASTING PRACTICES** → STEM OVER-RELIANCE ON TOOLS; ESPECIALLY MODELS) & BECOME MORE HOLISTIC → **NOT EASY TO DO.**
- **PROFESSIONAL TRAINING AND PRACTICE NORMS** → **What is the Actuary, Finance, etc. Professional of the Future?**

# THE 'WHY THIS FUTURE?' THEME EXPLAINED?

- BUILDS UPON THE PRIOR DISCUSSION'S **HOLISTIC APPROACHES AND FORESIGHT IMPLICATIONS** → **IMPACT ON ACTUARIES.**
- FOCUSSES ON USING **CHOSEN 'IDEAS AND GOALS'** AS USEFUL FORESIGHT TOOLS.
- SUGGESTS AGAIN THAT MOST ANALYSTS ARE LIVING IN / USING THE **WRONG WORLDVIEW** → **IMPACT ON CORRECT FORESIGHT.**



# A CAVEAT – KALCHAS' PROBLEM PERSISTS

- LEADERSHIP NOT WANTING TO SEE.
- SIDELINING / IGNORING PEOPLE WHO ARE NOT HERD CONFORMISTS.
- WANTING CONVENIENT SOLUTIONS VERSUS CORRECT ONES → IARPA.
- I AM NOT ADDRESSING THIS ASPECT OF INABILITY TO FORESEE EMERGENCES.



# CHANGE COMES WHOLE:

## Who Put Economists in Charge?

- THE LAST 4 GLOBALIZATIONS ENDED WITH SOCIO-CULTURAL-POLITICAL BACKLASH → IS THIS ONE DIFFERENT?
- Adam Smith and Age of Reason Thinkers were more likely to take the holistic view → Merge ideas from a broad palette. WE DON'T.

