

ZERO TO ONE

NOTES ON STARTUPS, OR

HOW TO BUILD THE FUTURE

Peter Thiel

with BLAKE MASTERS

ZERO *to* ONE

NOTES ON STARTUPS, OR
HOW TO BUILD THE FUTURE

Peter Thiel

with BLAKE MASTERS



All rights reserved.

Published in the United States by Crown Business, an imprint of the Crown Publishing Group, a division of Random House LLC, a Penguin Random House Company, New York.

www.crownpublishing.com

CROWN BUSINESS is a trademark and CROWN and the Rising Sun colophon are registered trademarks of Random House LLC.

Crown Business books are available at special discounts for bulk purchases for sales promotions or corporate use. Special editions, including personalized covers, excerpts of existing books, or books with corporate logos, can be created in large quantities for special needs. For more information, contact Premium Sales at (212) 572-2232 or e-mail specialmarkets@randomhouse.com.

Library of Congress Cataloging-in-Publication Data

Thiel, Peter A.

Zero to one: notes on startups, or how to build the future / Peter Thiel with Blake Masters.

pages cm

1. New business enterprises. 2. New products. 3. Entrepreneurship. 4. Diffusion of innovations. I. Title.

HD62.5.T525 2014

685.11—dc23

2014006653

Hardcover ISBN: 978-0-8041-3929-8

eBook ISBN: 978-0-8041-3930-4

Book design by Ralph Fowler / rlfdesign

Graphics by Rodrigo Corral Design

Illustrations by Matt Buck

Cover design by Michael Nagin

Additional credits appear [on this page](#), which constitutes a continuation of this copyright page.

v3.1

Preface: Zero to One

- [1 The Challenge of the Future](#)
- [2 Party Like It's 1999](#)
- [3 All Happy Companies Are Different](#)
- [4 The Ideology of Competition](#)
- [5 Last Mover Advantage](#)
- [6 You Are Not a Lottery Ticket](#)
- [7 Follow the Money](#)
- [8 Secrets](#)
- [9 Foundations](#)
- [10 The Mechanics of Mafia](#)
- [11 If You Build It, Will They Come?](#)
- [12 Man and Machine](#)
- [13 Seeing Green](#)
- [14 The Founder's Paradox](#)

Conclusion: Stagnation or Singularity?

Acknowledgments

Illustration Credits

Index

About the Authors

ZERO TO ONE

EVERY MOMENT IN BUSINESS happens only once. The next Bill Gates will not build an operating system. The next Larry Page or Sergey Brin won't make a search engine. And the next Mark Zuckerberg won't create a social network. If you are copying these guys, you aren't learning from them.

Of course, it's easier to copy a model than to make something new. Doing what we already know how to do takes the world from 1 to n , adding more of something familiar. But every time we create something new, we go from 0 to 1. The act of creation is singular, as is the moment of creation, and the result is something fresh and strange.

Unless they invest in the difficult task of creating new things, American companies will fail in the future no matter how big their profits remain today. What happens when we've gained everything to be had from fine-tuning the old lines of business that we've inherited? Unlikely as it sounds, the answer threatens to be far worse than the crisis of 2008. Today's "best practices" lead to dead ends; the best paths are new and untried.

In a world of gigantic administrative bureaucracies both public and private, searching for a new path might seem like hoping for a miracle. Actually, if American business is going to succeed, we are going to need hundreds, or even thousands, of miracles. This would be depressing but for one crucial fact: humans are distinguished from other species by our ability to work miracles. We call these miracles *technology*.

Technology is miraculous because it allows us to do *more with less*, ratcheting up our fundamental capabilities to a higher level. Other animals are instinctively driven to build things like dams or honeycombs, but we are the only ones that can invent new things and better ways of making them. Humans don't decide what to build by making choices from some cosmic catalog of options given in advance; instead, by creating new technologies, we rewrite the plan of the world. These are the kind of elementary truths we teach to second graders, but they are easy to forget in a world where so much of what we do is repeat what has been done before.

Zero to One is about how to build companies that create new things. It draws on everything I've learned directly as a co-founder of PayPal and Palantir and then an investor in hundreds of startups, including Facebook and SpaceX. But while I have noticed many patterns, and I relate them here, this book offers no formula for success. The paradox of teaching entrepreneurship is that such a formula necessarily cannot exist; because every innovation is new and unique, no authority can prescribe in concrete terms how to be innovative. Indeed, the single most powerful pattern I have noticed is that successful people find value in unexpected places, and they do this by thinking about business from first principles instead of formulas.

