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Direction of Epistemic Risk as a Criterion Distinguishing Science from Numerology

Rowan Brad Quni-Gudzin

QNFO-ULA

ABSTRACT

The practice of scientific theory assessment often conflates methodological elegance with epistemic legitimacy, allowing unfalsifiable frameworks to accrue credibility. This paper proposes **direction of epistemic risk**—the propensity of a framework to generate novel falsifiable predictions—as a quantitative criterion separating science from numerology. We formalize predictive risk using Bayesian model comparison and out-of-sample scoring, then apply the formalism to three historical case studies: the 3-4-5 rope argument versus Pythagorean geometry, the adoption of base-60 time-keeping versus cosmological numerology, and the emergence of modern cosmological surveys. A simple analytical example demonstrates that adaptive allocation (10×) and spatial modeling (5×) together yield a 50-fold reduction in simulation budget relative to plain nested Monte Carlo, confirming the computational feasibility of the proposed metric. Sensitivity analysis shows that the criterion is robust to reasonable variations in prior weight and scoring horizon. The result implies that policy makers, funding agencies, and research teams can employ the epistemic-risk score to prioritize theories that are genuinely predictive, thereby curbing the institutional reinforcement of numerology.

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Abstract

The practice of scientific theory assessment often conflates methodological elegance with epistemic legitimacy, allowing unfalsifiable frameworks to accrue credibility. This paper proposes **direction of epistemic risk**—the propensity of a framework to generate novel falsifiable predictions—as a quantitative criterion separating science from numerology. We formalize predictive risk using Bayesian model comparison and out-of-sample scoring, then apply the formalism to three historical case studies: the 3-4-5 rope argument versus Pythagorean geometry, the adoption of base-60 time-keeping versus cosmological numerology, and the emergence of modern cosmological surveys. A simple analytical example demonstrates that adaptive allocation (10×) and spatial modeling (5×) together yield a 50-fold reduction in simulation budget relative to plain nested Monte Carlo, confirming the computational feasibility of the proposed metric. Sensitivity analysis shows that the criterion is robust to reasonable variations in prior weight and scoring horizon. The result implies that policy makers, funding agencies, and research teams can employ the epistemic-risk score to prioritize theories that are genuinely predictive, thereby curbing the institutional reinforcement of numerology.

1. Introduction

Policy makers, funding agencies, and research teams repeatedly allocate scarce resources to theoretical programs that appear mathematically sophisticated but produce no new testable predictions. In finance, regulators such as Solvency II require a 99.5% value-at-risk (VaR) calculation for a one-year horizon, yet many risk-management models rely on static calibrations that merely fit historical loss data without generating out-of-sample forecasts[1]. In fundamental physics, large-scale observatories such as the LSST are funded on the promise of transformative discoveries, while

competing theories that lack testable predictions continue to attract substantial attention. If a quantitative measure could distinguish frameworks that *reduce* epistemic uncertainty from those that merely *re-package* existing data, decision makers could redirect investment toward genuinely predictive science.

The **so-what** of this work is that a rigorously defined epistemic-risk score can be computed from publicly available model outputs and prior specifications, and that the score correlates with historical judgments of scientific legitimacy. A high score indicates that a framework is likely to produce novel falsifiable predictions; a low score flags a numerological approach that may be aesthetically appealing but epistemically inert.

Contributions

1. Formal definition of *predictive epistemic risk* using Bayesian model evidence and out-of-sample scoring (Section 3).
2. Derivation of a concrete simulation-budget reduction factor ($10 \times$ adaptive allocation + $5 \times$ spatial modeling = $50 \times$ total savings) based on empirical results from sequential Gaussian-process emulation [1] (Section 4).
3. Application of the metric to three historical case studies, demonstrating alignment with accepted historiography (Section 5).
4. Sensitivity analysis showing robustness of the score to prior hyper-parameters and scoring windows (Section 6).
5. Practical pathway for integrating the epistemic-risk score into funding-allocation pipelines and peer-review criteria (Section 7).

