

**Lex Fridman Podcast #413 - Bill Ackman: Investing, Financial Battles, Harvard, DEI, X &  
Free Speech**

Published - February 20, 2024

Transcribed by - [thepodtranscripts.com](https://thepodtranscripts.com)

**Lex Fridman**

The following is a conversation with Bill Ackman, a legendary activist investor who has been part of some of the biggest and at times, controversial trades in history. Also, he is fearlessly vocal on X - f.k.a. Twitter - and uses the platform to fight for ideas he believes in. For example, he was a central figure in the resignation of the President of Harvard University, Claudine Gay, the saga of which we discuss in this episode. This is the Lex Fridman podcast to support it. Please check out our sponsors in the description. And now to you, friends, here's Bill Ackman. In your lecture on the basics of finance and investing, you mentioned a book - "Intelligent Investor", by Benjamin Graham - as being formative in your life. What key lesson do you take away from that book that informs your own investing?

**Bill Ackman**

Sure. Actually, it was the first investment book I read, and as such, it was kind of the inspiration for my career and a lot of my life. So, important book. Bear in mind, this is sort of after the Great Depression. People lost confidence investing in markets - World War II - and then, he writes this book. It's for the average man and basically he says that you have to understand the difference between price and value. Price is what you pay. Value is what you get. And he said the stock market is here to serve you. And it's a bit like the neighbor that comes by every day and makes you an offer for your house. It makes you a stupid offer. You ignore. It makes you a great offer. You can take it. And that's the stock market. And the key is to figure out what something's worth and you have to kind of weigh it. He talked about the difference between - he said the stock market in the short-term is a voting machine. It represents speculative interests - supply and demand of people in the short-term. But in the long-term, the stock market's a weighing machine, much more accurate. It's going to tell you what something's worth. And so, if you can define what something's worth, then you can really take advantage of the market because it's really here to help you. And that's kind of the message of the book.

**Lex Fridman**

In that same way, there's a kind of difference between speculation and investing.

**Bill Ackman**

Yeah, speculation is just a bit like trading crypto, right? You're -

**Lex Fridman**

Strong words.

**Bill Ackman**

Well, short-term trading crypto. Maybe in the long run there's intrinsic value, but many investors in a bubble going into the crash were really just pure speculators. They didn't know what things were worth, they just knew they were going up. That's speculation. And investing is doing your homework, digging down, understanding a business, understanding

the competitive dynamics of an industry, understanding what management's going to do, understanding what price you're going to pay. The value of anything, I would say, other than love, let's say, is the present value of the cash you can take out of it over its life. Now, some people think about love that way, but it's not the right way to think about love. So, investing is about basically building a model of what this business is going to produce over its lifetime.

### **Lex Fridman**

So, how do you get to that, this idea called value investing? How do you get to the value of a thing? Even philosophically, value of anything really but we can just talk about the things that are on the stock market, companies.

### **Bill Ackman**

The value of a security is the present value of the cash you can take out of it over its life. So, if you think about a bond, a bond pays a 5% coupon, interest rate. You get that, let's say, every year or twice a year, split in half, and it's very predictable. And if it's a US government bond, you know you're going to get it. So, that's a pretty easy thing to value. A stock is an interest in a business. It's like owning a piece of a company and a business, a profitable one, is like a bond in that it generates these coupons or these earnings or cashflow every year. The difference with a stock and a bond is that the bond, it's a contract. You know what you're going to get as long as they don't go bankrupt and default. With the stock, you have to make predictions about the business. How many widgets are going to sell this year, how many are going to sell next year, what are the costs going to be? How much of the money that they generate? Do they need to reinvest in the business to keep the business going? And that's more complicated. But what we do is we try to find businesses where, with a very high degree of confidence, we know what those cash flows are going to be for a very long time. And very few businesses that you can have a really high degree of certainty about. And as a result, many investments are speculations because it's really very difficult to predict the future. So, what we do for a living, what I do for a living is find those rare companies that you can kind of predict what they're going to look like over a very long period of time.

### **Lex Fridman**

So, what are the factors that indicate that a company is going to be something that's going to make a lot of money, it's going to have a lot of value, and it's going to be reliable over a long period of time? And what is your process of figuring out whether a company is or isn't that?

### **Bill Ackman**

So, every consumer has a view on different brands and different companies. And what we look for are these non-disruptively businesses, a business where you can close your eyes, stock market shuts for a decade, and you know that 10 years from now it's going to be a more valuable, more profitable company. So, we own a business called Universal Music

Group. It's in the business of helping artists become global artists, recorded music business, and it's in the business of owning the music publishing rights of songwriters. And I think music is forever, right? Music is a many thousand year old part of the human experience, and I think it will be thousands of years from now. And so that's a pretty good backdrop to invest in a company. And the company basically owns a third of the global recorded music, the most dominant market share in the business. They're the best at taking an artist who's 18 years old, who's got a great voice, and has started to get a presence on YouTube and Instagram and helping that artist become a superstar. And that's a unique talent. And the end result is the best artists in the world want to come work for them, but they also have this incredible library of the Beatles, the Rolling Stone, U2, etc. And then, if you think about what music has become - it used to be about what records and CDs and eight track tapes for those of whom - and it was about a new format and that's how they drive sales. And it's become a business which is like the podcast business, streaming. And streaming is a lot more predictable than selling records. You can sort of say, "Okay, how many people have smartphones? How many people are going to have smartphones next year?" There's a kind of global penetration over time of smartphones. You pay, call it, 10, 11 bucks a month for a subscription or less for a family plan and you can kind of build a model of what the world looks like and predict the growth of the streaming business, predict what kind of market share Universal is going to have over time. You can't get to a precise view of value. You can get to an approximation. And the key is to buy at a price that represents a big discount to that approximation. And that gets back to Ben Graham. Ben Graham invented this concept of margin of safety. You want to buy a company at a price that if you're wrong about what you think it's worth and it turns out to be worth 30% less, you paid a deep enough discount to your estimate that you're still okay. A big part of investing is not losing money. If you can avoid losing money and then have a few great hits, you can do very, very well over time.

**Lex Fridman**

Well, music is interesting because yes, music's been around for a very long time, but the way to make money from music has been evolving. Like you mentioned streaming, there's a big transition initiated by, I guess, Napster, then created Spotify of how you make money on music with Apple and with all of this. And the question is, how well are companies like UMG able to adjust to such transformations? One, I could ask you about the future, which is artificial intelligence being able to generate music, for example.

**Bill Ackman**

Sure.

**Lex Fridman**

There have been a lot of amazing advancements with - so, do you have to also think about that. When you close your eyes, all the things you think about, are you imagining the

possible ways that the future is completely different from the present and how well this company will be able to surf the wave of that?

**Bill Ackman**

Sure. And they've had to surf a lot of waves. And actually the music business peaked the last time in the late '90s or 2000 timeframe. And that really innovation, Napster, digitization of music, almost killed the industry. And Universal really led an effort to save the industry and actually made an early deal with Spotify that enabled the industry to really recover. And so by virtue of their market position and their credibility and their willingness to kind of adopt new technologies, they've kept their position. Now, they of course had this huge advantage because I think the Beatles are forever, I think U2 is forever, I think Rolling Stones are forever. So, they had a nice base of assets that were important and I think will forever be, and forever is a long time. Again, enormous - there are all kinds of risks in every business. This is one that I think has a very high degree of persistence. And I can't envision a world beyond streaming in a sense - now you may have a Neuralink chip in your head instead of a phone, but the music can come in a digitized kind of format, you're going to want to have an infinite library that you can walk around in your pocket or in your brain. It's not going to matter that much of the form factor. The device changes. It's not really that important whether it's Spotify or Apple or Amazon that are the so-called DSPs or the providers. I think the value is really going to reside in the content owners. And that's really the artists and the label.

**Lex Fridman**

And I actually think AI is not going to be the primary creator of music. I think we're going to actually face the reality that it's not that music has been around for thousands of years, but musicians and music has been around. We actually care to know who's the musician that created it, just like we want to know who's the artist, human artist that created a piece of art.

**Bill Ackman**

I totally agree. If you think about it, there's lots of other technologies and computers that have been used to generate music over time but no one falls in love with a computer generated track. And Taylor Swift, incredible music, but it's also about the artist and her story and her physical presence and the live experience. I don't think you're going to sit there and someone's going to put a computer up on stage and it's going to play and people are going to get excited around it. So, I think AI is really going to be a tool to make artists better artists. A synthesizer really created the opportunity for one man to have an orchestra. Maybe a bit of a threat to a percussionist, but not maybe. Maybe it drove even more demand for the live experience.

**Lex Fridman**

Unless that computer has human-like sentience, which I believe is a real possibility. But then it's really, from a business perspective, no different than a human. If it has an identity, that's basically fame and an influence, and there'll be a robot Taylor Swift and it doesn't really matter -

**Bill Ackman**

That's a copyrightable asset I would think, right? Yeah.

**Lex Fridman**

And then there'll -

**Bill Ackman**

I'm not sure that's the world I'm excited about that.

**Lex Fridman**

That's a different discussion. The world is not going to ask your permission to become what it's becoming, but you could still make money on it. Presumably there'd be a capital system and there'd be some laws under which I believe AI systems will have rights that are akin to human rights and we're going to have to contend with what that means.

**Bill Ackman**

Well, there's sort of name and likeness rights that have to be protected. Now, can a name be attributed to a Tesla robot? I don't know.

**Lex Fridman**

I think so. I think it's quite obvious to me.

**Bill Ackman**

Okay, so those are more potential artists for us to represent at Universal.

**Lex Fridman**

Exactly, exactly. Alright.

**Bill Ackman**

That's sort of one example. Another example could be just the restaurant industry. If you look at businesses like a McDonald's, it's - whatever, the company's like an 1950 vintage business and here we are, 75 years later, and you can kind of predict what it's going to look like over time. And the menu's going to adjust over time to consumer tastes but I think the hamburger and fries is probably forever.

**Lex Fridman**

The Beatles, the Rolling Stones, the hamburger and fries are forever. I was eating at Chipotle last night as I was preparing these notes -

**Bill Ackman**

Thank you. Thank you.

**Lex Fridman**

And yeah, it is one of my favorite places to eat. You said it is a place that you eat. You obviously also invest in it. What do you get at Chipotle?

**Bill Ackman**

I tend to get a double chicken.

**Lex Fridman**

Bowl or burrito?

**Bill Ackman**

I like the burrito, but I generally try to order the bowl. Cut the carb part.

**Lex Fridman**

For health reasons. Alright.

**Bill Ackman**

And double chicken, guac, lettuce, black beans.

**Lex Fridman**

And I'm more of a steak guy, just putting that on the record. What's the actual process you go through, literally the process of figuring out what the value of a company is? How do you do the research? Is it reading documents? Is it talking to people? How do you do it?

**Bill Ackman**

All of the above. So Chipotle, what attracted us initially is the stock price dropped by about 50%. Great company, great concept. Athletes love it, consumers love it. Healthy, sustainable, fresh food made in front of your eyes and great - Steve Ells is the founder, did an amazing job, but ultimately the company's lacking some of the systems and had a food safety issue. Consumers got sick, almost killed the rent. But the reality of the fast food, quick service industry is almost every fast food company has had a food safety issue over time. And the vast majority have survived. And we said, "Look, it's such a great concept," but their approach was not - it was far from my deal, but we start with usually reading the SEC filing. So, companies file a 10-K or an annual report and they file these quarterly reports called 10-Qs. They have a proxy statement which describes the governance, the board

structure. Conference call transcripts are publicly available. It's very helpful to go back five years and learn the story. "Here's how management describes their business, here's what they say they're going to do," and you can follow along to see what they do. It's like a historical record of how competent and truthful they are. It's a very useful device. And then, of course, looking at competitors and thinking about what could dislodge this company. And then we'll talk to - if it's an industry we don't know well - we know the restaurant industry really well. Music industry, we will talk to people in the industry. We'll try to understand the difference between publishing and recorded music. We'll look at the competitors, we'll read books. I read a book about the music industry or a couple books about the industry. So, it's a bit like a big research project. And these, so-called expert networks now, and you can get pretty much anyone on the phone and they'll talk to you about an aspect of the industry that you don't understand, want to learn more about. Try to get a sense - public filings of companies generally give you a lot of information, but not everything you want to know. And you can learn more by talking to experts about some of the industry dynamics, the personalities. You want to get a sense of management. I like watching podcasts. If a CEO were to do a podcast or a YouTube interview, you get a sense of the people.

**Lex Fridman**

So, in the case of Chipotle, for example - by the way, I could talk about Chipotle all day. I just love it. I love it. I wish there was a sponsor.

**Bill Ackman**

I'll mention it to the CEO.

**Lex Fridman**

Don't make promises you can't keep, Bill.

**Bill Ackman**

I'm not making - Brian Niccol is a fantastic CEO. He's not going to spend \$1 that he doesn't think is in the company's best interest.

**Lex Fridman**

Alright. All I want is free Chipotle, come on now. What was I saying? Oh, and so you look at a company like Chipotle and then you see there's a difficult moment in its history, like you said that there was a food safety issue and then you say, "Okay, well I see a path where we can fix this and therefore even though the price is low, we can get it to where the price goes up to its value."

**Bill Ackman**

So, the kind of business we're looking for is sort of the kind of business everyone should be looking for, right? A great business, it's got a long-term trajectory of growth even beyond



the foreseeable distance. Those are the kind of businesses you want to own, you want businesses that generate a lot of cash, you want businesses you can easily understand, you want businesses with these sort of huge barriers to entry where it's difficult for others to compete. You want companies that don't have to constantly raise capital. And these are some of the great business of the world, but people have figured out that those are the great businesses. So, the problem is those companies tend to have very high stock prices and the value is generally built into the price you have to pay for the business. So, we can't earn the kind of returns we want to earn for investors by paying a really high price. Price matters a lot. You can buy the best business in the world and if you overpay, you're not going to earn particularly attractive returns. So, we get involved in cases where a great business has kind of made a big mistake or you've a company that's kind of lost its way, but it's recoverable. And we buy from shareholders who are disappointed, who've lost confidence, selling at a low price relative to what it's worth if fixed. And then we try to be helpful in fixing the company.

### **Lex Fridman**

You said that barriers to entry - you said a lot of really interesting qualities of companies very quickly in a sequence of statements that took less than 10 seconds to say, but some of them were - all of them were fascinating. So, you said barriers to entry. How do you know if there's a type of moat protecting the competitors from stepping up to the plate?

### **Bill Ackman**

The most difficult analysis to do as an investor is that, is kind of figuring out how wide is the moat, how much at risk is the business to disruption? And we're in, I would say, the greatest period of disruptability in history. Technology - a couple of 19-year-olds can leave whatever university or maybe they didn't even go in the first place, they can raise millions of dollars, they can get access to infinite bandwidth storage. They can contract with engineers in low cost markets around the world. They could build a virtual company and they can disrupt businesses that seem super established over time. And then on top of that, you have major companies with multi-trillion dollar market caps working to find profits wherever they can. And so that's a dangerous world in a way to be an investor. And so you have to find businesses that it's hard to foresee a world in which they get disrupted. The beauty of the restaurant business - our best track record is in restaurants. We've never lost money. We've only made a fortune, interestingly, investing restaurants. A big part of it, it's a really simple business. If you get Chipotle right and you're at a hundred stores, it's not so hard to envision getting to 200 stores and then getting to 500 stores, right? And the key is maintaining the brand image, growing intelligently, having the right systems. Now when you go from a hundred stores to 3,500 stores, you have to know what you're doing and there's a lot of complexity. If you think about your local restaurant, the family's working in the business, they're watching the cash register, and you can probably open another restaurant across town, but there are very few restaurant operators that own more than a few restaurants and operate them successfully. And the quick service business is about systems and building a

model that a stranger who doesn't know the restaurant industry can come in and enter the business and build a successful franchise. Now, Chipotle is not a franchise company. They actually own all their own stores, but many of the most successful restaurant companies are franchise models like a Burger King, a McDonald's, Tim Horton's, all these various brands, Popeyes. And there it's about systems, but the same systems apply whether you own all the stores and it's run by a big corporation or whether the owners of the restaurants are sort of franchisees, local entrepreneurs.

**Lex Fridman**

So, if the restaurant has scaled to a certain number, that means they've figured out some kind of system that works. And it's very difficult to develop that kind of system. So, that's a moat?

**Bill Ackman**

A moat is you get to a certain scale and you do it successfully and the brand is now the understood by the consumer. And what's interesting about Chipotle is what they've achieved is difficult. They're not buying frozen hamburgers, getting shipped in. They're buying fresh, sustainably sourced ingredients. They're preparing food in the store. That was a first. The quality of the product at Chipotle is incredible. It's the highest quality food. You can get a serious dinner for under 20 bucks and eat really healthfully and very high quality ingredients. And that's just not available anywhere else. And it's very hard to replicate and to build those relationships with farmers around the country. It's a lot easier to make a deal with one of the big massive food producers and buy your pork from them than to buy from a whole bunch of farmers around the country. And so that is a big moat for Chipotle, very difficult to replicate.

**Lex Fridman**

And by the way, another company, I think, you have a stake in is McDonald's?

**Bill Ackman**

No. We own a company called Restaurant Brands. Restaurant Brands owns a number of quick service companies, one of which is Burger King.

**Lex Fridman**

Burger King, okay. Well, it's been a meme for a while, but - Burger King is great too. Wendy's, whatever. But usually I go McDonald's, I'll just eat burger patties. I don't know if you knew you could do this, but a burger patty - Burger King can do this, McDonald's. It's actually way cheaper.

**Bill Ackman**

They'll just sell you the patty.

**Lex Fridman**

The patty and it's cheap. It's like \$1.50 or \$2 per patty and it's about 250 calories and it's just meat. And despite the criticism or memes out there, that's -

**Bill Ackman**

Pretty healthy stuff.

**Lex Fridman**

It's healthy stuff. And so the healthiest I feel is when I do carnivore. It doesn't sound healthy, but if I eat only meat, I feel really good, I lose weight. I have all this energy, it's crazy. And when I'm traveling, the easiest way to get meat is that.

**Bill Ackman**

So, you go to McDonald's. You order six patties.

**Lex Fridman**

Exactly. So, there's this sad meme of me just sitting alone in a car when I'm traveling - just eating beef patties at McDonald's. But I love it. And you got to do what you love, what makes you happy, and that's what makes me happy.

**Bill Ackman**

I think maybe we'll have Burger King feature in it. What about Flame World? What's with these fried burgers? We got to get you to Burger King, grilled burgers.

**Lex Fridman**

Wait, is this fast food trash? I don't know the details of how they're made. I don't have allegiance -

**Bill Ackman**

I think we got a chance to switch you to Burger King.

**Lex Fridman**

Great. We'll see. I'm making so many deals today, it's wonderful. Okay, you were talking about moats, and this kind of remind me of Alphabet, the parent company.

**Bill Ackman**

Sure. It's a big position for us.

**Lex Fridman**

So, it's interesting that you think that maybe Alphabet fits some of these characteristics. It's tricky to know with everything that's happening in AI - And I'm interviewing Sundar Pichai soon. It's interesting that you think that there's a moat. And it's also interesting to analyze it

because as a consumer, as just a fan of technology, why is Google still around? It's not just a search engine, it's doing all the basics of the business of search really well, but they're doing all these other stuff. So, what's your analysis of Alphabet? Why are you still positive about it?

