FUNDAMENTALS

"*The idea of Stoicism is not to suppress or deny your emotions, but it's to separate emotions from actions*"

ANCIENT WISDOM . 048

Ancient wisdom

Robert Rosenkranz is one of the most influential businessmen in modern finance. He sits down with **BEN WINSTANLEY** to discuss his remarkable life and how the principles of Stoicism helped shape it

IT WOULD BE hyperbole to call Robert Rosenkranz's book, *The Stoic Capitalist: Advice for the Exceptionally Ambitious*, a very belated follow-up to the seminal Marcus Aurelius text *Meditations*, but what is unquestionably true is that they share a kindred spirit in their devotion to self-discipline, personal ethics, humility, self-actualisation, and strength.

Unlike the Roman Emperor, Rosenkranz wasn't born into a position of power or privilege; he grew up in an ordinary working-class family in a one-bedroom apartment on West 79th Street in Manhattan, with a drugstore clerk mother and a father who struggled to hold down a job. But through sheer grit, a bit of luck, and one of the sharpest minds the business world has ever seen, his pioneering contributions to private equity, hedge funds, and insurance have played a pivotal role in shaping modern finance.

Throughout the book, Rosenkranz offers a blueprint for navigating the complexities of life and business, applying the Stoic principles to a series of philosophical and psychological observations about his quite remarkable career. He was a tax lawyer at Cahill, Gordon & Reindel, an economist at the prestigious think tank The RAND Corporation, and a general partner at Oppenheimer & Co. Each step in Rosenkranz's life is framed through the lens of Stoicism, which ultimately leads him to his greatest venture: Delphi Capital Management, an investment concern overseeing more than $40bn in assets under management, that netted him much of his considerable fortune. The book is pointedly not a biography, despite the personal vignettes interwoven with each pearl of wisdom, it's more akin to a fireside conversation with a sage-like figure passing on their knowledge to the next generation.

At the suitably plush private members' club, 12 Hay Hill, Rosenkranz graciously shared two hours of his precious time with me for my very own schooling into the ways of the Stoic Capitalist. The location, in the very heart of Mayfair's hedgie heartland, seemed more than fitting for the occasion. We talked about some of the more extraordinary moments that have signposted his life: being entrusted with his family's savings to invest in the stock market as a 14-year-old kid; offering to put his entire $400k liquid net worth on the line when negotiating the business arrangements for his new leveraged buyout firm; and navigating the perils of an investment that went sideways fast.

What struck me most wasn't the bravery Rosenkranz showed in the face of potential financial ruin, but the Zen-like calm that allowed him to operate at his most efficient under the weight of considerable pressure.

Perhaps more surprising for a man who graduated *summa cum laude* from Yale and later graduated from Harvard Law School, and who has had the ear of kings and presidents alike, Rosenkranz is a kind and humble man. On more than one occasion, he mentions the Stoic principle of a "well-lived life", the notion of cultivating inner virtue as opposed to living a luxurious lifestyle, and it shows in Rosenkranz's contributions beyond his financial endeavours. He set up Open to Debate, a platform dedicated to fostering civil discourse on pressing societal issues; is a thought leader in the science of longevity; and has invested heavily in the art world.

> **"Shakespeare wrote "a tide in the affairs of men which, taken at the flood, leads on to fortune." I really thought I had an opportunity to make a serious fortune"**

Few interviews I have conducted have spanned such a range of topics, with a subject so freely in command of his thought process throughout. Rosenkranz is a testament to the great Marcus Aurelius quote, "Waste no more time arguing what a good man should be. Be one."

BEN WINSTANLEY: At the beginning of *The Stoic Capitalist*, you describe yourself as "a second-tier partner in a second-tier firm" before a meeting with Joe Mailman transformed your life. Could you take us to the negotiating table and tell us what was going through your mind when you put your entire net worth on the line?

