THINK LIKE A BILLIONAIRE

INTERVIEWS WITH MARK CUBAN - PETER THIEL - TONY ROBBINS - TED LEONSIS AND MARCUS LEMONIS

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CONTENTS

INTRODUCTION BY JAMES ALTUCHER 3

THINK LIKE A BILLIONAIRE 11

TONY ROBBINS 12

MARCUS LEMONIS 68

PETER THIEL 107

TED LEONSIS 155

MARK CUBAN 184

OTHER BOOKS BY JAMES ALTUCHER 213

CONNECT WITH JAMES 213
Money is not everything. Everyone knows this.

The fastest way I’ve ever lost track of my goals and passions was when I focused on the money.

But we do know that money is nice to have. It helps us support our families. It helps us feel relief in many situations.

But before you can make money you have to help others make money.

I’ve been very fortunate with my podcast. I’ve had the opportunity to talk to many entrepreneurs, artists, billionaires, athletes, and other people from all corners of success.

In this particular book I’ve put together the interviews I’ve had with five different billionaires.

They all came from wildly different backgrounds. They’ve all had very varied careers. But they also had many things in common.

- They all had crazy ideas. The important thing to remember is that an idea always seems totally insane right up until the day before it works. Then it becomes clear it was a good idea.

- They all leveraged small successes into greater successes. It’s very rare that a person just ends up with a billion dollars in his lap.

Mark Cuban is a great example of this. He went from selling a bar, to selling a software company, to running a hedge fund, to starting broadcast.com, to have Yahoo shares (his first billion) to owning the Dallas Mavericks (many billions).

Peter Thiel is another example. He went from being a top lawyer. To running a small hedge fund. To starting PayPal (he made $55 million there when they
finally sold to eBay for $1.5 billion), to funding Facebook (he made about a billion there) to co-founding Palantir (many billions).

Learning to leverage small successes into bigger ones is the key to abundance.

- They all recognize the importance of being healthy in other areas of their lives. As an extreme, you can’t have great ideas if you are sick in bed all the time.

- They are all believers in “Ready. Fire. Aim.” Or, as Richard Branson puts it, “Screw it. Let’s do it.”

- They believe in big visions. Ted Leonsis believed everyone would have a computer in their home that would be online. Peter Thiel believed that everyone should pay for things online. And so on.

- They are all believers in modeling the success of people who have come before them.

Tony Robbins described what I call his “Tony Robbins” method. Without every teaching sharpshooting before he was hired to teach a group of Marines to be successful sharpshooters. I’ll let him tell the story in the later chapter of what happened next.

By the way, is Tony Robbins a billionaire? Who knows? I do know that he is at least worth several hundred million so I’m not going to try and guess how many hundreds of millions. I also know that he is a mentor and guide to many billionaires. So he’s included in this book because he has many valuable lessons to teach.

- Failure versus Hard problems. I’m sure many of these people have had failures in their lives. But one thing I noticed consistent among them and others that I’ve spoken to is that they don’t view failures as stopping points, they view them as opportunities to solve hard problems.

When you get good at solving hard problems, you get better and better at dealing with the obstacles that arise in EVERY business opportunity. These guys are the masters and the ones that I want to model my own business efforts after.
I’m including an extra chapter in this introduction. I haven’t interviewed Richard Branson but I’ve gone over everything he’s written and pulled out my favorite quotes.

The rest of this introduction is ten things I’ve learned from Richard Branson. And then I turn it over to the billionaires.

**10 THINGS I LEARN FROM RICHARD BRANSON**

Richard Branson is the perfect example of "Ready. Fire. Aim." He starts something. He does it. Then he looks to see if he hit the target. If not, he starts something new.

I love the story of how he started Virgin Airlines. He was already successful from Virgin Music. Note that now he has nothing to do with Virgin Music. I don’t even know if Virgin Music still exists. All that is left is Virgin Air.

A plane had gotten cancelled. Everyone was upset.

But Branson wasn’t upset. He found a plane that would take him. But he didn’t have the money.

One good thing to start with always is to imagine the obstacles gone. Imagine, "if I wasn’t worried about money, would I still make this trip."

I call this IDEA SUBTRACTION. Subtract the perceived obstacles to an idea and (BAM!) you find that many more ideas are born from that.

First, he arranged to rent the private plane, even though he still had the obstacle ("no money").

Then he put up a sign: "$29 for a plane to Puerto Rico." And everyone signed up. Suddenly he had the money for the plane.

That was his proof-of-concept for an airline. Now that is his main business and it’s worth billions.

Here are ten quotes from him that I think are valuable.
A) Richard Branson: "Listen more than you talk. Nobody learned anything by hearing themselves speak."

B) Richard Branson: "Start making suggestions for how to improve your workplace. Don’t be a shrinking violet, quietly getting your job done adequately. Be bold, and the sky is the limit."

Note he's not suggesting start a company. You can always create inside ANY surrounding and you will be infinitely rewarded for that.

The first employee at Google is now a multi-billionaire even though nobody knows his name (Craig Silverstein). He was an employee and he created and blossomed.

C) Richard Branson: "Age isn't as important so long as you are surrounded by people you love, doing things you passionately believe in."

I truly believe this. We all have things we love to do. And it's the people around us who love us that help us unlock these dreams.

It's ONLY when you find the people you love, you can create and flourish. Henry Ford was 45 when he started his third car company and created the assembly line. He did this once he eliminated all the people who tried to control him at prior companies.

Colonel Sanders was 65 when he started "Kentucky Fried Chicken".

Laura Ingalls Wilder was 65 when she wrote her first book. The book that would turn into the TV series: "Little House on the Prairie".

This was after she had been totally wiped out in the Great Depression and left with nothing but she started to surround herself with people who encouraged her and pushed her to pursue writing to make ends meet.

D) Richard Branson: "What I personally know would make up a dot so minuscule it couldn’t be seen. What humanity has collectively learned so far would make up a tiny mark within the circle. Everything we all have to learn in the future would take up the rest of the space. It is a big universe, and
we are all learning more about it every day. If you aren’t listening, you are missing out."

The other day someone asked me if I believed in "God". There’s no answer. Always have reverence for the infinite things we will never know. Our brains are too small.

This next quote I slightly want to change:

E) Richard Branson: "To be a real entrepreneur you always have to be looking forward. The moment you rest on your laurels is the moment your competition overtakes you."

I think 'entrepreneur' can be changed to 'human'. We all have to survive and succeed first as humans. And the job description changes every day.

Every day there is room to finish this sculpture that began the moment our mothers released us into the world.

F) Richard Branson: "There is no such thing as a boring person: everyone has stories and insights worth sharing. While on the road, we let our phones or laptops take up our attention. By doing that, we might miss out on the chance to learn and absorb ideas and inspiration from an unexpected source: our fellow travelers."

Every day has stories hidden inside of them, like a treasure hunt. When you find those stories, you get rewarded. Not by money, but by...I don’t know. Something. You feel it when it happens.

G) Richard Branson: "It can be easy to find reasons not to do something. However you might be surprised by how much help is at hand if you put yourself out there and commit to a project. It doesn’t have to be a case of struggling along by yourself."

We live in a world of connection. The barriers we’ve erected by storytelling (religion, nationalism, corporatism) are breaking down. You can crowd-source a revolution with a single tweet now. There are a million ways to ask for help and a million people who want to help you.
But it's hard to ask. There’s the old fears of rejection. Fears of people viewing asking as weakness. Fears of infringing on someone by asking. Offer value in your ask and then the reasons to not do something start to go away until there are none left.

And again, Branson is referring to "idea subtraction" which has constantly propelled him from success to success.

H) Richard Branson: "When most people think about taking a risk they associate it with negative connotations, when really they should view it as a positive opportunity. Believe in yourself and back yourself to come out on top. Whether that means studying a course to enable a change of direction, taking up an entry level position on a career ladder you want to be a part of, or starting your own business – you’ll never know if you don’t give it a try."

Another example of how Branson would use "idea subtraction" to come up with tons of ideas.

For instance, sometimes people say, "If only I knew how to program I could do X". Well, imagine you could program. Subtract that worry. Now what ideas would you implement?

You can always subtract a worry. Whether it’s putting up a sign ("$29 to get to Puerto Rico") or, as Branson suggests above, taking an entry-level position.

When I started my first successful company my job title was, "Jr. Programmer Analyst" at HBO and I had $0 in the bank. I took an entry-level job so I could move to NYC and start making connections. I stayed at that job for three years while building my network.

For more than half of those three years I had my first company on the side, building up. I was afraid all the time I would get caught doing two jobs at the same time. But I did learn that these almost insurmountable obstacles were the EXACT reason I had huge opportunities.

When people think a problem is impossible they value it at zero. Successful people buy ideas low (zero) and sell them high. You ask "why can't I?" as in the following quote from Branson:
I) Richard Branson: "I've always had a soft spot for dreamers – not those who waste their time thinking ‘what if’ but the ones who look to the sky and say ‘why can’t I shoot for the moon?’"

Does he really mean the moon here? Or does that sound cliché? Let's look.

When Branson was a teenager and started his first magazine devoted to music, I doubt he was thinking about shooting for the moon. But who knows? Now his biggest investment is Virgin Galactic. That magazine (which he started despite severe dyslexia) literally turned into a company that is now shooting to land a ship on the moon.

Why not? Why not?

J) Richard Branson: "Together we can make the products, services, businesses, ideas, and politics for a better future. In this ‘new power’ world, we are all makers. Let’s get making."

Sometimes people write to me "not everyone is cut out to be an entrepreneur. Some people like being employees."

I agree with this. There is nothing wrong with being an employee. It's what you make of it. I've been an employee many times. The key is to realize that an "employee" doesn't mean you give up on creating, on making, on coming up with ideas. In fact, an employee often has more opportunity for abundance than an entrepreneur. The playing field is much larger in a big corporation where everything is possible.

I went to graduate school with Astro Teller, who was recently on my podcast. He runs the special projects division at Google called GoogleX. He's an employee at Google.

He was asked to "dream" at Google and now Google, a software company, is making driverless cars. It seems insurmountable: "What if we can make a car without a driver?" But that's where the opportunity is.
Every day I wake up and it's a constant battle in my brain against obstacles. Usually not business obstacles but emotional ones. Fears. People. Ideas. Hopes. This is life. A stream of obstacles and fears in a tough world.

I wish I had paid attention to the many wonderful virtual mentors, the Richard Bransons of the world, when I was younger. But now I can. And I hope you can also.
Think Like A Billionaire
James Altucher: I’m James Altucher here with Tony Robbins.

Tony Robbins: Nice to meet you officially.

James Altucher: You know, I just first wanted to say thank you, actually, because in 2001-2002, I had millions of dollars, sold a business, totally went broke, lost my house, lost everything, and I would read your two books over and over again, and I had my business partner read them, and we both really got off the ground. There’s that sensation where you have to peel yourself off the ground somehow, but you need something to do it ’cause you don’t know how to it. It’s all your best thinking got you on the ground. So –

Tony Robbins: That’s true.

James Altucher: And, you know, and I’ve totally plagiarized your No Complaints Diet. So that really helped me. No complaining for ten days. I think I remember it from one of the books.

Tony Robbins: Yeah, that’s right. Well, you should share some of that, at least a few seconds of that on the line so they know that there’s an affinity for what you’ve read before.
James Altucher: And you’re the author of this new book, brand new book, Money, Master the Game: Seven Simple Steps to Financial Freedom. I’ve been privileged to have an advance copy and read it. I’m incredibly impressed. It’s been – what has it been, 20 years, over 20 years since you’ve had a book out.

Tony Robbins: Over 20, yeah.

James Altucher: And, you know, I think we both have the sense of why, just because the economy has turned upside down. Everyone’s afraid. But maybe in your words, why now? Why did you write this book?

Tony Robbins: First of all, I hadn’t written a book for two decades ’cause I’m on a plane about every four days. I have 12 companies that I run directly and 12 that I indirectly run. I’ve been in 15 countries, on average, each year, and I love what I do. I get to talk to 6,000 to 10,000 people at a time and it’s live and it’s raw and it’s real, and books for me, you know, most people don’t read, and then secondly, for me to sit still for that long a period of time, it’s kind of a pain.

But I wrote this now, to answer your question, because when I saw 2008 happen, I grew up in a very tough environment, emotionally and financially, and I tied those two together. They don’t always go together, but I did tie them together in my head. And so when I saw people
suffering, at a level that was just crazy...families losing half of all they had, people couldn’t send their kids to college anymore, people couldn’t retire, it just made me sick.

I thought the system’s gotta change. Two years later, as you and I both know, the system’s not changed. Lots of promises but not with any real core change.

And I saw this documentary called Inside Job, which actually won the Academy Award eventually; Matt Damon did the voiceover for it. And it is probably one of the best documentaries to walk through what actually happened and how a small number of people almost blew up the entire world economy. But the crazy thing is the punishment for that, most of us caught a sense of today, is we bailed them out, but we didn’t just bail them out. We put them in charge of the recovery.

It’s just mindboggling what’s happening, so I think if you watch that film, you’re either really depressed or you’re really angry, and I left angry, and I thought what could I do. And I thought, well, I have access.

Most people don’t know. It’s a good thing I’m Mr. Motivator or something of that nature, but for 21 years, I’ve coached Paul Tudor Jones, who’s one of the top ten financial traders in the history of the world.
James Altucher: Let me ask you about that. So he calls you up out of the blue, like, were you sitting in a chair and somebody said, “Oh, Paul Tudor Jones is on the phone.” How did that happen?

Tony Robbins: No, Pat Reilly actually called me and said there’s a friend of mine. Pat had left, the Lakers and gone to New York and was the coach at New York at the time, and Pat and I are good friends. I’ve helped him with sports teams throughout the years. And he said, “There’s a guy that desperately needs your help right now. He’s going through a tough time. He’s one of the best in history, and he’s having a real challenging time.” And I said, “Who’s that?” He said, “Paul Tudor Jones.” I said, “Wow.” I said, “You know, I’d love to meet him.” He said, “Well he’d love to meet you.” So we met at a Knicks game and then I went out to visit with Paul and spend some time and I’ve been working with Paul since he was 39 years old and he just turned 60. So that gives you a sense of the length of time.

And I have learned so much from Paul it’s scary, because I’ve been with Paul through the 2000 stock market crash. I was there, you know, with him, seeing what he did in 9/11. What does he do when we have a crisis?

He’s made money every single year for 21 straight years. His fund has made money 28 years in a row, to give you an idea. But I’ve been there side-by-side with him when gold drops, you know, the
largest drop we’ve had in recent history, and I’ve seen what he’s done. So I have these insights, and I thought, because of him, I’ve got access.

You know, I’ve been doing this for a couple decades, and I’m gonna go to 50 of the smartest people in the world financially and self-made billionaires, people who literally started with nothing, guys like Ray Dalio who started out working on a golf course and now he’s got the largest hedge fund in the world, $160 billion, and say how did they get there, what did they do, what turned it around. I want to go to Nobel Laureates. I want to make sure I step on the other side of the table and look at the academic view of finance and see what those people have done by studying research over and over again. I want to go to behavioral economics and I want to understand what are the tools that we could use – you and I, we all as humans have bad habits. What are some of the tricks that can get us out of those bad habits so we can truly get free?

So that became my mission and it lasted about four years now, a little more than four years. I interviewed more than 50 people. And then I had to put that into a single book and simplify it because I believe that complexity is the enemy of execution, and in finance, everything is made more complex than it really needs to be because the more complex it is, like having a lawyer. If it’s too simple, you do it yourself.
Having a doctor, you know, to be fair, that’s a complex system, so you may need some assistance there. But a lot of times you have things built into the system that make it more complex and people don’t know what to do, so I wanted to provide something I could hand to anybody, if they were just beginning the journey, like a millennial who’s coming out of school and they’re, like, I don’t know how I’m ever gonna get past the student debt, or a baby boomer that’s going, oh my God, I took a ton of loss in 2008, I didn’t take advantage of the market ‘cause I was scared and what do I do now, or a sophisticated investor says, like, I wanna know what Ray Dalio does, you know, that he doesn’t reveal. I wanted to be able to reach all of them.

*James Altucher:* I wanna ask you about each one of those groups, and you start off very well describing all the myths that are still currently baked into the system. Like, you – when you talk complexity, I hear fees. So for everything that is complex –

*Tony Robbins:* You’re right on. You’re spot on.

*James Altucher:* For everything that’s complex, you can charge for it because there’s some, I don’t wanna say ignorance, but someone says, oh yeah, I don’t understand that so I’m willing to pay for it. So what are the layers of fees that you think the average investor doesn’t know but should know, and you describe it very well in this book, so that’s one big reason why I encourage people to read this book, but what are some of the ones that shocked you?
*Tony Robbins:* Gosh, there’s so many. Let’s start with the most basic thing. How about where do most Americans put their money to try to create some form of financial security or freedom long-term, whether it be for retirement or before?

They put it in the 401(k) because it’s tax-efficient, and then where does the money go? Usually into a mutual fund. Why does it go to a mutual fund? Because you and I as average people would think, I’ve got a job, I’ve got kids, I’ve got family, I’m running a business. How am I gonna be a professional investor on the side? Obviously, somebody whose full-time focus is on that is gonna make more and better decisions, so they’re gonna be my active manager, they’re gonna pick which stocks, they’re gonna put this mutual fund together, I’m gonna see their track record and I’m gonna invest in those guys. It seems so simple.

But in reality, what all the research shows, and I got this from Warren Buffett, I got this from Ray Dalio, I got this from David Swenson, who’s the number one institutional investor in history from Yale. He took Yale from a $1 billion endowment to $24 billion in 20 years. It’s just unheard of.

Smartest people in the room, and they all said, “Tony, active management does not work except for a few unicorns,” and the unicorns are people the average person could never access. You can’t get to Ray Dalio. If you have $5 billion and you
have $100 million initial investment, that could have got you to him ten years ago. Today, he won’t take your money no matter how much money you have because he manages governments’ money and giant pension funds, so they’re gonna have him. Paul Tudor, you can’t get money with him.

Ninety-six percent of all mutual funds don’t match the market of any ten-year period of time. That means 4 percent make it. And that 4 percent, they’re always changing. So what’s your chance? You go, I’m going to find the 4 percent. You’re not going to do it by going to Morningstar. If you go to Morningstar and find a five star, account, every trader on earth loves when you buy high – when something is high, and then they know it’s gonna – the account’s gonna go, you’re gonna sell it and then you’re gonna go buy another high account. That’s how you lose.

I’ll give you a metaphor and then I’ll answer your question directly about fees. I haven’t forgotten. I just wanted to clear up about where fees enter people’s lives. ‘Cause people don’t think about fees. They just think, well, I’ve got my 401(k). Most people think 401(k)s don’t even have fees. When you read the research, it’s mindboggling. So what’s your chance of picking the right mutual fund, which is what your entire financial future is based on for most Americans? Well, you’ve got a 4 percent chance. Let me put that in perspective.
If you and I went and go play blackjack in Vegas, and you know how to play blackjack. You get the 21, above 21 you bust. It’s the closest one to 21. And you get two face cards, which are ten each. Are you gonna – if your inner idiot somehow says, “I wanna get 21. There’s only one card that can get me there, it’s an ace, out of the entire deck,” and you go, “Hit me,” you have an 8 percent chance of getting an ace and getting blackjack. You only have a 4 percent chance of getting the right mutual fund. Just absurd.

So not only do they not perform, and by the way, Warren Buffett, who’s got a $1 million bet now with Protégé Partners where he’s saying you pick five hedge funds, put them together, the best of the best, and I’ll bet you by my investing in the index, which costs me 14 basis as opposed to 3 percent in fees, I’ll bet you that I’m gonna destroy you. And right now, it’s been going on for, what, eight years, and he’s destroying them by, like, 30 or 40 percent at this stage, right. So how does that get to fees?

Well, the average mutual fund’s fees are 3.1 percent, according to Forbes. Now, when you tell people this, they go no, no, no. I’m smarter than that. I pay 1 percent in fees. No, that’s the expense ratio. That’s the sticker that they show you on the outside, but Hilton Smith, a gentleman who works for Demos, is just brilliant, is an economist, he was very frustrated ’cause he couldn’t figure out why is it that, the market’s going up and my
account’s not going up proportionately, not even close.

And so he finally decided he’d get research time, and he got the research time aside, and he went and read – I think he had 15 or 16 mutual funds that he had, and you know, there’s a 52-page prospectus on each one. And this guy’s got a degree in economics, and he said it literally took him almost six weeks to decipher that there are 17 different types of fees. They don’t call them all fees, but they’re out of your pocket, so it’s a fee, right. And nobody pays attention to it.

So the 3.1 for the average 401(k) for people, the average fees there are 4 percent-plus. So if you put this in perspective. When you’re at 3 percent, a lotta people say, “Well, what does that matter?” Well, let me show you what it matters. Most of us know the power of compounding, right. You know, compounding is how you get wealthy with a small amount of money. If you’re willing to have the time and you stay in the game, you can win. But the fees compound. So if you had, you know, let’s take you’ve got three people and they all start with $1 million – or $100,000. You can take it either way you want it, $100,000; $1 million, whatever it is, and they decide they’re gonna invest – they’re 35 years old, they’re gonna invest the next 30 years, and all three of them get a 7 percent return for 30 years. At the end of 30 years, we did it with the $1 million example, one person’s got $7-plus million, the other’s got $4 million, and the difference is 3
percent, 2 percent and 1 percent fees. The guy that had 1 percent fees has $7 million. They guy that has, you know, $4 million, $3.3 million less in money, 76 percent less, that person, that individual paid 3 percent in fees. Doesn’t matter what the return was. It’s what you get to keep. And so most people have no clue just the layers of fees that are there. So it’s shocking.

Jack Bogle who’s the, you know, founder of Vanguard, been in the business 63 years, I went in to go interview him for 45 minutes, and he actually wrote in my book, he said, “Tony comes for 45 minutes, he left four hours later.” He said it was the most probing and provocative interview of his life. That’s saying a lot since he’s been interviewed for 63 years on the marketplace, so I obviously got through to him and learned a lot from him. But I mean, he just lays out the math for you, and I put it in the book. If I came to you and said, “I wanna do this deal with you. Here’s what I’ll do. I’m gonna invest your money for you, but here’s how it works. You put up the money, you take all the risk. If you lose, you lose. If you lose or win, I get paid. I put no money and I get paid no matter what, and over the life of your investing, the compounding cost of me is between 40 and 60 percent of all you ever earn.” You would say there’s no way in a million years I would do that deal. That’s the deal that 92 million Americans are taking ‘cause that’s the average mutual fund.
James Altucher: You know, and it’s funny because it’s such a huge, huge industry, the marketing has programmed everybody. So what I always view it as, it’s almost like this tax on everybody who’s employed because your boss who’s wealthy, say, gives you your salary and you see it for three seconds, then you put it in your 401(k) and now it goes straight into the pockets of either the mutual fund managers or the people selling stocks to the mutual funds. So you only see your money for a few seconds and then it’s off to rich people again.

Tony Robbins: It’s true. I’m sure you know, it’s pay to play, right. So it’s not like, when you go to look at your 401(k) plan, that even if you believe mutual funds are the right answer, that the best ones are there. It’s the ones that paid the most to be there. In order to pay the most to be there, guess who’s gonna pay – they have to get paid, so guess how they’re gonna get their money back? They’re gonna charge it to you in all these other fee structures underneath that you don’t see that are below the sticker price. You see the sticker price and go 1 percent, no problem, right. You don’t understand, no, maybe it’s 3 percent or more.

James Altucher: Yeah, people don’t see the marketing fees. Sometimes rent they don’t see, you know, the mutual funds rent.

Tony Robbins: They charge you for the fees they pay to be on your platform.
James Altucher: Right. And –

Tony Robbins: To get in front of you.

James Altucher: And also the trading costs, their brokers’ fees.

Tony Robbins: There’s more than 17 different fees. I list them all in there if you really want to.

James Altucher: Yeah. No, I saw that.

Tony Robbins: You want to get pissed or you wanna get depressed or you wanna just know what to look for, it’s there for you, just one little box all at once.

James Altucher: Yeah, so there was the fees that was kind of the biggest aha in terms of what people should be looking at in terms of their financial management.

Tony Robbins: Can I just interject one thing for you?

James Altucher: Sure

Tony Robbins: It’s – I mean, this I didn’t go into as much depth into in the book, but I want to plant the seed. It’s even worse if you go to a broker or wealth manager. There’s, like 312 different names for what a broker is today. A nonfiduciary, right, is what I call them. So if you go to that person, they might say the most common thing you hear in the marketplace today is, “I’ll only charge you 1 percent on equities and I’ll charge you nothing on bonds.” If you ever really wanna make yourself
crazy, study bond math, because they don’t charge you anything on the surface. They don’t charge you a commission, but you might be paying 3, 4 percent or more on a bond, right, because of all the fees that are done at the trading desk level, at the level before they disclose any of this to you, and it’s –

James Altucher: Sure. This was Lehman Brothers.

Tony Robbins: Another world where the system is just organized. You know, and rather than bitch about the system, the system is designed for the people that designed the system to prosper and their shareholders to prosper. It’s not first – it’s not designed first for the investor. And so if you’re aware of that, you don’t have to be pissed. You don’t have to be angry. You can just go, “I’m not gonna be one of those.” The goal of this book is to make you the chess players or the chess piece, to empower you. Nine lies that are marketed to you, you know the truths, you’ll never be taken advantage of again.

James Altucher: Yeah, and I think it’s important to realize that you also mentioned the taxes. People pay too much in taxes. They don’t even really know all the different ways in which they’re taxed.

Tony Robbins: The ultra-wealthy know that completely, so I have a whole section on that because, when I interviewed these 50-plus, billionaires, Nobel Prize winners, the best of the best, every single one of them had
things that were different when they looked at investment, but I found certain themes were universal, and one of them was tax efficiency. Because, again, you only get to spend what you keep.

I paid, you know, well over $60 million in taxes in recent years, I’ll just put it that way, so I’ve paid plenty of personal taxes, and I believe in paying your taxes, but I also know that, by law, their job is to try and get as much money as they can from as many people as they can and, simultaneously, your job is to legally and ethically keep as much as you can because the more you keep, the more you can compound, the more you can now take care of your family, yourself or you give to charity, you get to direct it. You decide where it goes. And unless you like the way government spends money, then you probably wanna get smart in that area.

So I have a whole chapter on secrets of the ultra-wealthy because the ultra-wealthy know how to compound tax-free, not just tax-deferred, but tax-free. It’s kind of like a rich man’s Roth with no limits on it. So you’re able to literally accumulate money – I’ll give you a perspective.

Here’s the impact of taxes in the form of a metaphor. Imagine a dollar doubled, $1.00 doubled, the next year it’s $2.00, next year it’s $4.00; $8.00; $16.00; right. So if you double a dollar 20 times, it becomes $1,048,000. And that’s pretty awesome. But if you were only paying 33
percent tax along the way, that $1,048,000; I ask people what do you think it would be. And people go, well, 33 and you had $1,048,000; I don’t know, you’d probably have $650,000 left over, something like that, right, $500,000 to $700,000. No, it doesn’t work that way. Those bites of the apple along the way kill your ability to accumulate. So instead of $1,048,000; you end up with $28,000. You’re only off by almost $1 million, right, a little more than $1 million.

And in real life, you’re not gonna double your money every year, right, so that’s not an accurate metaphor, but it gives you a sense of the power of what compounding fees or compounding taxes does, and so you want to reduce that to the minimum you possibly can. Warren Buffett does that. Warren Buffet talks about paying taxes, but if you see how he’s done things, he’s been very, very smart about how he’s done things his entire life economically.

James Altucher: Oh yeah. If you never sell a stock, you never have to pay taxes on it.

Tony Robbins: That’s part of it, but he’s also picked an insurance company for his source of capital for a good reason, because they have very strong tax efficiencies, much greater than most businesses. So you hear about somebody that’s got $10 billion and they get a $200 million life insurance policy. You say, “Why would they need a $100 million life insurance policy? They can write a check for it.”
They’re not looking for the life insurance policy. They’re looking for the tax efficiency that that provides, that allows them to take money that’s under that umbrella and invest it in an environment where they can literally invest it, not have any taxes taken out, they can borrow it while they’re alive, and when they die, the insurance policy pays it off. So in essence, they’re able to get their goals 50 percent faster in that 50 percent tax bracket.

So I show somebody who’s not wealthy, who’s in a lower tax bracket. How’d you like to hit your goals ten years sooner? How’d you like to achieve your goals 25 to 50 percent faster? Show you exactly how to do it.

And really, that’s all IRS sanctioned and supported. It’s very specific in the law. It’s not being skirted or gray or anything of that nature. I always tell people when people say ignorance is bliss, no, ignorance is poverty. Ignorance is pain. Ignorance will create real challenges for your physical health, your financial health, your emotional health. You don’t wanna be ignorant in these subjects, and finance is in there. You’ve gotta master it or it’ll master you.

_James Altucher:_ Well, you had a great story in there where you asked some people their goals, their financial goals, and one person said $1 billion. And on the one hand, this seems, admirable. It’s good to have great goals, but you turn it around and show that actually that might not be such a great goal to have because he’s making it harder for himself to
achieve his goal, and you actually kind of break it down and show that what he really wanted, if he really achieved all his financial goals, was $10 million. And so, again, we’re talking big numbers and this is just one example. You have people with smaller goals, but that was kind of an eye-opener that people don’t really know what their financial independence goal was. I mean, here was a guy who had a 99 percent difference what he thought was his goal and what was his actual goal when he broke it down what he wanted. And that was actually probably the biggest aha moment for me in the book.

