Roman Frigg, Seamus Bradley, Hailiang Du and Leonard A. Smith

Laplace's demon and the adventures of his apprentices

Article (Accepted version)
(Refereed)

http://eprints.lse.ac.uk

Laplace's Demon and the

Adventures of his Apprentices

Roman Frigg, Seamus Bradley, Hailiang Du and Leonard A. Smith[1]

Abstract

The sensitive dependence on initial conditions (SDIC) associated with nonlinear models imposes limitations on the models' predictive power. We draw attention to an additional limitation than has been under-appreciated, namely structural model error (SME). A model has SME if the model-dynamics differ from the dynamics in the target system. If a nonlinear model has only the slightest SME, then its ability to generate decision-relevant predictions is compromised. Given a perfect model, we can take the effects of SDIC into account by substituting probabilistic predictions for point predictions. This route is foreclosed in the case of SME, which puts us in a worse epistemic situation than SDIC.

1. Introduction

The sensitive dependence on initial conditions (SDIC) associated with nonlinear models imposes limitations on the models' predictive power. These limitations have been widely recognized and extensively discussed.[2] In this paper we draw attention to an additional problem than has been under-appreciated, namely structural model error (SME). A model has SME if the model-dynamics differ from the dynamics in the target system. The central claim

---

[1] To contact the authors write to r.p.frigg@lse.ac.uk; seamus.bradley@lrz.uni-muenchen.de; h.l.du@lse.ac.uk and lenny@maths.ox.ac.uk.

[2] For a discussion of the unpredictability associated with nonlinear systems see (Werndl 2009) and references therein. For discussions of chaos more generally see, for instance, (Batterman 1993), (Kellert 1993), (Smith 1998), and (Smith 1992; 2007).

of this paper is that if a nonlinear model has only the slightest SME, then its ability to generate decision-relevant probability predictions is compromised. We will also show that SME in fact puts us in a worse epistemic situation than SDIC. Given a perfect model, we can take the effects of SDIC into account by substituting probabilistic predictions for point predictions. This route is foreclosed in the case of SME, which relegates both point predictions and accurate probabilistic predictions to the sweet land of idle dreams.

To reach our conclusion we retell the tale of Laplace's demon, but with a twist. In our rendering of the tale the Demon has two apprentices, a Senior Apprentice and a Freshman Apprentice. The abilities of the apprentices fall short of the Demon's in ways that turn them into explorers of SDIC and SME. By assumption, the Demon can compute the unabridged truth about everything; comparing his predictions with those of the apprentices will reveal the ways in which SDIC and SME curtail our predictive abilities[3].

In Section 2 we introduce our three protagonists as well as basic elements of dynamical systems theory, which provides the theoretical backdrop against which our story is told. In Section 3 we follow the apprentices on various adventures that show how predictions break down in the presence of SME. In Section 4 we provide a general mathematical argument for our conclusion, thereby defusing worries that the results in Section 3 are idiosyncrasies of our example and that they therefore fail to carry over to other nonlinear models. In Section 5 we briefly discuss a number of scientific modeling endeavors whose success is threatened by problems with SME, which counters the charge that our analysis of SME is philosophical hair-splitting without scientific relevance. In Section 6 we suggest a way of embracing the problem, and in Section 7 we draw some general conclusions.

---

[3] In other tellings of the tale we have referred to this triad as the Demon, his Apprentice and the Novice; the impact of chaos on the Demon is discussed in (Smith 1992) and his Apprentice was introduced in (Smith 2007). Of course, if the universe is in fact stochastic, then the Demon will make perfect probability forecasts and appears rather similar to IJ Good's Infinite Rational Org. In a deterministic universe, it is the (senior) Apprentice that shares this similarity.

2. The Demon and his Apprentices

Laplace (1814) invites us to consider a supreme intelligence who is able both to identify all basic components of nature and the forces acting between them and to observe these components' initial conditions. On the basis of this information the Demon knows the deterministic equations of motion of the world and uses his supreme computational power to solve them. The solutions of the equations of motion together with the initial conditions tell him everything he wants to know so that 'nothing would be uncertain and the future, as the past, would be present to [his] eyes' (1814, 4). This operationally omniscient creature is now known as Laplace's Demon.

Let us introduce some formal apparatus in order to give a precise statement of the Demon's capabilities. In order to predict the future, the Demon possesses a mathematical model of the world. It is part of Laplace's original scenario that the model is a model of the *entire* world. However, nothing in what follows depends on the model being global in this sense, and so we consider a scenario in which the Demon predicts the behavior of a particular part or aspect of the world. In line with much of the literature on modeling we refer to this part or aspect of the world as the *target system*. Mathematically modeling a target system amounts to introducing a *dynamical system* (X, φ_t, μ), which represents that target system. As indicated by the notation, a dynamical system consists of three elements. The first element, the set X, is the system's *state space*, which represent states of the target system. The second element, φ_t, is a one-parameter family of functions mapping X onto itself and which is known as the *time evolution:* if the system is in state $x_0 \in X$ at time $t = 0$, then it is in $y = \varphi_t(x_0)$ at some later time t. The state x_0 is called the system's *initial condition*. In what follows we assume that φ_t is deterministic.[4] For this reason, calculating $y = \varphi_t(x_0)$ for some future time t and a given initial condition is making a *point prediction*. In the dynamical systems we are concerned with in this paper, the time evolution of a system is generated by the repeated application of a map U at discrete time steps: $\varphi_t = U^t$, for $t = 0, 1, 2, ...$[5], where U^t is the

---

[4] In fact, it suffices to assume that φ_t is forward deterministic; see (Earman 1986, Ch. 2).

[5] This is a common assumption. For an introduction to dynamical systems see (Arnold and Avez 1968).

result of applying U t times. The third element, μ, is the system's measure, allowing us to say that parts of *X* have certain sizes.

With this in place, we can describe Laplace's Demon as a creature with the following capabilities:

(1) *Computational Omniscience*: he is able to calculate $y = \varphi_t(x)$ for all t and for any x arbitrarily fast.

(2) *Dynamical Omniscience*: he is able to formulate the *true* time evolution φ_t of the target system.

(3) *Observational Omniscience*: he is able to determine the *true* initial condition x_0 of the target system.

If these conditions were met, the Demon would know the future with certainty. Laplace is quick to point out that the human mind 'will always remain infinitely removed' from the Demon's intelligence, of which it offers only a 'feeble idea' (1814, 4). The question then is what these shortcomings are and how they affect our predictive abilities. It is a curious fact that while the failure of computational and observational omniscience has been discussed extensively, relatively little has been said about how not being dynamically omniscient affects our predictive abilities.[6] The aim of this paper is to fill this gap.

To aid our explorations, we provide the Demon with two apprentices – the Senior Apprentice and the Freshman Apprentice. Like the master, both apprentices are computationally omniscient. The Demon has shared the gift of dynamical omniscience with the Senior Apprentice: they both have the *perfect model.* But the Demon has not granted the Senior observational omniscience: she has only noisy observations and can specify the system's initial condition only within a certain margin of error. The Freshman has not yet been granted either observationally or dynamically omniscience: he has neither a perfect model nor precise observations.

---

[6] See, however, (Smith 2002) and (McWilliams 2007).

Both apprentices are aware of their limitations and come up with coping strategies. They have read Poincaré and Lorenz and they know that a chaotic system's time evolution exhibits SDIC: even arbitrarily close initial conditions will follow very different trajectories. This effect, also known as the *butterfly effect*, makes it misinformative to calculate $y = \varphi_t(z_0)$ for an approximate initial condition z_0 because even if z_0 is arbitrarily close to the true initial condition x_0, $\varphi_t(z_0)$ and $\varphi_t(x_0)$ will eventually differ significantly.

To account for their limited knowledge about initial conditions, each comes up with a probability distribution over relevant initial states, which accounts for their observational uncertainty about the system's initial condition. Call such a distribution $p_0(x)$; the subscript indicates that the distribution describes uncertainty in x at $t = 0$.[7] The relevant question then is how initial probabilities change over the course of time. To answer this question they use φ_t to evolve $p_0(x)$ forward in time; i.e. to calculate $p_t(x)$. In general, the task of evolving a probability distribution under a nonlinear dynamic cannot be done analytically. We use square brackets to indicate that $\varphi_t[p_0(x)]$ is the forward time image of $p_0(x)$. The time evolution of the distribution is given by the Frobenius-Perron operator (Berger 2001, 126-7). If the time evolution is one-to-one, this operator reduces to $p_t(x) = p_0(\varphi_{-t}(x))$.

