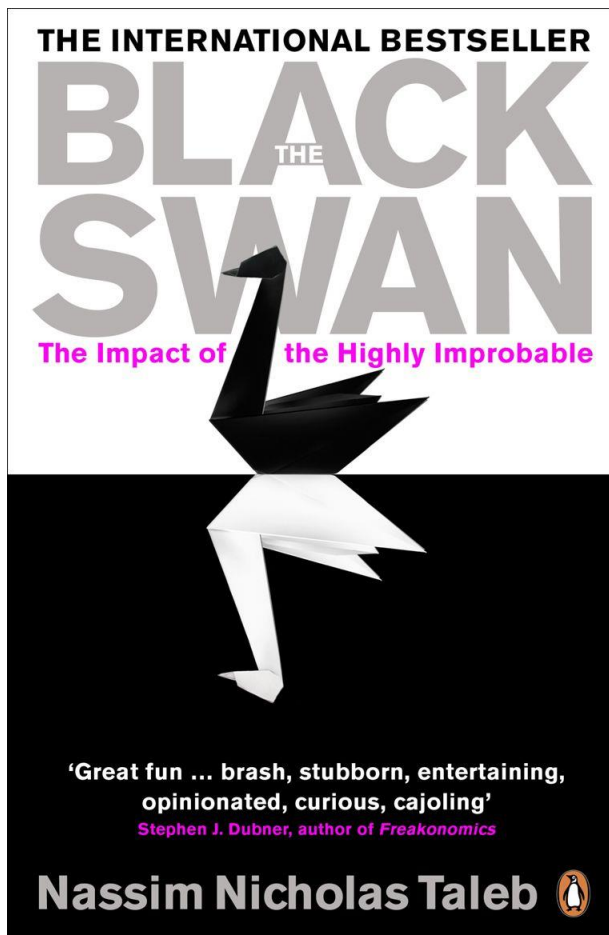


Nassim Nicholas Taleb: The Black Swan Book Summary



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A Black Swan has three characteristics:

1. It is an outlier beyond the normal range of expectations because nothing in the past could point to it being likely to happen.
2. It has a massive impact
3. Despite #1, we create explanations for it after the fact, making it seem “explainable and predictable.”

Business:

- “The payoff of a human venture is, in general, inversely proportional to what it is expected to be.”
- To make a killing in some industry, you need to do something beyond the currently conceived realm of possibilities (be a chef)
- “Indeed, in some domains— such as scientific discovery and venture capital investments— there is a disproportionate payoff from the unknown, since you typically have little to lose and plenty to gain from a rare event.”
- “The strategy for the discoverers and entrepreneurs is to rely less on top-down planning and focus on maximum tinkering and recognizing opportunities when they present themselves. So I disagree with the followers of Marx and those of Adam Smith: the reason free markets work is because they allow people to be lucky, thanks to aggressive trial and error, not by giving rewards or “incentives” for skill. The strategy is, then, to tinker as much as possible and try to collect as many Black Swan opportunities as you can.”
- “In general, positive Black Swans take time to show their effect while negative ones happen very quickly— it is much easier and much faster to destroy than to build.”
- “Recall the distinction between Mediocristan and Extremistan in Chapter 3. I said that taking a “scalable” profession is not a good idea, simply because there are far too few winners in these professions. Well, these professions produce a large cemetery: the pool of starving actors is larger than the one of starving accountants, even if you assume that, on average, they earn the same income.”
- “This same point can be generalized to life: maximize the serendipity around you.”

Knowledge:

- “We do not spontaneously learn that we don’t learn that we don’t learn. The problem lies in the structure of our minds: we don’t learn rules, just facts, and only facts. Metarules (such as the rule that we have a tendency to not learn rules) we don’t seem to be good at getting. We scorn the abstract; we scorn it with passion.”
- “What you know cannot really hurt you”

- “To slowly distill my single idea, I wanted to become a flâneur, a professional meditator, sit in cafés, lounge, unglued to desks and organization structures, sleep as long as I needed, read voraciously, and not owe any explanation to anybody.”
- “But modern reality rarely gives us the privilege of a satisfying, linear, positive progression: you may think about a problem for a year and learn nothing; then, unless you are disheartened by the emptiness of the results and give up, something will come to you in a flash.”
- “Have you ever wondered why so many of these straight-A students end up going nowhere in life while someone who lagged behind is now getting the shekels, buying the diamonds, and getting his phone calls returned? Or even getting the Nobel Prize in a real discipline (say, medicine)? Some of this may have something to do with luck in outcomes, but there is this sterile and obscurantist quality that is often associated with classroom knowledge that may get in the way of understanding what’s going on in real life.”
- “I propose that if you want a simple step to a higher form of life, as distant from the animal as you can get, then you may have to denarrate, that is, shut down the television set, minimize time spent reading newspapers, ignore the blogs.”
- As you give someone more info, the more they will refine and create predictions, and the more wrong they will end up being. They will interpret random noise as valuable data.
- “Sir Francis Bacon commented that the most important advances are the least predictable ones, those “lying out of the path of the imagination.””
- “In reality, languages grow organically; grammar is something people without anything more exciting to do in their lives codify into a book. While the scholastic-minded will memorize declensions, the a-Platonic nonnerd will acquire, say, Serbo-Croatian by picking up potential girlfriends in bars on the outskirts of Sarajevo, or talking to cabdrivers, then fitting (if needed) grammatical rules to the knowledge he already possesses.”
- “To borrow from Warren Buffett, don’t ask the barber if you need a haircut— and don’t ask an academic if what he does is relevant.”

