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## **Wishful vs catastrophic thinking in forecasting: Ostriches, one-eyed bulls, smug Cassandras and therapeutic nihilists**

Woe betides the fool faced with the thankless task of forecasting possible futures. Even the very best forecasts, based on rigorous methodologies, ultimately require a leap of faith. Other scenarios will remain possible. And for as long as the forecasting process requires human input, it will be influenced by emotional projection.

This has never been more relevant than in the present day as we find ourselves mired in “permacrisis,” beset by the sense of fresh global threats arising hot on the heels of another. The climate crisis is no longer an abstract threat for which we must prepare ourselves; it is one that is underway and must be managed. The COVID-19 pandemic might have fallen out of public awareness, but it has not gone away – and amply demonstrated the ease with which an external shock can shake societies to their core.

And now, of course, as Russia flounders through its war in Ukraine, the threat of nuclear war is at its highest level since the dog days of the Cold War. Policymakers, analysts and journalists variously try and place themselves within the mind of Vladimir Putin, trying to see the future in the tea leaves of individual psychology.

This is compounded by the transformation of the information space. Physical war is now shadowed by an online struggle for influence over audiences such as domestic consumers, international policymakers and their governments, with each side planning according to what they think the next memes of their adversaries will be. In warfare, this called “psyops” – and it is capable of seriously distorting judgements over expected outcomes.

Wargaming is vital to identifying potential ways forward. But it is typically accompanied by a cacophony of noise. Looking through commentary on news and social media, two threads of crisis discourse are particularly prevalent:



1) *Wishful*: There are two types of such thinking, both of which avoid or overlook impending reality. The first ('ostrich-ism') assumes that if no action is taken, if the head can remain buried in the sand, business can continue as – or otherwise be restored to – usual. The risk is that when reality bites, the damage inflicted is worse than it could have been.

- "If we lift sanctions on Russia, Putin will turn the gas back on and everything can go back to the way it was."
- "We must facilitate a peace agreement with Russia, Putin is a reasonable man and will keep his word not to break it."
- "Covid-19 case numbers are rising but hospitalisations are stable right now, so we don't need to take any preventative measures."

The second type of thinking is confirmation bias, which relies on deductive reasoning that draws selectively on the evidence to reinforce a conviction which just so happens to be held by the forecaster. It often rides on waves of euphoric momentum driven by present successes, which are regarded as pushing towards a final outcome that is very far from being a foregone conclusion. Indicators that challenge this conviction are explained away:

- "The Ukrainian army has turned the momentum of the war, it is only a matter of time before they rout the Russians and Putin is ousted in a coup."
- "Putin won't use nukes, it makes no military sense – and his inner circle will stop him. Anyway, Russian nukes are old and will malfunction and explode over Russia."

2) *Catastrophic*: This thinking similarly has two iterations, both of which ignore or otherwise dismiss the many stages of intervening action that may influence final outcomes. The first type of catastrophising is a means of forcing action beyond the proportionate level. Threats are regarded as existential no matter how they manifest. In effect, these 'smug Cassandras' propose using a bazooka to deal with a mountain that is actually a molehill:



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- “We are already in World War Three, we must act accordingly by providing maximum support to Ukraine, otherwise we are all doomed.”
- “If Putin uses nukes, our response must be nuclear and twice as devastating ... otherwise we are all doomed.”

The second is more nihilistically apocalyptic, espoused by prophets of dooms whose thinking tends to be muddled or otherwise unable to offer any constructive insight, let alone a solution. The nihilism has a therapeutic purpose, allowing its preachers to prepare themselves for the worst so that they are not surprised if it transpires.

- “Putin will use nukes if he loses in Ukraine. He will stop at nothing. But if he wins, Poland and the Baltic States will be next. We are all doomed.”
- “The climate crisis is already here, we squandered our historic chance to stop it. Any action we take now isn’t going to be enough, it’s too late. The apocalypse is upon us.”
- “Covid-19 will mutate faster than vaccines can adapt to it, so they are pointless. We are all going to die.”

None of the aforementioned examples are necessarily wrong. They could be argued persuasively. But the forms of thinking on which they are based are not only deeply emotional, they are essentially two different – and equally bad – strategies for coping with the anxiety that invariably comes when faced with uncertainty.

Given the emotional projection that goes on in forecasting – especially of the armchair variety – it is tempting to argue for the full automation of the process. It is already underway and will only improve, drawing on a greater range and depth of data and reduced bias. Yet human inputs are necessary not in spite of emotional biases, but because of them. Intuition and projection provide the nuance and empathy that are vital to any halfway serviceable forecast. Ultimately, only humans can understand other humans.

From the perspective of improving forecasting, there are three implications. First, emotional bias and projection needs to be recognised as soon as it presents itself,



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be it in our own forecasts or those of others. This is a form of self-management to prevent our judgement from being overly distorted.

Second, when a forecast seems either overly optimistic or pessimistic, further information-seeking will typically challenge its assumptions without encouraging contrarianism.

Third, in the empirical world, there is no such thing as deductive reasoning – only inductive. There will always be a wildcard scenario, which may be driven by unappreciated emotional factors. Past precedent is instructive, but it does not determine future courses of action. “History never repeats itself, but it often rhymes.”

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