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Talkers vs. Doers

“An intellectual is a man who takes more words than necessary to tell more than he knows.”

- Dwight D. Eisenhower



"Mr Longman, which do you think would help me more in my career - a course on accountancy or some golf lessons?"

CartoonStock.com

I got my first job in the financial markets back in late 1997. At the time, I worked on the mortgage backed securities trading desk of a regional broker-dealer and was assigned data base duty. That meant my days were spent typing in minute securities details, including dealer offerings, which I then used to run queries for the producers (traders and institutional sales people) of the firm. Within six months on the job I needed my first pair of glasses.

I have never been afraid to pay dues. This was a good thing, as compared to many of my peers who started their careers out at the big-name investment banks, I did not possess an Ivy League education or county club connections. By Wall Street standards my background was unambiguously non-traditional. This meant most hiring managers didn't know what to do with me, and so I was rarely considered for the better positions early in my career.

When I was boy, my Dad used to say that the cream rises to the top. Over the years, I found this to be mostly true, however what he failed to mention was that there is also a lot of gunk mixed in, that probably should have sunk to the bottom. In large organizations, political skill should never be underestimated, as in lean times (which occur often) these are the people who survive. Sounding smart and being smart are not necessarily the same thing – the political types tend to sound smart and frequently get ahead regardless of the outcome.

For this month's market outlook, I have chosen to avoid talking about the market. Sometimes there is little to say and no sense forcing it. Instead, I'd like to pass along an essay I recently viewed over the publishing website Medium.com, ["Talkers vs. Doers" written by Ryan DeLongpre](#). As an ex-bond and interest rate derivatives trader my decisions were judged in real-time – at the end of the day, I alone took ownership of either my gains or losses. Slick talk and intellectual superiority meant little in this environment or among my peers. Today, the outcome of my investing decisions is judged by my clients. I answer to them. The ex-trader and author, Nassim Nicholas Taleb calls this "skin in the game" and recently released a book using this phrase as the title. Mr. DeLongpre gets it, as I suspect so will many of my readers.

Talkers Vs. Doers

How few people were able to predict President Trump

By Ryan DeLongpre

In the early days of the 2016 Election cycle 3 public figures struck me as unambiguously confident that Trump was going to become President. Those were Scott Adams, Mike Cernovich and Stefan Molyneux. They all came from different backgrounds and most notably none of them was a classical political pundit, let alone an expert. In fact, all of the pundits and so-called experts, even those on the conservative side (Ben Shapiro, David Frum, etc. etc.) didn't give a chance in hell to Donald Trump.

We all know how that story turned out.

For months, and now years, I have been trying to figure out what special insights those who predicted the election right against the odds possessed.

Last night, as I was reading the new book of Nassim Nicholas Taleb "Skin In The Game", it finally came to me.

To summarize the book in few lines, an impossible task, #SkinInTheGame is the behaviour displayed by those people who make decisions with full ownership of the associated risks (farmers, soldiers, athletes, entrepreneurs, etc. etc.) vs. those who externalize risks to others while paying little or no consequences for their catastrophic judgment (bureaucrats, politicians, economists, journalists, consultants, and so on).

Or to put in street words: the distinction is between *Doers* and *Talkers*.

If we were to give an IQ test to Scott Adams and Ben Shapiro I doubt the results would be much different, yet a crucial difference exists: Ben Shapiro never had a real job while Scott Adams spent 20 years in corporate America before becoming a famous cartoonist and then proceeded to write books, open restaurants and becoming an entrepreneur.

Ben Shapiro, being an Harvard laureate in Law, probably knows the Constitution & the Declaration of Independence by heart and I bet he has read more books in 33 years than Scott in 60. Yet all of that knowledge didn't matter because at the end of the day *Scott Adams is a doer and Ben Shapiro is a talker*.

Scott Adams saw president Trump coming in 2015 while Ben, even on election day, was sure he was going to call Hillary Clinton, Madam President the next day.

Doers are, sometimes brutally, selected by the market for their accuracy to predict the future. What products will customers want tomorrow? What new materials are going to reduce the cost of production? What new markets are going to emerge? Doers have #SkinInTheGame and only few survive.

On the other hand, Talkers are selected *only because they can arrange words better than somebody else*. No risk is involved hence no true talent is developed. They go from one book to another, from one column to the other, from one TV appearance to another. Their ill-informed opinions are quickly forgotten as they get busy writing the next editorial.

A case in point:

Paul Krugman, a Nobel Laureate in Economics nevertheless, famously predicted an endless economic recession the day after Trump won the election.

The New York Times

Paul Krugman: The Economic Fallout

By PAUL KRUGMAN

12:42 AM ET |  COMMENT

It really does now look like President Donald J. Trump, and markets are plunging. When might we expect them to recover?

Frankly, I find it hard to care much, even though this is my specialty. The disaster for America and the world has so many aspects that the economic ramifications are way down my list of things to fear.

Still, I guess people want an answer: If the question is when markets will recover, a first-pass answer is never.


What do you think he does now? Was he fired? Did he lose his credibility?

Nope. Paul Krugman still writes, with the same vehemence, opinion pieces for the New York Times.

Opinion | Paroling the Spanish Prisoner (Wonkish)

Yesterday I was the keynote speaker - actually keynote have-a-chat-with-Anil Kashyap - at the U.S. Monetary Policy...

www.nytimes.com



What do you think happened to the likes of Ben Shapiro, David Frum & Sam Harris? Did they stop commenting, writing books or having hours-long podcast on politics?

Of course not!

The Talkers almost never pay the price—*they are insulated from Natural Selection*—while Doers always do. And with that magic pinch of *#SkinInTheGame* the Doers were able to predict the future while the Talkers were making fun of them.

Ryan DeLongpre

As usual, the ancients have figured this out long ago:

“Those who know do, those who don’t teach”

We don’t consult historians on how to win a war and we don’t ask sci-fi writers to build rockets because we instinctively know that talkers are only good at one thing: talking. Listen to Doers, ignore the Talkers.

Sincerely,

Justin Kobe, CFA
Founder, Portfolio Manager & Adviser

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