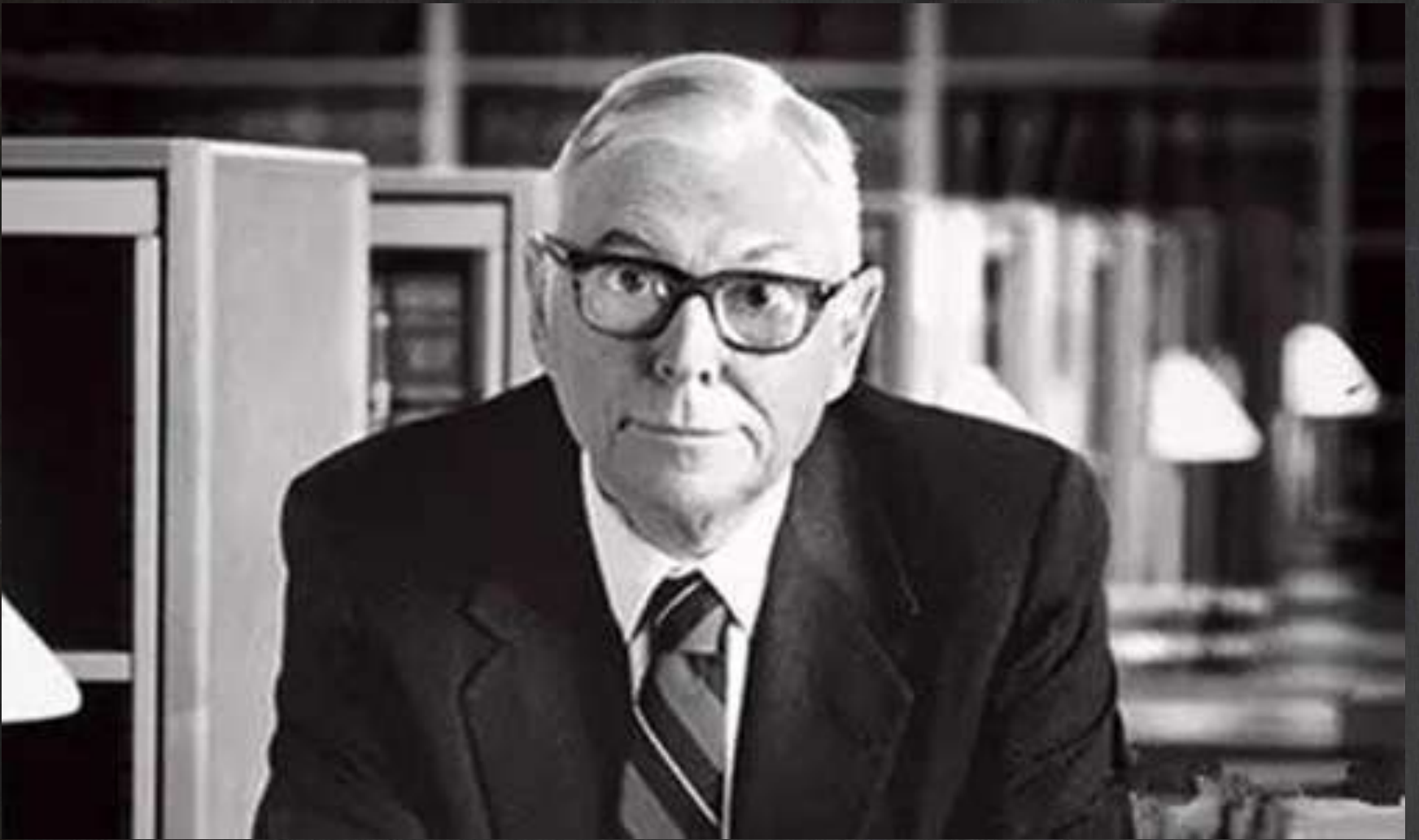


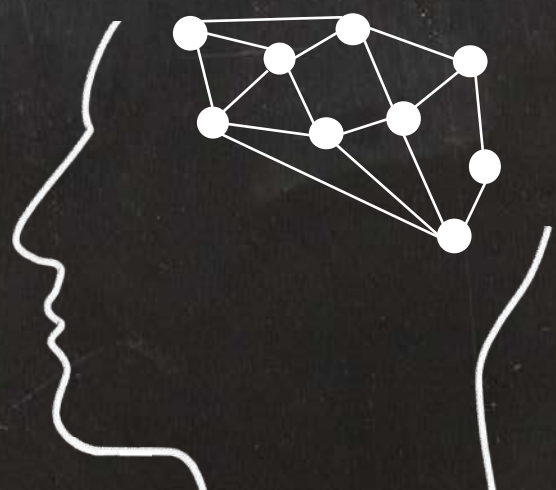
 @wisdom_theory

MENTAL MODELS



The first rule is that you can't really know anything if you just remember isolated facts and try and bang 'em back. If the facts don't hang together on a latticework of theory, you don't have them in a usable form.

— Charlie Munger



NAVAL



Naval Ravikant is one of the greatest multidisciplinary thinkers of our time. He thinks from mental models.