The idea is simple and striking: if $p_0(x)$ provides them with the probability of finding the system's state at a particular place in X at $t = 0$, then $p_t(x)$ is the probability of finding the system's state at a particular place at any later time t. And the apprentices do not only make the (trivial) statement that $p_t(x)$ is a probability distribution in a purely formal sense of being an object that satisfies the mathematical axioms of probability; they are committed to the (non-trivial) claim that the probabilities are decision-relevant. In other words, the apprentices take $p_t(x)$ to provide us with predictions about the future of sufficient quality that we ought to place bets, set insurance premiums, or make public policy decisions according to the probabilities given to us by $p_t(x)$.

This solves the Senior Apprentice's problem, but the Freshman has a further obstacle to overcome: the fact his model has a *structural model error*. We face structural model error

---

[7] Our argument does not trade on $p_0(x)$; we assume $p_0(x)$ is ideal given the information available.

when the model's functional form is relevantly different from that of the true system. In technical terms, by structural model error we mean the condition when the dynamical equations of the model differ from the true equations describing the system under study: in some cases we can write $\varphi_t^M = \varphi_t^T + \delta_t$, where φ_t^M where is the dynamics of the model, φ_t^T is the true dynamics of the system, and δ_t is the difference between the two.[8]

The Freshman's solution to this problem is to adopt what he calls the *closeness-to-goodness link*. The leading idea behind this link is the working scientist's maxim that a model that is close enough to the truth will produce predictions that are close enough to what actually happens to be useful. Given that we consider time evolutions that are generated by the iterative application of a map, this idea can be made precise as follows. Let U_T be the Demon's map (where the subscript 'T' stands for 'True', as the Demon has the true model), and let U_F be the Freshman's approximate time evolution. Then $\Delta_U := U_T - U_F$ is the difference between the two maps, assuming they share the same state space. Furthermore let $p_t^T(x)$ be probabilities obtained under the true time evolution (where $\varphi_t^T = U_T^t$) and $p_t^F(x)$ the probabilities that result from the approximate time evolution (where $\varphi_t^F = U_F^t$); $\Delta_p(x,t)$ is the difference between the two. The closeness-to-goodness link then says that if Δ_U is small, then $\Delta_p(x,t)$ is small too for all time t, presupposing an appropriate notion of being small. The notion of being small can be explained in different ways without altering the conclusion. Below we quantify Δ_U in terms of the maximal one-step error, and $\Delta_p(x,t)$ in terms of the relative entropy of the two distributions.

3. The Apprentices' Adventures

The Demon schedules a tutorial. The Senior Apprentice claims that while her inability to identify the true initial condition prevents her from making valid point-predictions, her

---

[8] Note that this equation assumes the model and the system share the same state space, that is that they are subtractable (see (Smith 2006)). They need not be. Also note that SME contrasts with parameter uncertainty, where the model shares the true system's mathematical, yet the true values of certain parameters are uncertain in the model. Parameters may be uncertain when the mathematical structure is perfect, but they are indeterminate given structural model error: no set of parameter values will suffice to perfect the model.

probability forecasts are good in the sense that, conditioned on the information the Demon allows her (specifically her initial probability distribution $p_0(x)$), she is able to produce a decision-relevant distribution $p_t(x)$ for all later times t. The Freshman does not want to play second fiddle and ventures the bold claim that dynamical omniscience is as unnecessary as observational omniscience, and that he can achieve the decision-relevance using an imperfect model and the closeness-to-goodness link.

The all-knowing Demon requires them to put their skills to test in a concrete situation in ecology: the evolution over time of a population of rapidly reproducing fish in a pond. To this end they agree to introduce the population density ρ_t ratio: the number of fish per cubic meter at time t divided by the maximum number of fish the pond could accommodate per cubic meter. Hence ρ_t lies in the unit interval $[0, 1]$. Then they go away and study the situation.

After a while they reconvene and compare notes. The Freshman suggests that the dynamics of the system can be modeled successfully with the well-known *logistic map*:

$$\rho_{t+1} = 4\rho_t(1-\rho_t),\tag{1}$$

where the difference between times t and $t+1$ is a generation (which, for ease of presentation, we assume to be one week). Recall from Section 2 that a dynamical system is three partite entity consisting of a state space X, a time evolution operator φ_t (where $\varphi_t = U^t$ if the time evolution is generated by the repeated application of a map U at discrete time steps), and a measure μ. The Freshman's model is a dynamical system which consists of the state space $X = [0, 1]$; his flow φ_t^F is generated by iteratively applying $4\rho_t(1-\rho_t)$ which is U_F; μ is the standard Lebesgue measure on $[0, 1]$.

The Demon and the Senior Apprentice know the true dynamical law for ρ_t :

$$\tilde{\rho}_{t+1} = 4\tilde{\rho}_t(1-\tilde{\rho}_t)\left[(1-\varepsilon) + \frac{4}{5}\varepsilon(\tilde{\rho}_t^2 - \tilde{\rho}_t + 1)\right],\tag{2}$$

where ε is a small parameter. The tilde notation is introduced and justified in Smith (2002). The right hand side of Equation (2), which we call the *quartic map*, is U_T; applying U_T iteratively yields φ_t^T.

It is immediately clear that the Freshman's model lacks a small structural perturbation: as $\varepsilon \to 0$ the Demon's map converges towards the Freshman's. Figure 1 shows both U_T and U_F for $\varepsilon = 0.1$, illustrating how small the difference between the two is.
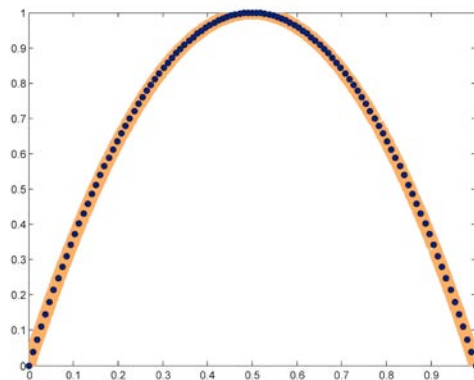

Figure 1 – Equation 1 in blue (dotted) and Equation 2 in yellow (drawn) with ρ_t and $\tilde{\rho}_t$ on the *x*-axis and ρ_{t+1} and $\tilde{\rho}_{t+1}$ on the *y*-axis.

We now associate the Λ_U with φ_t^F's one-step error: the maximum difference between φ_t^F and $\varphi_t^T(x)$ for x ranging over the entire X. The maximum one-step error of the model is 5×10^{-3} at x 0.85344, where $\rho_{t+1} = 0.50031$ and $\tilde{\rho}_{t+1} = 0.49531$, and hence it is reasonable to say that Δ_U is small. Applying the closeness-to-goodness link, the Apprentice now expects $\Delta_p(x,t)$ to be small too. That is, starting with the same initial probability distribution $p_0(x)$, he would expect $p_t^T(x)$ and $p_t^F(x)$ to be least broadly similar. We will now see that the Freshman is mistaken.

Since it is impossible to calculate $p_t^T(x)$ and $p_t^F(x)$ with pencil and paper, we resort to computer simulation. To this end, we partition X into 32 cells, which, in this context, are referred to as *bins*. These bins are now the atoms of our space of observed events: in what follows we calculate the probabilities of the system's state x being in a certain bin. This is of course not the same as calculating a continuous probability distribution, but since nothing in what follows hangs on the difference between a continuous distribution and one over bins, and for the sake of notational ease, we refrain from introducing a new variable and take '$p_t^T(x)$' and '$p_t^F(x)$' to refer to the probabilities of bins. Similarly, a computer cannot handle analytical functions (or real numbers) and so we represent $p_0(x)$ by an ensemble of 1024 points. We first draw a random initial condition (according the invariant measure of the logistic map). By assumption this is the true initial condition of the system at $t = 0$, and it is designated by the cross in Figure 2a. We then draw 1023 points randomly around the true initial condition according to a Gaussian distribution. These 1024 points form our distribution, which is shown in Figure 2a. Dividing the numbers on the *y*-axis by 1024 yields an estimate of the probability for the system's state to be in a particular bin.

