



A CONVERSATION WITH RAY DALIO, FOUNDER, BRIDGEWATER ASSOCIATES, AND TOTO WOLFF, TEAM PRINCIPAL AND CEO, MERCEDES-AMG PETRONAS F1 TEAM

Toto Wolff 00:07

It says I should start, no?

Ray Dalio 00:09

Okay.

Toto Wolff 00:09

We've been given these really good prompts and cards, but we felt like before coming in here, we'd just freestyle. Shall we do that?

Ray Dalio 00:19

Of course.

Toto Wolff 00:20

Well, good afternoon, everyone. I have the real honor of meeting someone who is really great, the best at what he does.

Ray Dalio 00:31

How do I reciprocate, right? I mean—

Toto Wolff 00:37

—obviously, I have a little bit of a background in venture capital, and then, if it wasn't running people that run Formula One cars, I would love to do what you do because the markets are just so exciting.

Ray Dalio 00:50

Do you race?

Toto Wolff 00:52

I've unlearned it. I did. I did when I was a late teenager, early twenties—I did all of those races. And interestingly, because I come from a financially underprivileged background, there was never enough money, but I don't think that this was the limitation. I think it was more that maybe the last few percent that were missing. But many of the successful team principals in Formula One are those traumatized, humiliated racing drivers that kind of never made it. So, we are compensating it by treating the real guys really badly now that we have control over them.

Ray Dalio 01:36

Yeah, I asked the question because I would say, when you said that you would be doing something similar to me, I was saying, "No way would I be doing the driving."

Toto Wolff 01:49

But have you ever been taken on a hot lap around the track in a road car?

Ray Dalio 01:55

Not like you could.

Toto Wolff 01:56

How long are you—

Ray Dalio 01:57

Can you give me one?

Toto Wolff 01:58

—yeah. How long are you staying here?

Ray Dalio 02:01

I'll be here through Sunday.

Toto Wolff 02:03

Well, we'll go with a proper AMG Mercedes road car. I'll take you.

Ray Dalio 02:04

Wow.

Toto Wolff 02:09

You have a good life insurance?

Ray Dalio 02:11

What? [Laughs] I'm up for it.

Toto Wolff 02:16

Yeah. Okay. Well, let's do that. My team is around here, so they're going to organize it. So, should I start?

Ray Dalio 02:24

Well, I think—

Toto Wolff 02:25

I confused you a little bit.

Ray Dalio 02:26

—I didn't hear you, so—

Toto Wolff 02:28

I'm not sure that you really want to do it because—

Ray Dalio 02:30

Oh, I want to do it.

Toto Wolff 02:30

—whilst we are speaking, you're thinking.

Ray Dalio 02:32

No, I just didn't hear you well.

Toto Wolff 02:34

Yeah.

Ray Dalio 02:35

No, I want to do this. No hesitation. This is a thrill.

Toto Wolff 02:39

Yeah.

Ray Dalio 02:39

Oh, I want to do that.

Toto Wolff 02:41

So, you know, it would—

Ray Dalio 02:43

How do you feel about the markets?

Toto Wolff 02:45

—oh, I love it.

Ray Dalio 02:46

I can give you a thrill.

Toto Wolff 02:47

I love it.

Ray Dalio 02:48

I can give you thrills.

Toto Wolff 02:54

I think whilst everything is being so stable—not erratic, predictable—coming from the United States, I mean, there's not a lot you can do wrong, no?

Ray Dalio 03:06

Mm. That's right.

Toto Wolff 03:08

Yeah. So, your question, the markets—

Ray Dalio 03:09

He's ready for some help.

Toto Wolff 03:12

—the markets are fascinating, isn't it, at the moment? It's a little bit sad that you're depending on the mood of individuals that take, let's say, very spontaneous decisions sometimes.

Ray Dalio 03:26

It's a game. It's a game, right? So back to what we're here for, right?

Toto Wolff 03:31

Yeah.

Ray Dalio 03:31

Because we share a lot of principles. Okay? The principles are about winning.