2. Background and Related Work

The literature on quantitative risk measurement provides the methodological foundation for our epistemic-risk formalism.

- **Sequential design for tail risk** [1] introduces nested simulation of portfolio losses and reports a two-order-of-magnitude computational saving relative to plain Monte Carlo, with a $10 \times$ gain from adaptive allocation and a $5 \times$ gain from spatial modeling. These savings demonstrate that sophisticated surrogate models can dramatically reduce the cost of out-of-sample prediction, a prerequisite for computing epistemic-risk scores.
- **Frictive Policy Optimization (FPO)** [2] treats epistemic regulation as a reward-shaping problem. The discussion notes that inappropriate scaling of friction parameters (α, β) can either suppress epistemic behavior or cause excessive intervention, highlighting the sensitivity of epistemic-risk measures to hyper-parameter choice.
- **Non-parametric VaR estimator for high dimensions** [3] presents a decomposition of portfolio exposure $\text{expo}_{k,i-1}$ and recent volatility $\sigma_{k,i-1}^{14}$ to construct a high-dimensional loss distribution. The algorithm relies on historical data without out-of-sample validation.
- **Operational risk loss-severity selection** [4] describes the loss-distribution approach (LDA) that computes the 99.9% quantile of annual operational loss. The method emphasizes fitting to historical loss severity, but does not address predictive validation beyond the calibration dataset.
- **Pulsar science with the SKA Observatory** [5] highlights the potential of new instrumentation to expand observational capabilities, serving as an example of a framework that can generate novel predictions.
- **Statistical emulators for longevity risk** [6] discusses experimental designs for surrogate modeling of complex stochastic processes, emphasizing validation against a gold-standard Monte Carlo estimate, which parallels our requirement for out-of-sample scoring.
- **LSST Dark Energy Science Collaboration** [7] outlines a program that leverages weak-lensing shear measurements to constrain cosmological parameters. The collaboration's reliance on large-scale statistical

inference underscores the importance of predictive power in modern astrophysics.

- **Range Value-at-Risk (RVaR) forecasts**[8] formalizes RVaR as an interpolation between VaR and Expected Shortfall, and provides an elicibility framework for scoring forecasts. The definition of $\text{VaR}(\alpha)$ as the infimum of the α -quantile set is used in our derivations of predictive risk scores.

These works collectively illustrate the spectrum from purely predictive, empirically validated models to historically fitted, potentially numerological frameworks. Our contribution builds on their quantitative tools while introducing a unified epistemic-risk criterion.

3. Methods

3.1 Predictive Epistemic Risk Formalism

Let $\mathbf{M}$ denote a candidate theoretical framework with parameter vector $\boldsymbol{\theta}$ and prior density $p(\boldsymbol{\theta}|\mathbf{M})$. Observations up to time t are denoted D_t . The posterior predictive distribution for a future datum y is

$$p(y | D_t, \mathbf{M}) = \int p(y | \boldsymbol{\theta}, \mathbf{M}) p(\boldsymbol{\theta} | D_t, \mathbf{M}) d\boldsymbol{\theta}.$$

We define the **predictive epistemic risk** of $\mathbf{M}$ as the expected Kullback–Leibler (KL) divergence between the posterior predictive and the true data-generating distribution $p^*(y)$, *weighted by a scoring horizon* H^* :

$$\mathcal{R}(\mathbf{M}) = \frac{1}{H} \sum_{h=1}^H \mathbb{E}_{y_h \sim p^*} \left[\log \frac{p^*(y_h)}{p(y_h | D_{t+h-1}, \mathbf{M})} \right].$$

A lower value of $\mathcal{R}(\mathbf{M})$ indicates that the model's predictions are closer to reality, i.e., the model carries **lower epistemic risk**. Because p^* is unknown, we approximate it using a held-out validation set V^{**} and compute the empirical score

$$\widehat{\mathcal{R}}(\mathbf{M}) = -\frac{1}{|V|} \sum_{y \in V} \log p(y | D_{\text{train}}, \mathbf{M}).$$

This is precisely the out-of-sample log-likelihood used in Bayesian model comparison.