We now evolve all these points forward both under the Senior's dynamics (yellow lines) and the Freshman's dynamics (blue line). Figures 2b-2d show how many points there are in each bin at $t = 2$, $t = 4$ and $t = 8$. While the two distributions overlap relatively well after two and four weeks, they are almost completely disjoint after eight weeks. Hence, for this x_0 these calculations show the failure of the closeness-to-goodness link: Δ_U being small does not imply that $\Delta_p(x,t)$ is also small for all t. In fact, for $t = 8$, $\Delta_p(x,t)$ is as large as can be because there is no overlap at all between the two distributions![9]

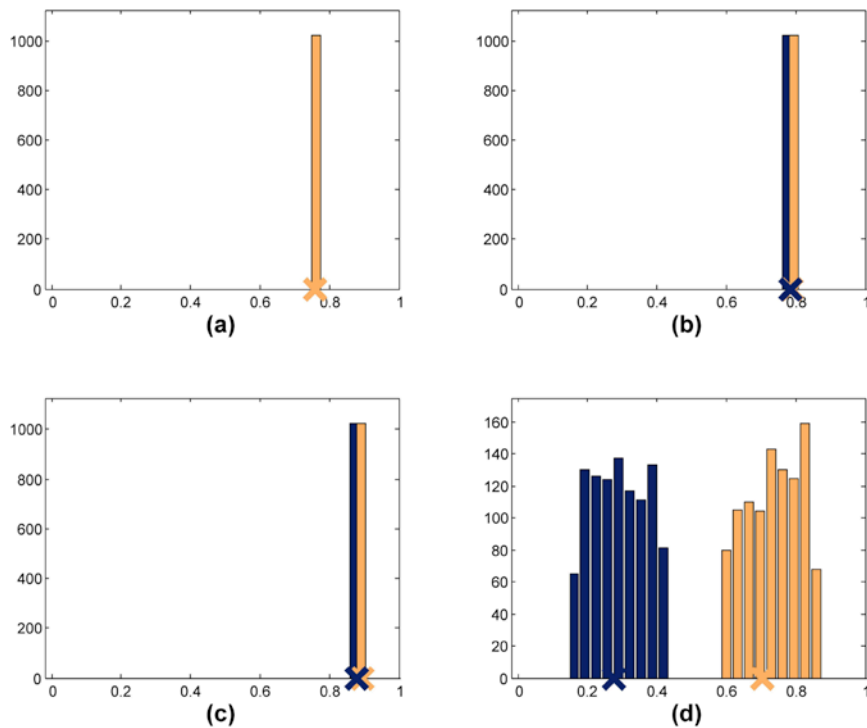[9] This notion is made precise in terms of relative entropy below.

Figure 2 – The evolution of the initial probability distribution under the Freshman's approximate dynamics (blue) and the Senior's true dynamics (yellow). The yellow cross marks the Demon's evolution of the true initial condition; the blue cross is the Freshman's evolution of the true initial condition. The *y*-axis in (d) is rescaled to make the details more visible.

Two important points emerge from this example. The first point is that even though chaos undercuts point predictions, one can still make informative probabilistic predictions. The position of the yellow cross is appropriately reflected by yellow distribution at all times: the yellow probability distribution remains maximally informative about the system's state given the information available.

The second and more unsettling point is that the ability to reliably make decision-relevant probabilistic forecasts is lost if nonlinearity is combined with SME. Even though the Freshman's dynamics are very close to the Demon's, his probabilities are off track: he regards events that don't happen as very likely while he regards what actually happens as very unlikely. So his predictions here are worse than useless: they are fundamentally misleading! Hence, simply moving an initial distribution forward in time under the dynamics of a model (even a good one) need not yield decision-relevant evidence. Even models that

10

yield deep physical insight can produce disastrous probability forecasts. The fact that small structural model error can destroy the utility of a model's predictions is called the *hawkmoth effect*.[10] The effect illustrates that the closeness-to-goodness link fails.

This example shows that what truly limits our predictive ability is not SDIC, but SME. In other words, it is the hawkmoth effect rather than the butterfly effect that decimates our capability to make decision-relevant forecasts. We can mitigate against the butterfly effect by replacing point forecasts with probabilistic forecasts, but there is no comparable a move with force against the hawkmoth effect. And the situation does not change in the long run. It is true that distributions will spread with time, and as $t \rightarrow \infty$. As the distribution approaches the system's natural measure it becomes uninformative. But becoming uninformative and being misleading are very different vices!

One could object that the presentation of our case is biased in various ways. The first alleged bias is the choice of the particular initial distribution shown in Figure 2a. This distribution, so the argument goes, has been carefully chosen to drive our point home but most other distributions would not be misleading in such a way, and our results only shows that unexpected results can occur every now and then but does not amount to a wholesale rejection of the closeness-to-goodness link.

There is of course no denying that the above calculations rely on a particular initial distribution, but that realization does not rehabilitate the closeness-to-goodness link. We have repeated the same calculations with 2048 different initial distributions (chosen randomly according to the natural measure of the logistic map), and so we obtain 2048 pairs of $p_t^T(x)$ and $p_t^F(x)$ for $t = 2$, $t = 4$ and $t = 8$.

So far we operated with an intuitive notion of the distance between two distributions. But in order to analyze the 2048 pairs of distributions we need a formal measure of the overlap of two distributions. We choose the so-called *relative entropy*:

---

[10] Thompson (2013) introduced this term in analogy to the butterfly effect. The term also emphasises that SME yields a worse epistemic position than SDIC: hawkmoths are better camouflaged and less photogenic than butterflies.

$$S(p_t^F \mid p_t^T) := \int_0^1 p_t^F \ln\left(\frac{p_t^F}{p_t^T}\right) dx \,,$$

where 'ln' is the natural logarithm.[11] The relative entropy provides a measure for the overlap of two distributions. If the distributions overlap perfectly, p_t^F equals p_t^T, their ratio is then one in the logarithm, and the entropy is zero; the more the more dissimilar the distributions, the higher the value of $S(p_t^F \mid p_t^T)$. Hence it is reasonable to set $\Delta_p(x,t) := S(p_t^F \mid p_t^T)$. Figure 3 shows a histogram of the relative entropy of our 2048 distributions at $t = 8$.
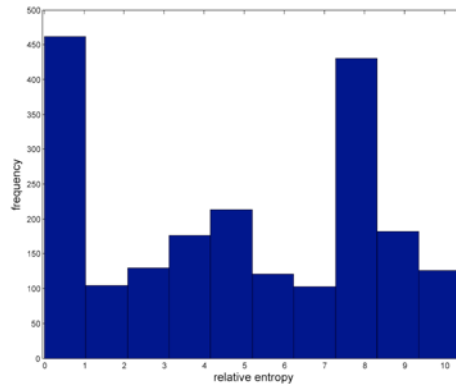

Figure 3 – Histogram of the relative entropy of 2048 pairs of distributions at $t = 8$.

The histogram shows that the Freshman's probabilities are in line with the Senior's only in about a quarter of the cases. Almost half of the distribution pairs have relative entropy 7 or more. The two distributions shown in Figure 2d have a relative entropy of 8.23.[12] So our histogram shows that at $t = 8$ almost half of all distribution pairs are as disconnected as the ones in Figure 2d, and hence are seriously misleading.

---

[11] In our case the integral becomes a sum over the bins of the partition. For a discussion of relative entropy and information theory see (Curd and Thomas 1991).

[12] Given that our ensemble is only finite, we assign the probability 1/(1024*32) to any bin with no ensemble member at all. If that bin occurs, then the entropy would be ~10.4 nats. Hence ~10.4 reflects the maximum value of the entropy which can be observed in these experiments.

There is a temptation to respond that this does not show that probabilities are useless; it only shows that we should not use these probabilities when they are misleading. The problem with this suggestion is that outside our thought experiment we have no means to tell when that happens. The only thing we have is the model, which we know to be imperfect in various ways. Our tale shows that model-probabilities and probabilities in the world *can* separate dramatically, but we don't know where and when. In cases where[13] we have no means of separating the good from bad cases, we'd better be on guard!

