

Dalio, Ray – Principles

Simon & Schuster, 2017, [Business] Grade ★★★★★

One of history's highest achieving hedge fund managers is coming of age and wants to share the insights he has made with the hope that these could be of use to others. Ray Dalio, the founder of the systematic macro hedge fund Bridgewater, the hedge fund that has created the highest amount of alpha measured in absolute cash ever, does this through publishing two books. In this first one he shares his life and work principles – his fundamental truths - and describes how he came to acquire them. In a forthcoming book Dalio will lay bare his views on economics and investments.

This 550 page black brick of a book has three sections. First a biographical part that gives an historical background to the specific intellectual events in Dalio's life that taught him the lessons that shaped his principles and also as such gives an introduction to what they are. Then, one section where the author goes through the principles for how he has chosen to live his life and finally the lengthiest part where Dalio describes how he applies the same principles to the management of the organization Bridgewater – the latter a process that has generated many news articles through the years. The text is based on a large number of statements and then surrounding commentary writing describing the rational. This is hardly the ideal setup for a fluent text but the book is still easy to read. In a way the three sections are in different literary genres; memoirs, personal development and organizational management but for Dalio all are woven into a seamless whole.

Since the internal Bridgewater version of this book has been downloaded as a pdf in millions of copies through the years, many will potentially refrain from purchasing it. Still, the book and the pdf differ quite markedly. Obviously not when it comes to the core message, but the book is greatly expanded compared to the previous pdf. The biographical part has been added and the descriptive commentary around each principle likewise. All this gives additional insights but the

numerous repetitions and explanations, in combination with a somewhat preaching style, is the main drawback of the book. I would almost recommend the reader to choose the angle that he is most interested in – personal development or organizational theory – and then read the biography plus the preferred section.

The description of the author and his principles in my view feels very honest and Dalio has a truly fascinating personality. He is consumed by the will to make sense of things. By uncovering truths he, and the organization he leads, evolve. Dalio is bordering on obsessed with attention to details, data gathering, reflection, learning and rationality. At the same time he is hugely inquisitive, innovative, creative and independent minded in his way of drilling down to the core of issues. Dalio's attitude could be said to be the absolute opposite of the post-truth political debate or relativistic academic doctrines of today.

Dalio who is a former liberal Harvard student that practices yoga and dresses casually views both his own life journey and that of Bridgewater as a machine that in accordance to set output targets constantly must be adjusted in an trial-and-error-and-learning process – much like a automation system in manufacturing. The principles are the algorithms that go into the automation system. The author holds the cards close to his chest when it comes to his family life but to me it feels a bit mechanical to constantly be this analytical and rational about ones life – and this comes from someone that shares some of the personality traits. In my view, in Dalio's reductionist worldview lies a need for control and a will to quell an unruly world with it's psychologically biased people.

Ray Dalio invites everyone to share his principles but he is explicit about that they are not the best principles for the reader. Instead he urges us all to explore how to best live the life's we have. We would be fools if we didn't follow through on that.

Mats Larsson, November 26, 2017