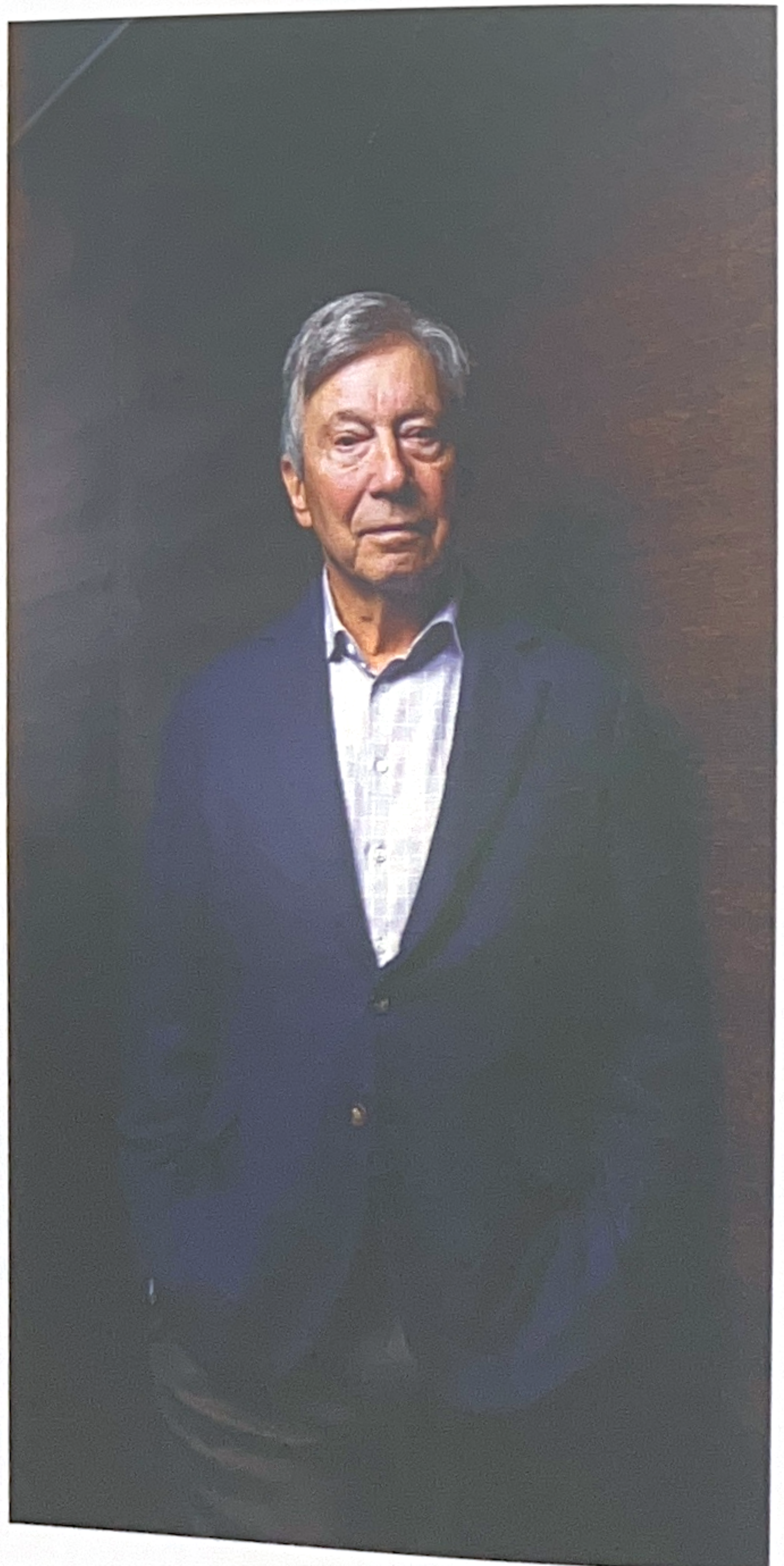
ROBERT ROSENKRANZ: Well, I would say I risked all of my liquid net worth; I had some illiquid assets that I thought would turn into cash. But the real principle here is the Stoic principle of trying to use rationality to control your emotions. Your emotion in deciding to risk all the accumulated liquid assets you've accrued in your lifetime on one thing is obviously going to produce a lot of fear, a lot of anxiety, and what the Stoics call 'courage' is really using rationality to overcome that fear. And what was rational in this case was simply the odds. I had done buyouts at Oppenheimer where the payoffs had been as much as a hundred to one, not infrequently, 20, 30, 40 to one.

I thought I was dealing quite literally with the chance of a lifetime. Shakespeare wrote "a tide in the affairs of men which, taken at the flood, leads on to fortune," and I really thought I had an opportunity to make a serious fortune and that this opportunity might come only once. I wanted to seize the moment.

BW: It strikes me that you are not really ▸

PHOTOGRAPH by Ciaran McCrickard

▼ CLUB CLASS: Our interview and shoot with Robert Rosenkranz took place at 12 Hay Hill, a private members' club and business hub in the heart of Mayfair, featuring six floors of business lounges, meeting rooms, and luxury offices. *For more info, see: 12hayhill.com*



PHOTOGRAPH by Ciaran McCrickard

▸ a glass-half-empty or glass-half-full person – it's just a statement of fact that the glass has a quantity of water in it.

