

Contents

1	Introduction to Complex Systems	1
1.1	Physics, biology, or social science?	1
1.2	Components from physics	1
1.2.1	The nature of the fundamental forces	2
1.2.2	What does predictive mean?	3
1.2.3	Statistical mechanics—predictability on stochastic grounds	5
1.2.4	The evolution of the concept of predictability in physics	5
1.2.5	Physics is analytic, complex systems are algorithmic	6
1.2.6	What are complex systems from a physics point of view?	7
1.2.7	A note on chemistry—the science of equilibria	9
1.3	Components from the life sciences	10
1.3.1	Chemistry of small systems	10
1.3.2	Biological interactions happen on networks—almost exclusively	12
1.3.3	What is evolution?	13
1.3.4	Adaptive and robust—the concept of the edge of chaos	16
1.3.5	Components taken from the life sciences	19
1.4	Components from the social sciences	19
1.4.1	Social systems are continuously restructuring networks	20
1.5	What are Complex Systems?	21
1.5.1	What is co-evolution?	24
1.5.2	The role of the computer	25
1.6	The structure of the book	26
1.6.1	What has complexity science contributed to the history of science?	27
2	Probability and Random Processes	29
2.1	Overview	29
2.1.1	Basic concepts and notions	31
2.1.2	Probability and information	36
2.2	Probability	39
2.2.1	Basic probability measures and the Kolmogorov axioms	39
2.2.2	Histograms and relative frequencies	41
2.2.3	Mean, variance, and higher moments	41
2.2.4	More than one random variable	44
2.2.5	A note on Bayesian reasoning	47
2.2.6	Bayesian and frequentist thinking	52

2.3	The law of large numbers—adding random numbers	53
2.3.1	The central limit theorem	55
2.3.2	Generalized limit theorems and α -stable processes	60
2.4	Fat-tailed distribution functions	65
2.4.1	Distribution functions that show power law tails	66
2.4.2	Other distribution functions	69
2.5	Stochastic processes	75
2.5.1	Simple stochastic processes	76
2.5.2	History- or path-dependent processes	84
2.5.3	Reinforcement processes	85
2.5.4	Driven dissipative systems	86
2.6	Summary	89
2.7	Problems	90
3	Scaling	93
3.1	Overview	93
3.1.1	Definition of scaling	95
3.2	Examples of scaling laws in statistical systems	96
3.2.1	A note on notation for distribution functions	98
3.3	Origins of scaling	100
3.3.1	Criticality	101
3.3.2	Self-organized criticality	105
3.3.3	Multiplicative processes	106
3.3.4	Preferential processes	108
3.3.5	Sample space reducing processes	110
3.3.6	Other mechanisms	119
3.4	Power laws and how to measure them	120
3.4.1	Maximum likelihood estimator for power law exponents $\lambda < -1$	120
3.4.2	Maximum likelihood estimator for power laws for all exponents	123
3.5	Scaling in space—symmetry of non-symmetric objects, fractals	124
3.5.1	Self similarity and scale invariance	125
3.5.2	Scaling in space: fractals	125
3.5.3	Scaling in time—fractal time series	129
3.6	Example—understanding allometric scaling in biology	132
3.6.1	Understanding the 3/4 power law	132
3.7	Summary	137
3.8	Problems	139
4	Networks	140
4.1	Overview	140
4.1.1	Historical origin of network science	142
4.1.2	From random matrix theory to random networks	142
4.1.3	Small worlds and power laws	143
4.1.4	Networks in the big data era	144

4.2	Network basics	144
4.2.1	Networks or graphs?	145
4.2.2	Nodes and links	145
4.2.3	Adjacency matrix of undirected networks	145
4.3	Measures on networks	150
4.3.1	Degree of a node	150
4.3.2	Walking on networks	152
4.3.3	Connectedness and components	153
4.3.4	From distances on networks to centrality	154
4.3.5	Clustering coefficient	156
4.4	Random networks	158
4.4.1	Three sources of randomness	159
4.4.2	Erdős–Rényi networks	160
4.4.3	Phase transitions in Erdős–Rényi networks	162
4.4.4	Eigenvalue spectra of random networks	164
4.5	Beyond Erdős–Rényi—complex networks	166
4.5.1	The configuration model	167
4.5.2	Network superposition model	169
4.5.3	Small worlds	170
4.5.4	Hubs and scale-free networks	172
4.6	Communities	177
4.6.1	Graph partitioning and minimum cuts	178
4.6.2	Hierarchical clustering	179
4.6.3	Divisive clustering in the Girvan–Newman algorithm	180
4.6.4	Modularity optimization	181
4.7	Functional networks—correlation network analysis	183
4.7.1	Construction of correlation networks	185
4.7.2	Filtering the correlation network	189
4.8	Dynamics on and of networks—from diffusion to co-evolution	193
4.8.1	Diffusion on networks	194
4.8.2	Laplacian diffusion on networks	195
4.8.3	Eigenvector centrality	198
4.8.4	Katz prestige	199
4.8.5	PageRank	199
4.8.6	Contagion dynamics and epidemic spreading	200
4.8.7	Co-evolving spreading models—adaptive networks	204
4.8.8	Simple models for social dynamics	205
4.9	Generalized networks	207
4.9.1	Hypergraphs	208
4.9.2	Power graphs	209
4.9.3	Multiplex networks	209
4.9.4	Multilayer networks	210
4.10	Example—systemic risk in financial networks	211
4.10.1	Quantification of systemic risk	213
4.10.2	Management of systemic risk	217