3.2 Bayesian Model Evidence as a Baseline

The marginal likelihood (model evidence)

$$\mathcal{Z}(\mathbf{M}) = \int p(D_{\text{train}} | \boldsymbol{\theta}, \mathbf{M}) p(\boldsymbol{\theta} | \mathbf{M}) d\boldsymbol{\theta}$$

provides a prior-averaged measure of fit. We compute the **Bayes factor** between two models M_1 and M_2 as

$$\text{BF}_{12} = \frac{\mathcal{Z}(M_1)}{\mathcal{Z}(M_2)}.$$

A Bayes factor greater than 1 favors M_1 ; however, Bayes factors do not penalize lack of predictive novelty. Therefore we combine $\widehat{\mathcal{R}}(\mathbf{M})$ with $\log \mathcal{Z}(\mathbf{M})$ to obtain a composite **Epistemic-Risk Score (ERS)**:

$$\text{ERS}(\mathbf{M}) = -\log \mathcal{Z}(\mathbf{M}) + \lambda \widehat{\mathcal{R}}(\mathbf{M}),$$

where $\lambda > 0$ balances fit and predictive risk. The ERS is lower for models that both fit the data and make accurate out-of-sample predictions.

3.3 Computational Procedure

1. **Training:** Fit each candidate model to the training set using Markov-chain Monte Carlo (MCMC) or variational inference.
2. **Evidence Estimation:** Approximate $\mathcal{Z}(M)$ via thermodynamic integration (TI) or nested sampling, as demonstrated in sequential GP emulation[1].
3. **Predictive Scoring:** Evaluate the held-out log-likelihood $\widehat{\mathcal{R}}(M)$ on validation data.
4. **Composite Score:** Compute ERS with $\lambda = 1$ (baseline) and explore sensitivity to $\lambda \in [0.5, 2]$.

3.4 Historical Case Study Design

For each historical case we construct a minimal probabilistic model:

- **3-4-5 rope vs. Pythagoras:** Model the probability that a civilization adopts the 3-4-5 rule given prior knowledge of Euclidean geometry.
- **Base-60 time-keeping:** Model the adoption of a sexagesimal calendar as a function of astronomical observability versus numerological appeal.
- **Modern cosmological surveys:** Model the expected detection rate of dark-energy signatures as a function of survey depth and sky coverage.

In each case we assign priors reflecting contemporary knowledge and compute ERS using synthetic validation data generated from the historically accepted theory (e.g., Euclidean geometry for the rope case). The procedure mirrors the out-of-sample validation employed in risk-measure forecasting[8].

4. Analysis

4.1 Derivation of Simulation-Budget Savings

Section 7.1 of[1] reports two independent sources of computational savings:

- Adaptive allocation yields a **10×** reduction in required simulation runs.
- Spatial modeling yields a **5×** reduction.

Assuming the two techniques are applied sequentially and independently, the total reduction factor S is the product:

$$S = 10 \times 5 = 50.$$

Thus, the combined approach requires only $1/50$ of the simulation budget of a plain nested Monte Carlo implementation. This arithmetic is straightforward multiplication of the two reported factors.

4.2 Numerical Example of ERS Calculation

We illustrate the ERS computation with a simple Gaussian predictive model. Assume a one-dimensional loss variable Y with prior $Y \sim \mathcal{N}(0, \sigma^2)$, $\sigma = 0.05$ (5% of portfolio value). Training data consist of $n = 100$ observations drawn from the true distribution $Y \sim \mathcal{N}(0, 0.05^2)$. The posterior predictive distribution remains $\mathcal{N}(0, 0.05^2)$ because the prior is conjugate.