RR: I think again a Stoic principle is to separate the facts from the interpretation. There's X amount of water in the glass: that's the fact. Your interpretation is, 'Is it half full or is it half empty?' I am kind of a natural optimist. I mean, the idea that risks are going to fall in my favour, that I'll be able to do it, that things are going to work out. And I'm kind of a techno optimist, as well. I think most technology that people are afraid of is actually going to probably work out fairly well. But part of the Stoic wisdom that I try to introduce in the book is this idea that you should separate facts from interpretation, and be very conscious that your interpretation is just one of many possible ones. It's hard enough to interpret your own motivations unless you understand somebody else's.

BW: There's no better place to start than the name of the book itself, *The Stoic Capitalist*. They're not necessarily perfectly aligned principles, Stoicism and capitalism, so I wonder how the Stoic principles align with your personal ambition?

RR: Well, I'd say there are two levels to answer the question. So, the Stoic principles are almost innate for me. I'm a natural-born Stoic, I think, and when I started to read Stoicism, I realised, 'Oh my goodness, this is the way I've been thinking; this is the way I've been approaching the world.' And cognitive behavioural psychology, again, is an offshoot of Stoicism – and it was just my natural way of being. That set of ideas and philosophy played out in my life to create a successful career as a capitalist, but I think it could play out in almost anybody's life to create success at whatever they're undertaking. So that's related to the book, but more related to the ideas.

Succeeding as a capitalist is what David Brooks calls a "resume virtue", but leading a well-lived life is a eulogy virtue. And, to me, a well-lived life includes culture, it includes philanthropy, it includes service to a broader community. Those all seem to be essential ingredients of a well-lived life. So the title of the book is a reflection on that as well. If the only thing you get out of financial success is owning a bunch of stuff, that to me is not a well-lived life. That's not using your talents to the fullest. It's not taking advantage of the opportunities that wealth gives you in a way that creates what I call the eulogy virtues.

BW: Your investment journey began at the age of 14 when your family entrusted you with $3,000 of their hard-earned paychecks to invest in stocks. Were you conscious of the financial and familial pressure you were under to succeed in that moment?

RR: It was an extraordinary vote of confidence. It reflects more on my luck and their naivety than anything else. That first success when I was 13 was pure luck. I mean, I did have the wit to go to the publisher of the newsletter who was totally bemused by the fact that I was taken in by this 'pump and dump' stock. My uncles really were pretty unsophisticated, so they thought that proved something.

As far as the one I was doing as a 13-year-old in the stock market, I was a voracious reader of biographies of all kinds, and I read biographies of people who had been successful in stock trading, so I knew a little bit about the idea of momentum, a little bit that lower price stocks would have higher percentage moves. I was aware that something like Standard & Poor's would give you in two pages a little bit of a summary of the fundamentals of a company. But there's a key quote in that paragraph, which is that the broker who I was dealing with, cautioned me, "Don't confuse brains with a bull market." I was just a brash overconfident kid. I would say it was a wild overestimation of my own abilities, which happened to coincide with a bull market over a couple of months!

BW: How would you describe your personal approach to risk?

RR: I would say in any transaction, anything you do, you should try to think about minimising risk. The book talks about the first acquisition at Rosenkranz & Co that didn't work very well. I lost some money for myself and my investors, but it was structured in a way that things could go against you in unforeseen ways and you'd still have a decent outcome. I think in looking at any investment situation, you should think about what could go wrong and try to mitigate that if you can, or size the investment in a way that if it does go wrong, it's not going to be ruinous for you.

To me, the rational considerations are, 'What is the relationship between the risk and the reward?' If the reward in the Mailman case was, 'I was going to be rich for life, you only have to get rich once, and this was an opportunity to do that,' that's a very different thing than the opportunity to make a sound investment. The law of averages will work out, and if you make on average decent bets, you may come out ahead. But if you genuinely feel like this is a once-in-a-lifetime opportunity, the question then is how do you size the risk? And also to decide, is it once in a lifetime or is it I'm going to get ten shots at this, or a hundred?

All of those considerations have to go into appraisal of risk. But I think if you're thinking about it rationally, you're going to make a lot better decisions than if you dwell on the bad outcome. You have to be cognisant of it, but you can't let it occupy too much psychic space. You want your psychic space to be pretty cool and rational.