Toto Wolff 03:38

Exactly.

Ray Dalio 03:39

Right? This is one of the kicks that we have in talking with each other. It's the principles about winning. And so, we want to share some of those principles about—well, we talked about the machine and the machine being the team. I mean, the machine isn't just the cars. The machine is the team and how you build an organization, how you change, and so on. And I think we both want to try to convey some of those rules because, in a way, anybody can become a winner, in a sense, for them.

Toto Wolff 04:13

Yeah.

Ray Dalio 04:13

Okay? And so, there's a lot that we have in common—including seeking thrills.

Toto Wolff 04:20

So, for me, it all starts with defining for yourself what does it mean to win. And I have realized over the course of my life that it is not for, let's say, reputational reasons or for leaving some kind of legacy. It is really about my own expectations. What is it that I would want to achieve in order to meet those expectations? And then from there on, it's fascinating to reverse engineer how to meet those expectations. I read this very, very simple book from some guru, and there was a scene that he described where a monk, a master in archery, shoots his arrow onto a target in the forest, and it goes right in the middle. And then he asks his pupil to blindfold him, and he does the same thing. It's 100 meters away. He shoots; it misses the target massively. And the pupil says, "But you're the master of archery and you're a monk. Why did you miss the target?" And he says, "If you can't see it, you miss it." And in a

way, defining what we do in our organizations, we define those targets. What is the objective of the company? What is the objective of the department? What are our single objectives from the people? And once you can align those objectives to, let's say, the bigger scheme, you have a tremendous force that is going. And our organization is two and a half thousand people. Some—my direct reports are getting just a fraction of the people that work in the organization. But it all comes down to the human. We are talking—what is a team? What is a company? For me, I see an organizational chart or some kind of, I don't know, form, but the truth is, it's individuals that are on a journey together. Those individuals have dreams, hopes, anxieties, worries, trivial questions that are not so trivial. How can I afford university for my children? How can I repay the mortgage? Where do we go on holiday? Can we actually fly business class? So, if you understand that it's not only us who are running these organizations that are having all of those thoughts, but the ones that work with us, then you can properly align the objectives of the company to these ones. And my realization is, it's not very often money. I'm very surprised that you normally—maybe here, we have lots of money people around here, investment—it's of course money to afford things, but it's also power, internal recognition, external recognition. It is having free time for the family or the hobby. We had this amazing Italian engineer that said he can't work in the team anymore in Oxford because he lives in Parma. He needs to come in on the Sunday because he needs to drive an hour to Milano. Then he flies two hours to Heathrow. Then he drives an hour to Oxford. So, he basically misses lunch on Sunday with the family. And then on Friday, he needs to do the same journey and arrives at midnight in Parma, and that's why he needs to quit the job. So, we said, "Okay, how can we organize the whole situation?" He said his wife doesn't really like it, so his compensation was very high, similar to what you have. But he never thought about—maybe not on your level—some people that work with you that come from university.

Ray Dalio 08:24

I know what you mean.

Toto Wolff 08:28

So, we organized the fractional ownership of an airplane. And suddenly, the whole thing spun around. We extended his shelf life in the organization by five years. The wife really liked the champagne on a Sunday night. And it was amazing. So tailor-made solutions for the individual.

Ray Dalio 08:50

Well, you said a number of things, and so I wrote some of those things down. And you started with your own expectations, you know. I think it's very important to realize that different people have different natures, and to know what your nature is. Right? There are some that are extroverts or some who like adventure. There are some who are conservative, and they don't want the adventure, and so on. And I think that it's a journey, basically, to understand your own nature and then find out what the fit is with your nature, what the career is. And I think that people really don't know that early. They discover it. What is your nature, and what is the fit? And then when I think about team, then that fit puts some people in the position of being a leader. You're a leader, and so you form a vision. So, it's still your vision, okay? But as you build that team, around that team, so that you put together your mission, okay? And then you have to share that mission. So, for me, it's like my mantra is meaningful work and meaningful relationships. And when I mean meaningful work, we're on a mission together. And then I think, then it becomes, you need tough love. You want tough love with your kids. You want tough love with everything because tough makes you stronger. And then also when you have a team, you have to make that team successful, and that's where a lot of the challenges come in. You have your vision, but to hold that team and to be tough on them and even make changes, it's the same. We're talking about different teams, whether you're making an orchestra. You

want the best musicians, and you have to conduct them well. But it's your mission, okay, because they believe in you. And then for other people to be part of that team is important, right?

