Radical Transparency

An Interview with Raymond T. Dalio, Founder, President, and Chief Investment Officer, Bridgewater Associates

My most important principle is that getting at the truth, whatever it may be, is essential for getting better. We get at truth through radical transparency and putting aside our ego barriers in order to explore our mistakes and personal weaknesses so that we can improve.

I think that trading the markets at an early age had a big effect on my wanting to operate this way. In the markets, one can do a lot of research and still not be confident of being right and the costs of being wrong can be huge, so I learned not to be too confident. I liked having capable people challenge my thinking to help catch my mistakes so I could do better in the markets.

I also learned that I had to think independently, because in the markets, if you think with the consensus, you will never make money.

Going to Harvard Business School (HBS) reinforced this approach. The school I attended before HBS didn’t teach me the most important things that I needed to be effective and, in fact, taught me some bad habits. Most schools train students to remember what they are taught and then test them to see how well they remember the information. The students with the most correct answers are called smart and the ones with the fewest correct are called dumb. So, naturally, most schools teach kids to value memorization and to feel bad about not remembering. The approach is not of much use in helping people succeed in life. I believe that, in order to explore our mistakes and personal weaknesses, radical truth and openness is healthy. While radical truth and openness is healthy, it isn’t radically truthful and transparent, other people will find it terribly uncomfortable and leave. That approach is not of much use in helping people succeed in life, whatever it may be, is essential for getting better. We get at truth through radical transparency and putting aside our ego barriers in order to explore our mistakes and personal weaknesses so that we can improve.

I also think that meditation played an important role in influencing how I think. I know that it helped me be more clear-headed and creative. I learned to meditate when I was 20 and I noticed that most everything became easier after that.

I started Bridgewater following that core belief, just two years out of HBS. At first, the entire company was just me and a guy I played rugby with. As Bridgewater grew, we always tried to seek out the real truth, without letting our egos be involved.

I didn’t want to work with people who didn’t want to operate under these principles. While I believe individuals who are on their own can have any values they want, if they are working with others who have conflicting values, they are going to have problems. For example, while working for money is certainly part of most people’s desires, for me, it doesn’t compare to working to get at the truth so we can improve. If I had to work with people who would compromise truth and improvement for money, I’d be unhappy. Similarly, other people would be unhappy with me if they were only working for the money that I might pass up in order to get at the truth and to improve. So we have to be clear about what we value most and how we are going to act in order to live out our values together. I believe that values and principles have to be clearly articulated so that the people in the group behave in a way that is consistent with what they are trying to achieve.

A lot of companies give a few bullet points about their vision and then just let everybody go about doing whatever they were doing. I think it’s important to be clear, which is why I wrote my principles.

Since I want people to think for themselves, I asked everybody here to look at these principles and debate them. The vast majority of people here said they agreed with them and wanted to operate by them, so they have essentially become our constitution, but they’re not for everyone. While most people who are now at Bridgewater couldn’t work in an environment that isn’t radically truthful and transparent, other people find it terribly uncomfortable and leave. While radical truth and openness is healthy, it can be very uncomfortable for people whose egos bruise easily. If these principles were not written up, I think most people would find our environment uncomfortable and would not realize how healthy it is.
The article discusses Bridgewater's approach to radical transparency, learning from mistakes, and maintaining a healthy lifestyle. The company's principles have been developed over 35 years and include a focus on transparency, continuous learning, and personal accountability. The principles are intended to be scalable and have been effective in helping the company grow and improve.

The article also highlights the importance of personal integrity and the power of admitting mistakes. It notes that many people struggle with this concept and that the principles of Bridgewater have helped many individuals to overcome their ego barriers and learn from their mistakes.