Tony Robbins: Wow. When you go through the book, I take you through seven steps, and the first step is you’ve gotta tap into the power and make the most important financial decision of your life, which is to stop becoming a consumer and become an owner, become an investor.

But you’ve gotta automate that and you’ve gotta put it into a system so that the percentage you’re putting aside can grow in the future, even if you don’t have the money right now, so I lay out how to do that.

And the second step is you’ve got to become an insider because you’ve got to know the rules of the game before you get in the game. Otherwise, that person with experience is going to end up with your money because you don’t have the experience, they’re going to get your money.
That’s just how it works. So that’s what those nine myths are.

Then the third step is make the game winnable, which is really critical. I’m glad you noticed it. It’s okay to have giant goals in life, but have you ever set a goal and then your brain goes bullshit. Like, that’s not gonna happen. Your conscious mind says it and then your unconscious goes no way in hell. When you have absolute certainty about something, it goes into your unconscious and your brain figures out how to make it happen.

You watch a great athlete, a great businessperson, you gotta get yourself into a place of certainty. That’s the edge in life. When you have that edge, you’ll find the answer. If the answer’s not in front of you, if you can’t find the way, you’ll make the way. That’s how it works.

So when people set giant goals and it sounds good and sexy, there’s nothing wrong with that, but I say when you get your finances, you’ve gotta know your real numbers, and what I do is I show people there should be a short-term, a medium- and a long-term goal, and that sounds really basic, but I’m very specific about it. I say to people, “Is there a difference when I use the word financial security to you than say financial independence or financial freedom or absolute financial freedom?” And people say, “Yeah, it does feel different.” “Which one sounds like the highest?” “Absolute financial freedom.” “Which one is the lowest?” They’ll say,
“Well, maybe financial security. That’s a basic need.”

So I ask people, “If you go to a financial planner,” this is a tough thing ‘cause I’m so supportive of people that are fiduciaries, people that are trained and are legally required to take care of you, to look out for you. If they tell you to buy Microsoft today, in the morning, and they buy it later cheaper that night, they’ve gotta give you the stock. That’s the law. That’s what a fiduciary is. Most people don’t even know what the word fiduciary means. I’m supportive of the financial industry immensely, but I’m looking for the people that are both fiduciaries but also are sophisticated. You can be required by law to look out for someone, you can be totally sincere and you can be sincerely wrong, right. So I look for sophistication and somebody who’s a fiduciary.

So when I say that, the reason I bring it up is, if you’re in a place where you’re trying to get the most return you possibly can, and you sit down with the average financial planner today, there’s a study I quote in the book. It’s mindboggling. It’s from a financial planning association. They did a survey, it was three years ago, and they said how many of you actually have a financial plan. And 47 percent acknowledged they didn’t have one. It’s like the cobbler’s son doesn’t have shoes. And I can’t believe they admitted it, but to be fair to them, the world’s gotten so complex, people don’t know
where to go, and you know, it’s changing, they don’t know what to do.

James Altucher: Well, also to be fair to them, they’re broke, right. Like, so many people have lost their jobs. The entire economy has been demoted, right. Income has gone down versus inflation, student tuitions have gone up versus inflation, everything else has gone up versus inflation. So how do you deal with that?

Tony Robbins: Well, that’s a larger problem and let’s do that in one second. But I want to plant a seed that capital’s more valuable than manpower today. That’s a fact. Because of the efficiencies of technology, capital will give you a greater reward than the hours of work, unless you don’t do hours of work; you bring something of value that’s beyond technology, and that’s human intelligence. So we’re in a knowledge economy now, we’re not in a labor economy now, and labor, we can argue about it, but if you and I were to say this, 200 years ago, 80 percent of America was farmers, right. And so today, with less than, what, 3 percent of us –

James Altucher: Two percent, yeah.

Tony Robbins: We provide all the food for the whole planet if we want to, and so it looks bad in the beginning, and trust me, I understand. I take care of people. I feed people, so I know what the disruption is out there and I’ve been one of those people. That’s where I started out, not being able to have food for
myself. So I’m beyond emotionally connected to it, but I also understand that our job is to retool ourselves.

If you’re going to listen to a politician who’s gonna tell you, oh, we’re gonna get you more jobs, they’re all being shipped overseas, they’re full of it. They’re being shipped into factories run by robots. They’re gonna be shipped to there. Ten years from now, who’s gonna hire a truck driver when in three or four or five years, you can have a driver that goes 24 hours a day, never gets tired, never breaks down, doesn’t have any accidents, right, self-driving trucks, you’ve got 3.5 million people out there that no one is preparing for what’s coming. They’re gonna come back and say, “Oh, those rich people.” It’s not rich people. It’s progress. The world changes, just like we didn’t all stay farmers, thank God. It used to take, 80 percent of your time to have enough – of your hours of the day to have food on your table.

So I think there’s an issue there. It’s a major issue I’m passionate about, which is we must become more valuable. Each of us as individuals have to do that. The only way that you’re gonna be able to earn more in the future, the only way you’re gonna have a way to protect yourself is not to go, “Those rich people,” ’cause if you’re saying those rich people, I wanna give you a little reality check. The people that talk about rich people usually have very small incomes, maybe $30,000 a year very often, struggling, and $30,000 a year in income makes
you the 1 percent. ‘Cause you can’t say those 1 percent over there and go out there and drink your Starbucks and type on your Apple computer there in front of you when, in reality, two-thirds of the planet lives on $2.50 a day, $900 a year.

So what you’re spending on one damned Starbucks is more than they have for their whole family every year, and that’s two-thirds of the planet. So isn’t it convenient to go, “Those rich people.” If you really care and that’s what you do, you better think about all the other people on the planet who, literally, you are the richest on earth. If you make $30,000 a year, you’re in the top 1 percent of earners on the planet. That means you are the 1 percent, not the 99 percent.

So people conveniently divide whatever makes them feel good, and I say, let’s you and I together say there are people that abuse the system. There are people that have screwed us all over. I understand that. We got to make sure that’s dealt with. But my God, if you spend all your time doing that, you’re missing your capacity of doing what’s within you and you’re living in the greatest time to be alive to really add value. But it’s gonna require retooling.

You’re gonna have to say, “I’m not gonna go back to that manufacturing job. I’m gonna see where opportunities.” There are tons of industries and businesses the opportunity’s growing geometrically.
I’m gonna go educate myself. In the world we live in today, we can all self-educate ourselves, no matter where we live in the world. I mean, when I worked with President Clinton, another guy said, “We ought to communicate by electronic mail. Have you checked out this e-mail thing? I’ve got this AOL account.” He goes, “I’ve heard about that.” The President of the United States did not have an e-mail account. That was only a few decades ago. Now, some Maasai warrior who’s living in the middle of Kenya in Africa there, he’s got more computing power than the President does. He can satellite link, he can download courses from MIT, he can do trading, he can do whatever the hell he wants to at this stage.

So we live in a world – I’m not willing to buy into the story of, oh my God, these people have done this to us. I know that’s true. I know that we’ve been screwed royally, all of us. But to spend my time more on that old story, I’d rather spend my time on the solution.

Every great person I know spends 1 percent of the time on the problem and 99 percent of the time on the solution, so I think the solution to what you’re talking about, we’ve all gotta do our part to take care of those who we’re much better off than, and that’s not just in this country. That’s around the world. I think we all have that responsibility, and I’m an active participant in that process. I don’t forget my roots. But I also think we gotta make
sure that we constantly individually say what can we control. 'Cause people get depressed, people get angry, people get sad when they have three patterns of thinking.

Number one, whatever you focus on, you feel. If you focus on what you can’t control as your habit, you’re gonna be angry, depressed or sad, and most people do. If you focus on what you don’t have versus what you do have, you’re gonna feel empty, frustrated, depressed. If you focus on the past as opposed to what you can do right now, you’re gonna be completely disempowered.

Every one of my seminars, I’ve got 6,000 to 10,000 people at an average event. I’ll ask people always this question. Whole room. I’ve got people usually from, you know, 30, 40 countries, I translate three or four languages with headsets simultaneously. It’s like the UN. And I go, “How many of you in this room, in this room right now, know somebody who’s on antidepressants and they’re still depressed?” Ninety-eight percent of the room raises their hand and from all countries around the world. Now, how can people be depressed if they’re taking antidepressants? Some of them are taking multiples and their max because they haven’t dealt with the real sources.

The real source is you’re constantly focusing on what you can’t control, what’s missing from your life, and you’re controlling on a timeframe you can’t do anything about. You’re gonna be depressed or
you’re gonna be pissed, one of the two. So I’m passionate, as you may notice, about let’s focus on – I can’t stand the system as abusing people.

I wrote this damned book and I’m giving away all the damned thing. I’m not gonna get a dime out of this. You know, I’m giving – I decided when I was going along the way, I saw last summer, I’m writing this book, and somebody fed me when I was 11 years old and I never forgot it. It changed my life. It made me believe that strangers care. So at 17, I went out, fed two families. Next year I wanted to double it, four, then eight, then sixteen, then I got my friends involved and, you know, the last 15, 18 years, I’ve fed 2 million people a year through my foundation. The last five years, I’ve been able – my wife and I together set a goal which was we’re gonna match it. So we’ve been feeding 2 million a year ourselves plus 2 million in the foundation. That’s 42 million people in 37 years.

James Altucher: Well, and you –

Tony Robbins: So I want you to know paying it forward is what I’m about, but I saw last summer, Congress comes and cuts food stamps – they don’t call them food stamps anymore - $8.7 billion. That’s the equivalent of every family that’s part of that system not eating for a week once a month for twelve months. And the idea that Congress is just gonna go away. I don’t go, oh, those people should fend for themselves. My view is something’s gotta be done. So I said, you know what? I’m working my ass off for four
years on this book, but you know, what if I took all the money, I got a great advance on this book, and all the future. I don’t wait and see if books sell; I just write a check up front for everything I’ll ever get out of this book, and how many people can I feed. It was, like, 10 million people. I’m, like, that’s incredible. And then as time got by, I got more and more so now I’m feeding – I say in the book 50, but I’m actually feeding 55 million people this year alone, and I’m working with Feeding America. They’re delivering the food, the number one hunger relief organization in the United States, and they’re working to get matching funds with me – that’s why I’m doing it – to get 100 million people fed.

So I’m very passionate about taking care of people, but I’m also very passionate about people developing the muscle of what they can do, and I think we have to do both.

The problem with the political system is one system says the whole system’s broken, it’s the system. The other group says everybody should pull up their bootstraps. Bullshit. We have to do both, and I think we all have that ability if we educate ourselves, and that’s why this book I came in and showed where the problems were, but I also showed you what the solutions were.

*James Altucher:* And you do say people need to develop their inner game. So it’s not just about knowing where the fees are, where the taxes are, and you don’t say
it in this book, but you say it in one of your seminars, if you ask lousy questions, you’re gonna get lousy answers. And that’s part of this inner game that you’re referring to, and it’s really true. And you see it, then, when you’re calling up these 50 people who are the ultra-wealthy, my guess is they’re not saying, “Why is that guy richer than me?” They’re probably saying, “How can I just improve the process of what I’m doing?”

*Tony Robbins:* Well, here’s something I want people to know. It’s a perfect example. Generalizing any group of people is always a mistake – men, women, Christians, Jews, Muslims, I don’t care which it is, rich people, poor people, there’s so many layers of that. When I hear the President talk about millionaires and billionaires, I laugh. They’re not in the same universe. You know, $1 million, a million seconds ago, 12 days ago, to give you an idea, a million seconds. A billion seconds ago is 32 years ago.

That’s the difference between a million and a billion. It’s just like people’s idea that these are the same thing is the biggest story in the world. There’s so many people in this country that work their tail off and somebody’s mad at them. I will tell you these billionaires who I convinced to give me 45 minutes, the average interview was three hours.

I’ll give you an example. I went in with Carl Icahn, who’s just an incredible force of nature. People
think that he’s a selfish guy. He actually is truly driven to maximize value for everybody involved, and virtually every company he’s ever been in that he’s been successful in, he’s made more money for investors. But he is a very passionate guy. So I go in to have the meeting with him, and I’ve got a big video crew ‘cause I filmed these, and he agreed to it, and he goes, “I don’t want a video crew.” I said, “Wait a second… “I don’t care. I don’t want a video crew. Get them outta here. Get them outta here now.” “Okay, well, I’ll bring my audio team in.” “No audio team.” “Okay, well… “Bring me a pencil. You’ve got ten minutes.”

But to give you an idea, Carl, who seems on the outside so rough, rough because people try to take advantage of him, rough because people are gonna write something terrible. When he got I really was just trying to help real investors, this isn’t a game for me. This is a game to help those people really win, he gave me almost three hours of his time.

At the end, he’s, like, let me show you what else. And here’s a guy that, that day, made $2 billion selling his Netflix stock, but again, remember I think he put $30 million in to make $2 billion. Remember a million versus a billion? Get perspective, it’s like different universes. He wrote a tweet about Apple being undervalued and Apple went up $17 billion in the next two hours. I mean, they call him the master of the universe. If you’d invested with him in the last 14 years, you would
have had a 1,600 percent return versus 75 percent for the S&P during that time.

So these people, I want you to know, opened their doors. These people gave me access when they saw that what I was really gonna do was empower individual investors. So they do give a damn. Generalizing about people is an easy way to not look at yourself. I say stop that stuff. But let me come back to what you asked a long way back.

*James Altucher:* That’s okay. I always like the tangents.

*Tony Robbins:* The one about the goals. The goals is really important because if you go, okay, I need $1 billion, once you figure out what $1 billion really is, that million versus a billion, it can be a little overwhelming. It sounds sexy. That’s not to say you shouldn’t make a billion, but do you need a billion to be financially secure? So this young man that you’re talking about, and I get this many times. I need $1 billion. I go, “Let’s break that down.

Tell me everything you want in your life.” So he starts walking me through, well, I want an island. “Okay, I’ve got one of those. You wanna know how much it costs? I’ll tell you, right. But I said, but you know, I did that when I was, like, 26 years old, 27 years old, and I owned it for a lotta years, I spent a fortune building it up and I go there about two weeks outta the year, and the rest of the year, it’s the number one resort in Fiji and it’s a top resort in the top ten, Oprah last year says it’s the greatest
place on earth to go, recommended her top picks recommendation, and I’m real proud of it, but guess who has the great lifestyle. The people who go there.

I paid for the damned thing and, you know, they go there and have a great time.” So I said, “Maybe you wanna go to my friend, Richard Branson. He’ll rent you his island, right. Here’s what it’ll cost you. You want a Gulfstream jet. Do you need a Gulfstream? How often are you gonna fly? Where are you gonna fly?” “Well, down to Florida, down to Key Biscayne.” “Okay, well, let’s look at the cost to charter. You could have a Gulfstream jet you can charter down there. Let’s put that – how many times a year are you gonna go?” So when you start breaking that down versus a $60 million jet, when he’s all said and done, the entire amount he would need is less than $10 million versus $1 billion. I think he could still make his $1 billion. Maybe he will, but why not ring the bell and win at $10 million and all the rest of it is gravy.

So here’s how I do it with people, though. Rather than saying billion or trillion, I say, “What do you think it’s gonna take to be financially secure, independent or free?” And most people have no clue. Some people have calculated what they think it’s gonna take to have an income for life. So let’s start with this. I’ve learned that when the brain has certainty, it becomes more aggressive.
You know, I took a pistol shooting program from the United States Army when I was 24, and I went to a General and I said, “General, I can take any training you have in the Army, cut the training time in half and increase the competency.” He said, “You’re crazy.

James Altucher: You did this at 24.

Tony Robbins: I was just 24. I negotiated with this General. I got Top Secret clearance. I didn’t know I was going to pistol shooting. I didn’t wanna do pistol shooting. I never shot a gun. I just said any training program. So he gives me a four-day pistol shooting program. I asked him – I’m a little freaked out ‘cause it wasn’t what I was expecting. It thought it’d be, like a ten-week thing or, you know, four days. The Army’s refined it for, I think at that time, 60 years or something like that, and the Army qualified – a third of the people didn’t qualify, right. Knew all the statistics, so I had to beat that. So I said, “Give me the best expert in all the Armed Services and give me the best from all three service – the best marksmen.”

I brought them in, did this process of modeling. I put them side-by-side and I said, “Let’s see what you’re doing. Stop.” I just did what you do in your head. I just compared what they did internally and externally to find what was idiosyncratic versus what was consistent across all of them.

When I knew what was consistent, here was the
secret to what made it work. First of all, they said to me, “Let’s see you shoot,” ’cause I was 24 years old, I’m in a t-shirt and a pair of jeans and the guy’s like, these guys are 35, 33, the best in the military, right, and they’re, like, “How long you been shooting?” I said, “Shooting what, I don’t shoot guns.” “And you’re gonna teach us?” I said, “No, you’re gonna teach me.” So they made me shoot at 45-caliber pistol and, you know, I’d never shot a gun before, and it has quite a bit of kick and I put a bullet in the ceiling and it didn’t really help very much. But what I did at the end was I learned what they all did and I created a training program that induced certainty.

When I got up there to do this thing, I’m shaking looking at this thing from 50 yards away trying to shoot it. That seems like forever. What am I gonna do? So what I did, all of these guys, I found out, mentally, I found out, unconsciously by interviewing them, I asked what are you doing right now, what are you doing in your head, okay, you’re bringing the gun, what happened just then. And then after doing this for a day, I found out all of them had one thing in common. They brought the target closer mentally so it seemed bigger and closer to them, which made them more certain.

James Altucher: How did they do that? What do you mean?

Tony Robbins: Mentally they pictured the target coming closer before they went to shoot, so the target was here instead of way there. Every single one of them did
it and most of them were conscious of it, the others were not conscious of it. It was an unconscious tool. It’s like, when people are good at something, sometimes they don’t know how they do it. It just happens in milliseconds. So guess what I did when I did the pistol shooting program. I figured everything they did and the order they did it, the best of all, but then I had people pick up a gun the very first time and I never let them shoot it until they’d done everything perfectly in sequence, and the first time they shot the gun, it was from here to that wall. It’s, like, four feet away. Boom, right through the center. Holy shit, I’m good at this, right. Boom, boom, boom, boom. Now I take it out ten feet. Now I take it out fifteen feet, and we qualified 100 percent of the people in a day and a half, and the Army’s only getting 70 percent. I tripled the number of people that got experts, and the Colonel of the project – the Two-Star General, he said this is the first breakthrough in pistol shooting since World War I.

So I learned from that experience way back when about certainty. So if you’ve got this target and you make it this giant target that’s 50 miles away, it might sound sexy, but it’s not gonna feel good. So here’s what I do with people is how would you feel – let’s just start with this. How would you feel if you could have these five things paid for and never have to work again? In other words, you could have an income for life without working that paid for these five things. Anything else you needed income for, you’d work for, maybe you’re part-time,
full-time doing something you love, but these five things would be covered.

The five things are your mortgage, so you never, ever, as long as you live, have to pay for your home; your utilities, you never have to worry about that as long as you live; food for your family covered forever; all your transportation costs and your basic insurance. Not everything, but basic. How would you feel? Well, that would feel incredible. Would you feel financially secure? Really secure. Cool. Let me show you what that number is. Let’s actually break down that number, and I have people do it and it blows their mind because the number’s so small by comparison. It’s usually about 60 percent of what they need overall, and so instead of, say a person goes to a financial planner and they say, “I make $100,000 a year. How much will I need to retire?” They say, “Well, do you want a $100,000 income?” Most people say it’s ten times your income, which is absurd. Ten times $100,000, you need $1 million. That says that you’re gonna put $1 million aside and get 10 percent on it in a secure environment. Where is that gonna happen? That’s decades ago. That’s not happening. So it’s really 20 times if you’re thinking at 5 percent. Okay, so $100,000. I need $2 million. That seems like a big number. But if I start to break down what you need to be financially secure, I might discover that, no, what you really need is maybe $60,000 of income, and that $60,000 times 20 is $1.2 million. I’d say 60 percent of what it’s gonna take to be secure.
Now, that’s not everything, but oh my God, if you’re a baby boomer and you lost a ton of money, you can get secure still in the short period of time you have, even with very little compounding. If you’re somebody, a millennial, you’re gonna blow through that, but at least when you win, you ring the bell and go, “I got it,” and that builds certainty, right. So now we can take the target a little further. Now you can be even more certain. Now let’s go for financial independence.

Let’s make it so you have the same income you have today without working. And then let’s maybe look at more income than you have today. What would it take? Like, what’s a dream for you? And instead of saying I have to go buy the jet or buy the boat, most people who buy the boat or jet will tell you the best day was the day they bought it and the day they sold it. We all know the phrase that they use. Why not lease it? Charter it only when you need it. Let’s talk about that cost. And you might discover you can have a billionaire lifestyle, a millionaire lifestyle, but you don’t have to have $1 billion or $1 million.

So once you know what your number is, then I’ve got an app that comes with the book, it’s free, and you just pump in your numbers and you can play with it until you come up with a plan that’s real and then I give you five ways to improve that plan, including tax efficiency because, for example, I moved – I’m fortunate enough to have multiple
homes in my life. I travel all over the world, and I try to have homes near where I work so I don’t have to always live in a hotel. You’re in my main home, but I moved here about a year and a half ago because I just sat down. California raised the rates to 13 and one-third on the highest income people, and because high-income people are only a small number of votes, they made it retroactive. Now, you have every right to raise the tax. I’ve paid the tax no matter what they’ve done. But when they made it retroactive, I mean, I play by the rules and then after the fact you’re gonna penalize me and screw me over? That was it for me. I looked at 88 properties in three states in six and a half weeks, and I moved to Palm Beach, Florida. I woulda thought Florida, alligators and old people. Look out this window. The weather is just, the most incredible – this is the greatest seat in the world. Don’t tell anybody.

James Altucher: I’m gonna guess you talked to a lot of real estate experts as well.

Tony Robbins: You bet I did.

James Altucher: Because there’s a Tony Robbins method I’m starting to get here, which is that you’re gonna talk to all the top experts in the world, figure out kinda the key things that’s similar to all of them and then write a book or buy a house or build a system around it.
Tony Robbins: And that’s what I did, but the reason I tell you that is because the amount of money I saved in annual state taxes alone by living here is more than what this home will cost you, which is, you know, a 20,000-square-foot home on, 200 feet of ocean from the water and two acres. So if you can imagine, it’s not a cheap home. All of it’s paid for – in fact, it’s not like payments. It’s paid off in six years of tax savings, the house is free.

So why would I live in California where I only live 90 days a year anyway and let somebody do that? So there are ways – a lotta people say, “Well, I can’t move.” I show people how you don’t have to wait til you retire. There’s some things you could do that could radically improve your life. And I never knew I was gonna improve my life. Forget the financial improvement. If I would have known this was here, I think I would have been here 15 years earlier, 20 years earlier. My wife can go to the greatest places, the greatest restaurants, the greatest everything, total privacy, I live on an island. I used to go to Fiji to do that where my island is. Now I’ve got it here as my main home. So it’s really looking at your goals in a new way. It’s saying how do I get the lifestyle, not how do I have to have the things. You own the things too, you’re welcome to do it, but I’d like to show you how to get there faster and you can get the things later on if you just wanna own them for some reason, but most of that is ego. Nothing wrong with ego, but there’s a price of ego.
James Altucher: Well, there’s ego, but then there’s also relief, you know, so you wanna get relief first, then you can feed the ego if you have some – a little left over.

Tony Robbins: Maybe it’s not ego. For some people, it’s accomplishment. For some people, it’s a challenge. I mean people assume people’s motivations. They project the motivations on them. They always project the best motivations on themselves and terrible on other people. But if you really get under it for some people, it’s just the game. When I wrote this book, *Money, Master the Game*, you can’t imagine the negative feedback I got from some people on social media, like, “Oh, Tony’s sold out. He’s selling a book on money.” First of all, I’m giving away all the damned money.

He’s saying money’s a game. It is. The richest people on earth all know it’s a game. Why else is somebody like Steve Wynn, who’s a buddy of mine, right, got billions and billions of dollars, he still works 12, 14 hours a day. ‘Cause it’s a game. There are rules to games. Not all games are frivolous. And you know what? Some people sit on the sidelines of the game and watch ‘cause games are a reflection of your life. Some people get in the game. Some people play to win, some people just kinda try a little. Some people dabble. How are you gonna play? And I tell people this subject, money, this is an area you can’t afford – that’s a game you can’t afford to lose. You’ve gotta master this game and not let it master you.
James Altucher: So let me ask you this. Let’s say you were dropped off in the middle of anywhere, okay, and you had nothing. And this is what’s happening to many people in America now. They’re in their 50s, they’re fired from their jobs, 47 percent don’t have a financial plan, they don’t know what they’re doing. What would you do right now if you were just from scratch?

Tony Robbins: Well, I almost had to do that once before. I went through a divorce. I married – my woman, when I married her, she’d been married twice before me, had children from both of them. I adopted the kids. I was 24 and had a 17-year-old son and an 11-year-old daughter and a 5-year-old instantly.

James Altucher: Wait, you were 24 and you had a 17-year-old son?

Tony Robbins: She was eleven years my senior, eleven and a half years my senior. She’d been married twice. So I took both sets of kids. They’re one of the greatest gifts in my life. Brought them into my life, made them my own, but that was kind of a wild thing to have a 17-year-old son when you’re 24 and an 11-year-old daughter instantly and a 5-year-old and then a child on the way. So that changed my life at a level you can’t imagine. And I was living in the Del Mar Castle, which is in the city of Del Mar, which is in Southern California near San Diego. It’s a – what do you call it, a home that’s been built out of pieces of castles in Europe. It’s a very famous
place, and I was fairly wealthy, I thought, at that state.

When I got divorced, she got an eight times multiple on all my companies and the market had dropped, but I still had to give an eight times multiple and some of those were companies that were like a doctor. If I don’t work, it doesn’t happen. So, you know, I ended up paying $42 million when I didn’t have $42 million. The market had dropped through the floor, and I paid $1 million a year before I ate. So I had to start over, literally, at 39, 40 years old and rebuild things again. But I did – I never did it for the money. I did it because I loved what I did and then I just found a way – if you can help millions of people, then you can do well. If you can help 12 people, you can do well emotionally and spiritually, maybe you can do well financially. It depends on what the services you charge for, but my thing is help millions. I can help millions and don’t have to worry about money, it’s, like, don’t back up from there.

But the answer to your question was it’s easy – I’ll say, “Oh, this is what I would do.” I can tell you that I was at the base where it looked like I was gonna end up with absolutely nothing, and I went back and had a skill set, obviously. I used that skill set, but the psychological part is the hard part for those people. What you’re describing, it’s not that they can’t do it. It’s the idea of starting over when you’re 40 or 50. In my case, to go back on the road and live on the road again to build things back up.
It’s, like, I don’t have it in me is the story I told myself.

James Altucher: Did you feel you didn’t have the energy?

Tony Robbins: Not to start over. Not after I spent a lifetime of helping millions of people and then see all that go because I wanted to have a divorce, because I was unhappy and I couldn’t make this person a partner. If it was real estate, it’d been easy, divide it in half. But eight times multiple? At that time, thirteen companies, so it was just – it was onerous to say the least. But here’s the beauty of it. It made me stronger, it made me better, made me who I am today, which I wouldn’t trade for anything on earth.

People can take away what you have. They can’t take away who you become. And who you become will make you either really happy or really sad.

And so my view to those people, I deal with those people all the time, is you have to retool. This is the bottom line. You know, 50 years old is the halfway mark. You might say, no it’s not, you know, the average person lives to 85. Well, when you think about how much you learn, how fast you learn when you’re a little kid compared to how you are today, I can do more with my pinky today than I used to be able to do when I was 20 working 20 hours a day ’cause I’ve got relationships and exposure and I’ve got mindset and insights and things like that. You take away everything and I will rebuild it again. So that mindset for those
individuals is to say I have to accept that that chapter’s closed and I gotta open a new one. And you’ve got two choices: give up – what do people do when they get paid? They either give up, they die or they’re driven.

I chose to be driven, and that’s a choice all of us have to make, and the drive has got to say I don’t like being – no one likes being born where your birthday allows you to – you know, coming out of college in 2008, 2009 or a depressed economy. Would have been nicer to be coming out – I mean, people that were, for example, retiring in the 1980s were happy campers. Those who were retiring in the early-2000s were homeless campers, you know, and it had nothing to do with them. It was just the times we’re in. Like, who wants to be born in 1929 or come of age in 1929? Well, guess what? We all have winters in our life. Culturally they happen about every 80 years. We go in a cycle – 20-year cycles, and you study those, you see them. What we have to do is figure out how to take advantage of the winter. So some people freeze to death in the winter; other people learn to ski and snowboard and be close to their family. I say the beautiful thing about economic tough times is it makes us remember that we need each other. Right, that’s the real value.

Now, so many people use it to tear people apart. I don’t see that as a solution. When I saw in 2008 or when 9/11 happened, I saw people with flags on their cars used to be spitting on each other, but
they’re all Americans. When I worked with President Clinton, he said, “You know, my biggest problem is we don’t have an external enemy back in those days.” He goes, “You know, we don’t have a Soviet Union, there’s nothing of that nature.”

James Altucher: So I wanted to ask you about that. So he calls you up, right, and he needs help with something, whatever it is. What happened then?

