



TEL EPISODE #060:

***Zero To One* with Blake Masters**

Show Notes: <http://www.theelpodcast.com/tel-060-zero-one-blake-masters/>

Welcome to The Entrepreneurs Library, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.

WADE: Thanks for joining us on the EL. Today we have Blake Masters, co-author of *Zero To One*. Welcome, Blake, and thank you for joining us on The Entrepreneurs Library.

BLAKE: Thanks for having me, Wade.

WADE: Absolutely! Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

BLAKE: Sure. My name is Blake Masters; I'm a new dad, I have a four-month-old baby. But I live out in San Francisco with my wife and child. Currently, I'm working on a book with Peter Thiel. It's published next Tuesday, September 16th. I've co-founded a legal research technology start-up called Judicata. Prior to that, I was at law school at Stanford and worked as an early salesperson at Box. And that's my quick bio.

WADE: Thank you for sharing that! Now, let's jump right into the book that you were just discussing, *Zero To One*, which will be made available coming up soon, next Monday, like you said, September 16th 2014. And you and Peter-- is it Peter Thiel? Is that how you say his name?

BLAKE: Teal, like the color.

WADE: Gotcha, okay. Peter Teal. And so, Blake, we're going to move quickly but we're going to talk about the top questions that our audience would like to get

answered. And the first one is, what was the inspiration behind writing, *Zero To One*?

BLAKE: So, the book is actually based on a class that Peter Thiel taught at Stanford in 2012. It was called "C.S. 183, start up." And Peter's goal in teaching the class was to tell his, I think there were about 150 students in the class. He told us everything he knew about business. And so, I took really good class notes, I cleaned them up a little bit and put them online. And then, the notes actually wound up getting read by like hundreds of thousands of people. So, they became basically required reading in Silicon Valley. And, you know, Peter Thiel's musings on business, they kind of wax philosophical. But, there's also a lot of practical concrete advice for entrepreneurs who are seeking to build the next great tech company. So, the book is really me and Peter's Act II. We really liked the notes. We felt like it reached a wide audience, but not as wide as we need. We really need a lot of new technology, we need a lot of great businesses to have any sort of good future at all.

And so, what we did was we took the course, which lasted, you know, three months. And with the book, we distilled it to 200 disciplined pages. You know, so that you can actually use it. So, these are sort of ideas that Peter and his colleagues at his Venture fund/Founder's fund at his foundation. They've been working on these ideas as they've been investing and building businesses for, you know, fifteen years now in Silicon Valley. And so, *Zero To One* is kind of the distillation of that.

WADE: There will be a ton of books that will come out this September along with *Zero To One*. What makes your book different from the others regarding the same topic?

BLAKE: Well, you know, it's a business book, but we also like to say it's something of an anti-business book. Not always, but I think a lot of times business books take what should be a thirty or forty page essay and they turn it into a three hundred page book. So, there's a lot of repetition and, maybe, kind of a lot of questionably applicable formulas to follow. And so, what we wanted to do was take an opposite tact and say clearly and forcefully what Peter knows about business. And

since he's a pretty famous contrarian, he has contrarian views on everything from assessing market size to building a team to distributing a product. The result, we think, is not just a quick and easy read, but it's something distinctive. So, you can't really get his insights anywhere else.

WADE: And how would you and Peter want the reader to engage with your book? Is this a book that they should start from the beginning and read all the way through or one that they can kind of go in and cherry-pick different information out of it?

BLAKE: You know, either way. I mean we wrote it knowing that the practical reality is people don't always read front to back. People like to open up and find value in sort of non-linear ways. And so, because each chapter sort of wraps on to a particular class session from the original Stanford class, I think that works. I think you can just take it at random. And, yet, we try to put a lot of thought into the organization. So, if you do read it front to back, it is organized in sort of the most concise and most logical flow. This is everything you need to know about how to start thinking about building a Silicon Valley tech startup.

WADE: Great, so now that we know a little bit of the background behind the book, we're onto my favorite part. I'm going to hand over the mic and ask that you just take us through from front to back of what the books all about. We're really looking for-- you're talking to an individual who's wondering if this book is their next great read. Will you do that for us?

