

Nassim Nicholas Taleb

From Wikipedia, the free encyclopedia
(Redirected from Nassim Taleb)

Nassim Nicholas Taleb (born 1960) (Arabic: نسيم نيقولا نجيب طالب) (alternative spellings of first name: **Nessim** or **Nissim**) is a literary essayist, epistemologist, polymath, researcher, and former practitioner of mathematical finance. [2][3][4][5] A specialist in financial derivatives[3] (http://fct.u-paris10.fr/FCT-APP/visualiserpub.do?code_these=9616484A) (while critical of the industry), he held a "day job" in a lengthy senior trading and financial mathematics career in a number of New York City's Wall Street firms, before starting a second career as a scholar in the epistemology of chance events to focus on his project of mapping how to live and act in a world we do not understand, and how to come to grips with randomness and the unknown — which includes his black swan theory of unexpected rare events.^[6]

Taleb's extremely idiosyncratic literary approach consists of providing a modern-day brand of philosophical tale by mixing narrative fiction, often semi-autobiographical, with erudition and scientific commentary.

Contents

- 1 Biography
- 2 Research and theories of randomness
 - 2.1 Ludic fallacy
 - 2.2 Warning of the Global Banking Crisis
 - 2.3 Success during the 2007-2008 Financial Crisis

Nassim Nicholas Taleb



Born	1960 Amioun, Lebanon
Residence	United States
Fields	Scholar, Essayist, Trader, and Risk Engineer
Institutions	NYU Polytechnic Institute
Alma mater	Wharton School at the University of Pennsylvania (MBA), University of Paris Dauphine (Ph.D. Management Science)
Doctoral advisor	Hélyette Geman
Known for	Scholar of randomness and knowledge, bestselling books
Religious stance	Greek Orthodox ^[1]

- 3 Bibliography
 - 3.1 Essays
 - 3.2 Representative scholarly publications
- 4 Honors
- 5 Criticism
- 6 Quotations
- 7 See also
- 8 References
- 9 External links

Biography

Taleb originates from Amioun, Lebanon and Creta (Greece) . His political Greek Orthodox Levantine family saw its prominence and wealth reduced by the Lebanese Civil War which began in 1975. He is the son of Dr. Najib Taleb, an oncologist and researcher in anthropology, and Minerva Ghosn. Both sides of his family were politically prominent in the Lebanese Greek Orthodox community: on his mother's side, his grandfather and his great-grandfather were both deputy prime ministers of Lebanon; on his father's side, his grandfather was a supreme court judge and, in 1861, his great-great-great-great grandfather was a governor of the Ottoman semi-autonomous province of Mount Lebanon.

Taleb received his bachelors and masters in science from the University of Paris^[7] and holds an MBA from the Wharton School at the University of Pennsylvania, and a Ph.D. in Management Science from the University of Paris (Dauphine)^[8] under the direction of Hélyette Geman^[9]. He is currently Distinguished Professor of Risk Engineering at Polytechnic Institute of New York University^[10] and Visiting Professor of Marketing (Cognitive Science) at London Business School. He was the Dean's Professor in the Sciences of Uncertainty at the Isenberg School of Management at the University of Massachusetts Amherst, Adjunct Professor of Mathematics at the Courant Institute of New York University, and affiliated faculty member at the Wharton Business School Financial Institutions Center.

As a trader, Taleb has said he took a skeptical and anti-mathematical approach to risk and uncertainty and had a severe distrust of models and statisticians and a contempt for finance academics, especially economists. He has held the following positions: Managing director and proprietary trader at UBS. Worldwide chief proprietary arbitrage derivatives trader for currencies, commodities and non-dollar fixed income at CS-First Boston. Chief currency derivatives trader for Banque Indosuez. Managing Director and worldwide head of financial option arbitrage at CIBC-Wood Gundy. Derivatives arbitrage trader at Bankers Trust, proprietary trader at BNP Paribas, as well as independent option market maker on the Chicago Mercantile Exchange. Founder of Empirica LLC^[11]. Taleb is currently Principal/Senior Scientific Advisor at Universa Investments, the Santa Monica, California, fund owned and managed by former Empirica partner Mark Spitznagel

