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# Commencement Address 2016

American University in Beirut  
Nassim Nicholas Taleb

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Dear graduating students,

This is the first commencement I have ever attended (I did not attend my own graduation). Further, I have to figure out how lecture you on success when I do not feel successful yet –and it is not false modesty.

## Success as a Fragile Construction

For I have a single definition of success: you look in the mirror every evening, and wonder if you disappoint the person you were at 18, right before the age when people start getting corrupted by life. Let him or her be the only judge; not your reputation, not your wealth, not your standing in the community, not the decorations on your lapel. If you do not feel ashamed, you are successful. All other definitions of success are modern constructions; fragile modern constructions.

The Ancient Greeks' main definition of success was to have had a heroic death. But as we live in a less martial world, even in Lebanon, we can adapt our definition of success as having taken a heroic route for the benefits of the collective, as narrowly or broadly defined collective as you wish. So long as all you do is not all for you: secret societies used to have a rule for *uomo d'onore*: you do something for yourself and something for other members. And virtue is inseparable from courage. Like the courage to do something unpopular. Take risks for the benefit of others; it doesn't have to be humanity, it can be helping say Beirut Madinati or the local municipality. The more micro, the less abstract, the better.

Success requires absence of fragility. I've seen billionaires terrified of journalists, wealthy people who felt crushed because their brother in law got very rich, academics with Nobel who were scared of comments on the web. The higher you go, the worse the fall. For almost all people I've met, external success came with increased fragility and a heightened state of insecurity. The worst are those "former something" types with 4 page CVs who, after leaving office, and addicted to the attention of servile bureaucrats, find themselves discarded: as if you went home one evening to discover that someone suddenly emptied your house of all its furniture.

But self-respect is robust –that's the approach of the Stoic school, which incidentally was a Phoenician movement. (If someone wonders who are the Stoics I'd say Buddhists with an attitude problem, imagine someone

both very Lebanese and Buddhist). I've seen robust people in my village Amioun who were proud of being local citizens involved in their tribe; they go to bed proud and wake up happy. Or Russian mathematicians who, during the difficult post-Soviet transition period, were proud of making \$200 a month and do work that is appreciated by twenty people –and considered that showing one's decorations –or accepting awards –were a sign of weakness and lack of confidence in one's contributions. And, believe it or not, some wealthy people are robust –but you just don't hear about them because they are not socialites, live next door, and drink Arak baladi not Veuve Cliquot.

## Personal History

Now a bit of my own history. Don't tell anyone, but all the stuff you think comes from deep philosophical reflection is dressed up: **it all comes from an ineradicable gambling instinct –just imagine a compulsive gambler playing high priest**. People don't like to believe it: my education came from trading and risk taking with some help from school.

I was lucky to have a background closer to that of a classical Mediterranean or a Medieval European than a modern citizen. For I was born in a library –my parents had an account at Librarie Antoine in Bab Ed Driss and a big library. They bought more books than they could read so they were happy someone was reading the books for them. Also my father knew every erudite person in Lebanon, particularly historians. So we often had Jesuit priests at dinner and because of their multidisciplinary erudition they were the only role models for me: my idea of education is to have professors just to eat with them and ask them questions. So I valued erudition over intelligence –and still do. I initially wanted to be a writer and philosopher; one needs to read tons of books for that –you had no edge if your knowledge was limited to the Lebanese Baccalaureat program. So I skipped school most days and, starting at age 14, started reading voraciously. Later I discovered an inability to concentrate on subjects others imposed on me. I separated school for credentials and reading for one's edification.

## First Break

I drifted a bit with no focus, and remained on page 8 of the Great Lebanese Novel until the age of 23 (my novel

was advancing one page per year). Then I got a break on the day when at Wharton I accidentally discovered probability theory and became obsessed with it. But, as I said **it did not come from lofty philosophizing and scientific hunger, only from the thrills and hormonal flush one gets while taking risks in the markets.** A friend had told me about complex financial derivatives and I decided to make a career in them. It was a combination of trading and complex mathematics. The field was new and uncharted. But they were very, very difficult mathematically.

Greed and fear are teachers. I was like people with addictions who have a below average intelligence but were capable of the most ingenious tricks to procure their drugs. When there was risk on the line, suddenly a second brain in me manifested itself and these theorems became interesting. When there is fire, you will run faster than in any competition. Then I became dumb again when there was no real action. Furthermore, as a trader the mathematics we used was adapted to our problem, like a glove, unlike academics with a theory looking for some application. Applying math to practical problems was another business altogether; it meant a deep understanding of the problem before putting the equations on it. So I found getting a doctorate after 12 years in quantitative finance much, much easier than getting simpler degrees.

