

[Transcript] Honestly with Bari Weiss / Bank Runs, The Economy and World-Transforming AI with Tyler Cowen

I'm Barry Weiss, and this is Honesty.

For today...

Don't look now, but there's something funny going on over there at the bank, George.

Bank runs.

I've never really seen one, but that's got all the earmarks of being a run.

I want to briefly speak about what's happening in Silicon Valley Bank and Signature Bank.

Today, thanks to the quick action of my administration over the past few days, Americans can have confidence that the banking system is safe.

Your deposits will be there when you need them.

Recession anxiety.

The recession, you know, potentially could be postponed.

It probably can't be avoided completely, but for this year and next year, I'm clearly in that.

Inflation.

I think there are many factors that have contributed to high inflation.

It's critical for the Fed to address it, and the president is doing all that he can.

A beleaguered tech industry.

150,000 tech workers have been laid off in 2022 alone.

Amazon today announcing it's going to cut 18,000 workers.

The seduction of crypto.

And let's just start with the fact that Bitcoin is up today.

The bulls are all saying, see, look, the demise of the banking system is finally making our case.

Why is it rallying?

Part of it has to do with some big assumptions that are being made about just how quick the Fed was to step in and backstop depositors.

So there's this thought process.

And the salvation of AI.

GPT-4 takes what you prompt it with and just runs with it.

From one perspective, it's a tool, a thing you can use to get useful tasks done in language.

From another perspective, it's a system that can make dreams, thoughts, ideas flourish in text in front of you.

I mean, I think the best case is like so unbelievably good that it's like hard to, I think it's like hard for me to even imagine.

To answer our questions about all of these topics is the always insightful, award-winning, prolific, dare I say brilliant economist and author of more than 15 books, Tyler Cowen of George Mason University.

Tyler, thanks for coming on again.

Hi Barry, great to be back.

Okay, the last time you were on, honestly, was about a year ago now.

And here's what was happening at the time.

Inflation was the highest it had been in 40 years.

Gas prices were nearly \$7 a gallon in many parts of the country, definitely here in LA.

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And Russia's invasion of Ukraine was leading to a lot of fears, ranging from breadlines to possible nuclear war.

So let's start with this.

Are we better off now or were we better off then?

On the inflation front, we are better off now, but not as better off as we might have liked to have been.

So rates of price inflation in the US were between 8% and 9%.

Right now, the best guess is would be between 4% and 5%.

Obviously an improvement.

But the path out of the 5% back down to 2% appears harder than ever.

Better off, worse off, hard to say.

The risk of a stagflation has gone up because we have these banking crises.

The Fed is reluctant to raise interest rates to rein in the inflation.

That makes it harder for banks.

But at the same time, that means the inflation could continue and we get the recession anyway.

So it's a complicated story.

Now, you asked about Ukraine and other matters, but that's my first cut and an answer.

For those of us who don't pay professional attention to the economy, but only pay attention when things seem really good or really bad, things seem especially unstable right now.

And that's because two weeks ago, Silicon Valley Bank, which was the 16th largest bank in the United States and the Bank of Choice for many tech startups, collapsed in what was the second largest bank failure in US history and the biggest collapse since 2008.

Tyler, what happened to Silicon Valley Bank?

There are a number of ways of looking at the story.

First, it was very poorly managed.

Second, they had a very large percentage of deposits, not insured by the FDIC, by some estimates over 95%.

So those were deposits that were very likely to flee.

Third, so many of the depositors were tech people, startup people, venture capitalists, a fairly tightly interconnected network.

So it's much easier to imagine them sending around a bunch of WhatsApp messages and having a pretty rapid run on that bank.

There to say a community bank in the Midwest where deposits are much stickier.

So you put together all of those features of the problem.

And what happened was people started to panic.

There was an issue how the bank would be raided next time around.

Hobart Burns sent around in his newsletter a word of caution about the bank.

Word got around.

There was a run on the bank.

And in essence, the FDIC Fed Treasury, more or less his consolidated entity, had to step in and essentially guarantee those deposits.

Now that's a mess, but we're not actually in the midst of a financial crisis right now, the way we are in 2008.

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So I don't want to call it good news, but so far at least, the problems appear to be relatively contained.