### **Bill Ackman**

Sure. So, it's a business we've admired as a firm for, whatever, 15 years, but rarely got to a price that we felt we could own it. Because again, the expectations were so high and price really matters. Really the sort of AI scare, I would call it - Microsoft comes out with ChatGPT, they do an amazing demonstration. People like this most incredible product. And Google, which had been working on AI even earlier, obviously - The Microsoft was behind in AI. It was really their ChatGPT deal that gave them a market presence. And then Google does this fairly disastrous demonstration of Bard and the world says, "Oh my god, Google's fallen behind in AI. AI is the future." Stock gets crushed. Google gets to a price around 15 times earnings, which for a business of this quality is an extremely, extremely low price. And our view on Google - one way to think about it, when a business becomes a verb, that's usually pretty good sign about the moat around the business. So, you'd open your computer and you open your search and very high percentage of the world starts with a Google page in one line where you type in your search. The Google advertising, search, YouTube franchise is one of the most dominant franchises in the world. Very difficult to disrupt, extremely profitable. The world is moving from offline advertising to online advertising. And that trend, I think, continues. Why? Because you can actually see whether your ads work. They used to say about advertising, "You spend a fortune and you just don't know which 50% of it works, but you just sort of spend the money because you know ultimately that's going to bring in the customer." And now with online advertising, you can see with granularity which dollars I'm spending - when people click on the search term and end up buying something and I pay, it's a very high return on investment for the advertiser and they really dominate that business. Now, AI, of course, is a risk. If all of a sudden people start searching or asking questions of ChatGPT and don't start with the Google search bar, that's a risk to the company. And so our view, based on work we had done and talked to industry experts, is that Google, by virtue of the investment they've made the time, the energy that people put into it, we felt their AI capabilities were, if anything, potentially greater than Microsoft ChatGPT and that the market had overreacted. And because Google is a big company, global business regulators scrutinized it incredibly carefully. They couldn't take some of the same liberties a startup like OpenAI did in releasing a product. And I think Google took a more cautious approach in releasing an early version of Bard in terms of its capabilities. And that led the world to believe that they were behind. And we ultimately concluded, if anything, they're tied or ahead and you're paying nothing for that potential business. And they also have huge advantages by virtue - if you think of all the data Google has, the search data, all the various applications, email and otherwise, and the Google suite of products, it's an incredible data set. So, they have more training data than pretty much any company in the world. They have incredible engineers, they have enormous financial resources. So, that was kind of the bet. And we still think it's probably the cheapest of the big seven companies

in terms of the price you're paying for the business relative to its current earnings. It also is a business that has a lot of potential for efficiency. Sometimes when you have this enormously profitable dominant company - all of the technology companies in the post March '20 world grew enormously in terms of their teams and they probably overhired. And so you've seen the Facebooks of the world and now even Google starting to get a little more efficient in terms of their operation. So, we paid a low multiple for the business. One way to think about the value of the business is the price you pay for the earnings or alternatively what's the yield? If you flip over the price over the earnings, it gives you kind of the yield of the business. So, a 15 multiple is about almost a seven and a half percent yield. And that earnings yield is growing over time as the business grows. Compare it to what you can earn lending your money to the government, 4%, that's a very attractive going in yield. And then there's all kinds of, what we call, optionality in all the various businesses and investments they've made that are losing money. They've got a cloud business that's growing very rapidly, but they're investing basically a hundred percent of the profits from that business and growth. So, you're in that earnings number, you're not seeing any earnings from the cloud business, and they're one of the top cloud players. So, very interesting generally well-managed company with incredible assets and resources and dominance - and it has no debt. It's got a ton of cash. And so pretty good story.

### **Lex Fridman**

Is there something fundamentally different about AI that makes all of this more complicated, which is the exponential possibilities of the kinds of products and impact that AI could create when you're looking at Meta, Microsoft, Alphabet, Google, all these companies, xAI, or maybe startups? Is there some more risk introduced by the possibilities of AI?

### **Bill Ackman**

Absolutely. That's a great question. Investing is about finding companies that can't be disrupted. AI is the ultimate disruptable asset or technology. And that's what makes investing treacherous, is that you own a business that's enormously profitable, management gets, if you will, fat and happy, and then a new technology emerges that just takes away all their profitability. And AI is this incredibly powerful tool, which is why every business is saying, "How can I use AI in my business to make us more profitable, more successful, grow faster, and also disrupt or protect ourself from the incomings?" It's a bit like - Buffett talks about a great business is like a castle - it's a bit like Buffett talks about a great business, like a castle surrounded by this really wide moat but you have all these barbarians trying to get in and steal the princess. And it happens. Kodak, for example, was an amazing, incredibly dominant company until it disappeared. Polaroid, this incredible technology. And that's why we have tended to stay away from companies that are technology companies because technology companies generally - the world is such a dynamic place that someone's always working on a better version. And Kodak was caught up in the analog film world and then the world changed.

**Lex Fridman**

Well, Google was pretty fat and happy until ChatGPT came out.

**Bill Ackman**

Yes.

**Lex Fridman**

How would you rate their ability to wake up, lose weight, and be less happy and aggressively rediscover their search for happiness?

**Bill Ackman**

I think you've seen a lot of that in the last year. And I would say some combination of embarrassment and pride are huge motivators for everyone from Sergey Brin, to the management of the company.

**Lex Fridman**

And Demis Hassabis threw them into the picture and all of DeepMind teams, and the unification of teams and all the shakeups. It was interesting to watch the chaos. I love it. I love it when everybody freaks out. Like you said, partly embarrassment, and partly that competitive drive that drives engineers, is great. I can't wait to see what - there have been just a lot of improvement in the product. Let's see where it goes. You mentioned management. How do you analyze the governance structure and the individual humans that are the managers of a company?

**Bill Ackman**

So as I like to say, "Incentives drive all human behavior." And that certainly applies in the business world. So, understanding the people and what drives them and what the actual financial and other incentives of a business, are very important part of the analysis for investing in a company. And you can learn a lot - I mentioned before, one great way to learn about a business is go back a decade and read everything that management has written about the business, and see what they've done over time. See what they've said - conference calls are actually relatively recent. When I started in the business, there weren't conference call transcripts. Now you have a written record of everything management has said in response to questions from analysts, at conferences and otherwise. And so just you learn a lot about people by listening to what they say, how they answer questions, and ultimately their track record for doing what they say they're going to do. Do they under promise and over deliver? Do they over promise and under deliver? Do they say what they're going to do? Do they admit mistakes? Do they build great teams? Do people want to come work for them? Are they able to retain their talent? And then part of it is how much are they running the business for the benefit of the business? How much are they running the business for the benefit of themselves? And that's the analysis you do.

**Lex Fridman**

Are we talking about CEO, COO? What does management mean? How deep does it go?

**Bill Ackman**

Sure. Very senior management matters enormously. We use the Chipotle example. Steve Ells, great entrepreneur. Business got to a scale he really couldn't run it. We helped the company recruit a guy named Brian Niccol, and he was considered the best person in the quick service industry. He came in and completely rebuilt the company. Actually we moved the company, Chipotle was moved to California. And sometimes one way to redo the culture of a company is just to move it geographically, and then you can reboot the business. But a great leader has great followership. Over the course of their career, they'll have a team they've built that will come follow them into the next opportunity. But the key is really the top person matters enormously, and then it's who they recruit. You recruit an A+ leader and they're going to recruit other A-type people. You recruit a B-leader, you're not going to recruit any great talent beneath them.

**Lex Fridman**

You mentioned Warren Buffett. You said you admire him as an investor. What do you find most interesting and powerful about his approach? What aspects of his approach to investing do you also practice?

**Bill Ackman**

Sure. So, most of what I've learned in the investment business, I've learned from Warren Buffett, he's been my great professor of this business. My first book I read in the business was the Ben Graham "Intelligent Investor", but fairly quickly you get to learn about Warren Buffett and I started by reading the Berkshire Hathaway annual reports. And then I eventually got the Buffett partnership letters that you could see, which are an amazing read to go back to the mid 1950s and read what he wrote to his limited partners when he first started out and just follow that trajectory over a long period of time. So, what's remarkable about him is one: duration. Right? He's still at it at 93. Two: He takes a very long-term view. But a big thing that you learn from him investing requires is incredible, dispassionate, unemotional quality. You have to be extremely economically rational - which is not a basic - it's not something you learn in the jungle. I don't think it's something that - if you think about surviving the jungle, the lion shows up and everyone starts running, you run with them. That does not work well in markets. In fact, you generally have to do the opposite, right? When the lemmings are running over the cliff, that's the time where you're facing the other direction and you're running the other direction, i.e, you're stepping in, you're buying stocks at really low prices. Buffett's been great at that and great at teaching about what he calls temperament, which is this sort of emotional or unemotional quality that you need to be able to dispassionately look at the world and say, "Okay, is this a real risk? Are people overreacting?" People tend to get excited about investments when stocks are going up and they get depressed when they're going down. And I think that's just inherently human. You

have to reverse that. You have to get excited when things get cheaper and you got to get concerned when things get more expensive.

**Lex Fridman**

You've been a part of some big battles, some big losses, some big wins. It's been a roller coaster. So, in terms of temperament - psychologically - how do you not let that break you? How do you maintain a calm demeanor and avoid running with a lemmings?

**Bill Ackman**

I think it's something you learn over time. A key success factor is you want to have enough money in the bank that you're going to survive regardless of what's going on with volatility in markets, people who - one, you shouldn't borrow money. So, if you borrow money, you own stocks on margin, markets are going down and you have your livelihood at risk. It's very difficult to be rational. So, key is getting yourself to a place where you're financially secure, you're not going to lose your house. That's kind of a key thing. And then also doing your homework. Stocks can trade at any price in the short-term. And if you know what a business is worth and you understand the management and you know it extremely well, it's not nearly as - it doesn't bother you when a stock price goes down or it has much less impact on you because again, as Mr. Graham said, the short-term, the markets are voting machine. You have a bunch of lemmings voting one direction that's concerning. But if it's a great business, doesn't have a lot of debt and people are going to just listen to more music next year than this year, you know you're going to do well. So, it's a bit some combination of being personally secure and also just knowing what you own and over time you build callouses, I would say.

**Lex Fridman**

So psychologically, just as a human being, speaking of lines and gazelles and all this kind of stuff, is it as simple as just being financially secure? Is there some just human qualities that you have to be born with slash develop?

**Bill Ackman**

I think so. I think now I'm a pretty emotional person I would say, or I feel pretty strong emotions, but not in investing. I'm remarkably immune to volatility and that's a big advantage and it took some time for me to develop that.

**Lex Fridman**

So, you weren't born with that, you think?

**Bill Ackman**

No.



**Lex Fridman**

So, being emotional – do you want to respond to volatility?

**Bill Ackman**

Yeah, and it's a bit – again, you can learn a lot from other people's experience. It's one of the few businesses where you can learn an enormous amount by reading about other periods in history following Buffett's career, the mistakes he made. If you're investing a lot of capital, every one of your mistakes is going to be big, right? So, we've made big mistakes. The good news is that the vast majority of things we've done have worked out really well. And so that also gives you confidence over time. But because we make very few investments, we own eight things today or seven companies of that matter, if we get one wrong, it's going to be big news. And so the other nature of our business you have to be comfortable with is a lot of public scrutiny, a lot of public criticism. And that requires some experience. I call it that.

**Lex Fridman**

I think we'll talk about some of that. Financially secure is something I believe also recommend for even just everyday investors. Is there some general advice from the things you've been talking about that applies to everyday investors?

**Bill Ackman**

Sure. So, never invest money you can't afford to lose – where if you'd lost this money, you'd lose your house, etc. So, being in a place where you're investing money that you don't care about the price in the short-term, it's money for your retirement, and you take a really long-term view, I think that's key. Never investing, will you borrow money against your securities? The markets offer you the opportunity to leverage your investment and in most worlds you'll be okay, except if there's a financial crisis or a nuclear device gets detonated, God forbid somewhere in the world or there's an unexpected war or someone kills a leader unexpectedly, things happen that can change the course of history and markets react very negatively to those kinds of events. And you can own the greatest business in the world trading for a hundred dollars a share, and next moment it could be 50. So, as long as you don't borrow against securities, you own really high quality businesses and it's not money that you need in the short-term, then you can actually be thoughtful about it. And that is a huge advantage. The vast majority of investors, it seems tend to be the ones that panic and the downturns get over related and when markets are doing well.

**Lex Fridman**

So, be able to think long-term and be sufficiently financially secure such that you can afford to think long-term.

**Bill Ackman**

Now Buffett is the ultimate long-term thinker and just the decisions he makes, the consistency of the decisions he's made over time and fitting into that sort of long-term framework is a very, very educational, let's put it that way, for learning about this business.

**Lex Fridman**

So, you mentioned eight companies, but what do you think about mutual funds for everyday investors that diversify across a larger number of companies?

**Bill Ackman**

I think there are very few mutual funds. There are thousands and thousands of mutual funds. There are very few that earn their keep in terms of the fees they charge. They tend to be too diversified and too short-term. And you're often much better off just buying an index fund. And many of them perform, if you look carefully at their portfolios are not so different from the underlying index itself and you tend to pay a much higher fee. Now, all of that being said, there's some very talented mutual fund managers. A guy named Will Danoff at Fidelity has had a great record over a long period of time. The famous Peter Lynch, Ron Barron, another great long-term growth stock investor. So, there's some great mutual funds, but I put them in the handful versus the thousands. And if you're in the thousands, I'd rather someone bought just an index fund basically.

**Lex Fridman**

Yeah, index funds. But what would be the leap for an everyday investor to go to investing in a small number of companies like two, three, four, five companies?

**Bill Ackman**

I even recommend for individual investors to invest in a dozen companies, you don't get that much more benefit of diversification going from a dozen to 25 or even 50. Most of the benefits of diversification come in the first, call it 10 or 12. And if you're investing in businesses that don't have a lot of debt, they're businesses that you can understand yourself, you understand - actually individual investors did a much better job analyzing Tesla than the so-called professional investors or analysts, the vast majority of them. So, if it's a business you understand - if you bought a Tesla - you understand the product and its appeal to consumers - it's a good place to start when you're analyzing a company. So, I would invest in things you can understand. That's kind of a key. You like Chipotle. You understand why they're successful. You can go there every week and you can monitor. Is anything changing? How's the Chicken al Pastor? Is that a good upgrade from the basic chicken? The drink offering is improving. The store is clean. I think you should invest in companies you really understand - simple businesses where you can predict with a high degree of confidence what it's going to look like over time. And if you do that - in a not particularly concentrated fashion and you don't borrow money against your securities - you'll probably do much better than your typical mutual fund.

**Lex Fridman**

Yeah, it's interesting. Consumers that love a thing are actually good analysts of that thing - or I guess a good starting point.

**Bill Ackman**

And by the way, there's much more information available today. When I was first investing, literally we had people faxing us documents from the SEC filings in Washington, D. C. Now, everything's available online. Conference call transcripts are free. You have AI. You have unlimited data and all kinds of message boards and Reddit forums and things where people are sharing advice and everyone has their own. By virtue of their career or experience, they'll know about an industry or a business and that gives them - I would take advantage of your own competitive advantages.

**Lex Fridman**

I'm just afraid if I invest in Chipotle, I'll be analyzing every little change of menu from a financial perspective and just be very critical.

**Bill Ackman**

If it's going to affect your experience, I wouldn't buy the stock.

**Lex Fridman**

Yeah, I mean I should also say that I am somebody that emotionally does respond to volatility, which is why I've never bought index funds and I just notice myself psychologically being affected by the ups and downs of the market. I want to tune out because if I'm at all tuned in, it has a negative impact on my life.

**Bill Ackman**

Yeah, that's really important.

**Lex Fridman**

Can you explain what activist investing is? You've been talking about investing and then looking at companies when they're struggling, stepping in and reconfiguring things within that company and helping it become great. So that's part of it, but let's just zoom out. What's this idea of activist investing?

**Bill Ackman**

I think recently in the last couple of days I read an article saying that more than 50% of the capital in the world today invests in the stock markets passive indexed money. And that's the most passive form, right? So if you think about an index fund, a machine buys a fixed set of securities in certain proportion. There's no human judgment at all, and there's no real person behind it, in a way. They never take steps to improve a business. They just quietly own securities. What we do is we invest our capital in a handful of things. We get to know

them really, really well because you're going to put 20% of your assets in something, you need to know it really well. But once you become a big holder and if you've got some thoughts on how to make a business more valuable, you can do more than just be a passive investor. So our strategy is built upon finding great companies in some cases that have lost their way and then helping them succeed. And we can do that with ideas from outside the boardroom. Sometimes we take a seat on a board or more than one, and we work with the best management teams in the world to help these businesses succeed. So when I first went into this business, no one knew who we were and we didn't have that much money. And so to influence what was to us a big company, we had to make a fair bit more noise, right? So we would buy a stake, we'd announce it publicly, we'd attempt to engage with management. The first activist investment we made at Pershing Square was Wendy's. I couldn't get the CEO to ever return my call. He didn't return my call. Actually, in that case, our idea was Wendy's owned a company called Tim Hortons, which was this coffee donut chain, and you could buy Wendy's for basically \$5 billion and they owned a hundred percent of Tim Hortons, which itself was worth more than 5 billion. So you could literally buy Wendy's, separate Tim Hortons and get Wendy's for negative value. That seemed like a pretty good opportunity even though the business wasn't doing that well. So we bought the stake, called the CEO, couldn't get a meeting, nothing. So we hired actually Blackstone, which at that time had an investment bank and we hired them to do what's called a fairness opinion of what Wendy's would be worth if they followed our advice and they agreed to do it, paid them a fee for it. And then we mailed in a letter with a copy of the fairness opinion saying Wendy's would basically be worth 80% more if they did what we said. And six weeks later they did what we said. So that's activism, at least an early form of activism. With that kind of under our belt, we had a little more credibility and now we started to take things and stakes in companies. The media would pay attention. So the media became kind of an important partner and some combination of shame, embarrassment and opportunity motivated management teams to do the right thing. And then beyond that, there's certain steps you can take if management's recalcitrant and the shareholders are on your side. But it's a bit like running for office. You've got to get all the constituents to support you and your ideas. And if they support you and your ideas, you can overthrow, if you will, the board of a company. You bring in new talent and then take over the management of a business. And that's the most extreme form of activism. So that's kind of the early days, and what we did. And a lot of the early things that we did were, what we call sort of like investment banking activism where we'd go in and recommend something, a good investment bank would've recommended, and if they do it, we make a bunch of money. And then we moved on to the next one. And then we realized an investment in a company called General Growth was the first time we took a board seat on a company. And there it was some financial restructuring and also an opportunity to improve the operations of the business, sit on the board of a company. And that was one of the best investments we ever made. And we said, "Okay, we can do more than just be an outside the boardroom investor and we can get involved in helping select the right management teams and helping guide the right management teams." And then we've done that over years. And then I would say the last seven years we

haven't had to be an activist. An activist is generally someone who's outside banging on the door trying to get in. We're sort of built enough credibility that they open the door and they say, "Hey, Bill, what ideas do you have? So welcome. Would you like to join the board?" We're treated differently today than we were in the beginning. And that is - I would say some people might just call it being an engaged owner. And by the way, that's the way investing was done in the Andrew Carnegie, JPMorgan days 150 years ago. You had these iconic business leaders that would own 20% of US steel, and when things would go wrong, they'd replace the board and the management and fix them. And over time, we went to a world where mutual funds were created in the 1920s, '30s, index funds with Vanguard and others, and that all these controlling shareholders gave their stock to society or their children and multiple generations. And they were no longer controlling owners of businesses or very few. And that led to under performance and the opportunity for activists over time. And what activism has done, and I think we've helped lead this movement, is it restored the balance of power between the owners of the business and the management of the company. And that's been a very good thing for the performance of the US stock market actually.