BLAKE: Sure, yeah. Well, in chapter one, it's where we start by explaining what the title means. So, *Zero To One* is about doing new things. Going from nothing and creating something where nothing existed before. We contrast that with one to end, which is copying things that already exist and work somewhere and making them work everywhere. So, the single word for *Zero To One*, doing something new is technology. And, you can think of this single word for one to end being globalization. Where we take what's worked in the developed nations and we make them work sort of everywhere else. Both technology and globalization are forms of progress. And, yet when we think of progress most people sort of think of developing in China and India and we forget about asking



how are we developing the developed world. In the United States, you can't just make progress by going from one to end, you can't just copy things that work, you have to do new things. We have to figure out ways to go from *Zero To One*. So, it's kind of the macro frame for the whole book.

In chapter two, we take a close look at the .com boom and bust of the '90's, which we think has sort of powerfully shaped how everybody today continues to think about business. Because things were like very irrational and exuberant in the 90's, you know it was kind of an insane inflationary period in tech start-ups and valuations. We sort of overcorrected to embrace like a deeply pessimistic philosophy.

So, the big thing in Silicon Valley right now is the lean start-up. You're not supposed to have any grand plans for your business. You're not supposed to be too bold. And, you know, you're sort of taught to merely iterate towards smaller successes. But, actually, we think that even though the 90's was sort of too exuberant and things were really crazy, people were really optimistic and people had grand ambitions for the future. And, it's that sort of hubris, that sort of positive outlook that's going to drive many successful businesses in the future. Then, we move on, in the book to get at one of the core themes, which is the distinction between competition and monopoly.

So, Americans sort of love competition, it's become like a secular religion or a national ideology of some sort. Sort of conflate competition with free market capitalism and political debates and we say how great competitions as a spur to productivity. But, the message that Peter and I write in the book is that actually competition is not what you want to be focused on when you're building a business. It can be distracting, you know you kind of look at what the other person is doing and you match feature for feature. It's easy to get lost in the competitive herd and fail to actually differentiate yourself. So, we think successful business is all about differentiation and differentiation, writ large, is monopoly.

So, when we say monopoly in the book we don't mean like government favorites or illegal price fixtures, but we mean a company like Google, which is so good at what it does, that it basically owns its entire market. Where a company's name





becomes a verb to describe the whole industry. And so, we encourage people to think, when they start businesses, how is this going to be a monopoly business as opposed to something more undifferentiated, like a restaurant which is a really hard business to start and sustain.

So, then we take a different tact about halfway through the book, and, you know, we talk chapter 6 is called, "you are not a lottery ticket." And the idea there is, it's a meditation on chance and luck, and how far we've gravitated as a society as explaining things purely in those terms. Pessimism, I think, is obviously self-fulfilling. If you don't think you're going to have a better future, if you don't think you can build a very good business, we won't and you won't.

But, in America, we're optimistic, which is good. But, really since maybe the early '80s the optimism has been so indefinite. This has been true, sort of in society, and also in business. We sort of expect things to get better and better, we expect corporate profits to rise, we expect the stock market to sort of rise incessantly, even though we don't really have any ideas as to why that should happen or how we're going to make that happen, which is paradoxical we think because we're definitely not going to have a better future or you're not going to have a great business if you merely expect the conclusion to automatically appear without doing the hard work.

And so, chapter 6 is our call towards sort of reclaiming a definite attitude, where you don't just assume things are going to get better, but you know that if you plan out all the steps in your business, and of course plans change, but you've got to have a plan and if you plan, as a society, where you want to go, then maybe we can actually get there.