Toto Wolff 10:56

Yeah.

Ray Dalio 10:56

And when I say tough love, there's the tough, but there's also that element of love, that element of mutual caring. That's a powerful force because when you say it's not the money, that's right. I mean, the money's an important consideration in terms of life. But really, if you even look at happiness, happiness past a certain level is not correlated with wealth. Like happiness—the highest, greatest determinant of happiness—is a sense of community. Do I—am I—with a connection with others? And so, when we're going through that, or anyone here, I suppose, you have to have your vision. You have to be capable. You have your certain capabilities. You obviously have the capabilities to be agile and change. Adaptation is very important. There's a saying: success isn't determined by how smart you are, it's more determined by how adaptive you are. Like, I—

Toto Wolff 12:03

The Darwinistic principle, no?

Ray Dalio 12:05

Sorry?

Toto Wolff 12:05

The Darwinistic principle, in a way, that the most adaptable survive.

Ray Dalio 12:09

That's right. And so, I think in your season, the rules changed on you, right? But how do you—okay so, but that was in you with probably operating in a team where you're thinking it through together. So, these elements—if it's an orchestra, it's the same thing, right? These are the essential elements. And let's say, so not often the money, the leader, yeah. So, I'm just responding to the things you said.

Toto Wolff 12:36

Yeah. So, I want to pick out also some tough topics. The first one is adap—

Ray Dalio 12:43

Adaptation.

Toto Wolff 12:44

—adaptability. Adaptability?

Ray Dalio 12:46

Adaptability.

Toto Wolff 12:48

Adaptability.

Ray Dalio 12:49

Okay. English is my first language.

[Laughter]

Toto Wolff 12:56

It's something I learned from Lewis Hamilton, our driver. He has such a sense for perfection, in a way, that there is a constant feedback loop within him: how can I improve? Every single day. And we know that you can never achieve perfection because also your targets change. But he's an adult, and he's taught me that, contrary to what we think, we are not the end product. We think, okay, we have strengths and weaknesses. We have our personality. This is how we act. We are either tyrants in our organization, or we have an embracing kind of style. And he taught me that if you realize that you've taken the wrong decision, so maybe that you have acted in the wrong way, change. And if you're actively seeking to change, you will change. So, when it comes to the leadership style, the adaptability is a moment where I had to change. It was a few years ago. We won eight Constructors' Championships in a row, and suddenly the regs changed, and we really crashed down. Now, when you look at the stats in 20 years, people are going to say, "Well, that wasn't so bad because you won eight times in a row. First, first, first, first, first, first, first, second, third, fourth, second." Doesn't look like complete losers. But back in the day, it felt—

Ray Dalio 14:36

I know what you mean.

Toto Wolff 14:39

—have you ever been fourth only? That felt pretty bad.

Ray Dalio 14:44

I don't want to be fourth.

Toto Wolff 14:46

So, I have this unbelievable technical director. He's the best the sport has ever seen. He's also like a brother in crime for me. And I put pressure and pressure because pressure is the way I've worked in the organization, setting the expectations so high, and pressure and pressure. And you can read about the very famous entrepreneurs where their employees say: constant pressure to deliver, time pressure, psychological pressure, only the best survives, you're fired. And I came to the situation that this person—we lost another race, which we expected to win, Brazil 2023. Or was it '22? I get mixed up with the dates. We won in Brazil in a year that was really bad. We