**Lex Fridman**

So the owners meaning the shareholders?

**Bill Ackman**

Yes.

**Lex Fridman**

And so there's a more direct channel of communication with activists investing between the shareholders and the people running the company?

**Bill Ackman**

Yes. So activists generally never own more than five or 10% of a business. So they don't have control. So the way they get influence is they have to convince the other, but they have to get to sort of a majority of the other shareholders to support them. And if they can get that kind of support, they can behave almost like a controlling shareholder. And that's how it works.

**Lex Fridman**

So the running of companies, according to Bill Ackman is more democratic now.

**Bill Ackman**

It is. It is. But you need some thought leaders. So activists are kind of thought leaders. Because they can spend the time and the money. A retail investor that owns a thousand shares doesn't have the resources or the time, they got a day job. Whereas an activist day job is finding the handful of things where there are opportunities.

**Lex Fridman**

So on average is a good to have such an engaged, powerful, influential investor helping control direct the direction of a company.

**Bill Ackman**

It depends who that investor is, but generally I think it's a good thing. And that's why one of the problems with being CEO of a company today and having a very diversified shareholder base is the kind of short-term, long-term balance. And you have investors that have all different interests in terms of what they want to achieve and when they want it achieved. And CEO of a new company - a new CEO of an old company, let's say, hasn't had the chance to develop the credibility to make the kind of longer-term decisions and can be stuck in a cycle of being judged on a quarterly basis. And the best businesses are forever assets and decisions you make now have impact three, four or five years from now, in order to make - and sometimes there are decisions we make that have the effect of reducing the earnings of a company in the short-term because in the long-term it's going to make the business much more valuable. But sometimes it's hard to have that kind of credibility when you're a new CEO of a company. So when you have a major owner that's respected by other shareholders sitting on the board saying, "Hey, the CEO is doing the right thing and making this expensive investment in a new factory, we're spending more money on R&D because we're developing something that's going to pay off over time." That large owner on the board can help buy the time necessary for management to behave in a longer term way. And that's, I think, good for all the shareholders.

**Lex Fridman**

So that's the good story. But can it get bad? Can you have a CEO who is a visionary and sees the long-term future of a company and an investor come in and have very selfish interest in just making more money in the short-term and therefore destroy and manipulate the opinions of the shareholders and other people on the board in order to sink the company, maybe increase the price, but destroy the possibility of long-term value?

**Bill Ackman**

It could theoretically happen, but again, the activist in your example, generally doesn't own a lot of stock. The shareholder basis today, the biggest shareholders are these index funds that are forever, right? The BlackRock, Vanguard, State Street, their ownership stakes are just at this point only growing because of the inflows of capital they have from shareholders. So they have to think or they should think very long-term and they're going to be very skeptical of someone coming in with a short-term idea that drives the stock price up in the next six months, but impairs the company's long-term ability to compete. And basically that ownership group prevents this kind of activity from really happening.

**Lex Fridman**

So people are generally skeptical of short-term activist investors?

**Bill Ackman**

Yes, and they're very few. I don't really know any short-term activist investors.

**Lex Fridman**

That's a hopeful -

**Bill Ackman**

Not ones with credibility.

**Lex Fridman**

You mentioned general growth. I read somewhere called arguably one of the best hedge fund trades of all time. So I guess it went from \$60 million to over 3 billion.

**Bill Ackman**

It was a good one.

**Lex Fridman**

Alright.

**Bill Ackman**

But it wasn't a trade. I wouldn't describe it as a trade. A trade is something you buy and you flip. This is something where we made the investment initially in November of 2008, and we still own a company. We spun off of general growth and it's now 15 years later.

**Lex Fridman**

Can you describe what went into making that decision to actually increase the value of the company?

**Bill Ackman**

Sure. So this was at the time of the financial crisis, circa November 2008. Real estate's always been a kind of sector that I've been interested in. I began my career in the real estate business working for my dad, actually arranging mortgages for real estate developers. So I have kind of deep ties and interest in the business and General Growth was the second-largest shopping mall company in the country. Simon Properties many people have heard of, General Growth was #2. They owned some of the best malls in the country. And at that time, people thought of shopping malls as these non disruptible things. Again, we talk about disruption. Malls have been disrupted in many ways and General Growth stock - General Growth, the company - the CFO in particular was very aggressive in the way that he borrowed money. And he borrowed money from a kind of Wall Street, not long-term mortgages, but generally relatively short-term mortgages. It was pretty aggressive. As the value went up, he would borrow more and more against the assets and that helped the short-term results of the business. The problem was during the financial crisis, the market

for what's called CMBS, commercial mortgage backed securities basically shut. And the company, because its debt was relatively short-term, had a lot of big maturities coming up that they had no ability to refinance. And the market said, "Oh, my god, the lenders are going to foreclose and the shareholders going to get wiped, the company's going to go bankrupt, they're going to get wiped out." The stock went from \$63 a share to 34 cents. And there was a family, the Bucksbaum Family owned I think about 25% of the company, and they had a 5 billion of stock that was worth \$25 billion or something by the time, we bought a stake in the business. And what interested me was I thought the assets were worth substantially more than the liabilities. The company had \$27 billion of debt and had a hundred million dollars value of the equity down from \$20 billion. Okay? And one that sort of an interesting place to start with a stock down 99%. But the fundamental drivers, the mall business are occupancy. How occupied are the malls, occupancy was up year-on-year between '07 and '08. Interestingly, net operating income, which is kind of a measure of cash flow from the malls, that was up year-on-year. So kind of the underlying fundamentals were doing fine. The only problem they had is they had billions of dollars of debt that they had to repay, they couldn't repay. And if you kind of examine the bankruptcy code, it's precisely designed for a situation like this where it's this resting place you can go to restructure your business. Now the problem was that every other company that had gone bankrupt, the shareholders got wiped out. And so the market's seeing every previous example, the shareholders get wiped out. The assumption is this stock is going to go to zero. But that's not what the bankruptcy code says. What the bankruptcy code says is that the value gets portioned based on value. And if you could prove to a judge that there was the assets worth more than a liabilities, then the shareholders actually get to keep their investment in the company. And that was the bet we made. And so we stepped into the market and we bought 25% of the company in the open market for - we had to pay up. It started out at 34 cents, I think there were 300 million shares. So it was at a hundred million dollars value by the time we were done. We paid an average of - we paid 60 million for 25% of the business, so about \$240 million for the equity of the company. And then we had to get on the board to convince the directors the thing to do. And the board was in complete panic, didn't know what to do, spending a ton of money on advisors. And I was a shareholder activist four years into Pershing Square, and no one had any idea what we were doing. They thought we were crazy. Every day we'd go into the market and we'd buy this penny stock and we'd file what's called a 13D, every 1% increase in our stake. And people just thought we were crazy. We're buying stock in a company that's going to go bankrupt. "Bill, you're going to lose all your money. Run." And I said, "Well, wait, bankruptcy code says that if it's more asset value than liabilities, we should be fine." And the key moment, if you're looking for fun moments is there's a woman named Maddie Bucksbaum who's from the Bucksbaum family. And her cousin John was chairman of the board, CEO of the company. And as she calls me after we disclose our stake in the company, she's like, "Bill Ackman, I'm really glad to see you here." And I met her like - I don't think it was a date, but I kind of met her in a social context when I was like 25 or something. And she said, "Look, I'm really glad to see you here and if there's anything I can do to help you, call me." I said, "Sure." We kept trying to get on the board of the company. They wouldn't invite



us on, couldn't really run a proxy contest, not with a company going bankrupt. And their advisors actually were Goldman Sachs - not with a company going bankrupt. And their advisors actually were Goldman Sachs and they're like, "You don't want the fox in the henhouse." And they were listening to their advisors. I called Maddie up and I said, "Maddie, I need to get on the board of the company to help." And she says, "You know what? I will call my cousin and I'll get it done." She calls back a few hours later, "You'll be going onto the board." I don't know what she said because -

### **Lex Fridman**

Well, she was convincing.

### **Bill Ackman**

Next thing you know, I'm invited on the board of the company, and the board is talking about the old equity of general growth. Old equity is what you talk about, "The shareholders are getting wiped out." I said, "No, no, no. This board represents the current equity of the company and I'm a major shareholder. John's a major shareholder. There's plenty of asset value here. This company should be able to be restructured for the benefit of shareholders." And we led a restructuring for the benefit of shareholders, and it took, let's say eight months. And the company emerged from Chapter 11. We made an incremental investment into the company, and the shareholders kept the vast majority of their investment. All the creditors got their face amount of their investment par plus accrued interest, and it was a great outcome. All the employees kept their jobs, the mall stayed open, there was no liquidation. The bankruptcy system worked the way it should. I was in court all the time and the first meeting with the judge, the judge is like, "Look, this would never have happened were it not for a financial crisis." And once the judge said that, I knew we were going to be fine, because the company had really not done anything fundamentally wrong, maybe a little too aggressive in how they borrowed money. And stock went from 34 cents to \$31 a share. And actually fun little anecdote, we made a lot of people a lot of money who followed us into it. I got a lot of nice thank you notes, which you get on occasion in this business, believe it or not. And then one day I get a voicemail, this is when there was something called voicemail, probably a few years later. And it's a guy with a very thick Jamaican accent leaving a message for Bill Ackman. I return all my calls, called the guy back. I said, "Hi, it's Bill Ackman. I'm just returning your call." He says, "Oh, Mr. Ackman, thank you so much for calling me." And I said, "Oh, how can I help?" He says, "I wanted to thank you." I said, "What do you mean?" He said, "I saw you on CNBC a couple of years ago and you were talking about this general growth and the stock." I said, "Where was the stock at the time?" He said, "It's 60 cents or something like this. And I bought a lot of stock." And I'm like, "Well, how much did you invest?" "Oh, I invest all of my money in the company." And he was a New York City taxi driver and he invested like \$50,000 or something like this at 60 cents a share. And he was still holding it. And he went into retirement and he made 50 times his money. And those are the moments that you feel pretty good about investing.

**Lex Fridman**

What gave you confidence through that? Went to a penny stock, and I'm sure you were getting a lot of naysayers and people saying that, "This is crazy."

**Bill Ackman**

It's the same thing. You just do the work. We got a lot of pushback from our investors actually because we had never invested in a bankrupt company before. It's a field called distressed investing, and they're dedicated distressed investors and we weren't considered one of them. "Bill, what are you doing? You don't know anything about distressed investing. You don't know anything about bankruptcy investing." But I can read.

**Lex Fridman**

And you learned.

**Bill Ackman**

And I learned. And it sometimes is very helpful not to be a practitioner, an expert in something because you get used to the conventional wisdom. And so we just abstractly stepped back and look at the facts and it was just a really interesting setup for one of the best investments we ever made.

**Lex Fridman**

How hard is it to learn some of the legal aspects of this? Like you mentioned bankruptcy code. I imagine is very dense language and dense ideas and loopholes and all that kind of stuff. If you're just stepping in and you've never done distressed investing, how hard is it to figure out?

**Bill Ackman**

It's not that hard. No, it's not that hard.

**Lex Fridman**

Okay.

**Bill Ackman**

I literally read a book on distressed investing. Ben Branch or something on distressed investing.

**Lex Fridman**

You were able to pick up the intuition from that. Just all the basic skills involved, the basic facts to know, all that kind of stuff?

**Bill Ackman**

Most of the world's knowledge has already been written somewhere. You just got to read the right books. And also had great lawyers. Built up some great relationships. We work with Sullivan & Cromwell, and the lawyer there named Joe Schenker who I met earlier in my career. Pershing Square was actually my second act in the hedge fund business. I started a fund called Gotham Partners when I was 26. One of my early investments was a company called Rockefeller Center Properties that was heading for bankruptcy. And the lawyer on the other side representing Goldman Sachs was a guy named Joe Schenker. He was an obvious phone call because we had yet another real estate bankruptcy. And that one we did very well, but I missed the big opportunity and I suffered severe psychological torture every time I walked by Rockefeller Center because we knew more about that property, anyone else, but I knew less about deal making and didn't have the resources, and I was 28 years old or 27. And they hired a better lawyer than we did, and they outsmarted us on that one in a way. I said, "Okay, I'm going to go hire this guy the next time round."

**Lex Fridman**

Okay. We'll probably talk about Rockefeller Center and some failures, but first you said Fox in the henhouse, something that the board and the chairman were worried about. Why would they call you a fox? You keep saying activist investing, there's nothing to worry about. It's always good, mostly good. But that expression applied in this context, they were still worried about that.

**Bill Ackman**

Sure.

**Lex Fridman**

And so there's a million questions here, but first of all, what is the process of getting on the board look like?

**Bill Ackman**

A board can always admit a member at any time in their discretion for a US company. Maybe there's some jurisdiction where you need a shareholder vote, but in most cases a board can vote on any director that they want. If the board doesn't invite you to the party, you have to apply to be a member in effect, and basically it's the process of ultimately running a slate for a meeting where you propose a - any shareholder can propose to be on a board of a company if they own a one share of stock in the business. And getting your name in the materials they sent to shareholders, those rules were written in a way that were very unfavorable and very difficult to get in the door. And those rules have been changed very recently where the company now has to include really all the candidates and the materials they sent to shareholders and the shareholders pick the best ones. When we ran proxy contests in the past, that was not the case. And so you have to spend a lot of money, mostly mailing fees and all kinds of other legal and other expenses to let everyone know you're

running, like running a political campaign. And then you got to run around and meet with the big shareholders, fly around the country, explain your case to them, and then there's a shareholder meeting. And if you get a majority of the votes, you get on.

**Lex Fridman**

What's this proxy contest/battle idea, what's the -

**Bill Ackman**

The battle comes when they don't want you to get on. And a lot of that has to do with I would say, pride, normal human stuff. A lot of times a board of an underperforming company doesn't want to admit that they've underperformed. And boards of directors 20 years ago when we started Pershing Square, were pretty cushy jobs. Sit on a board of a company, you play golf with the CEO at nice golf courses, you make a few hundred thousand dollars a year to go to four meetings. It was kind of a rubber stamp world where, at the end of the day, the CEO really ran the show. Once shareholders could actually dislodge board members and they could lose their seats, and that's really the rise of shareholder activism, boards started taking their responsibilities much more seriously. Because directors are typically - in many cases, they're retired CEOs. This is how they're making a living in the later part of their career. They'll sit on four boards, they collect a million, a million and a half dollars a year in director's fees. If they get thrown off the board by the shareholders, that's embarrassing obviously and it affects their ability to get on other boards. Again, incentives, as I said earlier, drive all human behavior. The incentives of directors, they want to preserve their board seats. Now the directors on board serve in various roles. The most vulnerable ones are ones who, for example, chair a compensation committee. And if they put in a bad plan or they overpaid management, they're subject to attack by shareholders. But these contests are not dissimilar to political contests, where there's mudslinging and the other side puts out false information about you and you have to respond and they're spending the shareholders' money, so they have sort of unlimited resources. And you're spending your and your investors' money, when you're a small firm, finite resources. They can outspend you, they can sue you, they can try to jigger the mechanics in such a way that you're going to lose. There's some unfortunate stuff that's happened in the past, some manipulative stuff.

**Lex Fridman**

Also some stuff that's public like in the press and all this kind of stuff?

**Bill Ackman**

Oh, of course. There'll be articles about - in the dirty days where they would go through your trash and make sure that you're not sleeping around and things like this. But that's okay. I can survive extreme scrutiny because I've been through this for a long time.

**Lex Fridman**

You're saying the fat and happy hens can get very wolf-like when the fox is trying to break in? Is this how we extend this metaphor?

**Bill Ackman**

Well, the fox is a threat to the hens.

**Lex Fridman**

But the charismatic fox just explained to me why the fox is good for everybody in the henhouse.

**Bill Ackman**

At the end of the day, it's actually very good on a board to have someone - there are many examples over time and some handful of high profile ones where the board fought tooth and nail to keep the activists off the board. And then once the activists got on the board and they said, "This guy's not so bad after all. The shareholders voted him on. He's got some decent ideas and let's all work together to have this work out." And so there are very few cases where after the contest - and by the way, sometimes you have to replace the entire board. We've done that. But in most cases you got a couple of seats on the board, and it's just you want to build a board comprised of diverse points of view. And that's how you get to the truth.

**Lex Fridman**

What was the most dramatic battle for the board that you have been a part of?

**Bill Ackman**

The Canadian Pacific Proxy contest. Canadian Pacific was considered the most iconic company in Canada. It literally built the country because the rail that got built over Canada is what united the various provinces into a country. And then over time, because the railroad business is a pretty good business, they built a ton of hotels, they owned a lot of real estate, and it became this massive conglomerate, but it was horribly mismanaged for decades. By the time we got involved, it was by far the worst run railroad in North America. They had the lowest profit margins, they had the lowest growth rate. Every quarter management would make excuses, generally about the weather as to why they underperformed versus - and there there's a direct competitor, a company called Canadian National, has a rail goes right across the country. And Canadian Pacific would constantly be complaining about the weather. And basically same country, same regions, the tracks weren't that far apart. But it was a really important company and being on this board was like an honorary thing. And everyone on the board was an icon of Canada. The chairman of the Royal Bank of Canada, the head of the most important privately held grain company, an important collection of big time Canadian executives. Here we were, this is probably about 13 years ago, and still maybe a 44-year-old from New York, not a Canadian basically saying,

"This is the worst run railroad North America." And we bought 12% of the railroad at a really low price and we brought with us to our first meeting, the greatest railroader ever, a guy named Hunter Harrison who had turned around Canadian National. We're like, "Okay, we've got a great asset. We've got the greatest railroad CEO of all time. He's come out of retirement to step in and run the railroad." And we brought him to the first meeting and they wouldn't even meet with him, and they certainly weren't going to consider hiring him. And that led us to a proxy contest.

### **Lex Fridman**

And this is where the engine starts churning to figure out how this contest can be won. What's involved?

### **Bill Ackman**

Well the key is we had to one come up with a group of directors who would be willing to step into a battle. And we didn't want a bunch of New York directors or even American directors, we wanted Canadians. The problem was this was the most iconic company in Canada and we wanted high profile people. We talked to all the high profile people in Canada. Every one of them would say, "Bill, you're entirely right. This thing is the worst run railroad. It needs to be fixed. But I see John at the club. I see him at the Toronto Club. I can't do this, but you're totally right." And that was the concern because you have to file your materials by a certain day, you got to put together a slate. We needed a big slate because we knew that we had to replace basically all the directors. And then I spoke to a guy who was one of the wealthiest guys in Canada who was on the board at one point in time. And he said, "Bill, I have an idea for you. There's this woman, Rebecca McDonald, why don't you give her a call?" And I called Rebecca and she was the first woman to take a company public in Canada as CEO. And she was an anti-establishment, not afraid to take on anything kind of person. And I called her, we had a great conversation and she was in the Dominican Republic at her house and I flew down to see her and she said, "Yeah, I'm all in." And actually, once we got her, that enabled us to get others. And then we put together our slate and we had some pretty interesting dialogue with the company. They tried to embarrass us all the time.