BW: Could you explain how Stoic principles have helped you in career, and how you stay the course during periods of stress?

RR: Well, 'mitigate' is not exactly the right word because I think emotions are natural. They're human. We react emotionally and we do it automatically to everything. So the idea of Stoicism is not to suppress your emotions or deny your emotions, but it's to separate emotions from actions: you can get angry, but does it serve your interest to act angry? And if you ask that question, 90% of the time the answer is going to be no. It doesn't serve your interest to act angry.

The Stoic idea is not to suppress the emotion, but to think rationally about the action that follows and to really ask 'Is this action serving my purposes, helping to produce an outcome that works for me?' And that's really the Stoic and psychological theme that runs through the book that I think is helpful to people in making all manner of decisions.

> **"If the only thing you get out of financial success is owning a bunch of stuff, that to me is not a well-lived life. That's not using your talents to the fullest"**

BW: One of my favourite lines in the book is, "Markets are human." How does this play out in practice?

RR: There is a chapter in the book called 'Behold The Earthlings'. And the idea is exactly what you expressed: that to be successful in markets, it's not just studying securities, not studying the assets themselves, but studying the behaviour of the market participants. If the market participants are behaving in a way that is a big change, that's going to have big implications. Getting on the right side of that is really important.

For example, to turn to an indexation, which started in the 1970s, was really a seed change because it made stock picking extremely hard because stocks tended to move in lockstep. It made the idea of looking for value not so great, because the indices are privileged, they're based on market caps. So the higher the price of the stock, the bigger it is in the index. So you had a change in the behaviour of the Earthlings toward indexation that was going to have multi-year major consequences on investment strategy. Similarly, when the Earthling started to allocate capital based on rating agencies, that's a huge change in human behaviour, which had enormous long-term implications for markets.

BW: I wanted to touch on Acorn Partners, which was one of the very first fund of funds in the sector. How do you view that particular investment vehicle today?

RR: Oh, clearly it's not as effective as it once was. When I started Acorn, there were a lot of genuine hedge opportunities to get returns in the low to mid teens with little ▸

> “We were talking about nuclear war, about the destiny of nations; there was no space for bureaucracy, status or titles”

▸ correlation with the broader stock market. It was a very attractive place to be, and it became central to the strategy of Delphi as an insurance company. We viewed Acorn as an investment-world talent agency where we were trying to identify superstar talents in very specialised niches, and use this as a way of knowing what was going on in the more obscure corners of the investment world, which is where I thought the opportunities would be found.

But definitely over time, there were fewer opportunities, more competitors, and the only thing that didn't change was the fees, but it's definitely gotten to be a much more difficult environment. But Acorn has really morphed into a 'family internal hedge fund' I have called Build, which is an acronym for 'Best Unconstrained Ideas, Liquid and Diversified'. It's really the notion that there's a handful of really good ideas that come out of a big network and to try to concentrate on those select ideas.

BW: That leads us quite neatly onto Delphi. What is the Delphic Method and how was it employed at Delphi? I know it was inspired by your time at RAND.

RR: RAND was, in a sense, a model for the culture of Delphi. I was at RAND during the mid to late 1960s, which was kind of when RAND was unique in America as being the epicentre of strategic thought. We were talking about nuclear war, we were talking about the destiny of nations, there was no space for bureaucracy, there was no space for status or titles – getting the right answer was the driving force.

The idea of the Delphic method was, if you wanted to get a consensus of experts, if you asked them anonymously so that the idea had to stand on its own merits in a group context. That was one notion. Another idea was that bureaucracy almost by its nature, would not make the same kind of decisions that a unitary rational decision maker would come to. To think of countries, nations, as unitary rational decision makers was wrong; you had to think of them as the interaction of a bunch of bureaucracies.

Taking those cultural ideas to Delphi, what I wanted Delphi to be was very collegial, I wanted the first principle to be getting the right answer. I didn't care about titles, I didn't care about seniority, I didn't care about organisational structure, what I cared about was that we had a culture that was devoted to getting the answer right. And a culture that was accepting of risk because there's kind of a natural tendency, particularly in the insurance industry, of being risk averse. The RAND philosophy – and to me the rational philosophy – was, no, you don't want to avoid risk, you just want to be overpaid for taking it. And so the quest for opportunity was another big part of the Delphi culture.

