ANNALS OF BUSINESS

THE SURE THING

How entrepreneurs really succeed.

BY MALCOLM GLADWELL

In 1969, Ted Turner wanted to buy a television station. He was thirty years old. He had inherited a billboard business from his father, which was doing well. But he was bored, and television seemed exciting. "He knew absolutely nothing about it," one of Turner's many biographers, Christian Williams, writes in "Lead, Follow or Get Out of the Way" (1981). "It would be fun to risk everything he had built, scare the hell out of everybody, and get back in the front seat of the roller coaster."

The station in question was WJRJ, Channel 17, in Atlanta. It was an independent station on the UHF band, the lonely part of the television spectrum which viewers needed a special antenna to find. It was housed in a run-down cinder-block building near a funeral home, leading to the joke that it was at death's door. The equipment was falling apart. The staff was incompetent. It had no decent programming to speak of, and it was losing more than half a million dollars a year. Turner's lawyer, Tench Coxe, and his accountant, Irwin Mazo, were firmly opposed to the idea. "We tried to make it clear that—yes—this thing might work, but if it doesn't everything will collapse," Mazo said, years later. "Everything you've got will be gone. . . . It wasn't just us, either. Everybody told him not to do it."

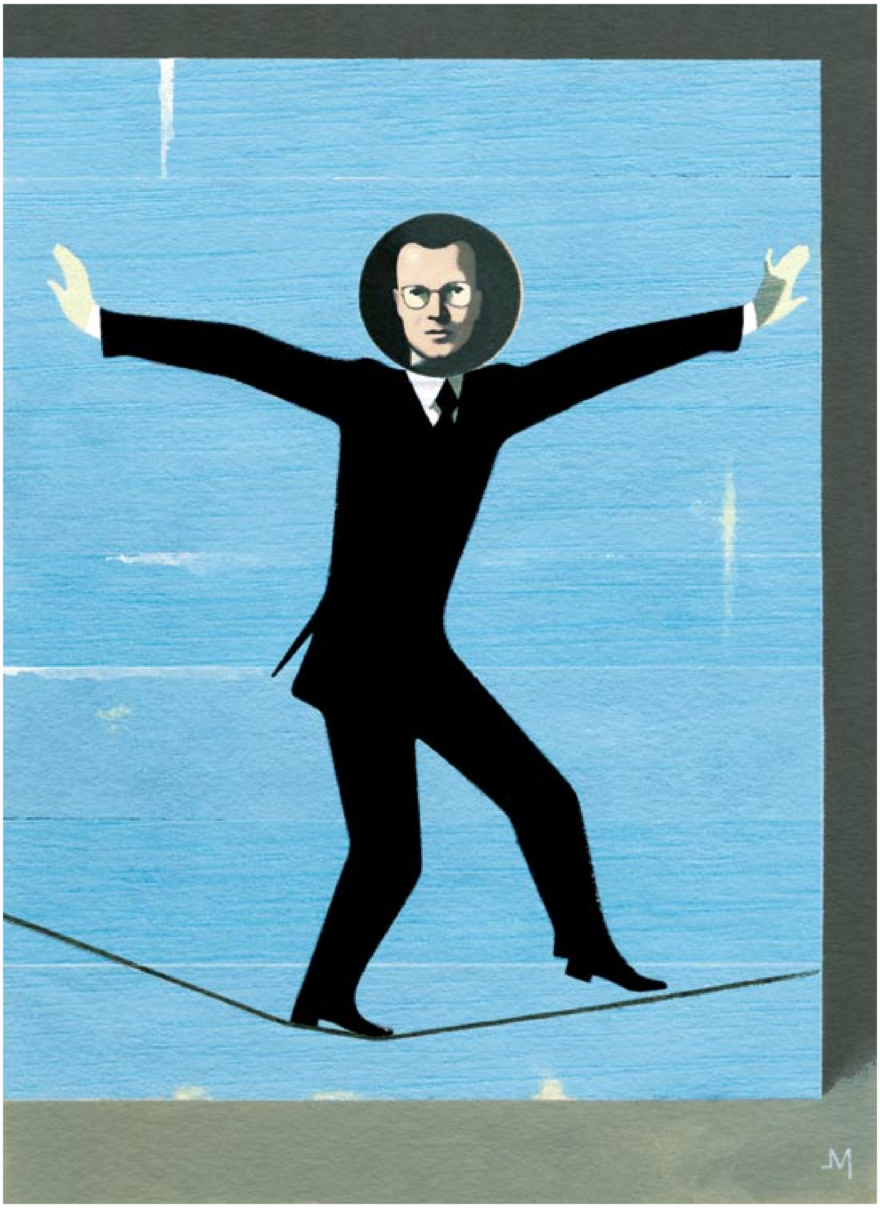
Turner didn't listen. He was Captain Courageous, the man with nerves of steel who went on to win the America's Cup, take on the networks, marry a movie star, and become a billionaire. He dressed like a cowboy. He gave the impression of signing contracts without looking at them. He was a drinker, a yeller, a man of unstoppable urges and impulses, the embodiment of the entrepreneur as risk-taker. He bought the station, and so began one of the great broadcasting empires of the twentieth century.