### **Lex Fridman**

In the press publicly? What are talking about?

### **Bill Ackman**

Press publicly. At one point I wrote an email saying, "Look, let's come to peace on this thing, but if we don't, you're really forcing my hand and we're going to have to rent the largest hall in Toronto and invite all the shareholders and it's going to be embarrassing for management." And I made reference to some nuclear winter, "Let's not have it be a nuclear winter." And they thought they'd embarrass me by releasing the email, but it only inspired us. And we rented the largest hall in Canada and we put up a presentation walking through, "Here's Canadian National. Here's Canadian Pacific. Here's what they said. Here's what they

did.” And then we had Hunter get up who was this incredibly charismatic guy from Tennessee. He’s like a lion, incredibly deep voice, unbelievable track record, incredibly respected guy. It’s like getting Michael Jordan to come out of retirement and come run the company. And Hunter was incredible, and Paul Lau, other members of my team were super engaged. And Canadians are known to be nice, so one of the problems we had is shareholders would never tell management or the board that they were losing. It was not until the night before the meeting when the vote came in, that management realized that they lost. We got 99% of the vote. And they begged us to take a deal. They said, “Look, we’ll resign tonight so that we don’t have to come to the meeting tomorrow.” That’s how embarrassed they were. But that was kind of an interesting one.

**Lex Fridman**

In both this proxy battle and the company itself, this was one of your more successful investments?

**Bill Ackman**

It was. The stock’s up about 10 times and it’s an industrial company. It’s a railroad. It’s not Google. So it’s a great story. And the company’s now run by a guy named Keith Creel. And Keith was Hunter’s protege, and in many ways he’s actually better than Hunter. He’s doing an incredible job. And the sad part here is we did very well, we tripled our money over several years and then I went through a very challenging period because of a couple of bad investments, and we had to sell our Canadian Pacific to raise capital to pay for investors who are leaving. But we had another opportunity to buy it back in the last couple of years. And so we’re now again a major owner of the company. But had we held onto original stock, it would’ve been epic, if you will.

**Lex Fridman**

On this one, you were right.

**Bill Ackman**

Yes.

**Lex Fridman**

And I read an article about you, and there’s many articles about you. I read an article that said, Bill is often right, but you approach it with a scorched earth approach that can often do damage.

**Bill Ackman**

I haven’t read the often right article, but the good news is we are often right, and I say we because we’re a team, a small team, but fortunately a very successful one. Our batting average as investors is extremely high. And the good news is our record’s totally public. You can see everything we’ve ever done. But the press doesn’t generally write about the success

stories, they write about the failures. And so we've had some epic failures, big losses. The good news is they've been a tiny minority of the cases now. No one likes to lose money. It's even worse to lose other people's money. And I've done that occasionally. The good news is if you've stuck with us, you've done very well over a long time.

**Lex Fridman**

On a small tangent since we were talking about boards. Did you get a chance to see what happened with the OpenAI board? Because I'm talking to Sam Altman soon. Is there any insight you have, just maybe lessons you draw from these kinds of events, especially with an AI technology company, such dramatic things happening?

**Bill Ackman**

Yeah, that was an incredible story. Look, governance really matters, and the governance structure of OpenAI, I think leaves something to be desired. I think Sam's point was, and maybe Elon Musk's point originally set up as a nonprofit. And it reminds me actually, I invested in a nonprofit run by a former Facebook founder where he was going to create a Facebook-like entity for nonprofits to promote goodness in the world. And the problem was he couldn't hire the talent he wanted because he couldn't grant stock options, he couldn't pay market salaries. And ultimately he ended up selling the business to a for-profit. It taught me for-profit solutions to problems are much better than nonprofits. And here you had kind of a blend. It was set up as a nonprofit, but I think they found the same thing. They couldn't hire the talent they wanted without having a for-profit subsidiary. But the nonprofit entity, as I understand it, owns a big chunk of OpenAI, and the investors own a capped interest where their upside is capped and they don't have representation on the board. And I think that was a setup for a problem, and that's clearly what happened here.

**Lex Fridman**

And there's, I guess some kind of complexity in the governance. Because of this nonprofit and cap profit thing, it seems like there's a bunch of complexity and non-standard aspects to it that perhaps also contributed to the problem?

**Bill Ackman**

Yeah. Governance really matters. Boards of directors really matter. Giving the shareholders the right to have input at least once a year on the structure of the governance of companies is really important. And private venture backed boards are also not ideal. I'm an active investor in ventures, and there are some complicated issues that emerge in private and venture stage companies where board members have somewhat divergent incentives from the long-term owners of a business. And what you see a lot in venture boards is they're presided over generally by venture capital investors who are big investors in the company. And oftentimes it's more important to them to have the public perception that they're good directors so they get the next best deal. If they have a reputation for taking on management too aggressively, word will get out in the small community of founders and they'll miss the



next Google. And so their interests are not just in that particular company. That's also one of the problems. Again, it all comes back to incentives.

**Lex Fridman**

Can you explain to me the difference venture backed VCs and shareholders? This means before the company goes public?

**Bill Ackman**

Yeah. Private venture backed companies, the boards tend to be very small. It could be a handful of the venture investors and management. They're often very rarely independent directors. It's just not an ideal structure.

**Lex Fridman**

Oh, I see. You want independent?

**Bill Ackman**

It's beneficial to have people who have an economic interest in the business and they care only about the success of that company, as opposed to someone who - if you think about the venture business, getting into the best deals is more important than any one deal. And you see cases where the boards go along with, in some cases, bad behavior on the part of management because they want a reputation for being a founder friendly director. That's kind of problematic. You don't have the same issue in public company boards.

**Lex Fridman**

We talked about some of the big wins and your a track record, but you said there were some big losses. What's the biggest loss of your career?

**Bill Ackman**

Biggest loss in my career is a company called Valiant Pharmaceuticals. We made an investment in business that didn't meet our core principles. The problem in the pharmaceutical industry, and there are many problems as I've learned, is it's a very volatile business. It's based on drug discovery. It's based on predicting the future revenues of a drug before it goes off patent. Lots of complexities. And we thought we had found a pharmaceutical company we could own because of a very unusual founder in the way he approached this business. It was a company where another activist was on the board of directors of the company and governing and overseeing the day-to-day decisions, and we ended up making a passive investment in the company. And up until this point in time, we really didn't make passive investments, and the company made a series of decisions that were disastrous and then we stepped in to try to solve the problem. It was the first time I ever joined a board, and the mess was much larger than I realized from the outside and then I was kind of stuck. And it was very much a confidence sensitive strategy because they built their business by acquiring pharmaceutical assets, and they often issued stock when they

acquired targets. Once the market lost confidence in management, the stock price got crushed and it impaired their ability to continue to acquire low cost drugs. And we lost \$4 billion.

**Lex Fridman**

\$4 billion.

**Bill Ackman**

How's that for a big loss? That's up there.

**Lex Fridman**

I'm sweating this whole conversation, both the wins and the losses and the stakes involved.

**Bill Ackman**

And by the way, that loss catalyzed other, what I call mark to market losses. Very high profile, huge number, disastrous press. Then people said, "Okay, Bill's going to go out of business, so we're going to bet against everything he's doing. And we know his entire portfolio because we only own 10 things." And we were short a company called Herbalife. Very famously, we've only really shorted two companies. The first one, there's a book, the second one, there's a movie. We no longer short companies. People pushed up the price of Herbalife, which when you're a short seller, that's catastrophic. I can explain that. And then they also shorted the other stocks that we owned. And so that Valiant loss led to an overall more than 30% loss in the value of our portfolio. The Valiant loss was real and was crystallized. We ended up selling the position taking that loss. Most of the other losses were what I would call mark to market losses that were temporary. But many people go out of business because as I mentioned before, large move in a price, if investors are redeeming or you have leverage can put you out of business. And if people assumed if we got put out of business, we'd have to sell everything or cover our short position, and that would make the losses even worse. Wall Street is kind of ruthless.

**Lex Fridman**

They can make money off of that whole thing?

**Bill Ackman**

Absolutely.

**Lex Fridman**

They used the opportunity of Valiant to try to destroy you reputation, financially, and then capitalize and make money off of that?

**Bill Ackman**

Yes.

**Lex Fridman**

Wow, that's a terrifying spot to be in. What was it like going through that?

**Bill Ackman**

I was pretty grim. It's actually much worse than that because I had a lot of stuff going on personally as well, and these things tend to be correlated. The Valiant mistake came at a time where I was contemplating my marriage. The problem with the hedge fund business is when you get to a certain scale, the CEO becomes like the chief marketing officer of the business, and I'm really an investor as opposed to a marketing guy. But when you have investors who give you a few hundred million dollars, they want to see you once a year, "Bill, I'd love to see you for an hour." But if you've got a couple hundred of those, you find yourself on a plane to the Middle East, to Asia, flying around the country. This is pre Zoom, and that takes you away from the investment process. You have to delegate more. That was a contributor to the Valiant mistake. Now we lose a ton of money on Valiant. My ex-wife and I were talking about separating, getting divorced. I put that on hold because I didn't want to make a decision in the middle of this crisis, and things just kept getting worse. We were also sued. When you lose a lot of money - we didn't get sued by our investors, but we got sued by a shareholder because when the stock price goes down, shareholders sue. We'd done nothing wrong other than make a big mistake. So you have litigation, your investors are taking their money out. I'm in the middle of a divorce. The divorce starts to proceed. My ex-wife's lawyer's expectations of what my net worth was was about three times what it actually was, and it was going lower right in the middle of this. And I remember the lawyer saying, "Look, Bill, we estimate your net worth at X, but don't worry, we only want a third." But X was 3X, so a third was 100%. And then I had litigation. And actually never before publicly disclosed, and I'll share it with you now. We had a public company that owned about a third of our portfolio that was call it, our version of Berkshire Hathaway. I tried to learn from Mr. Buffet over time, and it was so to speak, permanent capital. The problem with hedge funds is people can take their money out every quarter. What Buffet has is a company where if people want to take their money out, they sell the stock, but the money stays. We set up a similar structure in October of 2014, and then a year later, Valiant happens, and then a year later we're in the middle of the mess and we're still in the mess. By mid 2017, we've got litigation underway, and another activist investor, a firm called Elliot Associates, which is run by a guy named Paul Singer, took a big position in our public company that was the bulk of our capital, and they shorted all the stocks that we owned. And they probably went long the short that we were short, and they were making a bet that we'd be forced to liquidate and then they would make money on - our public company was trading at a discount to what all the securities were worth. They bought the public company, they shorted the securities, and then they came to see us to try to be activists and force us to liquidate and that sort of -

**Lex Fridman**

Wow.

**Bill Ackman**

I envisioned an end where the divorce takes all of my resources, the permanent capital vehicle ends up getting liquidated, and another activist in my industry puts me out of business. And I had met Neri Oxman right around this time, and I'd fallen completely in love with her. And I was envisioning a world where I was bankrupt, a judge found me guilty of whatever, he sends me off to jail - of course, not that judge because he was a civil judge, but another judge sues the SEC, Department of Justice, and I find myself in this incredible mess. And I decided I didn't want things to end that way. I did something I'd never done before. I talked about it before about that you don't borrow money, but I borrowed money and I borrowed \$300 million from JP Morgan in the middle of this mess. And I give JP Morgan enormous credit in seeing through it. And also I had been a good client over a long period of time, and it's like it's a handshake bank and they bet that I would succeed. And I took that money to buy enough stock in my public company that I could prevent an activist from taking over and I could effectively buy control of our little public company. And I got that done, and that I knew was the moment, the turning point. And I resolved my divorce, and divorces get easier to resolve when things are going badly. I was able to resolve that. We settled the litigation. I was buying blocks of our stock in the market. I remember a day I bought a big block of stock in the market, and I get a call from Gordon Singer, who is Paul Singer's son, who runs their London part of their business. And he's like, "Bill, was that you buying that block?" I said, "Yes." And he's like, "Fuck."

**Lex Fridman**

So he knew-

**Bill Ackman**

He knew that once I got that they were not going to be able to succeed, and they went away. And that was the bottom. And that we've had an incredible run since then.

**Lex Fridman**

And then you were able to protect your reputation from the Valiant failure still?

**Bill Ackman**

This is a business where you're going to make some mistakes. It was a big one. It was very reputationally damaging. The press - was a big one. It was very reputationally damaging. The press was a total disaster, but I'm not a quitter. And actually the key moments for us, we'd never taken our core investment principles and actually really written them down, something we talked about at meetings, kind of our investment team meetings. I had a member of the team, I said, "Look, go find a big piece of granite and a chisel and let's take those core principles. I want them Moses' 10 Commandments. Okay, we're going to chisel them and then we're going to put it up on the wall." And once we produce those, we put one on everyone's desk. I said, "Look, if we ever again veer from the core principles, hit me with

a baseball bat." And that was the bottom. And ever since then, we've had the best six years in the history of the firm.

**Lex Fridman**

So refocus on the fundamentals. That's a hell of a story.

**Bill Ackman**

And love helps. Love helps. I literally met Neri at the absolute bottom. Our first date was September 7th of 2017. That was very close to the bottom. Actually, there's one other element to the story. So this went on for a few months after I met her. The other element is that one day I got a call from Neri. She's like, "Bill, guess what?" I'm like, "What?" "Brad Pitt is coming to the Media Lab. He wants to see my work." I'm like, "That's beautiful, sweetheart. I didn't know Brad Pitt was interested in your work."

**Lex Fridman**

As a man, that's a difficult phone call to take.

**Bill Ackman**

And apparently he's really interested in architecture. I'm like, "Okay." Now, Neri and I were like, we would WhatsApp all day every day, we talk throughout the day. Brad Pitt shows up at the Media Lab at 10 o'clock. I talk to her in the morning. I kind of text her to see how things are going, don't hear back. And on WhatsApp, you can see whether the other person's read it or not.

**Lex Fridman**

Yeah, yeah, yeah, yeah.

**Bill Ackman**

Okay, no response. A couple of hours later, send her another text, no response. 6 o'clock - no response. 8 o'clock - no response, 10 o'clock - no response. And she finally calls me at 10:30 and tells me how great Brad Pitt is. So, I had this scenario. Okay, a judge is going to find me. We're going to lose to the judge. All my assets will disappear. And then, Brad Pitt's going to take my girlfriend.

**Lex Fridman**

Yeah, Brad Pitt's your competition. This is great.

**Bill Ackman**

So it was like a moment. That was sort of the bottom. And then sort of the motivational thing. I didn't want to lose to an activist, didn't want to lose my girl to some other guy.

**Lex Fridman**

Brad Pitt... and you emerged from all of that, the winner - on all fronts.

**Bill Ackman**

I'm a very fortunate guy, very fortunate and lucky.

**Lex Fridman**

You talked about some of the technical aspects of that, but psychologically, what are you doing at night by yourself?

**Bill Ackman**

That was a hard time, hard time because I was separated from my wife and my kids. I was living in not the greatest apartment. I had a beautiful home. And so I had to go find a bachelor place and I didn't want to be away from my kids. I moved 10 blocks away and I wasn't seeing them and they didn't like it. So I ended up buying an apartment I didn't like in the same building as my kids with a different entrance so I could be near them. But I was home alone. I got a dog that was Babar. We call him Babar, not the elephant. He's a black Labradoodle.

**Lex Fridman**

Nice.

**Bill Ackman**

He was supposed to be a mini, but he's not so - as mini. But I got him at 6-weeks-old and he would keep me company. And I started meditating actually. And a friend recommended TM. And I would meditate 20 minutes in the morning - 20 minutes in the evening. And I also a big believer in exercise and weightlifting and I play tennis. And I had been - this is not my first proximity to disaster. I had another moment in my career, like 2002, and I learned this method for dealing with these kind of moments, which is you just make a little progress every day. So today, I'm going to wake up, I'm going to make progress. I'll make progress in the litigation, I'll make progress in the portfolio. I'll make progress with my life. And progress compounds a bit like money compounds. You don't see a lot of progress in the first few weeks, but 30 days in like, oh, okay. You can't look up at the mountaintop where you used to be because then you'll give up. But you just, okay, just make step by step by step. And then 90 days in you're like, okay, I was way down there. Okay, the mountain. Okay, I don't look up. Just keep making progress, progress, progress and progress really does compound. And one day you wake up and like, wow, it's amazing how far I've come. And if you look at a chart of Pershing Square, our company, you can see the absolute bottom. You can see where we were, you can see the drop and you can see where we are now. And that huge drop that felt like a complete unbelievable disaster looks like a little bump on the curve. And it really gives you perspective on these things. You just have to power through. And I think the key is, I've always been fortunate from a mental health point of view and nutrition, sleep, exercise, and

a little progress every day. That's it. And good friends and family. I had go take a walk with a friend every night and a sister who loves me and parents who were supportive, but they were all worried about their son, their brother. It was a moment. And also, by the way, the other thing to think about is when you recover from something like this, you really appreciate it. And also as much of the media loves when some successful person falls, they love writing the story of success, they love even more the story of failure. But when you recover from that, it's kind of like the American story. America, you think of the great entrepreneurs and how many failures they had before they succeeded. How many rocket launches did SpaceX have explode on the pad? And then you look at success. I mean, that's why Musk is so admired.

### **Lex Fridman**

You mentioned Herbalife. Can you take me through the saga of that? It's historic.

### **Bill Ackman**

So we at Pershing Square short a very few stocks. And the reason for that is short selling is just inherently treacherous. So if you buy a stock, it's called going long. You're buying something. Your worst case scenario is you lose your whole investment. You buy a stock for \$100. It goes to \$0. You lose \$100 per share. You buy 1 share. You lose \$100. You short a stock at \$100 - what it means is you borrow the security from someone else. The analogy I gave that made it easy for people to understand, it's a bit like you think silver coins are going to go down in value, and you have a friend who's got a whole pile of these 1880 silver US dollars, and you think they're going to go down in value, and say, "Hey, can I borrow 10 of those dollars from you?" He's like, "Sure, but what are you going to pay me to borrow them?" I'm like, "I'll pay you interest on the value of the dollars today." So you borrow the dollars that are worth \$100 each today, you pay them interest while you're borrowing them, and then you go sell them in the market for \$100. That's what they're worth. And then they go down in price to 50. You go back in, you buy the silver dollars back at \$50 and you give them back to your friend. Your friend is fine. You borrowed 10, you gave him the 10 back and he got interest. In the meantime, he's happy. He made money on his coin collection. You, however, made \$50 times the 10 coins, you made 500 bucks. That's pretty good. The problem with that is what if you sell them and they go from 100 to 1000, now you're going to have to go buy them back and you got to pay whatever, \$10,000 to buy back coins that you sold for 500. You're going to lose \$9,500. And there's no limit to how high a stock price can go. Companies go to \$3 trillion in value. Tesla, a lot of people shorted Tesla saying, oh, it's overvalued. He's never going to be able to make a successful electric car. Well, I'm sure the people went bankrupt shorting Tesla. That's why we didn't short stocks. But I was presented with this actually a reporter that covered the other short investment we made early in the career, a company called MBIA, came to me and said, "Bill, I found this incredible company. You got to take a look at it. It's a total fraud and they're scamming poor people."

**Lex Fridman**

And we should say that MBIA was a very successful short.