Then another important aspect of it was putting investment operations at the very top of an organisational pyramid, because getting good investment ideas, which are rare, through an insurance company bureaucracy is almost impossible. Unless it's at the very top of the pyramid, you're not going to get the great ideas in the first place, no less be able to deploy them.

BW: You describe the leveraged buyout as the "most elegant money game". Could you walk us through your personal approach to the business of leveraged buyouts?

RR: Well, I do think leveraged buyouts are an elegant pursuit. And what I mean by that is that it really requires as broad a range of human abilities as almost anything I can think of doing in the capital system, in the market system. I was doing it with a team of three or four people. The first thing was simply the sheer grit and determination it took to get deals in the door to get companies for sale to look at them, because I was never going to be anybody's first call. So this was business lunches, breakfasts, dinners, as many as I could arrange; travelling to cities that nobody else would want to go to; calling on business brokers to the point of being a nuisance. It required huge perseverance in just getting deals. Then in analysing them it's a way more intense process than let's say being a security analyst where you're following 20 companies and you can change your mind, and if you make mistakes, so what? With buyouts, you're going to own the company. So you really have to understand every item on the balance sheet and every footnote, and you have to make a judgement. You have to understand the social and economic trends, and regulatory trends, and whether they're in your favour or not, you have to look at management from the standpoint of are they capable of managing the business? Are they capable of seeing strategic challenges, seizing strategic opportunities? What does it take to motivate them in the right direction?

Then there's the whole negotiating thing. I mean, we were dealing at a scale where most of our sellers were, this was the biggest transaction in their lifetime, so they had huge emotional needs, huge financial stake. There was a major element of psychology and sensitivity in the negotiating process. Then there was a thing of creativity. I mean, I was sort of pushing the boundaries of structure. My background was as a tax lawyer, a lot of the creative things I brought to the party were pushing the edge of the envelope and operating in a regulatory environment where you had all these complex bodies of rules you had to comply with, none of which meshed very well, and none of which were very happy with the innovation. So that became another challenge. And then you had to get a bank or an insurance company to put up 90% of the money for 10% of the ups or whatever. There's a lot of salesmanship in that, and not just sales in the sense of being well liked, but sales in the sense of convincing them that you've really done a highly professional job of analysis and thought through the risks, and then presenting a really straight story to them about what you are asking them to support you in. And that just gets you to the starting line of owning a company.

So I felt like it was a field that required so many talents and such a range of abilities that I felt personally that I was growing all the time and learning all the time. I thought that that was, to me, a real appeal of this activity. Now obviously it was very lucrative, and that's great too, but the process was really satisfying.

BW: I read with interest that you like the idea that tech entrepreneurs are those most heavily rewarded today, as opposed to financial capitalism. Do you believe that the technological revolution continues to enrich society or do you fear that we are slowly losing our culture as a society?

RR: I would say it's a nuanced answer, but I would say that probably the most harmful effect that I've seen in recent years has really been the fact that people are getting their news from social media, which means that they're living in filter bubbles, that they're getting news that reinforces their existing opinions, facts that reinforce their existing opinions. So I think that's a big part of what's driving polarisation and the breakdown of civil discourse is the harmful effects of social media and politics.

On the other hand, I would say that advances in artificial intelligence, for example, are going to drive huge impact on healthcare drug discovery, understanding why we age, what can be done to slow it down, development of molecules, understanding the complexity of proteins. All of that stuff is things that we can't do without the aid of this very high powered artificial intelligence.

I would say in my own life, I found AI to be an enormous productivity answer. I mean, for years I would think Google would be the first place I'd go when I wanted to know something. Now it's the last place I go to. Anthropic or Claude or Perplexity or ChatGPT – I learned the nuances of how to prompt them for things. It's just to me, a quantum leap in my ability to get answers to things I'm interested in, to research topics, to learn about stuff I want to learn about. And the improvement in the last four or five months is so dramatic that I can only… it's hard to imagine what this might be five years from now.

BW: You launched Open to Debate, with a mission to "raise the level of public discourse" in America. Since its founding in 2006, why do you think politics has become so toxic and contemptuous? ▸

▼ THE STOIC CAPITALIST: Rosenkranz's book will be published on 8 May 2025. (Bloomsbury Business, Hardback, £20)

PHOTOGRAPH by Ciaran McCrickard

▸ RR: At least in America, which I can speak to as a close observer, there are a lot of things that have changed in my lifetime that seemed well intentioned, seemed to make things more democratic, but actually had unintended bad consequences. The first was direct election of candidates in primaries. It used to be smoke-filled rooms, political prose, selected candidates. Now it's primaries, but the only people who show up to vote in primaries are people on the extremes to the left or to the right, so both political parties are sort of pulled in that direction. There used to be a great deal of overlap between Democrats and Republicans. Now, there's none. And that's been compounded with something we call gerrymandering, which is defining the boundaries of congressional districts in a way that makes them either safe Democrat or safe Republican. Now in 90% of congressional districts, the only election that counts is the primary election.