The second alleged bias is the use of an eight week forecast: had we used a different leadtime, say two or four weeks, the Freshman's endeavors would have been successful because at $t = 4$ his distribution is close the Senior's. Unfortunately this is insufficient: regularly getting the probability distribution only slightly wrong is enough to face catastrophic consequences.

To see this let us observe the Freshman's next endeavor. Still not accepting the Demon's evaluation he opens the Pond Casino. The Pond Casino functions like a normal casino in that it offers bets at certain odds on certain events, the difference being that the events on which punters can place bets are not outcomes of the spinning of a roulette wheel but future values of ρ_t. The Apprentice takes the above division of the unit interval into 32 bins, which are his basic events (similar to roulette wheel), and offers to take bets based on a four-step forecast. More specifically, playing a 'round' in the Pond Casino at time t amounts to placing a bet at t on bin B_i, where the outcome is whether the system is in B_i at $t + 4$. So if you bet, say, on B_{31} at $t = 3$, you win if $\rho_{t=7}$ is in B_{31}.

Had the Freshman offered bets on an eight step forecast one would expect him to fail given that his probabilities at $t = 8$ are fundamentally misleading. Given that his probabilities look close to the Senior's at $t = 4$, however, he holds the hope that he will do well.

What is the payout for a winning bet? Let A be an event that can obtain in whatever game is played in a casino. The odds $o(A)$ the casino offers on A are the ratio of payout to stake. If, for instance, the casino offers $o(A) = 2$ ('two for one'), a punter who bets £1 on A gets £2

---

[13] In the case of recurrent dynamics we may have such means, see Smith (1992).

back when A obtains. Within the context of standard probability theory, odds are usually taken to be the reciprocals of probabilities: $o(A) = 1/p(A)$. When flipping an unbiased coin, the probability for heads is 0.5, and if you bet £1 on heads and win you get £2 back.[14] The Apprentice follows this convention and takes the reciprocals of $p_t^F(x)$ in a four-step forecast as his odds.

Now a group of nine punters enters the casino. Each has £1000 and they adopt a simple strategy. In every round, the first punter bets 10% of his total wealth on events with probability in the interval $(0.5, 1]$. We call this strategy fractional betting (with $f = 1/10$) for the probability interval $(0.5, 1]$.[15] The second punter does the same with events with probability in $(0.25, 0.5]$, the third with event with $(0.125, 0.25]$, and so on with $(1/16, 0.125]$, $(1/32, 1/16]$, $(1/64, 1/32]$, $(1/128, 1/64]$, $(1/256, 1/128]$, $[0, 1/256]$. The minimum bet the casino accepts is £1; so if a punter's wealth falls below £1 he is effectively broke and has to leave the game.

Using the same initial distribution as above (shown in Figure 2a), the Pond Casino now offers odds reflecting the Freshman's probabilities. The outcomes of bets are of course determined by the true dynamics. We now generate a string of outcomes based on the true dynamics and trace the punters' wealth, which we display in Figure 4 as a function of the number of rounds played.

---

[14] We use so-called *odds-for* throughout this paper. They give the ratio of total payout to stake. *Odds-to* give the ration of net gain to stake (net gain is the payout minus the stake paid for the bet). Odds-for and odds-to are interdefinable: if the odds-for for an event are a/b, then the odds-to are $(a-b)/b$. Since in this case odds-for are equal to $1/p(A)$, the odds-to are $1 - p(A)/p(A)$ which is equal to $p(\neg A)/p(A)$, where $\neg A$ is 'not A'.

[15] The argument does not depend on fractional betting, which we chose for its simplicity. Our conclusions are robust in that they hold for other betting strategies.
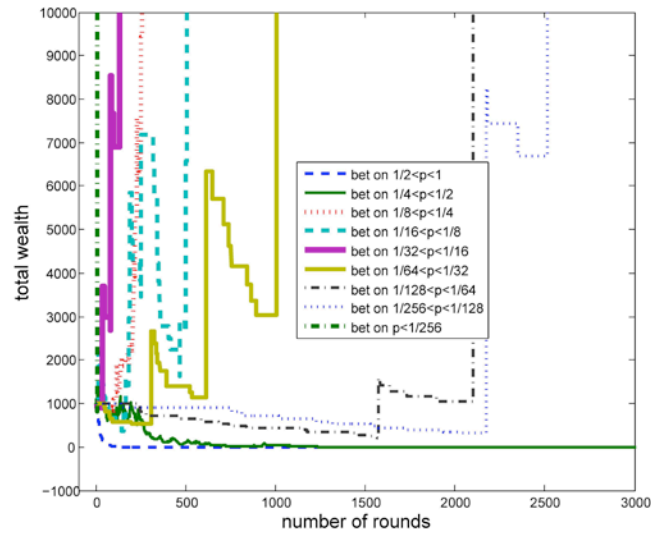
Figure 4 – Wealth of nine punters as a function of the number of rounds played.

We see that the punters have the time of their lives. Three of them make huge gains very soon, and further four follow suit a bit later. After 2500 rounds, seven out of nine punters have increased their wealth at least ten-fold, while only two of them have gone bust. So the punters take a huge amount of money off the casino!

There is a temptation to make the same move as above and argue that this is a 'bad luck event' due to the particular initial distribution which should not be taken as indicative of the Casino's performance in general. We counter in the same vein and consider again 2048 randomly chosen initial probability distributions. For each of these we let the game take place as before. If the above was a rare special event, then one would expect to see different results in the other 2047 runs. Since producing another 2047 plots like the one seen in Figure 4 is not a viable way to present the outcomes, we assume that the casino starts with a capital of £1,000,000 and calculate the time-to-bust. Figure 5 is a histogram of how the casino performs with our 2048 different initial distributions.
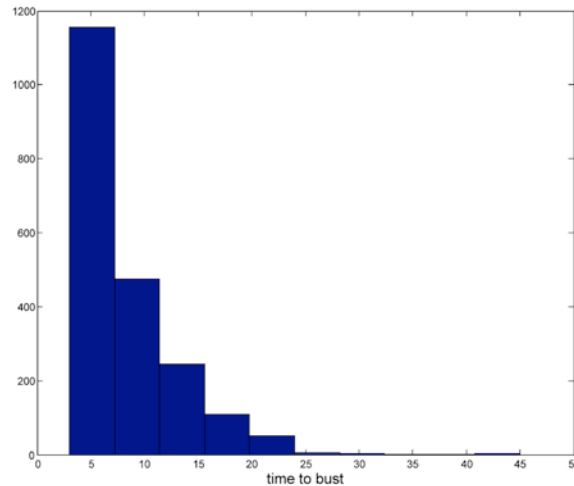
Figure 5 – Histogram of time-to-bust for 2048 distributions.

Once more the picture is sobering. Most casinos go bust after just a few rounds, and the last one is going out of business after 40 rounds. Offering odds based on $p_t^F(x)$ is disastrous!

Recall that the punters betting against the apprentice are not using any sophisticated strategy and have no extra knowledge to gain an advantage of the house. They are not, for instance, keeping track of the past as clever punters would (and indeed do in card-counting systems for games like blackjack whereby the bettor exploits the information contained in the past sequence of cards). In such a scenario the bettor is using more informed probabilities than the implied-probabilities of the casino's odds, and it is indeed no surprise if the casino loses money against *such* bettors.

Our punters are not of this kind. They simply bet on the basis of the values of the odds offered. One punter just bets on all events with implied-probabilities in the range (1/16,1/8]. The information is entirely symmetrical – the punters know nothing that the house doesn't know. Hence, our worry is not just that the apprentice loses money: a punter with access to the system probabilities could obviously do well against the house. Our worry is that the house does disastrously even against punters who know no more than the house.