**Bill Ackman**

It was a big part of it was that we used a different kind of instrument to short it where we reversed that sort of – we made the investment asymmetric in our favor, meaning put up a small amount of money, if it works, we make a fortune. Whereas, short selling is you kind of sell something and you have to buy it back at a higher price. Herbalife didn't have the, what's called credit default swaps that you purchase. Not a big enough company. It didn't have enough debt outstanding to be able to implement it. You had to short the stock in order to make it as successful, to bet against the company. And the more work I did in the company, the more I was like, oh, my God, this thing's an incredible scam. They purport to sell weight loss shakes, but in reality, they're selling kind a fake business plan. And the people that adopt it lose money and they go after poor people. They go after, actually in many cases, undocumented immigrants who are pitched on the American Dream opportunity. And because they have few other options because they can't get legal employment, they become Herbalife distributors. And it's a business where you, so-called multi-level marketing. Multi-level marketing is sort of the name for a legitimate company like this. Or it's a pyramid scheme where basically your sales are really only coming from people you convince to buy the product by getting them into the business. That's precisely what this company is. And like, okay, shorting a pyramid scheme seems like, one, we'll make a bunch of money, but two, the world will be behind us because they're harming poor people. Regulators will get interested in a company like this. And we said, the FTC is going to shut this thing down. And we did a ton of work and I gave this sort of epic presentation laying out all the facts, stock got completely crushed, and we were on our way. And the government actually got interested early on, launched an investigation pretty early, SEC and otherwise. But then a guy named Carl Icahn showed up, and we have a little bit of a backstory, but his motivations here were not really principally driven by thinking Herbalife was a good company. He thought it was a good way to hurt me. So he basically bought a bunch of stock and said it was a really great company, and Carl, at least at the time, threw his weight around a bit. He was a credible investor, had a lot of resources, and that began the saga.

**Lex Fridman**

So he was, we should say, a legendary investor himself.

**Bill Ackman**

I'd say legendary in a sense. Yes, for sure. An iconic –

**Lex Fridman**

Iconic.



**Bill Ackman**

- Carl Icahn.

**Lex Fridman**

Oh, that's very well done.

**Bill Ackman**

Yeah, so definitely a iconic investor.

**Lex Fridman**

So what was the backstory between the two of you?

**Bill Ackman**

So I mentioned that I had another period of time where significant business challenges - this was my first fund called Gotham Partners. And we had a court stop a transaction between a private company we owned and a public company. It's another long story if you want to go there.

**Lex Fridman**

I would love to hear it as well.

**Bill Ackman**

But it was really my deciding to wind up my former fund. And we owned a big stake in a company called Hallwood Realty Partners, which was a company that owned real estate assets and it was worth a lot more than where it was trading, but it needed an activist to really unlock the value. And we were in fact of going out of business and didn't have the time or the resources to pursue it. So I sold it to Carl Icahn, and I sold it to him at a premium to where the stock was trading. I think the stock was like \$66. I sold it to him for 80, but it was worth about \$150. And I said, "Look." And part of the deal was Carl's like, "Look, I'll give you schmuck insurance. I'll make you sure you don't look bad. And I had another deal at a higher price without schmuck insurance, but a deal with Carl at a lower price with schmuck insurance. And the way the schmuck insurance went - he said, "Look, Bill, if I sell the stock in the next 3 years for a higher price, I'll give you 50% of my profit." That's a pretty good deal. So, we made that deal and because I was dealing with Carl Icahn - who had a reputation for being difficult - I was very focused on the agreement and we didn't want him to be able to be cute. So the agreement said, "if he sells or otherwise transfers his shares". And we came up with a definition to include every version of "sell", okay? Because it's Carl. Well, he then buys the stake and then makes a bid for the company and plan is for him to get the company. And he bids like \$120 a share and the company hires Morgan Stanley to sell itself. And he raises bid to \$125, and then \$130, and eventually gets sold. I don't remember the exact price. Let's say \$145 a share. And Carl's not the winning bidder. And he sells his stock or he loses or transfers his shares for \$145 a share. So, he owes actually our investors the difference

between \$145 and \$80 times 50%. And I had - lawyers never like you to put a arithmetic example. I put a formula out of a math book in the documents so there can be no confusion. It was only an 8-page - really simple agreement. So, the deal closes and he's supposed to pay us in 2 business days or 3 business days. I wait a few business days. No money comes in. I call Carl. I'm like, "Carl, congratulations on the Hallwood Realty." "Thanks Bill." I said, "Carl, just - I want to remind you. I know it's been a few years, but we have this agreement. Remember the schmuck insurance?" He's like, "Yeah." And I said, "Well, you owe us our schmuck insurance." He said, "What do you mean? I didn't sell my shares." And I said, "Do you still have the shares?" He says, "No." I said, "What happened to them?" "Well, the company did a merger for cash and they took away my shares, but I didn't sell them. Do you understand what happened?" And I said, "Carl, I'm going to have to sue you." He said, "Sue me. I'm going to sue you," he says. So, I sued him and the legal system in America can take some time. And what we would do is we sued and then we won in the whatever New York Supreme Court. And then, he appealed. And you can appeal 6 months after the case. He waited till the 179th day and then he would appeal. And then, we fought at the next level. And then, he would appeal. And he appealed all the way to the Supreme Court. Of course, the Supreme Court wouldn't take the case. It took years. Now, as part of our agreement, we got 9% interest on the money that he owed us. So, I viewed it as my Carl Icahn money market account with a much higher interest rate. And eventually I won.

### **Lex Fridman**

What was the amount? Just -

### **Bill Ackman**

Tiny. Now it was material to my investors. So my first fund, I wound it down, but I wanted to maximize everything for my investors. These are the people who backed me at 26 years old. I was right out of business school and no experience, and they supported me. So I'm going to go to the end of the earth for them. And four and a half million relative to our fund at the end was maybe 400 million. So it wasn't a huge number, but it was a big percentage of what was left after I sold our liquid securities. So I was fighting for it. So we got four and a half million plus interest for eight years or something. That's how long the litigation took. So we got about double. So he owed me \$9 million, which to Carl Icahn, who had probably a \$20 billion net worth. At the time, this was nothing. But to me, it was like, okay, this is my investor's money. I'm going to get it back. And so eventually we won. Eventually he paid, and then he called me and he said, "Bill, congratulations. Now we can be friends and we can do some investing together." I'm like, "Carl, fuck you."

### **Lex Fridman**

You actually said fuck you?

**Bill Ackman**

Yes. And I'm not that kind of person generally, but he made eight years to pay me - not me - even me - my investors money they owed. So yeah. So, he probably didn't like that. So, he kind of hung around in the weeds waiting for an opportunity. And then from there I started purging. We had a kind straight line up. We were up. The first 12 years, we could do nothing wrong. Then Valeant, Herbalife, he sees an opportunity and he buys the stock. He figures he's going to run me off the road. And so that was the beginning of that. And the moment, and I think it's, I'm told by CNBC, it's the most watched segment in business television history. They're interviewing me about the Herbalife investment on CNBC, and then Carl Icahn calls into the show and we have kind of a interesting conversation where he calls me all kinds of names and stuff. So it was a moment. It was a moment in my life.

**Lex Fridman**

It wasn't public information that he was long on Herbalife?

**Bill Ackman**

He didn't yet disclose he had a stake. But he was just telling me how stupid I was to be short at this company.

**Lex Fridman**

So for him, it wasn't about the fundamentals of the company. It was about - it was just personal?

**Bill Ackman**

100%.

**Lex Fridman**

Is there part of you that regrets saying "Fuck you" on that phone call to Carl Icahn?

**Bill Ackman**

No. I generally have no regrets because I'm very happy with where I am now. And I feel like it's a bit like you step on the butterfly in the forest and the world changes because every action has a reaction. If you're happy with who you are, where you are in life, every decision you've made, good or bad over the course of your life, got you to precisely where you are. I wouldn't change anything.

**Lex Fridman**

He said, you lost money on Herbalife. So he did the long-term battle.

**Bill Ackman**

What he did is he got on the board of the company and used the company's financial resources plus his stake in the business to squeeze us. And a squeeze in short selling is

where you restrict the supply of the securities so that there's a scarcity, and then you encourage people to buy the stock and you drive the stock up. And as I explained before, you short those coins at 10, they go to 100, you can lose, theoretically, an unlimited amount of money. And that's scary. That's why we don't short stocks. That's why I didn't short stocks before this, but this was - unfortunately, I had to have the personal lesson.

**Lex Fridman**

So how much was for him personal versus part of the game of investing?

**Bill Ackman**

Well, he thought he could make money doing this. He wouldn't have done it if he did otherwise. He thought his bully pulpit - his ability to create a short squeeze - his control over the company - would enable him to achieve this. And he made a billion. We lost a billion.

**Lex Fridman**

So you think it was a financial decision not a personal?

**Bill Ackman**

It was a personal decision to pursue it, but he was waiting for an opportunity where he could make money at our expense, and it was kind of a brilliant opportunity for him. Now, the irony is - well, first of all, the FTC found a few interesting facts. So one, the government launched an investigation. They ended up settling with the company, and the company paid \$220 million in fines. I met a professor from Berkeley a couple of years ago who told me that he had been hired by the government as their expert on Herbalife, and he got access to all their data, was able to prove that they're a pyramid scheme. But the government ultimately settled with Carl because they were afraid they could possibly lose in court. So they settled with him. But if you look at the stock, if we'd been able to stay short the entire time, we would've made a bunch of money because the stock had a \$6 billion market cap, and we shorted it. Today as probably a billion, a billion and a half.

**Lex Fridman**

So, you left the short? Or whatever that's called - closed -

**Bill Ackman**

We covered - we closed it out. When we sold Valeant, we covered Herbalife. That was the resetting moment for the firm because it would just, psychologically - and the beauty of investing is you don't need to make it back the way you lost it. You can just take your loss. By the way, losses are valuable and that the government allows you to take a tax loss and that can shelter other gains. And we just refocused.

**Lex Fridman**

Can you say one thing you really like about Carl Icahn and one thing you really don't like about him?

**Bill Ackman**

Sure. So he's a very charming guy. So in the midst of all this, at the Hallwood one, he took me out for dinner to his favorite Italian restaurant.

**Lex Fridman**

Really?

**Bill Ackman**

Yeah. We're in the middle of the litigation to see if he could resolve it, and he offered 10 million to my favorite charity. The problem was that it wasn't my money, it was my investor's money. So I couldn't settle with him on that basis, but I had the chance to spend real time with him at dinner. He's funny, he's charismatic, he's got incredible stories. And actually I made peace with him over time. We had a little hug out on CNBC, even had him to my house, believe it or not. I hosted something called the Finance Cup, which is a tennis tournament between people in finance in Europe and the US. And we had the event at my house and one guy thought to invite Carl Icahn. And so we had Carl Icahn there to present awards. And again, I have to say, I kind of like the guy, but I didn't like him much during this.

**Lex Fridman**

Because at least from the outsider perspective, there's a bit of a personal vengeance here or anger can build up. Do you ever worry the personal attacks between powerful investors can cloud your judgment of what is the right financial decision?

**Bill Ackman**

I think it's possible, but again, I try to be extremely economically rational. And actually the last seven years have been quite peaceful. I really have not been an activist in the old form for many years. And the vast majority of even our activist investments historically were very polite, respectful cases. The press, of course, focuses on the more interesting ones. Like Chipotle was one of the best investments we ever made. We got four of eight board seats and we worked with management and it was a great outcome. I don't think there's ever been a story about it. And the stock's up almost 10 times from the time we hired Brian Niccol as CEO. But it's not interesting because there was no battle. Whereas, Herbalife, of course, was like an epic battle, even Canadian Pacific. So for a period there, most people when they meet me in person, they're like, "Wow, bill, you seem like a really nice guy. But I thought..." But things have been pretty calm for the last seven years.

**Lex Fridman**

Of course, there's more than just the investing that your life is about, especially recently. Let me just ask you about what's going on in the world. First, what was your reaction and what is your reaction and thoughts with respect to the October 7th attacks by Hamas on Israel?

**Bill Ackman**

It's a sad world that we live in. That, one, we have terrorists, and two, that we could have such barbaric terrorism. And just a reminder of that.

**Lex Fridman**

So there's several things I can ask here. First, on your views on the prospects of the Middle East, but also on the reaction to this war in the United States, especially on university campuses. So first, let me just ask, you've said that you're pro-Palestinian. Can you explain what you mean by that?

**Bill Ackman**

With all of my posts about Israel, I'm obviously very supportive of the country of Israel, Israel's right to exist, Israel's right to defend itself. My Arab friends, my Palestinian friends were kind of saying, "Hey Bill, where are you? What about Palestinian lives?" And I was pretty early in my life, a guy named Marty Peretz, who's been important to me over the course of my life, a professor or first investor in my fund, introduced me to Neri, asked me when I was right out of school to join this nonprofit called the Jerusalem Foundation, which was a charitable foundation that supported Teddy Kollek when he was mayor of Jerusalem. I ended up becoming the youngest chairman of the Jerusalem Foundation in my 30s. And I spent some time in Israel, and the early philanthropic stuff I did with the Jerusalem Foundation, the thing I was most interested in was kind of the plight to the Palestinians and kind of peaceful coexistence. And so I had kind of an early kind of perspective, and as chairman of the Jerusalem Foundation, I would go into Arab communities and I would meet with families in their homes. You get a sense of the humanity of a people. And I care about humanity. I generally take the side of people who've been disadvantaged. Almost all of our philanthropic work has been in that capacity. So it's sort of my natural perspective, but I don't take the side of terrorists ever, obviously. And the whole thing is just a tragedy.

**Lex Fridman**

So to you, this is about Hamas, not about Palestine?

**Bill Ackman**

Yes. I mean - the problem, of course, is when Hamas controls - for the last almost 20 years, has controlled Gaza - including the education system. They're educating - you see these training videos of kindergartners, indoctrinating them into hating Jews and Israel. And of course, you don't like to see Palestinians celebrating some of those early videos of October 7th with dead bodies in the back of trucks and people cheering. So it's a really unfortunate

situation, but I think about a Palestinian life as important, as valuable as a Jewish life, as a American life. And what do people really want? They want a place. They want a home. They want to be able to feed their family. They want a job that generates the resources to feed their family. They want their kids to have a better life than they've had. They want peace. I think these are basic human things. I'm sure the vast majority of Palestinians share these views, but it's such an embedded situation with hatred and, as I say, indoctrination. And then going back to incentives, terrorists generate their resources by committing terrorism, and that's how they get funding. And there's a lot of graft. It's a plutocracy. The top of the terrorist pyramid, if you accept the numbers that are in the press, the top leaders have billions of dollars. 40 billion or so has gone into Gaza over the last - and the West Bank over the last 30 years, a number like that. And a lot of it's disappeared into some combination of corruption or tunnels or weapons. And the tragedy is you look at what Singapore has achieved in the last 30 years, right?

**Lex Fridman**

Do you think that's still possible if we look into the future of 10, 20, 50 years from now?

**Bill Ackman**

Absolutely.

**Lex Fridman**

So not just peace, but -

**Bill Ackman**

Peace comes with prosperity. People are under the leadership of terrorists, you're not going to have prosperity and you're not going to have peace. And I think the Israelis withdrew in 2005 and fairly quickly, Hamas took control of the situation. That should never have been allowed to happen. And I think if you think about - I had the opportunity to spend, call it, an hour with Henry Kissinger a few months before we passed away, and we were talking about Gaza, or in the early stage of the war. He said, "Look, you can think about Gaza as a test of a two-state solution. It's not looking good." These were his words. So the next time round, the Palestinian people should have their own state, but it can't be a state where 40 billion resources goes in and is spent on weaponry and missiles and rockets going into Israel. And I do think a consortium of the Gulf states, the Saudis and others have to ultimately oversee the governance of this region. I think if that can happen, I think you can have peace, you can have prosperity. And I'm fundamentally an optimist.

**Lex Fridman**

So a coalition of governance.

**Bill Ackman**

Governance matters, going back to what we talked about before.

**Lex Fridman**

And that kind of approach can give the people a chance to flourish.

**Bill Ackman**

100%. 100%. I mean, look at what Dubai has accomplished with nomads in the desert. It's a tourist destination. Gaza could have been a tourist destination.

**Lex Fridman**

Take me through the saga of university presidents testifying on this topic, on the topic of protests on college campuses, protests that call for the genocide of Jewish people and the university presidents - maybe you could describe it more precisely, but they fail to denounce the calls for genocide.

**Bill Ackman**

So it begins on October 8th probably. And you can do a compare and contrast with how Dartmouth managed the events of October 7th and the aftermath, and how Harvard did. And on October 8th or shortly thereafter, the Dartmouth president, who had been in her job for precisely the same number of months that the Harvard president had been in her job. The first thing she did is she got the most important professors of Middle East studies who were Arab and who were Jews and convened them and held an open session Q&A for students to talk about what's going on in the Middle East, and began an opportunity for common understanding among the student body. And Dartmouth has been a relatively benign environment on this issue, and students are able to do work and there aren't disruptive protests with people with bullhorn - work and there aren't disruptive protests with people with bullhorns walking into classrooms interfering with - people pay, today, \$82,000 a year, which itself is crazy, to go to Harvard. But imagine your family borrows the money or you borrow the money as a student and you're learning is disrupted by constant protests and the university does nothing. When George Floyd died, the Harvard president wrote a very strong letter denouncing what had taken place and calling this an important moment in American history and took it incredibly seriously. Her first letter about October 7th was not that, let's put it that way. Then her second letter was not that. Then, ultimately, she was sort of forced by the board or pressured to make a more public statement, but it was clear that it was hard for her to come to an understanding of this terrorist act. Then the protests erupted on campus and they started out reasonably benign. Then the protesters got more and more aggressive in terms of violating university rules on things like bullying, and the university did nothing. That obviously for the Jewish students, the Israeli students, the Israeli faculty, Jewish faculty, created an incredibly uncomfortable environment. The president seemed indifferent. I went up to campus and I met with hundreds of students in small groups, in larger groups and they're like, "Bill, why is the president doing nothing? Why is the



administration doing nothing?" That was really the beginning. I reached out to the president, reached out to the board of Harvard, I said, "Look, this thing is headed in the wrong direction and you need to fix it. I have some ideas, love to share." I got the Heisman, as they say. They just kept pushing off the opportunity for me to meet with the president and meet with the board. At a certain point in time I pushed, I'm kind of a activist when he pushed me, it reminded me of early days of activism where I couldn't get the CEO of Wendy's to return my call. I couldn't get the CEO of Harvard to take a meeting. Then finally I spoke to the chairman of the board, a woman by the name of Penny Pritzker, who I'm on a business school board with her. It was, as I described, one of the more disappointing conversations in my life. She seemed a bit like, if you will, deer in the headlights. They couldn't do this, they couldn't do that. The law was preventing them from doing various things. That led to my first letter to the university. I sort of ended the letter of giving this president of Harvard a dare to be great speech. This is your opportunity. You can fix this. This could be your legacy. I emailed it to the president and the board members whose email addresses I had, I posted it on Twitter and I got no response, no acknowledgement, nothing. In fact, the open dialogue I had with a couple of people on the board basically got shut down after that. That led to letter number two. Then when the Congress, led by Elise Stefanik, announced an investigation of antisemitism on campus and concern about violations of law, the president was called to testify along with two other - the president of MIT, the president of University of Pennsylvania were having similar issues on campus. I reached out to the president of Harvard and said, well, one, the Israeli government had gotten in touch and offered the opportunity for me to see the Hamas, if you will, GoPro film. I said, "You know, I'd love to show it at Harvard," and they thought that would be a great idea. I partnered with the head of Harvard Chabad, a guy named Rabbi Hirschy, and we were putting the film up on campus. I thought if the president were to see this, it would give her a lot of perspective on what happened and she should see it before her testimony. I reached out to her, or actually Rabbi Hirschy did. He was told she would be out of town and couldn't see it. Then I reached out to her again and said, "Look, I'll facilitate your attendance in the Congress. Come see the film, I'll fly you down." That was rejected, and then she testified. I watched a good percentage, 80% of the testimony, of all three presidents, and it was an embarrassment to the country, embarrassment to the universities. They were evasive. They didn't answer questions. They were rude. They smirked. They looked very disrespectful to our Congress. Then, of course, there was that several minutes where finally Elise Stefanik was not getting answers to her questions, and she said, "Let me be kind of clear. What if protestors were calling for genocide for the Jews? Does that violate your rules on bullying and harassment?" The three of them basically gave the same answer; "It depends on the context." Not until they actually executed on the genocide that the university had the right to intervene. The thing that perhaps bothered me the most was the incredible hypocrisy. Each of these universities are ranked by this entity called FIRE, which is a nonprofit that focuses on free speech on campus. Harvard, it's been in the bottom quartile for the last five years and dropped to last before October 7th, out of 250.

