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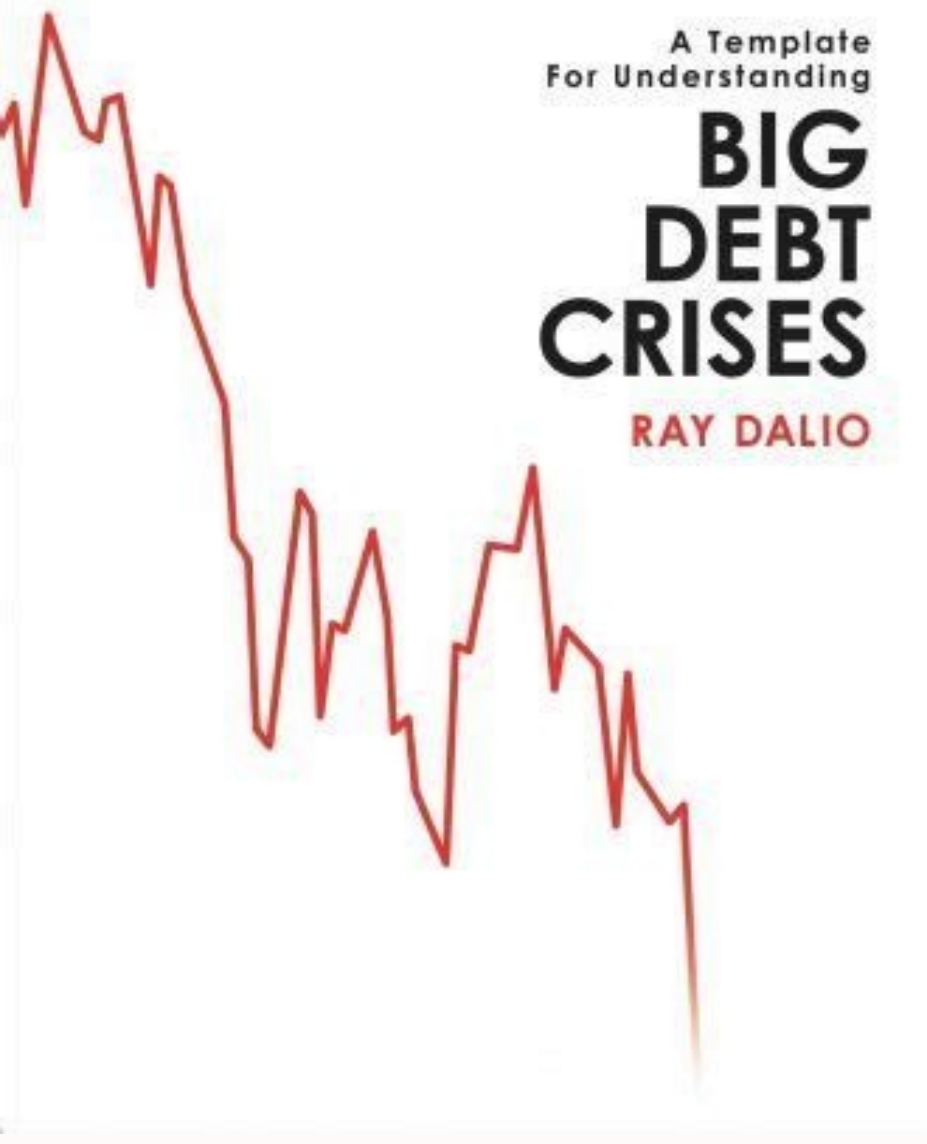

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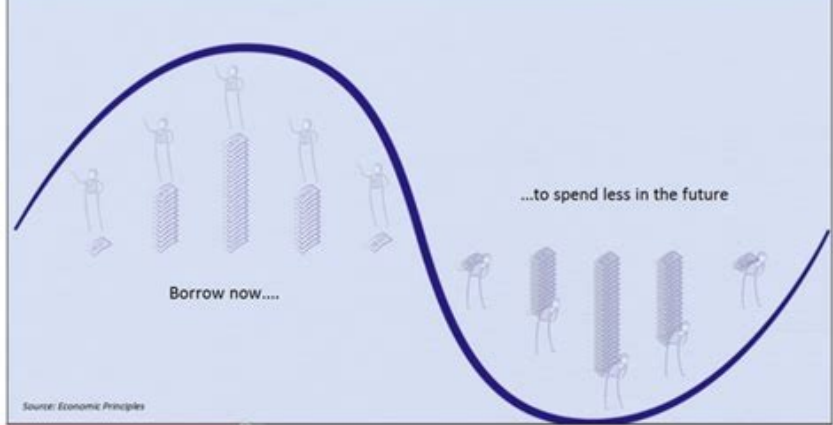
Ray dalio economic principles pdf

Principles ray dalio summary. What are the principles of ray dalio. Ray dalio economic and investment principles pdf. Principles ray dalio price.

