

# Law 23, How to Get Rich

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## 1) Preamble:

A question haunting many ambitious men: how to get rich? There is a rather simple formula; enter a field where money can be made, and be extremely good at what you do.

What follows is a more in depth explanation of that formula.

## 2) Pareto Distribution:

In every society wealth is pareto distributed. Within every field and profession where money can be made, the financial rewards are pareto distributed.

What this means is that a tiny minority of people at the top get the overwhelming majority of the financial rewards, and most people get little or nothing.

The 'Pareto' distribution is sometimes conceptualized as the '80/20 Rule': the richest 20% of people own 80% of the wealth. Do keep in mind that the breakdown does not have to be '80 and 20', and the two numbers don't have to add up to 100.

Because financial rewards are pareto distributed, **it is exponentially more lucrative to be at the top rather than in the middle.**

Even within the people at the top, it is usually the case that rewards are pareto distributed; 1st place has exponentially more wealth than 2nd place, and 2nd has exponentially more wealth than 3rd.

In a macro economy a man at the 99th percentile of wealth has exponentially more than a man at the 90th percentile, and a man at the 99.9th percentile has exponentially more than a man at the 99th.

When it comes to transcending a hierarchy (getting to 2nd rather than 3rd, and 1st rather than 2nd), you won't see *diminishing* marginal returns; you will see *exponentially increasing* marginal returns.

### **3) Consequences of Pareto:**

The fact that rewards are pareto distributed makes the following statements true:

- “It never pays to be average.” -WallStreetPlayboys

- You don't have the option of being average and getting a decent quality of life; shoot for the stars or drown.

- The overwhelming statistical probability is that you will fail, but in the unlikely event that you succeed, you will succeed spectacularly.  
Failure is the rule, success is the exception.

### **4) Varying Inequality by Profession:**

It should be noted that while the financial rewards of every profession are pareto distributed, the degree of inequality is not the same in every profession.

In Finance, Law, and Sales you will find that the top 20% of people make 80% of the money.

Among entrepreneurs you will find that most fail and make zero money (say around 90%), while 10% succeed and make an immense amount of money.

In Art, Music, and Athletics you will find that the top 0.1% of people make almost 100% of the money. Financial rewards are distributed on a lottery basis; a tiny chance of spectacular success, an overwhelming probability of zero.

Within Finance, the 80/20 distribution looks something like this: 20% of analysts/associates will be promoted to the VP level or higher, and the VP level and higher is where giant compensation packages are.

Within Law, the 80/20 distribution is expressed by roughly 20% of associates being promoted up to the partner level, where the giant compensation packages are.

Within Sales 20% of sales reps generate 80% of revenue, and are given roughly 80% of wages.

### **5) Law 23, Full Focus to be The Best:**

The recipe for getting rich is rather straightforward; enter a field where money can be made, and be the best at what you do so that you are on the winning side of the pareto distribution.

How does one become the 'best' at what they do?

This varies from one field to another; the traits needed to become a world famous singer and the traits needed to become an elite level investment banker are very different.

Within any field, *long hours* will be a minimum requirement. Working 70 hours a week is necessary for a simple reason; you have competitors. If you work 50 hours a week, and your competitors work 70 hours a week, then after 3 years (156 weeks) they will be more than 3,000 hours ahead of you; you will never catch up.

You can work in a profession, put in only 40-50 hours a week, and make a decent amount of money. You will *never* be the best at what you do; people willing to put in 60-80 hours a week will inevitably surpass you. Long hours are necessary (but not sufficient) for the sake of having a shot at being the best in any field.

Do keep in mind that you are in zero sum competition with your competitors; it is objectively in your best interest for them to fail. Only one person can make it to 1st place; you must ensure that person is you.

## **6) Only One Hit Needed:**

**“You gain more by finding a rich mine and mining it deeper, than from flitting from one shallow mine to another...It is enough to strike oil once. Your wealth and power are assured for a lifetime.” –Law 23**

In the event that you find a strategy for making money that works, simply continue doing that for as long as possible. You don't need a dozen different careers or business models for making money; you only need 1.