

Date: Wed, 19 May 2010 12:36:49 -0400

To: "Dr. Baruch Fischhoff - Chair, National Academy Committee on Improving Intelligence"  
<baruch@cmu.edu>

From: Lloyd Etheredge <lloyd.etheredge@policyscience.net>

Subject: Update: "**Dow Falls 1,000 - Experts Still Baffled.**" Implications

Dear Dr. Fischhoff and Colleagues:

I know that your study is beginning to wrap-up. I am forwarding comments, based on recent events, that underscore earlier suggestions about research opportunities and urgent needs:

**"Dow Falls 1,000 - Experts Still Baffled"**

In light of the DNI's new responsibilities to upgrade global economic/financial models and data systems, the recent, unexpected and sudden fall of the Dow by 1,000 points ["experts still baffled"] suggests that there are huge gaps in both public data systems and models that need to be diagnosed. Perhaps urgently. Adding the new "circuit breaker" rules may satisfy the current generation of most news reporters and editorial writers, but it is not a substitute for scientific understanding.

For example, the new and competing model of a predator-prey eco-system (which I proposed in an earlier message), suggests the hypothesis that a group of very smart people figured-out the hair-trigger computer rules used by major market players and decided to conduct a clever experiment in a new way to make money. If so, the DNI might test the new model by acquiring data about who made money from the 1,000 drop and analyzing their pre-drop behavior.

If a predator-prey model is true, it predicts that these people will try it again, as will others here and abroad who observed the strategy. {Or, of course, it could have been just a random glitch, with nothing to worry about. Or the behavior of a new complex and adaptive global system that will require other new models. . . .}.

Re "Experts Still Baffled . . .": There still is no scientifically-accepted explanation, based on a rigorous test of competing interdisciplinary theories, about why gasoline quickly went to \$4/gallon several years ago (#76 on 21 December 2009). It's a big, global phenomenon to remain un-forecast and unexplained and for which the predator-prey model also would suggest research hypotheses with political implications.

best regards,

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