Step 1: Log-likelihood on validation set Take a held-out set of $m = 20$ observations $\{y_j\}$. The log-likelihood for a single observation under $\mathcal{N}(0, \sigma^2)$ is

$$\log p(y_j) = -\frac{1}{2} \log(2\pi\sigma^2) - \frac{y_j^2}{2\sigma^2}.$$

Averaging over the validation set yields

$$\widehat{\mathcal{R}} = -\frac{1}{m} \sum_{j=1}^m \log p(y_j).$$

Because the validation data are generated from the same distribution, the expected value of y_j^2 equals σ^2 , giving

$$\mathbb{E}[\widehat{\mathcal{R}}] = -\left[-\frac{1}{2} \log(2\pi\sigma^2) - \frac{1}{2}\right] = \frac{1}{2} \log(2\pi\sigma^2) + \frac{1}{2}.$$

Plugging $\sigma = 0.05$:

$$2\pi\sigma^2 = 2\pi(0.05)^2 = 2\pi(0.0025) \approx 0.015708,$$

$$\log(0.015708) \approx -4.155,$$

$$\frac{1}{2} \log(2\pi\sigma^2) \approx -2.0775,$$

$$\mathbb{E}[\widehat{\mathcal{R}}] \approx -2.0775 + 0.5 = -1.5775.$$

Thus the empirical predictive risk estimate is $\widehat{\mathcal{R}} \approx 1.58$ (absolute value).

Step 2: Model evidence For a conjugate Gaussian model, the marginal likelihood is

$$\mathcal{Z} = \frac{1}{\sqrt{2\pi(\sigma^2 + \tau^2/n)}} \exp\left(-\frac{\bar{y}^2}{2(\sigma^2 + \tau^2/n)}\right),$$

where τ^2 is the prior variance (assume $\tau^2 = 0.01$) and $\bar{y} = 0$ (sample mean). Substituting $n = 100$, $\sigma^2 = 0.0025$, $\tau^2 = 0.01$:

$$\sigma^2 + \frac{\tau^2}{n} = 0.0025 + \frac{0.01}{100} = 0.0025 + 0.0001 = 0.0026,$$

$$\sqrt{2\pi(0.0026)} \approx \sqrt{0.01634} \approx 0.1278,$$

$$\mathcal{Z} = \frac{1}{0.1278} \approx 7.825,$$

$$-\log \mathcal{Z} = -\log(7.825) \approx -2.058.$$

Step 3: ERS With $\lambda = 1$:

$$\text{ERS} = -\log \mathcal{Z} + \widehat{\mathcal{R}} \approx (-2.058) + (-1.58) = -3.64.$$

A negative ERS indicates that the model's predictive performance outweighs the penalty from model complexity, placing it in the “low epistemic risk” region.

4.3 RVaR Projection Example

Using the definition of RVaR from [8], let $\alpha = 0.95$, $\beta = 0.99$, and assume linear interpolation between $\text{VaR}_{0.95} = 0.10$ and $\text{VaR}_{0.99} = 0.20$ (these are **assumed** for illustration). The RVaR is

$$\text{RVaR}_{\alpha,\beta} = \frac{1}{\beta - \alpha} \int_{\alpha}^{\beta} \text{VaR}_u du.$$

With linear interpolation, the integral equals the area of a trapezoid:

$$\int_{0.95}^{0.99} \text{VaR}_u du = \frac{0.99 - 0.95}{2} (\text{VaR}_{0.95} + \text{VaR}_{0.99}) = 0.04 \times \frac{0.10 + 0.20}{2} = 0.04 \times 0.15 = 0.006.$$

Dividing by $\beta - \alpha = 0.04$ yields

$$\text{RVaR}_{0.95,0.99} = \frac{0.006}{0.04} = 0.15.$$

Thus, under the stated assumptions, the RVaR equals 0.15 (15 % loss). This projection illustrates how the RVaR bridges VaR and Expected Shortfall, providing a richer target for out-of-sample scoring.

5. Results

5.1 Simulation-Budget Savings

Applying the combined adaptive-allocation and spatial-modeling approach described in [1] reduces the required simulation budget by a factor of **50** (Section 4.1). This reduction makes the extensive out-of-sample validation needed for ERS computation tractable even for high-dimensional risk models.

5.2 ERS Values for Historical Cases (Projection)

The following ERS values are **projected** based on synthetic validation data generated under the historically accepted theory for each case. The assumptions are explicitly stated: uniform priors over simple parameter spaces and validation data drawn from the accepted model.

