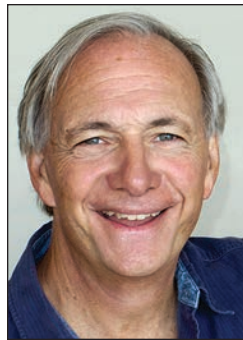


# The Power Of Principles

## An Interview with Ray Dalio

**EDITORS' NOTE** A global macro investor for more than 50 years, Ray Dalio founded Bridgewater Associates out of his two-bedroom apartment in New York City and ran it for most of its 47 years, building it into the largest hedge fund in the world and the fifth most important private company in the U.S. according to Fortune magazine. His investment innovations – risk parity, alpha overlay, and All Weather – changed the way global institutions approach investing, and he has received several lifetime achievement awards. Over the decades he has been a valued macroeconomic advisor to many policymakers around the world. Because of the impact his thinking has had on global macroeconomic policies, he was named by TIME magazine as one of the “100 Most Influential People in the World.” Today, Dalio remains an investor and mentor at Bridgewater and serves on its board. He is also the #1 New York Times bestselling author of *Principles: Life and Work*, *Principles for Dealing with the Changing World Order*, and *Principles for Navigating Big Debt Crises*. Dalio graduated with a BS degree in finance from C.W. Post College and earned an MBA degree from Harvard Business School. He has been married to his wife, Barbara, for more



Ray Dalio

than 40 years and has three grown sons and five grandchildren. He is an active philanthropist with special interests in ocean exploration and helping to rectify the absence of equal opportunity in education, healthcare, and finance.

**Will you discuss the concept of the five big forces and how these forces are impacting the world today?**

The five big forces are the economic force – money, debt, and the monetary order that goes with it; the internal political and social order that governs countries; the international geopolitical order that governs how countries deal with each other and the world order that goes with it; acts of nature, especially draughts, floods, and pandemics; and man's learning, particularly in regard to new technologies. We have to recognize that all of these forces go through cycles and change for reasons that have repeated throughout history, so watching what is happening now for someone who has studied history allows you to realize these forces can be measured. These cycles are big cycles, particularly lasting about 80 years, which means we have not seen them in our lifetime, so they seem very unusual.

We are going through those types of seismic shifts today which is, I would say, more of a concern, but also an opportunity. It is a concern because periods of excess that lead to these breakdowns are generally periods of painful disruptions.

**What was the reason for writing your latest book, *How Countries Go Broke*, addressing the debt crisis?**

The first thing that needs to be done to address the debt crisis is to build a better understanding of the mechanics and the measurements of the conditions and the risks. That is why I wrote the book, *How Countries Go Broke*, so that people could see this and better understand it. I am focused on reaching the policymakers who make the decisions on the government's debts, as well as to all individuals who should be aware of the risks and how to deal with the risks.

I wrote the book because the times called for it. I have been a global macro investor for the last 50 years and have had to navigate through debt crises. In addition, I have studied debt crises going back 500 years. I felt compelled to convey the mechanics of this at this time because of the necessity for people to better understand the mechanics.

**How important is it for policymakers to engage with business leaders to best address this issue?**

**“The first thing that needs to be done to address the debt crisis is to build a better understanding of the mechanics and the measurements of the conditions and the risks.”**

I have been able to have productive and meaningful conversations with political leaders from both parties in which there is the understanding of the fundamentals, particularly around debt, and as a result there is a broad understanding of the problem and the best way to deal with the problem. The best way to deal with the problem is through a sensible process of bringing the budget deficit down from about seven percent of GDP to about three percent

of GDP. I find that there is broad agreement about that, and at the same time there is political fighting over the particulars of exactly how to do that. It is like being on a ship where everybody on the ship knows that they are headed toward the rocks, and they just have to agree on how to get the deficit down to three percent of GDP to not hit the rocks, but they are squabbling over how to do that so badly that they will probably hit the rocks.

#### **Is that because of partisanship?**

It is because of partisanship, and it is because of not putting what is most important ahead of what is less important.

#### **What are your views on the current state of global trade and tariffs?**

I think there is a much greater recognition of this issue than there has been about the waste, the inefficiency, the budget problems, the imbalances, and the risks of international conflict and domestic conflict. However, I do not yet see an adequate approach to dealing with the risks, and having those risks viewed as common, shared risks by all of those that are at risk. I believe that we need to be calm, knowledgeable, and well-coordinated to deal with these risks without worsening the situation with turbulence and fighting, whether that is across party lines or in dealing with other countries.

#### **You have a long history and deep understanding of China. What can be done to strengthen United States-China relations which is so critical to the world order?**

I believe that both countries must recognize the risk that each is to the other, and the risks that they are to the world order, and that these risks could end up in a disastrous situation. At the same time, by recognizing these things, I believe that they should recognize the compelling necessity to approach these risks in a matter that is most likely to not lead to very damaging wars – whether those are trade wars, technology wars, geopolitical wars, or military wars – so that we don't have terrible, regrettable outcomes.

#### **Now that you are out of the day-to-day at Bridgewater, have you had the opportunity to reflect on what you built and the impact the firm has made?**

I am 75 years old, and as with everyone in life, I have had wonderful things and great difficulties. I don't reflect on my life as how I built Bridgewater or how I did a particular thing. I reflect on the fact that I have had a fantastic marriage, fantastic relationships, a fantastic life. What I feel and reflect on most right now, which is my most compelling necessity, is the passing along of what I know to help others.

#### **Are you planning on writing another book?**

My next and last book will be on investment and economic principles.

#### **You devote your time and expertise to philanthropic work. What are the keys to being effective in philanthropy?**

In philanthropy, in work, and in life, it is important to know how reality works in almost a mechanistic way and to know how to manage the machine that is going to achieve your goals.

#### **What advice do you offer to young people beginning their careers?**

Life is a rapidly changing adventure, so experience it, reflect on it, learn and adapt to it. You have to love the adventure which has the ups and downs, and you have to understand the realities and the principles to deal with those realities.

#### **Do you think about slowing down?**

I am completely free of obligations, but I have a lot to do because I am running out of time. I am very excited about life. ●