Taleb considers himself far less a businessman than an epistemologist of randomness who used trading to attain his independence and freedom from authority, as he writes in his book, *Fooled by Randomness*,

which became a cult book on Wall Street after it was first published in 2001. It was translated into 23 languages.^[12]

Taleb, a polyglot, has a literary fluency in English, French, and classical Arabic, a conversational fluency in Italian and Spanish, and reads classical texts in Greek, Latin, Aramaic, and ancient Hebrew, as well as the Canaanite script.^[13]

Research and theories of randomness

Taleb calls himself a "skeptical empiricist", but,

1) unlike other skeptics, his skepticism is only directed to the fundamental incomputability of the probability of consequential rare events from empirical observations --Taleb advocates gullibility for things that make us human without adverse consequences, matters in "Mediocristan"^[14],

2) Taleb's empiricism means the opposite of what is usually interpreted; it implies resisting generalization from data and limiting the derivation of general rules from particular observations as one can be missing hidden properties. Thus he believes that scientists, economists, historians, policymakers, businessmen, and financiers are victims of an illusion of pattern; they overestimate the value of rational explanations of past data, and underestimate the prevalence of unexplainable randomness in those data.

Taleb put a psychological, mathematical, and (mostly) practical framework around the philosophical problems in a long lineage of skeptical philosophers, including Socrates, Sextus Empiricus, Al-Ghazali, Pierre Bayle, Montaigne, David Hume and Karl Popper in believing that we know much less than we think we do, and that the past should not be used naively to predict the future. Furthermore, as a practitioner he creates a decision-making framework of "how to act under incomplete understanding, imperfect information". Taleb now focuses on being a researcher in the philosophy of randomness and the role of uncertainty in science and society,^[15] with particular emphasis on the philosophy of history and the role of fortunate or unfortunate high-impact random events, which he calls "black swans", in determining the course of history.

Taleb believes that most people ignore "black swans" because we are more comfortable seeing the world as something structured, ordinary, and comprehensible. Taleb calls this blindness *the Platonic fallacy*, and argues that it leads to three distortions:

1. Narrative fallacy: creating a story post-hoc so that an event will seem to have an identifiable cause.
2. Ludic fallacy: believing that the unstructured randomness found in life resembles the structured randomness found in games. Taleb faults random walk models and other inspirations of modern probability theory for this inadequacy.
3. Statistical regress fallacy: believing that the structure of probability can be delivered from a set of data.

He also believes that people are subject to the *triplet of opacity*, through which history is distilled even as current events are incomprehensible. The triplet of opacity consists of

1. an illusion of understanding of current events
2. a retrospective distortion of historical events
3. an overestimation of factual information, combined with an overvalue of the intellectual elite^[16]

Taleb, an anti-Platonist, believes that universities are better at public relations and claiming credit than generating knowledge. Knowledge and technology are generated by what he calls "stochastic tinkering", rarely by top-down directed research. [4] (http://edge.org/q2007/q07_5.html#taleb) [5] (http://www.fooledbyrandomness.com/notebook.htm#OLE_LINK5) paragraphs 32 & 33 & 54 (<http://www.fooledbyrandomness.com/notebook.htm>)

Taleb stands against grand theories in social science. He supports experiments and fact collecting, but opposes the idea of directing our thinking into general Platonic theories that are not supported by hard data. His work is supported both by qualitative argument and by rigorous technical and quantitative analysis. [6] (<http://www.fooledbyrandomness.com/quant>)

Consistent with his anti-Platonism, Taleb doesn't like to see his ideas called "theories". As he stands against general theories and top-down concepts, he never mentions theory in conjunction with the Black Swan. The phrase "Black Swan theory" is, to him, a contradiction in terms, and he urges his readers not to "Platonify" the Black Swan. Rather, Taleb would call his Black-Swan idea an "anti-theory" or the "Black Swan conjecture".

He opposes the academic aura around economic theories, which in his view suffer acutely from the problem of Platonicity. In an article titled "The pseudo-science hurting markets", (<http://www.fooledbyrandomness.com/FT-Nobel.pdf>) Taleb called for the cancellation of the Nobel Memorial Prize in Economics, saying that the damage from economic theories can be devastating.