I discovered along the way that the economists and social scientists were almost always applying the wrong math to the problems, what became later the theme of *The Black Swan*. Their statistical tools were not just wrong, they were outrageously wrong –they still are. Their methods underestimated "tail events", those rare but consequential jumps. They were too arrogant to accept it. This discovery allowed me to achieve financial independence in my twenties, after the crash of 1987.

So I felt I had something to say in the way we used probability, and how we think about, and manage uncertainty. Probability is the logic of science and philosophy; it touches on many subjects: theology, philosophy, psychology, science, and the more mundane risk engineering –incidentally probability was born in the Levant in the 8th Century as *3elm el musadafat*, used to decrypt messages. So the past thirty years for me have been flaneuring across subjects, bothering people along the way, pulling pranks on people who take themselves seriously. You take a medical paper and ask some scientist full of himself how he interprets the "p-value"; the author will be terrorized.

### The International Association of Name Droppers

The second break came to me when the crisis of 2008 happened and felt vindicated and made another bundle putting my neck on the line. But fame came with the crisis and I **discovered that I hated fame, famous people, caviar, champagne, complicated food, expensive wine and, mostly wine commentators.** I like mezze with

local Arak baladi, including squid in its ink (*sabbidej*), no less no more, and wealthy people tend to have their preferences dictated by a system meant to milk them. My own preferences became obvious to me when after a dinner in a Michelin 3 stars with stuffy and boring rich people, I stopped by Nick's pizza for a \$6.95 dish and I haven't had a Michelin meal since, or anything with complex names. I am particularly allergic to people who like themselves to be surrounded by famous people, the IAND (International Association of Name Droppers). So, after about a year in the limelight I went back to the seclusion of my library (in Amioun or near NY), and started a new career as a researcher doing technical work. When I read my bio I always feel it is that of another person: it describes what I did not what I am doing and would like to do.

### On Advice and Skin in the Game

I am just describing my life. I hesitate to give advice because every major single piece of advice I was given turned out to be wrong and I am glad I didn't follow them. I was told to focus and I never did. I was told to never procrastinate and I waited 20 years for *The Black Swan* and it sold 3 million copies. I was told to avoid putting fictional characters in my books and I did put in Nero Tulip and Fat Tony because I got bored otherwise. I was told to not insult the New York Times and the Wall Street Journal; the more I insulted them the nicer they were to me and the more they solicited Op-Eds. I was told to avoid lifting weights for a back pain and became a weightlifter: never had a back problem since.

If I had to relive my life I would be even more stubborn and uncompromising than I have been.

One should never do anything without skin in the game. If you give advice, you need to be exposed to losses from it. It is an extension to the silver rule. So I will tell you what tricks I employ.

- Do not read the newspapers, or follow the news in any way or form. To be convinced, try reading last years' newspaper. It doesn't mean ignore the news; it means that you go from the events to the news, not the other way around.
- If something is nonsense, you say it and say it loud. You will be harmed a little but will be antifragile – in the long run people who need to trust you will trust you.

When I was still an obscure author, I walked out of a studio Bloomberg Radio during an interview because the interviewer was saying nonsense. Three years later Bloomberg Magazine did a cover story on me. Every economist on the planet hates me (except of course those of AUB).

I've suffered two smear campaigns, and encouraged by the most courageous Lebanese ever since Hannibal, Ralph Nader, I took reputational risks by exposing large evil corporations such as Monsanto, and suffered a smear campaign for it.

- Treat the doorman with a bit more respect than the big boss.
- If something is boring, avoid it –save taxes and visits to the mother in law. Why? Because your biology is the best nonsense detector; use it to navigate your life.

### **The No-Nos**

There are a lot of such rules in my books, so for now let me finish with a maxim. The following are no-nos:

Muscles without strength,  
friendship without trust,  
opinion without risk,  
change without aesthetics,  
age without values,  
food without nourishment,  
power without fairness,  
facts without rigor,  
degrees without erudition,  
militarism without fortitude,  
progress without civilization,  
complication without depth,  
fluency without content,  
and, most of all, religion without tolerance.

Thank you.