Tony Robbins: Well, I was at a friend of mine’s named Peter Gruber’s, who was the Chairman of Sony and Columbia Pictures and Tri-Star, really brilliant man, great friend of mine to this day. And he said, “The President’s on the phone.” And so I picked up the phone and the President started talking to me and shared with me some of the friends that he had and he said, “I’m in a tough place.” This is in his first term. That’s when he won with his landslide on if the economy’s stupid, but he made a bunch of decisions that he felt were quality decisions but they weren’t great for the economy, and if you remember, he lost the Congress and Senate. Both houses were controlled by Republicans. And he was being ____ as this incredibly weak person and he said, “I’d like you to come to Camp David,” and this is Christmas Eve, and he said, “I’d love you to come to Camp David and have this meeting with me,” and I said, “Mr. President,” I said, “The privilege to serve you as an American,” but I just said, “I want you to know if you’re looking for a mouthpiece or someone to tell you what you
believe, I’m not it ’cause I’m not a fan.” Peter’s sitting there and he’s, like, “You just told the President of the United States you’re not a fan.” I said, “I’m not saying that to be mean. It would be a privilege to serve you, but if you’re looking for somebody who’s gonna tell you the same thing everybody else is telling you, I’m the wrong guy.” He goes, “No, that’s exactly it. I’ve heard you’ll speak your piece.” And I said, “I’m not saying I’m right either. I’m just gonna give you another point of view.”

So I met him and fell in love with the man because he really, really cares about human beings. You know, his legacy didn’t end with the Presidency, as you know, with the Clinton Initiative, and he’s just extraordinary, not only communicator and a brilliant mind, but he’s a giant heart. But, you know, that’s what started my relationship coaching with him.

*James Altucher:* Well, you brought up Clinton He’s the very first blurb in your book, and I’m thinking how did that start? Like, what advice did you give to the President of the United States? Not that you’re not qualified to give advice to the President of the United States, but what was the discussion like? If I was a fly on the wall, what would I have heard?

*Tony Robbins:* Well, I can’t tell you the things I shared with him personally ’cause I don’t share these. One of the reasons I get the calls I do is I don’t share private people’s information unless they share it. But I can tell you that he was having a tough time at that
time and he needed help because nothing seemed to be working. Nothing seem to be working gaining him traction. I mean, he was holding a certain way, and one thing I shared with him is, I said, “Honestly, Mr. President, if you don’t do anything, the story will change because the story will become old. If you do something really good, people are gonna find something wrong. If you do something really wrong, they’ll manage to find something good. If you do nothing, I’m not suggesting you do nothing, but when you’re feeling like nothing will work, if you do nothing, it’ll change. Now, if you do something active to demonstrate who you are and that you’ve got real muscle, you don’t want these people pushing you around, you know, you’ve got a different approach to things,” and so, we went to lots of different discussions and details, but that relationship, lasted through later in his career when I got a phone call saying, “They’re gonna impeach me in the morning. What should I do?” True story. And I said, “Could you have called me sooner?” was the first thing I said.

But President Clinton is one of the most unique, intelligent, caring, effective communicators that I know of and knows more about more subjects that affect human beings than just about anybody you’ll ever meet, and you cannot be in his presence and not feel like you are the only thing on earth. On the other side of the aisle, maybe Reagan, Reagan was amazingly engaging. I got to work with him very briefly. Of those two human beings, I’ve never met
two more human beings that have been more powerful.

President Obama is incredibly smart and intelligent and a great communicator, but has not been able to cross the aisle, or has chosen not to, whereas, both Reagan and Clinton did, and I think that’s a difference in leadership style.

*James Altucher:* I wanted to ask about a couple different things. One is –

*Tony Robbins:* By the way, I want you to know I support the President, current President. I wanna make sure that’s clear. I voted for him initially and I think he’s a genius man, but my comments are really related not politically so much as what does it take for any of us to be effective? We have to be able to influence people that don’t think like us. If you only influence people that think like you do, then you divide yourself, your company, your family, your nation in half, and it doesn’t matter if you think you’re right or not. Even if you are right, one of the things I’ve learned about the most effective communicators on earth is they’ve been able to enter other people’s worlds better than other people, and so you can’t influence somebody if you don’t know what already influences them. And you can’t influence somebody when you’re judging them, and so I think that’s one of the challenges, not only for our President, but for both parties right now. We’ve become so polarized that, when you look at economics, it’s hard to get anything done
when both parties are polarized over so many different issues, and it’s because it used to be people would fight like hell and then go have a beer together. Now they fight like hell, and that’s all they do is fight like hell, you know.

James Altucher: Well, there’s a bridge between that and in your book where basically all these ultra-wealthy guys that you interview, one thing that stands out to me is they all admit they don’t know anything. So they don’t know what’s gonna happen five minutes from now or five years from now, so they have asset allocation strategies. You call it the all-weather asset allocation strategy, and I think this is true for most areas of life. We really don’t know what’s gonna happen next. So on politics, it’s not worth fighting with people, but rather building consensus. And you relate that to the inner game when you say it’s an important to create wealth, it’s important to be the servant of many is essentially the way you refer to it. And maybe you can elaborate on that because let’s say everybody out there listening to this wants to create wealth. Well, how do you instead of saying, asking the lousy questions, how do you build a habit and how long does it take to build a habit where you become the servant of many?

Tony Robbins: That’s a lotta questions.

James Altucher: Yes. I packed it all – we have 15 minutes.
Tony Robbins: Here’s what I’d say. The man who impacted my life in terms of, I think at a very deep level, is a man named Jim Rohn. He’s a personal development speaker. When I was 17, I went to hear him speak, and I listened to him and he said something I couldn’t understand. I couldn’t understand how my father could work as hard as he did and we had no money and no food on Thanksgiving. It just didn’t make sense to me. Like, how was it we’re so broke? My dad’s a good man, he’s a caring man, he’s a hardworking man, and so I used to have that anger, you know, all those rich people thing, and I grew up on the other side of the tracks and that whole story. But Jim Rohn changed that in me ’cause he’s such an elegant man. And he said, you know, he was talking to the audience, and later on I got to know him and he shared with me personally, but he was talking to the audience.

He said, “You have to understand how the economic ladder works. You’re paid for value – not your soul’s value, not your spiritual value. That’s priceless for any human being. But in the economic world, you’re paid for added value, and if you can find to add more value and less time, can a person make ten times as much money in the same time? Twenty times as much money? A hundred times as much money? Yes, if they become more valuable. But most of us, we want things to change, but we don’t wanna change. We want things to get better, but we don’t wanna get better, right, and those two don’t go together.” And so he said, “You know, if you look at it,” in those days, I
don’t remember the number, but I can tell you today, McDonald’s, right, you make $7.25 an hour. It’s $15,000 a year. You can’t survive on that. That’s total poverty, right. And yet, a guy like Tupper, who last year, you know, management made $3.5 – or 6, I think, billion – more than $3 billion in personal income. That’s absurd. That’s wrong.

You know, Rohn looked at if very differently. He said – if he was alive today, he woulda said to me, “Tony, he got in a world where people are getting 25 basis points, when you’re giving all of your hard-earned money to a bank and you’re getting a quarter percent, a half a percent, maybe 1 percent, he got people 42 percent return. At 1 percent, it’ll take you 72 years to double your money. At 42 percent, it’s a little over two years and you’re doubling your money. The difference in what he’s doing in terms of people’s quality of life, what he could offer them, is mindboggling, and that’s why he’s – he’s not doing it for one person or two. He’s doing it at scale.”

So I looked around. My mom wanted me to be a truck driver. When I was a kid, I’m old enough, I used to watch these commercials, Truck Masters truck driving school, and these ads – these commercials on television, you know, you can make $24,000 a year as a truck driver. And I remember she really wanted me to do that ‘cause I’d make twice as much as my dad who was a parking attendant in an underground parking lot in Century City in LA his entire life for 38 years. So it’s like my
dad, somebody came in, he looked – punched it, said the price, took the money. You could teach a lotta people to do that. So when a lotta people can do it, it’s not very valuable. It’s valuable, but not very valuable. So you could be made saying he should be getting more per hour, but the truth is, what Rohn said is the secret to wealth is to become more valuable, to work harder on yourself than on anything else.

And in fact, I was on the Today Show with Warren Buffett, the first time I ever met him, and he said the greatest investment you could ever make is in yourself. He said one of the greatest investments he ever made was not a stock in any company. It was going to a Dale Carnegie class where he learned to speak and communicate. That was the greatest thing because that stock, that investment doesn’t go away. It produces a multiplied result for your whole life. So Rohn’s thing was work harder on yourself than anybody else, constantly find a way to add more value. So you look around, and that’s what I figured out how to do with my life, but I can show you, for example, a teacher will come to me and say, “Tony, I love this.” When I first started to put this out, I put out an early version of this book just to see what I needed to refine so I could reach everybody, and I gave it to some schoolteachers, and this one schoolteacher said to me, she said, “Tony, I love this book. I’m so excited by it, but you know, I’d really never be able to ever earn more in my entire life. It’s kinda set by the government and that’s how it is.” And I said,
“You know what, you’re absolutely right if you stay in that mindset.”

But I said, “I’ll introduce you to a guy,” and then I ended up putting in the book because of talking to her, “who makes, you know, $7 million a year and he’s a schoolteacher and he works in a grade school in Korea, but in junior high school, guess what he did? He said I’ve got 30 students and I love what I do, and he was always finding a way to teach these students how to do more. Like, you know, here’s how you do it faster, here’s a little technique, and he’s just obsessed. He didn’t just keep teaching the same thing. He was always ____ the students. And so students loved him. So then some students said why don’t you go online and put some more lessons for us? And so he went online and put on lessons and it just grew and grew and grew and now he’s making millions of dollars a year and he still teaches in the class ‘cause he loves to teach the class. He’s learned to become a servant of many. The Bible says, if you wish to be great, being great is not a bad thing, according to the Bible, it’s in there, learn to be a servant of many. And so he’s figured out a way to serve many. Now, you can serve many and make no money too, and a lot of us – I do that a portion of my life, a lot of people do that, and as long as you do it consciously, then you don’t wanna be upset about it, but you have to know the marketplace will reward disproportionately for certain skills, and today you’ve gotta know what those are.”
So I have a chapter on how to find what yours is. I mean, there’s a young lady when I was on the *Today Show* with Warren, the other person that was on with me was the woman who created Spanx. I don’t even know what Spanx are. I guess every woman knows, most men didn’t know, but she cut off these little pantyhose and built this. She’s the first, the youngest female billionaire in history, and she just had this little idea and she just wouldn’t give up and she had no money and she pushed through. So I know those are the exceptions. I’m not an idiot. I know most people, by the way, do not stay fit and strong. It’s not because they can’t; it’s because they don’t because they surround themselves with people with standards where they point the finger at oh, I just can’t do it, it’s so bad, McDonald’s gives me too bad of food. Everyone’s got a reason outside themselves.

But a few do. There are very few people that have a passionate relationship ten years later on. Not just love, but passion, but a few do. There are very few people that really maximize their financial opportunities, their business or career opportunities, their investment opportunities, but a few do. I’m obsessed with finding the few who do, finding out what they do and teaching it to anyone so other people can learn and compress decades into days instead of saying, my gosh, the system’s against me. The system isn’t on your side, but you can use the system to your advantage if you’re smart and if you educate yourself. But if you don’t educate yourself, you just have to complain.
James Altucher: But, you know, it’s interesting. Taking what I called earlier the Tony Robbins method, let’s say I was a teacher. I would study guys like that teacher in Korea or the guy who started Kahn Academy. What are they doing to kind of aggregate with YouTube or videos or whatever and start building wealth that way. So not just studying –

Tony Robbins: But that’s not the only way. That’s just one, right. You could be a teacher and you could be doing something else on the side that gives you the income and, look, if you just didn’t go to dinner once a week and you had a pizza instead and saved $40.00, that’s basically what somebody’s spend on a cheap dinner for a couple people. Think about that. Forty bucks sounds like nothing. Forty bucks a week is $2,000 a year; $2,000 a year, 8 percent, 40 years, $500,000. Now that’s not a little money. That’s a lotta money. It’s not a lotta money that you had to think about. It was just set aside and growing because you used the power of compounding, but most people don’t think that way. Most people overestimate what they’re gonna do in a year and they underestimate what they can do in several decades. I’m gonna tell you something. You snap your fingers, how old are you?

James Altucher: 46.

Tony Robbins: Okay, you’re gonna snap your fingers and you’re gonna wake up and you’re gonna be 60 and you’re
gonna go what the hell happened, right? It’s gonna happen. Ten years from now –

*James Altucher:* It already happened to me at 46. I used to be 30.

*Tony Robbins:* You were. That’s amazing. Me too. But the point is the time is gonna happen. The question is what are you gonna do with it. And now’s the time to design it. I wrote this book to say time to master the subject. Make it a game that you can win. Make it a game you can enjoy. It doesn’t have to be an obsession. You can literally take what Ray Dalio is talking in here. Guy’s 85 percent of the time been successful for 75 years. What are the chances of you figuring out a plan better than that? In the last 40 years, check it out, he’s lost money four times, and one of those is 0.003 percent, which means he basically broke even. So he lost money three times in 30 years on this formula. In 75 years, he’s been right 85 percent of the time. The biggest loss has been 3.95 percent. Now, if you could go to Vegas and you’re right 85 percent of the time, your average loss is 1.65 percent over 75 years gambling. I think you’d probably invest a little money.

So he’s only one of the people in this book. I give you their exact portfolios. I give you one which actually makes more money per year but it’s got more volatility so you have to have more risk. But a smooth ride like that, he gave that as a gift to people. He didn’t have to, and that’s what this
book is. This book is a gift. It’s my gift because I’m not making anything out of it, but it’s also the gift of these 50 people that gave you answers they didn’t have to give, but you’ve gotta give yourself the gift to go get the damned thing, read it, most importantly apply it. Just a little step at a time, one step at a time, seven steps and you get where you wanna go.

_James Altucher:_ Well, Tony, thanks so much for spending the time and sitting down with me. Tony Robbins, author of _Money, Master the Game: Seven Simple Steps to Financial Freedom_. It’s an excellent book, and again, I really appreciate what you have done for me personally 13 years ago and also sitting down with me right now for the past hour, so it’s really great. Thanks so much.

_Tony Robbins:_ Thanks for taking the time.
Marcus Lemonis

James Altucher: This is James Altucher at The James Altucher Show, and I’m also here with my co-host for today, Claudia Altucher, and Claudia, I’m very excited about today’s guest.

Claudia Altucher: I am, too. Tell us why, James, because I can’t believe that you finally got this guest. I’m so excited.

James Altucher: It’s one of my favorite TV shows. It’s The Prophet on CNBC, and the star of The Prophet is Marcus Lemonis.

He’s the CEO of a multi-billion dollar company called Camping World. They’re in the RV business, and what he does is it’s almost like CNBC’s version of Shark Tank, but not quite.

He’s gotten 40,000 requests for help from different companies that are in trouble. He’s picked out let’s say a couple dozen. He goes into a company, he writes them a check on the spot to invest in the company. He works out a deal on just a handshake, and then you see him. He’s down there cleaning the walls, painting things, moving shelves around.
Claudia Altucher: Cleaning bathrooms, doing whatever needs to be done.

James Altucher: Yeah, on one show he was cleaning the bathrooms. By the way, it’s interesting to see what he says about it in the episode we just did right now, but he gets down there, and he has a philosophy where he’s going to help – a company can be helped by either improving the people – and so that might mean helping an owner become a better business manager or getting rid of bad employees, or dealing with the egos of the managers or whatever. Or the other thing he does is process, so looking at how the products are made, and maybe that could be done more efficiently.

He invested in the equipment to make the process more efficient, and ultimately cheaper for him in the long run.

He has three P’s, people, process, product. So ultimately, he tries to improve the product. So for instance, in the key lime pie case, they were using artificial ingredients. He had them improve the product by using organic ingredients, using a special recipe.

Claudia Altucher: But what’s interesting is to see the skin in the game that the business owners have and how much of them personally are involved. Where a little change, that would seem very, very simple, it’s very hard for them to do.
James Altucher: Yeah, for instance, when he changed Athens Motors to Auto Match USA and the owner’s name was Athens. A lot of the times, the egos get in the way.

That’s where Marcus is particularly good, going into a company and figuring out what all the egos are and how to work with them. He’s firm, but he has kind of a compassionate way –

Claudia Altucher: He has a very soft, nice touch, very human. He’s amazing, with the people who are ready to understand. He also cuts losses when there is someone that you just know is not good for the business.

James Altucher: Yeah, which is really interesting because you don’t see that on a lot of business shows. You would almost expect every single show, “Oh, he turns this business into a fantastic multi-billion dollar business.” Some businesses actually don’t work out for him afterwards, and he talks about that on the episode you’re about to listen to.

I know for our kids, we have them watch the show just for educational purposes just to see how this guy deals with people, deals with process, deals with product. To improve a business is very valuable information. This has been like an MBA for me, and I’ve been involved in probably 50 businesses.
Claudia Altucher: They take a long time to shoot, too, because it’s just the process of what happens in the show, and then these things don’t happen overnight. Sometimes you have to wait to see if the process works.

James Altucher: Well, and it’s interesting to see how he describes some of the follow-ups in the podcast that occur. So without any further adieu –

James Altucher: Marcus Lemonis. Thank you.

Marcus Lemonis: Hey, James. How are you?

James Altucher: Good, good, thanks for agreeing to do this call and this podcast. I really appreciate it.

Marcus Lemonis: Of course, of course.

James Altucher: So are you excited for your new upcoming new season?

Marcus Lemonis: I am, but I’m trying to balance that with everything else going on in my life. You know, we’re in the middle of still shooting the show, and the business that I bought about a month ago, Crumbs, reopens Tuesday as well. So it’s a little intense right now.

James Altucher: So let me just tell you, Crumbs changed my life. I lived on Wall Street, and there was a crumbs right around the corner. My wife and I would go there every single day. I probably gained 20 pounds, but
it was like an innovation in cupcake technology. Why did they go out of business?

*Marcus Lemonis:* You know, a number of reasons to be honest with you. One is they really got too singularly focused. While a cupcake is a great thing, in order for a business to make it under a real thick cost structure, you need to have high repetition of visits. You need high frequency, and so a traditional bakeshop will have more than just a singular item. It can have an iconic kind of marquee item, but you can’t just make it on that. And so I think at the end of the day, what we’ve done is we’ve really changed up the menu. We’ve stuck with our core item, but we built an infrastructure that allows for breakfast items and lunch items.

We have a new product called the baissont, which is the combination of a bagel and croissant, and you just have to have more because, not everybody likes cupcakes. You’ve got to realize that.

*James Altucher:* I like the bagel croissant idea. I’m going to try that out. You’re opening up Tuesday. I’m going to try it.

*Marcus Lemonis:* We open in the garment district. The first one in the garment district.

*James Altucher:* And this is not part of The Prophet TV show. Right? This is just on your own you’re doing this.
Marcus Lemonis: It’s kind of funny, the lines are very blurry. My real life and my TV life are kind of the same. It’s not going to be featured as an episode, but the process was pretty similar. So no, it’s not part of the show.

James Altucher: Well okay, let’s talk about that because on the show, you talk about the three P’s... people, process, product. With every single business, it’s amazing, and this is where I think every entrepreneur and business owner and even employee and even my kids, they start watching your show and they start thinking to themselves, “What’s Marcus going to look at the people? What’s he going to do with the process? What’s he going to do with the product?”

So what did you do here with Crumbs, with – and I promise I’ll relate this back to the show, but was it a people thing, was it a process thing, what’s going on?

Marcus Lemonis: Well, it’s always a people thing for me because ultimately, people make the decisions that either makes the business or they break the business. So in this instance, you had a company that was really riddled with suits were high overhead, a corporate office in New York City with a $25,000.00 rent factor, an executive chef that’s making $150,000.00 a year, and layers and layers of management. Well that all really boils down to people. One individual thought it was a good idea to do that, and they layered the company with really a cost structure
that it couldn’t afford. Additionally when it came down to the product, in my opinion, it became too one-dimensional.

There just really wasn’t enough of an offering to allow customers to come back on a more repetitive basis, and you needed to have things that were unique. And so whether it’s the Crumb nut or this new product, the baissant, or ice cream with cupcakes inside of it, there are multiple products that really are going to serve multiple people. And then as it relates -

*James Altucher:* I just want to contrast that, though, with the key lime pie business that you bought, or you know, you invested in. You focused them in on one product. You got rid of all the other products.

*Marcus Lemonis:* I did. I got rid of all their boxed products that they didn’t make. And so there’s two kind of steps to that. Number one, I had them get rid of everything that wasn’t really authentic to the business. They were out basically buying boxed cookies and boxed candy and things that basically came from a factory as opposed to fresh made. Number two, Crumbs – Key West – Key Lime Pie Episode is kind of ironic because I had this in the works, but it wasn’t done in time. That’s actually transitioning to Crumbs of Key West, and so while pies will be the marquee product there, there’ll be a lot more there than just pies.
James Altucher: Well, what’s interesting is, and I’ve noticed this throughout the two seasons, is you’re very good at taking these businesses and seeing if they work with other businesses that you either partner with or own. So for instance, take Mr. Green Tea from the first season. I understand you’re doing something with them and Crumbs.

Marcus Lemonis: So we’re mass marketing a pint of ice cream across the country. They’re going to be making in this new factory that I built for them. Three flavors. A red velvet, a key lime ice cream, ironically enough – four flavors, actually. A double fudge chocolate, and an apple crumble kind of product. So it’ll all be branded Crumbs Ice Cream, but they’re the manufacturer for it, and they’ll obviously reap the benefits of.

James Altucher: Also with Eco-Me, you were bringing them into the camping world stores. So you’ve had this opportunity to leverage this enormous platform you have as the CEO and chairman of camping world. You’ve leveraged this enormous platform to work partnerships out with some of the companies that you invest in. Do you know that in advance before you invest in a company that you’re going to potentially work out these partnerships? Does that help your decision-making?

Marcus Lemonis: You know, I really decide that I like a space, an industry, when I decide to really go after it and look for things that I can parlay on top of them. Crumbs was, no pun intended, kind of the icing on the
cake. It really gave me the ability to leverage a brand and find distribution and use the other businesses, and whether that was Sweet Pete’s Candy or the key lime pie, which will be sold at all the Crumbs, or developing ice cream is one thing. When you look at the season that’s about to start next Tuesday, the first episode is a clothing company, and so that should give people a little bit of insight that I’m going to go heavy into the clothing industry now, and whether that’s women’s apparel, whether that’s men’s accessories, I’m going to start to build—a stacked empire on clothing and accessories and things that kind of allow for that. I may end up doing a product next year and in another season that is a singular product that I can now use this new business that I bought as a form of distribution.

So there’s always a bit of a method to it, but I have to be honest, it doesn’t always work out. I sometimes chase something, and it doesn’t pan out, and that’s part of doing business.

James Altucher: Sure, that’s part of investing, although it does seem that you have a very simple mental model that you use when you walk into a business. You’re going to look at the people, process, product, and by looking at that, it’s very interesting because sometimes you’ll be very harsh. Okay, these people are not necessary, these people need to improve, but you then taper that a little bit. You kind of have a gentle touch with them as well. How is your process there when you’re dealing with people?
Marcus Lemonis: Well you know, you try to be yourself. I mean that’s really for me all my life it’s worked. Even people that I’ve had to let go of in the past, I still maintain a relationship with because there’s a difference between being very forceful and very matter of fact and very assertive, but being compassionate and being a good listener and being understanding. And in my opinion, you can be sympathetic and you can be compassionate while delivering a very tough message. Sometimes people don’t listen, and you have to be a little more direct. Or sometimes people mislead you or they’re dishonest or they lie, and the directness turns into frustration and anger. And I’m not always a cool customer, and sometimes I get upset.

James Altucher: Well, it’s because many people who want to buy businesses, they often think, “Okay, I want to buy a laundromat,” and they buy the best laundromat in the city, and then they’re stuck because it’s harder to improve. What I’ve noticed in your businesses that you’ve invested in, and there’s about 14 at least from the first two seasons, is that you’re definitely using kind of the three D’s. Like someone died or there was too much debt or there was a divorce, or there was some reason why this business is no longer working, which ultimately is another mental model, but it fits your mental model of saying, “Okay, something has gone wrong, and now I have this opportunity because there’s something to fix.” And it’s usually the people that have gone wrong.
Marcus Lemonis: You know, if you added another D to it, it’s delay, and so it’s not every business I work on is totally broken for financial reasons. Sometimes they’re broken because they have analysis paralysis, or they move too slow and they can’t make decisions, or they’ve reached a level of success and they just can’t go any higher because they are scared to think out of the box or they’re scared to take a chance. You know, if you look at businesses that aren’t successful, it isn’t always about money. It isn’t always about process. It isn’t always about the product. It’s always 100 percent of the time about the people and whether they’re unwilling to take a chance or they’re unwilling to make a hard decision or they’re unwilling to make the changes necessary, it really boils down to the person, the peoples’ ability to change the process or change their product.

And it sounds simple, but I have to be honest, it is as simple as it sounds. You can look at any business that way, and I have a lot of really young fans, like 11, 12, 13 year olds who write notes, and they’re like, “This is so much easier when I think about it this way.”

James Altucher: It’s really true. My 12-year-old is your biggest fan.

Marcus Lemonis: That’s awesome. That is awesome.
James Altucher: But it’s really true. Like this analysis paralysis, season one, the first episode, Car Cash. The two brothers really couldn’t make decisions together.

Marcus Lemonis: They couldn’t, and you know what I think happened to them, candidly, is that they lost their father who really was the driving force in that situation. The father had not really mentored them or coached them on how to run a business. He unexpectedly passes away, and these two kids who can’t get along as well with each other are now tasked with running a multi-million dollar business. They don’t know what to do. And so it really not only puts the business in peril, but it further constrains their relationship and makes it very tough.

James Altucher: You know, and again, that’s also what creates the opportunity for you. Otherwise, they would have just been running their business profitably.

Marcus Lemonis: Yeah. You know what? I think for me, I did an article, I did an interview in Inc. Magazine for the month of October, and you know, I spent a lot of time talking about about business and numbers and formulas, which is kind of boring to be honest with you. What’s really interesting is, it’s really interesting in it for me is what is it that makes people tick. What motivates them? And one of the worst things that somebody could tell me in business is that what motivates them is just I want to be a millionaire. I want to have a big house. I want to have a big boat. I want to have a big car. What I’m looking for people to tell me is that they
have a passion for it, they love employing people. They love talking to customers.

And if you do all those things and you do them right, making money is going to become a byproduct of it, and it shouldn’t be your sole motivation. If it is and you make decisions solely on money, then you’re going to be letting good employees go during the downturn. You’re going to be cheating customers out of situations. I want you to be focused on money, but I want you to operate at the highest level of performance, but I also want you to remember that there’s a human side to business, both on the employee and the customer side.

*James Altucher:* So let’s take as an example and I’ll play slight devil’s advocate, season two, episode three, Michael Cena’s Pro-Fit. This is a guy who had a very particular passion about his style of how people should train, and you made it a much more – you basically took advantage of the square footage, built out the square footage, and made it a much more general physical training gym.

*Marcus Lemonis:* Well what I didn’t do, James, let’s just clarify this, I didn’t get rid of his core training product. I reallocated the space so that he could still do that, but I wanted to add other things like yoga and spin and those kinds of things. And so it was really saying to him, “Look, much like Crumbs, you can’t be one-dimensional. You can’t do it.” And so what difference – Pro-Fit is actually the closest
correlation to Crumbs as I can think of. You have one product that was very one-dimensional. It had a fixed cost structure, and if you didn’t want that, you couldn’t go there.

And so if you didn’t want a cupcake, you wouldn’t go to Crumbs. If you wanted to go spinning, you couldn’t go to Pro-Fit. If you wanted to buy a bagel, you couldn’t go to Crumbs. And so at the end of the day, what bothered me about Michael was his passion to be one-dimensional. I didn’t change his workout. I just changed the way we use the space.

James Altucher: I see. So you built out a bigger space essentially, and you made more effective use per square foot by taking unused space and putting a treadmill there.

Marcus Lemonis: And by the way now, his spin studio, packed for every class. His yoga studio, sold out for every class. So yes, it was a cataclysmic paradigm shift for him. Huge. I mean you saw him, he didn’t want to change anything. He’ll tell you -

James Altucher: You brought him to tears.

Marcus Lemonis: I know, but it’s hard. You have to. You have to really break people down to their core, and you have to get inside of them, and what I really realized about Michael was that it was his pride that didn’t want to change. It wasn’t the business logic. It was his pride.
James Altucher:  And similar with Athens Motors, the guy did not want to change the name, but you were very firm on, “This has to be more acceptable to the mass public.”

Marcus Lemonis: Well look at this. In the case of Athens Motors, you have Pete Athens was the guy’s name. He puts his name on the building, and I like businesses that I can scale. I now have six Auto Matches open across the country. In fact, the next one, the newest one has its grand opening in Fort Myers, Florida, on Monday. Athens Motors, while great as a local brand, doesn’t translate nationally. It just doesn’t. And so I think what Pete had to realize – what it wasn’t just about that location, it was about building a big, big business. You know, you think about Car Cash. It had a very kind of transferrable and scalable name. There’s now Car Cashes all over the country. It’s not like it was John and Andrew’s Car Buying Service.

You know, you just have to make it a little bit more relatable to people. Personalize it sometimes, sometimes it doesn’t work.

James Altucher: You know, the Car Cash one was very interesting because it took me a while to figure out what the actual deal was, and I think you were still probably trying to figure out the structure of the show, but you essentially bought 100 percent of the business and then licensed back to them whatever locations
they would open up while you would also open up locations.