We talk a lot about secrets, we have a whole chapter on secrets. And so these are answers to what peter calls his contrarian question: what very important truth do very few people agree with you on? And it seems like an easy question, but actually it's really hard. It's really hard to answer because if you have a good answer, you have to know something that other people don't, so you have to think outside of conventional wisdom. And then you also have to be brave enough to tell somebody that, so most of the time you're safe repeating



conventions, but whether in business or in other contexts, as soon as you sort of stray from what most people think, you can get into dangerous territory. So, like Uber, for example. Uber or Lift, they have to be very careful about how they talk about their businesses because they're entrenched interests. You know, like taxi cab associations that don't really want to talk about this secret that there's all this spare capacity in all these people's private vehicles. And so, we think by framing, some people call this like a competitive edge or something, but we prefer to call any advantage, any truth about your industry that no one else knows, we prefer to call that a secret. Because there's something about the terminology that I think captures people's attention and make them wonder what other sort of possibilities are on the horizon that are hidden that I can find, that I can exploit, that I can use to build a really valuable business. We have a few nuts and bolts chapters. We have a chapter about how to sell a product. Silicon Valley tends to be overweight product in underweight sales, even though sales is just as important, or, perhaps, even more important than the product. Where I'm from, San Francisco, there are a lot of really cool nerds that are really good at building things who build cool products and you know, too often you see a startup fail because they've built something cool, but they haven't built a good way to sell it. And if you have a good product, but not a good way to distribute it, you actually don't have a good product. So, we make the claim that it's really best to take distribution seriously and to think of it as an integral part of your product. Towards the end of the book, we get a little bit less nuts and bolts, and more abstract.

Chapter 12 is about computers and humans and how they relate to each other, both now and especially into the future. So, everyone's worried right now about robots taking their jobs, self-driving cars, we're going to usher in the next wave of unemployment for cabbies and chauffeurs and whatnot. But, actually, we think humans and computers are so different that they're mostly complimentary. So, humans are really good at some things, but computers are good at other things entirely, and unlike low-skilled workers, which by and large low scale labor people can substitute for each other. Computers and people are so different that they actually just can't. Plus, computers don't compete for resources, they don't want your job, so it's very different from this sort of losing jobs to Mexico, outsourcing debate that people have tried to map onto advances into artificial intelligence and



robotics and whatnot. So, we think that the most valuable businesses in the coming years will be the ones who understand and leverage the complimentary nature of machines and humans.

Chapter 13 is sort of a recap of the book formulated into seven questions that every startup has to get right. And so we used the clean tech, boom and bust of the last decade, as a framework to show just how much can go wrong when entrepreneurs lose sight of any of these questions. So, in this chapter we take on the failure mean as well, so you don't have to, it's sort of a mean known business that failure is good, you learn so much from it. Fail fast, fail often. And failure is great as this step of enlightenment towards building your great business. And, actually, we tend to say no, failure is really costly, it tends to be psychologically devastating. And the real problem is you can't learn that much from it. So, if there's seven questions that every business has to get right, some of them are like what recent technological developments have you seen that suggest this is the right time for your particular business to enter the market or do you have the right team is an obvious question. But, I would say that if there are seven questions that you have to get right and your business fails, it's very hard to go back ex-post and pick exactly which questions you messed up. Usually when a business fails, it fails for multiple reasons and so a clear kind of a clear headed post-mortem is very hard. It's why we lay out, in this chapter, why it's so important to think about these questions in advance and make sure you get them right.

And we end the book with the chapter about founders, entrepreneurs, they're always sort of necessarily extreme figures in one way or another. They're often misunderstood. As a society, we simultaneously revere founders, like Steve Jobs, but we're also quick to gang up on it, and turn these heroes into villains. If a company does something we don't like, the CEO becomes the scapegoat. And, so the lesson for founders is that individual prominence always comes at a cost and it can be exchanged at any moment for notoriety and demonization. And so founders need to understand the position that they're in so that they can be effective. And the lesson for business is that we need founders. If you look at the difference between a huge mega corporation that was founded 80 years ago, whose founders are no longer operating the company and contrast that with like



SpaceX or Tesla Motors, both of which are still run by their founder Elon Musk. And the difference is staggering. The question for Apple is whether they can continue to innovate now that it's visionary founder, Steve Jobs, is no longer with us. And so we make the claim that we need founders, not because they're the only ones whose work matters, but because they're the only ones who make everyone else's work matter. They're the ones who can motivate and inspire the best people to align together in pursuit of a supremely ambitious mission. And so that means, as a society, we need to be more tolerant of entrepreneurs of who seem strange or extreme. Because we're going to need those unusual individuals to lead us beyond mere incrementalism.