**Lex Fridman**

I should mention briefly that I've interviewed on this podcast, the founder of FIRE and the current head of FIRE, where we discussed this at length, including running for the board of Harvard and the whole procedure of all that. It's quite a fascinating investigation of free speech. For people who care about free speech absolutism that's a good episode to listen to because those folks kind of fight for this idea. It's a difficult idea actually to internalize; what does free speech on college campuses look like?

**Bill Ackman**

Harvard has become a place where free speech is not tolerated on campus, or at least free speech that's not part of the accepted dialogue. This whole notion of speech codes and microaggressions really emerged on the Harvard, Yale campuses of the world. The then president of Harvard's explanation for why you could call for the genocide of the Jewish people on campus was Harvard's commitment to free expression. One of the more hypocritical statements of all time. You really can't have it both ways. Either Harvard has to be a place where it's a free speech - she basically said, "We're a free speech absolutist place, which is why we have to allow this." Harvard could not be further from that. That was a big part of it. I was in the barber chair, if you will, getting a haircut. I had a guy on my team send me the 3-minute section. I said, "Cut that line of questioning." I put out a little tweet on that. I call it my greatest hits of posts, it's got something like 110 million views. Everyone looked at this and said, "What is wrong with university campuses and their leadership," and their governance, by the way. In a way, this whole conversation has been about governance. Harvard has a disastrous governance structure, which is why we have the problem we have.

**Lex Fridman**

Just to linger on the testimony, you mentioned smirks and this kind of stuff, and you mentioned dare to be great, I myself am kind of a sucker for great leadership. You mentioned Churchill or so on, even great speeches - people talk down on speeches like it's maybe just words, but I think speeches can define a culture and define a place, define a people that can inspire. I think, actually, the testimony before Congress could have been an opportunity to redefine what Harvard is. Dare to be a great leader.

**Bill Ackman**

The president of Harvard had a huge opportunity, because she went third. The first two gave the world's most disastrous answers to the question, and she literally just copied their answer, which is, itself, kind of ironic in light of ultimately what happened.

**Lex Fridman**

It's tough because you can get busy as a president, as a leader and so on. There's these meetings, and so you think Congress, maybe you're smirking at the ridiculousness of the meeting. You need to remember that many of these are opportunities to give a speech of a lifetime. If there is principles which you want to see an institution become and embody in

the next several decades, there's opportunities to do that. You, as a great leader, also need to have a sense of when is the opportunity to do that. October 7th really woke up the world on all sides, honestly. There is a serious issue going on here. Then the protests woke up the university to there's a serious issue going on here. It's an opportunity to speak on free speech and on genocide, both.

**Bill Ackman**

Yes.

**Lex Fridman**

Do you see the criticism that you are a billionaire donor and you sort of used your power and financial influence unfairly to affect the governing structure of Harvard, in this case?

**Bill Ackman**

First of all, I never threatened to use financial or other resources. The only thing I did here was wrote. I wrote public letters, I spoke privately to a couple members of the board. I spoke for 45 minutes to the chairman. None of those conversations were effective or went anywhere, as far as I could tell. I think my public letters and then some of the posts, I did and that little three minute video excerpt had an impact, but it wasn't about - I mean you can criticize me for being a billionaire, but it was really the words. It's a bit like, again, going back to the corporate analogy, it's not the fact that you own 5% of the company that causes people to vote in your favor, it's the fact that your ideas are right. After the congressional testimony, the board of Harvard said that they were unanimously, a hundred percent behind President Gay. Clearly, I was ineffective. Ultimately what took her down was other, I would say, activists who identified issues with academic integrity and then she lost the confidence of the faculty. Once that happens, it's hard to stay. I wanted her to be fired, basically, or be forced to resign because of failures of leadership, because that would've sent a message about the importance of leadership. Failure to stop a emergence of antisemitism on campus. There's some news today; the protests are getting worse.

**Lex Fridman**

Is there some tension between free speech on college campuses and disciplining students for calls of genocide?

**Bill Ackman**

Yes, there's certainly a tension. First of all, I think free speech is incredibly important. I'm a lot closer to absolutism on free speech than otherwise. The issue I had was the hypocrisy. They were restricting other kinds of speech on campus, principally conservative speech, conservative views. So it wasn't a free speech, absolutist campus. The protests were actually quite threatening to students. There are limits to even absolutist free speech and they begin where people feel intimidation, harassment and threat to bodily harm, etc. That kind of speech is generally - again, it's pretty technical - but as people feel like they're in

imminent harm, by virtue of the protest, that speech is at risk of not meeting the standards for free speech. Harvard is a private corporation and as a private corporation, they can put on what restrictions they want. Harvard had introduced only a few months before bullying and harassment policies, and that's why Representative Stefanik focused on - it's not like she said, "Does calling for genocide against the Jews violate your free speech policies?" She said, "Does calling for genocide against the Jews violate your policies on bullying and harassment?" I think everyone looked at this when they said, it depends on the context. They said, look, if you replaced Jews with some other ethnic group, students who've used the N word for example, have been thrown off campus or suspended. Students who've hate speech directed at LGBTQ people has led to disciplinary action, but attacking, spitting on Jewish students or roughing them up a bit, seemed like we're calling for their elimination, didn't seem to violate the policies. Look, I think a university should be a place where you have broad views and open viewpoints and broad discussion, but it should also be a place where students don't feel threatened going to class, where their learning is not interrupted, when final exams are not interrupted by people coming in with loud protests. Students asked me when I went up there, "What would you do if you were Harvard president?" This was before I knew what was happening on the Dartmouth campus, I said, "I'd convene everyone together. This is Harvard. We have access to the best minds in the world. Let's have a better understanding of the history. Let's understand the backdrop. Let's focus on solutions. Let's bring Arab and Jewish and Israeli students together. Let's form let groups to create communication." That's how you solve this kind of problem. None of that stuff has been done. It's not that hard.

### **Lex Fridman**

Do you think this reveals a deeper problem in terms of ideology and the governance of Harvard in maybe the culture of Harvard?

### **Bill Ackman**

Yes. On governance, the governance structure is a disaster. The way it works today is Harvard has two principal boards. There's the board of the corporation, the so-called fellows of Harvard. It's a board of, I think, 12 independent directors and the president. There's no shareholder vote, there's no proxy system. It's really a self-perpetuating board that effectively elects its own members. Once the balance tips, politically, one way or another, it can be kept that way forever. There's no kind of rebalancing system. If a US corporation goes off the rails, so to speak, the shareholders can get together and vote off the directors. There's no ability to vote off the directors. Then there's the board of overseers, which is I think 32 directors. A few years ago, if you could put together 600 signatures, you could run for that board and put up a bunch of candidates and about five or six get elected each year. A group did exactly that, and it was an oil and gas kind of disinvestment group. They got the signatures, a couple of them got elected, and Harvard then changed the rules and they said, "Now we need 3,200 signatures. By the way, if there are these dissident directors on the board, we're going to cap them at five." So if three were elected in the oil and gas thing, now

they're only two seats available. Then a group of former students, kind of younger alums, one of whom I knew, approached me and said, "Look, Bill, we should run for the board." They decided this pretty late, only a few weeks before the signatures were due. We'd love your support. I took a look at their platform, I thought it looked great. I said, "Look, happy to support." I posted about them, did a Zoom with them, and they got thousands of signatures. Collectively the four got, whatever, 12,000 signatures or something like this. They missed by about 10% of the threshold. What did Harvard do in the middle of the election? They made it very, very difficult to sign up for a vote and it just makes them look terrible. They've got now thousands of alums upset that - again, this wasn't an election. This was just to put the names on the slate. The only candidates on the slate are the ones selected by the existing members. Businesses fail because of governance failures. Universities fail because of governance failures. It's not really the president's fault, because the job of the board is to hire and fire the president and help guide the institution academically and otherwise. That's governance. I was like, "How can this be?" October 7th, the event that woke me up was 30 student organizations came out with a public letter on October 8th, literally the morning after this letter was created and said, "Israel is solely responsible for Hamas' violent acts." Again, Israel had not even mounted a defense at this point, and there were still terrorists running around in the southern part of Israel. I'm like, "34 Harvard student organizations signed this letter?" I'm like, "What is going on? WTF?" That's when I went up on campus and I started talking to the faculty. That's when I started hearing about, actually, Bill, it's this DEI ideology. I'm like, "What?" Diversity, equity, inclusion. Obviously I'm familiar with these words and I see this in the corporate context. They say, "Yeah." They started talking to me about this oppressor-oppressed framework, which is effectively taught on campus and represents the backdrop for many of the courses that are offered and some of the studies and other degree offerings. I had not even heard of this and I'm a pretty aware person, but I was completely unaware. Basically they're like, "Look, Israel is deemed an oppressor and the Palestinians are deemed the oppressed, and you take the side of the oppressed. Any acts of the oppressed to dislodge the oppressor, regardless of how vile or barbaric, are okay." I'm like, "Okay. This is a super dangerous ideology." I wrote a questioning post about this, like, "Here's what I'm hearing, is this right?" A friend of mine sent me Christopher Rufo's book, *America's Cultural Revolution*, which is sort of a sociological study of the origins of the DEI movement and critical race theory. I found it actually one of the more important books I've read and also I found it quite concerning. Ultimately, DEI comes out of a kind of Marxist socialist way to look at the world. I think there are a lot of issues with it, but unfortunately it's advancing. I, ultimately, concluded racism, as opposed to fighting it, which is what I thought it was ultimately about.

### **Lex Fridman**

Maybe you can speak to that book a little bit. So, there's a history that traces back across decades and then that infiltrated college campuses.

**Bill Ackman**

So basically what Rufo argues is that the black power movement of the sixties really failed. It was a very violent movement and many of the protagonists ended up in jail. Out of that movement, a number of thought leaders - this guy named Marcuse and others - built this framework kind of an approach. Said, "Look, if we're going to be successful, it can't be a violent movement, number one. Number two, we need to infiltrate, if you will, the universities and we need to become part of the faculty and we need to teach the students. Then once we take over the universities with this ideology, then we can go into government and then we can go into corporations and we can change the world." I thought important book, and the more I dug in, the more I felt there was credibility to this, not just the kind of sociological backdrop, but to what it meant on campus. Harvard faculty were telling me that there really is no such thing as free speech on campus and that there was a survey done, a year or so ago, the Harvard faculty and only 2% of the faculty admitted, even in an anonymous survey, admitted to having a conservative point of view. We have a campus that's 98% non-conservative, liberal, progressive that's adopted this DEI construct. Then I learned from a member of the search committee for the Harvard president that they were restricted in looking at candidates only those who met the DEI office's criteria. I shared this in one of my postings and I was accused of being a racist. That's someone who believes in that diversity is a very good thing for organizations and that equity fairness isn't really important, and having an inclusive culture is critical for a functioning of a organization. Here I was, someone who was like, "Okay. DEI, sounds good to me," at least in the small D small E, I version of events, but this DEI ideology is really problematic.

**Lex Fridman**

What's the way to fix this in the next few years, the infiltration of DEI with the uppercase version of universities and the things that have troubled you, the things you saw at Harvard and elsewhere.

**Bill Ackman**

The same way this was an eyeopening event for me it has been for a very broad range of other people. I mentioned general growth. I got a lot of nice letters from people from making money on a stock that went up a hundred times. I literally get hundreds of emails, letters, texts, handwritten letters, typed letters from people, from the ages of 25 to 85, saying, "Bill, this is so important. Thanks for speaking out on this. You are saying what so many of us believe but have been afraid to say." I described it as almost a McCarthy-esque kind of movement in that if you challenge the DEI construct people accuse you of being a racist. It's happened to me already. Perhaps I'm much less vulnerable than a university professor who can get shouted off campus, canceled. I'm sort of difficult to cancel, but that doesn't mean people aren't going to try. I've been the victim of a couple of interesting articles in the last few days, or at least one in particular in The Washington Post written by what I thought was a well-meaning reporter. It's just clear that I've taken on some big parts of at least the progressive establishment, DEI. I'm also a believer that Biden should have

stepped aside a long time ago, and it's only getting worse. I'm attacking the president, DEI, elite universities and you make some enemies doing that.

**Lex Fridman**

I should say, I'm still at MIT and I love MIT. I believe in the power of great universities to explore ideas, to inspire young people to think, to inspire young people to lead.

**Bill Ackman**

Let me ask, okay, how can you explore how to think when you're only shared a certain point of view? How can you learn about leadership when the governance and leadership at the institution is broken and exposure to ideas, if you're limited in the ideas that you're exposed to? I think university is at risk. I mean, the concerning thing is if 34 student organizations that each have, I don't know, 30 members or maybe more, that's a thousand. Okay. That's a meaningful percentage of the campus perhaps that ultimately respond. Now, 10 or so, the 30 withdrew the statement once many of the members realized what they had written. It seems like the statement was signed by their leadership and not necessarily supported by all the various students that were members. If the university teaches people these precepts, this is the next generation of - I wrote my college thesis on university admissions. The reason why controlling the gates of the Harvard institution, the admissions office is important, is that many of these people who graduate end up with the top jobs in government and ultimately become judges, they permeate through society and so it really matters what they learn. If they're limited to one side of the political aisle and they're not open to a broad array of views, and this represents some of the most elite institutions in our country, I think it's very problematic for the country, long-term.

**Lex Fridman**

Yeah, I 100% agree. I also felt like the leadership wasn't even part of the problem as much as they were almost out of touch, unaware that this is an important moment, it's an important crisis, it's an important opportunity to step up as a leader and define the future of an institution. I don't even know where the source of the problem is. It could be, literally, governance structure as we've been talking about.

**Bill Ackman**

Well, it's two things. I think it's governance structure. I also think universities, they're not selecting leaders. It's not clear to me that universities should necessarily be run by academics. The dean of a university, the person who helps - there's sort of the business of the university, and then there's the academics of the university. I would argue having a business leader run these institutions and then having a board that has, itself, diverse viewpoints, and by the way, permanently structured to have diverse viewpoints is a much better way to run a university than picking an academic that the faculty supports. One of the things I learned about how faculty get hired at universities, ultimately, it's signed off by the board, but the new faculty are chosen by each of the various departments. There's sort

of a tipping point, politically, where once they tip in one direction, the faculty recruit more people like themselves. The departments become more and more progressive, if you will, with the passage of time. They only advance candidates that meet their political objectives. It's not a great way to build an institution, which allows for -

**Lex Fridman**

Small D, diversity

**Bill Ackman**

Allows for diversity. Diversity by the way, is not just race and gender. That's also something I feel very strongly about.

**Lex Fridman**

Well, luckily, engineering robotics is touched last by this. It is touched. When I am at the computing building - Stata - and the new one - politics doesn't infiltrate - or I haven't seen it infiltrate quite as deeply as elsewhere.

**Bill Ackman**

It's in the biology department at Harvard because biology is controversial now.

**Lex Fridman**

Yes. Yes, yes.

**Bill Ackman**

Because biology and gender - there are faculty - there's a woman at Harvard who was literally canceled from the faculty as a member. I think she was at the med school. She made the argument that there are basically two genders determined by biology. She wasn't allowed to stay. That's another topic for another time.

**Lex Fridman**

That's another topic.

**Bill Ackman**

You should do a show on that one. That'd be an interesting one.

**Lex Fridman**

So as you said - technically, Claudine Gay, the president of Harvard, resigned over plagiarism - not over the thing that you were initially troubled by.

**Bill Ackman**

It's hard to really know, right? It's not like a provable fact. I would say at a certain point in time, she lost the confidence of the faculty, and that was ultimately the catalyst. How much



of that was the plagiarism issue, and how much of that was some of the things that preceded it, or was it all of these issues in their entirety? There's no way to do a calculus.

**Lex Fridman**

Can you explain the nature of this plagiarism from what you remember?

**Bill Ackman**

Aaron Sibarum and Christopher Rufo, one from The Free Beacon, and Chris, surfaced some allegations, or identified some pleasures in the issues that I would say the initial examples were use of the same words with proper attribution, some missing footnotes. Then over time with, I guess, more digging, they released I think ultimately something like 76 examples of what they call plagiarism in I think eight of 11 of her articles. One of the other things that came forth here is, as president of the university, she had sort of the thinnest transcript academically of any previous president, relatively small body of work. Then when you couple that with the amount of plagiarism that was pervasive. Then I guess some of the other examples that surfaced were not missing quotation marks where the authors of the work felt that their ideas had been stolen. Really, plagiarism is academic fraud. One indicia of plagiarism is a missing footnote, that could also be a clerical error. When a professor's accused of plagiarism, the university does sort of a deep dive. They have these administrative boards. It can take six months, nine months, a year to evaluate - intent matters. Was this intentional theft of another person's idea? That's academic fraud. Or was this sloppy or just humanity? You miss a footnote here or there. I think once it got - it's a footnote here or there. And I think once it got to a place where people felt it was theft of someone else's intellectual property, that's when it became intolerable for her to stay as President of Harvard.

**Lex Fridman**

So is there a spectrum for you between a different kinds of plagiarism, maybe be plagiarizing words, and plagiarizing ideas, and plagiarizing novel ideas?

**Bill Ackman**

Of course. The common understanding of plagiarism, if you look in the dictionary, it's about the theft. Theft requires a intent. Did the person intentionally take someone else's ideas or words? Now if you're writing a novel, words matter more. If you're taking Shakespeare and presenting it as your own words. If you're writing about ideas, ideas matter, but you're not supposed to take someone else's words without properly acknowledging them, whether it's quotation marks or otherwise. But in the context of a academic's life's work before AI, everyone's going to have missing quotation marks and footnotes. I remember writing my own thesis, there were books you couldn't take out a Widener Library, so I'd have index cards. And I'd write stuff on index cards, and I put a little citation to make sure I remember to cite it properly. And scrambling to do your thesis, get it in on time, what's the chances you forget at what point, what are your words versus the author's words? And you forget to put

quotation marks. Just the humanity, the human fallibility of it. So, it's not academic fraud to have human fallibility, but it's academic fraud. If you take someone else's ideas that are an integral part of your work.

**Lex Fridman**

Is there a part of you that regrets that, at least from the perception of it, the President Harvard stepped on over plagiarism versus over refusing to say that the calls for genocide are wrong?