_Marcus Lemonis:_ You got it. That was exactly the deal, and I don’t think I was as clear back then because it was a little bit new. I was doing deals in my normal fashion. One of the things that I’d learned on the show is that I have to be far more deliberate, and I have to be far more clear about what the transaction is because I move fast, and my mind moves fast. It’s been a great exercise for me to learn to slow down and clearly explain exactly what the transaction is and why it is that way. Listen, I’ve learned a ton.

_James Altucher:_ I like how you do it now, you gather all the employees so it’s not just kind of data on the screen or a talking head. You gather all the employees together and you explain the deal carefully, so this way everybody is aware. It looks like you’re talking to the employees, but you’re also talking to the entire audience, and you explain the deal carefully.

_Marcus Lemonis:_ Exactly.

_James Altucher:_ Your deals have also gotten a little simpler. Instead of saying, “Okay, I’m licensing this amount of profit and I’m going to have control for one week,” you’re basically buying 51 percent of the business for X dollars in most cases now.

_Marcus Lemonis:_ Yeah, I think you’ll like the season that’s starting on Tuesday because the deals, they’re a little simpler,
but they’re also different. In some cases, I’m buying the business, and in other cases, I’m buying assets. In other cases, I’m a lender, and so I’ve had to become far more kind of flexible because the needs of applicants or the needs of a particular business, they’re not all the same. Not everybody needs an equity partner, and there are some people that I don’t want to be partners with them. I don’t want to be in business with them, but I may be willing to buy an asset or lend them money under certain kind of constraints, and I think that’s what’s nice about it is I’m always going to write my checks. It’s always going to be my money.

I’m always going to have risk. That risk just takes on different forms.

James Altucher: So now I want to rewind a second just to kind of set the basis of how this show got started. You kind of came up from I don’t want to say exactly nothing, but you were working in a car dealership, right, at some point. How did this all get started?

Marcus Lemonis: You know what, I’ll give you the Cliff Notes version. I was born in Beirut, Lebanon. I lived in an orphanage. I was adopted by an American family in Miami, Florida. My family had been in the car business for years, and while my extended family had been very successful, my immediate family, my mother and father, they’re blue collar people. And we lived a very simple life. My parents were very strict. They still are strict. My dad is very strict. Very strict, very focused on work ethic. Very
focused on transparency. But my mother was always very encouraging to me to be aggressive. I went to college at Marquette in Milwaukee. I got out of school, went down to Miami, went and worked in our family’s business.

Decided that wasn’t what I wanted to do. Went and ran for office, lost, went to work for a guy by the name of Wayne Huizenga, and you know, had some success there at Auto Nation, and then decided to get into the RV business. And all of the blessings that I have today, whatever I’ve achieved, is really all stuff that’s really happened in the last 10 to 15 years, and been very fortunate and very blessed, but I always tell people nobody gave me anything. I didn’t inherit a business. It was very real and authentic.

James Altucher: What did you learn from Wayne – I don’t know how to say his last name.

Marcus Lemonis: Wayne Huizenga.

James Altucher: Yeah because clearly, he’s Auto Nation and Waste Management.

Marcus Lemonis: He’s always been straight with people. So always be straight with people. Good news, bad news, no matter what. Always be straight with people without fail. He was just very good at it, and you didn’t always like what you heard, but it was always real, it was always straight. It was just good solid – I would say leading by example that he provided.
James Altucher: And then you went from that to Camping World.

Marcus Lemonis: Uh-huh. And so in 2003, I started building up this business that we know of today called Camping World, and Camping World was actually a very small business started in Bowling Green, Kentucky, in 1966, and merged it with another business and then started rolling up other businesses, and today what Camping World is, it’s a three plus billion dollar business with 125 locations around the country, and we do everything from put on shows to publish magazines to sell RVs to fix them to sell insurance. If you are in the RV lifestyle, there’s truly a kind of a – it’s probably the best example of vertical integration you can think of. It’s just really everything you can think of. It’s been good for me.

James Altucher: Have you thought about taking it public?

Marcus Lemonis: You know, I’ve thought about it. People ask me all the time if they can invest in deals that I’m in, and I’ve thought about it, and I don’t know what I want to do. Ultimately, the team and I have almost 6,500 employees and in four million customers, and you know, as much fun as I have making the show, as much as I love buying these small businesses, as much as I love starting new ones, my Camping World business is – that’s my child. At the risk of sounding totally corny, it is the most important thing in my life because I feel like I built it from the bottom up, and the people that I work with – that’s
my family. I don’t have brothers and sisters and I don’t have kids. I have Camping World.

James Altucher: So you have Camping World, and then you decided, I don’t know if you approached CNBC or they approached you, but now you’re – shooting a TV show and it’s hard work, as you know. You took on an incredibly difficult full time job on top of Camping World.

Marcus Lemonis: Yeah. I’m not going to lie to you. It’s tough.

James Altucher: Did you regret it at first?

Marcus Lemonis: Doing the show?

James Altucher: Yeah.

Marcus Lemonis: No, I didn’t regret it. I needed to learn more about myself. I needed to learn more about other people, and you know, I think that selfishly, the best part of the show for me is when I’ve learned a lot.

I’m working hard at teaching people, but I’ve learned a lot about myself. I’ve learned a lot about other people and other peoples’ ideas and different sorts of businesses, so I feel like I’m getting a masters degree, an expensive one by the way, but a masters degree, and I’m making new friends and I’m meeting new people, and I’m expanding my horizons. But with all that being said, it comes at a cost. I don’t really have much
time for myself, and it’s either making the show and everybody forgets that when the show is over, I still have to work with everybody. These businesses are now – this isn’t Shark Tank where you make a show and the episode is over, and sometimes they spend time with them and sometimes they don’t.

James Altucher: Yeah, you’re invested in a dozen different companies now.

Marcus Lemonis: More than a dozen because I do lots of deals outside the show. So I’ve filmed 24 episodes so far, and I have investments in 14 businesses just from the 24, plus I’m an investment or a lender or an active participant in over 100 businesses. At some point, your head pops off as you can imagine. It doesn’t work forever.

James Altucher: I mean after a day of shooting, do you ever feel kind of burned out? Because then you’re going to have problems at Camping World or whatever?

Marcus Lemonis: Yeah, Camping World obviously gets the priority time of my day, but for example, yesterday I was in South Carolina. We filmed from 8:00 in the morning until 8:30 at night. We drove to the airport. We got on a plane. We flew to Pittsburgh and at 12:45 AM, I’m getting to my hotel room in Pittsburgh. It’s morning at 8:00 to shoot a different episode, three hours of calls this morning on Camping World. And so you do it. When you get to your hotel room and there’s nobody around and there’s nobody there to talk to, you do get
reflective, and you think to yourself, “Holy cow, this is a bit much.”

*James Altucher:* So it must also be frustrating, in Season 1, Episode 2, a great episode from a TV perspective, but maybe not as pleasant for you, Jacob Morris Florists. That must have been incredibly painful. I think maybe the listeners should understand. It seems to me you write a check on the spot to these people.

*Marcus Lemonis:* I do. I do. And -

*James Altucher:* Is there no paperwork in place?

*Marcus Lemonis:* There’s always paperwork that follows, but when I hand them the check, there’s a handshake, and there’s an understanding, and so in most cases, they don’t deposit the check until we have our paperwork right. You get these really smart business people that are smart enough not to be silly about it. But I hand them a check and it’s my check.

There’s different types of people in the world. You’ve met them. Everybody that listens to your shows, has met different types of people. There are the honorable people who always do the right thing, sometimes at their own peril, and there are the people who don’t do the right thing.

And the unfortunate part of our show is that it’s not scripted, and I laugh when I say that. It’s not
scripted because if it was, I would never let somebody screw me. I mean who would write a script that would make you look stupid? And so it’s tough, but I will not change my formula. I will not shaking hands with people and saying, “That’s the deal that we’re doing,” because if you can’t trust them early early on, how are you going to trust them later? You’ve got to find out. You’ve got to test people.

*James Altucher:* It’s an interesting thing, too, because it’s sort of this technique of influence, this law of reciprocity. If you’re trusting them before even the legal paperwork is done, you’re kind of expecting a lot from them in return, and they’re going to feel obliged to give you what you want in return in most cases.

*Marcus Lemonis:* Yes and no. You know, there are interesting people that are in terrible peril. The minute they get that check, they have this wild case of amnesia that sets in because the immediate burden or the immediate stress or immediate kind of risk that they felt 20 minutes before that seems to get immediately solved.

The crew on my show likes to call it the Marcus fairy dust, and the minute you give them the check, it’s the fairy dust. Sometimes and unfortunately it happens more than I’d like, people get the money, and all the things they agreed to, they don’t want to agree to them anymore.
They’re like, “Well, I changed my mind,” or, “I didn’t like what happened,” or, “That’s not the deal we made,” or whatever it may be. It gets very tough when that happens.

James Altucher: So let’s take Jacob Morris as an example. You wrote – I forget the size of the check. I think it was $100,000.00.

Marcus Lemonis: Yeah, $100,000.00.

James Altucher: And he cashed the check, and then did he just say, “Oh, no, it’s not your money anymore.”

Marcus Lemonis: Well, in that case, I spent over $100,000.00, and if you recall in the car ride, I asked him, “How much money do you think I’ve spent here,” and he said, “Oh, you spent way over 100, like 150.”

James Altucher: Right.

Marcus Lemonis: And I said, “Yeah, I did that because I believe in what we’re doing here, and my original estimate was a little off, so I spent more, but I’m doing that because I like what I’m seeing.” And then as you saw at the end, he said, “No, you didn’t spend any money.” It’s like what do you mean? You just told me like two days before that I did. And so the single biggest thing that I hope happens from the show is that our youth today, 9, 10, 11, 12, 13, 14 high school kids, early college kids, should really, really learn that business isn’t just about making
money. It’s a lot about character. It’s a lot about integrity. It’s a lot about doing what you say you’re going to do without hesitation, and I’m finding that we don’t have enough of that in this country. There’s not enough discussion about it.

James Altucher: I think also in almost every one of your cases, a lot of it is taking the ego out of the business transaction as well. Worldwide Trailers was a great example where the couple or the ex-couple, they had all these ego issues which prevented them from running the company. Like nobody had any idea where the money was.

Marcus Lemonis: Yeah, you find that in a lot of companies, and it’s funny, the first day that I get there, the most of these episodes – especially after Season 1, the business owners will say to me, “I want you to know I’ve seen every show. I know what you’re going to ask me. I’m very prepared. I’m not going to look stupid. I’m going to do all these things.” And then ten minutes later, I ask them about their numbers, and they don’t know them. It’s like well, you said you saw my show. You knew I was going to ask about the numbers. I always tell people if you don’t know your numbers, you don’t know your business. Twenty minutes later, I ask you about your numbers, and you didn’t – what happened? Where did you go?

James Altucher: It’s funny because even in Season 2, every single episode I think there were ego issues. Like again, the example of Athens Motors, the guy had the
ego. He didn’t want to change the name to Auto Match, or the Worldwide Trailers, they didn’t want to be honest with you about their relationship.

**Marcus Lemonis:** Here’s what’s crazy. I think this is maybe the craziest thing, and you know, we’re going to do a whole episode that’s a follow up on every business. Not that we won’t see everyone, but you’ll see the good, the bad, and the ugly.

**James Altucher:** That’s good.

**Marcus Lemonis:** The couple of businesses that I went to that I did not make a deal, whether I got hosed or whether I decided to walk out, in almost every case, they still communicate with me today. In the case of the trailer episode, they made all of the changes that I told them. They sent me a video. They made all the changes, they moved the business to Waycross, they put the inventory system in, their business is doing great, and they wrote me a note, saying, “You were right.”

In the case of Popcorn, she made all of the changes that she needed to, and now she’s asking me to come back to maybe do a deal with her now that she’s made all these changes and she’s willing to change. So -

**James Altucher:** Would you do that?

**Marcus Lemonis:** You can have an impact – I mean I’ll go there and talk to her about it, but the fact that you can impact
people that you do a deal with, but you could also impact people that you don’t do a deal with, I think for me, that’s very rewarding.

*James Altucher:* So describe how you look at process and product. It almost seems mathematical, like you’re taking the square footage, you’re figuring out how many dollars per square foot.

*Marcus Lemonis:* No, you know what I would like to tell you that it’s mathematical. There’s a certain math to it, but I use a lot of my instinct. I have to be honest with you. I really try to look at it as logically as I can, and I look at it in the case of a consumer. What does a consumer think when they walk in? What does a consumer think when they touch this product? How do we make the process easier for them? And I try to use the most basic of logic. Sure, everything revolves around math. There’s 1,000 square feet. I want to make sure I put the product in the right place with the right layout so that I can maximize every square inch of the place. If a product isn’t made right, I want to make it the right way so that I can feel proud about what I’m selling and hold my head high and put my name on it.

So it really is so simple and so dumbed down that if you look at it always from a consumer standpoint, it really isn’t that difficult to fix. It’s not.

*James Altucher:* Yeah, like I look at -
Marcus Lemonis: It takes money, James, but it takes money. And so everything takes money, and so the one thing is that it definitely takes money to have change, whether you’re changing the way things are built, or you’re reengineering something or you’re advertising something, or you’re re-designing something. That’s the one handicap is that it takes money, but I’ll tell people what changes do people process that you make that don’t take any money? You canclean your place. You can organize it. You can train your people. You can hire better people. You can let go of the troublemakers.

There’s things you can do that don’t take money.

James Altucher: Like I feel like, for instance, in the Amazing Grapes one, there was a wine store where you totally transformed the store, and even though there was an expense in making the store look really nice, probably a lot of those changes could have been done cheaply just by analyzing what was making money and what wasn’t making money.

Marcus Lemonis: Right. But I have to own that business after. So this isn’t a business makeover show like a restaurant show or a bar show where they come in and change the carpeting and change the paint and they do just enough to make it look different. I literally have to own the business after. And so I don’t want to be one of those people that get caught in doing some half assed kind of effort. I want to be proud of it. I want the employees to be
proud of it. I want the customers to want to go there. Yeah, did I probably spend more than I needed to? Of course, but I want it to be right, so I don’t feel bad about it.

James Altucher: So this is a case where the company was in a lot of debt. The owners were sort of almost absentee owners. They were barely there, but you kind of uncovered the staff that really knew what they were doing, and you wrote a big check. It was also your most popular episode of the season.

Marcus Lemonis: I think it was. I think it was the most popular, and I think what viewers really liked is viewers always love physical transformation. They always want to see some sort of makeover. But the Tweets and Facebook posts and the notes that I got were really more around how I rallied around the employees and not the owner. A lot of people can relate to “Oh, my owner doesn’t come and my owner doesn’t care.” It needs to really also be about making the employees more successful. It’s not always about you know... somebody applies for a business, the business is failing, I put money in, and they become millionaires. That’s just not the show that I’m making. I’m making a show that we fix the business and the employees should benefit just the same. They should benefit as well.

James Altucher: Who are the owners who have benefitted the most now from you being an investor?
Marcus Lemonis: I would say that the Green Tea people would be right at the top, right up there at the top. I would say John and Andrew from Car Cash would definitely be up there because they were literally going out of business. I would say Pete and Allison from Sweet Pete’s. They were in a toxic situation that was very bad, so I’d say they’ve benefitted pretty significantly. The employees at Amazing Grapes, not necessarily the owners. The case of Athens Motors, Pete Athens no longer works there. He’s my partner in that location, but he was unwilling, and you’ll hear it in the follow up, he was unwilling to follow. If you remember, he didn’t know the car business, and I brought in a general manager at the end to teach him, and he was unwilling to listen. And so he was unwilling – I was unwilling to keep him.

James Altucher: It seemed like that in that episode he had a particular passion for the cars he loved, but he wasn’t really interested in being in the kind of general car business.

Marcus Lemonis: You mean like in the everyman business.

James Altucher: Right.

Marcus Lemonis: In the everyman business. He wanted to sell cars that his friends drove and that he wanted to drive. I think it really was driven by ego. In hindsight, if you asked him now, he would say to you, “Yeah, I didn’t do it the right way. I’m seeing what a difference this makes, and I was wrong,” and I have a great
relationship with him. He’s really, I think, had a dose of reality about the whole thing, but I think even more than that, he realizes that it’s not as difficult that it needed to be.

*James Altucher:* So now obviously you’re running Camping World, you’ve got the show coming up. You mention there’s going to be new things in this next season. You’re getting into clothing, which you’d never done before I don’t think in the prior two seasons.

*Marcus Lemonis:* Nope.

*James Altucher:* What got you interested in that? And by the way, you always wear these very bright sweaters, so you definitely have an interest in clothing.

*Marcus Lemonis:* I’ve always had an affinity for apparel. Fashion is kind of important for me, but I’ve never been in the business and I’ve always wanted to, but it’s a very lucrative business, and it’s a very dangerous business. So I wanted to partner with the people that I felt had the right infrastructure, and so you’ll see that in Episode 1 that the family that I’m working with, a French family, had the right infrastructure and had the right ideas, but just got off track. And so big product transformation, big, maybe the biggest I’ve had because I literally got rid of everything they had, and a big store transformation. So it’s probably one of my favorites. I think people will really like it.
And it’s a nice platform for other things to come. It’s funny, food can’t be everything, clothing can’t be everything, cars can’t be everything, but I also like to invest in businesses that are relatable and that they don’t come and go with the economy. Everybody is going to need to drive a car, and they’re always going to need to eat. They’re always going to need to get their hair cut, and they’re always going to need to wear clothes. And so if you think about it that way, it keeps it much simpler.

*James Altucher:* It’s interesting also because so you get into these businesses that are not economy dependent, but you also get into businesses that because of their problems, they essentially can be valued at zero, so you could write your deal. So your deal basically is to keep everybody incentivized, but also to put in enough money where you have skin in the game, but it’s enough that they can make the transformation they need to make.

*Marcus Lemonis:* Right. In most cases, the money that I put in either physically transforms the place, it keeps the bank from taking the business, or it puts cash in the bank. It’s really essentially why money has to go in, and my offer is usually based on what I think the business actually needs to get out of the woods. That’s always the key.

You know, sometimes I end up spending more than my original negotiated offer, and people ask me all the time if you end up spending more, do you recut
the deal. Do you go back and renegotiate, and my answer is no, I don’t because I had the chance to make the deal, and I shook somebody else’s hand. If I miscalculated it or I decided to do more, why is that their fault? It’s not that great, but it is what it is.

*James Altucher:* But I think also in many of these cases, the deals are so great for you and for them, I mean it’s win win that if the company does well and meets the projections you want and then it’s valued just on a multiple of earnings, in every single case, you’re going to make an enormous amount of money.

*Marcus Lemonis:* Yeah, I mean I would say that’s mostly the case. Like in the case of Key Lime, I would say that’s been my most expensive worst return deal because after the deal, a number of things came out of the woodwork that made the deal far more expensive, and so my return got really bad really fast, and that’s life. So the only way I can recoup that, the only way I can leverage that, is I felt like when I did Crumbs, that was my one shot at having a chance to get some of it back.

*James Altucher:* So Crumbs absorbed it now. Is that how you restructure it?

*Marcus Lemonis:* Yeah, Crumbs gives me the platform to take the pie and the pie bars and the other products and do something with it. It really gives it an opportunity.
James Altucher: It’s really great when you have the leverage of multiple companies to do these deals. Again, like how you brought Eco-Me into Camping World.

Marcus Lemonis: Yeah, it makes a difference, but you have to also be careful because you don’t ever want to force things into businesses that don’t belong. Just because you can doesn’t mean you should. I’m not going to start selling clothes at a candy store. You’re not going to sell candy at a car dealership, and so you just have to govern yourself appropriately that as you start collecting a holding company of businesses that that integration is okay when it really makes sense, but it doesn’t always make sense. It doesn’t always work.

James Altucher: You get something like 40,000 requests for help from companies, that’s an outrageous number of e-mails.

Marcus Lemonis: When we started the show, I had about 40,000 applications, obviously the network is very involved in that process and very helpful, and we do background checks on people, and it’s got to be something that I’m interested in, or it’s got to be a business that I think a viewer could relate to or something that I want to learn.

Sometimes I get into businesses that I know nothing about and it’s a challenge for me to see the three P’s work in every business. Prove it to me. I’m literally talking to myself. Prove it to me that it works. So I like to put that theory to the test
because you want to have somewhat of a bullet proof theory if people start challenging you on it.

So far, it hasn’t failed, but I do realize that I sometimes try too hard to fix the people, and sometimes people, they’re just not fixable.

*James Altucher:* Well before you even know the people, what are the basic metrics you use to decide, “Okay, I’m going to try to make a deal in this business.”

*Marcus Lemonis:* Well, I usually go into every business thinking I’m going to make a deal. I wouldn’t go if I didn’t think I wanted to make a deal.

*James Altucher:* Even deciding to go, what makes you decide to visit? What do you see that makes you decide to visit?

*Marcus Lemonis:* The product has to be relatable, and I have to believe to a certain degree that I can extract some scalability out of it. I can do something with it, I could launch a new product, I could take one of their existing products, I can open up multiple locations. If I don’t feel like I can get some scale out of it, I usually don’t go. But the caveat to that is if I really, really love the people and we do a little Skype video with them before I go. If I love the story, sometimes story and heart trumps economics for me. I’ll go do a deal because I just like them. It doesn’t meant it’s going to be a bad business deal. It will always be a good business deal.
But just because I can’t scale it isn’t an absolute that I won’t go do it. It’s not an absolute, but it’s typically the rule that if you look at whether it’s cars or ice cream and manufacturing or distribution or candy or clothing or whatever it may be, there’s a scalability to it. There’s one this coming season that isn’t really – people would argue that it’s scalable, but it would want me to scale it, but it’s so fantastic and it’s so unique that it’s – it just needs to be what it is and nothing more.

James Altucher: What do they do?

Marcus Lemonis: It’s – they’re in the barbeque business, and they’re in the barbeque business in a little town in South Carolina. They’re open three days a week for four hours a day, and they do almost $2 million a year.

James Altucher: Why did they need you? What was the problem that was happening?

Marcus Lemonis: James, you have to watch the show. I can’t tell you that. You have to watch it. I can’t tell you.

James Altucher: Now you’ve got me all hyped up.

Marcus Lemonis: We’re going to probably air that probably the week of Thanksgiving because it’s just got a lot of heart and a lot of love and a lot of family in it, and you know, every episode doesn’t have to have crazy people. It just doesn’t. It gets exhausting for me, too. Like I almost say to myself, “How did we not know these people were going to be nuts before
we came here? How did we not know that?”
Sometimes you just don’t know it until you get there.

James Altucher: Well it’s funny because obviously it’s edited after you’re there and after you know what’s going to happen. And so it’s sort of like in retrospect, the viewer can see, “Oh, that guy at Jacob Morris was going to do this,” but you really had no clue what was going to happen at the very beginning that he was going to kind of just hold onto the money.

Marcus Lemonis: But at the very beginning of the episode, you didn’t know either.

James Altucher: Yeah, that’s true, although you know, the way they edit it, you kind of see sly looks out of them. On the Jacob Morris one, you emphasized, “We shook our hands. Right?” Like that’s kind of the only time you’ve done that.

Marcus Lemonis: I said something to him about it, and if you remember I said to his mom, “Do I have your word,” and he said, “Yes.” And he hesitated. He hesitated. And I’ve never had anybody hesitate. So that’s why I said once I shook his hand I wanted to remind him, honest to gosh, I would have never started spending money, I would have never started doing anything if I thought he would have done that. So when the viewer saw him tell me that he wasn’t going to honor the deal, it’s exactly the time that I found out, and you saw how upset I got. I was like, “What?”
James Altucher: Yeah, I thought you were going to hit him.

Marcus Lemonis: I thought I was going to hit him, too. I really did. I really thought I was going to hit him.

James Altucher: We were very upset in my house.

Marcus Lemonis: Because you were like, “How can that guy do that?” Listen, it’s good for kids. There’s all sorts of people in the world. Right? All sorts of people. And I think you still have to trust everybody. You have to hope for the best and plan for the worst.

James Altucher: So you’ve done three seasons, I don’t know, maybe you’ve shot already part of a fourth season. How long is this going to go on? Because you’re a busy guy. You’ve got to move on with your life at some point.

Marcus Lemonis: So James, one of the things people don’t realize is the space between filming to airing is very short. The show that’s going to air on Tuesday night, this coming Tuesday night, October 14th, actually finished filming October 2nd, and the show that I’m filming in Pittsburgh right now, which reminds me they’re waiting for me, that show will air in November. And so people always ask me, “How’s it going?” I’m like, “It’s good. I was just there.” The follow-ups are more exciting for me than they are for anybody because it takes time for these things to develop. It takes time for personalities to
come out and the good, the bad, and the ugly to finally show up.

*James Altucher:* Right, it’s hard to kind of film a whole episode because these could be years long works in progress.

*Marcus Lemonis:* Well that’s why the follow-ups really matter because they are all works in progress. We spend nine days filming. We figure it’s almost 60 hours of footage, and what you get as a viewer is 44 minutes.

*James Altucher:* And right now, which company was the best return, or have you exited any of the companies yet?

*Marcus Lemonis:* Eco-Me is gone. I just couldn’t work with them, and so I ended up selling my share to a third party. So that business is gone. Car Cash has been fantastic. I think at the end of the day so far in the first two seasons, ones that you have seen, I would say that Auto Match and Green Tea are the multi-million dollar high five winners. They’re the big ones so far.

*James Altucher:* Excellent. Well Marcus, I know you’re busy. I really appreciate you coming on the podcast. I highly recommend everybody watch the shows to see you in action as you fix these businesses, whether you’re an entrepreneur, an employee, a kid, a businessman, anyone, they’re really well done TV shows. There’s a lot of drama. There’s the arc of the hero in each episode.
Marcus Lemonis: Well what I ask for is I always tell people I know that your kids are supposed to be in bed early. Either DVR it or let them watch it because it’s great for education, and I know that a lot of high school teachers, tons of them, and college professors are now showing the episodes in their class, and there’s nothing more flattering than having an educator use your work as part of a syllabus. I encourage people – I hope they watch it, but I really strongly encourage people to have their kids watch it.

James Altucher: Well good luck with this season, and look, I hope you find time for a personal life at some point in this because you’ve got to do stuff other than business every now and then.

Marcus Lemonis: Exactly. I’ll talk to you soon. Thanks so much.


Peter Thiel

Peter Thiel: Hello, this is Peter.

James Altucher: Hey, Peter. This is James Altucher.

Peter Thiel: Hi, how are you doing?
James Altucher: Good, Peter. Thanks so much for taking the time. I’m really excited for this interview.

Peter Thiel: Absolutely. Thank you so much for having me on your show.

James Altucher: Oh, no problem. First I wanna mention congratulations your book *Zero to One: Notes on Startups or How to Build a Future*, and, Peter, we’re just gonna dive right into it.

Peter Thiel: That’s awesome.

James Altucher: I wanna break down the title almost word by word, but before I do that, I want you to tell me what the most important thing that’s happened to you today because every other day you’re starting, like a Facebook or a PayPal or a SpaceX or whatever. What happened to you today that you looked at? What interesting things do you do on a daily basis?

Peter Thiel: I don’t know that there’s a single thing that’s the same from day to day, but there’s always an inspiring number of great technology ideas, great science ideas that people are working on, and so even though there are many different reasons that I have concerns about the future and trends that I don’t like in our society and in the larger world, one of the things that always gives me hope is how much people are still trying to do, how many new technologies they’re trying to build.
I spent today looking at a variety of financial technology opportunities this morning and met with – and we sort of brainstorming in that space, which is an area that’s there’s probably a lot of opportunity for reinventing what banks are, what finance does, even though it also has the challenge that it’s gonna face more regulatory headwinds in the decade ahead.

*James Altucher:* So what’s an example? You were brainstorming. How do you run a brainstorming session, and what does it mean financial technology?

*Peter Thiel:* I met a guy who’s a founder of a finance tech company called Wonga in the UK, which is a sort of payday loans business. There’s sort of a question…what we could be – what one could do from there, and we just compared notes on what we thought was happening in the financial technology space and it was extremely fruitful conversation. There’s always a question, what’s working, are there certain models that you could look at to copy, and then there’s, of course, always a sense that once people are already doing things, you can’t quite do it.

One of the critical things in starting businesses is this need to do something new, different, fresh, strange. This is sort of the Zero to One ethos.
James Altucher: Well, and I wanna get to that. So your point to that in the book – and first off, just as intro, I’m talking to Peter Thiel. You’re the founder of PayPal, you’re the first investor in Facebook, you’ve invested in, I don’t know, dozens of other companies including SpaceX, and Palantir, one of your biggest investments, all very impressive stuff. And the book, Zero to One, I feel it almost – it blew my mind. It almost turned up the whole mechanics of starting up a company upside down because I think, as you pointed out in the book, and correct me if I’m wrong, you basically say that over the decades, entrepreneurs, particularly lately, have become more risk-averse.

So rather than come up with a completely new innovative technology, they wanna incrementally improve on old technologies and then just – I’m gonna be extra-cynical – then they just wanna kinda flip or sell their company and move on to the next one. And Zero to One says, look, we’ve gotta start with zero and build a monopoly so that this is how we take over the world. Build a monopoly and then scale it if you wanna take over the world.

Peter Thiel: Yes. Well, certainly my book is an exhortation against instrumentalism, against small incremental businesses. You do not want to start the 100th online pet food company or the 5,000th restaurant in San Francisco. Extreme competition, extreme undifferentiation is not synonymous with capitalism. I think the sort of many myths I take on, that
perhaps the biggest myth is this idea that capitalism and competition are synonyms.