And so, that's the book. It's kind of a freewheeling, half business-philosophy, half nuts and bolts. There's this sport called chess boxing. I always analogize the book to chess boxing. It's literally, you have a round in a boxing match and you go to make a move in chess. And the idea is you need to be physically strong and good on the nuts and bolts and then you retreat to this more philosophical and strategic pursuit. And so we think both of those disciplines are broadly necessary for entrepreneurs and so we try to mix it up and make a fun and collective book.

WADE: Blake, that was a phenomenal review. To take so much content and context and put it into just a couple of minutes is not that easy to do, and so I appreciate you doing that. And you're a great communicator so it was easy to follow along with. Now, I'm going to ask you to do something even more difficult and that's to take just one concept, or principle or action out of your entire book, everything that you just rolled out for us, what would you want that to be?

BLAKE: I would say, I would just tell people not to compete. Don't compete, do something unique. If that sounds contrarian to you and you learn something just from that soundbite, hey, great. But, if it doesn't, if it sounds banal or somehow not fresh, that's fine. You know everyone knows it's good to do something unique, but actually I mean what we really think is that no matter how much lip service we pay to this idea that uniqueness is good in society, you look around and people are just competing with each other. It's what we do. Peter likes to say already in the time of Shakespeare, the word ape meant both primate and to imitate. So what we do as human beings, how we get along in society, is we pay

attention to what others are doing, and we mimic them. It's how children learn languages, it's how we develop all sorts of social interactions, pay attention to social cues, and all that stuff really matters because all of a sudden, you're 25 years old, or older, you're in a board room, and you're making strategic business decisions. And it's very easy to get lost in what your competition is doing, it's very easy to define your product strategy in terms of what adjacent companies in the market place are doing. It's actually shockingly hard to rid yourself of this competitive instinct. And we don't claim to be able to fully do it either, but this sort of understanding that we're all way more competitive by default sort of naturally than we think we are, is the first step towards escaping it. And I think all the truly great businesses, the true innovators tend to be, they have this singular feel about them, you know where it's like if you're looking at Mark Zuckerberg and what he did at Facebook, and you're trying to copy that, you know apply his whatever he did to your business, in some sense you're not learning from him, because you're not doing something unique. And so I think people have to just always question that am I doing this because this is what I can do that's unique and valuable or am I doing this because it's safe, and I think what safe is often, it's just a shortcut phrase for competing with other people, doing conventional things, kind of chasing obvious prizes.

WADE: Blake I think that those that are listening have probably pulled out multiple different quotes from things that you've already said in this interview, but the next question is do you have a favorite quote from your book, either one that resonates well with you or one that maybe some people that have gotten an early edition of the book, it's resonated well with them?

BLAKE: Yeah, it's ideally, it's kind of a strange little sentence. I like it both as a piece of writing and also the idea. But the sentence is, "the smartphones that distract us from our surroundings also distract from the fact that are surroundings are strangely old." So you know you have to parse it a little bit, but you know this idea is you walk around and everyone is sort of looking down at their iPhones all the time, you know you're waiting at the subway station, people are just on their phones. And it's easy to forget okay, yeah you have this device in your pocket and you can connect to all the world's information in like a second, but the subway that's picking you up or the car that's picking you up looks a lot like the same

thing that would have shown up 40 years ago. And so this one sentence kind of hints at the language, the progress that we've seen, you know most people think that we're not in a stagnant society, that we continue to innovate. And that's true, but mainly, and almost only in IT, in the computer business. So our phones get better and better every year, and we have a whole new class of web applications, basically anything connected to the internet or the world of bits has proceeded at a breathtaking rate. And we've sort of forgotten the world of atoms, the world of stuff. We're still growing food in mostly the same ways, we're still burning oil and fighting over it to transport ourselves and what not. And so I think we basically have Jetsons phones in a 1960's America, and it's fantastic that the computer industry has grown so much and yet we begin to make the mistake of conflating technology with computers because for a good future we're going to build all sorts of businesses, all sorts of new technology outside the computer industry. And if we do that, we're going to have a good century, and we can really take everything to the next level. So yeah, "the smart phones that distract us from our surroundings also distract us from the fact that our surroundings are strangely old."