Frustrated with his failures, the Freshman can't help himself and starts peeping over the Demon's shoulder to get the exact initial condition. He convinces the Demon to repeat the entire casino adventure, but rather than moving probability distributions forward in time he now calculates the trajectory of the *true* initial condition (which he gleans from the Demon)

16

under his dynamical law. This, he thinks, will guarantee him a success. For want of space we do not follow his further adventures in detail, and in fact there is no need to. A look at Figure 2 suffices to realize that he has set himself up for yet another fiasco. The yellow crosses in Figure 2 are the true time evolution of the true initial condition; the blue crosses are the Freshman's time evolution of the true initial condition. We see that the trajectories of the true initial condition under the two dynamical laws is completely different, and any prediction generated with the model is, once again, seriously misleading. So even if the Freshman was observationally omniscient, he would not be able to generate decision-relevant predictions. SME is a serious issue independently of SDIC.

The moral is now unavoidable: offering odds according to the probabilities of an imperfect model can be disastrous even when information is entirely symmetric between all parties.

4. From Example to Generalization

An obvious line of criticism would be to argue that the problems we describe are specific to the logistic map and do not occur in other systems. So the question is: how general are the effects we have discussed in the last section? To answer this question we review a number of mathematical results about the structural stability of dynamical systems. Our conclusion will be sober. There are special cases in which the above effects do not occur[16] but in general there are no such assurances. Not only are there no general stability results; there are in fact mathematical considerations suggesting that the effects we describe are generic. So we urge a shift of the onus of proof: rather than assuming that non-linear models are structurally stable and ask the skeptic to make his case, the default assumption ought to be that models are not structurally stable and hence exhibit the effects we describe. Using a particular model for predictive purposes therefore requires an argument to the effect that the model is structurally stable.

Roughly speaking, a dynamical system is structurally stable if its trajectories change only a little if the equation is changed only a little. Andronov and Pontrjagin (1937) presented the first systematic study of structural stability, providing both a definition of structural stability

---

[16] Integrable Hamiltonian systems, which respect the KAM theorem, being one example with structural stability.

and a theorem. They consider a two-dimensional system which is defined on a disk D^2 in the plane with the equations $dx/dt = P(x, y)$ and $dy/dt = Q(x, y)$. We obtain the perturbed system by adding a differentiable function to each equation: $dx/dt = P(x, y) + p(x, y)$ and $dy/dt = Q(x, y) + q(x, y)$. The original system is *structurally stable* iff for any real number $\varepsilon > 0$ there is real number $\delta > 0$ such that there exists a smooth ε−homomorphism h_ε : $D^2 \rightarrow D^2$ which transforms the trajectories of the original system into trajectories of the perturbed systems. Being an ε−homomorphism means that whenever the absolute value of both $p(x, y)$ and $q(x, y)$ as well as their first derivatives are $< \delta$, then the homeomorphism moves each point in D^2 by less than ε.

Given this definition of structural stability, Andronov and Pontrjagin formulate a theorem saying that for a system of the above kind to be structurally stable, it is necessary and sufficient that the following two conditions be satisfied: (i) singularities and closed orbits are hyperbolic, and (ii) there is no trajectory connecting saddle points. However, it turned out that there were problems with their proof. A different proof was given by Peixoto and Peixoto (1959).[17] Peixoto (1962) went on to generalize the result to flows on a compact two dimensional manifold M. He showed that in the space of all differentiable flows on orientable manifolds, structurally stable systems are open and dense in that space relative to the C^r topology. This is often summarized in the slogan that structural stability is generic.

Two-dimensional flows, however, are rather special, which raises the question of what the situation in higher dimensions is.[18] While the definition of structural stability carries over swiftly to higher dimensions, generalizing Andronov and Pontrjagin's theorem to higher dimensional spaces was a formidable problem that turned into a research program spanning almost half a century. The mathematical details cannot be reviewed here; we sketch the main line of argument, which is sufficient for our purposes.

Smale (1967) formulated the so-called *Axiom A*, which essentially says that the system is uniformly hyperbolic.[19] The *strong transversality condition* says that stable and unstable

---

[17] Their proof was based on a slightly different definition of structural stability than the one given in the last paragraph, but it can be shown that the two definitions are equivalent.

[18] They are special not least because they cannot exhibit chaos (Barreira and Valls 2012, Ch. 7).

[19] For details see Robinson (1976).

manifolds must intersect transversely at every point. Palis and Smale (1970) conjectured that a system is structurally stable iff it satisfies Axiom A and the strong tranversality condition. Proving this result turned out to require a concerted effort and was brought to a conclusion by Mañé (1988) for diffeomorphisms ('maps') and Hayashi (1997) for flows.

The relation between structural stability and the Demon scenario is obvious: if the original system is the true dynamics, then the true dynamics has to be structurally stable for the Freshman's close-by model to yield close by results. This raises the question whether the systems we are interested in satisfy the above conditions (and hence are structurally stable). This question does not seem to be much discussed, but available results suggest a negative conclusion. Smale (1966) showed that structural stability is *not* generic in the class of diffeomorophisms on a manifold: the set of structurally stable systems is open but not dense. So there are systems that cannot be approximated by a structurally stable system. More recently Smith (2002) and Judd and Smith (2004) presented an argument for the conclusion that if the model's and the system's dynamics are not identical, then 'no state of the model has a trajectory consistent with observations of the system' (Judd and Smith 2004, 228). Consistency here is defined by the observational noise in the measurements: it quickly becomes clear that there is no model trajectory that could have produced the actual observations; no model trajectory can shadow the measurements (Smith 2007). This result holds under very general assumptions.

This has a direct consequence for situations as the ones considered in Sections 2 and 3. If the true dynamics is structurally unstable, then the dynamics of a model with model error (no matter how small) will eventually differ from the true dynamics, resulting in the same initial conditions evolving differently under the two dynamical laws. Given this, we would expect probability distributions like $p_0(x)$ to evolve differently under the two dynamical laws and we would expect $p_t^T(x)$ and $p_t^A(x)$ to have growing relative entropy. We emphasize that these are plausibility assumptions; to the best of our knowledge there are no rigorous proofs of these propositions. Plausibility arguments, however, are better than no arguments at all. And there is certainly no hint of an argument to the effect that high-dimensional systems are structurally stable. So the challenge stands: those using non-linear models for predictive purposes have to argue that the model they use is one that is structurally stable, and this is not an easy task.

5. Imperfect Models in Action

Our thought-experiment has close real-world cousins. In most scientific scenarios the truth is beyond our reach (if such a thing even exists) and we have to rest content with an imperfect models – it is a well-rehearsed truism that all models are wrong. Scientists, like the Freshman, are in the situation that they have to produce predictions with a less than perfect model. Some of these predictions are then used to assess the risk of future outcomes. In particular insurers and policy makers are like the owner of the pond casino: they have to set premiums or make policies on the basis of imperfect model outcomes. Examples can be drawn from domains as different as load forecasting in power systems (Fan and Hyndman 2012), inventory demand management (Snyder et al. 2012) weather forecasting (Hagedorn and Smith 2009) and climate modeling (McGuffie and Henderson-Sellers 2005).

But how can nonlinear models be so widely used if their predictive power is as limited as we say it is? Are we overstating the case, or is science is embroiled in confusion? The truth, we think, lies somewhere in the middle. The limitations on prediction we draw attention to are debilitating for mathematical precision but not for valuable insight. Hence at least some scientific projects would need to rethink their methodology in the light of our discussion. A model can be an informative aid to understanding phenomena and processes while at the same time being maladaptive if used for quantitative prediction.

As far as we can see the question of whether or not the hawkmoth effect threatens certain modeling projects has not yet attracted much attention, and we would encourage those engaged in quantitative prediction in the short run, and even qualitative prediction in the long run to lend more thought to the matter.[20]

---

[20] For model error in weather forecasting see (Orrell et al. 2001), while for climate forecasting see (Smith 2002) and (McWilliams 2007) and consider criticisms of UKCP09 (Frigg et al. 2013). UKCP09 offers detailed high resolution probability forecasts across the UK out to the 2090's; the hawkmoth effect poses a serious challenge for any rational applications of this particular predictive endeavour. This fact casts no doubt on the reality or risks of anthropogenic climate change,. for which there is evidence both from basic physical science and observations.

Another challenge along the same lines argues for the opposite conclusion: if we are interested in long term behavior, we do not need detailed predictions at all and can just study the natural measure of the dynamics. The natural measure reflects a system's long term behavior after the initial distribution 'washes out'; it is therefore immaterial where we started. It then doesn't matter that on a medium time scale the distributions look different because we are simply not interested in them.