This book stems from a course about startups that I taught at Stanford in 2012. College students can become extremely skilled at a few specialties, but many never learn what to do with those skills in the wider world. My primary goal in teaching the class was to help my students see beyond the tracks laid down by academic specialties to the broader future that is theirs to create. One of those students,

Blake Mason, took detailed class notes, which circulated far beyond the campus, and in *Zero to One* I have worked with him to revise the notes for a wider audience. There's no reason why the future should happen only at Stanford, or in college, or in Silicon Valley.

WHENEVER I INTERVIEW someone for a job, I like to ask this question: “What important truth do very few people agree with you on?”

This question sounds easy because it’s straightforward. Actually, it’s very hard to answer. It’s intellectually difficult because the knowledge that everyone is taught in school is by definition agreed upon. And it’s psychologically difficult because anyone trying to answer must say something she knows to be unpopular. Brilliant thinking is rare, but courage is in even shorter supply than genius.

Most commonly, I hear answers like the following:

“Our educational system is broken and urgently needs to be fixed.”

“America is exceptional.”

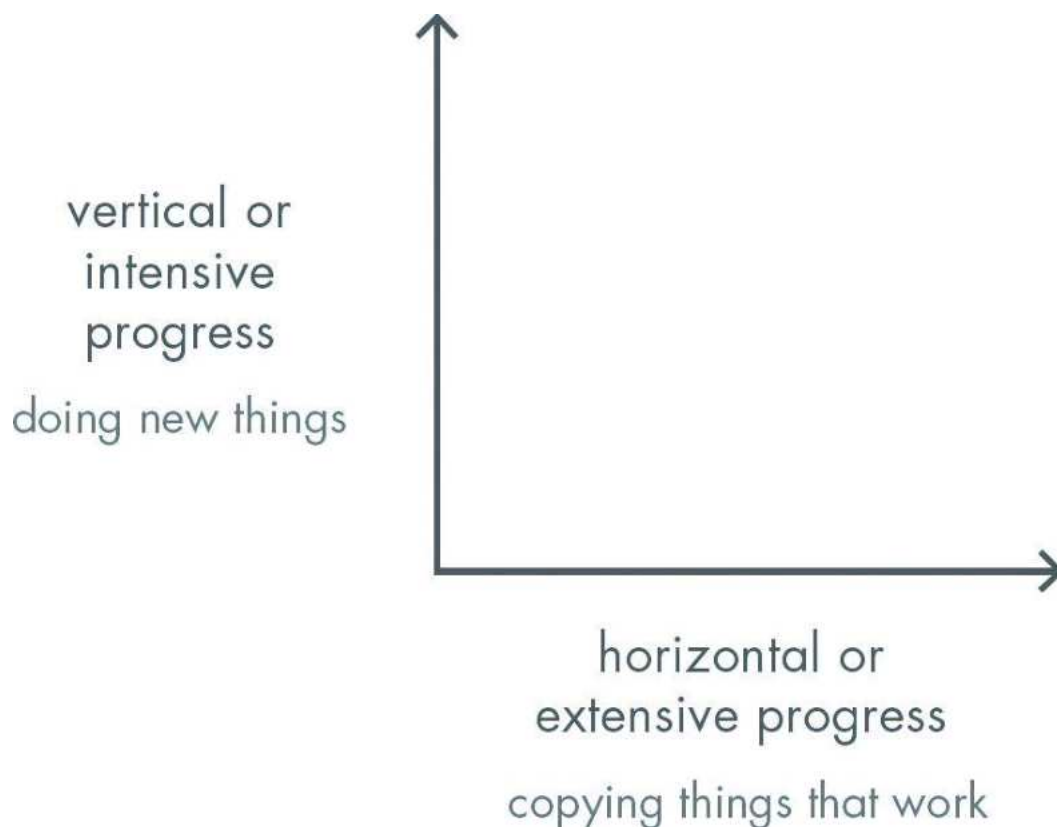
“There is no God.”

Those are bad answers. The first and the second statements might be true, but many people already agree with them. The third statement simply takes one side in a familiar debate. A good answer takes the following form: “Most people believe in x , but the truth is the opposite of x .” I’ll give my own answer later in this chapter.