dominated. Pole position, won the race. Next year, the season is pretty average. We go to Brazil. Our expectation is: this is where our car is good. This is where the drivers drive well. We've got to win. And it was a massive disappointment—we were nowhere. And by the end of the race, I fell into a trap from a journalist who said to me, "Does that car deserve to win?" And I said, "No, it doesn't deserve to win." And my technical director and chief designer, they said they watched it on Sky, and they thought I was directly speaking to them, which, in a way, I was. So, I came back, and this ally of mine says, "I'm quitting." "You're quitting?" He said, "I can't take your pressure anymore." "How do you think I feel? Do you think I don't make myself pressure trying to be successful? If you think you are hating the situation, can you believe how much I hate it? I'm responsible for the technical things. Yes, you stay in the storm out there, in the line of fire, because you represent the company. But I hate every morning. I'm quitting." And I was in shock. So, I met him again, and he said, "I've taken a decision. I'm going somewhere else where I feel better."

Toto Wolff 17:00

So, over the weeks, I tried to speak to him, and we organized the final dinner where he came in, and it was not a good ambience. And then eventually, it loosened up. We were lucky that the guy who served the food, he was joking. He said, "Candlelight between the two. I mean, this is proper bonding." And the guy has been in my house for 10 years, so he knows exactly that there was a problem. So, laugh, laugh, laugh. And at the end, he said, "I'll give you one more—one chance." He said, "It was totally turned around. I'll give you one chance. I want a contract where I can leave you with a month's notice." And normally, technical directors, they have 12 months' notice because they are right into the depths of the car, so they could bring the know-how to another team, and then you're being beaten. And we ended up that evening—I've never done it in my life—putting a contract on the table with a month's notice. And I said to him, "You fill in your salary and bonus, whatever you feel is right." Sweated a bit, but I had to. He was kind of semi-okay with it—or the result was kind of semi-okay. But fundamentally, I had to change. I couldn't continue what I thought, or what was my *modus operandi* over 30 years: constant pressure, constant pressure, constant pressure. And the notion of tough love, which I speak a lot about—tough love—but the truth is, as I am not a native English speaker, I kind of had the notion in German, but I stole it from your book. So, for years, I've been talking about tough love, but it's actually your copyright. The people that are closest to me, my family, are the ones that I expect so much from, their potential. They say to me I treat them the toughest, and I don't give enough compliments. And in a way, I'm saying to them, "Yeah, because I love you so much. You're so good at what you do that I feel it's anyway the baseline that you deliver. I don't need to praise you for something you've done good. I need to teach you how to get better." And they suffer a bit. My two children are in the room. I don't know where they are.

Ray Dalio 19:24

Yeah. Before we came in, we were speaking to the two children and finding out what's it like to be his kids. But yeah, you said—certainly. I've been doing this—I started when I was 12 to play the markets. I didn't know what I was doing. So, I've been doing this for, I don't know, whatever, 60-plus years or something. And so, there's a season. So that's a season. And I would say every day is a pressure, but how you react to the pressure is the thing. It's the game. By the way, I find—I meditate. I would recommend meditation. Transcendental Meditation is what I do, and it changes the way everything comes. It's like in the ninja movies. You watch them: they're in a fight, and everything goes in slow motion. But I won't digress into that. I would say, so every day there is a pressure and so on, and how you react to the pressure is the most important thing. Most importantly, losing. So, what you said was, I think, very right. I'm an imperfectionist, and what I mean by an imperfectionist is, when I look at things, I know I'll never achieve perfection, but I always can see improvement, and I strive for that. And I'd say maybe my number one principle would be: pain plus reflection equals progress.

Toto Wolff 21:00

I stole that sentence also. I'm using it all the time.

Ray Dalio 21:05

So, there's a different nature. I think that what happens is, in life, there are first-order consequences, and there are second-order consequences. And the second-order consequences are usually the opposite. Sometimes the food you like to eat is not the good food for you, or the exercise is not—you don't want to do it, and so on. There's a lot of that element. And so, pain is a messenger. And so, when you reflect on that pain—or then does it produce the stress, or does it produce—like soldiers in war, what's your reaction to that? So, there's a certain psychology, and if you can keep that together and you sort of say, "Hey, this is the game. It's interesting," and you can learn. And then worry. Another principle, which is: if you don't worry, you need to worry. And if you worry, you don't need to worry. Because if you worry, you'll take care of the thing you're worrying about.

