

The age of uncertainty: chaos theorist

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The age of uncertainty: chaos theorist Nassim Nicholas Taleb reveals how to survive the Trump era

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With his “black swan” theory, the bestselling author predicted the 2008 financial crash — and made a tidy fortune. A decade on, he tells Josh Glancy why the experts have got it wrong again on Trump, Brexit, everything...

From reading his books, I expected Nassim Nicholas Taleb to be angry, obnoxious and vitriolic. I was anticipating a man who would preach endlessly about how stupid everyone else is and how brilliant his ideas are. Someone who would flaunt his habit of making eerily precise speculations about the world and raking in millions of dollars in the process.

That’s exactly who I got. And yet I liked Taleb from the moment he turned up to tea at a New York hotel, looking like a hench Salman Rushdie, sporting a Lenin beard, Steve Jobs black poloneck and furry hat to protect him from the chill Atlantic wind gusting down the Manhattan canyons.

The 57-year-old bestselling author and derivatives trader is a jumble of paradoxes: rude but charming, arrogant but humble, bumptious but suave, angry but strangely cuddly. He is also fascinating company. Even when you’re convinced he’s dead wrong, which is fairly often, you can be certain you’re in the presence of a unique mind.

Famous for his bestselling book *The Black Swan*, which explained how unpredictable events can have cataclysmic consequences, Taleb spoke for a full two hours, pausing only to sip coffee and point to the odd graph on his laptop. He emits an idiosyncratic and unstoppable discourse, full of earthy anecdotes and high-classical references, withering put-downs and polite inquiries. Even as we stepped outside to hail cabs, he was still gushing away about tail risks and the iniquities of Plato. It is what Christopher Hitchens used to call “a feast of reason and a flow of soul”.

We are in a head-spinning political moment. And if you want to better understand populism, Trump, Brexit and the anti-establishment backlash — events that have left many self-appointed savants scratching their heads — then Taleb, of no party or clique, is your man. He is the anti-intellectual’s intellectual. The expert on why experts are useless. A thinker for uncertain times. He says his latest book, *Skin in the Game*, “came out of the ribs” of *Antifragile*, his last volume,

published six years ago. It is the fifth in his “Incerto” collection, or what Taleb rather grandly calls his “corpus”, which has now evolved into a comprehensive text on how best to live in a world ruled by chance.

Incerto started for Taleb as a theory about trading, how the market underprices improbable “black swan” events that can only be explained retrospectively. Published in 2007, *The Black Swan* made him famous when the stock market crashed the following year. We hadn’t accounted for risk properly, instead building overly complex systems that were fragile to big shocks. Taleb had quite literally told us so.

The Lebanese-American trader is known for putting large wads of his money where his equally big mouth is. His speculation has made him “f*** you rich”. When the market crashed in 1987, he raked in his first fortune. When the financial crisis came in 2008, the volatility made him even wealthier. And when he came out in favour of Brexit, he made sure to buy a “huge” quantity of sterling, which he believes is on its way back up. “If you’re making a statement, then you always have to have something at risk” — skin in the game. “Otherwise, you are just a bullshit vendor.”

There is no greater insult in the Talebian mind than that. In his new book, he divides the world into people who have “skin in the game” — cab drivers, butchers, waitresses, Spanish grammar specialists, almost everyone, in fact — and then the dreaded “BS vendors”. These are people who “mentally masturbate” about things they barely understand — strategists, consultants, policy wonks, public intellectuals, bureaucrats, newspaper columnists and, worst of all, economists.

Taleb refers to these people disparagingly as “interventionistas” and “fragilistas” — naive rationalists who believe that an infinitely complex and often random world can be ordered effectively from the top down. They are a small but influential cadre of privileged elites, with no skin in the game, nothing real at stake, who gleefully tell us how to live our lives and run our countries. And if Taleb has anything to do with it, they are going out of fashion very fast.