# Why This Talk Focuses on Using Shaping Ideas to Forecast



# #1 - The 'Classic Liberal' State Died Long Ago

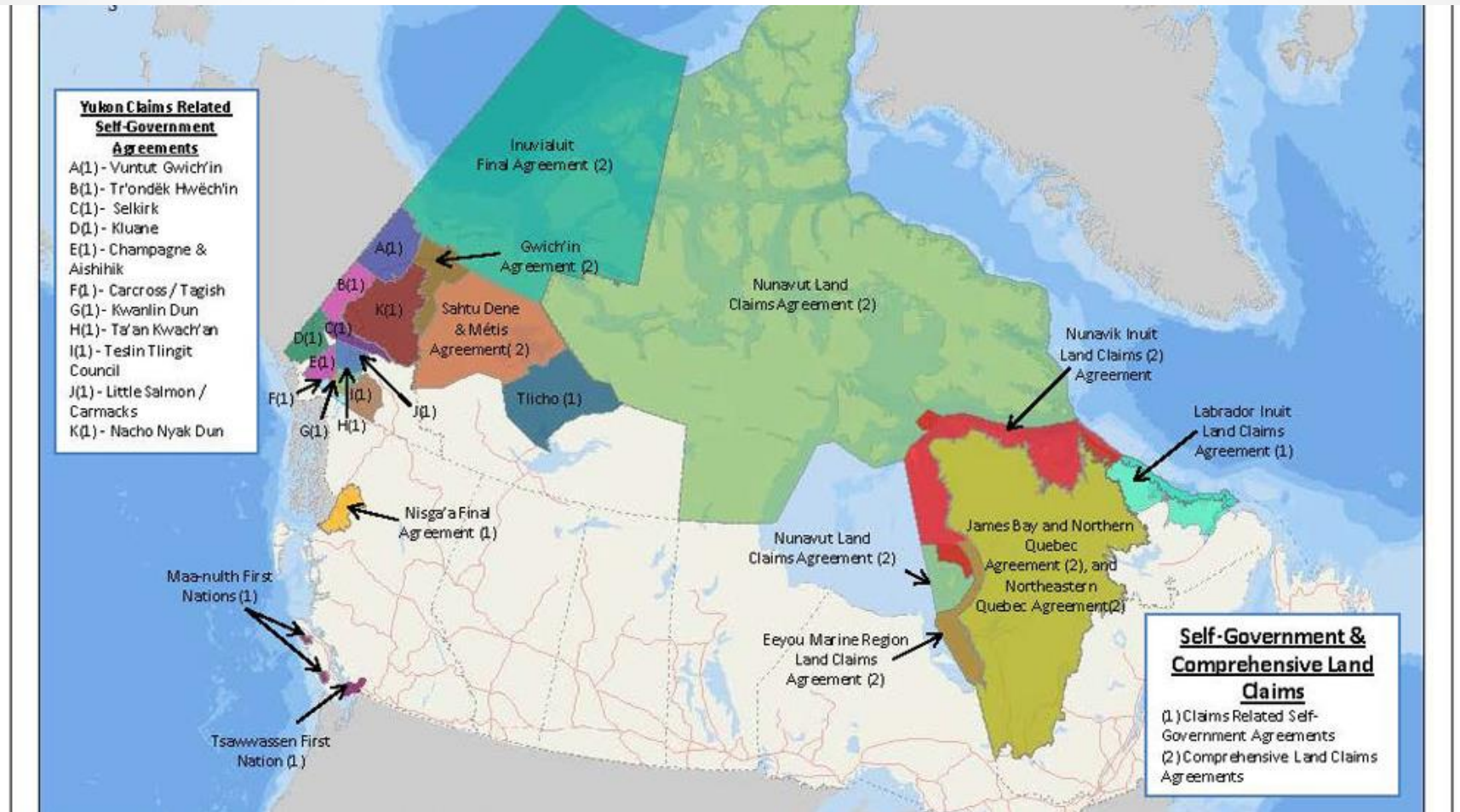




# Exxon-Mobil cuts out Iraq



# Canada 'First Nations' Title → The 21<sup>st</sup> Century 'GLOBAL' World





# ONE CULTURAL- LINGUISTIC VIEW



# AND ANOTHER...

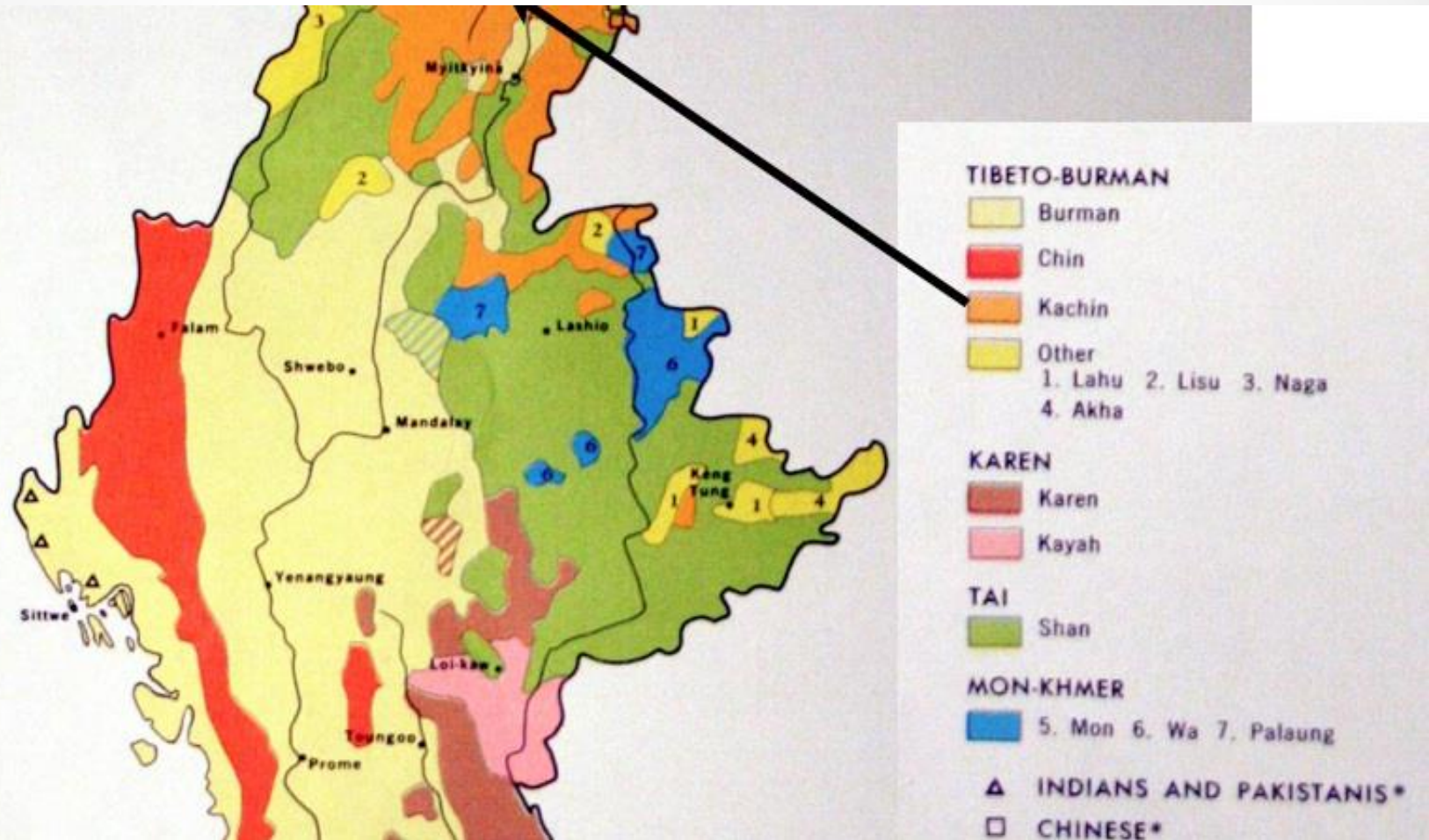


# AND ANOTHER...





# AND ANOTHER



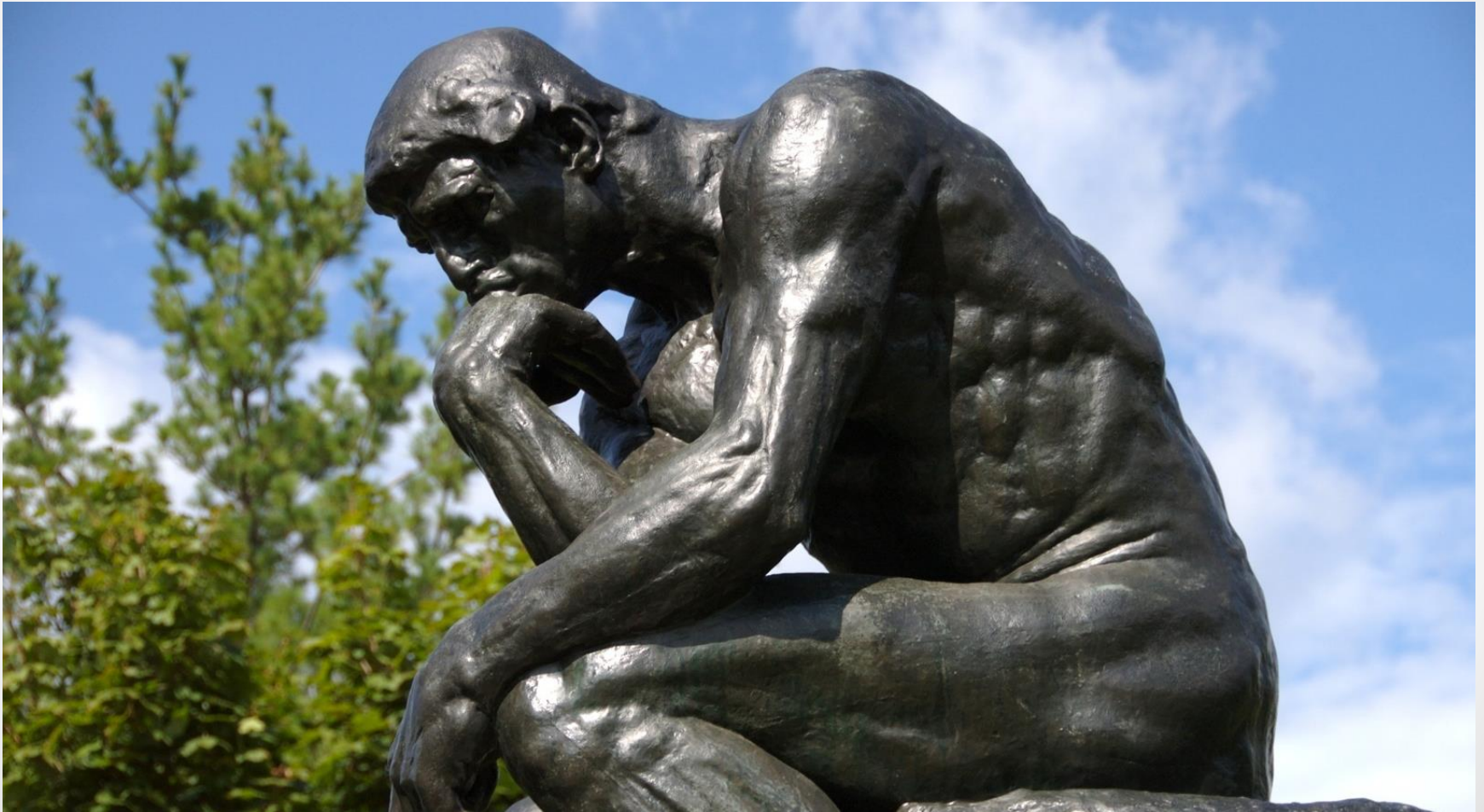
# GUESS WHAT HAPPENS

- WHEN GLOBALIZATION COMES TO DEVELOP / USE **YOUR** AREA?
- WHEN THE U.N GENERAL ASSEMBLY UNANIMOUSLY AFFIRMS IN 2007 **ALL PEOPLES ARE EQUAL.**
- WHEN MOST ANALYSTS THINK STATES ARE STILL **SOLE SOVEREIGNS**

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# #2 How Managed Globalization Post WW2 is **Supposed** to Work.



# Experts Will Manage It.

- 2-3 ON A 5-SCALE (5 = EXCELLENT) FOR USEFUL NORMAL CHANGE FORESIGHT.