Ludic fallacy

Taleb's exposition of the Ludic fallacy in *The Black Swan*

We love the tangible, the confirmation, the palpable, the real, the visible, the concrete, the known, the seen, the vivid, the visual, the social, the embedded, the emotional laden, the salient, the stereotypical, the moving, the theatrical, the romanced, the cosmetic, the official, the scholarly-sounding verbiage (b*****), the pompous Gaussian economist, the mathematicized crap, the pomp, the Academie Francaise, Harvard Business School, the Nobel Prize, dark business suits with white shirts and Ferragamo ties, the moving discourse, and the lurid. Most of all we favor the narrated.

Alas, we are not manufactured, in our current edition of the human race, to understand abstract matters — we need context. Randomness and uncertainty are abstractions. We respect what has happened, ignoring what could have happened. In other words, we are naturally shallow and superficial — and we do not know it. This is not a psychological problem; it comes from the main property of information. The dark side of the moon is harder to see; beaming light on it costs energy. In the same way, beaming light on the unseen is costly in both computational and mental effort.

Warning of the Global Banking Crisis

In 2006, in *The Black Swan*^[17]

Globalization creates interlocking fragility, while reducing volatility and giving the appearance of

stability. In other words it creates devastating Black Swans. We have never lived before under the threat of a global collapse. Financial Institutions have been merging into a smaller number of very large banks. Almost all banks are interrelated. So the financial ecology is swelling into gigantic, incestuous, bureaucratic banks – when one fails, they all fall. The increased concentration among banks seems to have the effect of making financial crisis less likely, but when they happen they are more global in scale and hit us very hard. We have moved from a diversified ecology of small banks, with varied lending policies, to a more homogeneous framework of firms that all resemble one another. True, we now have fewer failures, but when they occurI shiver at the thought.

The government-sponsored institution Fannie Mae, when I look at its risks, seems to be sitting on a barrel of dynamite, vulnerable to the slightest hiccup. But not to worry: their large staff of scientists deem these events "unlikely".

Success during the 2007-2008 Financial Crisis

Taleb appeared to be vindicated against statisticians in 2008, as he reportedly made a multi-million dollar fortune during the Financial crisis of 2007–2008, a crisis which he attributed to the failure of statistical methods in finance ^{[18][19]}. Universa, where Taleb is advisor, made returns of 65% to 115% in October 2008 in its approximately \$2 billion “Black Swan Protection Protocol.” ^[20]

Taleb's financial success coupled with his earlier predictions have seen him catapulted to prominence. He has appeared on numerous magazine covers and television shows to discuss his views ^{[21] [22]} Taleb started being treated as a "rock star" in Davos 2009 in which he had harsh words for bankers ^{[23] [24]}.

In an article in The Times, Bryan Appleyard described Taleb as "now the hottest thinker in the world". ^[25] The Nobel Laureate Daniel Kahneman proposed the inclusion of Taleb's name among the world's top intellectuals, citing "Taleb has changed the way many people think about uncertainty, particularly in the financial markets. His book, *The Black Swan*, is an original and audacious analysis of the ways in which humans try to make sense of unexpected events." ^[26]

Bibliography

Essays

- Taleb, Nassim Nicholas (2001/2005). *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets*. New York: Random House. ISBN 0-8129-7521-9.
- Taleb, Nassim Nicholas (2005). *Le Hasard Sauvage*. Paris: Les Belles Lettres. ISBN 2-251-44297-9. Mostly a translation of *Fooled by Randomness* but has major changes compared to the English version.
- Taleb, Nassim Nicholas (2007). *The Black Swan: The Impact of the Highly Improbable*. New York: Random House. ISBN 978-1-4000-6351-2.

Representative scholarly publications

- Taleb, Nassim Nicholas (1997). *Dynamic Hedging: Managing Vanilla and Exotic Options*. New York: John Wiley & Sons. ISBN 0-471-15280-3.