Take what he calls the “Bob Rubin trade”. Robert Rubin, a former US secretary of the treasury who earned more than \$120m advising Citibank in the 10 years leading up to the financial crisis in 2008. “When the bank, literally insolvent, was rescued by the taxpayer, he didn’t write any cheque. He invoked uncertainty as an excuse,” Taleb writes. “Heads, he wins; tails, he shouts ‘Black Swan’. Nor did Rubin acknowledge that he transferred risk to taxpayers.”

Rubin is what Taleb has previously described as “antifragile”, someone who doesn’t just withstand volatility and wild fluctuations, but actively benefits from them. The problem is that it comes at a cost to everyone else. Rubin was able to walk away from the crash because he had none of his own money on the line — the bill was later presented to taxpayers, who had to bail out the banks.

People without skin in the game can be a danger to all. For example, in Taleb’s view, hedge funders are fine, because they tend to have their own money invested, but bankers who are underwritten by the public and paid bonuses regardless are a disaster. Heads, they win. Tails, you lose. “Antifragility is good,” Taleb says, “as long as you don’t steal it.”

Taleb believes it is these smug, lecturing, nurse-knows-best elites, who seem to win even when they are wrong, that paved the way for a populist backlash and a know-nothing president. “The role of these people swelled under Clinton, Bush, Obama, Tony Blair and that other one ...” he says, “Tony Brown”. Does he mean Gordon Brown? “Yes. Beautiful personality, but wrong.”

I’m reminded of Michael Gove’s famous pre-Brexit line that the British people “have had enough of experts”. Taleb loves it. In his view, there are real experts, usually in something very

specific, and those who claim to understand things well beyond their ken. “It’s macro versus micro,” he says. “You can be an expert at making goulash, but if you’re an expert at, say, predicting how the British economy would respond to leaving the European Union, then you’re probably a BS vendor.”

Unsurprisingly, then, Taleb fully supports Britain leaving the EU, which he believes is a “fundamentally stupid” concept. As for Trump, he may lack “statesmanship, decorum, gravitas”, but Taleb likes some of his ideas, such as tax cuts and deregulation. “He behaves like a New York brat, but look at the whole package. He has other attributes.” Anything is better than Hillary Clinton in Taleb’s view. “I like the idea that someone rich goes into government,” he says. “Rather than someone goes into government and gets rich, like the Clintons and Obama, who got \$65m for his book.”

Being something of an intellectual flamethrower, Taleb delights in naming and shaming his prime BS culprits. He likes lists, so we make one, starting with the World Economic Forum in Davos, which is “full of show-offs without skin in the game”, he says. “I went to Davos once, in 2009, when I was famous for six months after Black Swan. I was disgusted.”

What about Harvard Business School? “Garbage!” he cries, warming to his task. “Business schools in general, and I am a graduate of one [Wharton], are a way for universities to raise money. The professors know basically nothing about business.”

How about McKinsey, the consultancy that will guide David Davis through nearly 800 Brexit-related plans? “Inverse skin in the game.”

TED Talks? “Just garbage. Robbing scientists of their dignity and making them dance on stage.”

The French philosopher and action man Bernard Henri-Lévy? “I hate BHL. I know him personally. He represents everything I dislike in life.”

Goldman Sachs? “Masters of the Bob Rubin trade. A bankruptcy at Goldman Sachs would be very helpful for the world.”

What about the pollsters, such as Nate Silver’s FiveThirtyEight website or YouGov? “Garbage”, again. “They aren’t rigorous,” he says, pulling out a paper he wrote debunking Silver’s methods.

He reserves his most pungent ire for two men in particular: Steven Pinker and Richard Thaler, accusing both of fundamental mathematical errors. The former is a psychologist who has argued that the world is becoming less violent. The latter is a Nobel prizewinning economist and co-creator of the “nudge” theory that was in vogue during the David Cameron years. For a while, Taleb was pally with Cameron and his policy brains, Steve Hilton and Rohan Silva, talking localism and decentralisation. But he was put off the Cameroons when they also showed an interest in Thaler. He saw Thaler at Silva’s wedding, but avoided shaking hands because he considers him “wrong and evil”, he says with typical understatement. “I loved Steve Hilton’s ideas until I saw that f*** [Thaler] and all the nudge.”