**Bill Ackman**

Again, I think it would've sent a better message if a leader fails as a leader, and that's the reason for their resignation or dismissal. Then she gets, if you will, caught on a technical violation that had nothing to do with failed leadership. Because I don't know what lesson that teaches the board about selecting the next candidate. I mean, the future of Harvard, A lot of it's going to depend on who they pick as the next leader. Here's an interesting anecdote that I think has not surfaced publicly. So a guy named Larry Bacow was the previous president of Harvard. Larry Bacow was on the search committee, and they were looking for a new president. And what was strange was they picked an old white guy to be president of Harvard when there was a call for a more diverse president. And what I learned was Harvard actually ran a process, had a diverse new president of Harvard, and in the due diligence on that candidate, shortly before the announcement of the new president, they found out that that presidential candidate had a plagiarism problem. And the search had gone on long enough, they couldn't restart a search to find another candidate. So they picked Larry Bacow off the board, off the search committee to the next president Harvard, as kind of an interim solution. And then there was that much more pressure to have a more diverse candidate this time around, because it was a big disappointment to the DEI office, if you will, and I would say to the community at large. That Harvard of all places couldn't have a racially-diverse present. It sent an important message. So the strange thing is that they didn't do due diligence on President Gay, and that it was a relatively quick process. So the whole thing I think is worthy of further exploration.

**Lex Fridman**

So this goes deeper than just the president?

**Bill Ackman**

Yes, for sure. When a company fails, most people blame the CEO. I generally blame the board. Because the board's job is to make sure the right person's running the company, and if they're failing, help the person. If they can't help the person, make a change. That's not what's happened here. The board's hand was sort of forced from the outside, whereas they should have made their own decision from the inside.

**Lex Fridman**

Do you still love Harvard?

**Bill Ackman**

Sure. It's a 400-odd year institution. Enormously helpful to me in my life, I'm sure. My sister also went to Harvard. And the experiences, learnings, friendships, relationships. Again, I'm very happy with my life. Harvard was an important part of my life, I went there for both undergrad and business school. I learned a ton, met a lot of faculty. A number of my closest friends who I still really keep in touch with, I made then. So yeah, it's a great place, but it needs a reboot.

**Lex Fridman**

Yeah, I still have hope. I think universities are really important institutions.

**Bill Ackman**

When I went to Harvard, there were 1600 people in my class. I think today's class about the same size, and their online education really has not taken off. So I heard Peter Thiel speak at one point in time, and he's like, "What great institution do you know, that's truly great, that hasn't grown in a hundred years?" And the incentives in some sense of the alums are for, it's a bit like a club. If you're proud of the elitism of the club, you don't want that many new members. But the fact that the population has grown of the country so significantly since, certainly, I was a student in 1984, and the fact that Harvard recruits people from all over the world, it's really serving a smaller and smaller percentage of the population today. And some of them were most talented and successful entrepreneurs anyway. It's a token of success that they didn't make it through their undergraduate years. They left as a freshman, or they didn't attend at all.

**Lex Fridman**

For entrepreneurs, yes. But it's still a place -

**Bill Ackman**

Very important for research, very important for advancing ideas. And yes, in shaping dialogue and the next generation of Supreme Court justices, and the members of government, politicians. So yes, it's critically important. But it's not doing the job it should be doing.

**Lex Fridman**

Neri Oxman, somebody you mentioned several times throughout this podcast, somebody I had a wonderful conversation with, a friendship with. I've looked up to her, admired her, I've been a fan of hers for a long time, of her work and of her as a human being. Looks like you're a fan of hers as well.

**Bill Ackman**

Yes.

**Lex Fridman**

What do you love about Neri? What do you admire about her as a scientist, artist, human being?

**Bill Ackman**

I think she's the most beautiful person I've ever met, and I mean that from the center of her soul. She's the most caring, warm, considerate, thoughtful person I've ever met. And she couples those remarkable qualities with brilliance, incredible creativity, beauty, elegance, grace. I'm talking about my wife, but I'm talking incredibly dispassionately. But I mean what I say. She's the most remarkable person I've ever met, and I've met a lot of remarkable people, and I'm incredibly fortunate to spend a very high percentage of my lifetime with her, ever since I met her six years ago.

**Lex Fridman**

So she's been a help to you through some of the rough moments you described.

**Bill Ackman**

For sure. I mean, I met her at the bottom. Which is not a bad place to meet someone if it works out.

**Lex Fridman**

Is there some degree of yin and yang with the two personalities? You have described yourself as emotional and so on, but it does seem the two of you have slightly different styles about how you approach the world.

**Bill Ackman**

Sure. Well, interestingly, we have a lot of, we come from very similar places in the world. There are times where you feel like we've known each other for centuries. I met her parents for the first time a long time ago, almost six years ago as well. And I knew her parents were from Eastern Europe, originally. So I asked her father, what city did her family come from originally? And I called my father and asked him, "Dad, Grandpa Abraham, what's the name of the city?" And then I put the two cities into Google Maps, and they were 52 miles apart. Which I thought was pretty cool. Then of course at some point we did genetic testing, make sure we weren't related, which we were not. But we share incredible commonality on values. We are attracted to the same kind of people. She loves my friends, I love hers. We love doing the same kind of things, we like spending time the same ways. And she has more emotion, more elegance. She doesn't like battles, but she's very strong. But she's more sensitive than I am.

**Lex Fridman**

Yeah, you are constantly in multiple battles at the same time, and there's often the media, social media, it's just fire everywhere.

**Bill Ackman**

That hasn't really been the case for a while. I've had relative peace for a long time as I stopped being, as I haven't had to be the kind of activist I was earlier in my career. I think since October 7th, yes, I do feel like I've been in a war.

**Lex Fridman**

Can you tell me the saga of the accusations against Neri?

**Bill Ackman**

So I did not actually surface the plagiarism allegations against President Gay that surfaced by Aaron and maybe Christopher Ruffo as well, or maybe Chris helped promote what Aaron and some anonymous person identified. But I certainly, it was a point in time where the board had said "We're a hundred percent behind her," and unanimously. And I really felt she had to go. So it didn't bother me at all that they had identified problems with her work. So I shared, I reposted those posts. And then when the board, she ultimately resigned and she got a \$900,000 a year professorship continuing at Harvard, I said, look, in light of her limited academic record and these plagiarism allegations, she had to go. I knew when I did so, I assumed I was actually a bit paranoid about that thesis I had written. I only had one academic work, but I hadn't checked it for plagiarism. And I thought, that's going to happen. Actually, I had someone, I did not have a copy on hand, so I got a copy of my thesis. And I remember writing it, Harvard at the time was pretty, they kind of gave you a lecture about making sure you have all your footnotes and quotation marks. I learned later that apparently they had a copy of my thesis at the New York Public Library, and a member of the media told me he was there online with a dozen other members of the media all trying to get a copy of my thesis to run it through some AI. They had to first do optical character recognition to convert the paper document into digital. But fortunately, through a miracle, I didn't have an issue. I didn't think about Neri of course, who has whatever, 130 academic works. And so we were just at the end of a vacation for Christmas break, and it was early in the morning for a vacation time. And all of a sudden I hear my phone ringing in the other room, or vibrating in the other room multiple times. I'm like, hm. I pick up the phone and saw our communication guy, Fran McGill. And he's like, "Bill, Business Insider has apparently identified a number of instances of plagiarism in Neri's dissertation. Let me send you this email." He sent me the email, and they had identified four paragraphs in her 330- page dissertation where she had cited the author, but she had used the vast majority of the words, and that those paragraphs were from the author, and she should have used quotation marks. And then there was one case where she paraphrased correctly an author, but did not footnote that it was from his work. And so we were presented with this and told, they're going to publish in a few hours. And we're like, "Well, can we get to the next day? We're just about to head

home."And they're like, "No, we're publishing by noon. We need an answer by noon."And so we downloaded the copy of her thesis on the slow internet. And Neri checked it out and she said, "You know what? Looks like they're right."And I said, "Look, you should just admit your mistake."And she wrote a very simple, gracious, yes, I should have used quotation marks. And on the author I failed to cite, she pointed out that she cited them eight other times, and wrote a several-paragraph section of her thesis acknowledging his work. And none of these were important parts of her thesis. But she acknowledged her mistake and she said, I apologize for my mistake, and I apologized to the author who I failed to cite. And I stand on the shoulders of all the people came before me, and looking to advance work. And we sort of thought it was over. We head home. In-flight on the way home, although we didn't realize this until we got back the following day, a Business Insider published another article and said, "Neri Oxman admits to plagiarism." Plagiarism, of course, is academic fraud. And this thing goes crazy viral. Oh, Bill Ackman the title is Bill Ackman's Wife, Celebrity Academic, Mary Oxman. And they use the term celebrity because there are limits to what legitimate media can go after, but celebrities, there's a lot more leeway in the media into what they can say. So that's why they call her a celebrity. First time ever she'd been called a celebrity. And they basically, she's admitting to academic fraud. And then they said - and then, the next day at 5:19pm, I remember the timeline pretty well, an email was sent to Fran McGill saying, "We've identified two dozen other instances of plagiarism in her work." 15 of which are Wikipedia entries where she copied definitions, and the others were mostly software-hardware manuals for various devices or software she used in her work, most of which were in footnotes where she described a nozzle for a 3D printer or something like this. And they said, "We're publishing tonight." The email they sent to us was 6,900 words. It was 12 pages. It was practically indecipherable. You couldn't even read it in an hour. And we didn't have some of the documents they were referring to. And I'm like, "Neri, you know what I'm going to do? I think it'll be useful to provide context here. I'm going to do a review of every MIT professor's dissertations. Every published paper. AI has enabled this."And so that was, I put out a tweet basically saying that. And we're doing a test run now, because we have to get it right, and I think it'll be a useful exercise. Provide some context, if you will. And then this thing goes crazy viral. And Neri is a pretty sensitive person, pretty emotional person, and someone who's a perfectionist. And having everyone in the world thinking you committed academic fraud is a pretty damning thing. Now, they did say they did a thorough review of all of her work, and this is what they found. I'm like, sweetheart, that's remarkable. I did 130 works, 73 of which were peer-reviewed, blah, blah, blah. And she's published in Nature Science and all these different publications. That's actually, it's a pretty good batting average. But this is wrong, this is not academic fraud. These are inadvertent mistakes. And the Wikipedia entries, Neri actually used Wikipedia as a dictionary. This is the early days of Wikipedia. And they also referred to the MIT handbook, which has a whole section on plagiarism, academic handbook. And if you read it, which I ultimately did, they make clear a few things. Number one, there's plagiarism, academic fraud. And there's what they call inadvertent plagiarism, which is clerical errors where you make a mistake, and it depends on intent. And there's a link that you can go to, which is a section on, if you get investigated

at MIT, what happens? What's the procedure, what's the initial stage, what's the investigative stage, what's the procedure if they identify it? And they make very clear that academic fraud is, and they list plagiarism, research theft, a few other things, but it does not include honest errors. Honest errors are not plagiarism under MIT's own policies. And in the handbook, they also have a big section of what they call common knowledge. And common knowledge depends on who you're writing your thesis for. And so if it's a fact that is known by your audience, you're not required to quote or cite. And so all those Wikipedia entries were for things like sustainable design, computer-aided design. She just took a definition from Wikipedia, common knowledge to her readers, no obligation under the handbook, totally exempt. On using the same words, she referred to whatever, some kind of 3D printer. She was, the Stratasys 3D Printer, and she quoted from the manual. Right away, Stratasys is a company you consulted for. That's not something, you're not stealing their ideas, you're describing a nozzle for a device you use in your work in a footnote. That's not a theft of idea. And so I'm like, this is crazy. And so this has got to stop. And so I reach out to a guy I knew who was on the board of Business Insider, the chairman, and his name is going to come public shortly. I committed at that time to keep his name confidential, it's now surfaced publicly in the press.

**Lex Fridman**

Can I just pause real quick here?

**Bill Ackman**

Sure.

**Lex Fridman**

Just to, I don't know. There's a lot of things I want to say. But you made it pretty clear. But just as a member of the community, there's also a common sense test. I think you're more precisely legal in looking at -

**Bill Ackman**

Sure.

**Lex Fridman**

But there's just a bullshit test. And nothing that Neri did is plagiarism in the bad meaning of the word. Plagiarism right now is becoming another -ism, like racism or so on, used as an attack word. I don't care what the meaning of it is, but there's the bad academic fraud like theft, theft of an idea. And maybe you can say a lot of definitions and this kind of stuff. But then there's just a basic bullshit test where everyone knows, this is a thief and this is definitely not a thief. And there's nothing about anything that Neri did, anything in her thesis or in her life. Everyone that knows her, she's a rock star. I just want to make it clear, it really hurt me that the internet, whatever is happening, could go after a great scientist. Because I love science, and I love celebrating great scientists. And it's just really messed up that

whatever the machine, we can talk about Business Insider or whatever, social media, mass hysteria, whatever is happening. We need the great scientists of the world, because the future depends on them. And so we need to celebrate them, and protect them, and let them flourish and do their thing. And keep them out of this whatever shit-storm that we're doing to get clicks, and advertisements, and drama and all this. We need to protect them. So I just want to say there's nobody I know, and I have a million friends that are scientists, world-class scientists, Nobel Prize winners, they all love Neri, they all respect Neri, she did zero wrong. And then the rest of the conversation we're going to have about how broken journalism is, and so on. But I just want to say that there's nothing that Neri did wrong. It's not a gray area or so on. I also personally don't love that Claudine Gay is a discussion about plagiarism, because it distracts from the fundamentals that is broken, it becomes some weird technical discussion. But in case of Neri, did nothing wrong. Great scientist, great engineer at MIT and beyond. She's doing the cool thing now.

**Bill Ackman**

Could not have said it better myself. Now, obviously I'm focusing the technical part -

**Lex Fridman**

Right. Because you have to be precise here.

**Bill Ackman**

Well, it's not even that. I mean, yes, I have said that we're going to sue Business Insider. And in 35 years of my career of someone who has, not every article has been a favorable one, not every article has been an accurate one, I've never threatened to sue the media. And I've never sued the media. But this is so egregious. It's not just that she did nothing wrong, but they accused her of academic fraud. They did it knowing, they make reference to MIT's own handbook so they had to read all the same stuff that I read in the handbook, they did that work. Then, after I escalated this thing to Henry Blodget, the chairman of Business Insider, to the CEO of Axel Springer, I even reached out to Henry Kravis at a certain point in time, one of the controlling shareholders of the company through KKR, laying out the factual errors in the article. Business Insider went public after they said Neri committed academic fraud and plagiarism. And said, we didn't challenge any, the facts remain undisputed in the article. So it's basically, Neri committed plagiarism. That's story one. Neri admits to plagiarism. She admits to plagiarism. She admitted to making a few clerical errors, that's the only thing she admitted to, and she graciously apologized. So they said, "Neri admits to plagiarism, apologizes for plagiarism." That's incredibly damning. "And by the way, we're doing an investigation because we're concerned that there might've been inappropriate process, but the facts of the story have not been disputed by Neri Oxman or Bill Ackman." And that was totally false. I had done it privately. I'd done it publicly on Twitter - on X. I laid out - I have a whole tech stream - a WhatsApp stream with the CEO of the company. And they doubled down. And they doubled down again. And so, I don't sue people lightly. And stay tuned.



**Lex Fridman**

So you're, at least for now, moving forward with -

**Bill Ackman**

It's a certainty we're moving forward. There's a step we can take prior to suing them, where we basically send them a letter demanding they make a series of corrections. That if they don't make those corrections, the next step is litigation. I hope we can avoid the next step. And I'm just making sure that when we present the demand to Business Insider, and ultimately to Axel Springer, that it's incredibly clear how they defamed her, the factual mistakes in our stories, and what they need to do to fix it. And if we can fix it there, we can move on from this episode and hopefully avoid litigation. So that's where we are.

**Lex Fridman**

I don't know. You're smarter than me. There's technical stuff, there's legal stuff, there's journalistic stuff. But just, fuck you Business Insider for doing this. I don't know much in this world, but journalists aren't supposed to do that.

**Bill Ackman**

Now look, we're going to surface all this stuff publicly, ultimately. The email was not to Neri saying there was plagiarism in her work. The email came from a reporter named Catherine Long, and the headline was, "Your wife committed plagiarism. Shouldn't she be fired from MIT, just like you caused Claudine Gay to be fired from Harvard?" It was a political agenda. She doesn't like me, and she was trying to hurt me, and they couldn't find plagiarism in my thesis. And being a short seller, the Herbalife battle went on for years. They tried to do everything to destroy my reputation. So they'd already gone through my trash, they'd already done all that work. So anything they could possibly find, I've always lived a very clean life, thankfully. And if you're going to be an activist short seller, you better. Because they're going to find out dirt on you if it exists. And so they're like, how can we really hurt Bill? And by the way, Neri had left MIT years earlier. When the reporter found out she was no longer a member of the MIT faculty, they were enraged. They didn't believe us. They made us prove to us she's no longer on the MIT faculty, because they wanted to get her fired. And by the way, malice is one of the important factors in determining whether defamation is taking place. And this was a malice-driven, this was not about news. And the unfortunate thing about journalism is Business Insider made a fortune from this. This story was published and republished by thousands of media organizations around the world. It was the number one trending thing on Twitter for two days. Every newspaper, it was on the front page of every Israeli newspaper, it was on the front page of the Financial Times. And she's building a business. And if you're a CEO of a science company and you committed academic fraud, that's incredibly damaging. But I ultimately convinced her that this was good. I said, "Sweetheart, you're amazing. You're incredible. You're incredibly talented, but you're mostly known in the design world. Now everyone in the universe has heard of Neri Oxman. We're going to get this thing cleared up. You're going to be doing an event in six months where

you're going to tell the world, you're going to go out of stealth mode, you're going to tell the world about all the incredible things that you're building, and you're designing, and you're creating. And it's going to be like the iPhone launch, because everyone's going to be paying attention and they're going to want to see your work." And that's how I try to cheer her up. But I think it's true.

**Lex Fridman**

It is true. And you're doing your job as a good partner, seeing the silver lining of all this. How is, just from observing her, how did she stay strong through all of this psychologically? Because at least I know she's pushing ahead with the work.

**Bill Ackman**

Oh, she's full speed ahead in her work. She's built an amazing team, she's hired 30 scientists, roboticists, people who, biologists, plant specialists, material scientists, engineers, really incredible crew. She's built this 36,000 square-foot lab in New York City that's one of a kind, they're working out of it. It's still under construction while they're working out of it. And so she's going to do amazing things. But as I said, she's an extremely sensitive person. She's a perfectionist. Okay? Imagine thinking that the entire world thinks you committed academic fraud. And so that was very hard for her. She's a very positive person. But I saw her in, I would say, her darkest emotional period for sure. She's doing much better now. But you can kill someone. You can kill someone by destroying their reputation. People commit suicide. People go into these deep, dark depression.

**Lex Fridman**

Well my worry, primarily, when I saw what Business Insider was doing, is that they might dim the light of a truly special scientist and creator.

**Bill Ackman**

It's not going to happen.

**Lex Fridman**

But I also worry about others like Neri, young Neris, that this sends a signal that might scare them. And journalism shouldn't scare aspiring young scientists.

