

Whole Foods Cofounder John Mackey on the Win-Win Mentality That Lifted Humanity Out of the Dirt

By Ryan Bourne

John Mackey took Whole Foods from a small Austin-based grocer that was nearly wiped out by a generational flood to an industry-reshaping chain that is changing how Americans eat—a success he attributes to the mutually beneficial nature of capitalism.

In this wide-ranging Q&A with the Cato Institute's Ryan Bourne, Mackey, who serves on Cato's board of directors, details the win-win mentality that powers free markets; dismantles the fantasy of efficiently run government-owned grocery stores; explains why innovation always outruns monopolies; and reflects on the nascent Make America Healthy Again movement. The following transcript has been lightly edited for clarity and length.



RYAN BOURNE: You cofounded Whole Foods as a scrappy start-up in Austin and led it for over four decades as a really mission-led firm. You wanted to push the benefits of healthy eating, but you were one of many natural food stores sprouting up at the time, many under what you describe as kind of hippie leadership. What do you think it was about Whole Foods and your approach that meant it was able to break out and become a national chain in a way those other natural food stores perhaps weren't able to?

JOHN MACKEY: You can never know for sure why that happened, but I think part

of it is that we had a desire to be a national chain. We had a vision for it pretty early on, not at the very beginning, but as I tell in my book *The Whole Story*, it was after my girlfriend and I visited the Bay Area that I realized, "Wow, they don't have any stores like Whole Foods here. We could open up here in the Bay Area and jump outside of Texas." That seemed to be a crazy idea, but that's what we did and it worked. So first we had the ambition for it.

Many of the other people were thinking smaller—have a few stores in a city or a few in a geographical area. I was thinking bigger, sooner, and earlier. Then we went and raised outside money—we raised venture capital money back in 1989 and that enabled us to go to the Bay Area and open stores there. They were successful and then we started thinking for the first time that maybe we could be a national company. Also, I think people were satisfied to have just a few stores and earn a good living and be sort of important in their own neighborhood, in their own cities. Back in the day, when the first natural food supermarkets started sprouting up, it wasn't a very friendly market. It really was mostly counterculture people that went there. My parents' generation didn't shop in our stores. They thought they were crazy. They wanted highly processed foods—they thought that was a miracle of technology.

BOURNE: What really comes through in the book is that you weren't afraid of growth. You weren't afraid of the pursuit of profit, nor were you afraid of the cut and thrust of capitalist dealmaking. Do you think that gave you an edge over some of the other stores that did have national ambitions?



Whole Foods cofounder John Mackey is seen here in 1984, the same year that Whole Foods began expanding to other cities in Texas and eventually other states across the US.

Whole Foods was open, we never actually opened a store that ever failed. It was only later when we started to branch out into locations that we weren't sure would be successful, and we were still successful in many of them, but finally, after 25 years, we closed a store that wasn't successful. We had such a long run of everything we opened up being successful, and that built confidence and built a viability to raise capital. We were frugal. We saved our money. We reinvested it. We were careful on locations. We built a great team. We did a lot of things right. We made a lot of mistakes too, and we learned from our mistakes and corrected them.

BOURNE: Grocery stores have become a bit politicized in recent years—we've had high inflation, concerns about affordability, and now New York City Mayor Zohran Mamdani is proposing city-run grocery stores. As the cofounder of a major grocery chain, how do you react when you hear a politician promise to swoop in and provide groceries more efficiently than profit-making companies?

MACKEY: Well, of course I think it's nonsense. What does he know about the grocery business? I'm not sure he's ever worked in a grocery store. I don't know if he's ever worked in a business at all. I'm not sure he understands much about business or markets. I mean, he's a socialist, so he doesn't understand capitalism, or he wouldn't be a socialist. The Margaret Thatcher quote was true when she said it and it's still true today: "The problem with socialism is you eventually run out of other people's money."

If they're willing to operate the grocery stores and lose money, then they possibly could be cheaper, because for-profit

MACKEY: I do think we had more of a business perspective on things. Perhaps it was my libertarian beliefs—I just really thought business was a win-win-win game. It was never a zero-sum game in my mind. You're always trading with your customers and your employees and your suppliers for mutual benefit, mutual gain. That's the miracle of capitalism. That's why humanity has been lifted out of the dirt in the last 250 years. The Industrial Revolution led humanity out of this trap that we were in, which really was a zero-sum game.

