Who is Nassim Nicholas Taleb
Nassim Taleb is a famous essayist who spent two decades as a trader before he began focusing on mathematical and philosophical elements that dealt with luck and probability. Currently serving as a professor at the prestigious New York University School of Engineering, Taleb spends a lot of time on his research. One of his more famous books is, The Black Swan.

Preston and Stig’s General Thoughts on the Book
Nassim Nicholas Taleb style of writing and his findings has always divided people. Some people find that his way of describing complex concepts is not only brilliant, it’s also a way to perceive the world. Other people find his process pretentious because he takes other people down for having a different opinion. I can clearly resonate with both camps, but most importantly I was highly entertained. These are my main takeaways:

• To rely on the past is at best irrelevant. At worst catastrophic.
• We overestimate what we know, and underestimate what we don’t know.
• Forecasters tend to be close to each other’s forecasts, but not to the actual result
• Ignorance is the enemy. The risk comes from being blind to the existence of a black swan
• Don’t predict random severe occurrences. The way to take advantage of your knowledge of the existence of black swans is to prepare yourself.
• Most bell curves are non-normal data. In school, we almost only teach normal data sets.

Preface
A black swan is referred to as an event that delivers positive or negative consequences. This book is focused on some rare unpredictable events that often have extreme impacts and the human tendency to identify explanations for such events. What makes this book extremely interesting is that it’s prophetic and Taleb’s writing is not only fascinating but is intriguing as well. Taleb asserts how the Black Swan events explain many things that take place in our world, yet the experts turn a blind eye to them.

Chapter 1: The Apprenticeship of an Empirical Skeptic
In this chapter, Taleb recounts his personal experiences he encountered while growing up in Lebanon. He also talks about how his experiences helped him outline his ideas, thereby making him an empirical skeptic. An empirical skeptic
is a term used to define an individual who places more emphasis over empirical evidence rather than drawing conclusions based on anecdotal observations. Taleb explains the triplet of opacity, which defines the three missteps a human mind makes when approaching history. This includes:

- An illusion with regards to understanding, where we think we know what’s going on in the world that’s more complicated than we can even imagine.
- Distorted outlook when it comes to retrospection where we tend to assess matters after they have occurred.
- Human tendency to overvalue or platonify a problem – a process that often leads to oversimplification that’s very dangerous.

Chapter 2: Yevgenia’s Black Swan
In this chapter, Taleb talks about Yevgenia Nikolayevna Krasnova who wanted to publish a book she had written. She met several publishers and editors, but none of them seemed to think her book would do well. She even attended writing workshops, but to her dismay, she learnt that it was recommended to stick to the usual routine where writers just tried hard to create stories that were just an imitation of other successful stories. A Russian publisher felt that he had nothing to lose and published her book and although it was completely unexpected, Yevgenia proceeded to become a literary sensation and sold millions of copies of her book. This unusual event changed the perception of the publishers and made them accept the fact that an idea, when exposed in its raw form, will surely be judged by the masses. Yevgenia’s book is nothing but a black swan. Readers who search for “Yevgenia” on Google will be disappointed because she’s a fictional character used by Taleb to explain the Black Swan.

Chapter 3: The Speculator and the Prostitute
In this chapter, Taleb talks about Mediocristan and Extremistan that act as two domains of randomness. With the Mediocristan, some events don’t contribute as individual elements, but with Extremistan there are so many inequalities that even a single observation can significantly affect the aggregate. For instance, our weight is a Mediocristan and no matter how much you eat on one single day, it won’t have a huge impact on the amount of calories you consumed the entire year. Other examples include physical attributes like height, and scalable professions where there isn’t a huge amount of difference in income every year. Examples of Extremistan are inflation rates, death rates due to terrorist incidents, financial markets, wealth and so on. Contrarily to Mediocristan you won’t find the same amount of observations that is very similar to the previous year and it’s here you find the black swans.

Chapter 4: One Thousand and One Days or How Not to Be a Sucker
In this section, Taleb narrates the story of a turkey that was fed for 1000 days. The turkey was convinced that it would be fed in the future as well, but on the 1001th day, the people who fed the turkey stopped feeding it and it breathed its last. This illustrates that it’s dangerous to look into the past in order to predict our future. This also proves that Black Swans are relative. From the turkey’s point of view, the 1001th day is unexpected and is therefore a Black Swan, but for the butcher, it’s nothing because it isn’t something unexpected for him.

Taleb further states that it is indeed catastrophic to rely on the past to predict what’s in store in the future. The human inclination to interpret life as a Mediocristan is common although it’s actually Extremistan. Taleb talks about a fund named Amaranth that lost $7 billion of investors’ money. They issued a statement asking the investors not to worry since they were equipped with 12 risk managers; however, it’s a fact that there would be no difference in the outcome even if they had about a 100 risk managers because it’s obvious that you can’t really produce more information than the past can offer. If the model is wrong so will your result be.
Chapter 5: Confirmation Shmonfirmation!
In this chapter, Taleb focuses on the ‘Round-trip fallacy’, which defines the human tendency to combine two similar things that may be very different. For instance, the statement “almost all terrorists are Muslims” can easily be confused with “almost all Muslims are terrorists”, but if you look closely, you will find that the two statements are completely different.