- 1-2 ON A 5-SCALE (5 = EXCELLENT) FOR USEFUL CRISIS OR RARE EVENT FORESIGHT.
- FOR THOSE OF YOU WHO QUIT YOUR DAY JOB DURING SUMMER 2016 TO BE IN THE CLINTON WHITE HOUSE...



# LETS TALK ABOUT: How it Actually Works



...Pretty Much Just Like  
the Prior Globalizations.





# 'Chains' Forged in Life

- BETTER QUESTION 1 - HOW WAS THIS **SHAPED, MANAGED & SUPPORTED** GLOBALIZATION EVER GOING TO WORK OUT MUCH DIFFERENTLY?
- BETTER QUESTION 2 – THEREFORE WHY WERE SO MANY REALLY SMART PEOPLE SURPRISED BY THIS GLOBAL 'CRISIS'?

# THE WORLD WE BUILT:

- **MY PURPOSE**: WHAT FAILURE TO 'SEE' IDEAS AND GOALS SAYS ABOUT OUR ASSESSMENT PROCESS.
- UNWANTED SOCIETAL CONFLICTS, ANTI-GLOBAL VIEWS, HUMAN MIGRATIONS & BORDER WALLS WERE RISING GLOBALLY FOR DECADES → WHY?
- THE CORE IDEAS FOR SETTING UP MANAGED GLOBAL CHANGE CAME UNDER TWO RUBRICS:
  - 1) THE STATE AS 'SOLE SOVERIEGN' CLAIM
  - 2) POST WW2 and BRETTON WOODS IDEAS.