That entire weekend, the weekend between, I guess, the 16th and then the 18th, when the Fed stepped in and said they were going to make depositors whole, my phone was blowing up, and it was blowing up from people who were way more financially sophisticated from me, including some VCs, telling me that if my money or the money of my business was in any small bank, and First Republic was the one they were most concerned about, I should get out immediately because they told me there was going to be a more general collapse of smaller regional banks.

Was there a real risk of a broader bank run?

Had the feds not stepped in?

Or was it that the bank run was only going to happen if I and thousands of others like me followed the advice of the people texting me?

Those warnings to you probably were an exaggeration.

Now if it's no cost for you to switch, you can say you might as well switch.

I'll be honest and say that I switched some money out of a smaller bank into a larger bank, but as long as you think that the FDIC and the Fed will not let the American economy collapse, what our government has done time and again may or may not be a good idea, but they step in and they bail out even the uninsured depositors.

So it is very likely that your money and that smaller bank, my money and that smaller bank would have been covered.

Is it 100% no?

I looked at my balance sheet and saw I could actually get a higher yield elsewhere.

I was going to do that anyway before SVB as an issue came along.

This so pushed me over the edge.

I'm happy I did it, but I don't feel, oh, it's a good thing I did that.

The family wealth would have been lost.

It made sense anyway.

So we have a government that has numerous times committed to bailing us out and that's probably not going to stop.

It's a very dangerous policy, but it does mean in the shorter run, many people were safer than they thought.

Does it also mean in the longer term that people who watched what just happened to a smaller bank in Silicon Valley Bank and then we'll get to Signature Bank, that the lesson they took from it is you never can rely on the small guys.

All we can rely on are the big, few banks, the ones that the feds have already deemed too big to fail.

And so it's going to lead to a consolidation inside those bigger banks, just like you move from a smaller, I bet, to a bigger.

I do think it will lead to some amount of consolidation.

That will be bad for the American economy.

It will make loans at the regional level harder to come by.

But look, I think we're in a situation where our government is signaling it will bail out

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large and small.

So the flight from small to large probably will be contained because we're guaranteeing so many different things.

Again, that is great long run dangers.

I'm very worried about those.

But deposits historically have been pretty sticky.

People keep large amounts of money even in their checking account when it's earning zero or negative adjusted for inflation.

So the notion that everyone is like trading these meme stocks and is just going to press a button and all the money will flee to Bank of America or wherever, I don't think that's what's been happening or will happen.

The causes of the bank run and ultimately the banks collapse are multivariate.

But depending on who you ask, you get a very different answer about the primary factors.

You get answers ranging from SVB was too woke to it had poor risk management and everything in between.

I wanted to go through a few of them.

Many people lay a big part of the blame for this at the feet of the Fed for two things.

First, for being too late to acknowledge inflation.

We were told it was just transitory there for a while.

And second, for driving up interest rates over the last year really, really fast.

How much of what we just witnessed was the result of these two decisions on the part of the Fed?

The Fed was too late recognizing the dangers of inflation.

That is true.

But some people are also trying to argue, well, they raised interest rates too fast.

If the Fed had raised interest rates more slowly, inflationary expectations might have become more entrenched.

To choke off the inflation, they would have had to raise rates all the more.

Maybe they would have done it more slowly, but keep in mind SVB for almost a year didn't even have a chief risk officer.

So just having given them another six months, it's naive to think they would have cleaned up the mess and put everything in order.

So once the Fed realized that it made a mistake, it probably was doing the right thing to raise rates more quickly than not.

If you have to do it, rip off the band-aid, it's going to hurt, but waiting very often it hurts more.

Others say that one of the biggest factors in the bank's demise was a handful of influential VCs, venture capitalists, who started the panic.

This is the argument in internal WhatsApp groups and signal chats and emails and threads.

And who basically told the founders in their portfolio companies to pull out of SVB.

And they did this sort of instigated by a newsletter that you mentioned before that was written, I believe, in January, and then later a Twitter thread that was very influential.

Do you buy that?

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Well, it does seem that SVB was not able to redeem deposits.

So are we going to blame the messenger?

Obviously, if we had all gone to sleep like Rip Van Winkle and waited 10 years and the treasury securities pay off, the bank would have been fine, but I would not blame the messenger.

The problems in that bank were real at multiple levels, including at management, inability to heed regulators, the regulators who were asleep.

So no, I don't blame the people who spread the word.

If you had been a VC that had portfolio companies in the bank, would you have advised them to pull their money out?

