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CONVEXITY / ATTENTION ECONOMICS

# Pareto Distribution: The *Vital Few*

Equality of effort is not equality of outcome. Power laws reward honesty about where leverage actually lives.

SYSTEM ARCHETYPE 025

## Pareto / *Power Laws* /

The Pareto distribution reminds you that tails are not accidents—they are baked into competitive systems. Use it with leverage points,

emergence, modular systems, and inversion so concentration becomes a decision rather than a surprise.

## 1. The Curve Is *Everywhere*

The **Pareto distribution** is the polite name for a rude fact: a small fraction of inputs drives most outcomes. In portfolios, skills, clients, and books, returns are convex. Pretending otherwise produces pretty diversification charts and mediocre net worth trajectories.

This is not permission to be reckless. It is pressure to be deliberate: know what your "vital few" are, defend them, and refuse fake diversification that only decorates the tail. Pair with leverage points and emergence—because identity and habits are also Pareto-heavy systems.

*"Equality of attention is inequality of results."*

## 2. Portfolio *Truth*

Run a concentration audit: which positions supply most of the expected growth, most of the risk, and most of the maintenance cost? If one name answers all three, you do not have a portfolio; you have a job with a ticker symbol. Modularity lowers the chance that your "20%" is secretly the same macro bet wearing wigs.

### 3. Pareto in *Time*

Calendar Pareto is harsher than balance-sheet Pareto. Two deep hours on the highest-leverage problem beat eight hours of inbox cosplay. Feedback delays mean the vital few activities do not gratify immediately—which is why mediocre schedules feel productive.

80/20 AUDIT

01

#### Rank assets by marginal contribution

Growth, yield, tax alpha, optionality—pick one lens per pass.

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02

## Rank risks by tail mass

Which small set dominates ruin probability?

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03

## Cut the long tail of busywork

Subscriptions, accounts, and side projects that consume attention for epsilon return.

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04

## Rebalance policy, not mood

Rules beat epiphanies. Write the trigger levels when you are calm.

# 4. Generosity and *Power Laws*

Pareto explains why philanthropy and mentorship scale oddly: a few interventions change trajectories; most noise does not. Design giving and

teaching with the same intolerance for fake diversification you use on your balance sheet.

## 5. Inversion *First*

Before you chase the vital few wins, run inversion on how those wins tend to blow up. Convexity without guardrails is a lottery ticket with a suit.

Build the *lattice*, not the legend.

Return to the Reading hub for essays, tools, and the rest of the 100-topic map.