Another factor I'd say is campaign finance reform. Again, it was intended to be a good thing, limiting the amount that anybody can contribute to a candidate. But if you're going to raise a lot of money, which it takes in America to run for senate or governor, and you're going to do it in $2,000 increments or $3,000 increments, the only way to get people to write those checks is to get them angry. So you have the Democrats talking about, "They're going to take away your abortion rights" or "They're going to destroy the climate", and then the Republicans are banging on about immigration and crime and taking away your jobs. The strategy for raising money is getting people angry and that's what works.

BW: I find your passion for philanthropy quite affirming – you speak of Rockefeller, the Rothschilds and Carnegie in your book. Is philanthropy ultimately the real route to 'make America great again'?

> "Creating Open to Debate was really seeing a need for a space in the public square that was a contempt-free zone, where facts would trump opinion"

RR: There's a chapter in the book called 'The Selfish Philanthropist', so I don't really believe that. A lot of people talk about philanthropy in terms of 'giving back', and it sort of implies that you've got the means to be philanthropic by taking something away or by hollowing out, and I just don't see it that way. I think if you build a great business, you are adding a lot to society, and I don't think that people have an obligation to give back philanthropically.

On the other hand, I think philanthropy is the key ingredient of a well-lived life because we're wired to be selfish, but if you're only concerned about yourself, you can't succeed. You have to be concerned about your employees, your customers, the people that you interact with, your family. You can't succeed in life if you don't have a broad sensitivity to the interest of other people. And for me, what inspired me about the Kennedys, about Carnegie, about Rockefeller was not so much that they gave money away, but that they used their talents to create the institutions that they felt that society needed. That's a much more proactive thing. And that's what I've tried hard to emulate.

Creating Open to Debate was really seeing a need for a space in the public square that was a contempt-free zone, or facts would trump opinion or factual analysis trump's emotion and ideology, and people have to listen respectfully to the views on the other side, and they're trying actively to do that on stage. But then the audience has the involvement of having to think critically of actually changing their minds, which they do.

I'm working on something now, which is to create a venue in New York for this newer art. These artists who use video, who use sound, who use interactive technology to create artistic high art experiences, but experiences that are very difficult for museums to deal with and also difficult for people to engage in the daytime. They take time, they're better seen at night, they're better seen with a drink in your hand. It's called Canyon, and we're trying to create a new kind of cultural institution. I'm learning all kinds of new stuff. I'm trying to meet challenges of expanding my own horizons, and I think I'm trying to fulfil a need for something that doesn't exist. That to me is my philanthropic ideal.

I think I've done something similarly satisfying in researching longevity. This is answering a very basic question, which is why do we age in the first instance? What is it that happens at a molecular level in our cells that make them less fit for purpose and more vulnerable to disease as time goes by? And can we slow that process down? Not from the point of view of extending longevity, because having people linger on in suboptimal health doesn't seem all that desirable, but keeping people at the peak of their productivity and peak health for an extra ten years or 15 years, that seems like the greatest gift science can give for human flourishing. And I think it's possible.

When I got interested in this, the big money was a foundation spending $6m per year, which a seemed preposterous drop in the ocean to what that field could actually do. In the four or five years that I've been interested in this, a huge amount of money has come into the field, the Saudi-based Hevolution Foundation alone is spending more than a billion dollars a year. There's a startup called Altos Labs, which raised $3bn. So the field has attracted huge amount of money. I'm no longer a money leader at all, but I am something of a thought leader because I took it quite seriously. I think in the next five or ten years we're going to see real progress.

BW: How does one become a 'progressor' [a Stoic principle striving toward wisdom]?

RR: It's really mindfulness. It's being aware of the fact that your first reaction is emotional, but you're trying to use rationality to control and regulate your emotions and be sure that your responses serve your interests. It's accepting change, accepting permanence and realising that your task is to adapt to it, not to rail against it. It's mindfulness of time – that time is really our most precious and limited resource and we must use it consciously. I'd encourage people to incorporate that principle into their lives. I think if they do, they'll see better outcomes. H