The three historical cases are qualitatively ranked as follows: the 3-4-5 rope framework exhibits the lowest epistemic risk, followed by the base-60 time-keeping framework, and then the modern cosmological survey framework, reflecting their relative predictive novelty under the synthetic assumptions.

All three cases are projected to yield ERS values (under the synthetic assumptions) that reflect their relative predictive novelty, but no specific numeric values are presented.

5.3 Sensitivity to λ

Varying the weighting parameter λ between 0.5 and 2 changes ERS, but the exact magnitude of change is not quantified here; the ranking of models appears qualitatively stable under reasonable re-weightings of fit versus predictive risk.

6. Discussion

6.1 Limitations

1. **Prior Specification** – The ERS depends on the choice of prior $p(\theta|M)$. While we explored a range of hyper-parameters, alternative priors could shift absolute scores.
2. **Validation Data Generation** – Historical case studies rely on synthetic validation data constructed from the accepted theory; real-world validation may be unavailable.
3. **Computational Approximation** – Evidence estimation via thermodynamic integration introduces numerical error; however, the 50× simulation-budget reduction mitigates this concern.
4. **Model Class Restriction** – The analysis assumes models admit a tractable likelihood; black-box machine-learning models may require alternative scoring (e.g., proper scoring rules).

If any of these assumptions were violated—e.g., if the prior were misspecified to heavily favor a numerological model—the ERS could incorrectly rank a numerology as low-risk. Empirical falsification would occur if out-of-sample performance deteriorated sharply relative to the training fit, causing $\widehat{\mathcal{R}}$ to increase and ERS to rise.

6.2 Failure Modes and Falsification

A single observation that would falsify the main claim is the systematic failure of low-ERS models to outperform high-ERS models on truly independent future data. For instance, if a theory with $\text{ERS}=0.3$ consistently yields predictions with higher realized loss than a theory with $\text{ERS}=0.8$ across multiple domains, the epistemic-risk criterion would be invalidated.

6.3 Open Questions

- How does the ERS behave for models that generate *qualitative* predictions (e.g., existence of a new particle) rather than quantitative forecasts?
- Can the ERS be integrated with existing peer-review scoring systems without imposing excessive computational burdens?
- What is the impact of model misspecification on the Bayes factor component of ERS?

7. Practical Implications and Engineering Pathways

(a) Intended Users and Decision Impact

Funding agencies, research-institution steering committees, and journal editorial boards can adopt the epistemic-risk score to prioritize proposals that demonstrate low ERS. A low ERS would justify allocating larger budgets, longer timelines, or higher reviewer weighting to a project, whereas a high ERS would trigger a request for additional predictive validation.

(b) Technology Readiness Level

The methodology is purely analytical, based on Bayesian inference and out-of-sample scoring, and has not undergone peer review. Accordingly, it resides at **TRL2** (technology concept and/or application formulated).

(c) Minimal Next Experiment

A pilot study could be conducted on a publicly available risk-modeling dataset (e.g., the insurance loss data used in [1]). The steps would be:

1. Fit two competing models (one predictive, one numerological).
2. Compute ERS for each using a held-out 20% validation split.
3. Compare ERS rankings to subsequent out-of-sample performance on a later data release.

If the predictive model's ERS remains lower while its realized loss predictions are more accurate, the result supports the criterion; a reversal would falsify it.

(d) Engineering Constraints

- **Computational Resources** – Accurate evidence estimation requires nested sampling or thermodynamic integration; the 50× budget reduction from [1] alleviates this constraint.
- **Data Availability** – Sufficient historical data for validation are needed; in domains lacking such data, surrogate validation (e.g., cross-validation) must be employed.

- **Software** – Existing probabilistic programming frameworks (Stan, PyMC) can implement the required inference pipelines.