This view gains support from the fact that we seem to have revealed only half of the truth in Section 3. If we continue evolving the distribution forward to higher lead times we find that for this particular model-system pair the two distributions start looking more similar again and, moreover, that they start looking rather like the natural measure of the logistic map. This is shown in Figure 6 below for $t = 16$ and $t = 32$. Perhaps if all we need is to make reliable predictions in the long run, then the 'medium term aberrations' seen in Figure 2 need not concern us at all?

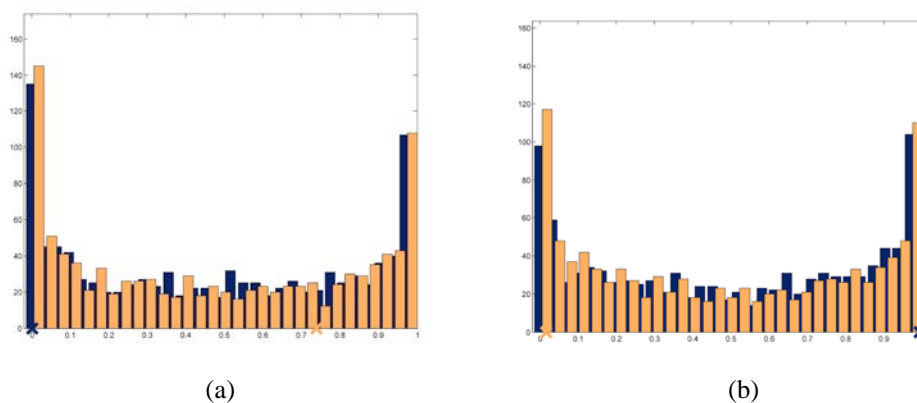(a)   (b)

Figure 6 – The same scenario as the one seen in Figure 2 but for lead times $t = 16$ and $t = 32$.

Again, while this happens, it cannot be expected to happen universally. Implicit in this proposal is the assumption that natural measures of similar dynamical laws are similar; because unless the model and the system have similar natural measures there is no reason to assume that adjusting beliefs according to the natural measure of the model could be informative. While Figure 6 is suggestive for this model-system pair (and even this is would remain to be shown rigorously), there is every reason to believe that in general natural measures do not have this property. Furthermore, unlike the Demon's pond, many real target

systems, such as world's climate system, are not stationary do not have invariant measures at all. This forecloses a response along the above lines. Long term quantitative prediction is difficult.

The second qualification is that how severe the problem is depends on how detailed the predictions one wishes to make are. In general there is a trade-off between precision and feasibility. In the above example it is trivially true that ρ_t lies between zero and one; we can reliably predict that ρ_t will not fluctuate outside those bounds (in the model). And there are certainly other general features of the system's behavior one can gain confidence in with experience. What we cannot predict is that ρ_t will assume a particular value $x \in X$, or will lie in a relatively small area around x, at a particular point in time; nor can we give probabilities for this to happen. Whether or not a project runs up against problems with the hawkmoth effect depends on whether it tries to make predictions of the latter kind.[21]

6. A Tentative Suggestion: Sustainable Odds

So far we have discussed problems with imperfect models and pointed out that there is no easy fix. One natural reaction would be to throw in the towel and conclude that the best option would be not to use such models at all. This would be throwing out the baby with the bathwater. Models often show us how things work and, as we have seen above, *in some cases* at least a model provides some quantitative insight. So the question is, how can we use the information in a model without being too dramatically misled?

This question has no easy answer because in real science we can't just peep over the Demon's shoulder and compare our models with the true dynamics – real scientists are like the Freshman without the Demon (or infinite computer power). So what could the Freshman

---

[21] Space constraints again prevent us from engaging in detailed case studies. We note, nevertheless, that UKCP09 aims to make exactly such predictions by forecasting, for instance, the temperature on the hottest day in central London in 2080, and the project is advertised as providing 'daily time series of a number of climate variables from a weather generator, for the future 30-yr time period, under three emission scenarios. These are given at 5km resolutions across the UK, the Isle of Man and the Channel Islands' (Jenkins et al. 2009, 8). Worries about the implications of the hawkmoth effect are not just a hobby horse for academic philosophers.

do to improve his interpretation of model simulations without trying to turn into a Demon (which he can't)? Failure to grasp this nettle is to pretend he is the Demon. In this section we make a tentative proposal to leave probabilism behind and use non-probability odds.

As we noted above, the odds $o(E)$ on E are the ratio of total payout to stake. If there is a probability $p(E)$ for E, then fair odds on E are traditionally taken to be the reciprocals of the available probabilities: $o(E) = 1/p(E)$. This need not be so: we can just as well take odds as our starting point and say that the longer the odds for an event E, the more surprising it is if the event occurs. Odds thus understood do not necessarily have any connection to probabilities. Let $\alpha := \{E_1, ..., E_n\}$ be a complete set of events,[22] let $o(E_i)$, $i = 1, ..., n$, be the odds on all the events in α, and define $S := \Sigma_{i=1}^n [1/o(E_i)]$. The $o(E_i)$ are probability-odds if, and only if, $S = 1$; they are non-probability odds otherwise.[23] Furthermore let us call $\pi(E_i) := 1/o(E_i)$ the betting quotients on E_i. The π are 'probability-like' in that they are numbers between zero and one, with one indicating that the obtaining of an event is certain (no surprise at all), and zero representing the inconceivable (complete surprise). If odds are probability-odds, then $\pi(E_i) = p(E_i)$.

With this in place, let us continue our thought experiment. The Freshman wants to try to run a casino without going bust. From his last experience he knows that using probability-odds set according to $p_t^A(x)$ appears a recipe for disaster. So he decides to shorten his odds to guard against loss. Of course you can always guard against loss by not paying out any net gain at all and merely returning the stake to punters when they win (i.e. by setting all $o(E_i) = 1$). This, however, is not interesting to punters and they would not play in his new casino. So the Freshman aims to offer a game that is as attractive as possible (by offering odds that are as long as possible), but only so long that he is unlikely to go bust unexpectedly.

There are different ways of shortening odds. Perhaps the simplest way is to impose a threshold θ on the $\pi_t(E_i)$: $\pi_t(E_i) = p_t^F(E_i)$ if $p_t^F(E_i) > \theta$ and $\pi_t(E_i) = \theta$ if $p_t^F(E_i) \leq \theta$, where θ can be any real number so that $0 \leq \theta \leq 1$. We call odds thus calculated *threshold-*

---

[22] We only consider discrete and countable event spaces.

[23] Non-probability odds have been introduced in (Judd 2007) and (Smith 2007).

23

odds. For the limiting case of $\theta = 0$ the $\pi_t(E_i)$ become probabilities and the respective odds become probabilistic odds. It is important to emphasize the threshold rule applies to *all* possible events and not only the atoms of the partition, the idea being that one simply does not offer π's smaller than θ no matter what the event under consideration is. In particular, the rule applies simultaneously to events and their negation. If, for instance, we set $\theta = 0.2$ $\tau = 0.2$ and have $p_t^F(E_i) = 0.95$ (hence, by the axioms of probability, $p_t^F(\neg E_i) = 0.05$), then $\pi_t(E_i) = 0.95$ and $\pi_t(\neg E_i) = 0.2$, where $\neg E_i$ is the negation of E_i (i.e. the non-occurrence of E_i).

This move is motivated by the following observation. In Figure 2 we see that, based on p_t^A, we sometimes offer very long odds on events that are in reality (i.e. according to p_t^T) very likely to happen. It is with these events that we run up huge losses. Putting a threshold on the $\pi_t(A_i)$ amounts to limiting large odds and thus the amount one pays out for an actual event that one's model wrongly regarded as unlikely.

We now repeat the scenario of Figure 4 with one exception: the Freshman apprentice now offers non-probability odds with a thresholds of $\tau = 0.05$, $\tau = 0.1$ and $\tau = 0.2$. The result of these calculations is shown in Figure 7a, 7b and 7c respectively.