What is sometimes forgotten amid the mythology, however, is that Turner wasn't the proprietor of any old billboard company. He had inherited the largest outdoor-advertising firm in the South, and billboards, in the nineteen-sixties and seventies, were enormously lucrative. They benefitted from favorable tax-depreciation rules, they didn't require much capital investment, and they produced rivers of cash. WJRJ's losses could be used to offset the taxes on the profits of Turner's billboard business. A television station, furthermore, fit very nicely into his existing business. Television was about selling ads, and Turner was very experienced at ad-selling. WJRJ may have been a virtual unknown in the Atlanta market, but Turner had billboards all over the city that were blank about fifteen per cent of the time. He could advertise his new station free. As for programming, Turner had a fix for that, too. In those days, the networks offered their local affiliates a full slate of shows, and whenever an affiliate wanted to broadcast local programming, such as sports or news, the national shows were preëmpted. Turner realized that he could persuade the networks in New York to let him have whatever programming their affiliates weren't running. That's exactly what happened. "When we reached the point of having four preempted NBC shows running in our daytime lineup," Turner writes in his autobiography, "Call Me Ted" (2008), "I had our people put up some billboards saying 'THE NBC NETWORK MOVES TO CHANNEL 17.'"

Williams writes that Turner was "attracted to the risk" of the deal, but it seems just as plausible to say that he was attracted by the deal's lack of risk. "We don't want to put it all on the line, because the result can't possibly be worth the risk," Mazo recalls warning Turner. Put it all on the line? The purchase price for WJRJ was $2.5 million. Similar properties in that era went for many times that, and Turner paid with a stock swap engineered in such a way that he didn't have to put a penny down. Within two years, the station was breaking even. By 1973, it was making a million dollars in profit.

In a recent study, "From Predators to Icons," the French scholars Michel Villette and Catherine Vuillermot set out to discover what successful entrepreneurs have in common. They present case histories of businessmen who built their own empires—ranging from Sam Walton, of Wal-Mart, to Bernard Arnault, of the luxury-goods conglomerate L.V.M.H.—and chart what they consider the typical course of a successful entrepreneur's career. There is almost always, they conclude, a moment of great capital accumulation—a particular transaction that catapults him into prominence. The entrepreneur has access to that deal by virtue of occupying a "structural hole," a niche that gives him a unique perspective on a particular market. Villette and Vuillermot go on, "The businessman looks for partners to a transaction who do not have the same definition as he of the value of the goods exchanged, that is, who undervalue what they sell to him or overvalue what they buy from him in comparison to his own evaluation." He moves decisively. He repeats the good deal over and over again, until the opportunity closes, and—most crucially—his focus throughout that sequence is on hedging his bets and minimizing his chances of failure. The truly successful businessman, in Villette and Vuillermot's telling, is anything but a risk-taker. He is a predator, and predators seek to incur the least risk possible while hunting.