The Triplet of Opacity:

- “The illusion of understanding, or how everyone thinks he knows what is going on in a world that is more complicated (or random) than they realize”
- “The retrospective distortion, or how we can assess matters only after the fact, as if they were in a rearview mirror (history seems clearer and more organized in history books than in empirical reality)

- “The overvaluation of factual information and the handicap of authoritative and learned people, particularly when they create categories— when they “Platonify.””

Mediocristan vs. Extremistan:

- Mediocristan is the linear, limited difference, expectable realm of human height and running speeds.
- Extremistan is the unexpected, Black Swan world of financial markets, book sales, and death by terrorism.
- “Mediocristan is where we must endure the tyranny of the collective, the routine, the obvious, and the predicted; Extremistan is where we are subjected to the tyranny of the singular, the accidental, the unseen, and the unpredicted.”
 - You can’t lose a ton of weight in one day, but you can lose a ton of money.

The Turkey:

- “Consider a turkey that is fed every day. Every single feeding will firm up the bird’s belief that it is the general rule of life to be fed every day by friendly members of the human race “looking out for its best interests,” as a politician would say. On the afternoon of the Wednesday before Thanksgiving, something unexpected will happen to the turkey. It will incur a revision of belief.”
- “Its confidence increased as the number of friendly feedings grew, and it felt increasingly safe even though the slaughter was more and more imminent.”
- “If you survive until tomorrow, it could mean that either a) you are more likely to be immortal or b) that you are closer to death. Both conclusions rely on the exact same data.”

Sucker Problems:

- Black Swans are relative to your knowledge and expectations, what is a Black Swan to some may be completely expected to others. The butcher is not surprised before Thanksgiving, but the Turkey is.
- Avoid situations where you can be a fool in a huge way, avoid dependence on large potentially harmful predictions.

Domain Specific Knowledge:

- We can learn things in one area and fail to transfer them to another, knowing that all squares are rectangles but not all rectangles are squares does not seem to help us realize that all muslims are not terrorists.

The Narrative Fallacy:

- When looking back at history, we tend to construct an interpretation that fits into a nice story, when it's likely that what actually occurred was much more random and unplanned. We want to believe there was a nice clear progression, and that it was predictable, when really it wasn't.
- "The way to avoid the ills of the narrative fallacy is to favor experimentation over storytelling, experience over history, and clinical knowledge over theories."

Silent Evidence:

- Rarely do we see the failures of a situation, there's a strong bias towards the winners or a "survivorship bias." We see the people who were nudged to shore by the dolphins because they survived, not the people who were nudged away and drowned.

The Danger of Averages

- When you measure "averages" in extremistan, you run the risk of getting useless and dangerous information. If you cross a river that is, on average, 4 feet deep, you will likely drown.

Taking advantage of serendipity (positive Black Swans)

- Position yourself in an industry with small losses and huge wins, like venture capital, publishing, scientific research, or movies.
- Don't look for the precise and local, don't be narrow minded, don't try to predict, just move in the right direction.
- Seize any opportunity, or anything that looks like an opportunity. Positive Black Swans can only benefit you if you are exposed to them. Work hard in chasing such opportunities and exposing yourself to them. Go to parties!
- Be skeptical of any precise plan within extremistan (government planning)
- Do not waste time trying to fight forecasters or other people platonifying extremistan.
- Put yourself in situations where the favorable consequences are much greater than the negative ones. Not necessarily more likely, but more life changing.

The End

- Missing a train is only painful if you run after it, if you allow yourself to care
- You can stand above society and the pecking order by choice. By creating your own idea of success.
- "Quitting a high-paying position, if it is your decision, will seem a better payoff than the utility of the money involved (this may seem crazy, but I've tried it and it works). This is the first step toward the stoic's

throwing a four-letter word at fate. You have far more control over your life if you decide on your criterion by yourself.”

“Seneca ended his essays (written in the epistolary form) with vale, often mistranslated as “farewell.” It has the same root as “value” and “valor” and means both “be strong (i.e., robust)” and “be worthy.” Vale.”

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