

Black Swan - Nassim Nicholas Taleb

In the book Nassim explores the unknown unknowns referred to as the Black Swan, the main theme behind the philosophy is exposing the inherent fallacies of prediction when looking at history, or with other subject matters which contain aggregates. These, somewhat biological fallacies lead us to believe much more than we actually know.

He starts with talking about how history is an opaque area akin to a black box, attempting to narrate it correctly is like expecting to predict the way an ice cube will melt was given an ice cube.

A common theme within the book is exposing the two nation states called Mediocristan and Extremistan. Mediocristan is the nation in which most naive statisticians and charlatans believe that we reside in. This is an environment where Gaussian distributions actually work, generally games which require "luck" are often within the confines of mediocristan. Nassim refers to these things as the ludic fallacy. The other nation state is that of Extremistan. This is a nation where the minority of events have the biggest of impacts; Also referred to as a fat tail. This is the nation state of fractals, in which most of our social world is contingent upon, and you would not forewell utilizing gaussian statistics within the confines of the fat tail.

Many of the problems when navigating through extremism come with epistemic arrogance and ignorance. Which is a result of overreliance on gaussian statistics. When navigating through the treacherous terrain of Extremism, it is better quality is situations where most people are careful. Meaning do not create a dependence on large scale harmful predictions, but also do not overanalyze simple things such as going to a picnic.

One taken of advice given by Nassim is to employ a portfolio strategy which consist of putting 85%-90% of your wealth in the safest of instruments, and 10-15% in the most ~~extremely~~ speculative of instruments. This exposed you to the most amount of ~~the~~ possible positive black swan.

This strategy could elucidate why some cultures that pour upon futures have a look of economic output.

Nassim also talks about his notion of mathematical induction. He uses the example of the turkey who lives for a thousand days without anything bad happening then on the (1001) day he has been viciously murdered. This story of the turkey shows the stark consequences of gaussian and the distribution deals within the context of Extremism. In all, there are known knowns, known unknowns and unknown unknowns. Also the absence of evidence is not the evidence of absence.