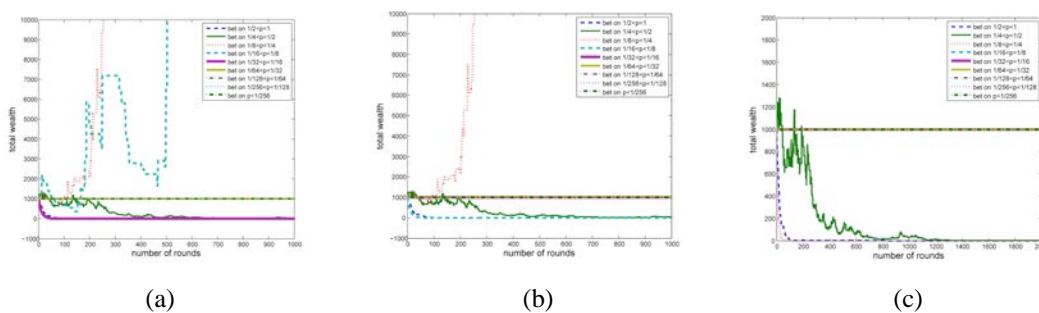| (a) | (b) | (c) |

Figure 7 – Wealth of punters as a function of the number of rounds played with the casino offering non threshold-odds with thresholds of 0.05, 0.1 and 0.2.

We see that this strategy is a success. Already a very low threshold of $\theta = 0.05$ undercuts the success of five out of seven punters, and only two still manage to take money off the casino. A slightly higher threshold of $\theta = 0.1$ brings the number of successful punters down to one. So for $\theta = 0.2$ the Freshman apprentice achieves his goal of running a sustainable casino.

The second way of shortening odds is damping. On this method the betting quotients are given by $\pi_t(E_i) = 1 - \beta[1 - p_t^A(E_i)]$, where the damping parameter β is a real number $0 \le \beta \le 1$. We see that for $\beta = 1$ the π_t are probabilities. We call odds thus calculated *damping-odds*. We now repeat the same calculations as above and the results are very similar (which is why we are not reproducing the graphs here). For $\beta = 0.95$ only two punters succeed (indeed the same two as above). With a slightly stronger damping of $\beta = 0.9$ only one is still winning (again the same as above), and for $\beta = 0.8$ all punters are either losing or not playing at all (because no bets in their range are on offer).

The moral of this last part of our tale is that shortening odds, either by introducing a threshold or by damping, can protect us against losses and run an effective casino. In doing so the Freshman has introduced what we call *sustainable odds*. There are no doubt better ways to construct sustainable odds, and better meet the challenges to their use in decision support. How to construct more useful varieties of sustainable odds is the question for a future project. For now we just note that while probability odds are easier to use, using them leads to disaster. Furthermore we can regard the amount of deviation of the shortening parameters from their 'probability limits' (i.e. the deviation of θ from zero and of β from one) as a measure of the model uncertainty: the greater this deviation the more uncertain we are about the model.

We would like to point out that also this last part is closer to reality than it seems. The sustainable yet interesting casino is modeled on a cooperative insurance company. Rather than playing for gain, the 'bets' placed are insurance policies bought to compensate for losses suffered should certain events happen. What makes our insurance a cooperative insurance is its attempt to offer as high a payout as possible (to fully compensate its clients), but at the lowest rates that allow it too operate in a sustainable way (an insurance company that goes

bust is of little use). So our non-probability odds casino has a close real-world cousin, and the morals drawn above are relevant beyond the tale of Laplace's Demon.

So far we have shown that one is all but certain to go bust when betting on model-probabilities. The conclusion of our argument might be seen as a decision theoretic one: that it is pragmatically advantageous to adopt non-probabilistic odds. This is not the interpretation we favor. We prefer to see it as an epistemological argument, albeit one that involves talk of betting. We are not making any decision theoretic assumptions in coming to our conclusions. We mean for our agent to be shortening his odds due to epistemological flaws, not just so as to avoid bad outcomes. Talk of casinos, betting and going bust, helps to put an epistemic problem into focus – the main point is that the pragmatic flaw (systematic and statistically premature ruin) points to an epistemological flaw in the agent's representation of belief.

Needless to say, the use of non-probability odds raises a host of issues. How exactly should non-probability odds inform decision-making? Presented with non-probability odds, what decision rules should we apply? These are important questions for decision theory and rational choice, but we cannot discuss these here.

An attempt to dismiss these issues quickly might be to try to bring these issues back into well-charted territory by denying that non-probability odds are really *sui generis* items. Regarding them as such, so the argument goes, is a red herring because even if we have odds whose inverses don't add up to one it is trivial to renormalize them and we then retrieve the homely probabilities for which there are well worked out decision theories.

Unfortunately things are not as simple. The problem is that the π do not satisfy the axioms of probability even if they are renormalized to add up to one. The source of the problem is that non-probability-odds do not respect the symmetry between betting for and betting against that is enshrined into probabilities. For probabilities we have $p(E) + p(\neg E) = 1$ for any event E.[24] Non-probability odds need not add up to one: $\pi(E) + \pi(\neg E)$ can take any value greater

---

[24] Odds-for for the negation are defined derived from probabilities by taking $p(\neg E) = 1 - p(E)$ and then applying the shortening rule.

than zero (which is easy to see in the case of threshold-odds). For this reason the π_R are not probabilities, and renormalizing is not an easy route back into the well-charted territory of probabilism. And, of course, the renormalized odds need not prove sustainable.

Furthermore, one might worry that these non-probabilistic odds don't have the requisite connection to degrees of belief in order for them to play the role of fixing degrees of belief. That is, one might worry that such odds allow one to avoid the pragmatically bad consequences of model error, but they don't line up with degrees of belief. For example, Williamson (2010) argues that symmetry – the claim that your limiting price to sell a bet should be equal to your limiting price to buy that bet – is an intuitive part of what he calls the 'betting interpretation' of degrees of belief: '[W]hile we do in, practice, buy and sell bets at different rates, the rate at which we would be prepared to both buy and sell, if we had to, remains a plausible interpretation of strength of belief.' (*ibid*., 37) Others disagree and do suggest that non-symmetric odds can serve as a (perhaps partial) characterization of strength of belief; see, for example, Dempster (1961), Good (1962), Levi (1974), Suppes (1974), Kyburg (1978), Walley (1991) and Bradley (2012). If one knows one's model is imperfect, it is hard to see a successful case in favor of symmetric odds from model-based probabilities as relevant to rational belief or action.

We would not like to leave the issue without a brief remark about Dutch books. One might worry that our Freshman is subject to a Dutch book when he offers non-probabilistic odds. That is, one might worry that a smarter bettor might be able to guarantee to make money out of the apprentice by buying a set of bets that guarantee the bettor a sure gain, whatever happens. This is not the case. This is for the same reason that casinos can't be Dutch booked. In a casino, you cannot bet on 'not red' with symmetric probability to 'red'.

In connection with this point, it is worth pointing out an analogy between the current project and the standard Dutch book argument. The latter argues from a pragmatic flaw (being subject to a Dutch book) to an epistemic conclusion (your degrees of belief ought to satisfy the probability calculus). We take ourselves to be doing the same sort of thing: we argue from a pragmatic flaw (houses go bust faster than expected, statistically) to an epistemic conclusion (non-probability odds). That is, we don't take ourselves to be merely making the point that one can avoid going bankrupt by shortening one's odds. We are making the

stronger claim that in the presence of model error, model probabilities sanction only non-probability degrees of belief.

We conclude this section with an explanation of why one final response to our argument won't succeed. One might respond that we get wrong probabilities because we use probabilities in a bad way. From a Bayesian perspective one could point out that by using one particular model to generate predictions we have implicitly assigned a prior probability of one to that model. Given that we have no reason to assume that this model is true – indeed, there are good reasons to assume that it's not! – this confidence is misplaced and one really ought to take uncertainty about the model into account. This can be done by using probabilities: put a probability measure on the space of all models which expresses our uncertainty about the true model, generate predictions with all those models, and take some kind of weighted aggregate of the result. This, so the argument goes, would avoid the above problem, which is rooted in completely ignoring second order uncertainty about models.