Giovanni Agnelli, the founder of Fiat, financed his young company with the money of investors—who were "subsequently excluded from the company by a maneuver by Agnelli," the authors point out. Bernard Arnault took over the Boussac group at a personal cost of forty million francs, which was a fraction of the "immediate resale value of the assets." The French industrialist Vincent Bolloré "took charge of the failing family company for almost nothing with other people's money." George Eastman, the founder of Kodak, shifted the financial risk of his new enterprise to his family and to his wealthy friend Henry Strong. IKEA's founder, Ingvar Kamprad, arranged to get his furniture made in Communist Poland for half of what it would cost him in Sweden. Marcel Dassault, the French aviation pioneer, did a study for the French Army that pointed out the value of propellers, and then took over a propeller manufacturer. When he started making planes for the military, he made sure he was paid in advance.



JEAN-FRANÇOIS MARTIN

Successful entrepreneurs are seen as bold gamblers; in reality, they're highly risk-averse.

People like Dassault and Eastman and Arnault and Turner are all successful entrepreneurs, businessmen whose insights and decisions have transformed the economy, but their entrepreneurial spirit could not have less in common with that of the daring risk-taker of popular imagination. Would we so revere risk-taking if we realized that the people who are supposedly taking bold risks in the cause of entrepreneurship are actually doing no such thing?

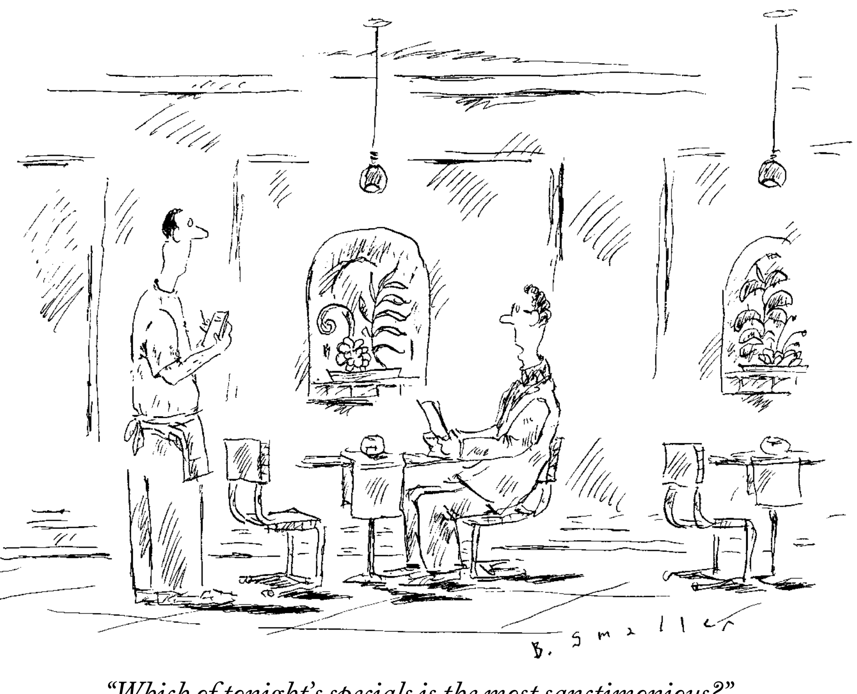
The most successful entrepreneur on Wall Street—certainly of the past decade and perhaps even of the postwar era—is a hedge-fund manager named John Paulson. He started a small money-management business in the nineteen-nineties and built it into a juggernaut, and Gregory Zuckerman's recent account of Paulson's triumph, "The Greatest Trade Ever," offers a fascinating perspective on the predator thesis.

Paulson grew up in middle-class Queens, the child of an immigrant father. His career on Wall Street started relatively slowly. He launched his firm in 1994, when he was nearly forty years old, specializing in merger arbitrage. By 2004, Paulson was managing about two billion dollars of other people's money, putting him in the middle ranks of hedge funds. He was, Zuckerman writes, a "solid investor, careful and decidedly unspectacular." The particular kinds of deal he did were "among the safest forms of investing."