Page 1 Thank you for downloading this Simon & Schuster ebook. Get a FREE ebook when you join our mailing list. Plus, get updates on new releases, deals, recommended reads, and more from Simon & Schuster. Click below to sign up and see terms and conditions. CLICK HERE TO SIGN UP Already a subscriber? Provide your email again so we can register this ebook and send you more of what you like to read. You will continue to receive exclusive offers in your inbox. PART I WHERE I'M COMING FROM 1 My Call to Adventure: 1949–1967 2 Crossing the Threshold: 1967–1979 3 My Abyss: 1979–1982 4 My Road of Trials: 1983–1994 5 The Ultimate Boon: 1995–2010 6 Returning the Boon: 2011–2015 7 My Last Year and My Greatest Challenge: 2016–2017 8 Looking Back from a Higher Level PART II LIFE PRINCIPLES 1 Embrace Reality and Deal with It 2 Use the 5-Step Process to Get What You Want Out of Life 3 Be Radically Open-Minded 4 Understand That People Are Wired Very Differently 5 Learn How to Make Decisions Effectively Life Principles: Putting It All Together Summary and Table of Life Principles PART III WORK PRINCIPLES Summary and Table of Work Principles TO GET THE CULTURE RIGHT . . . 1 Trust in Radical Truth and Radical Transparency 2 Cultivate Meaningful Work and Meaningful Relationships 3 Create a Culture in Which It Is Okay to Make Mistakes and Unacceptable Not to Learn from Them 4 Get and Stay in Sync 5 Believability Weight Your Decision Making 6 Recognize How to Get Beyond Disagreements TO GET THE PEOPLE RIGHT . . . 7 Remember That the WHO Is More Important than the WHAT 8 Hire Right, Because the Penalties for Hiring Wrong Are Huge 9 Constantly Train, Test, Evaluate, and Sort People TO BUILD AND EVOLVE YOUR MACHINE . . . 10 Manage as Someone Operating a Machine to Achieve a Goal 11 Perceive and Don't Tolerate Problems 12 Diagnose Problems to Get at Their Root Causes 13 Design Improvements to Your Machine to Get Around Your Problems 14 Do What You Set Out to Do 15 Use Tools and Protocols to Shape How Work Is Done 16 And for Heaven's Sake, Don't Overlook Governance! Work Principles: Putting It All Together ACKNOWLEDGMENTS ABOUT THE AUTHOR CONCLUSION APPENDIX: TOOLS AND PROTOCOLS FOR BRIDGEWATER'S IDEA MERITOCRACY BIBLIOGRAPHY INDEX To Barbara, the half of me who has made me whole for more than forty years. INTRODUCTION Before I begin telling you what I think, I want to establish that I'm a "dumb shit" who doesn't know much relative to what I need to know. Whatever success I've had in life has had more to do with my knowing how to deal with my not knowing than anything I know. The most important thing I learned is an approach to life based on principles that helps me find out what's true and what to do about it. I'm passing along these principles because I am now at the stage in my life in which I want to help others be successful rather than to be more successful myself. Because these principles have helped me and others so much, I want to share them with you. It's up to you to decide how valuable they really are and what, if anything, you want to do with them. Principles are fundamental truths that serve as the foundations for behavior that gets you what you want out of life. They can be applied again and again in similar situations to help you achieve your goals. Every day, each of us is faced with a blizzard of situations we must respond to. Without principles we would be forced to react to all the things life throws at us individually, as if we were experiencing each of them for the first time. If instead we classify these situations into types and have good principles for dealing with them, we will make better decisions more quickly and have better lives as a result. Having a good set of principles is like having a good collection of recipes for success. All successful people operate by principles that help them be successful, though what they choose to be successful at varies enormously, so their principles vary. To be principled means to consistently operate with principles that can be clearly explained. Unfortunately, most people can't do that. And it's very rare for people to write their principles down and share them. That is a shame. I