



Nassim Taleb: 'The Black Swan' author in praise of the risk-takers

The writer and former options trader Nassim Taleb talks to Margareta Pagano about banking, Babylon and birdsong

MARGARETA PAGANO  | TUESDAY 25 JUNE 2013

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Nassim Nicholas Taleb has a dream. It's this: he wants us to celebrate the restaurant owners, the taxi drivers, the market traders and carpenters and all the other risk-takers who put their skin in the game and who drive the economy for the rest of us.

"Let's call it a National Entrepreneur Day," declares the author of the best-selling *The Black Swan*, and have a day devoted to entrepreneurs, because they are the heroes who at times take suicidal risks for the mere survival of the economy: "Optionality makes things work and grow – the UK and the US have a fantastic history in risk-taking, in trial and error, without shame in failing and starting again. We need to recover that spirit."

Indeed, if modern society is to progress, Taleb says we must honour the "ruined" risk-takers with as much respect as we do soldiers. Just as there is no such thing as a failed soldier – dead or alive, so there is no such thing as a failed entrepreneur.

It's a sweet dream and a great idea – No 10 are you reading – and just one of many secrets for success that Taleb sets out in his latest work, *Antifragile: Things that Gain from Disorder*, which is published in paperback next month. And after reading the book, which draws so much on his exotic Levant background, it's no surprise that skin in the game is so vital to his radical world view. In *Antifragile* he tells the story of when he was a child and his father was stopped at a road check during the Lebanese civil war. His father refused to do as demanded and the militiaman got angry with him for being disrespectful. So he shot him in the back and the bullet stayed in his chest for the rest of his life.

His father's heroism set the bar high, showing him how dignity is worth nothing unless you earn it: "If you take risks and face your fate with dignity, there is nothing you can do that makes you small; if you don't take risks, there is nothing you can do that makes you grand, nothing."

Nor has the gunfire stopped. The Phoenician options trader turned scholar is in London after having flown overnight from Beirut, where he was staying at the family palazzo in Amioun, in northern Lebanon. "From our home we could hear the gunshots from Tripoli where rival groups involved in Syria's civil war are now fighting."

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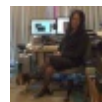


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Along with anticipating the financial crash, the Black Swan also warned about Syria's "pseudostability"; now he says: "Intervention in Syria makes no sense – the enemy of a devil is not necessarily a saint; in fact, rarely a saint."

Back to business. He is here for a whistle-stop tour of the literary festivals and we meet in Penguin's airless office where there's plenty of black coffee on standby; he drinks only liquids which have the authenticity of ancient times such as coffee, water, wine and arak, a drink the book reveals is good for fun.

With its stories of Lebanese shoot-outs, parables of Fat Tony and Nero, sprinklings of Seneca and Voltaire as well as tales of two Cypriot identical twins – George, who is a taxi driver and John, who is a bank clerk, Antifragile is the most fascinating and funny series of philosophical essays. At the core is his contrarian concept that most of us live in direct contradiction to how the world works; that we should love variability and embrace risk and resist forecasting if we don't want to be turkeys. Something that is antifragile – the opposite to fragile – actually grows because it is stressed and then adjusts itself. So by being antifragile, we can cope with any shocks – and indeed black swans – that come along and be stronger as a result. Ironically, he says our greatest asset – the built-in antifragility of certain risk-taking systems – is the one we distrust the most.

That's why Taleb goes for George over John who gets the sack, souk-style bazaars and bottom-up societies, and why the new rarely outbeats the old; the city-states of the Mediterranean are prime examples of what worked well for centuries, while Switzerland is an example of how an antifragile society works today: "I'm a capitalist but one who is smallist and localist, and who favours businesses where owners are still in charge. We also need to look after the less well-off – so they have skin in the game too. Inequalities of wealth lead to a dispersion in wealth for all."

