

IN CONVERSATION

Take many risks. Just not existential ones.

Nassim Taleb on progress, accountability and why small units are the better ones

Sebastian Morgner · 2018

Morgner: Mr. Taleb, you are a mathematician, an economist and a philosopher. Each of these disciplines can deal with progress — but how do you measure real progress?

My idea is narrower than what is usually called progress. It is not economic, and in general not technological either. Let me explain: technologies are often alienating. The technologies that prevail are the ones that bring us back to our roots — that bring life closer to nature.

Morgner: So for you, progress means going backward?

No, no. It means bringing us back into our real habitat. Take television. It was not a particularly good discovery. It alienates people. You sit down and someone talks at you instead of you having a conversation. Then social media came along and almost destroyed television. So social media is progress over television, because it connects us with one another again. Progress is marked by destruction: technologies that do not fit our environment have to disappear.

Morgner: Can you give other examples?

If you look at history, there have always been wars. But only recently have we developed truly heavy weapons. War today is far more destructive than it used to be — partly because our social maturity has not grown at the same pace as our technical capabilities.

More generally: we should not take on large systemic risks because of technology. We need a strong precautionary principle. Climate change is a good example — we should not tinker with things we do not understand.

Morgner: Does that also apply to large economic risks?

I think we are so much richer than our parents and grandparents that we do not need to worry too much about that. The only problem is that our understanding of economics declines from generation to generation. What you call economics is bad mathematics that people use. It predicts nothing. Today's

economics can be compared to the medicine of the late nineteenth century — a time when more people died because of their doctors than in any other era.

In nature there is typically a mechanism that resolves such things: the principle of having skin in the game. Of being liable. If I make a mistake in business, I go bankrupt; I exit the gene pool, so to speak. If I make a mistake as a driver, I can literally die. Economists, by contrast, can make mistakes, they can harm others, but they bear no consequences themselves.

Morgner: Do you mean it is better not to take risks in order to avoid mistakes?

No, that is exactly the misunderstanding of precaution. We should not overextend it. We should take many risks — but only smaller ones, not existential ones. Risks of an existential kind we should avoid altogether. But for progress, we need mistakes.

A mistake can do harm, but it can also be extraordinarily useful. I call that an antifragile system, one that can deal with randomness in a very positive way.

Many people say technology advances from mistake to mistake, and that this is luck. No, it is not luck. It is positive exposure to luck. For progress, we need mistakes.

Morgner: What are the biggest challenges we have to master today?

We have to understand reality better. We need a balance between theory and practice. Take economics again. It is a world of its own. In finance you learn risk in practice, but economists are not practitioners. They read each other, cite each other, work at universities and create their own circles.

What happens when you want to teach your children about finance? They do not learn it from a practitioner who knows all the survival tricks. They learn it from economists. That breaks the chain of passing knowledge on. There should be far more feedback between universities and practice.

Morgner: What should the economic system become?

What matters is scale. I want to convince people that small is beautiful. I ask people: find me a restaurant with more than five hundred tables that can serve a decent meal. Maybe you will find one, but there will not be many.

I think life should be local overall. The smaller the unit, the more personal choice you have — which community you want, whom you look up to. If you live more closely with your neighbors, you have more friends nearby. That also gives you more control, because people live in a community. If you make a serious mistake, people see it, they notice it, so you will be ashamed.

And one more important thing: not just having a job, but a vocation.

Morgner: So you are saying: do something that means something to you?

Exactly. You identify with your vocation. You have that in Germany. There is still an enormous investment in your work. You are proud of your bread, you are proud of your cars, you are proud of what you have created. That, to me, is progress. I want everyone to wake up and say: I want to do something I am proud of — even if it is insignificant.

Morgner: If you could bring all the relevant decision-makers and budget holders to one table to propose initiatives to them — which would they be?

You see, I do not like this business of the big, this sitting together at a big table. My experience with such things is that they destroy more than they build. They have no mechanism of self-examination to know whether they are helping or harming. They have this self-righteous view of what they are doing.

If you want to help humanity, open a bakery, make good bread, be proud of it and do small things from the bottom up, instead of these top-down mechanisms. I think a good system is not one that asks people to want to be saints. It is one that lets people do what they are made for.

So when someone tells me: I want to help humanity and solve hunger — then I tell them the best way to help humanity is to be honorable, do their duty and contribute at the smallest possible level.

Why this conversation is here

Three ideas from this conversation have changed our work.

Skin in the game. Taleb describes liability as the mechanism that keeps systems honest. In the language of leadership, that means ownership: every strategic goal needs a person who has something to lose. Goals without owners are intentions, and intentions do not survive a quarter.

Many small risks, no existential ones. That is the difference between an exploratory approach and mere activity. Whoever works in prototypes risks a quarter. Whoever bets the organization on one single big plan risks the company — and will therefore not admit a mistake when the plan does not hold.

Small is beautiful. Taleb makes the argument with restaurants; we see the same in leadership groups. Beyond a certain size, a group no longer negotiates — it agrees. That is why we work with cohorts of twelve to twenty-four people, not with auditoriums.

A counterpoint: Taleb's skepticism about large gatherings applies to us as well. We facilitate leadership conferences of up to three hundred people. The difference lies in what happens there — whether people work or listen. But the criticism remains valid, and we reexamine it for every format.

SHARE THIS ARTICLE

Read, forward and share online:

leadership-munich.org/en/insights-taleb.html

More Leadership Insights: leadership-munich.org/en/leadership-insights.html