The article concludes with a discussion of the company's results and the benefits of its principles. It notes that the principles have helped the company to grow and improve, and that they have been proven effective in helping individuals and organizations to achieve their goals.
As one heads towards those goals, problems are encountered – that defines the second step. How we approach our problems has a huge effect on how well we progress toward our goals. One common mistake that most people make at this stage is they get emotional rather than remaining calm and analytical. They think their problem is a bad thing, because it causes pain, so they don’t make the most of the experience. If, instead, people would remain calm and realize that wrestling with problems is the exercise that strengthens and teaches us how to get around similar problems in the future, they could get a lot out of this experience. It’s impossible to get stronger without pain, so if we keep avoiding pain, we won’t get stronger. The second common mistake that most people make when they encounter a problem is that they try to immediately decide what they should do about the problem, and they skip the next two steps in the process.

The third step is to diagnose the problem in order to, most importantly, find its root cause. This has to be done in a non-egotistical way because often, the root cause is a mistake that we are making which might be due to a weakness that we have. All people are born with strengths and weaknesses, and quite often the strengths come with weaknesses. For example, a very creative person can be disorganized. It is very common for people to not acknowledge their weaknesses because they have ego barriers. But that’s dumb and unproductive because everybody has weaknesses and, if we don’t acknowledge our weaknesses, we’re going to keep encountering the same obstacles over and over again. So the third step is to diagnose, as accurately as possible and non-egotistically, what the real root cause of the problem is.

The fourth step is to design a game plan for addressing the root cause of the problem that is standing in the way so that it stops being an obstacle. For example, if you’re a creative person who is disorganized, you might hire a secretary to take care of your organization so it doesn’t become a problem.

Once one completes the fourth step – in other words, after designing a way of getting around the root cause – one has to act on that plan. That is the fifth step. This step requires self-control or, alternatively, accepting imposed controls from the outside to help one do what is necessary. If you say you’re going to lose weight and have a good plan for achieving it – let’s say eating properly and exercising – the plan is no good unless you execute it.

Those are the five steps. I have found that by doing them well, I, and others at Bridgewater, learn how to get what we want at a much faster rate. I also found that nobody is good at all the steps. But nobody has to do all those steps well because, if you know which steps you are weak at, you can get someone to help you with them – like the creative person who finds the disciplined person to help him.

That, in brief, is what we are trying to do at Bridgewater.

Maintaining that process in a company, especially once you reach a certain size, can’t be simple. How do you keep your people focused on it?

By talking about these principles and operating by them. Most importantly, people have to want to operate by them. I don’t believe that I can make people do anything they don’t want to do. And I don’t want people who just follow orders. The most important step is that they try to immediately decide what they should do about the problem, and they skip the next two steps in the process.

Frankly, in 2006 and 2007, it was obvious to people who are paid to think about such things, who have common sense, and who weren’t swept away by crowd psychology, that lenders were lending money in vast amounts to people who had little prospect of paying it back. It was easy to calculate the banks’ losses by applying market prices to positions that were disclosed in their financial statements. It didn’t take a genius to see that losses of this magnitude would cause a credit crisis.

In response to this crisis, the Federal Reserve and other central banks printed a lot of money to buy financial assets, which pushed financial asset prices up. Debt is a promise to deliver money, so when there is a debt crisis, it will feed on itself until the central bank prints money to alleviate it. That is what they do in such cases though, from the time of the crisis to the time this adrenaline shot kicked in, there were some nervous moments.

To be clear, we aren’t done with our debt problems because we haven’t reduced our debts. The incomes and net worths of Americans and most major developed countries are lower than they were at the highs, and since their credit systems are not going to leverage them up as much as they did in the past, they won’t be able to spend as much as they did in 2007 for a long time. If the economy slips back down, I am pretty sure that the Fed and other central banks will print and spend even more money to perk it up. So I believe that we have entered a long period of very slow growth that will be bounded by the 2007 high and the 2008 low.

For such a long term issue, is it difficult to be optimistic when you look at bringing strength back into the global economy? I believe that, in this generally challenging environment, there will be plenty of opportunities for inventiveness to occur and for people to be rewarded, as long as our incentive system is retained.

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