I believe that capitalism and competition are antonyms. A capitalist is someone who’s in the business of accumulating capital.

A world of perfect competition is a world where all the capital gets competed away, and I think the greatest idea in business that does not get articulated is that great companies do something unique, and because of this unique thing that they do, have monopoly like pricing power, and so there’s sort of a question how can one go about creating a new business that creates a valuable monopoly for oneself and for the rest of society because if you’ve done something new, it also creates value for all the consumers.

*James Altucher:* And, Peter, just to mention, I feel like this is sort of a philosophical way to look at startups, but you can also look at Facebook for instance, you can argue was an incremental improvement over other companies like MySpace and Friendster, but it started off as a monopoly on Harvard students. So that’s the monopoly way to look at it.

*Peter Thiel:* Yeah, although it’s always a question of what counts as genuinely new. I would argue that Facebook genuinely solved the identity problem because it was about people’s real identities on the Internet. It was not about fake identities or
alternate identities, which, you know, MySpace started in Los Angeles.

Its core audience was people in Hollywood who pretended to be someone other than who they were. Facebook started at Harvard and it was about people representing themselves accurately on the internet, and so much of the early attempts at social networking had been about creating alternate worlds, virtual realities in which maybe I pretend to be a dog and you’d pretend to be a cat and we’d sort of interact in some strange new way in this different medium.

Facebook actually was the first company to mirror the real identities of the real world onto the internet, which gives it both its power, it raises some of the concerns people have about privacy because it is so real.

James Altucher: Yeah. A lot of the interviews you’ve given in the past, you say technology came to a standstill in the late-‘60s,. You and I are about the same age, you’re about three months older than me, and I sorta feel like, when we were born, everything was finished. The highway system was done, plumbing was done, all the tunnels and bridges were finished, computers were made and they were just getting a little bit better every day and even the internet was sort of created around 1972 or so and then just got better and better, but nothing blindingly new, and you point out in one interview
that even like Twitter’s just a simple web page, really.

So where do you think the next kind of huge technology innovations could happen?

*Peter Thiel:* Well, I’m a little bit more positive on the history of computers and the Internet in the last 40 years, so I do think there’s been a lot of innovation in that area. Certainly some of the foundational technologies were developed in the ’50s and ’60s, but I do think a lot of the applications, whether it’s web browsers or search engines or social networking sites, I would consider as genuine innovations that have happened in recent decades.

The story of innovation I tell is one that we’ve been in a world where there was innovation in bits but not in atoms, and so we’ve had a lot of innovation, computers, not so much outside of information technology, so there’s been less innovation in transportation or energy or even biotechnology, medicine, nanotechnology, space travel, all the futuristic technologies people envisioned in the ’50s and ’60s have done less well. When one looks at the decades ahead from here, the straightforward prediction is to say that the computer revolution will continue, and I do think that’s true. It will continue to improve living standards, not as dramatically as one might hope, and so I think it’s been an era of relative stagnation the last 40 years because we’ve only had computers and nothing else. And then the more
optimistic hope is that we will, at some point, start to see information technology – the world of bits get reintegrated with the world of atoms so that we will see things like genomics, where there’s a potential of biology becoming an information science.

When we think of biological systems as informational, we will be able to do far more than we could under the existing paradigms.

*James Altucher:* Like what? Like what does that mean really?

*Peter Thiel:* Well, if you think of a cell as a computer that can be programmed, there probably are all sorts of ways that one could program it to turn off diseases, to kill – to self-destruct if you have a virus in it. It would give us a mastery over biological systems analogous to we now have over computational systems.

And I think that’s a way that you have tremendous progress on some of these areas where biotechnology’s been relatively stuck in recent decades. Again, I’m not certain this will happen, but I think that’s the optimistic thing that could happen. I fundamentally believe that the sort of slowdown we’ve had is not because we’ve run out of ideas or it’s impossible to do anything new. It’s not that nature is such that all the low-hanging fruit has been picked and there’s no low-hanging fruit left. I think this is more of a cultural problem that is that we are not trying as hard or we’ve regulated
technology to death, and so there was never any low-hanging fruit. It was always of intermediate height and we always had to reach for it to get to the next level, and I think we’ve not been trying as hard in recent decades.

*James Altucher:* And why do you think, not as a society, because I think a lot of your analysis is societal, but why do you think individually? What qualities do we need to cultivate as an individual to reach for those intermediate or higher-hanging fruit?

*Peter Thiel:* Well, I think there are a number of different ones. You have to be willing to persevere on doing something that’s not conventionally seen as working. I start my book with this question. Tell me something that’s true that almost nobody agrees with you on. That’s, like, an intellectual version.

Then there’s, what great business is nobody doing or what important research are people not working on. We’ve somehow become very egalitarian, very incrementalist where we take our cues from other people around us and we take what is possible, what other people are already doing, and so that’s where you sort of end up going in circles. One of the strange things in Silicon Valley is that so many of these successful entrepreneurs suffer from a mild form of Asperger’s or something like that, and I always think of this as an incredible indictment of our society.
What sort of society is it where, if you don’t have Asperger’s, you will pick up on all these subtle social cues that will discourage you from pursuing creative original ideas, that will tell you not to do it. I think we have the ideas, we have the ability to do them, and we can’t let ourselves be discouraged by the conventional system which tells us not to pursue things.

*James Altucher:* It’s really funny because there’s almost an evolutionary psychology component to this, which is that we think incrementally because we’re concerned all the time about status.

So you’re not necessarily concerned about your status vis-à-vis the alpha male. You’re concerned about your status vis-à-vis the person who’s directly higher than you. You just want to make incremental improvements until you’re directly higher than them. Whereas someone with an Asperger’s-like quality, their chances are they’re gonna be out of the whole chain and they’re not gonna have descendants.

A million years ago, these evolutionary characteristics we inherit now in terms of our ability to invent. Look at a lot of the people, even not just now, but 100 years ago, people inventing things were totally, you know, outside the norm of conventional society.

*Peter Thiel:* Yes, and certainly, the archaic context was one where you’re going to get say 150 people in a tribe
and so there’s sort of certain ways in which you’d be conformists, certain ways you’d deviate that make sense within 150 people, and we’re now dealing in a global society of 7 billion where maybe the conformity of what the other millions of people or billions of people are doing is just overwhelming.

I think maybe the calibration is very different. I think the communications revolution on the whole is a good thing. I think connecting the world is a good thing, but I wonder whether it has had this effect of discouraging people too quickly because you quickly get feedback. Someone else has already worked on this, someone may have already thought about this, and when you get that feedback, you stop trying.

We’re in a world full of anti-theories, of theories that tell you why you can’t do things, and so I think a lot of potentially good ideas get shot down a little bit too quickly.

*James Altucher:* Well, I love one of your first rules where you’re describing the opposite of what the conventional rules are. You have four rules that are the opposite of the conventional rules, and one is where people should be encouraged for a monopoly and have a proprietary technology.

You have what you call the 10X rule, or what I call the 10X rule, which you basically say a company should start when they have a technology that’s ten
times better than their, let’s say, their closest competitor. So this way they’re so far ahead it’s almost like a monopoly. I think that’s a very powerful way to look at it.

Peter Thiel: Just in any meaningful dimension, certainly there’s a technological dimension. You could say Amazon started with more than ten times as many books as the next largest bookstore, so that made it very differentiated and very unique. And, of course, when you have a real technological breakthrough, then you just have something that didn’t exist at all, so you can say the Apple iPhone was a smartphone that worked. Before that there’d been no smartphone that worked. In some sense, that was infinitely better than what existed before if you define it that way.

James Altucher: I wonder if that applies also, not just to companies, but to anything. If you write a book, make sure it’s ten times better than the other books in your category, or if you make a work of art, is Andy Warhol ten times better than the artists that came before him and that’s why he blew up so big. I wonder if that 10X rule could be applied to anything.

Peter Thiel: I like to apply it in context where you can at least have an access on which you can measure things. I think it’s difficult to measure what makes art ten times as good or a book ten times as good, and so in something like art or writing, it’s always a bit more qualitative, but yes, I think the qualitative
version of the question is nevertheless important as how is this differentiated in a way that’s positive, what are you saying that other people are not saying, and if you’re not saying something that’s meaningfully different from what other people are saying, maybe there’s not that much point to it.

*James Altucher:* I really do think in the beginning of your book, what was so interesting to me was the way you pose the monopoly versus competition question.

We’re brought up to think that monopolies are not so good for society, and you come up with a really great argument that monopolies are essential for innovation because, in a sense, a monopoly is kind of storing up innovation for competition in the future, and so that’s why you encourage people when they’re starting a business. Obviously you can’t be a monopoly over the entire United States, but find your small market where you can be a monopoly, and I think that’s a very powerful concept.

*Peter Thiel:* There’s several different concepts. I think one concept is certainly that if you’re in a world of perfect competition, you will never make any profits on what you’re doing, and so the key thing when you start a new technology business is to create something that has value to other people and then to capture some fraction of the value you create. You create $X in value, you capture Y percent of X, and X and Y are independent variables.
One of the disturbing things in science and technology is that in many cases, people have created incredibly valuable things for society, but they can capture no more than zero percent of it. This is true with a lot of science, a lot of basic science.

*James Altucher:* Like biotech.

*Peter Thiel:* The Wright brothers came up with the first airplane, but they didn’t make a fortune in air travel. Most inventors find it very hard to capture any fraction of the value, you really need to think about both how do you create something valuable and then how can you go about capturing some fraction of the value you create?

Our legal system is very schizophrenic on this question of monopoly. On the one hand, it’s seen as something bad that’s to be regulated, and then in other instances such as with patents or intellectual property, it’s something we actually celebrate and protect.

I think for great technology companies it’s the same idea as behind a patent or intellectual property where you’re doing something new and so it’s not – monopoly’s not artificial scarcity, but it creates something new and, therefore, creates plenty where nothing had existed before.
James Altucher: Do you think part of the sort of stance on monopoly and competition comes from the Puritan ethic that in order to get some value for ourselves, we need to compete in order to justify our reward?

Peter Thiel: I don’t know if it’s narrowly Puritan. I think that the word, already in the time of Shakespeare, the word ape meant both primate and to imitate, and so there is something very deep in the human – and, you know, this is how we learn language, we learn culture by copying our parents, the people around us, and so imitation is sort of very endemic to the human condition, and I think that competition always involves a lot of imitation because the people you’re competing with are people where you’re imitating them. They want the same thing, you’re trying to do the same thing as they’re doing, and so I do think that this tendency toward imitation is very, very deep, and that’s one of the reasons people are so attracted to competition. They find it strangely validating.

You know, you don’t know what you want. You look to what other people want, you copy what they want, everybody ends up copying everybody else, and this is how you end up with the hyper-tracked education system where it’s the most ferocious competition from K through 12 for all the same slots at the same few elite universities later, and that’s sort of a paradigm of runaway competition.
James Altucher: Yeah, it’s interesting because ultimately – look at you. You went to Stanford, then you went to law school and then you didn’t become a lawyer. Why compete against the billion other lawyers out there?

Peter Thiel: I always like to say that I had sort of a rolling quarter-life crisis from age 18 to 28 where I had been tracked in all these ways and I gradually came to believe that the tracks were not the right things to do and probably the really cathartic moment was when I worked at a large law firm in New York where, from the outside, everybody wanted to get in because it was seen as this prestigious job, you’d be set for life. And on the inside, everybody wanted to get out but people had no idea what else to do.

When I left after seven months and three days, one of the people down the hall told me that he couldn’t believe I was leaving. He didn’t realize it was possible to escape from Alcatraz, which was odd since you only had to go out the front door, but psychologically, people could not imagine anything else because so much of their meaning, of their identity, was defined around competing with other people.

James Altucher: And were you scared when you walked out that door that last time?

Peter Thiel: I was – you know it certainly was the right thing to do, but as I came in the office that day, it was like,
am I out of my mind to be doing this? Nobody
quits their job this quickly. What will people think?

*James Altucher:* Were your parents upset at you?

*Peter Thiel:* My parents realized that I was very unhappy and so
they were confused but they weren’t that upset. I
think in most cases, you’d be encouraged to
continue doing this in all sorts of ways that are
probably questionable, and I think if take this as a
microcosm for our society at large,

I think the crisis of 2008 can be understood as a
point where tracked careers simply copying existing
forms had somehow become exhausted. It had
sort of run its course and we’re now in this very
perplexing time in our society where there’s a need
for a reset, there’s a need to do something new,
and we’ve not done this for, I think, 40 years in a
way.

I think it’s been this increasingly tracked,
increasingly static society for 40 years, so the need
to do something new is very perplexing, very
strange, there’s a way in which people try to do this
in Silicon Valley, there are ways in which they’re
trying to do it in other contexts, but it is radically
divergent from the way people have been taught
as kids, through college and so it’s very
schizophrenic on this. We celebrate
entrepreneurship in theory, but in practice, it’s not
something people really want to do.
James Altucher: You make this very interesting thought in the book that all these businessmen quote Sun Tzu the art of war all the time, but the reason they’re really doing it is because of competition, but that’s not real business. It’s the competition that’s like war and business is almost more cooperative in some sense.

One of the things that was really great about your career are the arcs of all the people around you. You started PayPal and then all of these ex-employees of PayPal went on to form other companies, and so what kind of characteristics of PayPal lead to this PayPal mafia?

Peter Thiel: Well, it’s always hard to know exactly what was in the DNA. PayPal was probably the single company in Silicon Valley that produced the most entrepreneurs, the most startups, with the possible exception of Fairchild Semiconductor itself, which was sort of from which all the other great semiconductors came out and the companies came out in the late-’60s and ’70s, most notably Intel. There have been something like seven companies started by ex-PayPal people worth over $1 billion.

James Altucher: Which ones?

Peter Thiel: YouTube, Yelp, LinkedIn, Tesla, SpaceX, Palantir and Yammer. YouTube was the first one to really succeed and then there’s been a whole series of them.
And I think we had a very we had a lot of strong personalities. We found a way for it to work. I think the learning at PayPal was that it was a tough business to build. We had a lot of competition, a lot of regulatory challenges, but we sort of figured out ways to overcome them, and so the lesson at PayPal was that you could build a great company. It was hard, it was not easy, it was not impossible.

I think that when people come out of super successful companies like a Google or a Microsoft, they’ve often experienced business as too easy, and then they’re set up to fail, whereas if you come out of a company that’s completely blown up and failed, you often learn to set your sights lower and your expectations lower.

I think failure is also somewhat overrated in our society because it actually does damage people, so I think PayPal was this intermediate case where people learned that it was hard but possible to build a great business. And then a lot of great friendships were forged and these were the bases for starting these new companies.

One of the questions I always like asking people when they come in to start a business is what was the prehistory. How did they meet? How long have they known each other? How long have they worked together? Because I think a lot of these great companies are not just solo efforts of a single God-like person who does everything, but they are small teams that really work together well, and so
The prehistory is important. You know, if you met your cofounder, if you get married to someone you meet at the slot machines in Las Vegas, you might hit the jackpot, but it’s probably a bad idea. These things work often better when there’s a reasonably long prehistory, you were roommates in college, you spent years, talked about how to build a company, you know each other’s strengths and weaknesses, you understand the proper division of labor when you’re starting the business, you’re able to speak to one another honestly about what’s going on, and I think PayPal provided that sort of a prehistory for all the people who went on to start these companies.

James Altucher: And you point out for employees and for cofounders everyone should know what they’re doing. It should be clearly defined what is your one thing that you’re in charge of, and I think a lot of startups don’t have that and it gets very ugly fast.

Peter Thiel: The way I describe this is if you’re a psychopathic boss and you’d like the people working for you to fight each other for nothing at all, the formula for getting people to fight each other is to tell two people to do the exact same thing. And so I do think you get maximal cooperation when people’s roles are defined in very differentiated ways so that people don’t see their success as contingent on someone else’s failure. You will succeed if you do your job, someone else will succeed if they do their job, and their job is different from your job, so you can both succeed and it’s not negatively correlated.
from one person to the other.

In a startup, it is true that the roles are very fluid, and so there is a tendency for the rules to change. There’s always a risk that they shift in ways where they tend to overlap more, and so one of the critical things one needs to do as a founder or manager in an early-stage startup is to continuously readjust the org chart, continuously redefine people’s roles so that they remain differentiated all the way through. In large companies, the roles are normally differentiated, but it’s normally just a sort of chronic bureaucracy where there’s always sort of this low-level unhappiness that’s endemic to the organization.

Startups tend to be sort of much more acute and manic, and the ups are very high, the lows are very low, and you need to makes sure that at the low points you don’t have everybody – that it doesn’t blow up like it might in a primitive archaic tribe.

*James Altucher:* You mentioned in the book you’re also hiring people you like and you wanna spend time with, so to some extent, there’s a family or friend component to recruiting that happens in a startup that doesn’t happen in a large corporation.

*Peter Thiel:* Yes. I’m in favor of working with your friends. I know a lot of people think that’s a bad idea, but I do think it’s critical. It’s an intense period and so it matters a lot who you’re with, who you’re working with, and you want the people to be fundamentally
aligned and on the same page, and hopefully you can structure it in a way where people will be even better friends at the end than they were at the beginning.

*James Altucher:* And of course, this is where startups mirror kind of the outside world of startups. You should always spend time with people who are your friends as opposed to people you don’t like. It’s funny how big corporations forget this idea, and I think that’s why, as you say, it’s endemic to corporations that people are kind of unhappy in general at larger corporations because they forget that people just like to spend time with people they legitimately like.

*Peter Thiel:* One of the rules I was told once, one of the observations was that you could predict employee turnover. If someone had three really good friends at a company, they would almost never leave. If they had no good friends, much more likely to turnover, so I think one of the highest predictors of losing talented people is whether or not they have great friends.

I don’t think you need to just hire people you’re friends with or anything like that, but I think hiring people that you’d like to become friends with or could become friends with is certainly a good question to ask.

*James Altucher:* So let me ask you this. When Mark Zuckerberg first walked through your door with the
idea of Facebook, and Facebook was obviously a small company at the time, he was a Harvard student, what did you see? What lit up your eyes?

*Peter Thiel:* Well, it was already scaling pretty fast. They were already at 20 colleges, they had 100,000 people. All they needed was money to buy more computers to get to more users, so it’s generally a rule that, when all you need is computers, you need the money just for computers because you have so much demand, that’s a pretty good investment.

It was certainly a group of people that had been friends at Harvard for quite a while, so you did have that part of the prehistory. It was technically talented, which is not true of a lot of the social networking sites of the time, and so they succeeded in building it in a way that was scalable, which had been a problem with some of the earlier companies like Friendster and

*James Altucher:* And MySpace.

*Peter Thiel:* There were sort of a number of different things that checked out. As an investor, I always like to ask the contrarian question. So the contrarian question for investors... this is a great company why do other people not see this?

Certainly Facebook was a great company since it was growing like crazy, the valuation was reasonable and they only needed money to buy more computers because there was so much
demand. I think people were missing it in the 2004-2006 period.

One of the biases investors have is always to just invest in things they themselves use. And so since Facebook, at the time, was a college site and basically no investors were attending college, it was systematically underestimated in how intense the use case was. It was not appreciated by investors, probably really until 2007 when Facebook was opened beyond college students to the larger public.

*James Altucher:* And did Zuckerberg already have a plan in place? Like, he knew eventually he was gonna extend this to businesses and then to everybody?

*Peter Thiel:* I wouldn’t say it was fully worked out in all detail, but there was certainly this extremely expansive plan from very early on, and people always talk about these companies like it was random, it was unpredictable, we had no idea what happened. That’s the politically correct way to talk about it, but I do think there was sort of a sense all the way through that Facebook was the potential to be this incredibly big and incredibly important medium.

The most critical decision, I believe, still in the history of Facebook was in July of 2006 when Yahoo! offered us $1 billion. At the time, the company had maybe still just college students. We had maybe $35 million in revenues, $40 million in revenues in ’06, and no profits. We had this Board
meeting on a Monday morning. There were three of us on the Board – myself, Jim Breyer, another investor, and Mark Zuckerberg – and both Jim and I probably thought we should just take the $1 billion, to be fair.

Zuckerberg was 22 years old at the time and he owned a quarter of the company. He started the meeting by saying, you know, this is gonna be a ten-minute meeting. We’re obviously just gonna turn it down. You know, the two of us then said, “Well, we should actually talk about this a little bit more. You know, $1 billion is a lot of money. If you make $250 million, there’s a lot you can do with the money. There’s a lot -”

James Altucher: At the age of 22.

Peter Thiel: At the age of 22. There’s a lot you can do with the money. You can invest it, you can do other things, there’s a lot that can go wrong with this company.

Zuckerberg said, “Well, I don’t really know what I’d do with the money. I’d probably just start another social networking site, but I kinda like the one I have, so why would I sell it?”

And you know, at the end of the day, he convinced us that there were a whole set of products that he wanted to build which were not being valued in the market and that we should at least try to build those. And so had he not had this plan or this vision for the future, he would have just taken the money.
You know, money is pure optionality and money is always – in a world where you have no ideas, money is always more valuable than anything you can do with it and you’ll always take the money.

*James Altucher:* I see. But you’re saying his ideas were enough to convince you that, hey, at the very least, I’m gonna be higher than a billion here at some point.

*Peter Thiel:* Or it’s at least not a no-brainer. We should give it another six months, see how it goes, and I think if you don’t have that conviction about the future, you will always sell when you get offered that $1 billion. Sometimes it’s right to sell, sometimes it’s wrong, but certainly the feedback at the time, again this part of the history gets obscured, but in 2006, when we did not sell to Yahoo!, it was uniformly negative. It was, this is really crazy, this is what happens when you have a 22-year-old running a company, we’re looking forward to this company blowing up, it will serve him right. We had articles seething with resentment.

*James Altucher:* The articles still are seething with resentment. It’s funny how, like, outrage porn sort of grows with the Internet

Because you sold PayPal to eBay for $1.5 billion. You made about $55 or $60 million on that, and then if you had sold Facebook to Yahoo! at that time, you would have made $100 million, so more than you would have made on the PayPal deal.
How were you personally feeling? Were you scared that this was a risk you weren't willing to take?

*Peter Thiel:* I was somewhat scared, but, I had this bias that we had named our venture fund Founders Fund. We decided that we were going to back founders in what they wanted to do, and I thought that maybe at the end of the day, the right thing was to try to back the founder.

You know, the statistical way I got some reassurance on it was there had been two other companies that had turned down $1 billion offers from Yahoo! in the previous decade. EBay had been offered a billion and had turned Yahoo! down and Google had been offered $1 billion and had turned Yahoo! down. Those were the only two that had turned it down for a billion, and so in both cases, those seemed like really dangerous decisions. They worked out, and so I concluded that probably the upside was a lot more than the downside risk, given that history.

*James Altucher:* And also, again, in hindsight, of course, is great, but in your book, I like how you lay out very cleanly, proprietary technology, network effect, economies of scale and branding. And it seems like Facebook had all of those at the time, and, I’m assuming Mark Zuckerberg’s ideas for the future had all of those, so it made the decision easy using kind of these metrics.
**Peter Thiel:** Yes, but you don’t need all four of those. I think if you have one of those, you can have a great business. Branding alone is always a difficult one. It’s a real thing. It’s something I don’t claim to understand, so I don’t like investing in companies that are nothing but a brand, even though sometimes those things do work, but I think the ones I tend to focus on are network effects, proprietary technology or economies of scale, and certainly I like proprietary technology the most because that sort of is the kind of thing you can really understand from a science or technology perspective.

**James Altucher:** Let’s talk about the network effect for a second because this seems, in some sense, the most difficult because even if you have a great technology, people don’t really know if something’s gonna go viral or not until after it’s gone viral.

**Peter Thiel:** Yes. So I think network effects and virality are a little bit different. Virality’s a growth mechanism where customers just bring in more customers. Network effects are where the value is driven by the fact that you have a number of other people inside the network at a given time. Network effect businesses are extremely valuable. The paradox is that they’re very hard to start because, if you have something where you have a network, there’s always a question why is it valuable to the first person.
You know, if it’s really valuable once you have 1 million people, how would you ever get the first person, the first ten, the first hundred and get to a million? And so a lot of great network effect businesses end up starting with a new kind of service that can emerge in a fairly small context. So Facebook, the initial market was Harvard University. It was 10,000 people and you went from zero to 60 percent market share in ten days, and then you had a network among just that tiny community, and so you started really small and then you replicated at other colleges and then gradually expanded from there. And because a lot of these network effects start very small, they’re not the kinds of businesses people with MBAs are inclined to try because they look too small at the beginning to be any good.

And so if you go for a super big network effect on Day 1, you’ll never get it started because you can never get the critical mass of all the people onboard. If you go for one that’s really small, that’s what actually works, although it doesn’t fit sort of a conventional business metrics. If you pitched Facebook pre-launch, it would have been, well, it’s just for Harvard students. This is way too small. It’s never gonna be a real business, and so they often get started by people who are really inspired by certain ideas rather than ones who are financially driven or wanna make a lot of money.

*James Altucher:* That’s interesting because you could say Facebook had as this umbrella this bigger vision of let’s connect everybody via identity. It’s almost like
Facebook replaced personal web pages with people’s Facebook pages, and in a similar way, you created the network effect with PayPal using, I think, two ideas. One is this vision that transactions can happen online, through e-mail but the other issue is you simply paid $10.00 to everybody who joined.

Peter Thiel: Well, certainly the PayPal version of this was that we had to sort of accelerate the growth We’d pay $10.00 for everybody who signed up, but then it turned out there was this network effect among power sellers and power buyers on eBay, which in late-’99, early-2000 was still a tiny group. You know, there were maybe 20,000 major sellers. You could get to 25, 30 percent market sure in three or four months.

If you’re trying to create a monopoly, you can define a monopoly as having a large market share, and so how do you get a large market share as a startup? Because every start up necessarily starts very small.

The answer is that you have to start with a small market. Facebook started with Harvard. PayPal started with eBay power sellers. These are, themselves, quite small markets. Amazon started with books, not that big a market either, and then ideally you can build the market out in concentric circles. When I see a PowerPoint presentation in a pitch where it starts with this is a market that’s measured in hundreds of billions or trillions of
dollars, that’s very bad because it means you will never get to a large share of the market. You will always be this tiny fish in this vast ocean.

I think there was a lot that went wrong with clean technology in the last decade, but from a business strategy perspective, one thing that went wrong with almost all the companies was the markets were way too big. Every PowerPoint, every clean tech presentation was the opposite of Facebook. It started with a market that was enormously big and we’re a fraction of a fraction of a fraction of this pie, and you ended up just having enormous unpredictable competition that wiped you out.

*James Altucher:* I always call this the Chinese refrigerator rule. Somebody comes in and pitches and says, look, we’ve got this brand new kind of refrigerator and if just 1 percent of China buys it, we’re gonna be billionaires, and I’ve never seen anyone succeed with that kind of argument.

*Peter Thiel:* Yeah, because if 1 percent of china buys it, there will be 99 other Chinese companies for the other 99 percent of China, and they will drive the marginal – you know, the marginal profit to zero.

*James Altucher:* What about something like Uber. They start in San Francisco, so it’s a small market where they’re going to try to get large market share, but you can look at regionally, other companies could start up in different regions. How do you deal with a pitch like that?
Peter Thiel: Uber’s a complicated case. It’s certainly one that we missed. My bias is always not to invest in companies that venture capitalists themselves are prone to use, and so I suspect that the venture capitalists are overvaluing Uber and undervaluing something like Airbnb because Uber is sort of a town car service. Airbnb is still largely a cheap way to stay in a hotel, and so the investor class is likely to overvalue Uber, undervalue something like Airbnb.

But, yeah, Uber’s a complicated one to analyze on this, but it certainly has some elements of this monopoly business in place, and I think it’s fully priced into the market at this point.

James Altucher: Yeah, I think the last valuation on the private transactions was about $19 billion, so it’s pretty high.

Peter Thiel: Yeah, again, I don’t think that number itself tells you that it’s overvalued or undervalued. I and you know people often know the bigger the numbers are, sometimes the more undervalued it is because people will react and say the number’s so big, that’s ridiculous, it was only this much – so much more than it was a year earlier, and so you have to be careful not to base it off the actual valuation, but I think it is the kind of business that venture capitalists and other investors understand a little bit too well for my comfort.
James Altucher: You know, which is related to the discussion of bubbles, and you talk about it a little in the book, in the late-‘90s, PayPal was starting up and you also had the sense that there’s a bubble that’s starting to happen.

I would argue there was never a tech bubble, but it was just a financial bubble. We had, an IPO bubble in late-1999, early-2000, but the tech bubble itself sort of came true. Amazon did become the biggest seller on the planet. Google did become the biggest search engine.

Peter Thiel: The internet as a whole certainly grew, largely in line with the predictions of the late-‘90s.

James Altucher: Right, so it seems like when everybody started saying bubble. The housing bubble occurred – the phrase housing bubble occurred several years before there was actual a financial bubble and all these kind of mortgage-backed obligations. So it seems like you can take advantage of when people start throwing the word bubble around.

Peter Thiel: I would say that I do think we’ve had this very strange history of these different bubbles over recent decades. They were centered on different things, different times. It was centered on the new economy in the ’90s, it was centered on finance, housing in the 2000s. I think we have – today a government bubble that’s centered on negative real interest rates. It’s very odd because it probably
means the things that were at the core of the bubbles, you had to be careful about.

You had to be careful about tech in the ‘90s. You’ve going to be very careful about housing in the last decade. And perhaps you should not be keeping your retirement savings in government bonds at this point because that seems like it’s the center of the current one.