What does this contrarian question have to do with the future? In the most minimal sense, the future is simply the set of all moments yet to come. But what makes the future distinctive and important isn’t that it hasn’t happened yet, but rather that it will be a time when the world looks different from today. In this sense, if nothing about our society changes for the next 100 years, then the future is over 100 years away. If things change radically in the next decade, then the future is nearly at hand. No one can predict the future exactly, but we know two things: it’s going to be different, and it must be rooted in today’s world. Most answers to the contrarian question are different ways of seeing the present; good answers are as close as we can come to looking into the future.

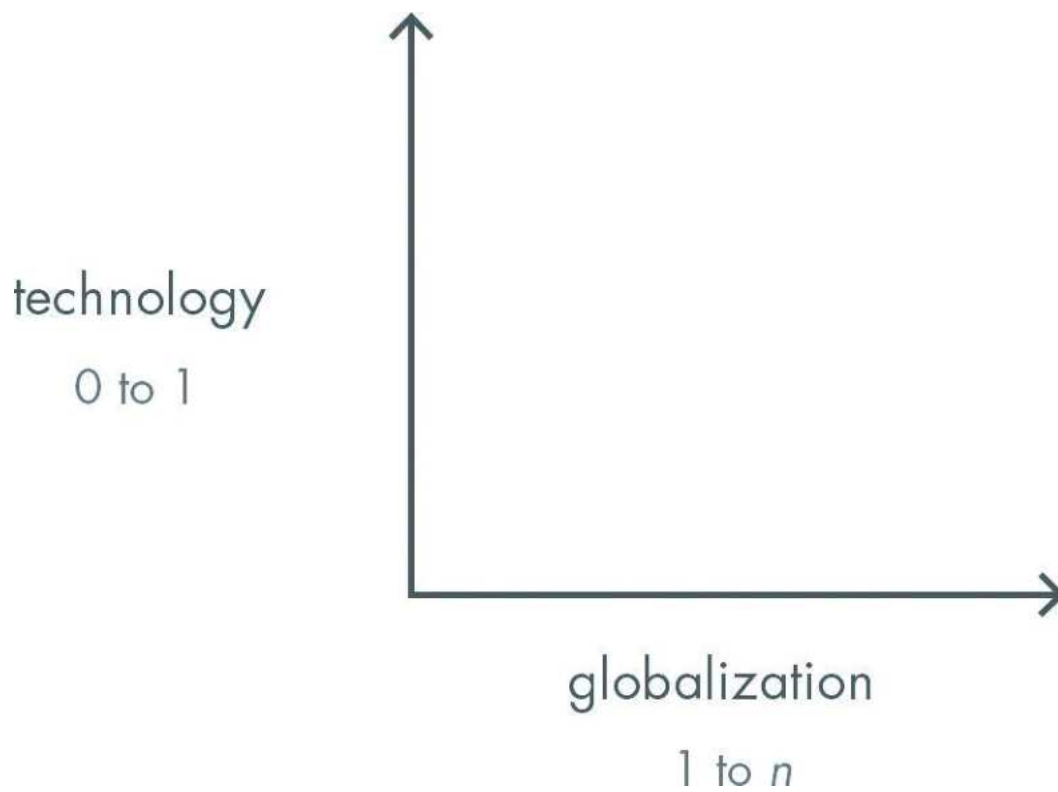
ZERO TO ONE: THE FUTURE OF PROGRESS

When we think about the future, we hope for a future of progress. That progress can take one of two forms. Horizontal or extensive progress means copying things that work—going from 1 to n . Horizontal progress is easy to imagine because we already know what it looks like. Vertical or intensive progress means doing new things—going from 0 to 1. Vertical progress is harder to imagine because it requires doing something nobody else has ever done. If you take one typewriter and build 100, you have made horizontal progress. If you have a typewriter and build a word processor, you have made vertical progress.



At the macro level, the single word for horizontal progress is *globalization*—taking things that work somewhere and making them work everywhere. China is the paradigmatic example of globalization; its 20-year plan is to become like the United States is today. The Chinese have been straightforwardly copying everything that has worked in the developed world: 19th-century railroads, 20th-century air conditioning, and even entire cities. They might skip a few steps along the way—going straight to wireless without installing landlines, for instance—but they’re copying all the same.

The single word for vertical, 0 to 1 progress is *technology*. The rapid progress of information technology in recent decades has made Silicon Valley the capital of “technology” in general. But there is no reason why technology should be limited to computers. Properly understood, any new and better way of doing things is technology.



