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The Cautionary Tale of Adam Neumann and WeWork

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Adam Neumann at the WeWork headquarters in New York in 2015. Cole Wilson for The New York Times

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By Walter Kirn

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BILLION DOLLAR LOSER

The Epic Rise and Spectacular Fall of Adam Neumann and WeWork

By Reeves Wiedeman

Who doesn't love to see a tycoon ruined? Who doesn't love the tale of a proud titan laid low by his own flaws and by the gods, or by their current equivalent, the markets? Our culture is rich with such toppled plutocrats. The puffed-up man-child Charles Foster Kane, a fictional, cinematic version of the grandiose publisher William Randolph Hearst. The shifty insider trader Ivan Boesky and dazzling junk-bond promoter Michael Milken, Reagan-era Wall Street. And, more recently, Elizabeth Holmes, whose Silicon Valley wonder company, Theranos, promised to transform medicine with simple yet supremely telling blood tests that turned out to be bunk. If Americans worship money and success, as there is abiding evidence that we do, we are also enthralled by bankruptcy and failure, particularly when the wipeouts seem well deserved, and the gains that preceded them less so. In America, where we moralize our money and monetize our morals, fat cats who go bust tend to be viewed as cautionary figures, singular exemplars of malfeasance, not routine casualties of the fickle system that exalted them in the first place.

The subject of "Billion Dollar Loser," Reeves Wiedeman's indefatigable, scrupulous account of the dubious co-working-space company WeWork, is Adam Neumann — the co-founder who eventually all but wrecked it. Neumann had two great ambitions when he was young: to grow wealthy and to save the world. An Israeli emigrant who'd lived for a time on a kibbutz, whose communal lifestyle disagreed with him but whose utopian ideals he absorbed in his own fashion, Neumann believed his two goals could be folded into one and pursued by the same methods: brash self-promotion to the point of self-mythologizing, florid salesmanship and a swashbuckling, impulsive management style reflective of what he considered to be his own genius.

All he needed was a product. His first idea was women's shoes with retractable high heels ("Hunger Games' meets 'Sex and the City,'" he called it). It failed. His next notion was baby pants with built-in kneepads. "Krawlers" gained a small footing in its modest niche ("My generation will *not* accept our babies crawling on the floor with their knees hurting!"), and he sold it and kept thinking. The big idea that resulted — leasing office spaces long-term, and chopping them up into smaller spaces for short-term rental at higher rates — was not original to him. Such co-working enterprises were quite common by 2010, when Neumann and his partner, Miguel McKelvey, created WeWork and headquartered it in New York City. But Neumann did bring something novel and exciting to the established business model: his own still-evolving messiah complex. And lots of open workplace boozing (at one point he was bribing employees with company shares to toss back tequila shots with him), and a special ventilation system that allowed him to smoke marijuana at his desk.

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The reigning conceit of the author's tragicomic play-by-play of Neumann's misadventures is that of a cult masquerading as a real business. Central to this theme is the sustained involvement of Neumann and his wife, Rebekah Paltrow (Gwyneth's cousin), in the Kabbalah Center. What exactly is taught there is elusive to nonmembers — some sort of Jewish mysticism, allegedly, dating back to the 12th century but repackaged for affluent New Age consumers with yoga bodies and Instagram — but it has attracted stars and luminaries since the '80s, including Madonna, its premier disciple. The center encouraged its devotees to wear lucky red strings around one wrist, which Neumann did for quite a while, until a more sober-minded business person warned him to lose the item or risk confirming his burgeoning reputation as a flake.



Neumann did bring something novel and exciting to the already-established business model: his own still-evolving messiah complex.

For readers, Neumann is a flake from Wiedeman's opening paragraph. Citing an interview from April 2019, not long before WeWork's unraveling, Wiedeman describes Neumann as engaged in a belated campaign to polish his image and raise one of many rounds of outside cash to replace the vast sums he'd already dissipated. "He no longer had the punching bag, the gong or the bar that occupied his previous suite," Wiedeman writes, "but this version had a private bathroom with a sauna and a cold-plunge tub." The surrounding offices were comparably exotic: "Beneath a kitchen canopy draped with hanging plants, several water coolers were stuffed with a rotating orchard of fruit ... and a dozen taps serving beer, cider, cold brew, seltzer, Merlot, Pinot Grigio and kombuchas, plural. A placard helpfully explained to the company's fresh-faced workforce, where 30-year-olds felt like senior citizens, that tilting your glass while dispensing a beer would lead to a smoother pour."

The smoothest pour of all at WeWork was the frothy utopian verbiage continually streaming from Neumann's mouth. This river of bombast, initially intoxicating to investors and employees alike but ultimately stale and rank to all, included numbers representing tired old concepts such as earnings and expenditures. Its chief concern, however, was the wonderful futuristic world of We. What the letters "Mc" are to McDonald's, "We" was to Neumann. WeLive, for example, was the name he gave to an ostensibly world-altering initiative to extend his kingdom from commercial real estate to residential. Beginning with two buildings, he shrank apartments to dorm-room size and fluffed up the surplus square footage with social amenities. Game rooms. Party rooms. As Wiedeman dryly notes — and his is a book that calls constantly for dryness, lest the reader drown in its absurdities — Neumann's analysis of New York's tenant class had led him to conclude that what the city's renters coveted were smaller living quarters buffeted by louder noises. WeLive remained a two-building operation.

All of which presents a mystery: How on earth did Neumann and his WeThing attract an almost unprecedented level of private investment capital during his decade-long tenure as its head shaman? The answer is never stated explicitly, but lives in the margins and between the lines on almost every page: because the private equity community had Neumann-like magical thinkers of its own. Merlins recognize Merlins, and Wiedeman's finest feat of reporting and double portraiture is his evocation of Neumann's relationship with his financial savior (for a time) Masayoshi Son, the big-picture, long-term, positively cosmic founder of the Japanese tech conglomerate Softbank.

To delve any further into their relationship would be to give away the plot of "Billion Dollar Loser," which, like the most engrossing nonfiction stories, has a plot indeed, one that only reality could contrive. To fully appreciate its twists and turns, the reader should understand, or be willing to study on the fly, the customs, manners and vocabulary of contemporary investment banking. The sure reward for this effort is utter horror, unless the reader is herself a banker, in which case profound embarrassment might be more appropriate. The global pool of capital on which free-market societies float like inflatable rubber ducks is a virtually bottomless reservoir of folly, vanity, mania and caprice. The accounting standards that purport to measure it and regulate its tidal flows are as fluid and foamy as WeWork's tap kombucha. What was Neumann's company worth in its grand heyday, when its employees numbered in the thousands, its holdings and offices spanned the globe, and a gong still hung in its leader's office? Ten billion dollars? Forty-five? Or was WeWork's value potentially — as Son and Neumann both foresaw at one point, before a disastrous, aborted I.P.O. curbed the madness — a nice round trillion? All of the above, and none. What can be reliably calculated, however, is the ransom paid to Neumann for turning over his ghost ship to new officers. A billion dollars.

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So what is the moral of this cautionary tale? What was Neumann's mistake? His tragic flaw? Different readers will settle on different charges, but it might not matter: A 10-figure payout proves all of them wrong.

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