

This article is intended to provoke discussion and reaction. It does not necessarily reflect the views of the Risk Board or the Institute and Faculty of Actuaries.

After Brexit, who wants to be an expert?

These are difficult times for experts. The pro-Brexit campaign suggested that ‘people are sick of experts’ and the absence of the disasters predicted before the vote has cast doubt on the value of learned predictions.

The media misunderstands the skill of professional experts. Experts are good at explaining what normally happens. They are poor at describing the world beyond, and even worse at assessing its likelihood. Experts sign up to a body of knowledge which helps, as it helped those before them, to explain current events. They are programmed to resist admitting that a situation is beyond their understanding, because to do so is to undermine the profession, and there is no shortage of other voices prepared to opine, regardless of their competence to do so.

Experts find themselves obliged to support the status quo, to make the circumstances fit accepted wisdom and, perhaps most dangerously, to expect that their judgement be respected. On this latter point, it’s worth remembering that the use of the scientific method in medicine is a relatively new idea which was not universally welcomed. Medics objected to the idea that their judgement, however determined, might be proven incorrect. Professional arrogance was baked in, professionalism judged by confidence not experiment, perception not evidence.

What does this mean for risk management? Unlike long-established professions, it has no learned knowledge base. There is little theory to test, other than some quite academic management science (systems theory, reliability theory, network theory etc.). This work is technically difficult, so tends to be ignored. Risk management in practice is driven by regulation and generalists. Its value is unproven. It sounds plausible and reasonable, so it appeals, especially to politicians and non-executives.

The actuarial profession is expert in the mathematical consideration of risk. There are members who are healthily sceptical about wider risk management. They consider parts of ERM to be insufficiently robust for a learned profession. The profession could react by declining to provide risk management advice at all until there is proper theory. The danger then is irrelevance. We might be swept away by a wider world keen to ‘do’ something now because “it’s obvious”. We’d lose ground that could never be made up and, perhaps worse, lose forever the value of our imperfect, but rigorously considered, input.

Balancing the popular platform with professional integrity is a difficult tension to manage, but with persistence, risk management should be the better for our contribution.

For more on the ability of experts to predict, see Superforecasting: The Art and Science of Prediction by Philip Tetlock and Dan Gardner, and/or The Failure of Risk Management by Douglas W. Hubbard.

[403 words]