- Taleb, N. N. (2004) “Randomness and the Arts”, *Literary Criticism/Critique Littéraire*
- Taleb, N. N. (2004) “Bleed or Blowup: What Does Empirical Psychology Tell Us About the Preference For Negative Skewness? ”, *Journal of Behavioral Finance*, 5
- Taleb, N. N. (2004) "I problemi epistemologici del risk management " in: Daniele Pace (a cura di) *Economia del rischio. Antologia di scritti su rischio e decisione economica*, Giuffrè, Milano
- Derman, E. and Taleb, N.N. (2005) The Illusion of Dynamic Replication (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=720581) , *Quantitative Finance*, vol. 5, 4
- Goldstein, D.G. and Taleb, N.N. (2007) We Don't Quite Know What We Are Talking About When We Talk About Volatility (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=970480) , *Journal of Portfolio Management*, Summer 2007.
- Taleb, N.N. (2007) Black Swan and Domains of Statistics (<http://www.fooledbyrandomness.com/TAS.pdf>) , *The American Statistician*, August 2007, Vol. 61, No. 3
- Haug, E.G. and Taleb, N.N. (2008) Why We Have Never Used the Black-Scholes-Merton Option Pricing Formula (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1012075) , *Wilmott magazine*
- Taleb, N. N. (2008). Infinite Variance and the Problems of Practice (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1142785) , *Complexity*, 14(2).
- Taleb, N.N. (in Press), Errors, Robustness, and the Fourth Quadrant (<http://ssrn.com/abstract=1343042>) , *International Journal of Forecasting*
- Mandelbrot, B. and Taleb, N.N. (in Press). Random Jump, not Random Walk. In Francis Diebold and Richard Herring (Eds.), *The Known, the Unknown, and the Unknowable*, Princeton University Press
- Pilpel, A. and Taleb, N.N., 2009 (in Press), “Beliefs, Decisions, and Probability” , Blackwell Companion to the Philosophy of Action

Honors

- Inducted into the Derivatives Hall of Fame in February 2001.^[27]
- Selected for the Power 30 in Business by SmartMoney /Wall Street Journal Magazine (October 2007).
- 2007 GetAbstract International Book Award. Previous winners of the getAbstract Book Award include Benoit Mandelbrot, Malcolm Gladwell, Robert Shiller and Chris Anderson.
- 2008 Frost & Sullivan Visionary of the Year Award.^[28]
- 2008 Prospect Magazine Top Intellectual of the Year, short list^[29]

Criticism

Taleb's contention that statisticians can be pseudoscientists when it comes to financial risks and risks of blowups, masking their incompetence with complicated equations, has attracted criticism from some statisticians.

The American Statistical Association devoted the August 2007 issue of *The American Statistician* to *The Black Swan*, in which statisticians offered a mixture of praise and criticism for Taleb's main points, mostly focused on Taleb's writing style and Taleb's representation of the statistical literature. Robert

Lund writes that Taleb in *Black Swan* is "reckless at times and subject to grandiose overstatements; the professional statistician will find the book ubiquitously naive."^[30]

Aaron Brown opines that "the book reads as if Taleb has never heard of nonparametric methods, data analysis, visualization tools or robust estimation,"^[31] although he also calls the book "essential reading" and urges statisticians to overlook the insults to get the "important philosophic and mathematical truths." Westfall and Hilbe (2007), while praising the book, complain that Taleb's criticism is "often-unfounded and sometimes outrageous."^[32] Taleb's contentious style draws comments such as, "with few exceptions, the writers and professionals [Taleb] describes are knaves or fools, mostly fools. His writing is full of irrelevances, asides and colloquialisms, reading like the conversation of a raconteur rather than a tightly argued thesis."^[32]

The late Berkeley statistician David Freedman said that efforts by statisticians to refute Taleb's point that rare events with major consequences are poorly dealt with by conventional statistics had been unconvincing.^[33]

On a Charlie Rose show Taleb said that he was pleased that none of the criticism he received for "The Black Swan" had any substance as it was either unintelligent or ad hominem/style over substance, which convinced him to "go for the jugular" with a huge financial bet on the breakdown of statistical methods in finance.^[34]

Quotations

- "My major hobby is teasing people who take themselves and the quality of their knowledge too seriously and those who don't have the guts to sometimes say: '*I don't know....*'"^[35]

See also

- Anamnesis
- Epoché
- Correlation does not imply causation
- We (novel)
- Econometrics
- Libertarianism
- Nicholas Metropolis
- The Monte Carlo method
- Black Swan Theory
- Taleb Distribution
- Heraclitus
- Applications of randomness

References

- ↑ Nassim Taleb. "Opacity and a-Platonicity: A Philosophical & Literary Notebook".

