

NOTES FROM: *The Great Rat Race Escape*, by M.J. DeMarco

SUMMARY: This book blasphemes against the current economic religion of the world, which tries to convince people that it's a good idea to work and slave away at jobs they hate, just so they can maybe, hopefully be free fifty years later when – and if – their investments mature, and they can enjoy their money from the safety of the nursing home.

That sounds like a waste of a perfectly joyous life to me, and M.J. DeMarco teaches how we can avoid that fate by starting a business and taking advantage of the internet gold rush that we're currently experiencing. That being said, one of the things I appreciate about him so much is that he refuses to peddle easy answers and impossible guarantees. He says straight up that starting a business will be the hardest thing you ever do; growing it will be the second.

So it's obviously not for everyone, and I would never try to tell anyone that there's something "wrong" with working a regular 9-5 job for your entire life. Some regular jobs are profoundly fulfilling, beneficial to society, and totally necessary for its proper functioning. However, if that's not for you, then there's another way.

A few of DeMarco's ideas make his books worth reading a hundred times over. The first is about probability, and about how we are always stacking the odds either for or against ourselves. Starting and growing a business carries a ton of risk, of course, but you stack probability in your favor by getting started in the first place, seeking out mentors and role models, experimenting and trying to find out what works and what doesn't, taking enough shots and trying again and again, and applying the best ideas that the best business minds that have come before us have figured out and implemented in their own businesses. Doing all these things and more makes business less "risky," and increases our chances of success.

Another idea is his CENTS framework, which you can use to determine if the probability gods are likely to shine upon you. The letters stand for Control, Entry, Need, Time, and Scale, and if you have all these factors on your side, then your business is much more likely to take off. If you don't Control your business, or if there's no barrier to Entry for your competitors, for example, then you're in for a tough slog.

Another spectacular idea is that of increasing your value to society by either scale or magnitude. Scale is part of the CENTS framework, and if you can get your product into the hands of more customers you're going to do much better financially, obviously. But if you improve the lives of people at a greater *magnitude*, then you're *also* rewarded extremely well financially. You can make a million people's lives a little tiny bit better and have them each pay you a dollar (say, for example, a candy bar that people enjoy), and/or you can create a ton of value for a smaller number of people. Think, for example, a doctor saving a person's life. I honestly can't recommend DeMarco's books highly enough, and if you're at all entrepreneurially-minded, then they are absolute must-reads.

"Starting a business will be the hardest thing you ever do. Growing it will be the second."

“If the crowd knew any better, they wouldn’t be two paychecks from broke and wasting their life in front of a television.”

“Our culture thrives on mediocrity and obedience. It is the world’s business model.”

“Give a man a tolerable job that pays just enough to provide mediocre comfort and I’ll show you a man that won’t change a damn thing.”

“It’s no mistake that you are schooled Monday through Friday for eighteen years just so you can work Monday through Friday for the next fifty.”

“If confiscating 100 percent of your economic output makes slavery, at what point does it stop being slavery? 80 percent? 50 percent? 39.6 percent?”

“You probably work a lot harder than me, yet I get paid more.”

MK: Money can be created over and over, but time cannot.

“If your financial freedom is dependent on something you can’t control, you’re not free.”

“Whenever the rat race marginalizes time and treats it as a mathematical variable for financial freedom, you’re being propagandized.”

“Ten years is a lot of time for radical accomplishment.”

“Live within your means with the intent to expand your means.”

“Offence wins the game in ten years or less, defence preserves it for the next fifty.”

“When a gazillion people can do what you do, you have no leverage.”

“Even in respectable, good paying professions, saving \$5 million at a 10% savings rate would take centuries.”

“Stop giving books away to comfortable, satisfied people. Give them to uncomfortable, dissatisfied people who’ve endured the pain of a ‘Fuck This’ event.”

“Timing, curiosity, and bribery are three ways to get someone to read a book they don’t want to read.”

MK: Less than one percent of the words in Michael Phelps’s Wikipedia entry talk about the disciplined process he underwent in order to win.

