



SKIN IN THE GAME: Hidden Asymmetries in Daily Life

by N. Nicholas Taleb



Overview

Taleb, the author of both [The Black Swan](#) and [Antifragile](#), discusses the concept of “skin in the game”. In essence, by abstracting away concepts and situations, people who have no skin in the game will not personally suffer any consequences if something goes awry. This results in them making sub-par decisions since they share none of the risk. For example, when a salesman does not have to use his own product, he has no skin in the game and can sell sub-par products. Or when the Pope talks about the healing power of prayer but goes to the hospital for his illnesses, he is not putting skin in the game with his religious beliefs. Similarly, atheists will often adopt religious-like ceremonies like daily yoga, not fully committing to *their* worldviews. Taleb discusses the theory and provides both ancient & modern examples of skin in the game.

“You cannot separate knowledge from contact with the ground. Actually, you cannot separate anything from contact with the ground. And the contact with the real world is done via skin in the game—having an exposure to the real world, and paying a price for its consequences, good or bad.”

Prologue 1. Antaeus

Throughout history, having “skin in the game” has kept hubris in check. For example, over two thirds of Roman emperors died on the battlefield. Yet today, those in power choose to stand on the sidelines and watch as others face consequences. These “interventionistas”...

- ...consider situations static.
- ...address only one of many issues at hand.
- ...fail to predict others’ responses to their actions.

Just as Antaeus faced defeat after losing contact with Mother Earth in Greek mythology, we likewise must keep contact with the ground, a.k.a. reality.

Prologue 2. A Brief Tour of Symmetry

Symmetry is when everyone in a transaction gains and loses equally. Should harm befall a buyer, an equal consequence would befall the seller. Thus, shared risk.

Symmetry prevents tail risk – an unlikely but devastating outcome unbeknownst to one party, such as a crucial design flaw that could cause a house to collapse. Modern-day tail risks are easily concealed, which leaves buyers vulnerable to disaster and allows sellers to distance themselves from repercussions.

The Silver Rule, “Do *not* treat others the way you would *not* like them to treat you,” creates symmetry. It is more effective than the Golden Rule as it’s easier to agree over what is “bad” than what is “good.”

Chapter 1. Why Each One Should Eat His Own Turtles: Equality in Uncertainty

Some transactions are ordinarily *asymmetrical*. For example, salespeople get the buyer’s money even if the product disappoints. In an ethical transaction, there would be full transparency and sellers would “eat their own turtles,” using the products they sell. Instead, salespeople have no consequences for withholding knowledge or selling inadequate products.

In large collectives, individuals are more concerned with their own interests than the group’s. Yet in a small group, collective interest can be enforced via the “tragedy of commons”, self-regulation due to a limited shared resource. For instance, it’s easier for a small group of fishermen to agree to limit overfishing.

Journalists will report on topics they’re not personally invested in, and traders promote stocks they’ve purchased to increase its price. Pharmaceutical companies will cater to those with mild health problems rather than severe ones to cultivate lifelong customers; they suffer no real consequences from ignoring those with severe ailments.

