



ANTIFRAGILE: THINGS THAT GAIN FROM DISORDER

BY NASSIM NICHOLAS TALEB
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REVIEWED BY CAROLINE TAN

It's easy to conjure up an image of "fragility" — a teacup, eggshells, wine glasses. But what's the opposite of fragility? According to New York University's Polytechnic Institute professor and former derivatives trader Nassim Nicholas Taleb, there isn't quite a word for that. Words like "resilient" and "robust" don't work. Since fragility describes things that break under pressure, the opposite would refer to things that thrive under pressure, not just resist it. To fill this gap in terminology, Taleb offers the term "antifragile": things that benefit and improve from volatility.

In a follow-up to his 2007 book *The Black Swan*, Taleb's *Antifragile* argues that despite our aversion to unpredictability and shocks, they are often beneficial. Small environmental disturbances may harm the individual, but Taleb says they are good for the species, which grows as it is forced to adapt. Random mutations in the genetic code, for example, can lead to a healthier gene pool. Small mistakes can provide useful information outside of nature as well: Entrepreneurs learn from failed startups and small plane crashes provide data that can help avoid larger accidents.

In addition to yielding information, unpredictable variations also act as purges, Taleb writes. Small forest fires remove the most flammable material from the system, and occasional market setbacks prevent hidden risks from accruing with impunity. "When a currency never varies, a slight, very slight move makes people believe the world is ending," he continues. "Injecting some confusion stabilizes the system."

Taleb seems to have a problem with what he calls "modernity," which he defines as humans' tendency to smooth out the world's natural jaggedness. Humans, he says, have "fragilized" their environment by removing randomness from it. Doctors overtreat patients at the risk of increased medical error, politicians support "rotten regimes" in the name of stability, and overbearing parents eliminate all elements of danger from their child's life — classic examples of "naïve interventionism" that Taleb says has become a core element of modernity. The problem, he contends, is that this quest for stability inhibits the buildup of immunity and makes humans more vulnerable to large shocks — or, as he calls them, "black swan" events. The steps that we take to avoid fragility may actually end up creating more of it.

BOOK REVIEW

Embracing Shocks

One of Taleb's biggest issues with modernity is the "malignant transfer" of fragility from one party to the other — in other words, the asymmetric exposure to risk that benefits those who "steal a free option from society." To guard against this problem, Taleb argues for "skin in the game," a risk management principle that says people should be exposed to any negative consequences that may result from their actions. He notes, for example, that bankers receive compensation for positive performance, but do not have to pay reverse bonuses for poor performances, an asymmetry that creates an incentive to hide risk.

Taleb makes a good point, but he runs into trouble when trying to apply it across a broad range of industries. In *Antifragile*, he presents a table that categorizes different professions into three groups: "skin in the game for the sake of others" for the most valorous, "skin in the game" for those in the middle, and "no skin in the game" for the most selfish. Soldiers and entrepreneurs are placed in the highest category, while, predictably, bankers, politicians, and corporate executives are in the lowest. But it's unclear whether Taleb's categorization always holds. For example, he puts politicians in the lowest category, meaning he believes they suffer no consequences for their risky actions. But to the extent that politicians are held accountable to their constituents via election cycles and the media, one must wonder whether Taleb's categorization generalizes too much and ignores important nuances.

While Taleb's ideas are attractive in some respects, Taleb himself is less appealing in these pages. He makes *ad hominem* attacks on individuals, including many economists, "tie-wearing abhorrent" bankers, and the "fragilista journalist" Thomas Friedman, who, Taleb claims, makes him "nauseous" upon eye contact. In many instances, Taleb is outright condescending. He writes that traders are "overeducated if they could spell their street address correctly," and wonders whether "people without practical sense usually manage to get the energy and interest to acquire a Ph.D. in the fictional world of equation economics." At the same time, he does not refrain from self-inflicted praise: "I just get disturbed when I see wrong and do nothing about it," Taleb writes at one point. "It is biological." While his irreverent tone offers the occasional reading break and has become a trademark style of Taleb's writings, it mostly detracts from his argument.

Taleb presents an interesting idea that will inspire many readers to rethink the role of risk in their lives. Though he overstretchs his argument by several hundred pages — violating his own "less is more" rule — his book is ultimately worth the read, especially for those who can overlook his grandiose and self-satisfied style. **EF**