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Life and Work, Codified at Last

From atop a hedge fund, nuggets of wisdom arguing for radical transparency and for thinking of yourself as a machine. Daniel Akst reviews 'Principles' by Ray Dalio.



Ray Dalio of Bridgewater Associates PHOTO: BLOOMBERG NEWS

Daniel Akst

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Nobody can call Ray Dalio unprincipled. In fact, the founder of Bridgewater Associates, who built it from scratch into the world's largest hedge fund, may be just as well known for creating a somewhat controversial set of principles aimed at systematizing the firm's decision making and codifying

its values. In 2010, he posted them online, leading to more than three million downloads.

Mr. Dalio has now brought forth a sizable book titled "Principles," in which he has expanded his precepts and vows to explain how he has used them to create "an idea meritocracy that strives to deliver meaningful work and meaningful relationships through *radical truth* and *radical transparency*" (author's emphasis). The metaphor at the heart of Mr. Dalio's thinking is a machine, a term that appears over and over. "Think of yourself as a machine," he writes at one point, "operating within a machine."

The first principle, reasonably enough, is: "Think for yourself to decide 1) what you want, 2) what is true, and 3) what you should do to achieve #1 in light of #2." From there the book offers two sets of overlapping precepts, one for life and one for work, both designed to cope with the chronic difficulty that humans have in comprehending reality. Again and again the author stresses the blind spots that afflict all of us and the need for humility in the face of how little we know. "You can never be sure of anything," Mr. Dalio writes, echoing the first commandment of Bertrand Russell's classic decalogue ("Do not feel absolutely certain of anything") and placing himself squarely in a virtuous tradition stretching back to Socrates.

Despite these promising beginnings, ultimately Mr. Dalio's principles are a disappointing mix of the hardheaded and starry-eyed, the insightful and inconsistent, the sensible and clueless. Most of all, they are obvious. He emphasizes embracing change, staying open-minded and facing up to reality, all sound notions that will surprise no thinking adult. Useful nuggets include work principle 10.6c, which suggests having subordinates spend a few minutes writing a daily report on what they did that day—and, really, couldn't all of us benefit from keeping a journal? But we also get such chestnuts as "Beware of fiefdoms," "Use checklists" and "Allow time for rest." Life principle 4.1a says, in all seriousness: "We are born with attributes that can both help us and hurt us, depending on their application."

Some of Mr. Dalio's ideas are more alarming than anodyne. Seeing complex human systems as machines seems dangerously reductive, and "radical transparency" is naive. Its pitfalls were painfully evident to Winston Smith in "1984" and should be clear to the

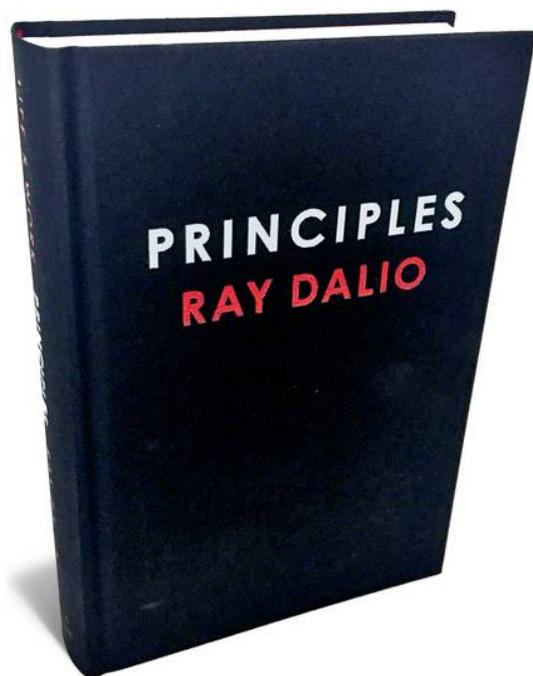


PHOTO: WSJ

PRINCIPLES

By Ray Dalio

Simon & Schuster, 567 pages, \$30

rest of us by now thanks to a digital revolution that has commoditized our most private information and exposed so much of it to hackers. Radical truth, judging by press accounts of Bridgewater, appears to mean continual and often public criticism, which hardly seems conducive to open-mindedness.

Skeptical readers will find little need to contradict Mr. Dalio, since he's so good at the job himself. He extols humility and simplicity yet offers a vast, clanking engine of tenets—and a book of nearly 600 pages, the first of two planned volumes, to convey just some of them. He insists on evidence-based decision making yet categorizes people in part on the dubious Myers-Briggs psychological typing system. In one place he

advocates focusing on even the smallest problems yet attributes apocryphal quotes to Churchill and Einstein. Not to worry—elsewhere he urges us to “be imprecise,” the better to think conceptually.

Mr. Dalio says that his staff is like “my extended family” yet stresses getting rid of people who don't measure up or who resist Bridgewater's unusual culture—by exercising tact, presumably. And while he urges close attention to the way people are wired, he flouts the most rudimentary understanding of human nature with the assertion that “when you enter into relationships with others, your principles and their principles will determine how you interact.”

The author's account of his own life suggests otherwise. “Principles” begins with a 125-page memoir in which the author recounts his rise from a modest middle-class background. After Harvard Business School he worked in commodities until, for reasons unstated, he punched out his boss. He leveraged his knowledge of futures markets to start Bridgewater in 1975, and it mostly flourished. But in 1993 his chief lieutenants told him in writing that he was making people at the firm feel “incompetent, unnecessary, humiliated, overwhelmed, belittled, oppressed, or otherwise bad.”

This intervention evidently spurred him to develop the principles as “agreements for how we would be with each other and my reflections on how we should handle every situation that came up.” Mr. Dalio's principles are now embedded in a megalomaniacal-sounding project to automate a great deal of management at Bridgewater, whose detractors have called its environment cultlike. The company maintains so-called Baseball Cards, which capture data points about its employees to make the strengths and weaknesses of each evident to all. Mr. Dalio writes that “everyone's believability is tracked and measured systematically” using such tools in order to “actively record and weigh their experience and track records.” Most meetings are recorded.

Although it's hard to argue with success—Mr. Dalio has earned some \$49 billion for investors—there is no proof that his remarkable results flow from what's on offer here. Apple, Amazon and other enterprises have flourished under similarly brilliant and

driven founders with demanding management styles even absent hundreds of pages of principles or any pretenses about radical transparency. Bridgewater might be even more successful if its founder and his minions were less consumed by process—and put away their Baseball Cards.

Mr. Akst is the author of “We Have Met the Enemy: Self-Control in an Age of Excess.”

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