And I just thought it would be fun. I'm an entrepreneur. We had a lot of good qualities that led to success. We were very picky about our locations. I always knew if we screwed up an early location, that might be the end of the game, end of the story, because we wouldn't be able to get capital if we weren't doing well. In the first 25 years

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businesses can't operate for very long if they don't make money because they can't pay their bills, they can't pay their employees, and eventually they're forced to shut down. So perhaps New York can have government-owned grocery stores that basically are losing money, but they're just simply subsidizing it through taxes on other people. As long as you have money from somebody else, you can afford to operate at a loss. But generally, we all know what the stores will be like—they won't be well operated, they'll



During Memorial Day weekend in 1981, a flash flood wiped out Whole Foods' inventory and caused about \$400,000 in damages. With help from customers, neighbors, investors, vendors, and others, the store reopened just one month later.

be dingy. It'll be interesting to see whether they pay their workers higher wages than Whole Foods pays our workers. I doubt they will do that. And will they be unionized? If they are, then they're going to pay union-scale wages, and that's going to make it more difficult to operate their business.

So put me down as very skeptical. It's an election slogan, right? Politicians make all kinds of promises they don't ever deliver on, and I predict he doesn't deliver on that one.

BOURNE: Did you prefer, on a personal level, the excitement of being a start-up entrepreneur or being the CEO of a major public company?

MACKEY: I'd say it's someplace in between those two extreme states. The start-up period was difficult. We didn't know what we were doing. The first store—Safer Way, before it was Whole Foods—it struggled. We opened it with \$45,000 in capital, and we lost half the money in the first year. Then we opened the first Whole Foods Market. It was hugely successful, but we had a flood nine months after we opened, which bankrupted us, theoretically bankrupt, but we were able to climb out due to the generosity of our customers, all of our stakeholders, customers, employees, suppliers, the bank, investors, who all came through with additional help, additional capital, and additional supplies, which enabled us to skirt that.

Then there was the heady time of initial growth. It's euphoric, almost, to see that your ideas are working. "My God, this works. We're making money. We're growing. This is fun." And then there was this long period of time after the start-up phase, before we'd been seen as a really big corporation. The

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media loved us. They love small businesses that are successful and growing. And I think the turning point was 2009 when Obama was elected president. I wrote an op-ed in the *Wall Street Journal* that was critical of Obamacare and said free-market solutions were better than what we're doing. This is taking us down the road to serfdom, as Hayek would say. And that was not well received. Well, it was well received in the *Wall Street Journal*, and it got a lot of comments, but it really turned the media against Whole Foods Market, turned it against me, and we were no longer this darling. We were now a big corporation making a lot of profit, and therefore we'd gone over to the dark side.

So I'd say from the early 1980s until about 2009 was the best period. After 2009, it wasn't nearly as much fun, because we're being investigated for antitrust by the Federal Trade Commission, I got sued by the Securities and Exchange Commission, and we're being attacked by the media. Walmart and all the other guys realize we're very successful, and they're starting to pick up our products and compete with us more strongly. But there was a great 25, 30-year stretch where it was just the most fun thing I've ever done in my life.

BOURNE: There are definitely parts of the book where your libertarianism shines through—the early days at Safer Way, having to deal with getting permits and realizing all the boxes you needed to check. Then in 2007, as you referenced, the FTC tried to block your merger with Wild Oats. Did things like this make you more libertarian? Or did they just confirm what you already knew to be true about the way government operates?

MACKEY: In truth, I don't think those had much of an impact on my libertarian beliefs. They reinforced that government is just coercive power, and generally, it's a bunch of bureaucrats who, like Mamdani in New York, think they know how to operate businesses better than businesspeople do, and that businesspeople are doing things for the wrong motives—they're greedy, they're selfish, they are not altruistic—and they're attacked for that. They're attacked for their motives, which in fact oftentimes are actually good motives. Starting in the mid-2000s, the media did not like to tell good stories about Whole Foods Market—all the philanthropy we did, all the good things we did, all the value we created for our employees, our suppliers, our investors, all the customers. We created massive value for every one of our stakeholders, but that's a story the media doesn't want to tell because it wants to tell an anti-capitalist, anti-corporation narrative.

So I'm still a very strong libertarian. I'm probably not quite as strong a libertarian as I was 30 years ago or so, because I had the idealism of youth—libertarian philosophy could create basically utopia on Earth if we would just implement it completely. I no longer really believe that. I think human



The first Whole Foods Market opened in 1980 in Austin, Texas, after John Mackey's original store, SaferWay, merged with another health food store, Clarksville Natural Grocery.

nature is very complex. There's a need for a certain amount of government to check and balance. Now, we have way too much government, but in general, I'm probably a little more open to some of it than I was when I was younger, when I had the enthusiasm of a new convert to a new philosophy.