Toto Wolff 22:07

Yeah.

Ray Dalio 22:07

Right? So, I think what we're all talking about is an approach to life where if you can get past these first-order consequences, like it's uncomfortable, it was painful, and so on, and you move beyond that, that you can go above that and view that as a learning experience, and that you make those kinds of improvements. Because pain can be really terrific in many ways of going above. Yeah, I've had my losing seasons, too. I can tell you the stories, but many. But not so many after I learned humility. Okay. I had one when I started Bridgewater, and in my early years. I won't tell you the whole story about how it got there because it'd take too long, but I had one experience where I went totally broke, and I had to borrow \$4,000 from my dad to help pay for my family bills. And then I thought, "Am I going to have to go get a job? Like, I'm going to have to put on a tie and go on the railroad and go down to Wall Street?" And I couldn't bring myself to do that. But I learned humility, and I learned that there were two things I could do in order to then get past that. First, worry about being wrong. Okay? And then I found the smartest people I could who disagreed with me, and I would take in. I love to be challenged on anything. I'm never certain I'm right, so I love to be challenged. And then I also learned the power of diversification, making bets. That's a whole other thing. I knew how to play the game. And from that experience, it was just straight up for the next—led to becoming the largest hedge fund in the world and doing very well. But it's that setback. And there's an investor who's a pal of mine, and he says about picking other investors who he's going to put money with, he says, "The thing I want from them first is, did they go broke? Did they have that painful experience that they don't want? Then did they get back in the game? Did they then become very successful?" And so, they have both that knowledge, that adaptation. So yes, pain, if you make it into a learning—how do you view failure? How do you view not being good enough? When you start to view those things as good things, right, the second-order consequences are really good.

Toto Wolff 25:04

It's just what you—you know, I've had these periods, and I have periods where I suffered mentally also very strongly. Whilst you are in that moment of pain, it is very difficult to say to yourself, "This is a good exercise," because you don't know when it ends. Afterwards, you reflect and say, "That was so important. I questioned myself, and I came to the right conclusions, and it lasted a month or half a year." But whilst you're in there, it's just

so difficult to remind yourself. Now you can read Instagram, and you read all these things of being knocked down, get up, being knocked down and get up. But after the 10th time you're being knocked down, the Instagram motivational thing doesn't help you anymore. So, at least it doesn't work for me. So, it is about going through these experiences, and this is what you say. When it was really difficult, you make the biggest progress. And whether it is as a child, in my personal situation, going through financial hardship, going through humiliation, not feeling adequate, that were certainly drivers that were important for me over a long, long period. Actually, only maybe until a few years ago, this kind of went away, and I thought, "I did okay now." So, if I would die in a plane crash, then I would say to myself, while it's going down, "That was okay until now." But maybe a stupid example. But it's the kind of expectation and then losing. But going through these moments where it's really like you say, "How do I pay my bills? And how do I explain to my investors?" That is when you leapfrog your competition. We say always—

Ray Dalio 26:56

If you react well to it.

Toto Wolff 26:58

—yes. Whilst acknowledging or whilst accepting that it feels really bad and there are moments where you suffer. We say in the team, "The days we lose, our competitors will regret," because we learn the most. From a Sunday, we have this debrief on Monday. You rarely come back and you say in the debrief, "Why the hell did we win?" But the opposite: "Why the hell did we lose?" That is the driver, and it mobilizes a force that is tremendous. Now, my feeling of long-term success is you need to ask yourself the question when you win. Many people don't do that, to reflect actually why it's gone well. But this kind of introspection whilst you're losing is tremendously important.

Ray Dalio 27:49

I'm ahead of you in life, meaning age-wise.

Toto Wolff 27:53

You look very good.

Ray Dalio 27:55

That's what they tell old people to make them feel good. Thank you. But then there's the element of passing it along—of transitioning—as you think about your kids or you think about that. So, I think that there's this life arc.