I wonder where Taleb’s softly spoken rage comes from. “If I’m allergic to someone, there’s a fuse that blows,” he says. There are some people who he will take the time to disagree with, say Plato or Karl Popper, and others, such as Thaler and Pinker, who are, he believes, so lacking in the necessary rigour that they aren’t worth his time. “There are those who are wrong, and those who are not even wrong,” he says. “Oh, and those who are not proven wrong yet.”

It's more than just an intellectual allergy, though: Taleb abhors elitism in a visceral way that leads him into straw-man hyperbole and tub-thumping defiance. He refuses to eat in Michelin-star restaurants, preferring "freshly made pizza" instead. He eats burgers not fillet steaks. Despite speaking about eight languages, he is suspicious of "eloquence" and refuses to allow any serious editing of his books, which accounts for his rather homespun writing style. He refused an advance for his last book, because he feels more "morally free" without one. He loathes what he calls the "average *bien-pensant* Cambridge don", who preaches liberal universalist values, but would never be seen dead "hanging out with Pakistani cab drivers or lifting weights with Cockney speakers", something Taleb says he does regularly.

The vitriol, it seems, is rooted in his life experiences. First, as a trader, despising regulators whose sole aim is to "f*** with you". And before that, as a child who lived through the Lebanese civil war, when he saw just how fragile and risky the world can be.

"I am a child of war," he says. "I had the blood of people hit by mortar shells on my shirt. I was lifting and carrying, taking them to the car because there were not enough ambulances to go to the hospital. Some died. I witnessed these things."

Many would have recoiled from these experiences with post-traumatic stress and a firm belief in the ills of tribalism. Taleb believes the opposite, that tribalism is fine as long as people are left to sort out their own problems, without interventions and foreign-imposed peace treaties. And his brutal childhood, he says, gave him "post-traumatic growth", which he says is much more common than PTSD. "I often wonder if it helped me," he says. "I don't think about it much, and when I do it's not necessarily negative. I don't sweat."

Taleb is from a prominent Greek Orthodox family that has lived in the Koura Valley, in northwest Lebanon, for "1,300 years". They fled the war for France when Taleb was a teenager. He then moved to America aged 21, working his way through business school and 21 years as a derivatives trader on Wall Street. "I felt an immense pressure to succeed," he recalls. "It was back-to-the-wall, gotta fight." He is semi-retired from trading, but still gets drawn back to the action. "I'm addicted to risk," he says.

Really, Taleb is what you might call a very wise crank. He exercises only occasionally but with vicious intensity, deadlifting heavy weights in the gym. He spends up to seven hours a day obsessively doing maths, for no real purpose other than "mental hygiene". His favourite political figures are Ralph Nader and Ron Paul, also cranks.

Taleb's deepest obsession of all, though, is freedom, which makes America the right country for him. "I've been poor and rich," he says. "My behaviour didn't change much. People think that because you're rich, you're free. I think it's because I'm free that I'm rich."

Many rich people, in his view, are slaves. "Take Michael Bloomberg. I've never seen anyone more paranoid about his image, and the guy is a billionaire. Some people are made to not be free. The blue-collar guys I lift weights with, they're free."

People say you shouldn't meet your heroes, which is rubbish, but the opposite maxim is undoubtedly true — you absolutely should meet those you suspect of being villains. I was wary of Taleb, and I still think his anti-elitist bile is overblown and at times obnoxious. But I'd have tea with him again in a heartbeat.

“The best thing is to be known as an asshole publicly and a nice guy in private,” he smiles as he gets the bill. “I’m a sinner, I’ve sinned. But I prefer to be viewed as a sinner from the outside and saint from the inside.” That, apparently, is true freedom.