I do not think we have a bubble in technology today. I think the bubbles required the involvement of the larger public that you’re quite right, they went on longer than people thought. People were talking about a tech bubble already in ‘97, ‘98. It went on for much longer than that, but I think there’s no tech bubble today. There are not nearly enough IPOs. The public is much less involved in this than it was in the ‘90s, but it is certainly this – you know, it’s this phenomenon where, when people substitute other people’s thinking for their own, that’s when I think you’ve got a dangerous bubble, and so housing had that characteristic in the middle of the last decade, and there are probably other forms of it today. I do think it’s been sort of the great macroeconomic truth of our era has been these strange series of bubbles and busts that it’s important to try – it’s been important to try to avoid.

*James Altucher:* But probably the opportunity there is this boom and bust cycle that has made people more and more risk-averse, going against your idea of
let’s create something different, something that’s like a monopoly versus something that’s just an incremental improvement that’s a little safer.

*Peter Thiel:* Well, certainly with respect to the internet and computer technology. There’s a case to be made that we are still suffering a hangover from the ‘90s and that after the collapse of the dot-com boom or bubble, since 2002, we’ve had a 12-year-long boom in technology and people have not believed it all the way through, and so I do think that in the aftermath of these things probably the great internet investments have all been made in the last decade. They were not in the ‘90s. They’ve been in the 2002 and on period.

*James Altucher:* And so it sort of leads to two questions. You mentioned that we’re probably in a government bubble. Where would you put your retirement money at this point?

*Peter Thiel:* It’s quite hard to say what to do. I suspect that, like the last bubble, this one still has a ways to run, so probably still has a few more years to go, and you know, I think the tag word, it’s a more pessimistic bubble. The one in the ‘90s was the new economy. The 2000s was the great moderation. The 2010s is secular stagnation, which, as Larry Summers has somewhat disingenuously explained to people, means you’ll have negative real rates forever and paradoxically becomes a reason for the stock market to go relentlessly higher. And so I think we’ve just started talking about the secular
stagnation theme, which is the sort of strangely pessimistic way the current bubble is getting dressed up, and I think you’re right. It will go on for a ways longer. Probably equity markets will outperform fixed income, and I think the strange ending of this bubble will be that it will be the one where you should not be in fixed income. In every bear market in the U.S. in the last 35 years, the correct thing has been be long fixed income. Shorting stocks is always hard. Going long fixed income has been much easier. And I think at the end of the current bull market, you do not want to be in fixed income, and so you want to be in other things.

The way I frame it is that the two big trends that I see in this decade are a war on cash and a war on credit. The war on cash involves these negative interest rates, zero percent nominal rates, negative real rates, quantitative easing, all the central banks printing money.

The war on credit involves not allowing the banks to lend all this money out that’s being printed, tightened regulations. The war on cash and the war on credit, to first approximation, cancel each other out. So the government’s printing a lot of money and it’s prohibiting the banks from lending it out. But the nuanced thing is I think you wanna be far from cash and far from credit because that’s what war has been declared on.
I think the war will go on for a long time. And that’s why I like venture capital. I don’t know if it’s an asset class for everybody, but personally I have probably 80 percent of my net worth in venture capital startups, things of that sort, because it’s very far from cash and it’s very far from credit. It’s not levered and it’s not cash-like.

*James Altucher:* Maybe you could argue even though there hasn’t been a lot of IPOs, tech definitely is gonna ride further in the next decade, some biotech possibly, so you know, perhaps that’s a way to fight the war on cash.

*Peter Thiel:* Yeah, so I like companies that are extremely opaque and not measurable at this point. So you know, unlevered companies are ones where you have no idea what’s going on, and biotech is probably the most unlevered sector, and so we’re in a world where people probably overvalue things they can measure very precisely, and the things that are hard to measure have been undervalued and they have outperformed for some time. Google’s outperformed Amazon. It’s a strange company, but it certainly has outperformed, in large part because people said they had no idea what its value was and, therefore, they systematically underestimated it for quite a while now.

*James Altucher:* So it’s interesting, you know, in the beginning of the interview, you mentioned today you were looking at comparing notes on a financial
technology related to the payday loan industry, and the payday loan industry, of course, fights that war against lending. It’s this massive kind of alternative banking industry that maybe a third of America makes use of because of the difficulties in traditional banking. Do you find yourself looking at alternative banking systems?

*Peter Thiel:* Yeah, we’re looking. I think it’s an interesting area to look at with one big caveat that it is a sector where you’re fighting this regulatory headwind, and that’s something one should not underestimate. It’s especially problematic for startups because regulations are always disproportionately tough on smaller companies, and so I think you have an industry that’s static, that needs to be rethought in one way or another. At the same time, it’s also an issue that’s getting regulated more and more, so it’s an area we’re looking at but we’re still fairly cautious about.

*James Altucher:* What about with biotech? I liked in your book you mention the opposite of Moore’s law, which is ___ law where drugs approved for $1 billion goes in half every nine years since 1950. So biotech, even though it’s sort of hard to understand, there’s this kind of negative government regulation aspect that is driving up the cost of drugs approved.

*Peter Thiel:* Yes. So certainly biotech’s been in a bad zone, I would argue, for 20 years. I think there was a boom in it in the ‘80s and early-‘90s, but it’s probably been a 20-year-long period of
underperformance. I’m always interested in it just from a contrarian perspective because it’s even more out of fashion now than, say, clean tech is, which I think is also actually worth looking since it’s crashed probably 90 to 95 percent from the highs in ’08, and biotech is even more out of fashion, than clean tech in 2014.

It’s the regulatory story that I think is worth thinking through is are we at a point where the FDA is going to have to be less tight because we’ve been in a world where the FDA has had an iron grip, not just on drugs in the U.S., but really worldwide because you’ve had this worldwide deference to the FDA, but all sorts of other countries. So it’s always this odd thing where the U.S. is just 23 percent of world GDP, but yet the U.S. FDA has somehow been the gating agency for drug approval worldwide, and there is, I think, this question whether we are gonna see some real alternative markets created in China, maybe with medical devices in India.

We start to see medical tourism, is there gonna be more regulatory arbitrage in this, and will the mere prospect of regulatory arbitrage push the FDA to be less restrictive. And so even though you’re dealing with incredibly tough regulations in the biotech space, the bullish case is that I don’t think they can get much worse. I think you want to look at not the absolute level of the regulations, but it’s the first derivative. Are they getting worse? Are they getting better? We have regulatory headwinds in finance. In biotech, I think it can’t get
any worse, and I think that there is a case that it may get better, although it may take a while.

*James Altucher:* Yeah, and also the aging population would suggest that ultimately FDA has to approve more drugs. People are going to demand it.

*Peter Thiel:* That’s what would happen in a rational society. Of course, the worry would be that an aging population becomes even more risk-averse, even more scared, even more willing to allow regulators to do stupid things.

*James Altucher:* Now – so in the book, one chapter that I really liked was titled “Secrets,” and it’s sorta like this idea that there are things that are completely unknown and that are kind of secrets to us as a society, but the individuals who uncover those secrets will be able to build monopolies around the businesses they start, based on what they discover. So this kind of veers in a different direction but, you approach this again from a societal standpoint, but what individual characteristics can someone develop now to help them basically be able to uncover secrets?

*Peter Thiel:* Well, I think part of it is just to have a passion for certain ideas. If there’s a set of things you are really interested in thinking about you keep working at it, and I think the larger point I’d like to make in this chapter is just that there are a lotta secrets that exist, so there are a lotta things we could figure out if we worked at it. It’s not that there’s this self-
fulfilling part of this where, if you believe that there are secrets to find, then you will work at them and you will be someone to find them. If you do not believe there are any secrets, you think everything’s been discovered or is impossibly hard for you to figure out, then you won’t figure things out. So I think there’s a big self-fulfilling prophecy aspect to this.

The example I give in my book is of the Wiles, Princeton mathematician who proved Fermat’s Last Theorem. He spent close to a decade working on this, but he believed he could prove it, and that motivated him to work on it and to ultimately prove it. It’s hard to know ex-ante whether it’s possible or not, but if you didn’t think it was possible – if you didn’t think it was possible for you to discover something new, then you would never be the person to discover that new thing.

James Altucher: Right. So let’s say that’s Step 1 for instance, I believe I can be an Olympic-level javelin thrower. I’m gonna start working –

Peter Thiel: I don’t like that example because that’s too conventional, and we could probably measure your abilities and we could figure out within 30 seconds whether it’s even within the ballpark, but sure –

James Altucher: Which it’s not, by the way.

Peter Thiel: Sorry?
James Altucher: Which it’s not, by the way. I can’t be, but I’m just giving as an example because, take the Princeton example with Fermat’s Theorem. He clearly knew what direction he should work in to solve this secret, or he had an idea, a rough idea. How could people cultivate within themselves the ability to even work beyond this step? Let’s say they’re optimistic and they believe they can uncover secrets or they buy into the idea that there are secrets to be uncovered. How can they still cultivate these personality characteristics to work further at it?

Peter Thiel: Well, I think the starting point is that one is extremely passionate about some set of ideas or some approach to doing things, and it’s best for it to be something where you have a lot of very talented people working on it already. This may be more difficult, so I do think it’s probably hard to discover secrets in super theory unless you were, again, a first-rate mathematician or physicist. But I think most fields are not like physics. They’re not like mathematics. They’re actually ones where the frontier is relatively nearby and it requires you to really approach a problem in a slightly different way, and you know, one shortcut that I’ve often used is to look at what are things that are conventionally believed, what are things where everyone’s focused on approaching a problem in a certain way?

And so, you know I think it would be an incredibly important problem to work on is finding a cure for
Alzheimer’s, and there’s a conventional approach that I suspect is way over-explored, which is around beta-amyloids for these plaques that build up and they seem to be a marker. It’s not at all clear they’re causally connected, and there are many other approaches that do not involve that, and so, as a starting point, if one were working on this problem, you’d try to look at something where, for some reason, people had not explored it and that was promising, and if it’s something that’s conventionally explored, that everyone says is the way to go, that’s probably very crowded. That’s not a very promising one to look at.

*James Altucher:* It seems like, in your career, what you’ve done a lot is combine areas. So for instance, like take PayPal as an example, e-mail was a kind of well-covered area, but then the idea of doing transactions online was still very scary on the internet, and by combining them, you were able to develop a whole new industry.

*Peter Thiel:* Yeah. I certainly think anything interdisciplinary in our society is quite underrated. I’ve talked at length about the education bubble and sort of a high-critical of a lot of what’s been going on with the universities in our society, much like I believe you are, but I think one of the things that’s very perverse about the current university system is that it pushes people towards arcane specialization, and anything interdisciplinary is seen as very bad.
I think people avoid interdisciplinary fields in college because they end up stepping on lots of people’s toes, so it’s always seen as politically dangerous, but I think a lot of the interesting ideas will come from the intersection of computer science and biology. This will be the next revolution in genomics, or the intersection of computer science and transportation and this will be companies like Uber or Lyft or maybe the self-driving car. And so I think these sorts of intersection fields, these interdisciplinary fields, are extremely fruitful areas to explore.

*James Altucher*  
It’s interesting too with Uber. It’s not just that it’s a car service, but it’s a logistics software where you have this labor force and then, on the other side, you have a demand for this labor force. So right now they use it for cars, but they could also use it for doing your laundry or whatever.

*Peter Thiel:*  
Yeah, it’s a complex logistics problem and then applied, at least initially to this very specific building a two-sided market of both drivers and passengers on a city-by-city basis.

*James Altucher:*  
So, Peter, I have two final questions, and I also wanna kind of again tell you what I think of the books, but the – one final question is, obviously in this show Silicon Valley, the Peter Gregory character is nothing like you but is clearly based on you, particularly his anti-college stance and so on. What did you think of that when you first saw his character on the show?
Peter Thiel: Well, I actually think on the whole it’s actually kind of flattering and –

James Altucher: Did they ask you?

Peter Thiel: They didn’t ever ask. They never asked, of course not. You know, the claim is that it has no connection with me, so of course they wouldn’t ask, but no, I actually think the show was very well-written, it was funny. I don’t think it was that hostile to Silicon Valley, and I think it certainly gets interpreted at this time as quite positive.

You know, the Social Network movie was much more negative in intent, but even that got seen as a positive, inspiring movie. It was intended to make Mark Zuckerberg look bad, but when people in Silicon Valley watched it, they saw, wow, it’s impressive how hard Zuckerberg worked, how passionate he was, and that’s really inspiring.

And so I think we are in this cultural moment where all these things about Silicon Valley will be given a very positive valence, and I think Silicon Valley show is generally positive. Social Network was meant to be negative, but it’s like the Oliver Stone movie, Wall Street, which he meant as an attack on Wall Street but it actually inspired all the investment bankers in the ’80s.

James Altucher: Right, right. That’s very true, actually. A lot of people sort of looked up to Gordon Gecko
despite the fact that he was a clear criminal by the end of the movie.

*Peter Thiel:* They should end the movie five minutes before the end, when everyone was celebrating before they went to jail. And Oliver Stone said he’d wanted to make it an anti-Wall Street movie, but people thought Wall Street was a good thing in the ‘80s and ‘90s and so they interpreted it positively. I think we’re at a point in time in history where people are looking at Silicon Valley in that sort of way, and so I think all these cultural representations are – tend to get interpreted in a really positive way.

*James Altucher:* So the other question I have is, you and I are both ranked similar in chess. You’re a chess master, we’re around the same age. I know what it takes to get to that rating in chess. There was a lot of work involved when you were younger. How do you think that translated into your later success?

*Peter Thiel:* You know, it’s always hard to know exactly how it translates. I mean, I think chess is always a little bit of this unique combination of art and a science and a sport, some sort of weird intersection of those three things. I do think it – there are sort of chess metaphors I like. There’s the Capablanca metaphor that, you must begin by studying the end game. You want to think about where you’re going in business. You know, whoever moves – it’s the first mover in chess is white, and white gives you about a one-third of a pawn advantage, so you have a tiny edge by moving white, by going first, but the last
mover, the person who says checkmate, that’s really decisive, and so I think in business, as in chess, you wanna think about being the first mover is a tactic, being the last mover is the goal, and that’s a worthwhile thing to think about.

So I think there are all these ways that it carries over, I do think that it’s an incredibly beautiful game and I worry that it has – its cultural valence has gone down some as a result of computers getting better than people – with people who were beating Kasparov back in 1997 is sort of a key turning point, but I still really enjoy playing occasionally.

James Altucher: Yeah. No, I tend to play online probably at least ten games a day. It’s an addiction.

Peter Thiel: I’m addicted to the Internet Chess Club, yeah.


Peter Thiel: Wow. It’s probably one of my biggest addictions.

James Altucher: Yeah, I’m a little bit – I’m your drug dealer. So, Peter Thiel, you wrote Zero to One: Notes on Startups or How to Build a Future. I like the use of the word or here because you basically tie the future to startups. Was that intentional? I’ve never seen or in a subtitle.
Peter Thiel: Yes. Well, it’s certainly a subset of how to build a future, and it’s a way to because the book is meant both for the narrow audience in Silicon Valley of people who are actually working on startups, and then it’s also meant for everybody who’s concerned about future, which I think should be everybody in our society who’s thoughtful because the future is something of concern to all of us. We’re all gonna live in it and we wanna make it a better future than the present, not a worse one.

James Altucher: You know and I don’t mean to veer off this, but what about someone who’s, like, 50 years old, he’s been in a cubicle all his life or her life and now wants to start something new? Do you think this also applies to them, like they can learn the skill sets needed to move into the future?

Peter Thiel: You know, I think it’s always possible to do something new in our society. You can always start over, you can always move to a new city, start a new career, It’s often difficult at different points in time because maybe people have large mortgages, they have large debt, sort of various obligations of one sort or another.

I don’t think there’s any specific time or place where you’re limited. There’s certain points where maybe you have somewhat more flexibility than other points, but there’s nothing automatic about it, and certainly, if you’re 50 years old, you have a life expectancy of at least 30 years ahead of you
and so it would be crazy to pretend that your life is almost over.

*James Altucher:* Yeah, it’s very good advice. So *Zero to One: Notes on Startups or How to Build the Future*, and I honestly think this is gonna be a bestselling book. It’s a really great book. Peter Thiel, thanks so much for coming on the show. I really appreciate it.

*Peter Thiel:* Awesome. Thank you so much for having me, James. This has been a lotta fun.

*James Altucher:* Yeah, same here. Bye.

**Ted Leonsis**

*James Altucher:* This is James Altucher. I’m here with Ted Leonsis. Ted, I’m going to just straight out say that you’re a billionaire. I don’t know if you call yourself that or if you like talking about that, but I’m going to say it. You’re going to have to deal with that because I’ve been following your career forever. In fact, I saw you speak in 1998. You were very inspirational. I see your career as pretty amazing because you’ve been at the very beginning of incredible trends – not just in one area, but in several different areas. I just want to discuss that. If you don’t mind, I’m just going to give the highlights of your career, and then we can start talking.
Ted Leonsis: Okay. Thank you.

James Altucher: So, you started this marketing company – Red Gate Communications. You had the foresight to sell to AOL in 1994. I think their stock went up 10,000 percent after that. You own three sports teams in the Washington, D.C. area including the Wizards, which is the basketball team, obviously, the hockey team – the Capitals – and then the WMBA team they have there. You own the Verizon Center Arena, you own Snag Films, which makes all sorts of documentaries and films. You’re an active investor and chair of Groupon. The list goes on. You also wrote this incredible book The Business of Happiness. How about we start with that? Why did you write The Business of Happiness?

Ted Leonsis: Well, I would give speeches and be talking about business. Then, I would talk about the life reckoning I had and I would talk about happiness. Afterwards, young people would say the parts of my speech that resonated most was when I was authentic and talked about how we over-index as a society and community on talking about success in terms of dollars and that I had learned a very valuable life lesson, which is that if you’re successful, it doesn’t mean that you can be happy, but if you’re happy, more times than not it means that you can be successful.

We needed to talk more about that and about how you keep a life score card and how to become self-actualized and that individually if you focus on
happiness that what I’m finding is that companies who are in pursuit of this higher calling is that it’s not just about EBITDA, or cash flow, that happy companies seem to be the most successful companies. There’s something to this formula. So, I wrote a book, and I’m very pleased that people have responded so well to its message.

*James Altucher:* You said you had this life reckoning moment. What was that moment?

*Ted Leonsis:* My dad was a waiter. He never finished high school. My mom was a secretary. They weren’t financially successful. They drove me to be part of the immigrant dream. Each generation will do better than the previous generation. They wanted me to go college. They always preached, “Work really hard. Go to college. Get good grades. If you get good grades, you’ll get a good job. If you get a good job, maybe you’ll have a good career. If you get a good career, maybe you’ll make a lot of money. If you make a lot of money, you’ll be successful.”

*James Altucher:* So, at the end comes success and happiness in that path.

*Ted Leonsis:* Exactly. I did as instructed. As you noted, at an early age, I stated a company that I sold and I made a lot of money. I wasn’t that happy. I kind of lost my way.
James Altucher: What does that mean? This was 1994. You sold your company for $45-million.

Ted Leonsis: I had actually started a first company and sold it in 1983. I think I was 26 years old. I made $70-million. I made a lot of money at a very young age. For someone who grew up in a household where parents didn’t make more than $25,000-30,000 a year, that was a dramatic change.

James Altucher: What was this company? I actually don’t know this.

Ted Leonsis: It was called Red Gate Publishing. It was a publishing magazine. I published magazines for Apple Computer and for Compaq Computer and the like. The first million Macintoshes that shipped, Steve Jobs put one of my magazines into each one of those Macs. It was called *The Macintosh Buyer’s Guide*.

James Altucher: That’s incredible. So, you were at the beginning of the whole personal computing movement.

Ted Leonsis: Yes. I was very much connected to that and in the right place at the right time. That’s why my company was in Florida. IBM had just introduced the PC in Boca Raton. The first book I ever wrote was called *Blue Magic*, which focused on the launch of the IBM PC.

James Altucher: Steve Jobs didn’t mind you glorifying the IBM PC?
Ted Leonsis: Actually, the people at IBM saw the work we were doing with Apple and said, “Can you do that for us at Apple?” So, I sold the company at a young age and made some money. Then, I got onto an airplane and we had all sorts of mechanical issues.

James Altucher: In the air – like 45,000 feet high?

Ted Leonsis: Yep. We were told we were going to make an emergency landing to prepare. There’s nothing more humbling and sobering than having a reckoning. We have reckonings all the time. Our heart is broken, our financial goal isn’t met, our aspiration is dashed – you have disappointments and reckonings come in all shapes and sizes. It’s how you react to those reckonings that really propel you to having a life without regret.

While the plane was getting prepared, people started praying and people started crying. I was left with, “What’s my strength? What am I going to do?” I started to pray. The best deal that I could try to cut with this higher calling was, “If you let me through this, I’ll leave more than I take and I will try to make this next part of my life more meaningful to the world and not just me.” I was really programmed to do well individually.

James Altucher: How long was this after you had sold your first company?

Ted Leonsis: About 15-months.
James Altucher: Okay. In that 15-months, were you just hanging out? What were you doing in the events leading up to this?

Ted Leonsis: I was still working for the company that acquired us. I did all of the things that you would do. I bought a house. I had lots of girlfriends. I bought cars.

James Altucher: And you still had $69-million left over.

Ted Leonsis: That’s what I mean when I was losing my way. I was declaring victory under a false pretense of what victory is defined as.

James Altucher: I think a lot of times when people make that first batch of money, they sort of wipe their hands and say, “I’m finished. I’m done. I can move on.”

Ted Leonsis: Yep. The following weekend – obviously, we made it through and everything was okay – I made a list of 101 things to do before I die. It was my first entrance into if I had to write my obituary, how would I keep score? I made a list as a very, very young person that I’m not very proud of today when I look back because I didn’t have the tools, if you will, to know what would make for a life without regret. I made this list.

There’s something very meaningful and powerful about creating a life list. The reason I own my sports teams is because way back in the day when I wrote my list, I put, “Own a sports team. Win a championship. Take a company public. Give “X”
dollars to charity. Support someone in the arts.” I just made this very random list.

**James Altucher:** What embarrasses you about that list?

**Ted Leonsis:** There were still some things that in hindsight weren’t as meaningful as they should be.

**James Altucher:** Like what?

**Ted Leonsis:** Get a hole in one. Go into outer space. Catch a foul ball. I have caught a foul ball. I haven’t gotten a hole in one yet. I would like to go into outer space. What it did force me to do was then become a student of happiness. I participate in lots of studies and put online panels together and gave some money to some researchers.

What my book is about is that at the end of the day, there are very, very few things that define in best practice how to become happy and self-actualized. They are six fundamentals. The first is that you are an active participant in multiple communities of interest.

**James Altucher:** Why multiple?

**Ted Leonsis:** Connecting and interwebbing, if you will, you’re active where you work, and then you’re active in your sporting events. Maybe you get a softball team at work to participate with these softball teams in church or synagogue. You can start to almost metric those connections. The busier you
are and the more active you are with those multiple communities, the happier and more productive you are. It’s ironic probably the most successful product that I worked on and launched was AOL’s AIM – it’s instant messenger product. It was all about helping you to manage your multiple communities of interest. Twitter is a direct outgrowth of what AIM pioneered in the early 90’s. Starbucks – if you talk to Howard Schultz, he talks about how he’s really into community services and neighborhood business. EBay talks about it being a community of interest. Facebook is a couple of hundred billion dollars market cap company now. Mark Zuckerberg talks about how he hacked into AIM early on, and they’re really all about social networking, which is what AIM was a precursor of.

The point I’m making is that individuals that internalize managing multiple communities are important. Also, businesses that tap into that seem to have very, very happy customers and very, very happy employees, and they’ve built a lot of value.

James Altucher: It seems like that’s a very big source of creativity, too, because I’ll use Groupon as an example. They were initially focused on raising money online for charities. They were able to easily be creative and pivot because they were also interested in e-commerce and putting together good discounts once they had this good list of people.

Ted Leonsis: Yes. I’ll talk about Groupon in a moment and another one of the categories.
The second category is that you have high levels of self-expression. We as a people are inherently creative. We want our voices heard. I blog everyday – tedstake.com. Every single day I blog. I’ve written books. I’ve made movies, even though I would be considered a suit – a businessperson. I’m self-expressing as much as I can.

Companies used to come to Washington Capitals’ games to see how we activate self-expression from the fan base. Companies that activate the collective creativity of their customers or their employees and really harp on self-expression – Twitter is all about people saying, “Listen to me! What I have to say is important.” There’s a reason there are 300 million bloggers on a daily basis around the world. When you think about it, self-expression and hearing people is vitally important.

I’ve been married for 27-years. The only time I ever get into an argument with my wife – do you know what she says to me? “You’re not listening to me.” “You’re not listening to me.” So, self-expressions are really key. You have to manage that and get into that groove to understand that you are talking and you’re listening to other people is really vital.

The third is that you have very high levels of personal empathy. Empathy as a human emotion is probably the least understood or least valued. We know that the lack of empathy is what creates evil in our world. It’s what sociopaths do. We know
that people that exhibit high levels of empathy here in Washington D.C., they get monuments built after them. The last monument here in the mall – I’m practically looking at it as I’m looking out the window as I’m talking with you and your listeners – was the Martin Luther King Memorial. Martin Luther King had incredible amounts of personal empathy. He also had personally high levels of self-expression. The “I had a dream” speech is probably the most important speech in our history in America. He also was all about community. They built a monument to him. He predicted his own assassination. He knew that he could pay the ultimate price in trying to inculcate civil rights and respect in diversity into our populous.

Companies that have high levels of empathy for their customers and for their employees and have empathetic leadership, those are the companies that tend to have the highest stock price. I’ll give you an example.

I was an early on investor in Google. Serge, Brynne, and I went on the press tour when they did the big deal with AOL. I was president of AOL at the time, and we bought 5% of the company. We went on this big tour. They were going to partner with us and provide our search to our customers. We got to know Serge a little bit. He was a Russian integrate. His father came from Russia and taught at the University of Maryland. That experience in listening to his dad colored a lot of his worldview. Fast forward 6-7-years later, Google is doing great
in China. China starts to implement to Google, “Hey, we want your servers here in China. We want to be able to read e-mails and instant messages.” Serge says, “I couldn’t do that. I can’t live with myself. We’re not going to do business directly in China if that’s the cost.” That was unbelievable personal empathy.

At first, the papers and the analysts wrote what a bad business call it was to not want to play ball in the biggest developing Internet community. I remember thinking, “The employees are going to rally around him. The advertisers are going to rally around him. This is really the right thing to do in the right way, but it’s also going to turn out to be great business.” It did. Google’s business is stronger than it’s ever been. Personal empathy is vitally important.

Fourth is getting out of the “I” and into the “we” and collective. We know that teams win. We know that there’s a power of coupling. We know that there’s this wisdom of crowds that if you tap into. We also know that if you get out of the “I” and go into the surface into community into “we” that your perspective changes and your context of where you sit in the world order is dramatically enhanced.

James Altucher: Why do you think that is? Do you think it’s because we have a bias towards helping the tribe or the herds and that moves our status up in our minds?
Ted Leonsis: I think you can sit around and say, “Oh, gosh. I went to the restaurant and there was a long line and I didn’t like the food and it was too expensive and I’m never going to go there today and it ruined my day.” Someone told me that two-days ago. “How’s it going man? What’s new?” He tells me of his experience of lunch and he goes on and on.

James Altucher: It defined his day. His whole story of the day was this miserable story.

Ted Leonsis: Yep. Two blocks away from the restaurant where he ate here in town is D.C. Central Kitchen. It’s a charity that many of us here are involved in. We take homeless people and we bring them into the kitchen and we teach them how to be cooks and chefs. They cook food, and we deliver it to the homeless, or we bring the homeless into this kitchen. I guarantee you if you go spend two-hours, which a lot of people do going and volunteering and helping and cooking and serving, you’ll never complain about the food at the restaurant or the service. That’s what I mean about getting out of the “I” and into the “we”, your perspective changes dramatically. You’d have so much more of an enriched experience in those two-hours, and you’ll be positive, not negative.

James Altucher: This relates to your concept of over indexing where your list of values becomes incredibly small including this wider world.
Ted Leonsis: Very much so. The next is that you are finding the higher calling in all of your pursuits – early on at AOL, we never talked about building a $150-billion market cap company or a $10-billion revenue company. We talked about leveling the playing field and bringing democracy around the world and making media that was more valuable to its customers than the previous media of print and radio and television. We had a higher calling. An outgrowth of the higher calling in pursuit of that was that we did very, very well financially. We then merged with Time Warner. When we merged, I remember our first big meeting as two groups. I asked the question, “What is our higher calling as a merged company?” I was told, “$11-billion of EBITDA.”

James Altucher: Who told you that? Was that a Ted Turner quote?

Ted Leonsis: No. The Turner people were there. It was a corporate, “Why did we merge?” “Because we can find a billion dollars of synergy and pay down debt.” We lost the higher calling. I would say we were no longer about Main Street. We were about Wall Street.

Nobody wakes up in the mornings having breakfast with their kids and their daughter says, “Daddy, what are you going to do today?” “I’m going to rush to go make EBITDA.” Still to this day I couldn’t figure out if it was EBITDA with an “E” or OEBITDA with an “O”.
Companies that lose their higher calling lose value. Companies that understand what their higher calling is and do everything in their power for that – my higher calling post-reckoning was, “When I do pass, I want to be able to say I left more than I took. I also want to be loved and not needed.” That’s another thing that I’ve given a lot of thought about. In pursuit of that higher calling – when I wrote the book, it seemed like a new concept. I think now it’s pretty well discussed – create double bottom line activities and businesses. You can do well by doing good.