In his famous thread "How to Get Rich (without getting lucky)" he uses various mental models. If you want the PDF version of the posts related to this thread, you can download it by [clicking here](#).

In the next few pages we will see the most important mental models that Naval uses.

SCALE



Society will pay you for creating what it wants and delivering it at scale.

— Naval

Don't work on anything that doesn't scale. It is the way to disassociate time and work.

The Internet allows you to create value and scale it to deliver it at a massive level.



NICHES / POWER LAW / PARETO



The Internet allows you to scale any niche obsession.

— Naval

The Internet allows you to find your audience. It is the long tail.

Markets have gone from mass to niche as tech has become democratized and the cost of production and distribution has decreased.



LEVERAGE

Product and media are the new leverage.

— Naval

The old leverage is labor and capital, for which you need permission.

The new leverage is software and media, it allows you to create systems that work for you while you sleep and does not require permission.



INCENTIVES / PRINCIPAL-AGENT PROBLEM

If you can work on incentives, don't work on anything else.

— Naval

Incentives are what move people and companies.

Think like an owner (principal), not an employee (agent), and align the incentives so that everyone goes in the same direction.



COOPERATION

We use credits and debits to cooperate across genetic boundaries.

— Naval

Capitalism is intrinsic to human beings.

The market is a huge cooperation system, through what we offer and consume.



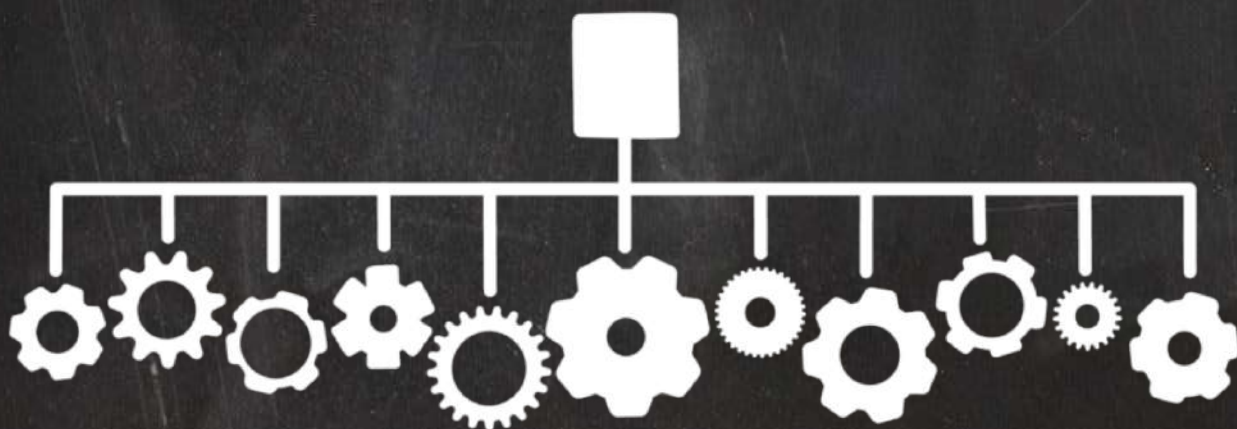
SPECIALIZATION / CIRCLE OF COMPETENCE

Specialize in being you.

— Naval

Acquire specific knowledge and specialize in being you.

Offer what only you can offer. Based on your skills, interests, experiences and curiosity.



SKIN IN THE GAME



Accountability is reputational skin in the game.

— Naval

Accountability gives us credibility, responsibility for our work, irreplaceability, and finally equity.

It includes risk, but the downside scenario in the current era is limited, while the upside is not.