- <http://www.fooledbyrandomness.com/notebook.htm>. Retrieved on 2007-08-13. "I am Greek-Orthodox"
2. ^ Nassim Nicholas Taleb: the prophet of boom and doom (<http://business.timesonline.co.uk/tol/business/economics/article4022091.ece>) , Bryan Appleyard, The Sunday Times, June 1, 2008
 3. ^ The Risk Maverick (<http://www.fooledbyrandomness.com/bloombergProfile.pdf>) , Stephanie Baker-Said, Bloomberg L.P., May 2008
 4. ^ Nassim Nicholas Taleb at The Sunday Times Oxford Literary Festival (http://entertainment.timesonline.co.uk/tol/arts_and_entertainment/books/article3668594.ece) , Susannah Herbert, The Times Online, April 2, 2008
 5. ^ Straight From the Black Swan's Mouth (<http://freakonomics.blogs.nytimes.com/2007/05/21/straight-from-the-black-swans-mouth/>) , Stephen J. Dubner, The New York Times, May 21, 2007
 6. ^ "Learning to Expect the Unexpected". 2006. http://www.edge.org/3rd_culture/taleb04/taleb_index.html. Retrieved on 2006-09-19.
 7. ^ <http://query.nytimes.com/gst/fullpage.html?res=940DE2D71539F932A05752C0A96E048266>
 8. ^ ["French Thesis Database". http://fct.u-paris10.fr/FCT-APP/visualiserpub.do?code_these=9616484A. Retrieved on 2008-10-12.]
 9. ^ ["Home Page". [http://www.helyettegeman.com/.](http://www.helyettegeman.com/)]
 10. ^ [1] (<http://www.poly.edu/news/fullNews.php?id=1334>) ,
 11. ^ <http://online.wsj.com/article/SB118429436433665637.html>
 12. ^ Stone, Amey (October 24, 2005). "Profiting from the Unexpected". *News Analysis* (Businessweek). <http://www.fooledbyrandomness.com/busweek.mht>. Retrieved on 2006-09-19.
 13. ^ Kolman, Joe (December/January 1997). "The World According to Nassim Taleb". *Derivatives Strategy magazine*. <http://www.derivativesstrategy.com/magazine/archive/1997/1296qa.asp>. Retrieved on 2006-09-19.
 14. ^ Taleb's notebook paragraph 108 (<http://www.fooledbyrandomness.com/notebook.htm>)
 15. ^ "Prof. Nassim Nicholas Taleb — Running with Randomness". *Isenberg School of Management*. University of Massachusetts Amherst. February 1, 2006. http://www.isenberg.umass.edu/marketing/news/Prof_Nassim_Nichola_207/. Retrieved on 2006-09-19.
 16. ^ Taleb, Nassim Nicholas (2007), *The Black Swan: The Impact of the highly improbable*, pp. 8
 17. ^ The Black Swan: Quotes & Warnings that the Imbeciles Chose to Ignore (<http://www.fooledbyrandomness.com/imbeciles.htm>)
 18. ^ [2] (<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aDVgqxiT9RSg>) , Stephanie Baker-Said, Bloomberg L.P., October 14 2008
 19. ^ http://www.youtube.com/watch?v=_Jli7xPOvIA
 20. ^ <http://online.wsj.com/article/SB122567265138591705.html>
 21. ^ <http://business.timesonline.co.uk/tol/business/economics/article4022091.ece>
 22. ^ <http://business.timesonline.co.uk/tol/business/economics/article4022091.ece>
 23. ^ <http://www.washingtonpost.com/wp-dyn/content/article/2009/01/30/AR2009013002726.html>
 24. ^ <http://dealbook.blogs.nytimes.com/2009/01/28/a-rallying-cry-to-claw-back-bonuses/>
 25. ^ Nassim Nicholas Taleb: the prophet of boom and doom (<http://business.timesonline.co.uk/tol/business/economics/article4022091.ece>) , Bryan Appleyard, The Times, June 1, 2008
 26. ^ Daniel Kahneman choice for naming an influential intellectual (http://www.foreignpolicy.com/story/cms.php?story_id=4365)
 27. ^ "2000 Hall of Fame". *Derivatives Strategy magazine*. March 2000. <http://www.derivativesstrategy.com/magazine/archive/2001/0301fea1.asp>. Retrieved on 2006-09-19.
 28. ^ <http://www.frost.com/prod/servlet/summits-details.pag?eventid=107066069>
 29. ^ http://www.prospect-magazine.co.uk/article_details.php?id=10558
 30. ^ Lund, R. (2007) "Revenge of the white swan," *American Statistician*, 61(4), 189-192.
 31. ^ Brown, A. (2007) "Strong language on black swans," *American Statistician* 61(3), 195-97.
 32. ^ ^a ^b Westfall, P. and J. Hilbe, "The Black Swan: Praise and criticism," *The American Statistician*, 61(3), 193-94.
 33. ^ <http://www.stat.berkeley.edu/~census/crow.pdf>
 34. ^ <http://www.charlierose.com/view/interview/9713>
 35. ^ "Nassim Nicholas Taleb's Home Page".

