

Chapter 04: Play Long-Term Games with Long-Term People

The Almanack of Naval Ravikant • Executive Breakdown

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1 Iterated Prisoner's Dilemma and Compounding Trust

- ✓ All substantial returns in life—wealth, relationships, knowledge, and reputation—emerge from compound interest in iterated games.
- ✓ In single-round encounters, rational actors defect; in repeated long-term games, mutual cooperation becomes the dominant, wealth-maximizing strategy.
- ✓ Trust functions as an economic lubricant: business partners with decades of shared history execute multi-million dollar deals on handshakes without legal friction.

2 The Cost of Short-Term Optimization and Defection

- ✓ Mercenary behavior aimed at capturing quick transactional profits burns bridge networks and destroys compounding reputation capital.
- ✓ People who play short-term games reveal their low-integrity nature during stress; partnering with them guarantees sudden, catastrophic downside.
- ✓ Naval's rule of thumb: if you cannot envision working with someone for the rest of your life, do not work with them for a single day.

3 Building Compounding Networks in Silicon Valley and Beyond

- ✓ Venture capital and technology ecosystems demonstrate exponential power-law distributions where top participants collaborate across successive decades.
- ✓ Reinvesting relational equity back into the same high-caliber circle creates compounding returns that dwarf isolated transactional victories.
- ✓ Surround yourself with individuals possessing high intelligence, relentless energy, and uncompromising integrity; lacking the third destroys the first two.

Chapter Summary

- ✓ All outsized returns in wealth, reputation, and love stem from compound interest in iterated games.
- ✓ Cooperate relentlessly in repeated interactions; defection delivers petty immediate gains at the cost of compounding.
- ✓ Apply Naval's binary filter: if you cannot work with someone for a lifetime, do not work with them for an hour.
- ✓ Select partners with high intelligence, boundless energy, and unyielding integrity—never compromise on ethics.