

# Principles Summary

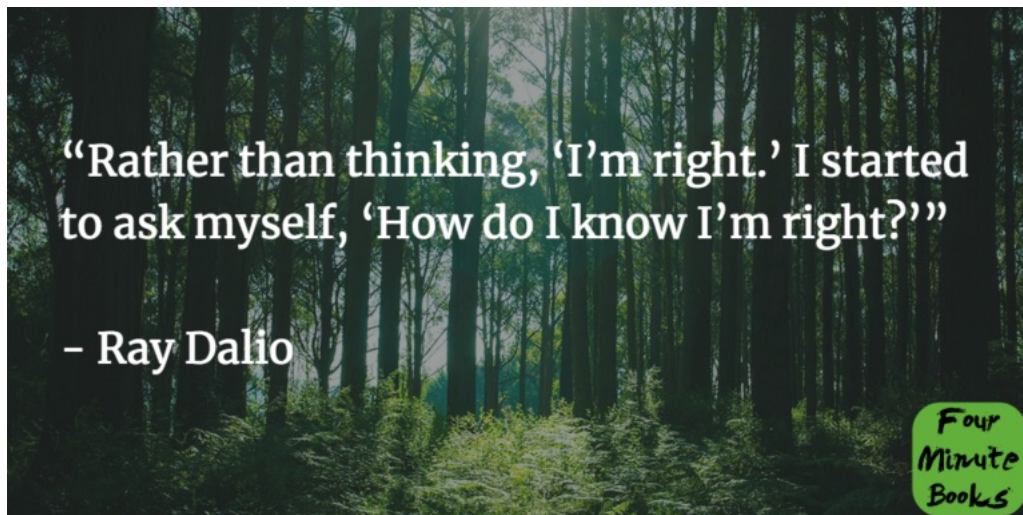
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 [fourminutebooks.com/principles-summary](https://fourminutebooks.com/principles-summary)

**1-Sentence-Summary:** *Principles holds the set of rules for work and life billionaire investor and CEO of the most successful fund in history, Ray Dalio, has acquired through his 40-year career in finance.*

**Read in:** 4 minutes

**Favorite quote from the author:**



The first time I ever heard Ray Dalio's name was in Tony Robbins's book Money. He's the founder and CEO of Bridgewater Associates, the largest and most successful hedge fund in the world. Having made money for his clients in 23 out of the last 26 years, I was astounded to find Ray generously sharing his 'All Seasons Portfolio' for individual investors back then.

Maybe it was Tony's pressure to pass on some of his wisdom that led him to write his own book about what he's learned in his career and life, but whatever it was, as a result, you and I can now learn more about his Principles. Comprised of two books, work and life, it holds hundreds of algorithm-style rules you can use to navigate the world.

Ray painstakingly acquired them over years of learning and through lots of failure, but they're what helped him build this tremendously successful company and live a good life.

Here are 3 lessons from this masterpiece:

1. Principles are powerful weapons in the fight against flawed thinking.
2. Radical truth and transparency are two of Ray's most important ideas.
3. Great businesses use principles to create environments where the best ideas win.

Are you ready to update your life's compass so that it always points towards true North?  
Let's discover some principles!

## Lesson 1: Principles are the ultimate way of seeing the world as it truly is, not as you'd like it to be.

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If you asked Ray why he thinks having principles is important, this is the answer he'd give you: *"Principles are ways of successfully dealing with reality to get what you want out of life."*

When Ray was younger, he predicted that Mexico would default on its debt and, subsequently, the world would fall into an economic crisis. He even testified in front of the US Congress and talked about it on TV. While he was right, Mexico *did* default on its debt, the crisis never happened – stocks and businesses soared.

Because Ray had placed his financial bets accordingly, he lost all of his money and had to fire every one of his employees. From this, his biggest failure, he learned that **it is always best to be guided by rational thinking, not emotions**. The tragedy of most peoples' lives is that they hold on so desperately to their opinions that it becomes impossible to see reality.

That's why Ray needed principles as the ultimate way of stress testing his, and later his employees', opinions. Do they hold up in the real world? Instead of just thinking he was right, he asked: "How can I *know* I'm right?"

So, what you're really doing when you begin to think about your own principles and which rules help you live truthfully, is removing errors from your brain that result in flawed thinking, one rule at a time.

## Lesson 2: Two of the most important principles are radical truthfulness and transparency.

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While all of Ray's principles have contributed to his success one way or the other, some have done so more than others. Here are two of his most important ones:

1. **Radical truthfulness.** Imagine an environment in which you and everyone you know felt comfortable to honestly say what they think at all times. What a healthy way of living! What's more, in a company this ensures mistakes are always uncovered, talked about and then learned from, rather than getting swept under the rug.
2. **Radical transparency.** This is related to radical truthfulness, and helps enable it. The more candid you can be about what you have done, are doing and are going to do in the future, the more accurately can people weigh their feedback to you.

In theory, most of us know these two ideas would help us and the people around us if we always lived them. The reason we often don't is because it can be emotionally difficult and so we fool ourselves into believing that it's "nicer not to say anything."

But how much more would your friends benefit if you honestly told them you think they're not ready for that new job, or where they lack key skills as an entrepreneur? If you look at the company Ray's built, it becomes evident that it's a lot.

## Lesson 3: The best companies are idea meritocracies.

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What radical truthfulness and transparency enable, whether you can instill them in a company, community, or your family, is what Ray calls an idea meritocracy. **An idea meritocracy is a place where the best ideas win.** Especially in entrepreneurship, this is key. The quicker you can separate the wheat from the chaff and execute only the best suggestions, the faster you move forward.

First, in order to get access to all ideas, your environment must help them come out, for example by giving employees a safe space to express what they think. Second, those ideas must then be judged accurately, in order to choose which ones to implement.

At Bridgewater, Ray has created an algorithm-supported system that records peoples' thoughts and opinions. It also tracks them over time to calculate a believability score, so that decisions are based not on majority votes, but on what the most credible people have to say about the specific issue.

That's how Ray built a company whose actions are fundamentally grounded in reality and the outcome speaks for itself.

## Principles Review

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So far, I've only gotten a glimpse of Ray's work through his features around the web, some interviews, his TED talk, and some of his content. However, the minute I heard he had a book coming out, I put it on my Amazon wish list. The level of detail in Principles is staggering and I can't wait to dig into this treasure chest of wisdom. Who knows, by the time you read this, I've probably already turned it upside down

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## What else can you learn from the blinks?

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- What you can learn from nature about using principles
- How you can tackle your goals methodically
- An example of how Bridgewater lives radical transparency
- Why radical truth is especially important in performance evaluations
- How top entrepreneurs look at their business

## Who would I recommend the Principles summary to?

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The 17 year old impulsive entrepreneur, who's had some success, but now needs grounded reasoning, the 43 year old creative, who just suffered a major setback, and anyone who often swallows their concerns in order to "be nice."