He's a fan of the US political activist Ralph Nader, and has helped to raise funds for the former presidential hopeful Ron Paul. "Small is powerful. We should be breaking up the big bureaucratic corporations; use anti-trust laws as Roosevelt did in the US."

His reasoning is deliciously simple: "It's much easier to bullshit at the macro-level than it is to bullshit at the micro-level."

Taleb's hope in the entrepreneurial spirit hasn't lessened his disdain for bankers – or economic forecasters, academics, politicians, journalists or any other so-called opinion-formers who don't invest their flesh. On the day we meet, the ex-head of the CIA General David Petraeus joined KKR, the private equity firm, and Taleb is fuming at the news: "No public servant or politician should profit more from private business than they earned before. You know who are the worst? Robert Rubin (ex-US Treasury Secretary who made \$120m at Citibank) and your Tony Blair. It's outrageous how they have profited."

For him, the ancients had the right notions of justice. "You know Hammurabi's Code? Well, he was the Babylonian king whose laws were based on an "eye for an eye" – or lex talionis. So, if a builder built a house and the house collapsed and caused the death of the owner of the house – the builder was put to death. And so on." Just desserts.

Not that long ago lex talionis applied to failed bankers – in Catalonia, bankers were beheaded outside their banks if they messed up – and in Brazil today bankers are still made unconditionally liable for their assets.

"Bankers have lost more than they ever made in their history while they are paid billions in compensation and they are still gaming the system."

It's why banks should be treated as utilities and forbidden from taking lethal risks that destroy the livelihoods of others, but those that take risks – hedge funds and so forth – should be able to do as they want.

Antifragile has new people to scorn: fund managers who make millions from investing on our behalf in stocks, and corporate bosses who fill their boots with options. "Stock markets have become a vicious form of asymmetric skin in the game. Corporate managers have incentives without disincentives." Over the last

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decade he reckons the US stock market has cost retirees \$3 trillion in losses, while corporate executives of listed companies are richer by around \$400bn.

Teachers and academics aren't let off either. "Top-down knowledge is an illusion. Education without erudition is nothing. Steve Jobs, Bill Gates and Mark Zuckerberg didn't finish college. Too much emphasis is placed on formal education – I told my children not to worry about their grades but to enjoy learning." They are doing fine – his son studies engineering and his daughter biology.

Even Taleb was stunned by the success of his books, first Fooled by Randomness, and then The Black Swan, which sold more than three million copies, was translated into 33 languages, stayed in the best-sellers list for 36 weeks and was rated as one of the top 10 books for decades. Yet it also drew vitriol from some academic quarters and death threats from ex-Lehman employees.

"In some ways The Black Swan was too popular and I was a victim of its success. Many people misunderstood what I was saying and they are only just getting the full significance."

Yet the experience has made him approach things differently. To protect himself from threats he trained as a bodybuilder after watching Lenny "Cake", a New York trainer. It has a side-effect though: "intellectuals are not supposed to look like butchers." And the uproar also prompted him to support his three books – to be made a trilogy called Incerto – with mathematical and technical papers on risk called "Fat Tails and (Anti)fragility" which he has put on the web for free and invites comment: "There is already a sea-change in opinion towards my work."

Much has been written about what the paradoxical Taleb doesn't like. So what does he enjoy? "Aah," he says, pondering while getting into position for our photographer, whose south London accent he admires, and wishes he had had while trading options: "Walking, anywhere, around cities or the country, running (in five-finger shoes), sitting in cafés listening to chatter, parties, working in my study in the New York suburbs, listening to the birds, to the noises of the countryside, the mathematics of Steve Wolfram, Andalucian music, philology and the history of the Mediterranean and now the Maghreb. That's my new obsession." Watch out.

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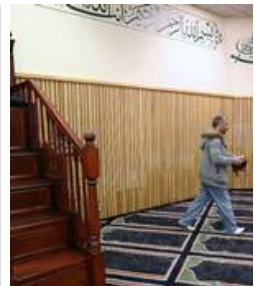
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