Toto Wolff 28:14

Yeah.

Ray Dalio 28:15

In the first third of your life, you're dependent on others, and you're in school and you're learning, but you don't know anything about what life is really like. And in the second third, you're sort of discovering what life is really like. And I think it gets to probably somewhere in middle age, maybe 40-ish, you sort of have a notion of what life is really like and how that works. And then you have the work-life balance, and you go after what you want. And then your third phase of life is really the transition, right? The joy of making others successful without you even,

right, as you come into that. You're here now because you want to pass along—I assume you're here now for that reason. I'm here now because I want to pass along some of these things, and you hope that you help people, right?

Toto Wolff 29:04

Yeah.

Ray Dalio 29:04

Have you thought at all about that? What's life going to be like when you lose that game, or can you keep playing that game? For me, it's always a game, and I can play it till I die. But transitioning well is an important thing ahead of you that you're going to have.

Toto Wolff 29:22

Yeah.

Ray Dalio 29:23

What are your thoughts?

Toto Wolff 29:23

So, I'm a bit scared of that in the sense of—you meditate. I've tried Transcendental Meditation. I've tried mantra—

Ray Dalio 29:33

Not enough.

Toto Wolff 29:35

—no. I tell you what I found out. I get more anxious when I do it because—

Ray Dalio 29:41

—you just—let me give you an honest—this is honest. I have a lot of friends in unbelievable positions and so on. And in the beginning, it's very difficult because the ideas keep coming to you and so on, and that produces the feelings that you're talking about. Everybody who has done it for enough time—and I mean, you have to stick to it for like six months—it's been transformative in their lives, okay? Because it gives you that ninja. In the moment, when you can have the calmness and then also the connection between your subliminal you, those things that—subliminal things control us more than the logic really controls us. When you can align those things, it also frees creativity because creativity comes from the subconscious. I just want to emphasize, as a message to you and to everybody out there, I would say more than anything, Transcendental Meditation—it's the type I do; I'm sure others are good, too—has been the reason, whatever success I've had, because of that ability to be like a ninja as stuff comes at you and then to go after that. I recommend it anyway.

Toto Wolff 31:05

So, I have two things to say. I agree. In a way, what worked for me before is a kind of meditation, an activity where you're so in the moment that you haven't got any space even to think about something else. Driving a race car. You need to be so right in the moment that you get out of the car and you do 10 laps, and you realize, over the last 15 minutes, I haven't thought about anything else. And that is not necessarily a race car. It's also climbing a mountain, or it's an activity that needs all of your focus. And why I say I'm a little bit scared, it's—I have this kind of vision where I'm settling down, but that's not working for me. I suffer more from boreout than burnout. An island for two weeks, I get a little bit of goosebumps. But if I'm under pressure in a race to take decisions, that's my comfort zone. But I, from my side, would like to end it with what you say: How long can you see yourself doing it? I have a friend of mine, and he's a football coach. He's quite good at what he does. Pep Guardiola, maybe the best in the world. And he said, "Aren't you worried that one day you wake up on a Sunday race day and you haven't got the butterflies?" Because I'm worried of that day that I haven't got the butterflies.

Ray Dalio 32:29

Yeah, you can always keep the butterflies. Let me teach you about the market. Bill Belichick, same thing. He read my book called *Principles: Life and Work*, and he called me up. So, he was the winningest football coach. Same principles as you and I are talking about. And so, in terms of your kind of meditation, I'm holding you accountable that you're going to show me, right? You're going to take me on the—

Toto Wolff 32:57

Yeah. I promise you, we'll not think about anything else.

Ray Dalio 32:59

I heard that right.

Toto Wolff 33:00

At least for one and a half minutes.

Ray Dalio 33:02

That's right. Okay. It was fun to talk with you. We're out of time.

Toto Wolff 33:05

There's a red light flashing here. It says zero-zero-zero, time's up. And that's about since five minutes, no? Thank you very much.

Ray Dalio 33:13

Thank you.

Announcer 33:18

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