BOURNE: Yeah, I think there's all sorts of ways that we change our views as we get older. But stepping back for a second, one policy area that I think your 2007 run-in was kind of a precursor to was this return of the idea about monopolies and breaking up big companies. And reading your book, it struck me that grocery stores are quite a good example of an industry where, if you have a company expand to a whole bunch of different cities, it often increases competition in those local markets, even if it's true that the national market share of that specific company goes up. How did you, as a CEO who operated in the industry, think about competition between firms?

MACKEY: I think I have a radical view on this. One of the things I believe is that there's no such thing as a monopoly over the long term. You can get strong competitive advantages,

and there are a lot of ways to do that, but I've lived long enough to see so many so-called monopolies disappear and be disrupted. When I was younger, General Motors (GM) was the big monopoly. We needed to do something about GM because they were going to completely take over the automobile industry. And yet all we had to do is let Japan compete, and then all of a sudden, GM was more of a paper tiger. In my lifetime, I saw them go from so-called monopoly to bankrupt, and Obama bailed them out. Kodak used to seem to be a monopoly in film, but then digital technology came along and made it irrelevant. And IBM—"IBM is going to completely dominate the technology industry"—then Microsoft came along, and Apple came along, and all of a sudden, IBM is no longer such a dominant corporation anymore.

Here's my thesis: Basically, innovation never ceases in free markets, innovation is happening all the time. Let's take Google—it kind of looks like they have a monopoly in search. They dominate it so much, but will they continue to have that dominance? I don't know if they will or not because of AI. If you do a Google search now, the first thing

you get is an AI overview through Gemini. But then, when we have wearables that have an AI on our watch and we don't have to do a search, we'll just talk to the AI and it'll give us the same information. So what does that do to Google? They're just another AI player. Maybe their monopoly in search is just going to become irrelevant. I think that happens to all businesses over time. Also, the founders and the entrepreneurs that create them get old and die, and then you have professional management that takes over. They have MBAs and they're smart people, but they don't necessarily have the same kind of entrepreneurial vision.

I just don't really believe in any kind of long-term monopoly. I think things get disrupted, and it's impossible for a corporation to maintain a monopoly unless it uses the government to prevent competition, and therefore I really don't believe in antitrust. I think we should get rid of it, because I think it does more harm than good. The market will disrupt all so-called monopolies over time. It might take a decade or two, but it's what always happens.

BOURNE: I'm really intrigued by your approach to dealmaking. You've said that a lot of people go into negotiations and try to squeeze as much as possible. But with your approach, I think you recognize that deals are mutually beneficial, but also there's an opportunity cost to your time. You always went in with the attitude of: What concessions are necessary to get this deal over the line? I've long had a theory that one of the reasons some people dislike capitalism is, despite the fact that deals are mutually beneficial, people constantly have in the back of their head, "Well, I could have gotten a

bit more if I'd tried harder. That guy made a profit as well. I could have squeezed harder."

MACKEY: That's a zero-sum mentality, Ryan—that's the very thing they don't understand about business and about capitalism. It's not zero-sum, it's mutual benefit.

I always wanted the other person to feel good about the deal because that helps enhance your own reputation for future dealings with other people, since they'll say good things about you. You also may want to do a deal with this person in the future, so it's not a one-time transaction. You have potential future transactions, and so you want whoever you make a trade with to feel as good about that trade as possible. I always think in terms of win-win, and I think the most successful dealmakers do the same thing.

The way I always thought about it is, "Okay, what is it going to take to get this deal done?" I always try to find out what the other person wants, and then I can ask the question: Am I willing to pay for it? For example, say we're trying to do an acquisition—the sellers are always going to think it's worth more than it is, and maybe we shouldn't have to pay as much. But this is what it's going to take to get the deal done, and we're still going to win immensely. We're going to change their business model, we're going to make it more efficient, we're going to add our scale, we're going to add our culture, and we're going to get so much more out of this business than they could get out of it once we start actually operating it. So, I was always willing to pay a little bit more, because I could see how much it would benefit us, and I think that's one of the secrets to Whole Foods' success.