Setting aside the fact that it is practically unfeasible to generate predictions with an entire class of models, there are theoretical limitations that ground the project. The first problem is that it is not clear how to circumscribe the relevant model class. This class would contain all possible models of a target system. But the phrase 'all models' masks the fact that mathematically this class is not defined, and indeed it's not clear whether it is definable at all. The second problem is that even if one could construct such a class in one way or another, there are both technical and conceptual problems with putting an uncertainty measure over this class. The technical problem is that the relevant class of models would be a class of functions and function spaces do not come equipped with measures. In fact, it is not clear how to put a measure on function spaces.[25] The conceptual issue is that even if the technical problem could be circumvented somehow, what measure would we chose? The model class will contain an infinity of models and it is at best unclear whether there is a non-arbitrary measure on such a set that reflects our uncertainty about model choice. And even if one can form a revised probability distribution in light of higher-order doubt about the model, it will still be inaccurate relative to the distribution given by the true model.[26] Lastly we, like the Freshman, are restricted to sampling from the set of all conceivable models, which need not

---

[25] This is a well-known problem in the foundations of statistical mechanics; see (Frigg and Werndl 2012).

[26] We thank an anonymous referee for drawing our attention to this point.

contain a perfect model even if such a thing exists. For these reasons this response does not seem to be workable.

7. Conclusion

We have argued that model imperfection in the presence of nonlinear dynamics is a poison pill: treating model outputs as probability predictions can be seriously misleading. Many operational probability forecasts are therefore unreliable as a guide to rational action if interpreted as providing the probability of various outcomes. Yet not all the models underlying these forecasts are useless!

This raises the question, what conclusion we are to draw from the insight into the unreliability of models? An extreme reaction would be to simply get rid of them. But this would probably amount to throwing out the baby with the bathwater because imperfect models can be qualitatively informative. Restricting models to tasks of purely qualitative understanding is also going too far. The question is how we can use the model where it provides insight while guarding against damage where it does not? Finding a way of doing this is a challenge for future research. We have indicated that one way possible route could be to use non-probability odds, but more needs to be said about how these can be used to provide decision support, and there may be altogether different ways of avoiding the difficulties we sketch. We hope this paper leads merely to a wider acknowledgement that these challenges are important and their solution nontrivial.

Acknowledgments

Bibliography

Andronov, Aleksandr A. and Lev Pontrjagin. 1937. "Systèmes Grossiers." Doklady of the Academy of Sciences of the USSR 14:247-251.

Arnold, Vladimir I. and André Avez. 1968. Ergodic Problems of Classical Mechanics. New York and Amsterdam: W. A. Benjamin.

Barreira, Luis and Claudia Valls. 2012. Ordinary Differential Equations: Qualitative Theory. Washington: American Mathematical Society.

Batterman, Robert W. 1993. "Defining Chaos." Philosophy of Science 60 43-66.

Berger, Arno. 2001. Chaos and Chance: An Introduction to Stochastic Aspects of Dynamics. Hamburg: Walter de Gruyter.

Bradley, Seamus. 2012. "Dutch Book Arguments and Imprecise Probabilities " In Probabilities Laws and Structures, ed. Dennis Dieks, Wenceslao Gonzalez, Stephan Hartmann, Michael Stoeltzner and Marcel Weber, 3-17. Berlin Springer.

Curd, Thomas M. and Joy A. Thomas. 1991. Elements of Information Theory. New York: Wiley.

Dempster, Arthur. 1961. "Upper and Lower Probabilities Induced by a Multivalued Mapping." Annals of Mathematical Statistics 38:325-339.

Earman, John. 1986. A Primer on Determinsim. Dordrecht: Reidel.

Fan, Shu and Rob J. Hyndman. 2012. "Short-Term Load Forecasting Based on a Semi-Parametric Additive Model." IEEE Transactions on Power Systems 27:134-141.

Frigg, Roman, Leonard A. Smith and Dave A. Stainforth. 2013. "The Myopia of Imperfect Climate Models: The Case of Ukcp09." forthcoming in Philosophy of Science

Frigg, Roman and Charlotte Werndl. 2012. "Demystifying Typicality." Philosophy of Science 79:917-929.

Good, Irving J. 1962. "Subjective Probability as the Measure of a Non-Measurable Set." In Logic, Methodology and Philosophy of Science, ed. Ernest Nagel, Patrick Suppes and Alfred Tarski, 319-329. Stanford: Stanford University Press.

Hagedorn, R. and Leonard A. Smith. 2009. "Communicating the Value of Probabilistic Forecasts with Weather Roulette." Meteorological Applications 16:143-155.

Hayashi, Shuhei. 1997. "Invariant Manifolds and the Solution of the C1-Stability and Ω-Stability Conjectures for Flows." Annals of Mathematics 145:81-137.

Jacob, Palis and Stephen Smale. 1970. "Structural Stability Theorems." Global Analysis, Proceedings of Symposia in Pure Mathematics 14 AMS 14:223-231.

Jenkins, Geoff, James Murphy, David Sexton, Jason Lowe and Phil Jones. 2009. Uk Climate Projections. Briefing Report. DEFRA.

Judd, Kevin. 2007. "Nonprobabilistic Odds." Under Review.

Judd, Kevin and Leonard A. Smith. 2004. "Indistinguishable States Ii: The Imperfect Model Scenario." Physica D 196:224-242.

Kellert, Stephen. 1993. In the Wake of Chaos. Chicago: Chicago University Press.

Kyburg, Henry. 1978. "Subjective Probability: Criticisms, Reflections, and Problems." Journal of Philosophical Logic 7:157-80.

Laplace, Marquis de. 1814. A Philosophical Essay on Probilities. New York: Dover.

Levi, Isaac. 1974. "On Indeterminate Probabilities." Journal of Philosophy 71:391-418.

Mañé, Ricardo. 1988. "A Proof of the C1 Stability Conjecture." Institut Hautes Études Sci. Publ. Math. No. 66:161-210.

Maurício, Peixoto. 1962. "Structural Stability on Two Dimensional Manifolds." Topology 2:101-121.

McGuffie, Kendal and Ann Henderson-Sellers. 2005. A Climate Modelling Primer. New Jersey Wiley.

McWilliams, James C. 2007. "Irreducible Imprecision in Atmospheric and Oceanic Simulations." Proceedings of the National Aacdemy of Sciences 104: 8709–8713.

Orrell, David, Leonard A. Smith, Tim Palmer and Jan Barkmeijer. 2001. "Model Error in Weather Forecasting." Nonlinear Processes in Geophysics 8:357-371.

Peixoto, Marilia C. and Maurício M. Peixoto. 1959. "Structural Stability in the Plane with Enlarged Boundary Conditions." Anais da Academia Brasileira de Ciências 31:135-160.

Smale, Stephen. 1966. "Structurally Stable Systems Are Not Dense." American Journal of Mathematics 88:

Smale, Stephen. 1967. "Differentiable Dynamical Systems." Bulletin AMS 73:747-817.

Smith, Leonard A. 1992. "Identification and Prediction of Low-Dimensional Dynamics." Physica D 58:50-76.

Smith, Leonard A. 2002. "What Might We Learn from Climate Forecasts?" Proceedings of the National Academy of Science USA 4:2487-2492.

Smith, Leonard A. 2006. "Predictability Past Predictability Present." In Predictability of Weather and Climate, ed. Tim Palmer and Renate Hagedorn, 217-250. Cambridge: Cambridge University Press.

Smith, Leonard A. 2007. Chaos. A Very Short Introduction. Oxford: Oxford University Press.

Smith, Peter. 1998. Explaining Chaos. Cambridge: Cambridge University Press.

Snyder, Ralph D., J. Keith Ord and Adrian Beaumonta. 2012. "Forecasting the Intermittent Demand for Slow-Moving Inventories: A Modelling Approach." International Journal of Forecasting 28:485-496.

Suppes, Patrick. 1974. "The Measurement of Belief." Journal of the Royal Statistical Society Series B (Methodology)

Thompson, Erica L. 2013. Modelling North Atlantic Storms in a Changing Climate. Ph.D. Thesis. Imperial College, London, UK.

Walley, Peter. 1991. Statistical Reasoning with Imprecise Probabilities. London: Chapman and Hall.

Werndl, Charlotte. 2009. "What Are the New Implications of Chaos for Unpredictability?" British Journal for the Philosophy of Science 60:195-220.

Williamson, Jon. 2010. In Defense of Objective Bayesianism. Oxford: Oxford University Press.