JIM'S READING CORNER

a reading list
to stimulate debate

“Antifragile: Things That Gain from Disorder” by Nassim Nicholas Taleb

Nassim Nicholas Taleb’s “Antifragile: Things That Gain from Disorder” is a sequel to "Fooled by randomness" and "The Black Swan". The main thesis of the book is summarised on the back page: "Just as human bones get stronger when subjected to stress and tension, many things in life benefit from disorder, volatility and turmoil." Taleb defines "antifragile" as capable of not only gaining from chaos but needing it to survive and flourish. The point therefore is not to try and predict what by nature is unpredictable, but to become immune to prediction errors and protected from adverse events. "Antifragile is a blueprint for living in a Black Swan world."

Taleb again is erudite, witty, polemical, and scathing about “empty suits” and economists; he calls Rubin, Krugman and Stiglitz "fragilistas", because they pontificate with no risk to themselves but a big one those who listen to them. The book is a firework; sometimes a bit over the top, and a bit repetitious and laborious in the first 50 pages; here he could have been shorter and crisper and less self-satisfied. However, overall "Antifragile" is a good read, full of common sense and astute observations.

In the introduction (Book I), Taleb distinguishes between fragility (Damocles' sword), robustness (Phoenix) and antifragility (Hydra). Antifragile is what benefits from shocks, randomness, and volatility. Fragility can be measured, unlike risk. Modernity bears dangers because it tries to do away with volatility and stress, a bit like an over-protective parent. Taleb calls this the "Soviet-Harvard" delusion. Today the non-risk-takers dominate the discourse, with a huge risk to other people. Non-linearity is underestimated. The reach of scientific knowledge is overestimated. This builds blindness to the mysterious, the Dionysian element in life. On fiscal deficits, Taleb is with the Germans; they are a prime source of fragility. Redundancy is important to withstand shocks. It is much more useful than stress tests based on the past worst-case scenario. And so is *hormesis*, where a small dose of something harmful will be beneficial to the organism by making it more resistant.

In Book II, Taleb goes deeper into the link between modernity and the denial of antifragility. He talks about the Procrustean bed of modernity. Interestingly, he quotes subsidiarity as applied in the European Union as a positive development. He also refers to the benefits of helvetisation where small entities have margins of manoeuvre. The wrong kind of stability people go for too often can best be documented by the case of

Saudi Arabia, "an accident waiting to happen." He concludes this book by a description of Iatrogenics, damage caused by the healer. (*Iatros* is Greek for doctor). Often, waiting and not taking action is better than taking action; *primum non nocere, festina lente* are wise prescriptions from antiquity.

Book III discusses a non-predictive view of the world. Seneca in fact talks about antifragility when he mentions *nihil perditi* after an adverse event. There is an obvious asymmetry: being fragile means having more to lose from adversity than to benefit from a positive turn of events; antifragile is the opposite. The barbell strategy is a way to achieve antifragility: you first lower exposure to negative Black Swans, and then you maximise chances for benefitting from positive black swans; you avoid the middle and concentrate on the extremes. (In "The Black Swan", he referred to the example of portfolio management: you park 90% of holding into super-safe instruments and you take maximum risk on the 10% remaining.)

Book IV is about optionality, technology, and the intelligence of antifragility. Taleb strongly insists on avoiding "the teleological fallacy" and advocates the approach of the *rational flâneur* (or François Jacob's notion of *bricolage*). And avoiding the "green lumber fallacy", which consists in mistaking a source of necessary knowledge for another, less valuable one: you can successfully trade in lumber without knowing what it looks like. He refers to Thales, who takes advantage of lack of knowledge, rather than Aristotle who concentrates on whether you are right or wrong. The best way to achieve result is "trial and error and tinkering". It is extremely rare to proceed from theory to practice; Einstein's theory of relativity and the discovery of the Boson Higgs particle are exceptions. Normally, you derive theories out of practice. Socrates had a huge influence on western thinking, with his excessive emphasis on pure rationalism and the Apollonian element, to the detriment of the Dionysian (creatively destructive and destructively creative!). Nietzsche, talking about Socrates said the following: "Perhaps he should have asked himself, what is not intelligible to me, is it necessarily unintelligent? Perhaps there is a realm of wisdom from which the logician is exiled?"

In Book V, Taleb looks at the nonlinear, trying to give a scientific underpinning to Seneca's asymmetry. For the fragile, shocks bring higher harm as their intensity increases. The Fannie Mae story was a disaster waiting to happen. In 2003, Taleb had gotten hold of the internal risk assessments of Fannie Mae and concluded that the model was not sustainable. If you changed some economic variables, the potential gains for the company were small, but the potential losses huge! Taleb wrote about this and was reviled for it. Five years later, Fannie Mae collapsed, with a huge cost to the taxpayer. Incidentally, one of those who had assured people back then that nothing could happen to Fannie Mae was Joseph Stiglitz. When the disaster happened, he tried to explain that he had warned against it, forgetting what he had written precisely about this company five years before! "And he is one the best of the lot!", comments Taleb.

Book VI is called *Via Negativa*. It warns against the charlatanism of just offering positive advice. Negative knowledge in fact is far more robust than positive knowledge. As Karl Popper showed, disconfirmation is easier than confirmation. Very often, less is more. Paul Valéry said the same: "*Que de choses il faut ignorer pour agir*." Taleb adds that when you cross a road, the eye colour of the guy next to you is completely irrelevant; you better concentrate on the cars coming up! In medicine, there is a golden rule: only take medicine when the benefits far outweigh the inconveniences and risks. If you had a near fatal accident, you do not ask the question of Iatrogenics and you let doctors operate you and give you strong medicine. If your blood pressure is slightly above the norm think twice before going on medication. The non-natural needs to prove its benefits, not the natural, says Taleb. Take antibiotics: the systematic prescription of antibiotics, often for a small or no benefit, now leads to extremely negative long-term effects. What did Erasmus say? "*Nimium boni est, cui nihil est mali*", the good is mostly in the absence of bad. Periodic fasting incidentally is good for you, adds Taleb.

Finally, in Book VII, Taleb looks at the ethics of fragility and antifragility. “The worst problem of modernity lies in the malignant transfer of fragility and antifragility from one party to another..." It is not for nothing that the Romans asked engineers to spend some time under the bridges they built! Milton Friedman advocating war in Iraq is a good case in point; there is no skin in the game for him. The same with Stiglitz on Fannie Mae. Always ask a doctor what he would do in your case! Ask your banker what he has in his private portfolio! And this: "Never trust the words of a man who is not free". And beware of marketing of any kind: anything that needs massive marketing is either an inferior product or an evil one.