“It’s shamefully comical: the secret to success is no secret, it just never finds a headline.”

“Entrepreneurs solve big problems and offer their solutions for profit.”

“The largest industry in the world is the business of shortcuts.”

“He who wins eyeballs wins sales.”

“Easy is crowded.”

“Anything that can be improved is a business opportunity.”

“Crappy customer service is a huge skewing opportunity.”

MK: There’s a formula for generating wealth, and time has nothing whatsoever to do with it.

“In all cases of future excellence, it was earned in the past through a disciplined process in pursuit of exceptionalism.”

“Because change is constant, so is opportunity!”

“To take advantage of change and the ever growing knowledge gap, the best tool I’ve found is a PESTLE analysis. PESTLE is a textbook strategic model that can help you identify changes, opportunities, or threats to any business:

Political – What political dynamics are likely to affect the business?

Economic – What supply and demand considerations will likely affect the business?

Sociological – What cultural shifts and/or tastes are likely to affect the business?

Technological – What technological changes (or disruptions) might affect the business?

Legal – What current or future legislation could affect the business?

Environmental – What environmental shifts or trends might affect the business?

Answer these questions and external changes won’t be a threat, they will be an opportunity.”

“Change, and adaptation to it, is what creates millionaires and billionaires.”

The CENTS framework that will help determine whether your business has solid fundamentals:

Control – You have full control over your business and you aren’t in danger of losing everything because someone else made a decision that you can’t control.

Entry – It’s too difficult for someone else to enter the market with a similar product or service and compete with you.

Need – Your product or service is something that fulfills a genuine need that exists in the marketplace.

Time – Your profit is divorced from your time, so that you don’t physically have to be there when your product or service is sold or generates money.

Scale – Your product or service has no marginal cost of reproduction, meaning that it’s easy and cheap to make more of what you’re selling without you having to put time and money into inventory or creation.

“You can worry about the millions after the hundreds.”

“Are the rules you’re following evidence-based?”

“Rule-breaking has a better chance of breaking out.”

“At the end of the day, your career as an entrepreneur also needs to be a career in marketing.”

“Done kills doubt.”

“Never live within the parameters of someone else’s opinion unless you want to live within the parameters of their existence.”

“Your idea sucks until execution says it doesn’t.”

MK: A great idea with poor execution isn’t going to be worth anything. Similarly, even a half-decent idea but with great execution is going to be worth far more. You can put this into a chart too, where a great idea is “worth” \$100, and poor execution is “worth” \$1. Put those together, and you get \$100. But if a poor idea is worth \$1 and great execution is worth \$1,000,000 and you put those together, then you’re going to come up with a potential value of \$1,000,000. Execution is a multiplier, where the potential value of your idea depends on the power of your execution.

“Your idea is like a multiplier, while execution is where the money goes asymmetrical.”

“A mediocre idea with great execution could be worth tens of millions.”

Targeting huge markets: “If you’re dropping a nuclear bomb, you don’t need a bullseye.”

“Decent execution in a large TAM (Total Addressable Market) opportunity might change your life – decent execution in a small opportunity might pay your bills.”

“Asymmetrical returns need significant potential outcomes which drives up expected value.”

“Match your skills, or potential skills, with the largest potential outcome to maximize asymmetric returns and expected value.”

“Working with a large potential outcome, even at low probability gives you the largest *expected value* on your effort and can make average to above-average execution worthwhile.”

MK: Hack probability by stacking the odds in your favour and giving yourself more chances to win, thus giving the appearance of luck.

“Make choices that give you the mathematical edge.”

“Probability exists, even though you can’t see it.”

“Better choices give you better probabilities.”

MK: Start backwards from the ideal customer experience and identify every problem you’ll have to solve in order to provide that experience. Then you’ll be able to see at a glance whether the numbers work.

“Feeding an appetite doesn’t require you to share the same hunger. One who sells a bottle of water doesn’t need to be thirsty himself.”

