

Skin in the Game: Hidden Asymmetries in Daily Life

By Nassim Nicholas Taleb

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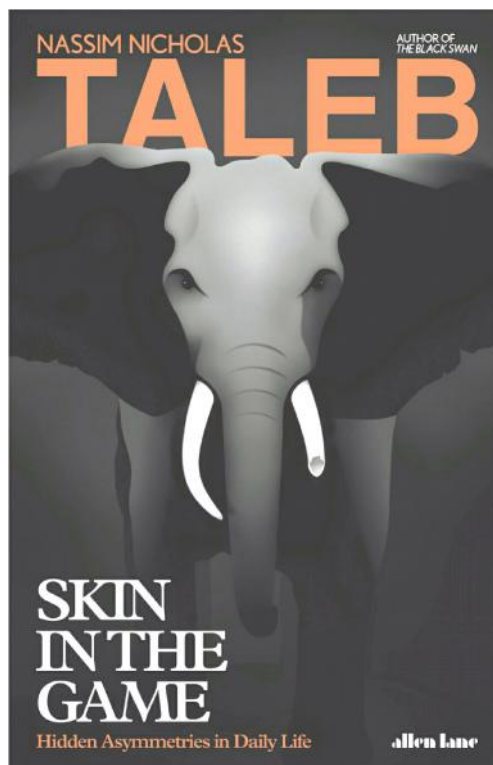
Nassim Taleb is a rare bird: a philosopher with a deep appreciation of history, culture and religion, who also understands the complexities of modern finance and the nature of risk. *Skin in the Game* is the latest in a series of volumes that investigate “opacity, luck, uncertainty, probability, human error, risk and decision making when we don’t understand the world”. His most famous book is *Black Swan*, an account of how high-impact but rare events dominate history.

Although he claims in his preface that they are non-overlapping, there is a sense in which Taleb’s five books are interlocking: a series of essays that repeat themes and embellish them with new insights and illustrations. Taleb is best imagined as if he were a small boy, facing an enormous plate-glass window with a large rock in his hand. His objective is to create as much damage as possible to a worldview that claims to have scientific, mathematical or economic explanations for everything. He rails against the ignorance and arrogance implied in this worldview and dismisses its proponents as charlatans and “faux-experts”. Taleb does not hold back when it comes to excoriating criticism.

The rationale for his righteous indignation is his profound understanding of the nature of risk in an uncertain world. To be clear, uncertainty is all around us and is unavoidable; risk is our personal

responsibility. *Skin in the Game* highlights areas of injustice, where politicians and professionals in all walks of life apply judgements and make interventions – based on what

that are increasingly fragile to extreme events. In other words, that our *hubris* has invited societal and economic ruin. Pride comes before a fall.



they believe and have been taught – that inflict painful consequences on others, but at no discernible cost to themselves.

The key insight of the book is that true rationality is avoidance of systemic ruin. We can recover from error, failure and even disaster, but – humanly speaking – there is no way back from ruin. Taleb worries that over-confidence in our imperfect understanding of the world – be it in medicine, physics or finance – means that we are prone to building systems

Taleb defines three states of being: fragile, meaning objects and systems that break under stress (such as glass), robust, those that can endure a limited amount of stress (such as bridges), and anti-fragile, those things that strengthen and improve in response to stressful change (such as biological organisms and cities). True religion is, in his worldview, anti-fragile: it flourishes when stressed.

To gain an appreciation of the force of his conviction, and the relevance of this book to the Christian faith, it is important to know something of Taleb’s early life. He was born in Lebanon – or the Levant, as he prefers – to a rich and influential family of Greek Orthodox believers. His grandfather and great-grandfather were deputy prime ministers and his great-great-great grandfather was the governor of Ottoman Mount Lebanon. Taleb sees himself as a man of destiny, perhaps even a prophet, to a world that has ceased to believe in God and now believes in anything, to paraphrase GK Chesterton.

The core concept of the book is asymmetry, most obviously asymmetry of information. Taleb explores the morality of business contexts where sellers routinely exploit an informational advantage



over buyers. He concludes that the ethical is always more robust than the legal and that it is the legal that should converge to the ethical over time, never the reverse.

He cites the Greek principle of risk-sharing, or syndication, which was embodied in Rhodian law. When the apostle Paul was caught up in a violent sea storm in Acts 27, he reprimanded the sailors who sought to slink off the ship in a lifeboat, warning that “unless these men stay with the ship, you cannot be saved.” We read that “they lightened the ship by throwing the grain into the sea” and all were saved. The law required that when particular goods were jettisoned, all owners were to share the costs of the lost merchandise proportionately. We are all in the same boat.

Yet Taleb exonerates merchants and business-people, in general, because “they keep their own downside and take their own risks”. His opprobrium is reserved for bureaucrats, consultants, corporate executives, politicians and bankers who “keep the upside, transfer downside to others, owning hidden options at someone else’s expense”.

Who then are Taleb’s heroes? Saints, knights, soldiers, prophets, ancient philosophers, artists, entrepreneurs,


dissidents and revolutionaries. The highest rank is reserved for those who are martyred in the cause of others. While *Skin in the Game* is not primarily a business book, it addresses many of the dilemmas with which business people grapple, and I recommend it highly.

What struck me most powerfully, reading this book during a trip to the US earlier this year, was his fervent defence of religion. Religion, according to Taleb, is not a set of scientific, objective claims about the universe; it is a set of practices and rituals that have stood the test of time. The essential insight is that what has stood the test of time is self-evidently valuable to humanity. If it were not valuable, if it added nothing to our probability of survival, it would have died out a long time ago. His assault on the atheists, notably Richard Dawkins, is grounded in probability.

Skin in the game means that you do not pay attention to what people say, only to what they do, and how much of their necks they are putting on the line. Taleb argues that human survival through the ages is utterly remarkable, considering the “tail risks”, meaning those occasional but devastating shocks over which we have no control. “We have survived despite tail risks; our survival cannot

be that random.” Taleb asserts that “religion exists to enforce tail risk management across generations”. Religion or, more accurately, God is our ultimate protection against ruin.

For Taleb, religion is epiphenomenal – it is about practice and example as well as a set of beliefs. To those who can’t see the point of going to church, fasting, reading the Bible, celebrating Christmas and Easter festivals, adopting dietary practices and participating in collective prayer, Taleb argues that their endurance and resilience across the centuries establishes their authenticity and value.

Skin in the Game devotes three of its 19 chapters to religion and belief, but we encounter Jesus much earlier in the book in a short section headed “Jesus was a risk taker”. As an illustration of the argument that “real life is real risk-taking”, he adduces the dual nature of Jesus Christ. “He sacrificed himself for the sake of others. A god stripped of humanity cannot have skin in the game in such a manner, cannot really suffer.” He quotes Chrysostom, “The Son of God shares our nature so we can share His; as He has us in Him, so we have Him in us”. The human nature of Christ makes the divine possible for all of us. 



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