URL: https://stvp.stanford.edu/clips/trial-with-small-error
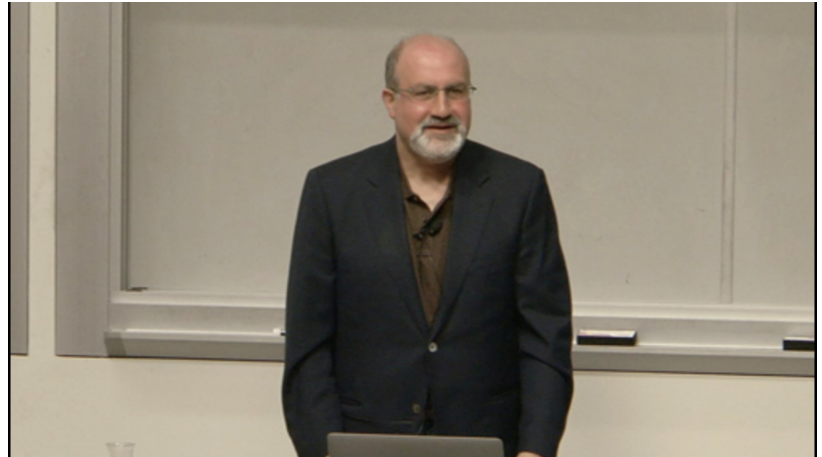
Author and researcher Nassim Taleb describes why capturing luck through diligent trial and small errors is the actual basis of human innovation, rather than the collective knowledge of experts. According to Taleb, convexity matters much more than knowledge, when you are faced with randomness and uncertainty.

Transcript

I did a simple - very simple experiment.. On my computer, I generated two kinds of series.. One where a person knows where he is going, very intelligent person, he knows where he is going but doesn't have any convexity in his payoff.. The other one of a person who doesn't where he is going, has no idea but has convexity in his payoff, you see? Look at the difference between the two.. Trial and error is an option, why? Look at trial and error as something like this.. You lose, lose, lose, lose, lose, lose and once in a while you make a lot, you see, exactly like the opposite of the coffee cup like what we saw before something that gains from disorder and gains from black swans.. That's trial and error, okay? You are in a business of trial and error.. Someone who trial - does trial and error versus someone who has directed ideas is going to perform extremely well when you have randomness and what we're going to see is why when you have trial and error you outperform someone who knows because convexity matters a lot more than knowledge.. You know not what's going on, you keep trial and error and you're rational enough not to make mistakes by doing the same trial twice or having a result and giving it up.. So we can generate rules from this..

And I was thinking on seven rules because people like the number seven, look here, seven money rules for life.. There is here.. Seven rules for success, alright? Seven rules for weight loss, alright, you can do that as well.. And seven rules for change management, okay? So, okay, I am going to come up with my seven rules but then I realized you guys will not remember the seven rules as you leave this place.. So what you have to understand is how an option works.. And once you understand how an option works then you understand one rule, how to milk, how to be in a position where you are antifragile and benefit from randomness.. It's a big, big misnomer that trial and error you know or luck, benefiting from luck, all right, is a good - the word trial and error is a misnomer.. We should not say trial and error, we should say convex function of randomness or trial with small error, okay, trial and the error has to be small.. So the antifragile your environment where the errors are small and of small cost and the gains are large and unlimited.. And then you are positioned properly towards the black swan, unpredictability, all these things...