WADE: That's perfect. And definitely makes you think.

BLAKE: That's the plan. That is the goal.

WADE: So Blake I have no doubt in my mind that a lot of the content that you guys put in this book is going to create a paradigm shift for individuals that are reading and even some of what you said for our listeners here today. And that's why this next question is something similar, what's a book that you've personally read that you absolutely just love, maybe you didn't love it at the time, but it's created a huge paradigm shift and helped you move forward in your life?

BLAKE: Yeah, such a tough question to distill. Some of the value of reading is just comparing what this author says and what this author says and you start to read widely and you get all these connections, and I think maybe the value's in between books, so it's really hard to just pick one. I just finished a book not too long ago, it's called The Age of the Moguls, by Stewart Holbrook. And it's a book written in the early 50's, it's actually not terribly easy to find a copy. I'm not even

sure if it's in print, but you can find a used copy. Holbrook just takes you through, he basically gives like one chapter per iconic industrialist mogul, so there's like a Vanderbilt chapter, a chapter on Carnegie, Rockefeller, Guggenheim, and so I think you can always read about these sort of titans of the past, these captains of industry, or you could read the Steve Jobs biography by Isaacson, and you could read about these sort of great individuals and sort like what was his edge, how can I copy that and apply that in my own life, I think that's probably the wrong way to read this stuff. I think the next Vanderbilt or Steve Jobs won't really look anything like those guys, but he will, or she will be unique. Probably in a hyper focused, probably in a somewhat strange way. And so I like to read these stories of these fabulous business successes, and try to just look for inspiration from them, and try to look around at the network I've been developing in Silicon Valley, look at my friends, and think about all these other people I haven't met yet, and sort of say where's the next one going to come from. Right, and like hearing people's kind of crazy pitches or having friends sort of incubate their start-up ideas and see people's ideas take shape, and all these sort of just excited to see where the next great capitalist, the next great business builder is going to come from. So I think you've got to read about the past obviously to figure out where you want to go, but for anyone who wants to read a survey of the sort of legends of the late 19th, early 20th century, *The Age of the Moguls* is a fantastic read.

WADE: I haven't been referenced that one before, so I'm interested to take a deeper dive into that.

BLAKE: It's pretty obscure, but I think if you pick it up, you will not be disappointed.

WADE: Excellent. Well Blake, before we depart, can you recommend the best way for listeners to get more information on you and your book, *Zero To One*?

BLAKE: Absolutely. The book's website is zerotoonebook.com. And my own site, which has the Peter Thiel class notes from the Stanford class, is just my name as the URL, blakemasters.com. And so I think it can be fun to compare the notes against the book. You sort of see where we started from and where we ended up,



and a lot of people go back and read the notes for context and everything like that, but that will always be a free resource on my site.

WADE: No, that's huge. Thank you for sharing that. And thank you for coming on today and sharing your guys's creation. You know I call it your baby sometimes because it definitely takes time to write a book.

BLAKE: Absolutely.

WADE: But thank you for coming on and sharing it with our audience.

BLAKE: Thanks for having me, Wade, I appreciate it.

WADE: Thanks again for listening in today. If you would like to get your hands on *Zero To One* or any of the other resources mentioned by Blake, just look at the show notes at TheELPodcast.com.

Looking for your next book idea? Head over to TheELPodcast.com, where Wade shares his amazing resource, "The Top 10 Business Books Recommended by Over 500 Entrepreneurs," with you for free. That's TheELPodcast.com. Till the next time, keep it on the EL.

LINKS AND RESOURCES MENTIONED IN THIS EPISODE:

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