# THE KNOWN CONSEQUENCES OF PAST CHOICES

- SKIPPING THE PRIOR THREE GLOBALIZATIONS HERE....
- WITH THE “FREE TRADE”, ‘SOCIAL DARWINISM MEETS NEW TECHNOLOGY’ VERSION IN THE LATE 1800’S/EARLY 1900’S WE GOT SUCCESS AND...
- MEXICO (REVOLUTION OF 1910/20), CHINA (BOXER REBELLION), MUCH LEFT/RIGHT POLITICAL BACKLASH, “THE REBELLIOUS CENTURY”, REQUIRED PASSPORTS AND THE BORDER PATROL (1905) AND SO MUCH MORE.
- SO, AT BRETTON WOODS A DECISION WAS MADE TO MANAGE THIS GLOBALIZATION WITH INTERNATIONAL INSTITUTIONS AND ‘EXPERT’ (THAT IS YOU) GUIDANCE.

# THIS EXPERIENCE IS WHY...

- US CHAMBER OF COMMERCE WAS CONCERNED WITH THE IMPACTS OF LAID OFF WORKERS.
- WHY THE EARLY 21<sup>ST</sup> CENTURY LOOKS MORE LIKE THE LATE 19<sup>TH</sup> CENTURY THAN MIDDLE THE 20<sup>TH</sup> CENTURY → SUCCESS **AND** RISING ETHNIC CONFLICTS, LEGITIMATED GROUP RIGHTS, RISING INEQUALITY, BORDER CONTROLS...