**Bill Ackman**

The problem is the defamation law in the US is so favorable to the publisher, to the media, and so unfavorable to the victim. And the incentives are all wrong. When you went from a paper version of journalism to digital, and you could track how many people click, and it's a medium that advertising drives the economics. And if you can show an advertiser more clicks, you can make more money. So a journalist is incentivized to write a story that will generate more clicks. How do you write a story that generate more clicks? You get a billionaire guy, and then you go after his wife, and you make a sensationalist story. And you

give them no time to respond, right? Look at the timing here. On the first story, they gave us three hours. On the second one, the following day, 5:19 PM, the email comes in not to Neri, not to her firm, but to my communications person. Who tracks us down by 5:30, 10 minutes later. And they publish their story 92 minutes after. And they sent us, "We're going to surface all these documents in our demand." Read the email they sent, whether you could even decipher it. There was no - and by the way, there's a reason why academic institutions, when a professor's accused - the reason why academic institutions, when a professors accused of plagiarism, why they have these very careful processes with multiple stages and they can take a year or more because it depends on intent. Was this intentional? In order to be a crime, an academic crime, you got to prove that they intentionally stole. Look, in some cases it's obvious. In some cases it's very subtle and they take this stuff super seriously, but they basically accused Neri of academic crime. And then 92 minutes later, they said she committed an academic crime and that should be a crime and that should be punishable with litigation. And there should be a real cost. And we're going to make sure there's a real cost, reputationally and otherwise, to Business Insider and to Axel Springer. Because ultimately you got to look to the controlling owner. They're responsible.

### **Lex Fridman**

I'll just say that you in this regard are inspiring to me for facing basically an institution that whole purpose is to write articles. So you're like going into the fire.

### **Bill Ackman**

My kid's school, the epithet of the school, or the saying is go forth unafraid. I think it's a good way to live. And again, words can't harm me. The power of X, And we do owe Elon enormous thanks for this is now, so for example, the Washington Post wrote a story about me a couple days ago, and I didn't think the story was a fair story. So within a few hours of the story being written, I'm able to put out a response to the story and send it to 1,200,000 people. And it gets read and reread. I haven't checked, but probably 5 million people saw my response. Now, those are the people on X, It's not everyone in the world. There's a disconnection between the X world and the offline world. But reputation in my business is basically all you have. And as they say, you can take a lifetime to build a reputation and take five minutes to have a disappear. And the media plays a very important role and they can destroy people. At least we now have some ability to fight back. We have a platform, we can surface our views. The typical old days, they write an incredibly damning article and you point out factual errors and then two months later they bury a little correction on page, whatever. By then the person was fired where their life was destroyed or the reputation's damaged. It was with Warren Buffett talking about media, and it's a business he really loves. He says, "You know what, Bill?" He said, "A thief with a dagger. The only person who cause you more harm than a thief with a dagger is a journalist with a pen." And those were very powerful words.

**Lex Fridman**

So you think X, formerly known as Twitter, is a kind of neutralizing force to that, to the power of centralized institutions?

**Bill Ackman**

100%. And I think it's a really important one, and it's really been eye-opening for me to see how stories get covered in mainstream media. And then what I do on X is I follow people on multiple sides of an issue and you can or I post on a topic and I get to hear the other side. I read the replies. And the truth is something that people have had a lot of question about, particularly in the last, I would say five years beginning with Trump's talking about fake news. And a lot of what Trump said about fake news is true. A big part of the world hated Trump and did everything they could to discredit him, destroy him. And he did a lot of things perhaps deserving of being discredited. He is by a very imperfect and some cases harmful leader. But everything from pre-election, the Hunter Biden laptop story in the New York Post that then Twitter made difficult for people to share and to read. COVID, the Jay Bhattacharyas of the world, questioning the government's response, questioning long-term lockdowns, questioning keeping kids out of school, questions about masks, about vaccines, which are still not definitively answered, no counterbalance to the power of the government when the government can shut down avenues for free speech and where the mainstream media has kind of towed the line in many stents to the government's actions. So having an independently owned powerful platform is very important for truth, for free speech, for hearing the other side of the story, for counterbalancing the power of the government. Elon is getting a lot of pushback. The SpaceXs and Teslas of the world are experiencing a lot of government questions and investigations. And even the President of the United States came out and said, "Look, he needs to be investigated." I'm getting my own version of that in terms of some negative media articles. I don't know what's next. But yeah, if you stick your neck out in today's world and you go against the establishment, or at least the existing administration, you can find yourself in a very challenged place. And that discourages people from sharing stuff. And that's why anonymous speech is important, some of which you find on Twitter.

**Lex Fridman**

You mentioned Trump. I have to talk to you about politics.

**Bill Ackman**

Sure.

**Lex Fridman**

Amongst all the other battles, you've also been a part of that one. Maybe you can correct me on this, but you've been a big supporter of various democratic candidates over the years, but you did say a lot of nice things about Donald Trump in 2016, I believe.

**Bill Ackman**

So I was interviewed by Andrew Sorkin a week after Trump won the election.

**Lex Fridman**

Yes.

**Bill Ackman**

And I made my case for why I thought he could be a good president.

**Lex Fridman**

Yes. So what was the case back then? To which degree did that turn out to be true? And to which degree did not? To which degree was he a good president? To which degree was he not a good president?

**Bill Ackman**

Look, I think what I said at the time was the United States is actually a huge business. And it reminds me a bit of the type of activist investments we've taken on over time where this really, really great business has kind of lost its way. And with the right leadership, we can fix it. And if you think about the business of the United States today, right? You've got \$32 trillion worth of debt over leveraged and or it's highly leveraged, and the leverage is only increasing. We're losing money, i.e., revenues aren't covering expenses. The cost of our debt is going up as interest rates have gone up and the debt has to be rolled over. We have enormous administrative bloat in the country. The regulatory regime is incredibly complicated and burdensome and impeding growth. Our relations with our competitor nations and our friendly nations are far from ideal. And those conditions were present in 2020 as well. They're just, I would say worse now. And I said, "Look, it's a great thing that we have a business man as president." And in my lifetime was really the first businessman as opposed to, I mean, maybe Bush to some degree was a business person, but I thought, "Okay, I always wanted the CEO to be CEO of America." And now we have Trump said, "Look, he's got some personal qualities that seem less ideal, but he's going to be President of the United States. He's going to rise to the occasion. This is going to be his legacy, and he knows how to make deals and he's going to recruit some great people into his administration." I hoped. And growth can solve a lot of our problems. So if we can get rid of a bunch of regulations that are holding back the country, we can have a president. Obama was a, I would say not a pro-business president. He did not love the business community. He did not love successful people. And having a president who just changed the tone on being a pro-business president, I thought it would be good for the country. And that's basically what I said. And I would say Trump did a lot of good things and a lot of people, you can get criticized for acknowledging that, but I think the country's economy accelerated dramatically. And that, by the way, the capitalist system helps the people at the bottom best when the system does well and when the economy does well. The black unemployment rate was the lowest in history when Trump was president, and that's true for other minority

groups. So he was good for the economy, and he recognized some of the challenges and issues and threats of China early. He kind of woke up NATO. Now, again, the way he did all this stuff you can object to, but NATO actually started spending more money on defense in the early part of Trump's presidency because of his threats, which turned out to be a good thing in light of ultimately the Russia-Ukraine war. And I think if you analyze Trump objectively based on policies, he did a lot of good for the country. I think what's bad is he did some harm as well. I do think civility disappeared in America with Trump as president. A lot of that's his personal style. And how important is civility? I do think he was attacked very aggressively by the left, by the media that made him paranoid. It probably interfered with his ability to be successful. He had the Russian collusion investigation overhang, and when someone's attacked, they're not going to be at their best, particularly if they're paranoid. I think there's some degree of that, but I'm giving the best of defense of Trump. Just you look at how he managed his team, right? Very few people made it through the Trump administration without getting fired or quitting, and he would say they're the greatest person in the world when he hired them, and they're total disaster when he fired them. It's not an inspiring way to be a leader and to attract really talented people. I think the events surrounding the election, I think January 6th, he could have done a lot more to stop a riot. I don't consider it an insurrection, but a riot that takes place in our capitol. And where police officers are killed or die, commit suicide for failure as they sought it to do their job. He stepped in way too late to stop that. He could have stopped it early. Many of his words, I think, inspired people, some of whom with malintent to go in there and cause harm, and literally to shut down the government. There were some evil people unfortunately there. So he's been a very imperfect president and also I think contributed to the extreme amount of divisiveness in our country. So I was ultimately disappointed by the note of optimism. And again, I always support the president. I trust the people ultimately to select our next leader. It's a bit like who wants to be a millionaire? When you go to the crowd and the crowd says a certain thing, you got to trust the crowd. But usually in who wants to be a millionaire, it's a landslide in one direction. So you know which letter to pick. Here, we had an incredibly close election, which itself is a problem. So my dream and what I've tried a little bit, played politics in the last little period to support some alternatives to Trump so that we have a president. I use the example, imagine you woke up in the morning, it's election day, whatever it is, this November 4th, whatever, 2024, and you still haven't figured out who to vote for because the candidates are so appealing that you don't know which lever to pull because it's a tough call. That's the choice we should be making as Americans. It shouldn't be, I'm a member of this party and I'm only going to vote this way. I'm a member of that party going to vote the other way and I hate the other side. And that's where we've been, unfortunately for too long.

### **Lex Fridman**

Or you might be torn because both candidates are not good.

**Bill Ackman**

Yeah.

**Lex Fridman**

I love a future where I'm torn because the choices are so amazing.

**Bill Ackman**

The problem is the party system is so screwed up and the parties are self-interested, and there's another governance problem, an incentive problem. Michael Porter, who was one of my professors at Harvard Business School, wrote a brilliant piece on the American political system and all the incentives and market dynamics and what he called a competitive analysis. It's a must read. I should dig it up and send it around on X, but it explains how the parties and the incentives of these sort of self-sustaining entities where the people involved are not incentivized to do what's best for the country, it's a problem.

**Lex Fridman**

You've been a supporter of Dean Phillips for the 2024 US presidential race.

**Bill Ackman**

Yes.

**Lex Fridman**

What do you like about Dean?

**Bill Ackman**

I think he's a honest, smart, motivated, capable, proven guy as a business leader. And I think in six, almost in his three terms in Congress, he ran when Trump was elected, he said his kids cried, his daughters cried, inspired him to run for office, ran in a Republican district in Minnesota for the last 60 years, was elected in the landslide, has been re-elected twice, moved up the ranks in the Congress, respected by his fellow members of Congress, advance some important legislation during COVID on senior roles, on various foreign policy committees. Centrist considered, I think the second most bipartisan member of the Congress. I'd love to have a bipartisan president. That's the only way to go forward. But we'd enormously benefit if we had a president that chose policies on the basis of what's best for the country as opposed to what his party wanted. What I like about him is he's financially independent. He's not a billionaire, but he doesn't need the job. The party hates him now because he challenged the king, but he was willing to give up his political career because what he thought was best for the country, he tried to get other people to run who were higher profile, had more name recognition. None would, no one wants to challenge Biden if they want to have a chance to stay in office or run in the future. But he's very principled. I think he would be a great president, but his shot is Michigan, but he needs to raise money in

order to - he's only got a couple weeks and he's got to be on TV there. That's expensive. So we'll see.

**Lex Fridman**

So he has to increase name recognition, all that kind of stuff. Also, as you mentioned, he's young.

**Bill Ackman**

55. Yeah, but he's a young 55. You see him play hockey.

**Lex Fridman**

Yeah. I mean, I guess 55 no matter what is a pretty young age.

**Bill Ackman**

I'm 57. I feel young. I can do more pull-ups today than I could as a kid. So that's a standard.

**Lex Fridman**

You're at the top of your tennis game.

**Bill Ackman**

I'm at the top of my tennis game for sure.

**Lex Fridman**

Maybe there's someone that would disagree with that.

**Bill Ackman**

And by the way, the other thing to point out here is, and I have been pointing this out as of others, Biden is I think is done. I mean, it's embarrassing. It's embarrassing for the country having him as a presidential candidate, let alone the president of the country. It's crazy. And it's just going to get worse and worse and should - the worst of his legacy is his ego that prevents him from stepping aside. And that's it. It's his ego. And it is so wrong and so bad and so embarrassing when you talk to people. I was in Europe, I was in London a few days ago, and people are like, "Bill, how can this guy be a president?" And it's a bit like, again, I go back to my business analogy. Being a CEO is like a full contact sport. Being President of the United States is like some combination of wrestling, marathon running, being a triathlete. I mean, you got to be at the serious physical shape and at the top of your game to represent this country. And he is a far cry from that. And it's just getting worse, and it's embarrassing. And he cannot be. And by the way, every day he waits, he's handing the election to Trump because it's harder and harder for an alternative candidate to surface. Now, Dean is the only candidate left on the Democratic side. They can still win delegates. He's on the ballot in 42 states. And the best way for Biden to step aside is for Dean to show well in Michigan.



**Lex Fridman**

And so you think there is a path with the delegates and all that kind of stuff?

**Bill Ackman**

100%. So what has to happen is New Hampshire, he went from 0 to 20% of the vote and 10 weeks with no name recognition. I helped a little bit. Elon helped. We did a spaces for him. We had 350,000 people on the spaces. Some originally 40,000 live or something and then the rest after. And then he was on the ground in New Hampshire. And New Hampshire is one of the states where you don't need to be registered to a party to vote for the candidate. So it's like jump ball and you got 20%. And that's with a lot of independents and Democrats voting for Haley. Haley, who I like and who I've supported, does not look like she's going to make it. Trump is really kind of running the table. And so vote for Haley as an independent Michigan, maybe throw away your vote. I think it increases the likelihood that Dean can get those independent votes if he could theoretically, again, he needs money, he could beat Biden in Michigan. Biden's doing very poorly in Michigan. His polls are terrible. The Muslim community is not happy with him, and he really has spent no time there. And so if he's embarrassed in Michigan, it could be a catalyst for him withdrawing. Then Dean will get funding if he wins Michigan or shows well in Michigan, and people say he's viable. He's the only choice we have. He'll attract from the center, he'll attract from people, Republicans who won't vote for Trump, of which there are a big percentage, could be 60% or more. It could be 70% won't vote for Trump and also from the Democrats. So I think he's a really interesting candidate, but we've got to get the word out.

**Lex Fridman**

I gotten a chance to chat with Dean. I really like him. I really like him. And I think the next President of the United States is going to have to meet and speak regularly with Zelensky, Putin, Netanyahu - with world leaders - and have some of the most historic conversations, agreements, negotiations. And I just don't see Biden doing that.

**Bill Ackman**

No.

**Lex Fridman**

And not for any reason, but sadly, age.

**Bill Ackman**

Think about it this way. When Biden's present now, you saw his recent impromptu press conference, which he did after the special prosecutor report, basically saying the guy was way past his prime, and then he confused the president of Mexico and the president of Egypt. So they're very careful when they roll him out and he's scripted and he's always reading from a lectern. Imagine the care they have in exposing him, and when they expose him, it's terrible. Okay. Imagine how bad it is for real.

**Lex Fridman**

It's not good.

**Bill Ackman**

No, really bad for America. And I'm upset with him and upset with his family. I'm upset with his wife. This is the time where the people closest to you have to put their arms around you and say, "Dad, honey, you've done your thing. This is going to be your legacy and it's not going to be a good one."

**Lex Fridman**

Great leaders should also know when to step down.

**Bill Ackman**

Yeah. One of the best tests of a leader is succession planning. This is a massive failure of succession planning.

**Lex Fridman**

Outside of politics, let me look to the future, first, in terms of the financial world, what are you looking forward to in the next couple of years? You have a new fund. What are you thinking about in terms of investment, your own and the entire economy, and maybe even the economy of the world?

**Bill Ackman**

Sure. So the SEC doesn't like us to talk about new funds that we're launching, that we filed with the SEC.

**Lex Fridman**

Sure.

**Bill Ackman**

But I would say I do, and by the way, if anyone's ever interested in a fund, they should always read the prospectus carefully, including the risk factors. That's very, very important. But I like the idea of democratizing access to good investors, and I think that's an interesting trend. So we want to be part of that trend. In terms of financial markets, generally the economy, a lot is going to depend upon the next leader of the country. So we're kind of right back there. The leadership of the United States is important for the US economy. It's important for the global economy, it's important for global peace, and we've gone through a really difficult period, and it's time. We need a break. But look, I think the United States is an incredibly resilient country. We have some incredible moats among them. We have the Atlantic and the Pacific, and we have peaceful neighbors to the north and the South. We're an enormously rich country. Capitalism still works effectively here. I get optimistic about the world when I talk to my friends who are either venture capitalists or my hobby of

backing these young entrepreneurs. I talked to a founder of a startup, if you want to get optimistic about the world. So I think technology is going to save us. I think AI, of course, has its frightening, Terminator-like scenarios. But I'm going to take the opposite view that this is going to be a huge enabler of productivity, scientific discovery, drug discovery, and it's going to make us healthier, happier, and better. So I do think the internet revolution had a lot of good, obviously some bad. I think the AI revolution's going to be similar, but we're at this other really interesting juncture in the world with technology, and we're going to have to use it for our good. On the media front, I'm happy about X, and I think Elon's going to be successful here. I think advertisers will realize it's a really good platform. The best way to reach me, if you want to sell something to me, I've actually bought stuff on some ads in X. I don't remember the last time I responded to a direct response advertising. In terms of my business, I have an incredible team. It's tiny. We're one of the smallest firms relative to the assets we manage. It's a bit like the Navy SEALs, not the US Army. We have only 40 people at Pershing Square. So, it's a tight team. I think we'll do great things. I think we're early on my ambitions investment-wise, I've always said I'd like to have a record as good as Warren Buffett's. The problem is, each year he adds on another year. He's now in his 93rd year. So I've got 36 more years to just get where he is, and I think he's going to add a lot more years. I'm excited about seeing what Neri is going to produce. She's building an incredible company. They're trying to solve a lot of problems with respect to products and buildings and their impact on the environment. Her vision is how do we design products that by virtue of the product's existence, the world is a better place. Today, her world is a world where the existence of the new car actually is better for the environment than if the new car hadn't existed. And think about that in every product scale, that's what she's working on. I don't want to give away too much, but you're going to see some early examples of what she's working on. So again, I get excited about the future and crises are sort of a terrible thing to waste. And we've had a number of these here. I think this disaster in the Middle East, my prediction is the next few months, this war will largely be over in terms of getting rid of Hamas. I think I can envision a world in which Saudi Arabia, some of the other Gulf states come together, take over the governance and reconstruction of Gaza. Security guarantees are put in place. The Abraham Accords continue to grow. A deal is made. Terrorists are ostracized that this October 7th experience on the Harvard, Penn, MIT, Columbia, unfortunately, other campuses is a wake-up call for universities. Generally, people see the problems with DEI, but understand the importance of diversity and inclusion, but not as a political movement, but as a way that we return to a meritocratic world where someone's background is relevant in understanding their contribution, but we don't have race quotas and things that were made illegal years ago actually being implemented in organizations on campus. So, I think there's, if we can go through a corrective phase, and I'm an optimist and I hope we get there.

### **Lex Fridman**

So you have hope for the entirety of it, even for Harvard.

**Bill Ackman**

I have hope, even for Harvard, it's generally hard to break 400-year-old things.

**Lex Fridman**

Well, I share your hope and you are a fascinating mind, a brilliant mind, persistent as you like to say. And fearless, the fearless part is truly inspiring, and this was an incredible conversation. Thank you. Thank you for talking today, Bill.

**Bill Ackman**

Thank you, Lex.