4.11	Summary	219
4.12	Problems	221
5	Evolutionary Processes	224
5.1	Overview	224
5.1.1	Science of evolution	225
5.1.2	Evolution as an algorithmic three-step process	227
5.1.3	What can be expected from a science of evolution?	230
5.2	Evidence for complex dynamics in evolutionary processes	232
5.2.1	Criticality, punctuated equilibria, and the abundance of fat-tailed statistics	232
5.2.2	Evidence for combinatorial co-evolution	234
5.3	From simple evolution models to a general evolution algorithm	236
5.3.1	Traditional approaches to evolution—the replicator equation	237
5.3.2	Limits to the traditional approach	241
5.3.3	Towards a general evolution algorithm	242
5.3.4	General evolution algorithm	244
5.4	What is fitness?	246
5.4.1	Fitness landscapes?	247
5.4.2	Simple fitness landscape models	247
5.4.3	Evolutionary dynamics on fitness landscapes	249
5.4.4	Co-evolving fitness landscapes—the Bak–Sneppen model	261
5.4.5	The adjacent possible in fitness landscape models	263
5.5	Linear evolution models	264
5.5.1	Emergence of auto-catalytic sets—the Jain–Krishna model	265
5.5.2	Sequentially linear models and the edge of chaos	271
5.5.3	Systemic risk in evolutionary systems—modelling collapse	277
5.6	Non-linear evolution models—combinatorial evolution	281
5.6.1	Schumpeter got it right	282
5.6.2	Generic creative phase transition	282
5.6.3	Arthur–Polak model of technological evolution	286
5.6.4	The open-ended co-evolving combinatorial critical model—CCC model	288
5.6.5	CCC model in relation to other evolutionary models	298
5.7	Examples—evolutionary models for economic predictions	299
5.7.1	Estimation of fitness of countries from economic data	300
5.7.2	Predicting product diversity from data	304
5.8	Summary	308
5.9	Problems	311
6	Statistical Mechanics and Information Theory for Complex Systems	313
6.1	Overview	313
6.1.1	The three faces of entropy	314

6.2	Classical notions of entropy for simple systems	318
6.2.1	Entropy and physics	321
6.2.2	Entropy and information	328
6.2.3	Entropy and statistical inference	343
6.2.4	Limits of the classical entropy concept	348
6.3	Entropy for complex systems	349
6.3.1	Complex systems violate ergodicity	350
6.3.2	Shannon–Khinchin axioms for complex systems	352
6.3.3	Entropy for complex systems	352
6.3.4	Special cases	356
6.3.5	Classification of complex systems based on their entropy	358
6.3.6	Distribution functions from the complex systems entropy	361
6.3.7	Consequences for entropy when giving up ergodicity	364
6.3.8	Systems that violate more than the composition axiom	365
6.4	Entropy and phasespace for physical complex systems	365
6.4.1	Requirement of extensivity	366
6.4.2	Phasespace volume and entropy	366
6.4.3	Some examples	369
6.4.4	What does non-exponential phasespace growth imply?	373
6.5	Maximum entropy principle for complex systems	374
6.5.1	Path-dependent processes and multivariate distributions	375
6.5.2	When does a maximum entropy principle exist for path-dependent processes?	375
6.5.3	Example—maximum entropy principle for path-dependent random walks	380
6.6	The three faces of entropy revisited	382
6.6.1	The three entropies of the Pólya urn process	383
6.6.2	The three entropies of sample space reducing processes	388
6.7	Summary	394
6.8	Problems	395
7	The Future of the Science of Complex Systems?	398
8	Special Functions and Approximations	400
8.1	Special functions	400
8.1.1	Heaviside step function	400
8.1.2	Dirac delta function	400
8.1.3	Kronecker delta	401
8.1.4	The Lambert-W function	401
8.1.5	Gamma function	402
8.1.6	Incomplete Gamma function	403
8.1.7	Deformed factorial	403
8.1.8	Deformed multinomial	403
8.1.9	Generalized logarithm	403

xiv *Contents*

8.1.10 Pearson correlation coefficient	404
8.1.11 Chi-squared distribution	404
8.2 Approximations	405
8.2.1 Stirling's formula	405
8.2.2 Expressing the exponential function as a power	405
8.3 Problems	406
<i>References</i>	407
<i>Index</i>	425