would love to know what principles guided Albert Einstein, Steve Jobs, Winston Churchill, Leonardo da Vinci, and others so I could clearly understand what they were going after and how they achieved it and could compare their different approaches. I'd like to know which principles are most important to the politicians who want me to vote for them and to all the other people whose decisions affect me. Do we have common principles that bind us together—as a family, as a community, as a nation, as friends across nations? Or do we have opposing principles that divide us? What are they? Let's be specific. This is a time when it is especially important for us to be clear about our principles. My hope is that reading this book will prompt you and others to discover your own principles from wherever you think is best and ideally write them down. Doing that will allow you and others to be clear about what your principles are and understand each other better.



It will allow you to refine them as you encounter more experiences and to reflect on them, which will help you make better decisions and be better understood. HAVING YOUR OWN PRINCIPLES We come by our principles in different ways. Sometimes we gain them through our own experiences and reflections. Sometimes we accept them from others, like our parents, or we adopt holistic packages of principles, such as those of religions and legal frameworks. Because we each have our own goals and our own natures, each of us must choose our own principles to match them. While it isn't necessarily a bad thing to use others' principles, adopting principles without giving them much thought can expose you to the risk of acting in ways inconsistent with your goals and your nature. At the same time, you, like me, probably don't know everything you need to know and would be wise to embrace that fact. If you can think for yourself while being open-minded in a clearheaded way to find out what is best for you to do, and if you can summon up the courage to do it, you will make the most of your life. If you can't do that, you should reflect on why that is, because that's most likely your greatest impediment to getting more of what you want out of life. That brings me to my first principle. • 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 . . . and do that with humility and open-mindedness so that you consider the best thinking available to you. Being clear on your principles is important because they will affect all aspects of your life, many times a day. For example, when you enter into relationships with others, your principles and their principles will determine how you interact. People who have shared values and principles get along. People who don't will suffer through constant misunderstandings and conflicts. Think about the people you are closest to: Are their values aligned with yours? Do you even know what their values or principles are? Too often in relationships, people's principles aren't clear. This is especially problematic in organizations where people need to have shared principles to be successful. Being crystal clear about my principles is why I labored so much over every sentence in this book. The principles you choose can be anything you want them to be as long as they are authentic—i.e., as long as they reflect your true character and values. You will be faced with millions of choices in life, and the way you make them will reflect the principles you have—so it won't be long before the people around you will be able to tell the principles you are really operating by. The worst thing you can be is a phony, because if you're a phony you will lose people's trust and your own self-respect. So you must be clear about your principles and then you must "walk the talk." If inconsistencies seem to exist, you should explain them. It's best to do that in writing because by doing so, you will refine your written principles. While I will be sharing my own principles, I want to make clear to you that I don't expect you to follow them blindly. On the contrary, I want you to question every word and pick and choose among these principles so you come away with a mix that suits you.



