

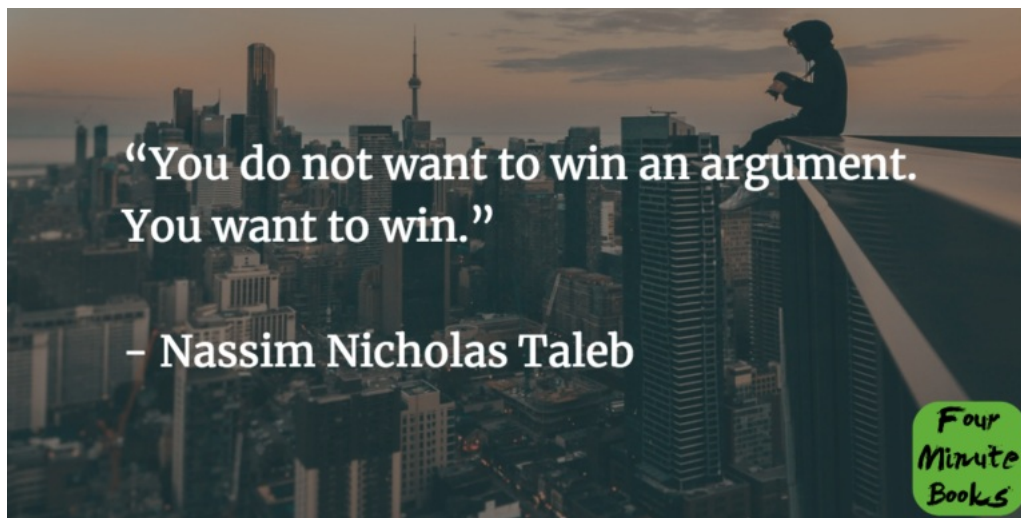
Skin In The Game Summary

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1-Sentence-Summary: *Skin In The Game* is an assessment of asymmetries in human interactions, aimed at helping you understand where and how gaps in uncertainty, risk, knowledge, and fairness emerge, and how to close them.

Read in: 4 minutes

Favorite quote from the author:



He must be among the top 10 most interesting accounts on Twitter: Nassim Nicholas Taleb. Besides lots of intellectual insights and witty tweets, he shares a lot of strong opinions, albeit weakly held. Having spent a great deal of his life examining how we can think more rationally, he is quick to argue for a cause, but not afraid to change his mind. Previous bestsellers from the former investment banker turned scholar and statistician include *Fooled By Randomness*, *Antifragile* and *The Black Swan*.

Taleb's latest book, *Skin In The Game*, is a continuation of his *Incerto* series, which the past three books are part of, and thus a remix of past themes: rationality, uncertainty, statistics, economics, information, risk and morality. However, it is his most practical work to date, using anecdotes and analogies to highlight how gaps between these factors affect our everyday lives. By showing us hidden asymmetries and who's got the most to lose in certain situations, Taleb helps us make better decisions and get the outcomes we want.

Here are 3 striking lessons from one of the clearest thinkers I know:

1. The minority often rules the majority.
2. How competent winners have to be depends on the industry we work in.
3. Rich people are easier to scam, because they have less to lose than the people selling to them.

If you've been scammed before, ended up with a low-quality product, or are fed up that everyone seems to get the better of you in negotiations, this summary is for you. Let's see who really has skin in the game!

Lesson 1: It is not uncommon for the minority to rule the majority.

One of the many asymmetries Taleb has found lies in the consumption behavior of societies. It shows that often, whoever has the most skin in the game can win, even if the odds are stacked against them. This particular concept is called minority rule and it implies that societies will adapt demand for certain goods based on an inflexible minority, rather than what the majority wants.

For example, 70% of the lamb meat the UK imports from New Zealand is processed according to halal standards. However, only 4% of the population is Muslim, which is the main group that demands halal meat. How can such a small segment account for such a large share of imports? Well, **minority rule is usually a result of the majority being flexible or indifferent**. In this case, non-Muslims don't mind eating halal meat over non-halal meat as there is no difference in taste.

The majority doesn't care, so the minority gets what it wants. Similarly, genetically modified food firms have a hard time advertising. The products don't have an advantage and most people are happy to eat non-genetically modified, so the small, but hardcore group of anti-GMO activists gets the better of the situation and drives consumption.

Lesson 2: Successful people don't always have to be competent, because how we evaluate winners is industry-dependent.

If we're honest, we've all used this excuse before, or at least thought of it: We claim someone got somewhere before us because they looked the part and we didn't. While that may or may not have been true in your situation, Taleb claims the relationship between success and image isn't the same in all industries. **For professions where skin in the game is necessary to succeed, an awkward image can be a sign of someone who's more prolific, but where it isn't, subjective factors decide who will win.**

For example, a lawyer who is extremely sought after, but dresses very sloppily, is bound to have proven herself in court over and over again. If she didn't win cases, people wouldn't hire her. The same is true for surgeons, authors whose books sell like crazy, and elite soldiers: without stellar results, they'd never have made it.

On the other end of the spectrum are CEOs, politicians, and bankers. While being good at what you do won't hurt your chances here, the main prerequisite for ranking high up the ladder is being perceived as capable, because many votes – and thus people's opinions – are involved in getting the part.

Lesson 3: When selling to rich people, the risk-reward-ratio of the transaction is off, which leads to more scams.

Every now and then I hear another story of an elderly person, who was scammed by some door-to-door salesman. Either the product was inferior, they grossly overpaid, or the seller sold them a suite of features they didn't need. Besides the fact that we think and react slower as we get older, which can be an advantage in such a surprise sale situation, the main reason such con artists target older people is that they tend to have more money.

This extends to rich people in general. **The more money you have, the easier it is to part you from some of it, especially if the portion is comparatively small to your overall fortune.** In this case, the risk-reward-ratio is skewed in favor of the seller. They have a lot more skin in the game, because if they sell you a mansion for \$4,000,000 rather than \$1,000,000, they'll get four times the commission. For someone worth \$200,000,000, however, it doesn't matter much whether they drop one million on a home or four.

As we get richer, the risk of spending more money on individual purchases goes down, and we'd rather be safe than sorry. That's why we throw more dollars after trivial items than we should. Even those of us who aren't millionaires.

Skin In The Game Review

Taleb is out for truth. He reasons from the ground up, relies on the scientific method, yet paints colorful pictures with stories that are never boring to read. With *Skin In The Game*, he's doing his part to help our generation tackle important problems we care about, instead of veering off into careers with lots of dollars, but little responsibility. I think that's a good thing.

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- Why some Roman fishermen had to eat nasty tasting turtles
- The difference between moral and legal when it comes to information asymmetries
- Why a 9-to-5 job is a giant, but brilliant ruse on part of your employer
- How we can explain that we love rich entrepreneurs, but hate rich bankers
- What question you should definitely ask your doctor, the next time you have to visit

Who would I recommend the Skin In The Game summary to?

The 22 year old business graduate, who's about to enter the consulting world, where no one takes on risk for their clients, the 40 year old professor, who hasn't dared to put any of his non-scientific writing out for the public, and anyone who knows they're an easy sales pitch victim.