# #1 = SO WHAT IS 'SOLE SOVEREIGN'?

- THE 1920'S WE CHOSE 'PEOPLES' → 'PEOPLE' SHIFT AS LEGITIMATE SOVERIEGNS.
- THE 5 CENTURY RESISTENCE GOES POLITICAL/LLEGAL
- POLITICAL/LLEGAL STARTS TO WIN (1950'S → 2007).
- THE 'LIBERAL' (**ALL CITIZENS ARE EQUAL IN LAW**) STATE QUIETLY DIES IN MOST COUNTRIES.
- THE U.N. GENERAL ASSEMBLY **UNANIMOUSLY AFFIRMS** THAT INDIGENOUS PEOPLES (UNDEFINED) ARE EQUAL TO ALL OTHER PEOPLES → **OOPS**

# WHY DOES THAT MATTER TO FORESIGHT ANALYSTS?

- STATES LOST 'SOLE LEGITIMATE SOVEREIGN' STATUS.
- THAT MEANS THEY LOST SOLE LEGITIMATE CONTROL OF LANDS, RESOURCES, POLITICAL DECISIONS AND MORE IN MANY CASES. 'FUZZY' STATUS IN OTHERS.
- BACK TO THE 19<sup>TH</sup> CENTURY (WITH MODERN LAWYERS AND OFTEN MODERN WEAPONS) → FORM OF CONFLICT IS FORESEEABLE
- WITH RISING CONFLICT OVER THESE ASPECTS → THE 'ANTHROPOLOGICAL CORPORATION' IDEA.

# #2 = EXPERTS MANAGE GLOBALIZATION

- THE MAIN POINT OF BRETTON WOODS → MANAGE GLOBALIZATION AFTER THE FAILURE OF THE 'FREE TRADE' VERSION.
- REALITY → EXPERTS ARE BAD AT FORESIGHT.
- REALITY → SPECIAL INTERESTS OPPOSE MITIGATION → SOCIAL-CULTURAL & POLITICAL BACKLASH.
- A REMINDER: ADAM SMITH'S TWO BOOKS.
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# WEALTH OF NATIONS MEETS *THEORY OF MORAL SENTIMENTS*

- THE 'CLIFF NOTES' CORE IDEA HIGHLIGHTS
- **WEALTH OF NATIONS** → SPECIALIZATION, EFFICIENCY AND FREE MARKETS MAKE COUNTRIES RICH. → **THIS WORKS**
- **THEORY OF MORAL SENTIMENTS** → SOCIETY DOES NOT FUNCTION BASED ON SELF-INTEREST (ECONOMICS) BUT RATHER ON SOCIAL SENTIMENTS (POSITION, SOCIAL REGARD, STATUS, ETC). → **THIS WORKS TOO.**

# FINAL FORESIGHT THOUGHTS

- THIS GLOBALIZATION MADE WHO'S SOCIAL STATUS, POSITION, AND REGARD HIGHER? → "US" (EXPERTS)
- AND WHO'S LOWER? → MIDDLE AND LOWER INCOME GROUPS, LESS EDUCATED, AND THOSE LESS ABLE TO 'GO GLOBAL'
- AND THE ANTI-GLOBALIZATION DEMANDS ARE?
- WE GOT WHAT WE BUILT →  
CHANGE COMES WHOLE.

# WHAT DOES THIS MEAN FOR THE ACTUARY OF THE FUTURE?

- YOUR MODELS WILL CONTINUE TO FAIL
- ESPECIALLY WHEN YOU NEED THEM MOST.
- THOSE WITH SKILLS BEYOND THEIR MODELS WILL PROSPER.
- THOSE WITH FEWER SKILLS GET AUTOMATED OUT / REDUCED IN STATUS AND PAY.





# WHAT SHOULD THE ACTUARIAL PROFESSION DO?

- EXPAND TRAINING & SKILLS AT THE MACHINE-HUMAN INTERFACE → THAT IS THE EASY PART.
- BUILD BETTER TOOLS → AN EASY PART TOO.
- FIND HOLISTIC THINKERS AND MENTOR THEM.  
→ “A TAUGHT SKILL WITHIN A FOUND TALENT.”
- EXPAND TRULY – TRULY – INTEGRATIVE THINKING & HOLISTIC APPROACHES TO GET CONSILIENCE. → THIS SPECIFIC EMERGENCE

# THANK YOU FOR LISTENING