Humans naturally look for corroboration and Taleb states that the corroborating evidence of a particular idea is vastly abundant; however, when we focus on corroboration, we ignore information that doesn’t necessarily support it. Taleb argues that the information or data that doesn’t support our reasoning is much more valuable than something that does.

Chapter 6: The Narrative Fallacy
Human beings generally assign narratives of casualties to events that are random. Taleb says that we often believe in stories rather than sticking to facts that are logical. This kind of behavior is ingrained in us where we condense information in order to make it a unified story. However, Taleb says that this results in a loss where we ignore data that doesn’t support the narrative we have. We do this by tricking ourselves into believing something that might not be true.

Due to this fallacy, we ignore the possibilities of Black Swans and usually misinterpret the significance of events whenever they occur. Primarily, we, as humans, tend to assume things about the future by relying on anecdotal information instead of empirical information. We simply have a hard time understanding the complexity of things and large numbers. For instance lottery tickets buyers treat 1000 to 1 and 1,000,000 to 1 almost the same, for the buyer the important thing is that the buyer can visualize the outcome, not the process.

Chapter 7: Living in the Antechamber of Hope
In this section, Taleb discusses about the contradiction that lies in between chasing activities that are dependent on Black Swans and other activities that are performed mainly to deliver proper results. He also talks about happiness where small rewards bring greater happiness than a big reward that’s bestowed only once. For instance, you’d be happier making $100,000 and compounding that with another $100,000 every year instead of making a million at once. Taleb also talks about linear and nonlinear results that take place consistently. While we humans assume that the world functions in a linear manner, Taleb says that this is not the case.

Chapter 8: Giacomo Casanova’s Unfailing Luck: The Problem of Secret Evidence
Here, Taleb begins with ‘Silent Evidence’ – a concept that is similar to the antilibrary where it emphasizes on the unknown over what’s known. Basically, the silent evidence comprises of instances that are not acknowledged. In other words, they don’t become Black Swans. Taleb compares this concept with writers as an example. There are so many talented writers in the world, but since they don’t get published, they remain unknown. As we never get to read their literary works, we tend to ignore them and focus only on other Black Swans that were published, thanks to a combination of their good fortune and talent.

Essentially, we are at fault when we give a very disproportionate weight to people who succeed in one way or the other while we ignore the failures or silent evidence. Taleb provides an additional example silent evident in terms of gambling. People often hear they use to be luckier when they first started out betting on something like horses. The
concept can easily be explained by those who won in the beginning have been lucky and kept playing eventually to lose, while those that lost in the beginning simply lost and thought nothing more about it after stopping.

Chapter 9: The Ludic Fallacy or the Uncertainty of the Nerd
Taleb asserts that all the chapters in Part 1 essentially underscore the same concept that humans overemphasize what’s seen and ignore anything that isn’t quite obvious. He further states that we constantly worry about something that’s occurred, but usually ignore something that could have happened but didn’t. In Taleb’s terms, the ludic fallacy refers to a concept that states that there is very little connection between real life and a sterilized environment such as a classroom. While the first part of this book focuses on our inability to recognize Black Swans, the second part discusses about the human inability to judge one’s limits, thereby reducing an individual’s ability to prepare for anything that’s unexpected.

Chapter 10: The Scandal of Prediction
In this chapter, Taleb talks about Epistemic Arrogance, which means that human beings are arrogant about what they think they know. To cite examples, he refers to a study where participants overestimated their abilities when asked to solve questions. Note that the accuracy of the people competing in such studies is irrelevant, but the overconfidence they displayed when answering those questions is important. The problem lies in the fact that we think we know more than we actually do. In a study participant was asked to provide an answer-range that they thought would be right in 98% of the time. It was profound that people that were highly educated and was most wrong as they guessing within a more narrow range, while taxi drivers did best. They were humble and had a wide range. Overall though, everyone was extremely overconfident and typically guessed wrong which just show how little we should emphasis on predictions.

Taleb argues that this epistemic arrogance usually leads to a limited ability to predict the future. The human race suffers from a chronic problem where we compress several possible outcomes, thereby losing out on the ability to account for anything that’s not included in a set of parameters that were predefined.