One of Paulson's mentors was an investor named Marty Gruss, and, Zuckerman writes, "the ideal Gruss investment had limited risk but held the promise of a potential fortune. Marty Gruss drilled a maxim into Paulson: 'Watch the downside; the upside will take care of itself.' At his firm, he asked his analysts repeatedly, 'How much can we lose on this trade?'" Long after he became wealthy, he would take the bus to his offices in midtown, and the train out to his summer house on Long Island. He was known for getting around the Hamptons on his bicycle.

By 2004-05, Paulson was increasingly suspicious of the real-estate boom. He decided to short the mortgage market, using a financial tool known as the credit-default swap, or C.D.S. A credit-default swap is like an insurance policy. Wall Street banks combined hundreds of mortgages together in bundles, and investors could buy insurance on any of the bundles they chose. Suppose I put together a bundle of ten mortgages totalling a million dollars. I could sell you a one-year C.D.S. policy on that bundle for, say, a hundred thousand dollars. If after the year was up the ten homeowners holding those mortgages were all making their monthly payments, I'd pocket your hundred thousand. If, however, those homeowners all defaulted, I'd owe you the full value of the bundle—a million dollars. Throughout the boom, countless banks and investment firms sold C.D.S. policies on securities backed by subprime loans, happily pocketing the annual premiums in the belief that there was little chance of ever having to make good on the contract. Paulson, as often as not, was the one on the other side of the trade. He bought C.D.S. contracts by the truckload, and, when he ran out of money, he found new investors, raising billions of new dollars so he could buy even more. By the time the crash came, he was holding insurance on some twenty-five billion dollars' worth of subprime mortgages.

Was Paulson's trade risky? Conventional wisdom said that it was. This kind of deal is known, in Wall Street parlance, as a "negative-carry" trade, and, as Zuckerman writes, negative-carry trades are a "maneuver that investment pros detest almost as much as high taxes and coach-class seating." Their problem with negative-carry is that if the trade doesn't pay off quickly it can become ruinously expensive. It's one thing if I pay you a hundred thousand dollars for one year's insurance on a million dollars' worth of mortgages, and the mortgages go belly up after six months. But what if I pay premiums for two years, and the bubble still hasn't burst? Then I'm out two hundred thousand dollars, with nothing to show for my efforts. And what if the bubble hasn't burst after three years? Now I have a very nervous group of investors. To win at a negative-carry trade, you have not only to correctly predict the presence of a bubble but also to correctly predict when the bubble is about to burst.



"Which of tonight's specials is the most sanctimonious?"

At one point before the crash, Zuckerman writes, a trader at Morgan Stanley "hung up the phone after yet another Paulson order and turned to a colleague in disbelief. 'This guy is nuts,' he said with a chuckle, amazed that Paulson was agreeing to make so many annual insurance payments. 'He's just going to pay it all out?'" Wall Street thought that Paulson was crazy.

But Paulson wasn't crazy at all. In 2006, he had his firm undertake a rigorous analysis of the housing market, led by Paulson's associate Paolo Pellegrini. At that point, it was unclear whether rising housing prices represented a bubble or a legitimate phenomenon. Pellegrini concluded that housing prices had risen on average 1.4 per cent annually between 1975 and 2000, once inflation had been accounted for. In the next five years, though, they had risen seven per cent a year—to the point where they would have to fall by forty per cent to be back in line with historical trends. That fact left Paulson certain that he was looking at a bubble.

Paulson's next concern was with the volatility of the housing market. Was this bubble resilient? Or was everything poised to come crashing down? Zuckerman tells how Pellegrini and another Paulson associate, Sihan Shu, "purchased enormous databases tracking the historic performance of more than six million mortgages in various parts of the country." Thus equipped,

> they crunched the numbers, tinkered with logarithms and logistic functions, and ran different scenarios, trying to figure out what would happen if housing prices stopped rising. Their findings seemed surprising: Even if prices just flatlined, homeowners would feel so much financial pressure that it would result in losses of 7 percent of the value of a typical pool of subprime mortgages. And if home prices fell 5 percent, it would lead to losses as high as 17 percent.