“The world’s insatiable appetites for wants, needs, and desires are yours for the filling.”

“Any time you engage the world, you set yourself up to spot ideas.”

“There is no ‘humane’ way to kill a sentient being who doesn’t want to be killed.”

“A trend’s utility-value and its cultural support will determine whether a trend is expiring or a valid consumer shift that is worthy of investment.”

“Everything you could possibly want to know is out there. You just need to know how to search for it.”

“Your problem defines your next course of action.”

“The correct course of action is the shortest path to your first customer.”

“Does this action get you closer to your first customer?”

“What you know today is never enough for the problems of tomorrow.”

“‘Ferrari shopping’ is focusing on a distant problem instead of the problem in front of you.”

MK: Perfection is often confused with excellence. People think that since excellence is so close to perfect it’s not actually attainable and they never shoot for it. Thus, they end in mediocrity.

“Once excellence becomes your objective, then the middle of the bell curve shifts to good, the most likely outcome.”

“One event lasting minutes can destroy a process that took years to build, but the reverse does not apply.”

“When in doubt, go bigger.”

“If you’re not seeking the truth, you’re not getting the truth.”

“Winning formulas aren’t a secret. They’re advertised in broad daylight for all to see. Look at the best, observe, reverse engineer, and model.”

“Someday” is a fractal thought. Today becomes tomorrow becomes tomorrow becomes tomorrow, but someday never arrives.

“‘More’ is unattainably infinite. When you’re always moving the goalposts, the search for fulfillment never ends.”

“Whenever your mind dwells in the past or future, the joy of Now is lost.”

“Don’t wait to be happy; choose to be happy.”

“Whatever you’re doing, approach it with these three things in mind: 1) effort, 2) pride, and 3) optimism. Do it as if it were your own. I don’t care if you’re driving for Lyft, waiting tables, or shoveling horse manure; give it the best you have, do it well, and know you’re grinding coal to make a diamond. *What* you do does not make you, but *how* you do it. If you’re a great dishwasher now, I’ll bet you’ll be a great surgeon later.”

“Start looking at people as if you were a backseat passenger in their car.”

MK: You can more or less choose your identity. It’s difficult to detach from what you’ve always seen about yourself, but having your identity based in the future, or based on where you’re headed – an inspiring of where you’re headed – can be a lot more productive and worthwhile than holding on to an identity that is rooted in past failures and dissatisfactions. Look forward, not backward.

“Once I escaped my expensive sports car blunder, I started saving money from the standpoint of raising a financial army. I knew that every dollar I saved was another soldier fighting for my freedom. Even in today’s low-interest economy, out of every 100 pennies saved to your financial battalion, three to six procreate yearly. Accumulate enough soldiers and the compounding weapon ignites. Instead of enjoying six cents per year, it’s \$60,000.”

“Every dollar you save today is one dollar you won’t need to earn tomorrow.”

“If you need a loan to afford it, you can’t afford it.”

“Time favors NOW over LATER, just like money. Money and free time enjoyed today is far better than ten years from now.”

“Always make big financial decisions through the prism of time, trouble, and taxes.”

“Many people caught in today’s modern economic religion are faced with the same reality. They’re empty souls on a treadmill of time, aging in indifference, consuming in hope, saving in anticipation, and dying in regret: no hope, no future, and no chance of anything changing but years on a calendar. The thread that binds them all is a dead dream. Dead dreams are why everyone is miserable and counting down the seconds to the weekend. Dead dreams are how people stay miserably stuck in the same dismal pattern: work, pay bills, consume, and then repeat.”

In fact, addiction has been weaponized to medicate misery, from the smartphone glued to our faces to the junk food spiked with sugar to the dopamine manipulating video games packed with reinforcement heuristics to the TV programs and sporting events that fill our empty lives with meaning. *Unhappiness – dead dreams – is the business model of the modern world.* ”

“Thank you for reading. I wish you good probability and much happiness. Now is the time for it to happen.”