

Extreme Events Are Normal

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Here is a big lesson for all those studying international politics, security, economics, finance, and social developments.

Those events so unlikely that they never should happen even in the history of the Universe, happen more than once in a lifetime.

Those events that only should happen once in a lifetime happen regularly.

That is an interesting discovery by some financial traders. And they make billions of dollars betting on these events.

Consistently. Their bets on catastrophic events only pay off big, because everybody else believes these events are either impossible or extremely rare - which they aren't. Crucially for everybody is, that this insight is not confined to finance - it is a general truth in the world we live in.

Market crashes. Pandemics. Terrorist attacks. Riots. Megafires. Superstorms. Extreme, destructive, often deadly events seem to be happening across the planet with greater frequency—and greater harm.

They happen suddenly and strike widely.

A chillingly perverse result of their increasing frequency is that such events are becoming more predictable in certain ways.

They aren't black swans that sweep in out of the blue.

They're what Taleb calls gray swans—devastating events that are all too foreseeable. Taleb has argued that our increasingly unstable world is the paradoxical result of humankind's efforts to control it with technology, quantitative models, and ubiquitous just-in-time optimization, resulting in an ever-more-complex, human-built, fragile society susceptible to

shocks. Extreme events “are necessarily increasing as a result of complexity, interdependence between parts, globalization and the beastly thing called ‘efficiency’ that makes people now sail too close to the wind.” As globalization expands, connectivity accelerates. Complexity breeds complexity, and speed breeds speed. Social networks spread news—and conspiracy theories—like a virus.

See [this](#).

This requires Strategic Leadership.

The extreme events require another kind of leadership.

We cannot expect our plans to come true too often.

We can expect chaos to intervene.

But many of the types of chaos are foreseeable as types.

- Extreme weather events.
- Wars.
- Raw material price volatility.
- Currency breakdowns.
- Pandemics.
- Sanctions, both their effects and backlash.
- Self-made political crises like Brexit, 6 January, and debt ceiling. Computer virus. Upheavals.
- Coups.
- Boycotts.
- Technological breakthroughs and severe disruptions.
- Bank failures.
- Political failures.
- Financial meltdowns.

This requires constant rethinking - continuous scenario development - preparations - quick and adequate leader-reaction.

Strategic Leadership is something I studied very early. It was developed as a result of the Nixon shock in 1971 and the end of Bretton Woods with stable exchange rates when the dollar left the gold standard, and the oil-crisis two years later in 1973. Currencies and oil which had been stable for decades suddenly became shocks that destroyed companies. Long-Term Planning was just not possible, not the solution it was thought to be. Even Strategic Planning was not good enough. Strategic Leadership was needed.

Strategic Leadership later became somewhat overlooked. Only a few people like Prof. Roberto Vassolo in Argentina have stuck to it. But the need for Strategic Leadership never disappeared, as extreme events have continued ever since. We had the shock of inflation in the 1970s. We have had extreme swings in the dollar. We had the “Volker shock” in the 1980s when Paul Volker, the chair of the US central bank, implemented very high interest rates and stopped inflation. We had the Fall of the Berlin Wall. The sudden disappearance of the world’s second strongest military power, the Soviet Union, which the leader of that country didn’t see coming. We had the Asian financial crisis of the 1990s, the dotcom

bubble of 2000, the Greek Euro-crisis, the 2008 subprime crisis and global meltdown, the economic crisis of 2020, the 6 January upheavals in the US, the Ukraine war, sanctions-induced spikes in energy and food prices, and the looming specter of a Taiwan-war and a West-China decoupling. Or what about a nuclear war involving the USA in Europe or East Asia? Soon, AI will wipe out many types of jobs and create a new global power for the USA. The list of unforeseen and upheaving events goes on.

Extreme events are normal.

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