This was a crucial finding. Most people at the time believed that widespread defaults on mortgages were a function of some combination of structural economic factors such as unemployment rates, interest rates, and regional economic health. That's why so many on Wall Street were happy to sell Paulson C.D.S. policies: they thought it would take a perfect storm to bring the market to its knees. But Pellegrini's data showed that the bubble was being inflated by a single, rickety factor—rising home prices. It wouldn't take much for the bubble to burst.

Paulson then looked at what buying disaster insurance on mortgages would cost. C.D.S. contracts can sometimes be prohibitively expensive. In the months leading up to General Motors' recent bankruptcy, for example, a year's insurance on a million of the carmaker's bonds sold for eight hundred thousand dollars. If Paulson had to pay anything like that amount, there wouldn't be much room for error. To his amazement, though, he found that to insure a million dollars of mortgages would cost him just ten thousand dollars—and this was for some of the most dubious and high-risk subprime mortgages. Paulson didn't even need a general housing-market collapse to make his money. He needed only the most vulnerable of all homeowners to start defaulting. It was a classic asymmetrical trade. If Paulson raised a billion dollars from investors, he could buy a year's worth of insurance on twelve billion dollars of subprime loans for a hundred and twenty million. That's an outlay of twelve per cent up front. But, Zuckerman explains,

> because premiums on CDS contracts, like those on any other insurance product, are paid out over time, the new fund could keep most of its money in the bank until the CDS bills came due, and thereby earn about 5 percent a year. That would cut the annual cost to the fund to a more reasonable 7 percent. Since Paulson would charge 1 percent a year as a management fee, the most an investor could lose would be 8 percent a year. . . . And the upside? If Paulson purchased CDS contracts that fully protected $12 billion of subprime mortgage bonds and the bonds somehow became worthless, Paulson & Co. would make a cool $12 billion.

"There's never been an opportunity like this," Paulson gushed to a colleague, as he made one bet after another. By "never," he meant never ever—not in his lifetime and not in anyone else's, either. In one of the book's many memorable scenes, Zuckerman describes how a five-point decline in what's called the ABX index (a measure of mortgage health) once made Paulson $1.25 billion in one morning. In 2007 alone, Paulson & Co. took in fifteen billion dollars in profits, of which four billion went directly into Paulson's pocket. In 2008, his firm made five billion dollars. Rarely in human history has anyone made so much money is so short a time.

What Paulson's story makes clear is how different the predator is from our conventional notion of the successful businessman. The risk-taking model suggests that the entrepreneur's chief advantage is one of temperament—he's braver than the rest of us are. In the predator model, the entrepreneur's advantage is analytical—he's better at figuring out a sure thing than the rest of us. Paulson looked at the same marketplace as everyone else on Wall Street did. But he saw a different pattern. As an outsider, he had fresh eyes, and his line of investing made him a lot more comfortable with negative-carry trades than his competitors were. He looked for and found partners to the transaction who did not have the same definition as he of the value of the goods exchanged—that is, the banks selling credit-default swaps for a penny on the dollar—and he exploited that advantage ruthlessly. At one point, incredibly, Paulson got together with some investment banks to assemble bundles of the most absurdly toxic mortgages—which the banks then sold to some hapless investors and Paulson then promptly bet against. As Zuckerman points out, this is the equivalent of a game of football in which the defense calls the plays for the offense. It's how a nerd would play football, not a jock.