You talked about Groupon earlier. Groupon at its heart the founder of the company, Andrew Mason, was a double bottom line pursuit. He started it as the point, and then when it morphed to Groupon at its heart was that in 2008-2009, banks were not lending to small businesses. Small businesses had no way to get new customers. Young people were struggling with their budgets. Here came this company Groupon. Yes, it offered you a deal of the day and you could save lots of money at restaurants and haircuts and buying stuff, but for a merchant, they were getting their money up front. We were factoring, if you will, and floating companies money when banks weren’t doing that. We’d get orders up front, and then we’d give the merchant the cash within 30-days.

James Altucher: I have never heard that concept of double bottom lines, but it makes a lot of sense.
Ted Leonsis: Very much so. Then, I started a company called Snag Films. I started to make movies, and then I realized that the Hollywood and distribution system was broken. There were so many mission-based films that were being made that had nowhere to be distributed. Go check out SnagFilms.com, and you’ll see lots of documentary films and higher calling films. You can watch the film. If you like it, you can share it. All of these films try to activate charitable giving or they have something good for the most part wrapped around them.

James Altucher: Ted, how would a young person go about finding their own personal higher calling? I think that’s a big challenge for many people in their 20’s. I think they feel they’re entitled to a higher calling when I think it’s something that you work towards.

Ted Leonsis: That’s right. I’m very optimistic and positive about young people. I think this generation that has graduated in the last couple of years is really enamored with double bottom line companies. They’re still a subset of, “I want to go to business school and work at Goldman Sachs and be a partner by ‘X’,” but I do feel that young people want to be in service to their community.

More and more young people want to go work as teachers and as volunteers and as non-profits. They’re willing to trade off a little bit of creature comfort and the win in terms of dollars for satisfaction, happiness, and the ability to say, “I’m a part of something bigger than just being able to
have a big apartment or a nicer car.” That is something that I’m seeing more and more. When I interview young people, they’re asking really fundamental questions.

Today I was at the Verizon Center with our sports teams. Our basketball season and our hockey season is about to start. Of course we want to sell a lot of tickets and get good ratings on television and make the playoffs and win championships. That’s our core deliverable. We pay just as much emphasis on bringing our community closer together and activating commerce for the whole city. The Capitals a couple of years ago was the D.C. Chamber of Commerce Business of the Year because our fans come from Virginia and Maryland. They go shopping before the games. They come to the games, and when we win, they go celebrate after the game. We were activating commerce locally. We’re also one of the biggest charitable givers in the community because we’ve turned our players – we have 25 players on the hockey team and 15 players on the basketball team – they’re all multi-millionaires. We’ve turned them into philanthropists. We’ve coupled them with what we do with our company and then our fans and our sponsors. All of a sudden, we’ve created this charitable, giving back network that is really a major player in our community.

James Altucher: I also want to point out that you’re involved in the efforts to bring the Olympics in 2024 to Washington, D.C.
Ted Leonsis: Yeah. That, to me, is the ultimate double bottom line. We’re getting the opportunity to envision what our city should look like in a dozen years. What should it be like? The questions we’re talking about here – D.C. is one of the fastest growing and it’s the wealthiest community in the country. It is a powerful city.

Eight-miles outside of the White House are two of the poorest, least educated, least tended populace and communities in the country. That is unacceptable. We look at the Anacostia River and have rowing and volleyball, and we’ll leave a beach and make that beachfront property. Let’s put the Olympic Village in Ward 7 or Ward 8, and we can turn that into low income housing like they did in London. Let’s put an Olympic stadium in one of those Wards and build around that because we’ve seen what Verizon Center did for this part of D.C. Where I’m situated right now – 20-years ago this was adult bookstores and drug dealing and prostitution and abandoned buildings. Now, there’s the Verizon Center and the number one Legal Seafood and Clyde’s is next door. Most cafes and restaurants became the epicenter for entertainment, and it’s generated tax revenues. This neighborhood turned around. I really believe that the Olympics can have the long-term transformational effect on the community and not just the 2.5-weeks where the games are played.
James Altucher: I think it’s under heavy consideration. D.C. is still one of 3 cities still being considered.

Ted Leonsis: It’s Boston, L.A., San Francisco, and D.C. That’s for the U.S. The U.S. OC will hopefully pick one of our four cities and then prop us up. Then, we’ll have heavy international competition from great cities outside of the U.S. The IOC then votes on what the best place and venue is for the athletes and sponsors. We’re hoping to show D.C. – it’s the capital of America. We’re the only capital city to have never hosted the games. The last summer Olympics here was Atlanta.

James Altucher: You ask yourself, “Where is this city? Where is D.C 10-years from now?” It’s this visionary aspect that I want to talk about. You became heavily involved with AOL in 1994 when very few people realized the Internet was going to be this huge thing. Nobody realized it until ’96 or ’97. Then, several years ago you bought the Wizards in 2010. Now, basketball teams like the L.A. Clippers just went for $2-billion. In the middle, you’re an investor at Google, which obviously became the greatest search engine and possibly the greatest company in history. In 1983, you were heavily involved in Apple. Where does this visionary aspect come from? How does one develop that?

Ted Leonsis: I think reading and networking. My first job out of college was with a small populous software company called The Wang Laboratories. I stumbled into going to the West Coast Computer
Fair. I met Steve Jobs. This was 1979 – wow! It was like being at Woodstock. You could tell something was happening.

James Altucher: You could tell something was happening. What did that feel like inside?

Ted Leonsis: Probably the epiphany moment I had was that I bought an Apple 2 computer at that West Coast Computer Fair in 1979 or 1980. I brought it home, and a couple of weeks later I bought a TV Guide. I’ll never forget that TV Guide was the number one best selling magazine in America. The front of the magazine was interviews with television show directors and stars. In the back of the book was a guide of what shows played on what network at what time. I remember throwing it away thinking, “I can’t believe this is the number one best selling magazine in America. Later that night, I went in front of my Apple 2. I had three programs inside it. I was staring at it, and I just remember having this, “Ah-hah!” insight that this CRT screen that I was looking at – a cathode rate tube – was really just a piece of glass. It reminded me that this could be a television. They called it a computer now, but it looked like a television. TV Guide was talking about programs, and here I had these three little software programs. TV Guide was talking about networks – ABC, NBC, and CBS. I had just come from the West Coast Computer Fair where they were talking about Ethernet networks – precursors to the Internet. I honestly just thought, “One day, all of this speech, vocabulary, and technology will
blur together. There will be no differential between television and telephones and computers and everything will be digitized. There will be this opportunity to create these new programs.”

For a young person and an entrepreneur at heart, I had started my first business in college. I sold red, white, and blue snow cones on the campus at Georgetown University during the bicentennial. “Be a patriot. Eat a snow cone.” I just felt like this was the way because it was early, and the rules were just being written. Why not be someone who wrote the rules as opposed to someone who followed the rules?

*James Altucher:* Obviously, that was very prophetic. Just an hour ago I was using an Apple TV hooked up to a screen watching Family Guy on Netflix. It came true in my house, at least.

*Ted Leonsis:* It’s truly amazing. I remember the first time I was on my iPad and I was watching a Caps game while I was on vacation with my family over Sling Box through my house. “What is this? Is this a mobile device? Is this a television? Is this a wireless device?” It was true convergence right there.

*James Altucher:* Think about it, too. You were watching a sports event through Sling Box. Sports also seems to be part of the vision because it’s the one type of event where everybody still wants to watch it in real time.
Ted Leonsis: I believed early on that distribution would become less and less valuable and content would become more and more valuable. I bought the sports teams because it was on my list of 101 things to do. I thought it would be a lot of fun. I thought it would be great for the community. I also knew from a business standpoint that sports was being undervalued because as all content became digitized, the relationship between the viewer and broadcaster would change. I remember early on at AOL our usage would start at 7:00 PM and grow. On Thursday night at 9:00-10:00, it would dip as people stopped being online to watch Seinfeld and Friends. NBC called it “Must See TV.”

Today, if Seinfeld was on, a very small group of people would watch it at 9:00 on Thursday because they would be able to get it On Demand whenever they wanted. My daughter watched an entire series – Gossip Girl – with three girlfriends over a long weekend. When I asked her, “What network was that on?” It was a dollar or two dollars per episode, and it 13 episodes times 3-4-years, they spent $100 – over a long, rainy weekend, and they came home from college and watched it all.

James Altucher: Her brain wasn’t shot after that.

Ted Leonsis: It’s funny. I asked her, “What network was it on?” She said, “Apple TV,” and not CW, which is what the network was at the time. With sports, the game starts at 7:06 and it ends at 10:00 and we get massive ratings because you’ve got to watch it live.
and in real time. Now, you’ve got your device on the couch and you’re Tweeting and talking and watching other highlights and seeing other scores from around. Now, you have this two-screen experience. The only content that brings people together in large numbers at one time is sports programming.

James Altucher: It’s interesting. Obviously, you had that instinct. Mark Cuban had that instinct. Steve Ballmer paid $2-billion, which he thinks is very reasonable for that because he has the same instinct. All of these tech guys are coming from the tech world to the sports world because of the exact same reason.

Ted Leonsis: Yeah. Steve Ballmer is just a really smart guy. He looked and said, “This looks like a SAS business model to me where the majority of your revenues are recurring. You get big, national TV deals, and hopefully they’ll go up in the future. Big local TV deals will go up in the future. Then, you sell suites and their long-term naming rights and their long-term naming contracts. It’s like a software company – a SAS business model.

James Altucher: Will broadcast TV as an industry be able to survive? Why doesn’t the NBA sell rights to Netflix, for instance?

Ted Leonsis: Well, I think at some point Netflix and Apple and Google and companies with lots of cash and lots of ways to monetize video content will enter the rights picture. I’m sure the way they’ll get at it is there
will be a third package or a different package. For traditional broadcast television, they more and more have to generate subscription types of revenues. In many cases, that’s called retransmission fees.

So, just giving news – news is such a commodity product now. You can get news from so many sources. So, more and more distributors are looking for what kind of content they can get that’s unique and differentiated. It’s why Netflix is so successful. When you think of the basic Netflix offer, it’s essentially the price you would pay for one ticket - $10.00 a month for one ticket – you can have access to thousands of movies plus additional content. Just pay us like you would go to one less movie a month, and you get so much more. It’s genius.

They’re now spending lots of time and effort in original content very differentiated, which is no different than HBO. HBO basically recycled other people’s movies, and then they started making original programming. Today, I think you’d say that HBO is more defined by its breathtaking creative that it made like The Sopranos than showing the Harry Potter movies that they buy from their own studio to show on HBO to subscribers. It’s that programming mix, but more and more of the original content that defines them. Why pay a big monthly fee to just have HBO whether they watch it or not. It’s almost like an insurance policy if I want
to watch great movies or if I want to see great creative. I'll go to HBO and I'll pay for it.

*James Altucher:* I think even a lot of the people behind *House of Cards* on Netflix worked on HBO shows originally. That’s where they came from. It was a good training ground.


*James Altucher:* I say that because I used to work at HBO, so I’m very proud of it. It was a great company to work for. Going forward, given that you’ve been at the right place at the right times, where would you be positioning yourself right now if you were starting out?

*Ted Leonsis:* What I preach to young people is that the world is going so much programmatic and mathematic that even if you want to be a movie director or if you want to work in a charity that math and understanding the web and mobile is something you have to be focused on. Study and make sure that even if you’re an English major, make sure that you’re doing something that’s mathematic. I firmly believe that the best marketers now are metric marketers.

The best general managers in sports are the ones that have really internalized stats. So, you’ve got to have a strong basis in math. That starts at a really early age. So, as parents, you have to get tutors. You have to prepare and get your kids ready for
this software algorithmically run world that we’ll all live in. The kids are doing well in basic math – multiplication and division – then they don’t do well in algebra, then they don’t do well going forward. They’re going to be ill prepared for the world competitively.

*James Altucher:* I’m even thinking in terms of entrepreneurs. More than where kids should be, but where should entrepreneurs be looking now to start their first businesses or second businesses or whatever?

*Ted Leonsis:* There’s never been a better time to be an entrepreneur than there is right now because when we were launching and scaling AOL, it was expensive to buy hardware and software and we had to build our own network. Now, for $50-100 a month, you can go to Amazon’s web services and launch a network. Back then we probably had a pool of 10,000 math Ph.D.’s. Now, it’s 20,000 a year, which is much better, except that a country like China is probably graduating 2-million math Ph.D.’s. The number on the scale side there is enormously tilted the wrong way.

You’ve got to do math, and then you have to be open to being an attacker. I look at how Google attacked AOL. Facebook attacked AOL and built really, really big franchises. Now, companies are attacking them. Groupon in a way is attacking Amazon. We wanted to be the place where within 10-miles of your house or within a mile of where you work that you would go to eat and get your
hair done and buy things and the like because that’s where we think people live their lives. If you just look at your wallet or your checkbook, you’ll see that 70%-80% of your expenditures are done 20-miles from your home. So, you have to be open to opportunity. You have to get in early. I don’t think derivative deals ever work.

Early on with Groupon, we probably had 250 competitors. We would hear, “You’re never going to win. You’re never going to scale because it’s so easy to compete.” We said, “This isn’t easy to compete.” We went from 0-14,000 employees in 5-years. We had to build warehouses. We have offices in 700 cities. Do you think that’s easy to compete with? You’ve never started and run a business.

James Altucher: Look at Google, though. That was a derivative in the search engine space to some extent.

Ted Leonsis: It’s interesting because at AOL, we bought a search engine company, and then we did a deal with Alta Vista, then we had a deal with Excite, and then we went to Google. There were many operations. What Google did at first, their pitch to us was, “We’re an arms dealer. We’re just going to be in the algorithmic service business. You can say this is AOL Search and it’s powered by Google, or you can say it’s Google Search on AOL. They didn’t really care. Their belief and bet – which turned out to be genius – was the more click through’s that they could get onto their algorithms, the more
precise their algorithm would be and the better results they proffered up to customers, that would create a sense of comfort and trust. Consumers would then come back because they would get the best listings. The amount of traffic you generated was important. So, early on they went for reach, and they created this great big algorithm that has now made them probably the greatest media company of all time.

James Altucher: So, your sense was that they weren’t quite derivative. They were almost a first mover in having a 10-X better algorithm than the runner up that we’ll say was Alta Vista.

Ted Leonsis: Yeah. They developed such an unbelievably astute and money store being derivative. I used to laugh and say, “We wrote the original business plan.” We owned MapQuest, so they went after maps. AOL Mail – everyone had mail. They did G-Mail. Everyone had AIM. We had our own browser. They literally took everything that we offered in the AOL clients and did it, frankly, much better in a singular application, but it was all monetized through ad-words and things that they perfected through their algorithms. They executed incredibly well and did a great, great job. A couple of years ago, all of the business pitches I would get would be like, “We’re going to be the Google of travel. We’re going to be the Google of healthcare.” Then, it was, “We’re going to be the Facebook of Real Estate.” Everyone tries to emulate and then
add some value in a known, metaphoric, “like a winning company.”

James Altucher: What I hear from you is that it’s in these multiple communities of interest – like in these intersections. You described to me that you brought home the Apple 2 computer in 1980, and you had a TV Guide next to it. In the beginning of our conversation, you said that your first company was a magazine publishing company about computers. So, you basically merged the TV Guide with the computer and created your first company. It seems like it’s in these intersections that you find the missing billions.

Ted Leonsis: I believe that mashing up and having interdisciplinary thought and being able to connect those dots is one of the ways that you innovate. I’ll give you a great example.

Steve Case was the founder of AOL and my boss and now my partner in our private equity funds. One of his first jobs was at Proctor and Gamble. He worked as a brand manager on a shampoo product. They would do sampling. When they were going to bring the shampoo product into grocery stores in a new community, they would literally put some shampoo in the mail and they would hang it on the door so that you could sample it. When he saw the first computer with a modem built in, he said, “I understand that. Why don’t we give away the software to get you online so you could sample it?” My first reaction to that was that
was either the most genius thing I’ve ever heard or the dumbest thing I’ve ever heard. You want to spend 10’s of millions of dollars making the software and hundreds of millions of dollars giving the software away. That business practice from another field – consumer goods shampoo and sampling – is how we got America Online. If you think about it, we executed it well.

Previous to the sampling, we would run ads. “If you have a computer and a modem and you want to get online, cut out this coupon. Send us $5, and we’ll send you a start-up kit.” That’s what the old AOL was. The new AOL was that we assumed you had a computer and a modem and you wanted to get online. We started mailing to your house. You would get on a plane, and they would give you your peanuts and an AOL disk. You would go to a game and people would hand out disks. You’d buy an Omaha steak and the steak would come with the disks. You’d subscribe to *Time Magazine*. In the back of the magazine would be a disk. We took that to heart and said, “Let’s have people sample.” We woke up 6-7-years later with a third of all U.S. households being subscribers to AOL and paying us $20.00. It was genius. It sounded crazy, but its roots came from another industry.

*James Altucher:* It’s so interesting. I love this philosophy of looking at the intersections to find value because I think it’s so hard, like you say, to build a derivative business off an industry that everyone has already looked at.
That’s where you get the multiple communities of interest combined with a higher calling.

Ted Leonsis: Yes, James I appreciate all of your time. I can’t believe an hour went by. That was a lot of fun.

James Altucher: Ted, thanks a lot. Thanks for coming on the show. Good luck with the D.C. bit for the Olympics and with everything. Once again, thank you for coming onto this podcast.

Ted Leonsis: That’s very sweet of you. I appreciate it. I listen all the time. I’m a big fan of your work. Keep it up.


Ted Leonsis: Bye.

Mark Cuban

James Altucher: This is James Altucher with The James Altucher Show, and I’m here with Mark Cuban, owner of the Dallas Mavericks. Mark, how’s it going?

Mark Cuban: It’s going great, James. How are you doing?

James Altucher: Going great. And Mark, I want to talk about your most recent venture, Cyber Dust, and all that led up to it. But I want to start earlier, because I feel like there’s one interesting line that goes through all of your start-ups, and I
feel like it’s happening here with Cyber Dust, but it started back with MicroSolutions, with Broadcast.com, with the Mavericks, with Landmark, all the way up to Cyber Dust. And it kind of contradicts something you wrote in 2012, which is you wrote that –

Mark Cuban: You told me that if you’re gonna be 10,000 you don’t wanna be 10,001?

James Altucher: No, although that’s interesting too. [Laughs] You wrote about being good at something usually precedes interest. A lotta people think passion – they’re always looking for their passion, and I agree with you that, in general, that’s not the best advice. You’re not gonna find your passion first, and you say you tend to be passionate about what you’re good at. But what I noticed going back to all of your ventures is that for you, your primal passions came first. You wanted to watch basketball, so you started AudioNet.

Mark Cuban: No, no, no, no.

James Altucher: You wanted to own a basketball team, so you bought the Dallas Mavericks.

Mark Cuban: No. My first passion was getting rich.

James Altucher: All right. That’s a good passion.

Mark Cuban: That was my first passion. Going back to when I was a kid, I always wanted to work for myself. So with MicroSolutions, I got fired, and so I didn’t have a lot of choices, but I had a customer to come with me. So my passion for starting a business, my goals that led into me actually starting MicroSolutions with no money, six guys living in a three-bedroom apartment, sleeping on the floor, but I just went for it. And it wasn’t because I was passionate about systems integration. It wasn’t ‘cause I was passionate about computers even though I liked them. I’d never really taken computers in school, but I got into it, and I was good at it.
The more I worked at it, the better I got at it, the better I got at working with software and writing software and doing networking, the better I got at it, the more passionate I became about it; the more passionate that I became about it, the better I got at it. But it was really putting in the time and my desire to be self-employed and to be an entrepreneur that really drove it.

*James Altucher:* And what’s great is—and I always tell people this: Don’t go for the billion. First go for a couple million so that you have some comfort, so the stress is reduced. Then you can go for whatever you want. So you sold MicroSolutions, you cleared $2 million after taxes—

*Mark Cuban:* Let me give you kind of a preamble to that. So I had MicroSolutions, and you also have to realize that in college, I had a bar. It was called Motley’s Pub and we got busted for having underage drinkers, and we had a wet T-shirt contest that had an underage participant.

*James Altucher:* How come you didn’t invite me to that?

*Mark Cuban:* You know what? You probably were invited; you just didn’t show up.

*James Altucher:* I was a little too nerdy.

*Mark Cuban:* But anyways, so I went through a period with that business where I just wanted to survive month-to-month. And then when I got to Dallas, got a job at Your Business Software, lasted there nine months before I got fired—so I didn’t have a track record of a lot of longevity. So when I started MicroSolutions, I wanted to be profitable month to month. That was my short-term goal. I didn’t have money to absorb any losses. I wasn’t going out there looking for investors. I didn’t raise any money. It was all sweat equity.
So my initial motivation was surviving and paying my bills month to month, and literally, that’s why I lived six guys in a three-bedroom apartment. We used to take turns writing checks to each other so we’d have a little bit of float time till it cleared the bank and use that to pay our rent, you know, never take out more than $20.00 when we were going out so that we wouldn’t spend too much money that we didn’t have. I mean, I had nothing. So I just wanted to make enough money every month to pay my bills, and then slowly, but surely, grow.

Then my next goal, once that started to happen and I got into Year 3 and 4 and 5, my goal really wasn’t to have $1 million in the bank or $2 million or $10 million. My goal was to retire, but my parameters were that I was willing to live like a student. So I felt like, “Okay, if I could get to $1 million saved, then I could live like a student –” and back then, interest rates were a lot higher, so I thought, “Okay, I could live off $100,000.00 a year at 10 percent.” Then I got to $2 million, then a little bit more, than a little bit more, and then I retired when I sold MicroSolutions because that was my goal. I wanted to retire by the time I was 35 – and I made it just right before 30.

James Altucher: And how did you get the idea even to sell MicroSolutions? Did someone approach you or did you start a –

Mark Cuban: Someone approached me. Actually, I had multiple people –

James Altucher: I’m totally fascinated by that initial $2 million.

Mark Cuban: Yeah. Well, actually, we sold the company for $6 million. I took $1 million and distributed it to the 80 employees, and then I brought in a partner who was a tech partner who I split the rest with. So I walked away with $2.5 and right around $2 million after taxes when it was all said and done.

I’d saved up over $1 million by the time we had sold it ‘cause we were doing really well. In the history of
MicroSolutions, we never had a losing month, let alone losing quarter or year, so I was really able to save a lot of money as it got towards the end.

So I sold it. I got inquiries from multiple people. I actually thought I had a deal with a public company, I forget the name of it, but as we were talking to them, another one came along. A consultant for CompuServe, if you remember them, out of Columbus, Ohio, who was owned by H&R Block. They came to me, and we were one of the leading network integrators and software integrators in the country.

I wrote a video integration database for Zale’s that took an old video camera and an AT&T target board and integrated it into a database so that Zale’s wouldn’t have to keep all their fancy watches and diamonds and everything in inventory. As a sample, we could just take a picture of it, and then you would just put in the part number, and it’d bring up the picture, and you’d know what you were ordering, and that saved them millions.

So CompuServe came along and said, “Look, we’ve got an X.25 network that connects all of Visa for when you would get a credit card authorization. We want you guys to help us do systems integration and make us the WANs when you connected disparate companies.” So that was their attraction, and then it went from there. Sold it to them, helped them take it under their wing, they brought in someone to run it, and I ran off and retired.


Mark Cuban: X12, yeah.

James Altucher: You had the $3 million, you retired. Now all you wanted to do was watch long-distance basketball games
Mark Cuban: No, no, no. There was no, there was a gap in there. So at that point in time, I bought a lifetime pass on American Airlines, and all I wanted to do was party like a rock star. And that’s what I did. I was a beast. I went everywhere –

James Altucher: What’s an example of beast-like behavior? I need to know. I’m 46 and I haven’t done my beast thing yet.

Mark Cuban: Haven’t done your beast thing yet? [Laugh] I’d go to L.A. – I took acting classes so I could meet hot girls. I’d go out, party, and I’d be like, “Hey, let’s just go to Vegas. I’ve got a pass on American Airlines. Let’s just go.” And so I’d grab some people, we’d go to Vegas. Another time, it was like, “Let’s go to Moscow.” [Laughs] So we’d hop on a plane to Barcelona or Mexico. I used to go to Puerto Vallarta, like, every other weekend.

James Altucher: But you were protecting your money during this whole – you were spending, but people don’t spend their way to poverty. They invest their way to poverty, and you were keeping track of your investments.

Mark Cuban: I think you’re exactly right. That’s a great line. Yeah, I still lived like – I had my lifetime pass and it was actually a great cost savings. So it cost me $125,000.00 for essentially unlimited miles, first-class. I was able to take me and anybody that I wanted to take, and I was guaranteed a seat for both of us on American Airlines for the rest of my life for $125,000, and it netted out to about $0.12 a mile when I figured it out. It was a great deal. It saved me a boatload of money, and like I said, I got to party like a rock star.

While I was doing that, I was trading stocks and just killing it. Killing it. Because this was a period in the early ’90s when the tech market was...there was a little bit of a recession and then it started to take off, and I was buying and selling names to the point where I was at Goldman Sachs and somebody took my track record and brought me
in as a partner on the hedge fund. We did really well for a while and then we sold that to somebody else – I’m not allowed to disclose which hedge fund, but they’re still in business. And then I was past the $20-some million mark when I came back and we started AudioNet, which turned into Broadcast.com.

**James Altucher:** Wow. I had no idea about that. So you turned the $3 million into $20 million from basically hedge fund activities and investing.

**Mark Cuban:** Yeah, just trading and investing.

**James Altucher:** While you were partying like a rock star. That’s pretty good. That’s a good life.

**Mark Cuban:** It was great. And then I pretty much funded AudioNet when we first started, and that’s why I had the lions share. Todd Wagner was my partner, but I put up more of the money. That’s why when we sold; it was a killing for me. We had brought in some friends that really were strategic for us at $30,000.00 a pop, and we sold, like, 10 percent of the company to them, and I had the majority of the rest.

**James Altucher:** Wow. So I’ll tell you my one experience with AudioNet. My company was, among other things, running *The People’s Court* website, and it was gonna be the first TV show to be streamed live on the Internet. We were trying to decide, I think, between either Microsoft streaming or you. And I remember when we met your sales guy here in New York and the guy was like, “Mark really wants this. This is gonna be a great headline pre-IPO.” And I said, “Okay, but you guys have so many clients. It would be great if you could share some clients with us,” but that never happened. But you still did *The People’s Court* streaming website, did the first live TV streaming website, so –

**Mark Cuban:** And that’s all because of you guys we got the rights to *Judge Mills Lane*. We actually did a deal with what was
then our descendant that turned into Lionsgate where we got ten percent of their company. We gave them some stock and got rights to all the episode of Judge Mills Lane, gosh, Della Ventura, all these different shows. So we were way, way, way ahead of the curve with you guys and Lionsgate. And it’s funny. I don’t think Yahoo! fully appreciated it, but when they bought us, they owned ten percent of Lionsgate.

James Altucher: Well, I didn’t know that was your initial connection to Lionsgate ‘cause much later, of course, you became a very vocal investor in Lionsgate.

Mark Cuban: That’s how I got connected. Absolutely.

James Altucher: So again, there’s sort of a thread that connects everything. So we have your interest in watching basketball with AudioNet. Then, of course, that led to Lionsgate, the Dallas Mavericks. I’m sure you have this interest in indie films that’s led to all of your activity with HDTV and Landmark, and then finally, we get up to the present, where basically, this cluster [beep] with the SEC, where you beat them – it’s the first time I’ve ever seen them defeated so harshly in court, but this leads to an Internet idea, to put you face-to-face with Snapchat. So why don’t you describe Cyber Dust. You registered that domain name back in 2006. How did you know what you were gonna use it for?

Mark Cuban: I didn’t. People will always bring me domain names and try to sell them to me and I always lowball them like, “Okay, if they say yes to this, it’s worth it.” And I end up with a collection of URLs that I just keep. From cyberdust.com back then to practice.com now, to.matter.com. I just buy them in case I need them for anything, I have them. So Cyber Dust, I have, like, myinbox.com. Who knows how I’ll end up using them, but I have them. I think I own emergencyroom.com. Just crazy stuff. But in any event –
James Altucher: I like practice.com. It seems like that should have some value.

Mark Cuban: Yeah, it will eventually for me, right? Because they’re generic names, in a lotta respects, that I’ll be able to use one way or another.

James Altucher: Now, Cyber Dust feels a little old school though with the word “cyber.”

Mark Cuban: Yeah, no question it does, and it is retro in some respects, but like anything else, you know, Twitter, what the hell does that mean, right? Snapchat. You pick a name. WhatsApp? There’s no such thing as a good URL that’s gonna work no matter what. Everything kinda sounds cheesy until it works, so hopefully people will look at Cyber Dust in a couple of years and go, “Yeah, that makes sense.” But I like one-inch names, and even though it’s retro, it tells you exactly what it is. It’s an app that, 30 seconds after you open a message, it disappears forever. It’s gone for good into the cyber. It’s dust into the cyber, hence Cyber Dust.

James Altucher: Well, so –

Mark Cuban: And back to the SEC, one of the things that happened was, obviously, they subpoena everything that I have. And I’ve got all these messages sent with the CEO and others of mamma.com, and everything I wrote, they were more than happy to take out of context. They were more than happy to take out of context, whether it’s a message or a blog post, whatever it was, they tried to apply their own context.