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BOURNE: We’ve just lived through a very high burst of inflation and people don’t like the fact that they’re no longer paying 2019 market prices. How would you, as a former CEO of a company whose business model was about a willingness for people to pay a premium for high-quality natural organic produce, navigate that kind of business and political environment we’re living through, where people are more concerned about affordability than before?

MACKEY: People are going to believe what they believe, and the media have a continued drumbeat of negativity. They need to read *Superabundance* by Marian Tupy and Gale Pooley, or *Enlightenment Now* by Steven Pinker, or *Rational Optimist* by Matt Ridley, or a new book that’s just come out by my friend Alexander Green—another good

libertarian—called *The American Dream*. He documents how much better off people are than in the good old days in almost every possible way we can imagine.

I think it’s not that zero-sum is back—it never left. I mean, zero-sum is how most people are taught to think. Think about the way sports are: At the end of the day, there’s usually just one winner, the champion, and everybody else ends up being a loser and hopes they’ll do better next year in any kind of professional sport. That’s certainly true of college sports as well. Most games we play are that way—they’re win-lose games. So people think that’s the way the world works, and it largely has been the way the world works, until capitalism came along, until we had a philosophy of voluntary exchange for mutual gain—that changed everything. It was only once we got the genie out of the bottle, so to speak, and the businesspeople were able to escape from the terrible regulations that made it very difficult to accumulate capital, and if you did accumulate it, there was no way to keep it stored safely so you can reinvest it. We were in that trap, the zero-sum trap, and we’ve escaped it. But that doesn’t mean human thinking has evolved. Most people still think in terms of zero-sum. They still think in a win-lose model.

But the beautiful thing about business and capitalism today is that it’s really win-win-win. Good for you, good for me, good for all of us. The whole society is benefiting as a result. I think that’s the single biggest task for economists, the need to say that over and over and over again. We’re all benefiting over the long run. The tide is lifting all the boats, maybe not equally—but inequality is never going to go away. Humans are always going to be unequal in beauty, talent, intelligence,

and drive. There’s just no way to make it equal without using the coercive power of government and turning yourself into a totalitarian state, which is where socialism always tries to get to in the end, to try to force egalitarian outcomes when it’s not what would happen naturally.

BOURNE: We’ve seen the rise of a Make America Healthy Again movement. It’s fair to say, from a libertarian perspective, that it’s a bit of a mixed bag. But one thing they have been railing against is processed food, ultraprocessed food, warning about diet-related chronic disease. So this message is resonating with some conservatives and folks outside the traditional Whole Foods customer base. If you were still CEO of Whole Foods, would you be trying to tap into this development—healthy eating not just for coastal liberals but for everyone?

MACKEY: In general, capitalism provides what people want, and what people want is calorie density. They want a lot of calories because it’s in our genes. We evolved not getting enough calories for tens of thousands, hundreds of thousands, perhaps even millions of years. And so anytime we can get something that has a lot of calories, whether it be fat calories, protein calories, or carbohydrate calories, it tastes good to us. That’s what we want to eat. Veggies are incredibly nutritious foods but they’re pretty low in calories, so most people don’t like them. Processed foods are loaded with calories—sugars, refined grains, oils, all that stuff. A donut, for example, is nothing but fat and carbohydrates, and people love them. And so now 74 percent of Americans are overweight, and 43 or 44 percent are obese.

But what are you going to do about that? Processed foods are killing us, but unfortunately it’s what people want. Are you going to make them illegal? You’re going to create a black market for people going out and getting their donut fix or their french fry fix, because that’s what people want to eat. So it has to be a consciousness revolution. I don’t eat that food myself. I’m aware that those foods are bad for me, and I eat to nourish my body and have done so for many years, and I’m very healthy as a result. But we don’t teach nutrition in our schools, and most people are ignorant, and they just eat food that tastes good. I mean, I remember when I got to college, the first thing I thought was, “I can eat as much ice cream as I want.”

Fortunately I didn’t stay on that track for very long and I started to learn about food and nutrition, so I had a consciousness shift. But I don’t think you can ask, “What can MAHA do?” Are they going to use the coercive power of government to prevent people from buying food that they actually want to eat? I think it’s a longer-term thing. It’s not something easily corrected, and it starts with trying to get people educated about nutrition and healthy eating into our schools, and for people to pay more attention to it. Otherwise they’re just going to make it worse by trying to force people to do things they really don’t want to do. I don’t like to see government get stronger for any reason, particularly if it’s going to be the food police. ✦

ABOUT THE AUTHOR

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