This is exactly how Turner pulled off another of his legendary early deals—his 1976 acquisition of the Atlanta Braves baseball team. Turner's Channel 17 was the Braves' local broadcaster, having acquired the rights four years before—a brilliant move, as it turned out, because it forced every Braves fan in the region to go out and buy a UHF antenna. (Well before ESPN and Rupert Murdoch's Sky TV, Turner had realized how important live sports programming could be in building a television brand.) The team was losing a million dollars a year, and the owners wanted ten million dollars to sell. That was four times the price of Channel 17. "I had no idea how I could afford it," Turner told one of his biographers, although by this point the reader is wise to his aw-shucks modesty. First, he didn't pay ten million dollars. He talked the Braves into taking a million down, and the rest over eight or so years. Second, he didn't end up paying the million down. Somewhat mysteriously, Turner reports that he found a million dollars on the team's books—money the previous owners somehow didn't realize they had—and so, he says, "I bought it using its own money, which was quite a trick." He now owed nine million dollars. But Turner had already been paying the Braves six hundred thousand dollars a year for the rights to broadcast sixty of the team's games. What the deal consisted of, then, was his paying an additional six hundred thousand dollars or so a year, for eight years: in return, he would get the rights to all a hundred and sixty-two of the team's games, *plus the team itself.*

You and I might not have made that deal. But that's not because Turner is a risk-taker and we are cowards. It's because Turner is a cold-blooded bargainer who could find a million dollars in someone's back pocket that the person didn't know he had. Once you get past the more flamboyant aspects of Turner's personal and sporting life, in fact, there is little evidence that he had any real appetite for risk at all. In his memoir, Turner tells us that when he was starting out in the family business his father, Ed, bought another billboard firm, called General Outdoor. That was the acquisition that launched the Turner company as a major advertising player in the South, and it involved taking on a sizable amount of debt. Young Ted had no qualms, intellectually, about the decision. He could do the math. There were substantial economies of scale in the advertising business: the bigger you got, the lower your costs were, and paying off the debt from the General Outdoor purchase, Ted Turner realized, probably wasn't going to be a problem. But Turner's father did something that Turner, when he was building his empire, always went to extraordinary lengths to avoid: he put his own capital into the deal. In the highly unlikely event that it didn't work out, Turner Advertising would be crippled. It was a good deal, not a perfect one, and that niggling imperfection, along with the toll that the uncertainty was taking on his father, left Turner worried sick. "During the first six months or so after the General Outdoor acquisition my weight dropped from 180 pounds to 135," he writes. "I developed a pre-ulcerative condition and my doctor made me swear off coffee. I'd get so tired and agitated that one of my eyelids developed a twitch."

Zuckerman profiles John Paulson alongside three others who made the same subprime bet—Greg Lippmann, a trader at Deutsche Bank; Jeffrey Greene, a real-estate mogul in Los Angeles; and Michael Burry, who ran a hedge fund in

Silicon Valley—and finds the same pattern. All were supremely confident of their decision. All had done their homework. All had swooped down, like perfect predators, on a marketplace anomaly. But these were not men temperamentally suited to risk-taking. They worked so hard to find the sure thing because anything short of that gave them ulcers. Here is Zuckerman on Burry, as he waited for his trade to pan out:

> In a tailspin, Burry withdrew from his friends, family, and employees. Each morning, Burry walked into his firm and made a beeline to his office, head down, locking the door behind him. He didn't emerge all day, not even to eat or use the bathroom. His remaining employees, who were still pulling for Burry, turned worried. Sometimes he got into the office so early, and kept the door closed for so long, that when his staff left at the end of the day, they were unsure if their boss had ever come in. Other times, Burry pounded his fists on his desk, trying to release his tension, as heavy-metal music blasted from nearby speakers.

Paulson's story also casts a harsh light on the prevailing assumptions behind corporate compensation policies. One of the main arguments for the generous stock options that are so often given to C.E.O.s is that they are necessary to encourage risk-taking in the corporate suite. This notion comes from what is known as "agency theory," which Freek Vermeulen, of the London Business School, calls "one of the few academic theories in management academia that has actually influenced the world of management practice." Agency theory, Vermeulen observes, "says that managers are inherently risk-averse; much more risk-averse than shareholders would like them to be. And the theory prescribes that you should give them stock options, rather than stock, to stimulate them to take more risk." Why do shareholders want managers to take more risks? Because they want stodgy companies to be more entrepreneurial, and taking risks is what everyone says that entrepreneurs do.

