

The Law of Lindy

by Tom Delic

In 1964, American author and academic Albert Goldman wrote an article in US magazine *The New Republic*, titled 'Lindy's Law'¹. While dining at Lindy's, a New York delicatessen, Goldman became interested in the discussions that took place between entertainment industry veterans who frequented the restaurant and would analyse the latest televised comedy shows. The unwritten rule amongst the gossipers was that "the life expectancy of a television comedian is [inversely] proportional to the total amount of his exposure on the medium", in other words, the more frequent the comedian was on the television, the shorter the comedian's time in the spotlight...due to running out of material!

Almost twenty years later Lindy's Law reappeared in mathematician Benoit Mandelbrot's book *The Fractal Geometry of Nature*. Mandelbrot however came to the opposite conclusion and expressed mathematically that the expected survival of an artist's work was, on average, lengthened as the work continued to survive. He called this the 'Lindy effect'.

Mandelbrot's expression of the Lindy effect was popularised and expanded by Nassim Taleb, particularly in his book *Antifragile*, where he stated that non-perishable items such as technologies, ideas and non-biological objects follow a relationship close to that of a power law, whereby the average remaining life expectancy increases with age. Taleb links the Lindy effect to his theory of fragility, in that time is the ultimate judge, given it exposes everything to shock and disorder. The non-perishable that can survive the passage of time is therefore robust or even anti-fragile, the latter meaning it gains from disorder.

An example of the Lindy effect can be seen in literature. William Shakespeare's *Macbeth* has been read or performed for over 400 years. We can therefore expect it will be read for another 400 years. If *Macbeth* features in the curriculum for schoolchildren a century from now, we will then expect the play to survive a further 500 years. Asymmetrically, mortality decreases as age increases. The world is full of non-perishables that have stood the test of time: democracy, fermentation, teapots, double-entry bookkeeping, and so on.

While the Lindy effect is a useful heuristic to apply across many aspects of our lives, we can also use it as a filter in the portfolios we manage for clients. First, we can focus on time-tested investment styles that have been stressed across multiple investment cycles, such as value and momentum. Secondly, we can invest in assets that have centuries of evidence of retaining or increasing an investor's real net worth. Examples may include gold as a reliable alternative to fiat money or an equity investment in a business that has survived war, technological disruption, and everything in between.

This is not to say we cannot invest in new business models but often the most successful new businesses are centred around ideas that satisfy age-old basic human wants and needs. Take Jeff Bezos' answer when he is questioned on what is going to change over the next decade: "I almost never get the question: 'What's not going to change in the next 10 years?' And I submit to you that that second question is actually the more important of the two - because you can build a business strategy around the things that are stable in time... In our retail business, we know that customers want low prices, and I know that's going to be true 10 years from now."²

Thirdly, we should diversify, a concept that has endured for many years. Taking a quote from Lindy-filtered book *Don Quixote*, "It is the part of a wise man to keep himself today for tomorrow, and not venture all his eggs in one basket"³. Lastly, we should focus on the long-term, embracing compound interest which is itself a power law that benefits from the passage of time.

Source

1 <https://www.gwern.net/docs/statistics/probability/1964-goldman.pdf>

2 What's Going to CHANGE in the Next 10 Years? | Jeff Bezos - YouTube, https://www.youtube.com/shorts/yCEX_Q5O0Cl

3 *Don Quixote* (Part I, Book III, Chapter 9) by Miguel de Cervantes Saavedra [1547-1616]. Translated by Peter Anthony Motteux [1660-1718]

Unless stated, all other figures sourced from Bloomberg Finance, L.P.



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