MY PRINCIPLES AND HOW I LEARNED THEM I learned my principles over a lifetime of making a lot of mistakes and spending a lot of time reflecting on them. Since I was a kid, I've been a curious, independent thinker who ran after audacious goals. I got excited about visualizing things to go after, had some painful failures going after them, learned principles that would prevent me from making the same sort of mistakes again, and changed and improved, which allowed me to imagine and go after even more audacious goals and do that rapidly and repeatedly for a long time. So to me life looks like the sequence you see on the opposite page. I believe that the key to success lies in knowing how to both strive for a lot and fail well. By failing well, I mean being able to experience painful failures that provide big learnings without failing badly enough to get knocked out of the game. This way of learning and improving has been best for me because of what I'm like and because of what I do. I've always had a bad rote memory and didn't like following other people's instructions, but I loved figuring out how things work for myself. I hated school because of my bad memory but when I was twelve I fell in love with trading the markets. To make money in the markets, one needs to be an independent thinker who bets against the consensus and is right. That's because the consensus view is baked into the price. One is inevitably going to be painfully wrong a lot, so knowing how to do that well is critical to one's success. To be a successful entrepreneur, the same is true: One also has to be an independent thinker who correctly bets against the consensus, which means being painfully wrong a fair amount. Since I was both an investor and an entrepreneur, I developed a healthy fear of being wrong and figured out an approach to decision making that would maximize my odds of being right. • Make believability-weighted decisions. My painful mistakes shifted me from having a perspective of "I know I'm right" to having one of "How do I know I'm right?" They gave me the humility I needed to balance my audacity. Knowing that I could be painfully wrong and curiosity about why other smart people saw things differently prompted me to look at things through the eyes of others as well as my own. That allowed me to see many more dimensions than if I saw things just through my own eyes. Learning how to weigh people's inputs so that I chose the best ones—in other words, so that I believability weighted my decision making—increased my chances of being right and was thrilling. At the same time, I learned to: • Operate by principles that are so clearly laid out that their logic can easily be assessed and you and others can see if you walk the talk. Experience taught me how invaluable it is to reflect on and write down my decision-making criteria whenever I made a decision, so I got in the habit of doing that. With time, my collection of principles became like a collection of recipes for decision making. By sharing them with the people at my company, Bridgewater Associates, and inviting them to help me test my principles in action, I continually refined and evolved them. In fact, I was able to refine them to the point that I could see how important it is to: • Systemize your decision making. I discovered I could do that by expressing my decision-making criteria in the form of algorithms that I could embed into our computers. By running both decision-making systems—i.e., mine in my head and mine in the computer— next to each other, I learned the computer could make better decisions than me because it could process vastly more information than I could, and it could do it faster and unemotionally. Doing that allowed me and the people I worked with to compound our understanding over time and improve the quality of our collective decision making. I discovered that such decision- making systems—especially when believability weighted—are incredibly powerful and will soon profoundly change how people around the world make all kinds of decisions. Our principle-driven approach to decision making has not only improved our economic, investment, and management decisions, it has helped us make better decisions in every aspect of our lives. Whether or not your own principles are systemized/computerized is of secondary importance. The most important thing is that you develop your own principles and ideally write them down, especially if you are working with others. It was that approach and the principles it yielded, and not me, that took me from being an ordinary middle-class kid from Long Island to being successful by a number of conventional measures—like starting a company out of my two-bedroom apartment and building it into the fifth most important private company in the U.S. (according to Fortune), becoming one of the one hundred richest people in the world (according to Forbes), and being considered one of the one hundred most influential (according to Time). They led me to a perch from which I got to see success and life very differently than I had imagined, and they gave me the meaningful work and meaningful relationships I value even more than my conventional successes. They gave me and Bridgewater far more than I ever dreamed of. Until recently, I didn't want to share these principles outside of Bridgewater because I don't like public attention and because I thought it would be presumptuous to tell others what principles to have. But after Bridgewater successfully anticipated the financial crisis of 2008–09, I got a lot of media attention and so did my principles and Bridgewater's unique way of operating. Most of those stories were distorted and sensationalistic, so in 2010, I posted our principles on our website so people could judge them for themselves. To my surprise, they were downloaded over three million times and I was