The result has been to turn executives into risk-takers. Paulson, for his part, was stunned at the reckless behavior of his Wall Street counterparts. Some of the mortgage bundles he was betting against—collections of some of the sketchiest subprime loans—were paying the investors who bought them six-per-cent interest. Treasury bonds, the safest investment in the world, were paying almost five per cent at that point. Nor could he comprehend why so many banks were willing to sell him C.D.S. insurance at such low prices. Why would someone, in the middle of a housing bubble, demand only one cent on the dollar? At the end of 2006, Merrill Lynch paid $1.3 billion for First Franklin Financial, one of the biggest subprime lenders in the country, bringing the total value of subprime mortgages on its books to eleven billion dollars. Paulson was so risk-averse that he didn't so much as put a toe in the water of subprime-mortgage default swaps until Pellegrini had done months of analysis. But Merrill Lynch bought First Franklin even though the firm's own economists were predicting that housing prices were about to drop by as much as five per cent. "It just doesn't make sense," an incredulous Paulson told his friend Howard Gurvitch. "These are supposedly the smart people."

The economist Scott Shane, in his book "The Illusions of Entrepreneurship," makes a similar argument. Yes, he says, many entrepreneurs take plenty of risks—but those are generally the *failed* entrepreneurs, not the success stories. The failures violate all kinds of established principles of new-business formation. New-business success is clearly correlated with the size of initial capitalization. But failed entrepreneurs tend to be wildly undercapitalized. The data show that organizing as a corporation is best. But failed entrepreneurs tend to organize as sole proprietorships. Writing a business plan is a must; failed entrepreneurs rarely take that step. Taking over an existing business is always the best bet; failed entrepreneurs prefer to start from scratch. Ninety per cent of the fastest-growing companies in the country sell to other businesses; failed entrepreneurs usually try selling to consumers, and, rather than serving customers that other businesses have missed, they chase the same people as their competitors do. The list goes on: they underemphasize marketing; they don't understand the importance of financial controls; they try to compete on price. Shane concedes that some of these risks are unavoidable: would-be entrepreneurs take them because they have no choice. But a good many of these risks reflect a lack of preparation or foresight.

Shane's description of the pattern of entrepreneurial failure brings to mind the Harvard psychologist David McClelland's famous experiment with kindergarten children in the nineteen-fifties. McClelland watched a group of kids play ringtoss—throwing a hoop over a pole. The children who played the game in the riskiest manner, who stood so far from the pole that success was unlikely, also scored lowest on what he called "achievement motive," that is, the desire to succeed. (Another group of low scorers were at the other extreme, standing so close to the pole that the game ceased to be a game at all.) Taking excessive risks was, then, a psychologically protective strategy: if you stood far enough back from the pole, no one could possibly blame you if you failed. These children went out of their way to take a "professional" risk in order to avoid a personal risk. That's what companies are buying with their bloated C.E.O. stock-options packages—gambles so wild that the gambler can lose without jeopardizing his social standing within the corporate world. "As long as the music is playing, you've got to get up and dance," the now departed C.E.O. of Citigroup, Charles Prince, notoriously said, as his company continued to pile one dubious investment on another. He was more afraid of being a wallflower than he was of imperilling his firm.

The successful entrepreneur takes the opposite tack. Villette and Vuillermot point out that the predator is often quite happy to put his reputation on the line in the pursuit of the sure thing. Ingvar Kamprad, of IKEA, went to Poland in the nineteen-sixties to get his furniture manufactured. Since Polish labor was inexpensive, it gave Kamprad a huge price advantage. But doing business with a Communist country at the height of the Cold War was a scandal. Sam Walton financed his first retailing venture, in Newport, Arkansas, with money from his wealthy in-laws. That approach was safer than turning to a bank, especially since Walton was forced out of Newport and had to go back to his wife's family for another round. But you can imagine that it made for some tense moments at family reunions for a while.

Deutsche Bank's Lippmann, meanwhile, was called Chicken Little and Bubble Boy to his face for his insistence that the mortgage market was going to burst.