COMPOUND INTEREST



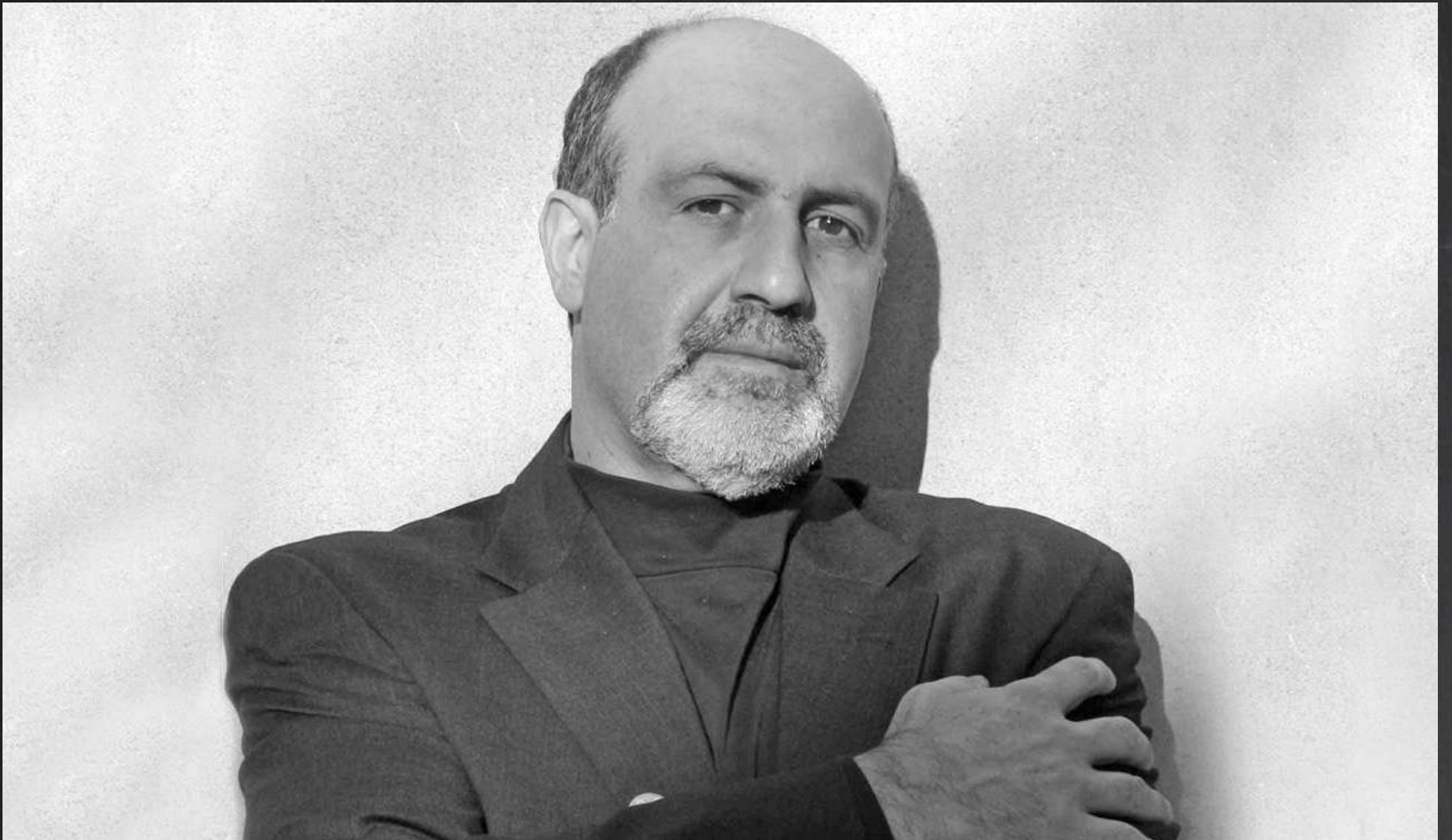
All returns in life come from compound interest in long-term games.

— Naval

The greatest returns in life come from compound interest, whether in health, relationships, wealth, or knowledge.



TALEB



Nassim Taleb Taleb is a skeptical empiricist.

He argued that scientists and financiers overestimate the value of rational explanations of past data and underestimate the weight of randomness in that data.

He has been the author of three of the most important mental models of our era.

ANTIFRAGILITY

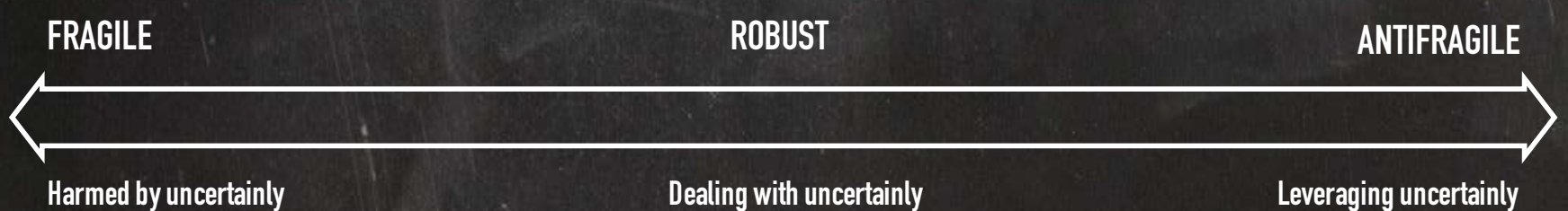


Antifragility is beyond resilience or robustness. The resilient resists shocks and stays the same; the antifragile gets better.

— Nassim Taleb

The technological revolution and the virus have shown that industries that we believed strong are actually fragile: retail, airlines, auto, energy.

On the contrary, technology has proven antifragile, it has benefited from this situation: e-commerce, online communications.



BLACK SWAN

The central idea in the Black Swan is that: rare events cannot be estimated from empirical observation since they are rare.

— Nassim Taleb

The era of globalization and technological democratization exponentially increases the number and impact of negative Black Swans such as terrorism, viruses, etc.

But also positive ones such as unicorns startups such as Airbnb or Coinbase



SKIN IN THE GAME



Avoid taking advice from someone who gives advice for a living, unless there is a penalty for their advice.

— Nassim Taleb

There has never been so much power accumulated in people who have no skin in the game.

The governing authorities control the world without really risking their position, if they fail they will continue to collect their salaries and pensions.

