

BOOKS

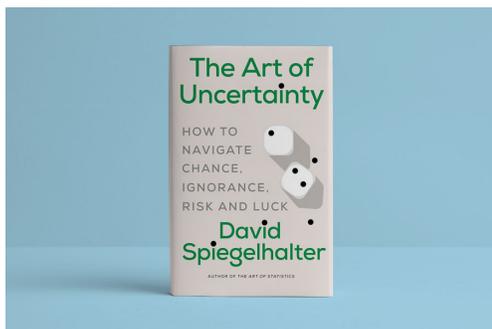
The Art of Uncertainty: How to Navigate Chance, Ignorance, Risk and Luck By David Spiegelhalter

Liz Hecht, April 2025

On Tuesday, April 8, after watching my personal investment portfolio plummet for four days straight, I sought solace in the *Wall Street Journal* and found an article entitled “Here’s Why You Shouldn’t Check Your Portfolio Right Now.” The article concludes by advising investors to “Do Nothing” with a quote from financial adviser Martin Lowenthal: “I’ve got full faith in the American economy to ride this out.”

On April 13, after more market chaos, the *Journal* runs another article with a somewhat different message: “Will the Last Investor to Leave America Please Turn Out the Lights.” Columnist James Mackintosh documents how President Trump’s trade war is having a negative effect on stocks, bonds and the dollar—and even more concerning, causing a “loss of faith in America.” If all this carries on, concludes Mr. Mackintosh, “U.S. markets have a long way to fall as foreigners flee.”

I never sell on weakness, and so far I’ve resisted the urge to indulge my survivalist leanings (buying a gun, stockpiling food). But I do feel compelled to do something—anything to get a grip on my own rising sense of dread. Oh, I know what will help: Read a book! When the going gets tough, the tough read. And what better choice right now than *The Art of Uncertainty*.



David Spiegelhalter is a professor emeritus of statistics at the University of Cambridge and the author of the best-selling book *The Art of Statistics*. He was knighted in 2014 for his services to medical statistics and his role in improving the communication of quantitative evidence.

In the book’s introduction, Professor Spiegelhalter writes, “Uncertainty is all about us, but, like the air we breathe, it tends to remain unexamined. This book will try to do something about that.” Here are three of many interesting things Professor Spiegelhalter’s book teaches readers about uncertainty:

Uncertainty is personal. “Tolerance of uncertainty can vary hugely between people—some might get a sense of excitement from unpredictability while others feel chronic anxiety.” As with almost all things in life, it’s not what’s happening to you that matters but what you *think* is happening to you. In other words: Uncertainty is an essential part of the human condition. Deal with it. And one way to deal with it is to quantify it.

Uncertainty is best expressed in numbers—not words. In 1961, the U.S. Joint Chiefs of Staff gave the Bay of Pigs invasion a 30% chance of success. The General writing a report to President Kennedy translated 30% as “a fair chance,” by which he meant “not too good.” President Kennedy interpreted “a fair chance” differently and gave his support to the invasion by 1,500 Cuban exiles. More than 100 were killed, most of the rest were captured and Cuba drew closer to Russia as a result.¹

This all happened long after probability theory began to take shape during the 16th century. And yet still today, it's surprising how often people rely on words when numbers, even when expressing uncertainty, can provide greater precision. In sum, concludes Professor Spiegelhalter, "words alone are poor at communicating degrees of uncertainty, since their interpretation can vary hugely between people, languages and contexts."

Uncertainty is best managed by foxes—not hedgehogs. "The fox knows many things but the hedgehog knows one big thing."² Foxes are better at swiftly absorbing new information and being pragmatic while hedgehogs anchor on one unchanging worldview. Foxes excel at what Professor Spiegelhalter would call "being Bayesian" or revising expectations in response to new data.³ *The Art of Uncertainty* lauds "the humility to abandon initial assumptions and completely rethink our ideas" and counsels readers to "judge if anyone—whether a politician, journalist, scientist or some influencer expressing complete certainty in their bizarre beliefs—is being far more confident than they should be."

I have lived and invested through Covid, the Great Financial Crisis and the tech bubble bursting. But the uncertainty born of the current tariff tantrum feels different somehow, scarier and less analyzable. How can one model the mind of Donald Trump? Who can handicap the impact of his next ill-considered, bizarre action?

As I write this, the *Wall Street Journal* continues to report on the numerous ways the U.S. economy is starting to stall with headlines such as "Trump's Trade Offensive Threatens America's Financial Primacy" (April 20), "Dow Headed for Worst April Since 1932" (April 21) and "America Inc. Slashes Spending as Tariff Uncertainty Swirls" (April 28). This last article notes cuts in corporate travel, delayed construction projects, a slowdown in hiring and (this hits home) reduced spending on consultants.

The Art of Uncertainty covers centuries of evolution in how human beings have learned to manage the unknown. Acknowledging uncertainty, the author observes, "need not stop us from considering plausible futures, making decisions and getting on with our lives." And so, trying to be more fox than hedgehog, I continue to Trump-proof my portfolio and think about all the innovative, resilient companies in the world that will survive long beyond the tenure of any one political regime.

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1. Peter Wyden, *Bay of Pigs: The Untold Story* (Jonathan Cape, 1979). In the chapter, "Putting Uncertainty into Numbers," Professor Spiegelhalter notes that the Bay of Pigs also has been used as a case study in groupthink.
 2. For more on foxes versus hedgehogs, see the [March 2021 issue of Excess Returns](#).
 3. "Bayesian" originates from the Reverend Thomas Bayes, an 18th-century statistician and theologian. Bayes' theorem provides a mathematical framework for updating probabilities based on new evidence.



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