http://www.fooledbyrandomness.com/. Retrieved on 2007-06-07.

External links

- Nassim Taleb's home page (<http://www.fooledbyrandomness.com/>) and blog (<http://www.wilmott.com/blogs/kurtosis/index.cfm/General>)
- FrankVoisin.com (<http://www.frankvoisin.com/?p=52>) - Summary and Review of Fooled By Randomness
- Edge article: The Opiates of the Middle Class (http://www.edge.org/3rd_culture/taleb05/taleb05_index.html)
- New Scientist Profile (<http://www.newscientist.com/article/mg19125581.600.html/>)
- *The New Yorker* article by Malcolm Gladwell: "Blowing Up: How Nassim Taleb turned the inevitability of disaster into an investment strategy" (http://www.gladwell.com/2002/2002_04_29_a_blowingup.htm)
- Taleb on Black Swans (http://www.econtalk.org/archives/2007/04/taleb_on_black.html) Podcast interview with Nassim Taleb at EconTalk
- The Pseudo-science hurting markets - Financial Times (<http://www.fooledbyrandomness.com/FT-Nobel.pdf>) Taleb calls for the cancellation of the economics Nobel prize
- Radio interview (<http://philosophytalk.org/pastShows/PredictingtheFuture.htm>) on Philosophy Talk
- Frost Over The World Interview (http://www.youtube.com/watch?v=0FphL3IW_VE) Taleb in discussion with Sir David Frost and Constantine Sandis (after Ali Allawi interview)
- Nassim Nicholas Taleb: the prophet of boom and doom (<http://business.timesonline.co.uk/tol/business/economics/article4022091.ece?&randnum=1212475411171>) — Profile from The Sunday Times by Bryan Appleyard
- The Fourth Quadrant: A map of the limits of statistics (http://www.edge.org/3rd_culture/taleb08/taleb08_index.html) — an article by Taleb about the limits of statistics
- The Black Swan: Quotes & Warnings that the Imbeciles Chose to Ignore (<http://www.fooledbyrandomness.com/imbeciles.htm>) - Early warning on banking risks.
- Philosophy Now Interview (<http://www.fooledbyrandomness.com/PhilosophyNow.pdf>) - In Conversation with Constantine Sandis.

Retrieved from "http://en.wikipedia.org/wiki/Nassim_Nicholas_Taleb"

Categories: Essayists | American essayists | American philosophers | 21st-century philosophers | Lebanese Americans | Lebanese Eastern Orthodox Christians | American Eastern Orthodox Christians | 1960 births | Living people | Monte Carlo methods | Epistemologists
 Hidden categories: Articles containing Arabic language text

- This page was last modified on 8 March 2009, at 06:33.
- All text is available under the terms of the GNU Free Documentation License. (See **Copyrights** for details.)
 Wikipedia® is a registered trademark of the Wikimedia Foundation, Inc., a U.S. registered 501(c)(3) tax-deductible nonprofit charity.