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"Skin in the Game": A Political Treatise for Liberty that Turns the Golden Rule Upside-Down

"Skin in the Game" makes a strong case for liberty based on double-negative utilitarianism in the presence of risk.

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Arnold Kling

[Politics](#)

[Book Review](#)

[Golden Rule](#)

[Silver Rule](#)

[Risk](#)

[Consequences](#)

[Freedom](#)

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Taleb argues that only when people are, themselves, exposed to the adverse consequences of their choices do they take risks that are constructive for society. When they do not have "skin in the game," they take risks that are harmful and dangerous. This leads Taleb to advocate libertarianism, in which decentralized entrepreneurs are heroes, while those who impose centralized decisions are villains.

The Utilitarian Double-Negative

Taleb favors what he calls the Silver Rule, which is a double-negative formulation of the Golden Rule.

The Golden Rule wants you to *Treat others the way you would like them to treat you*. The more robust Silver Rule says *Do not treat others the way you would not like them to treat you...* it tells you to mind your own business and not decide what is 'good' for others. We know with much more clarity what is bad than what is good." (page 19)

This extends to society in general. Standard utilitarianism talks of "the greatest good for the greatest number." The double-negative formulation says to do the least overall harm. It enjoins us to be humble and careful in

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How Society Learns

Taleb believes that society learns and progresses through a process of trial and error. Ruthless evolution, with survival of the fittest ideas and the most prudent risk-takers, is the key.

... people don't learn so much from their—and other peoples—mistakes; rather, it is the system that learns by selecting those less prone to a certain class of mistakes and eliminating others." (pages 13-14)

Taleb says that we should respect ideas and practices that have survived long time, even if they seem counterintuitive.

The longer an idea has been around without being falsified, the longer its future life expectancy." (page 148)

Above all, in order to learn, individuals must take risks in which the adverse consequences fall on oneself, not on others. Taleb adopts a strong form of philosophical pragmatism, in which ideas have merit only if they can be

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Assessing Risk

Taleb argues that in order to assess risk properly, one must account for the possibility of ruinous extreme events and not ignore them just because they are so unlikely. For example, the fact that fewer people die from terrorism or infectious diseases than from accidents is not an argument to take terrorism or infectious diseases lightly.

The probability that the number of people who drown in their bathtubs in the United States doubles next year... is one per several trillions lifetimes of the universe. This cannot be said about the doubling of the number of people killed by terrorism over the same period." (page 231)

Even if bathtub accidents are more prevalent today, the potential for catastrophe coming from Ebola or terrorism is greater than the potential for a mass outbreak of bathtub accidents because only one incident is needed to wreak a large impact.

The worst people at assessing risk are those without skin in the game. Taleb reserves his greatest scorn for intellectuals who test ideas on others

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"It is immoral to be in opposition to the market system and not live (somewhere in Vermont or Northwestern Afghanistan) in a hut or cave isolated from it." (page 183)

"The IYI [intellectual yet idiot] has been wrong, historically, about Stalinism, Maoism, GMOs, Iraq, Libya, Syria, lobotomies, urban planning, low carbohydrate diets, gym machines, behaviorism, trans-fats, Freudianism, portfolio theory, linear regression, HFCS (High-Fructose Corn Syrup), Gaussianism, Salafism, dynamic stochastic equilibrium modeling, housing projects, marathon running, selfish genes, election-forecasting models, Bernie Madoff (pre-blowup), and p-values. But he is still convinced that his current position is right." (page 124)

He might have included eugenics in this list. [2]

The Meaning of Freedom

Taleb believes that individuals require a great deal of autonomy in order to be truly free. In this view, working in large corporations or other

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"Someone who has been employed for a while is giving you strong evidence of submission... going through years depriving himself of his personal freedom for nine hours every day... He is an obedient, housebroken dog." (page 97)

"Freedom is always associated with risk taking, whether it leads to it or comes from it. You take risks, you feel part of history. And risk takers take risks because it is in their nature to be wild animals." (page 104)

"You can define a free person precisely as someone whose fate is not centrally or directly dependent on peer assessment." (page 144)

Taleb sees freedom as succeeding on your own terms. Trying to impress others or to conform to corporate expectations is "evidence of submission."

For society as a whole, he argues, freedom and progress both depend on decentralization, which realigns decision-making with responsibility. Sooner or later, we have to break free of central authority and dissolve those institutions that allow individuals to take risks while imposing their costs on others.

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Skin in the Game makes a strong case for liberty based on double-negative utilitarianism in the presence of risk. Taleb argues against centralization that gives officials the power to impose risks without consequences for themselves. With his strong philosophical pragmatism, he sees intellectuals and philosophers as particularly dangerous. Ironically, Taleb's book represents an intellectual contribution to political philosophy.

Footnotes

1. [Skin in the Game: Hidden Asymmetries in Daily Life](#), by Nassim Nicholas Taleb. Available on Amazon.com.

2. See ["Dismal Race 'Scientists'"](#), by Arnold Kling. Library of Economics and Liberty, May 2, 2016.

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