Because globalization and technology are different modes of progress, it's possible to have both, either, or neither at the same time. For example, 1815 to 1914 was a period of both rapid technological development and rapid globalization. Between the First World War and Kissinger's trip to reopen relations with China in 1971, there was rapid technological development but not much globalization. Since 1971, we have seen rapid globalization along with limited technological development, mostly confined to IT.

This age of globalization has made it easy to imagine that the decades ahead will bring more convergence and more sameness. Even our everyday language suggests we believe in a kind of technological end of history: the division of the world into the so-called developed and developing nations implies that the "developed" world has already achieved the achievable, and that poorer nations just need to catch up.

But I don't think that's true. My own answer to the contrarian question is that most people think the future of the world will be defined by globalization, but the truth is that technology matters more. Without technological change, if China doubles its energy production over the next two decades, it will also double its air pollution. If every one of India's hundreds of millions of households were to live the way Americans already do—using only today's tools—the result would be environmentally catastrophic. Spreading old ways to create wealth around the world will result in devastation, not riches. In a world of scarce resources, globalization without new technology is unsustainable.

New technology has never been an automatic feature of history. Our ancestors lived in static, zero-sum societies where success meant seizing things from others. They created new sources of wealth only rarely, and in the long run they could never create enough to save the average person from an extremely hard life. Then, after 10,000 years of fitful advance from primitive agriculture to medieval windmills and 16th-century astrolabes, the modern world suddenly experienced relentless technological progress from the advent of the steam engine in the 1760s all the way up to about 1970. As a result, we have inherited a richer society than any previous generation would have been able to imagine.

Any generation excepting our parents' and grandparents', that is: in the late 1960s, they expected

This progress to continue. They looked forward to a four-day workweek, energy too cheap to meter, and vacations on the moon. But it didn't happen. The smartphones that distract us from our surroundings also distract us from the fact that our surroundings are strangely old: only computers and communications have improved dramatically since midcentury. That doesn't mean our parents were wrong to imagine a better future—they were only wrong to expect it as something automatic. Today our challenge is to both imagine and create the new technologies that can make the 21st century more peaceful and prosperous than the 20th.

STARTUP THINKING

New technology tends to come from new ventures—startups. From the Founding Fathers in politics to the Royal Society in science to Fairchild Semiconductor’s “traitorous eight” in business, small groups of people bound together by a sense of mission have changed the world for the better. The easiest explanation for this is negative: it’s hard to develop new things in big organizations, and it’s even harder to do it by yourself. Bureaucratic hierarchies move slowly, and entrenched interests shy away from risk. In the most dysfunctional organizations, signaling that work is being done becomes a better strategy for career advancement than actually doing work (if this describes your company, you should quit now). At the other extreme, a lone genius might create a classic work of art or literature, but he could never create an entire industry. Startups operate on the principle that you need to work with other people to get stuff done, but you also need to stay small enough so that you actually can.

Positively defined, a startup is the largest group of people you can convince of a plan to build a different future. A new company’s most important strength is new thinking: even more important than nimbleness, small size affords space to think. This book is about the questions you must ask and answer to succeed in the business of doing new things: what follows is not a manual or a record of knowledge but an exercise in thinking. Because that is what a startup has to do: question received ideas and rethink business from scratch.

PARTY LIKE IT'S 1999

OUR CONTRARIAN QUESTION—*What important truth do very few people agree with you on?*—is difficult to answer directly. It may be easier to start with a preliminary: what does everybody agree on? “Madness is rare in individuals—but in groups, parties, nations, and ages it is the rule,” Nietzsche wrote (before he went mad). If you can identify a delusional popular belief, you can find what lies hidden behind it: the contrarian truth.

Consider an elementary proposition: companies exist to make money, not to lose it. This should be obvious to any thinking person. But it wasn't so obvious to many in the late 1990s, when no loss was too big to be described as an investment in an even bigger, brighter future. The conventional wisdom of the “New Economy” accepted page views as a more authoritative, forward-looking financial metric than something as pedestrian as profit.

Conventional beliefs only ever come to appear arbitrary and wrong in retrospect; whenever one collapses, we call the old belief a *bubble*. But the distortions caused by bubbles don't disappear when they pop. The internet craze of the '90s was the biggest bubble since the crash of 1929, and the lessons learned afterward define and distort almost all thinking about technology today. The first step to thinking clearly is to question what we think we know about the past.



- Lituz.com

Elektron kitoblar

**To'liq qismini Shu tugmani
bosish orqali sotib oling!**