Why are predators willing to endure this kind of personal abuse? Perhaps they are sufficiently secure and confident that they don't need public approval. Or perhaps they are so caught up in their own calculations that they don't notice. The simplest explanation, though, is that it's just another manifestation of their relentlessly rational pursuit of the sure thing. If an awkward family reunion was the price Walton had to pay for a guaranteed line of credit, then so be it. He went out of his way to take a personal risk in order to avoid a professional risk. Reputation, after all, is a commodity that trades in the marketplace at a significant and often excessive premium. The predator shorts the dancers, and goes long on the wallflowers.

"They've got Hank on some of that medical marijuana."

When Pellegrini finally finished his research on the mortgage market—proving how profoundly inflated home prices had become—he rushed in to show his findings to his boss. Zuckerman writes:

> "This is unbelievable!" Paulson said, unable to take his eyes off the chart. A mischievous smile formed on his face, as if Pellegrini had shared a secret no one else was privy to. Paulson sat back in his chair and turned to Pellegrini. "This is our bubble! This is proof. Now we can prove it!" Paulson said. Pellegrini grinned, unable to mask his pride. The chart was Paulson's Rosetta stone, the key to making sense of the entire housing market. Years later, he would keep it atop a pile of papers on his desk, showing it off to his clients and updating it each month with new data, like a car collector gently waxing and caressing a prized antique auto. . . . "I still look at it. I love that chart," Paulson says.

There are a number of moments like this in "The Greatest Trade Ever," when it becomes clear just how much Paulson enjoyed his work. Yes, he wanted to make money. But he was fabulously wealthy long before he tackled the mortgage business. His real motivation was the challenge of figuring out a particularly knotty problem. He was a kid with a puzzle.

This is consistent with the one undisputed finding in all the research on entrepreneurship: people who work for themselves are far happier than the rest of us. Shane says that the average person would have to earn two and a half times as much to be as happy working for someone else as he would be working for himself. And people who like what they do are profoundly conservative. When the sociologists Hongwei Xu and Martin Ruef asked a large sample of entrepreneurs and non-entrepreneurs to choose among three alternatives—a business with a potential profit of five million dollars with a twenty-per-cent chance of success, or one with a profit of two million with a fifty-per-cent chance of success, or one with a profit of $1.25 million with an eighty-per-cent chance of success—it was the entrepreneurs who were more likely to go with the third, safe choice. They weren't dazzled by the chance of making five million dollars. They were drawn to the eighty-per-cent chance of getting to do what they love doing. The predator is a supremely rational actor. But, deep down, he is also a romantic, motivated by the simple joy he finds in his work.

In "Call Me Ted," Turner tells the story of one of his first great traumas. When Turner was twenty-four, his father committed suicide. He had been depressed and troubled for some months, and one day after breakfast he went upstairs and shot himself. After the funeral, it emerged that the day before his death Turner's father had sold the crown jewels of the family business—the General Outdoor properties—to a man named Bob Naegele. Turner was grief-stricken. But he fought back. He hired away the General Outdoor leasing department. He began "jumping" the company's leases—that is, persuading the people who owned the real estate on which the General Outdoor billboards sat to cancel the leases and sign up with Turner Advertising. Then he flew to Palm Springs and strong-armed Naegele into giving back the business. Turner the rational actor negotiated the deal. But it was Turner the romantic who had the will, at the moment of his greatest grief, to fight back. What Turner understood was that none of his grand ambitions were possible without the billboard cash machine. He had felt the joy that comes with figuring out a particularly knotty problem, and he couldn't give that up. Naegele, by the way, asked for two hundred thousand dollars, which Turner didn't have. But Turner realized that for someone in Naegele's tax bracket a flat payment like that made no sense. He countered with two hundred thousand dollars in Turner Advertising stock. "So far so good," Turner writes in his autobiography. "I had kept the company out of Naegele's hands and it didn't cost me a single dollar of cash." Of course it didn't. He's a predator. Why on earth would he take a risk like that? ♦