When it was all said and done and I kicked their ass, it got me thinking that every message that I was sending via text, the minute I hit send, I no longer owned it. I didn’t own the text, but I still owned the responsibility for what I said or what some people could turn what I said into, and the people who I send it to really took control of that message. And that didn’t sit well with me.
Because of my experience with the SEC, it seemed like a good idea to create a new messaging app called Cyber Dust, which is just as what I said: you have to have Cyber Dust on both sides, and if I send a message to James, it’ll sit on the server – and I’ll explain more about our servers in a second – it’ll be on the server till you open it to 24 hours, whichever comes first. If you don’t open it until 24 hours, it’s deleted. But once you open it, you have 30 seconds to read it. And then once you’ve read it, it’s deleted from the memory of your device, your phone, and it’s also deleted from the memory of the server, never to be seen ever again.

There’s no metadata, there’s no ancillary data, there’s no record of it. We were so concerned about security and metadata that we don’t even allow it to touch a hard drive. So when it’s stored on the server, waiting for you to open your message, it’s not stored on a hard drive. So if someone came in and confiscated our servers, the minute that electricity gets turned off, it’s gone forever.

If someone were to grab the hard drives that we use to hold the software itself and try to recreate and – you know how when you delete on a traditional hard drive, even if you scrub it, there’s forensic ways to recreate what was on there? There’s nothing to recreate because it’s all in volatile RAM, and if we pull the plug –

James Altucher: And this is the problem with Snapchat, right? You can forensically hit Snapchat hard drives and get the messages.

Mark Cuban: Yeah, of course, and Snapchat, at this point, doesn’t even pretend otherwise. There’s apps that you can download – SnapHack and others that allow you to recapture anything that’s been sent to you or from you. There’s even websites where if you put in the login, you can recapture everything.

James Altucher: My 15-year-old daughter, she, of course, uses Snapchat with all her friends and her boyfriend, and the second that that
rumor even started that Snapchat doesn’t delete everything, all of her friends instantly deleted their accounts and scrubbed everything that they could.

Mark Cuban: Yeah, and it’s still not scrubbed. [Laughs] You know

James Altucher: Yeah. It’s there.

Mark Cuban: But they should use Cyber Dust.

James Altucher: Hey, I’m a parent. I’m gonna find it.

Mark Cuban: And that was the whole point with Cyber Dust, that the minute you hit – I have a daughter who’s about to turn 11. She’s not texting yet, at least not that she can find. She’s iMessaging a little bit, but I’m not worried about her. She’s a good kid. But I’m worried about all the idiots she’s going to be texting, male or female, friends or boyfriends, in the future. We get a sense of our own kids, and look, if they’re gonna do bad things, we have a sense that they’re gonna do bad things, and we can hopefully deal with it.

But the one thing we know that we can’t control are their friends or business associates or people they come across, and when you send a text to any of them, they own that text. When you send a business text, you no longer own it. Somebody else owns it. When I send a text, somebody else owns it.

Now, the first thought is, “Well, I don’t send anything that bad, so why should I care?” Well, that’s exactly what I thought with the SEC. I turned over everything that I had to the SEC voluntarily. My first conversations with the SEC, I didn’t even have a lawyer because I knew I had done nothing wrong. But they wanted a scalp, and so they created their own context. And it’s worse today with social media.
James Altucher: So did they try to come to you and say, “Listen, we can make this all go away. Just give us $300 million”?

Mark Cuban: Yeah, right? I wouldn’t even have that conversation. Would not. Because I’d done nothing wrong, and I’m blessed in that I could afford to deal with it, and they were just so scuzzy and nasty that it just gave me great pride to be able to nail ’em [laughs] to use a nice term.

James Altucher: What happens after a court case like that? Do they write you a little apology and send a bottle of wine or something?

Mark Cuban: Well, they go on and try to get better jobs by saying, “Hey, it wasn’t my fault. It was the other guy’s fault or “I dealt with the whole thing, so hire me at your law firm so I know how to deal with the other idiots at the SEC.” So that’s what goes on. I mean, even before I won, there were multiple people who were issuing releases saying that they worked on the Mark Cuban matter as a point of pride. So think of this, James: they leave the SEC, they take a job at a law firm, and as part of the announcement at the new law firm, announcing their job at the new law firm, they refer to my case, which hadn’t been finished yet.

James Altucher: And it could’ve been their claim to fame was taking your texts and manipulate them to make a case.

Mark Cuban: It probably was, right? I mean, it was ridiculous. It was just absolutely ridiculous.

James Altucher: So how do we know that Cyber Dust doesn’t have the same problems as Snapchat? You say it, but do you have an outside company that comes in and audits the technology?

Mark Cuban: Working on that right now. I mean, we’re still only really four months old or about to be four months old, so we’re going – we’re working with an Israeli security company first to make sure that all our i’s are dotted and t’s are crossed before we open it up, but yeah, I mean, I use it – we’re not
on Android yet. We’ll be in a couple weeks, but once we are, I’ll be using it exclusively.

So I guess that’s your first proof, and I’m sure there’s people out there trying to hack us and get stuff off their phones and prove it’s not the case, and that hasn’t happened yet, but – and let me make another point: we’re not trying to be NSA-proof. We’re not trying to protect you from the government. If the government wants to wire tap you, if they want to put a network device and tap your Internet connection, they’re gonna be – even though we encrypt it, they’re gonna be able to intercept it and figure something out. Everything can be hacked.

So we’re not trying to protect you from the NSA, at least not yet. We are trying to protect your daughter against her stupid friends, who take a text of hers that starts off as innocent, gets posted on Twitter or Facebook or Pinterest or Tumblr, gets reposted somewhere else, and then someone else puts it in a context that’s totally not welcome.

Or you’re in a business environment and you’re talking about an employee, and you just send a regular text, and that person goes to work for one of your competitors or someone else and has kept that text and says, “Look, this is what they were saying about you,” and it causes a lawsuit.

Or you’re doing business and you get sued for some reason, valid or not, and you have to produce everything in discovery. Well, whatever text you have or whatever text that you sent to somebody that they kept, they may have to produce that. And now, you’re screwed. It’s only going to be used against you, never for you.

With Cyber Dust, there’s nothing to produce. There’s nothing to show.

James Altucher: It seems like you could almost do a Hotmail-style marketing technique where someone like my daughter can, once she
downloads Cyber Dust, it could automatically set up her Gmail so that if anyone sends her a Gmail, they get an automatic response back saying, “Hey, I’d love to hear from you, but I only receive messages on Cyber Dust.”

Mark Cuban: And that part is a great idea. We haven’t done that yet, but it’s a great idea to do an auto respond or to push people over. But we’ve got parents providing it for their kids. Again, it’s not your kids that are the biggest concern, ’cause you see them and deal with them. It’s all their friends. It’s not what you say that’s the big concern; it’s how somebody that you send a message to can misuse what you have.

Any context can be applied to any message. “I love you, James, for doing this,” context turns into, “Mark Cuban loves James.” Oh, so he’s giving him a special treatment for whatever. It’s just crazy how people will assign whatever context they needed that works for them, and then when you take that and post it on social media, it takes on a life of its own.

James Altucher: But now it seems like, though, public companies won’t be allowed to use this, because don’t they have to save their emails for a certain number of years?

Mark Cuban: There’s no question that there’s compliance issues that public companies have to deal with. So you haven’t heard me talk about an enterprise version at all because we’re not prepared to go there yet. We’re not prepared to deal with HIPAA laws for physicians, but if you’re communicating with your lawyer, your stockbroker – if it’s you personally using it for personal business, whatever it may be, you should definitely be using Cyber Dust.

If you are using it for non-compliance related messaging, you should definitely be using Cyber Dust. I mean, I use it with all my business associates unless there’s some overriding reason I can’t. I’ll use email where it’s something I need to retain for whatever reason. It’s a document I need
to save but anything else, any general conversation. I guess the best way to analogize it is that it’s like a face-to-face conversation. You and I can sit down, talk face-to-face, there’s no record, no recording, no nothing. That’s the analogy of Cyber Dust. It’s like a face-to-face conversation.

James Altucher: And do you have a sense yet of how you’re going to. This is one of those things where it’s gonna be a network effect style of marketing, so do you have a sense yet of how you’re gonna build up?

Mark Cuban: As we keep on adding features, more and more people are using it. We’re into the hundreds of thousands of users now, and we really haven’t done any marketing besides me doing interviews, and once we release to Android, we think that’s gonna grow significantly. Then we’re working on a Windows version and we’ll have a Web version after that. So hopefully, that network effect continues to expand it.

James Altucher: The network effect’s really important because let’s say, like you and I were emailing the other day. Let’s say I got back a response that says, “James, Mark would like to read your message but he can’t unless you download Cyber Dust.” I would’ve downloaded Cyber Dust.

Mark Cuban: I do that all the time. And if you send me a text message, my response is, “Download Cyber Dust. This is the best way to reach me. I don’t respond to my emails or my texts on a timely basis. You’re gonna get the delayed response.” But the other law of unattended consequences is that because once you open it, it’s gone in 30 seconds, you can’t procrastinate. [Laughs] So you have to respond; you have to deal with it, and because I’ve pushed people from email to Cyber Dust, my email volume has declined dramatically, which is huge for me, and it’s also freed up time in my day because I’ve gotta deal with things quickly. And my responses are also much shorter because I understand that you’ve only got 30 seconds to read each of the responses.
James Altucher: So again, this connects the dots a little bit further in the sense that I feel like every time you open your mouth, Mark, in the public, somebody jumps on you. And that, in general, seems to happen on the Internet. As beautiful as the Internet is for unifying voices from around the world, there’s also this thing that I call “outrage porn,” where someone like you will say something and then five articles will say, “Mark Cuban’s a racist,” and then it just spreads like wildfire. It’s like just pornography for the masses.

Mark Cuban: You know, I call it “headline porn,” and I love your word, “outrage porn,” ‘cause it starts with headline porn and turns into outrage porn, and you’re exactly right. To me, kind of the bigger take away from that is we’ve got to start shrinking our digital footprint.

I’ll pitch another one of my software products that just came out a couple days ago. It’s called Xpire, X-P-I-R-E, and it’s also just available on the iPhone store right now. But we’ll get to other platforms as well, and the whole concept is, you have to shrink your digital footprint because what you said six days ago, six months ago, or two or three or five or six years ago, who knows how that’s going to be received at some point in the future?

What Xpire does is several things. First, it’s a client for Twitter that allows you to set an expiration time for your tweets. So if I want a tweet to expire in one minute, five minutes, one hour, one day, or several months and soon, a year, you can set that tweet to expire. If I want to go back and do a keyword search across all my tweets to see if I’ve said something two years ago that I don’t recall and I don’t want out there, I can do a keyword search. If I want to go back and look at my tweets – and there’s some limitations – Twitter’s got an API limit of 3,200 tweets that we can go back to that we’re working through some workarounds for, but anything that’s within the past 3,200 tweets, I can go back and go through and, one by one, delete them, which is
exactly what I’ve been doing on my account. The goal is to shrink that digital footprint.

Now, why would you want to do it? Again, because whatever you say can and will be used against you if people get that opportunity. That’s your outrage porn, and I think beyond that, marketers, law enforcement, government agencies, you name it, are going to be able to look at your digital profile and know more about you than you know about yourself. They’re gonna be able to look at all your tweets, your retweets, your follows, your favorites, your Pinterest posts, your Pinterest pins, your Tumblr posts and reposts, your Facebook posts and likes. You take all that across your entire social media spectrum, and that creates a psychographic profile of you that says more about you, if you’re an active social media user, than what your family knows or you know about yourself.

And if you don’t want to open yourself up to all those different elements – I mean, it’s a certainty that if you’re applying for a job with me, I’m looking at all your social media profiles. And it’s going to influence my decision about you. It’s not just, “Did you put up a silly picture on Facebook when you were drunk, you know, I don’t care about that, but who you follow, what you follow, who you tweet, retweet, what you Pin and post, it tells me what you’re into, and if you tell me you’re into A and everything about you says you’re into B, well, that incongruency is gonna make a difference in whether or not I hire you.

James Altucher: Well, what if somebody deletes everything, though, and you say, “Look, you said you were into A. Why’d you have to hide everything?”

Mark Cuban: Well, if you make it as a course of action to say, “You know what? It’s not about you, it’s about everybody. I don’t want to be stereotyped. I don’t want to be pigeonholed based off of my social media because I use social media in one way and it doesn’t really reflect who I am,” then okay, I’m
buying that. Or if it’s just, “I don’t trust how people can take advantage of my social media. It’s just like I delete my cookies or I clean up my cookies on my browser and I delete my search history,” it’s not like I care if I see my search history. You just never know where that’s gonna end up. I think people understand that there is a need – people have their own certain need for privacy, and I don’t think that’ll be a problem. Because otherwise, it’s gonna be a mistake,

*James Altucher:* No, I agree, and it’s sort of a give-take. The problem is, some bloggers want all their posts up there. I like having all my posts up there, but sometimes, people look back through four years’ worth of blogs, take stuff out of context, and there’s just nothing you can do about it. People want outrage porn.

*Mark Cuban:* No, blogs are a little bit better. I mean, I’ve got ten years’ worth of blogs, and they’re a little bit better because you have unlimited space to write. There’s no limit on words, so you can pretty well cover the context, but even then, the SEC looked at my blogs and said, “You know what? You’re at a win-at-all-costs guy, so you’ll cheat to win.” Now, how they got that from my blog –

*James Altucher:* Yeah, I saw they took that photo of you with some money in front of you and said, “This is why you’re guilty.”

*Mark Cuban:* Exactly. Exactly, “Look, your blog said you hate to lose, so you obviously will do anything not to lose.” They literally said that in my trial with the SEC, so even your blog can and will be used against you if there’s an adversarial scenario, and you’ve gotta be careful.

Now, have I considered going back and deleting all my blogs? I think I’m with you. I like having it because I think what’s changed is in the past, we may have done some short form blogs, and I really never had too many of those, but now, with Twitter and Facebook and Tumblr, we have other mediums for the short form stuff, and the blogs are
more long form. And I think that provides some protection. But to your point, that also provides a profile of you, and it can and will be used against you.

*James Altucher:* Now, let’s take this into the latest thing, which was what you said about the Clippers and how it shouldn’t be forced to be sold just because this guy said something and then everybody went crazy, but I think your whole point was nobody should be forced into selling a $2 billion assets. That’s not what America’s about.

*Mark Cuban:* No, actually, I wouldn’t be so specific about the Clippers because I really wasn’t in a position to be able to. There’s all kinds of rules about what we can and can’t talk about, but if you go back and look at the entire first interview when I was interviewed before a Mavs game, what I said was the NBA influences a lot of culture, and part of that influence – this case is gonna have an influence on what happens outside of the NBA, and that could create a slippery slope. And that slippery slope could apply to players. You could see a media crush after a player said something, not just about an NBA player, but any athlete, any celebrity. Whatever standards we apply to this scenario are most likely going to be applied to other people as well, and that was a slippery slope.

*James Altucher:* So ultimately, though, I feel like the sale of the Clippers to Steve Ballmer was a good thing for you, right? You have the Nets sold for $480 million five years ago; now, the Clippers, arguably a much worse team, sold for $2 billion. What do you think that makes the Mavericks worth?

*Mark Cuban:* $1 zillion.

[Laughter]

*James Altucher:* All right. I believe you.
Mark Cuban: [Laughs] Yeah, actually, after the Bucks were sold not that long ago – they sold for, like, $585 million, which was a record price at the time, and I came out and said that that was cheap and that the buyer got a bargain, that every NBA franchise was worth at least $1 billion, and I got laughed at. So I still firmly believe that.

I think what people misconstrue is that the value of a team is not related to its current record. Every team goes through cycles. We’ve had Dirk Nowitzki for 15 years and we’ve been good for 15 years. Other teams had their star for a period. They were able to leverage that and then you go through a down period. That’s the cycle in this business, so team’s performance doesn’t really define their value.

Where their value is defined in the ancillaries in your market, your local TV contract, and the national TV contract because the beauty of professional sports right now is, and the NBA in particular, is one, there’s only 30 of them. So if you’re wealthy and an NBA fan or have a consortium of wealthy friends and are huge NBA fans, if you want to buy a team, you have to convince one of 30 owners to sell that team, and that’s not necessarily easy to do.

Two, there’s a declining number of high-visibility, high-draw sporting events, live events, that can draw an audience on television. The NFL and Major League Baseball contracts are fulfilled. They’re long-term deals.

So we’re really the last remaining vessel of live television, live sports television programming, that’s available. That makes us a premium commodity. That means we’re going to get, hopefully, premium pricing for our national TV deal.

The same applies for local TV deals. In the case of the Clippers, their TV deal comes up in a couple of years. In the case of the Bucks, theirs came up – every TV deal, at some point, comes up, but at least for the foreseeable future, live
sports programming from the NBA, local and national, has huge value.

And then the ancillaries are whatever value you can gain if you happen to own real estate or whatever. The arena that you may or may not be able to build can create even more value. The Bucks, as an example, are looking to open up a new arena. That’s of huge value.

It’s not like you can say, “Well, if I don’t buy that basketball team, there’s 30 other things I could get equal value from.” Those just don’t exist. It’s like oceanfront property.

**James Altucher:** Why don’t more basketball teams go public to take advantage of maybe higher values in the public markets?

**Mark Cuban:** You know something? I’m sure that’ll come up. I don’t know necessarily now that we’re allowed to, but I think it’s something that conceivably could change.

**James Altucher:** Now, all the way on the other end of the spectrum, I know you’re going to start filming the next season of *Shark Tank*. I use *Shark Tank* to teach my kids – my 15-year-old and my 12-year-old daughters about business. I hit pause throughout to ask them what they think of the different businesses, to ask them what the valuations are once the basic math is out there. What do you look for? How does someone impress you in the *Shark Tank* arena?

**Mark Cuban:** Well, it’s like any other business. I look for a business that I think can grow. I look for an entrepreneur that can run it. I look for something that’s differentiated so it’s not as much of a grind, and I look for a business that I could add value to. Depending what type of business it is, if I think it’s fast growth and significant growth opportunity, I’m less concerned with valuation because I’m arrogant enough to think that I can help it grow quickly, so we can exceed the value that maybe apparent to the other sharks. If it’s a
grind-it-out product sales company that doesn’t have an accelerator like technology or something that has a network effect, then I’m more concerned with valuation. That’s kind of the criteria I use.

James Altucher: You know, the network effect is so hard, though, because I feel like it’s either a 1-0. Like, either you get lucky –

Mark Cuban: It’s pretty binary, you’re right. Those are very binary businesses, and either you hit it or you don’t. It’s either a grand slam or a loser. You’re exactly right.

James Altucher: So do you think you have to have a lotta confidence in yourself and in the company to think you’re gonna be the one.

Mark Cuban: Oh yeah, no question, right? And you know, it’s also a risk reward. I’m blessed, so financially, if I’m putting in $100,000.00 or $250,000.00 or even, let’s say, $1 million, but I think the upside is $100 million, yeah. I’ll probably write that check. If I think the upside is $6 million, I’m not gonna risk $1 million for a network effect type company.

James Altucher: So, Mark, I really appreciate you coming on the podcast. This has been really great. I’m gonna use Cyber Dust and I’m gonna encourage my kids to use it. It sounds like a great product. I can’t wait till it’s on the Web ’cause I do most of my messaging still on the old-fashioned desktop.

Mark Cuban: I agree 100 percent, and we had a battle over whether to go to Android or Web first because – and since the Sidekick went away, it’s impossible to type on a tablet or a phone. [Laughs]

James Altucher: Yeah, I agree. The BlackBerry – I used to love the BlackBerry. Now I can’t type on a phone.

Mark Cuban: That’s exactly right. I mean, I lived on my Sidekick. I even told John Legere at T-Mobile I would pay whatever price to
get a current version of the Sidekick. I’ll buy it from him if he would sell it to me.

But on Cyber Dust real quick, thank you. If anybody wants to talk to me or reach out to me or message me, my ID is blogmaverick, just like my blog itself – B-L-O-G, Maverick, M-A-V-E-R-I-C-K.

And sign up, follow me. You can ask me questions. I can’t get to everybody ’cause that list has already grown significantly, but I do a motivational quote pretty much every other day, give or take, sometimes every day, and then I’ll also respond to some questions that I think are good.

Two of the features real quick of Cyber Dust are one, you can do pictures. We’re not at video yet; we’re adding that. We don’t have group chat yet, but we’re adding that as well, you can send a picture one-on-one to someone who’d receive it. But we also have a blast feature. So if you wanted to send a picture or a message to two people, five people, ten people, or hit one button and it sends it to all your friends, we have that feature, and I use it to blast out a quote of the day. I use it to respond to questions that I think are interesting, and I blast out the response to everybody who follows me on Cyber Dust. So follow me at blogmaverick and you’ll have the chance to discuss things with me, but you’ll also get my hopefully, motivational quote of the day, and more.

*James Altucher:* And Mark, one final question.

*Mark Cuban:* Sure.

*James Altucher:* Go back to that feeling of that first $1 million from MicroSolutions and that first feeling from when you first made $1 million at MicroSolutions and when you first made $1 billion off of Broadcast.com. Which was better? Rank them.
Mark Cuban: Oh, the $1 billion, by far. [Laughs]

James Altucher: I don’t know, the freedom of the $1 million would feel really good, you know, the $1 million.

Mark Cuban: It was really fun ’cause it was a freakin million, right? It was just like, “Oh my God, I’m gonna love this. My life has changed, but I gotta keep on working because I haven’t hit my goals yet and there’s so much more I want to do.” The $1 billion was, “I can’t [beep] believe it.” I was sitting in front of a computer, naked, hitting the refresh ’cause we were close, waiting till my net worth hit that $1 billion when the stock price got a certain point. And then I kind of screamed and jumped around and then got dressed. [Laughs]

James Altucher: Did you hit the Sell button right there, like, “Okay, $1 billion?

Mark Cuban: No, no, no, ’cause we were still going. I had to give it enough so that, after tax, I was still worth several billion. So I still had a lot of work to do, and plus, as a public company… real quick story.

When we went public, we went out at $18.00 and the first trade was at $62.00 and three quarters, and it got as high as $72.00 and then traded back down to $62.00 and, I think, three quarters. And I just remembered – my first thought was, “Oh my God.” My second was, “This was the biggest first-day jump in the history of the stock market,” and I was, we were freaked out and crazed about that. And then I was like, “Oh wait, somebody bought this stock at $72.00. I gotta get my ass back to work because they have a lot of expectations,” and I really felt an obligation to everybody who owned a stock. Obviously, my net worth was a motivation, but I wanted to make sure nobody felt guilty for buying Broadcast.com’s stock, and so that was just as big, if not more, motivation. So I wasn’t sitting back when I hit
that magic number and thinking, “Okay, this is it. Let’s get out.”

*James Altucher:* Well, then it was good that you sort of outsourced the problem to Yahoo! and they took care of you. That stock went up quite a bit after you sold to them.

*Mark Cuban:* Yeah, everybody thought I was an idiot. *[Laughs]* ‘Cause I collared my stock six months afterwards, when I was first eligible to, and the stock kept on going up, and they were like, “You idiot. You shouldn’t have collared.” I’m like, “You know what, I’ve been through this before.”

I was trading stocks a little bit in the ‘80s. I don’t know if you remember, when the PC companies first started going public – Dell Computer, Microsoft. There was a company called Eagle Computer, which was a hot clone, and the guy, unfortunately and tragically, the night before his IPO was priced, he died in a car wreck. But at that point and time, every PC stock was just off the charts. And then in the late ‘80s, early ‘90s, every networking company just blasted off and just went through the roof. And then in the early ‘90s, before the Internet boom, all those networking companies just took a tumble.

So when we sold and the Internet boom was really just going crazy, I was like, “You know what? I’ve seen this movie several times already. There’s no question in my mind how it’s going to end, so I’m gonna cover my stock. I’m gonna put a hedge on, and you know what? I’ll be just fine with my net worth,” and a lot of people said I was crazy and then the whole Internet bubble burst, and I was one of the few guys that was able to survive it.

*James Altucher:* Well, again, I feel like you get the short end of the stick in terms of public opinion on that because people said you were crazy, then people said you were lucky, even though it took a lot of skill to...
First of all, I sold a company around the same time. I did not sell at the top or anywhere near it. I sold at the bottom. [Laughs] Or I didn’t get a chance to sell. So it’s very difficult to pick the right moments.

Mark Cuban: Oh yeah, and luck, obviously, and timing have a lot to do with it, and scale. You know, I sold my first company and we were private, and the scale was nowhere near, but even then, people told me I was lucky because the networking boom wasn’t as strong. So people are always gonna say that, but the reality is luck is a matter of scale, but effort is everything else. It wasn’t my first company that I sold; it wasn’t the second company that I’d sold. I’d been through it multiple times before.

But I busted my ass to get there, and I made some good decisions, made some bad decisions, but I still get upset when I see YouTube and all these – Spotify, Pandora. It was 1996 and we had hundreds of Internet radio stations. We had thousands of artists that we streamed. We had everything that YouTube did with video now, except for the content ID systems for royalties, we were doing, like we were talking about with People’s Court and with Judge Mills Lane, we were streaming stuff that – what was then broadband, 700k, and we were doing indexing, stuff that they don’t even do now. We were taking closed caption and indexing it. So many different things, you know, and we invented so many things. All the pop-up ads on the Web, we invented those. We called them “guaranteed click-throughs.” Pop-unders, we did those.

So there’s a lot of things that we brought to Yahoo! that, when the bubble burst, they just [beep] up, so that kind of upsets me in some respects, but I got paid to overcome it, so I’ve been okay.

James Altucher: Yeah, you’re allowed to be upset a little bit. That’s what they paid you for. [Laughs]
Mark Cuban: Exactly, exactly.

James Altucher: Well, what do you think is the next wave? All these things come in waves. What do you think people should be looking at now, public and private?

Mark Cuban: Specific companies you know, it raises a different question in terms of the public companies. The stock market has gotten so complex, I don’t think anybody really knows what makes it tick. I mean, you follow it more closely than I do these days because so much money is chasing it. There’s half as many stocks today, public companies, as there were in 1995. So there’s so many dollars chasing fewer companies, so there’s no real surprises. It’s really hard to find undervalued companies. It’s hard to find shorts. It’s a much more difficult market, and I think the market’s gotten so complex, I don’t know if people really understand how it works.

There used to be certain rules. Now there are no rules. So in terms of what I look for, I gear more towards private companies, and I’m interested in sensors because I think we’re getting away from typing in things to get a response. I think we’re gearing towards, “Here’s my heart rate. Tell me what I need – “ you know, it’ll automatically tell me what I need to know.

I’ve got a company, Motionloft. It counts people – as you’re walking down the street, it informs the retailer what they need to know or the commercial leasing organization what they need to know. So I think the days of us typing something into Google and figuring out what we need a response for are starting to slow down, and the days of all the elements and whatever things we can track through sensors and information being proactively provided to us is increasing.

And then, secondary to that is personalized medicine, which I think we’re not there yet, but as the cost and time it takes
to decode the human genome and – I’m not even technically literate enough to give you all the details, but the time it takes to decode all the information that’s in our body, ’cause essentially, our bodies are just math equations, as that decreases and the cost decreases, we’re gonna be able to come up with personalized solutions to medical illnesses and basic things as well such as congestion, in your throat or nose or whatever it may be, to the point that when your kids have kids, they’ll say, “Grandpa James, was it true that you guys bought over-the-counter medicines and everybody bought the same kind of medicine?

You bought something like – what was it called – Sudafed? And y’all bought aspirin? Everybody bought – ” and you’ll say, “Yeah,” and they’ll say, “That’s so barbaric.” And you’ll say, “Yeah, it was then, too. They even had warning labels that said, ‘You might be the one unlucky shmuck that dies from this.’ But we didn’t have any choices. Now, you go in, they take a little prick of your blood, and they just – through your skin, they give you a solution to whatever’s wrong.” I think that’s the course we’re going on.

Then I think the third thing that I’m looking at right now, obviously, with Xpire and Cyber Dust, are privacy elements. It’s not just the NSA. It’s not just government agencies, but I think between sensors, between video cameras, between audio recorders, between our profiles that are everywhere, heck, the pictures we save on Box and Dropbox and Google Drive and whatever, that is creating a profile of us that we’re all gonna be very concerned about being public and being used to sell to us or being used for other purposes, like I mentioned earlier, employment, school, whatever it may be. And so I think privacy is rapidly becoming an issue we all need to address. So those are –

*James Altucher:* I like the idea of reducing a digital footprint also, it sort of reminds me that we all spend too much time being connected anyway as opposed to face-to-face. It sort of returns back to natural –
Mark Cuban: Right, that’s actually one of my Shark Tank themes. So I did LA Haunted Hayride and I did Rugged Race because people want entertainment to make them put their devices down. You’re exactly right.

James Altucher: Yeah, and I think we should – just in terms of human psychology, it’s how we’re evolutionary beings, not cyber beings, so it could be a return to that.

Mark Cuban: I can’t disagree with that at all. I think that’s a great theme, and it’s just a question of who does it best.

James Altucher: Well, Mark, once again, I really appreciate the time you took to come onto the podcast. Hope to have you on again at some point, and look forward to all the iterations of Cyber Dust and everything.

Mark Cuban: I appreciate it, James. I enjoy your writing. Keep it up. Your blog posts are great. I always learn something.

James Altucher: Thanks, Mark. Thanks a lot. I’ll talk to you soon.

Mark Cuban: You got it. Thank you.
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