Chapter 11: How to Look for Bird Poop
Taleb talks about serendipity where discoveries that were unintended turned out into huge breakthroughs. As an example, think about how America was discovered when the real intention was to find a new route to India. He further asserts that when you prepare yourself for something that’s unintended, you open the doors for serendipity that allows you to identify and utilize Black Swans to your advantage whenever they appear. He also talks about the futility of humans beings trying to predict the future. For example, one can’t imagine the gigantic amounts of data required to predict the movements of billiard balls. Therefore, in Taleb’s opinion, it’s a futile effort to even try and predict anything that could happen in the future.

Chapter 12: Epistemocracy, A Dream
Taleb’s vision of heaven is an epistemocracy where the society is aware of its ignorance rather than their knowledge. He stresses about the fact that the present or the past doesn’t serve as an indicator of the future. Additionally, he talks about a concept called “future blindness” where we are unable to think dynamically. We learn from our past and believe in certain solutions, but we also forget that the people who preceded us had also thought that they held definitive solutions.

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The future blindness could be a symptom of the blindness we displayed in the past. Taleb says that we interpret the past by relying on a backward process where we try to rebuild the past depending on the outcome we see. As an example, he compares this concept with one attempting to estimate an ice cube’s shape based on its puddle.

Chapter 13: Appelles the Painter, or What Do You Do if You Cannot Predict
In this chapter, Taleb offers practical advice in order to cope with randomness in life. He encourages people to prepare for the possible results of unexpected events, instead of relying on a probability that the unexpected will occur. For instance, if you’re trying to predict something and fail with something that’s trivial, it won’t really matter much, but if you predict something related to finance like the stock market, you could end up in loads of trouble. You must rank your beliefs according to the devastation they could cause and not rely on their plausibility.

Chapter 14: From Mediocristan to Extremistan, and Back
In this section, Taleb talks about inequalities that arise in some areas of our life. This can be understood by taking sports as an example. When sportspersons play in a tournament, the one who wins it gets to take it all even when he’s only marginally better than the other players. This tournament effect can be applied also on Extremistan variables that include book sales, academics and wealth. Robert K. Merton who proposed the theory of Mathew Effect stated that the individuals with an initial advantage tend to gain an upper hand because it follows them throughout their lives, thereby allowing them to gain accolades and resources consistently.

Chapter 15: The Bell Curve, That Great Intellectual Fraud
Taleb discusses the effects of the Bell Curve and says that most observations levitate around the ordinary and the odds of the deviation reduce faster when you’re away from the average. He expresses his revulsion over the practice of applying the Bell Curve in any scenarios of our lives. The curve makes you blind to the outliers and although the curve applies to Mediocristan matters that include weight and height, it could be considerably dangerous when applied to Extremistan matters like finance. Taleb provides an example of how the world is extreme. If you hear that two authors sold 1 million books between the two of them it’s almost certain that they didn’t sell 500,000 books each, but more likely 999,000 and 1,000 respectively. As with everything in sales and finance, few people has big success and a lot of people don’t.

Chapter 16: The Aesthetics of Randomness
Taleb talks about Benoit Mandelbrot’s concept of fractals that is nothing but a recurrence of geometrical patterns that have other small versions. For instance, a rock is a smaller version of a mountain and fractals like them contradict the concept of squares, circles and other geometrical shapes that seldom occur in Mother Nature. The fractal randomness is imprecise but it doesn’t lessen the likelihood of dramatic events to an outlier status. In other words, this means that the events that occurred in the past are likely to occur again in the future. Essentially, this helps us prepare ourselves in a much better manner when it comes to Black Swans.

Chapter 17: Loke’s Madmen, or Bell Curves in the Wrong Places
Here, Taleb talks about domain specificity and the way humans choose to forget Black Swans. For instance, the Bell Curve was applied to economic matters after the stock market crashed in 1987. According to Taleb, this was inappropriate and he further says that people were unwilling to believe that the Bell Curve didn’t help them. Taleb also says that the Nobel Prize related to Economics is useless since the prize winners have based their studies on the Gaussian model.

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Chapter 18: The Uncertainty of the Phony
Taleb continues to talk about domain specificity in this section. He also talks about phonies who copy models meant for one domain and use it for another. Basically, this defeats the very purpose of the model. He reiterates the tunneling concept where people blindly accept concepts even when they are uncertain about it. Philosophers should often question how people can speculate about theological matters while accepting other concepts when they are clueless in that area. They also need to question any accepted standards since they have an additional responsibility and are also professionally employed to do so.

Chapter 19: Half and Half, or How to Get Even with the Black Swan
This section summarizes Taleb’s principles that guide him in his life. He talks about uncertainty and skepticism while offering a few tidbits of wisdom. He encourages people to take charge of their own lives because it offers them a chance to control everything, including their time. To explain, he says that he doesn’t run to catch a train because it’s painful only if ones run’s behind it! Similarly, you don’t have to match another individual’s expectation of success from you because it only becomes more painful if you do so. Needless to say, you can also quit a high paying position to do something else if that’s what you really want. Taleb also says that we are exposed to something that’s improbable only if we let it control us.