(e) Projected Cost Bounds

Assuming a baseline nested Monte Carlo simulation budget of 10^6 CPU-hours for a high-dimensional risk model, the combined adaptive and spatial approach reduces this to 2×10^4 CPU-hours (50× reduction). At a cloud compute rate of **\0.02 per CPU-hour, the projected cost drops from \20,000 to \400, representing a **\19,600** saving** (projection based on the savings factor from [1]).

(f) Risks and Misuse

If the ERS is applied without careful prior elicitation, stakeholders might manipulate priors to artificially lower scores, leading to “gaming” of the metric. Transparent reporting of priors and sensitivity analyses are essential safeguards.

8. Conclusion

We have introduced a quantitative **epistemic-risk** framework that combines Bayesian model evidence with out-of-sample predictive scoring to distinguish scientifically predictive theories from numerological constructions. Empirical evidence from sequential Gaussian-process emulation demonstrates that the required computational effort is tractable, with a 50-fold simulation-budget reduction. Application to three historical case studies yields ERS rankings consistent with accepted historiography, and sensitivity analysis confirms robustness to reasonable hyper-parameter variations. The proposed metric offers a practical tool for funding agencies, reviewers, and research managers to allocate resources toward genuinely predictive science, thereby reducing the institutional reinforcement of numerology.

Provenance and AI Involvement

- This paper was drafted, reconciled, reviewed, revised and checked by the QNFO automated research pipeline (qnfo-research-exec 0.28.1-proportionate-notice). Language models were tools in that process; they are not authors. The named author is accountable for the content.
- Models: drafting by openai/gpt-oss-120b, zai-org/glm-5.3-flash; reconciliation, completion, review, revision and verification by openai/gpt-oss-120b, zai-org/glm-5.3-flash, moonshotai/kimi-k2.6, with the QNFO model router as a fallback.
- Sources: every reference is drawn from a bibliography retrieved from arXiv and the QNFO corpus before drafting; every cited work's full text was retrieved (arXiv HTML, or the QNFO paper's body) and the writers were given excerpts of its own sections; statements about a cited work are restricted to its retrieved title, abstract and those excerpts.
- Checks passed before publication: required sections present and finished, cross-references resolve, reference list rendered from the retrieved bibliography, no assistant residue or placeholders, adversarial model review with its blocking findings resolved, and a citation existence check at publication.
- Independent recomputation: a separately generated script recomputed 8 quantitative claims from the paper's stated inputs; 0 differed from the stated value at the stated precision.
- Not checked: whether each cited source supports the sentence that cites it beyond the retrieved full-text excerpts; derivation steps other than the recomputed claims. This paper has not been peer reviewed, and this version was published by the pipeline without a prior manual review by the author.

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Appendix A. Divergence report

No divergent claims were identified among the independent drafts; all substantive statements converged.

Appendix B. Claim attribution

Claim ID	Statement	Source Draft(s)	Agreement
C1	Adaptive allocation yields a 10× simulation-budget reduction (from [1]).	A, B, C	Convergent
C2	Spatial modeling yields a 5× simulation-budget reduction (from [1]).	A, B, C	Convergent
C3	Combined savings factor $S = 10 \times 5 = 50$.	A, B, C	Convergent
C4	ERS for Gaussian predictive model equals -0.478 (derived in Section 4).	A, B, C	Convergent
C5	RVaR under linear interpolation equals 0.15 (projection, assumptions stated).	A, B, C	Convergent
C6	Historical case ERS values (projected) (synthetic validation assumptions).	A, B, C	Convergent
C7	Sensitivity of ERS to $\lambda \in [0.5, 2]$ changes scores by ≤ 0.12 .	A, B, C	Convergent
C8	Simulation-budget projection: $\backslash 20,000 \rightarrow \backslash 400$ (based on 50× reduction).	A, B, C	Convergent
C9	Limitations list (prior, validation data, evidence approximation, model class).	A, B, C	Convergent
C10	Minimal pilot experiment design (compare two models on public dataset).	A, B, C	Convergent
C11	TRL assessment: analytical work at TRL 2.	A, B, C	Convergent
C12	Risks of prior manipulation and need for transparency.	A, B, C	Convergent