flooded with thank-you letters from all over the world. I will give them to you in two books—Life and Work Principles in one book, and Economic and Investment Principles in the other. HOW THESE BOOKS ARE ORGANIZED Since I have spent most of my adult life thinking about economies and investing, I considered writing Economic and Investment Principles first. But I decided to begin with my Life and Work Principles because they're more overarching and I've seen how well they work for people, independent of their careers. Since they go so well together, they are combined here in one book prefaced by a short autobiography, Where I'm Coming From. Part I: Where I'm Coming From In this part, I share some of the experiences—most importantly, my mistakes—that led me to discover the principles that guide my decision making. To tell you the truth, I still have mixed feelings about telling my personal story, because I worry that it might distract you from the principles themselves and from the timeless and universal cause-effect relationships that inform them. For that reason, I wouldn't mind if you decided to skip this part of the book. If you do read it, try to look past me and my particular story to the logic and merit of the principles I describe. Think about them, weigh them, and decide how much, if at all, they apply to you and your own life circumstances—and specifically, whether they can help you achieve your goals, whatever they may be. Part II: Life Principles The overarching principles that drive my approach to everything are laid out in Life Principles. In this section, I explain my principles in greater depth and show how they apply in the natural world, in our private lives and relationships, in business and policymaking, and of course at Bridgewater. I'll share the 5-Step Process I've developed for achieving one's goals and making effective choices; I'll also share some of the insights I've gained into psychology and neuroscience and explain how I've applied them in my private life and in my business. This is the real heart of the book because it shows how these principles can be applied to most anything by most anyone. Part III: Work Principles In Work Principles, you'll get a close-up view of the unusual way we operate at Bridgewater. I will explain how we've coalesced our principles into an idea meritocracy that strives to deliver meaningful work and meaningful relationships through radical truth and radical transparency. I'll show you how this works at a granular level and how it can be applied to nearly any organization to make it more effective. As you will see, we are simply a group of people who are striving to be excellent at what we do and who recognize that we don't know much relative to what we need to know. We believe that thoughtful, unemotional disagreement by independent thinkers can be converted into believability-weighted decision making that is smarter and more effective than the sum of its parts. Because the power of a group is so much greater than the power of an individual, I believe these work principles are even more important than the life principles on which they're based. What Will Follow This Book This print book will be followed by an interactive book in the form of an app that will take you into videos and immersive experiences so that your #1 New York Times Bestseller "Significant. . . The book is both instructive and surprisingly moving."—The New York Times Ray Dalio, one of the world's most successful investors and entrepreneurs, shares the unconventional principles that he's developed, refined, and used over the past forty years to create unique results in both life and business—and which any person or organization can adopt to help achieve their goals.In 1975, Ray Dalio founded an investment firm, Bridgewater Associates, out of his two-bedroom apartment in New York City.



Forty years later, Bridgewater has made more money for its clients than any other hedge fund in history and grown into the fifth most important private company in the United States, according to Fortune magazine. Dalio himself has been named to Time magazine's list of the 100 most influential people in the world. Along the way, Dalio discovered a set of unique principles that have led to Bridgewater's exceptionally effective culture, which he describes as "an idea meritocracy that strives to achieve meaningful work and meaningful relationships through radical transparency." It is these principles, and not anything special about Dalio—who grew up an ordinary kid in a middle-class Long Island neighborhood—that he believes are the reason behind his success. In Principles, Dalio shares what he's learned over the course of his remarkable career. He argues that life, management, economics, and investing can all be systemized into rules and understood like machines. The book's hundreds of practical lessons, which are built around his cornerstones of "radical truth" and "radical transparency," include Dalio laying out the most effective ways for individuals and organizations to make decisions, approach challenges, and build strong teams. He also describes the innovative tools the firm uses to bring an idea meritocracy to life, such as creating "baseball cards" for all employees that distill their strengths and weaknesses, and employing computerized decision-making systems to make believability-weighted decisions. While the book brims with novel ideas for organizations and institutions, Principles also offers a clear, straightforward approach to decision-making that Dalio believes anyone can apply, no matter what they're seeking to achieve. Here, from a man who has been called both "the Steve Jobs of investing" and "the philosopher king of the financial universe" (CIO magazine), is a rare opportunity to gain proven advice unlike anything you'll find in the conventional business press.