

► On Fischer Black




An Alternative Investment Specialist

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November 2009





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 *My job, I believe, is to persuade others that my conclusions are sound. I will use an array of devices to do this: theory, stylized facts, time-series data, surveys, appeals to introspection and so on.*

 *It's better to 'estimate' a model than to test it. Best of all, though, is to 'explore' a model.*




 Models are metaphors. They compare something you don't understand very well to something you understand better.

 *"Sleep is the interest we have to pay on the capital which is called in at death; and the higher the rate of interest and the more regularly it is paid, the further the date of redemption is postponed."*

Arthur Schopenhauer

 *Periodicity of sleep and coupons* is the common element of the metaphor.

 Recursion is the common element in analytic continuation from the factorial to the gamma function.



 Models are *analogies*. Theories are **the real thing**.

 The Dirac equation for the electron:

➤ *theory* → *metaphor of the Dirac sea* → *theory*.

 Theories are *absolute*: “I am what I am.”

 Theories tell you what something **is**. Models tell you what something is **more or less** like.

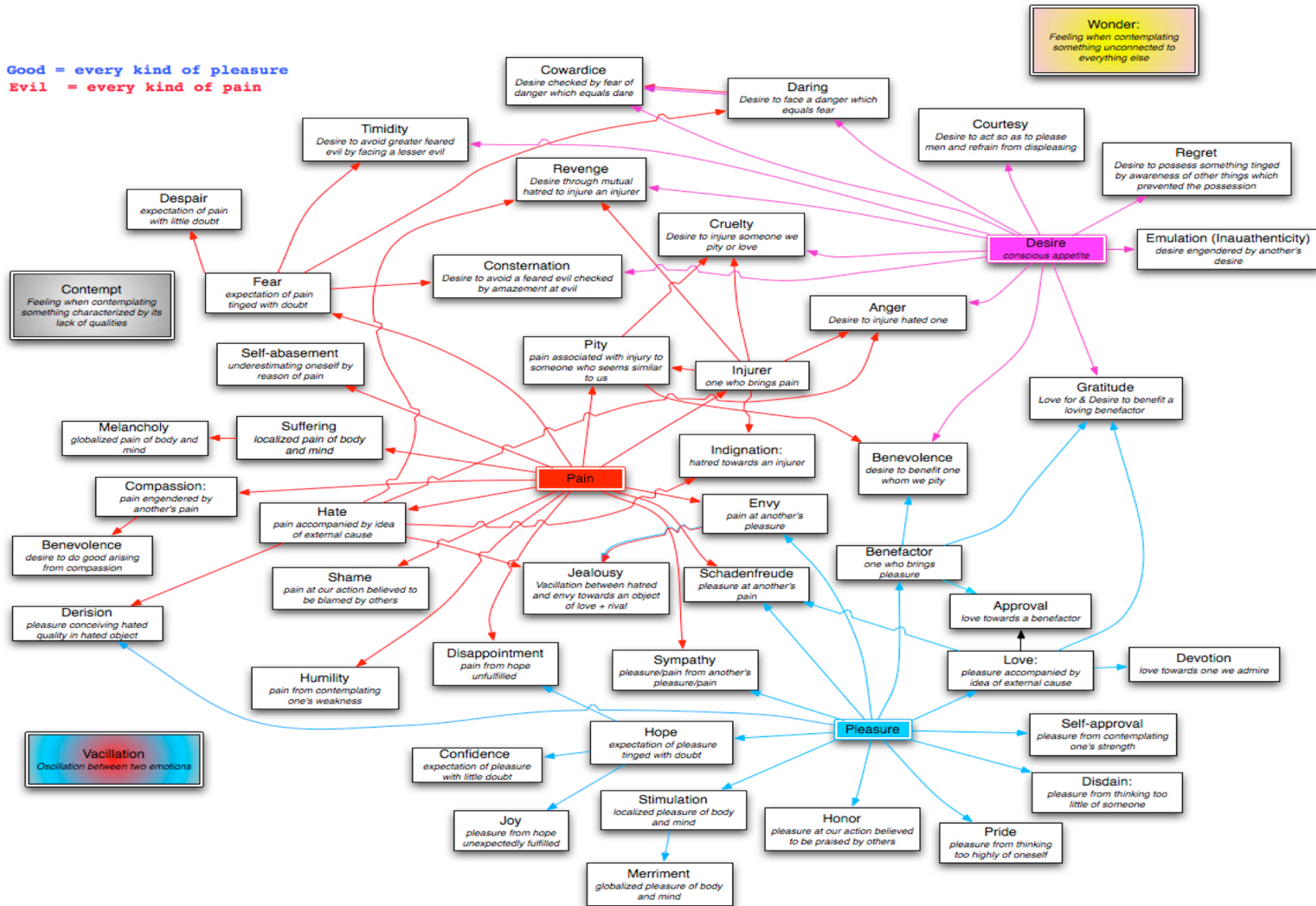
Spinoza's Theory of Emotions as Derivatives ... ◀

- Spinoza's treats emotions like Euclid treats geometry: emotions are derivatives
 - Primitives are **Desire**, **Pleasure**, **Pain**
 - Also: Vacillation, Wonder
- *Good* is everything that brings pleasure, and *Evil* is everything that brings pain.
- Love: **Pleasure** associated with an external object
- Hate: **Pain** associated with an external object
- Envy: **Pain** at another's **Pleasure**
- Hope: Expectation of future **Pleasure** tinged with doubt
- Fear: Expectation of future **Pain**
- Cruelty: **Desire** to inflict **Pain** on a someone **Loved**




Spinoza's Theory of Emotions as Derivatives

Good = every kind of pleasure
 Evil = every kind of pain



Intuition

“At bottom, Fischer simply liked to think through everything for himself. His approach seemed to me to consist of unafraid hard thinking, intuition, and no great reliance on advanced mathematics.”

 Intuition may sound casual but it takes intimate knowledge of the world that can be acquired only by careful observation and painstaking effort.

 Intuition is a merging of the understander and the understood.


 Keynes on Newton:

“I believe that the clue to his mind is to be found in his unusual powers of continuous concentrated introspection ... His peculiar gift was the power of holding continuously in his mind a purely mental problem until he had seen straight through it.”




Attitude to the World

“Whenever I think of Fischer I think of him as a consummately unsentimental realist, unafraid to see and take the world for what it is.”

 Spinoza believed that his God didn't make the world for humans, and hence he (i.e. Spinoza) had no obligation to explain away the unarguable fact that bad things happen to good people.

 Every thing you can think of exists, and everything that exists can be thought of.

 Fischer was both a man of principle and at the same time a pragmatist, and has left his own hole in the financial world.