Well, it depends on what information said I have, but probably.

Well, I think it's kind of an interesting ethical dilemma because imagine you had a sense or a good information that the situation at SVB was going south, right?

There's a strong moral case and certainly a financial case to be made that you should protect your companies.

But there's another case to be made that doing so will trigger a broader panic.

I spoke to one VC who said, people like me helped cause this, but it's a weird dilemma.

Do you look out for your own companies and therefore your own skin?

Or would you participate inevitably in a wider panic by doing so?

What's the right answer?

There's a long history around the entire world of individuals, institutions, governments trying to cover up insolvent banks, banking panics, stringing along what are called zombie banks.

It doesn't usually work.

So again, it's probably better we got it over with.

It alerted us to the broader risks in the system as a whole.

It got the Fed mobilized into action.

So just ignoring it, you're increasing the dangers over time because the insolvencies are going to grow if you're not addressing the root cause.

The day before the Fed shut down Silicon Valley Bank, \$42 billion in deposits were withdrawn in what many called the first Twitter-fueled bank run.

Let's talk a bit about bank runs.

As an economist, how do you explain it?

Is it herd mentality?

Is it a social contagion?

Is it a standing ovation effect, a stampede?

What's the right model in terms of human behavior for us understanding what's going on?

When it comes to bank runs, I actually find depositors are surprisingly rational, more rational than in almost any other sphere of their lives, including, say, their love lives.

Typically, a bank run means the bank is insolvent.

If the bank is in okay shape, it can raise capital and borrow against its assets and pay off the people running and just end the run before it gets very far.

So a lot of people talk about bank runs as panic, whatever, but I think that it's usually

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a good reason for the run.

Bloomberg columnist Matt Levine said this, I'm sorry to be rude, but nobody on earth is more of a herd animal than Silicon Valley venture capitalists.

Do you agree there's something unique about VCs that make them unusually herd like?

I'm not sure I agree with that.

So you have a lot of VCs in recent times, say, moving into biomedical investments, but not all of them do.

That helps to birth companies such as Moderna that give us mRNA vaccines.

And you see people taking chances on artificial intelligence, but not all of them do.

You see plenty of new tech companies that just have money from a small number of VCs and not most of them.

So it's a pretty robust ecosystem.

It's responsible for a lot of the innovation we've seen.

And what's actually the evidence they're more herd like than any of the rest of us?

I mean, it sounds like you're saying they're actually less herd like and more independent.

They have their own money on the line.

They don't get bailed out by the government, typically, not directly.

It's a small world out there, so reputation really matters.

In my opinion, it's one of the healthier financial ecosystems in the whole world.

OK, now you mentioned before that there was no one in charge of risk management at the bank for an eight-month period in 2022, during which the VC market was particularly volatile.

Now risk management, of course, is what helps protect banks from exactly this sort of thing and other potential financial crises that a bank could face.

How much of the bank's collapse had to do with its very bad or non-existent risk management decisions?

From what we know to date, the bank should have been hedging its interest rate risk in derivatives markets with interest rate swaps.

So the way it was, if interest rates were to go up, a lot of the bank's assets would be worth much less.

That's an OK place to be if you've hedged your risk.

But from what has come out, the bank didn't at all hedge its risk, and in earlier periods it had hedged its interest rate risk.

Ultimately, you have to blame the board and the CEO for that.

The chief risk officer is not the only one responsible for what happens, but they just botched everything very badly.

As the fallout from Silicon Valley Bank started to dominate the headlines, the partisans got to partisaning real fast.

On one side, you had the Elizabeth Warrens, blaming Jerome Powell, the chair of the Fed, for weak regulation and boiling it all down basically to, quote, corporate greed.

Now, on the other side, there were the Tucker Carlson's, there were the Rhonda Santas types who tried to claim that all of this somehow had to do with wokeness.

Tucker Carlson said that the bank was incompetent because, quote, the Obama administration imposed

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diversity, equity, and inclusion standards on the entire financial sector.

Here was Rhonda Santas, governor of Florida.

He said, they're so concerned with DEI and politics, I think that really diverted them from focusing on their core mission.

Corporate greed from Elizabeth Warren, wokeness from the right, is there any merit to either of these arguments?

Not that much.

I blame Elizabeth Warren, actually.

Sure.

Here's what happened.

So the bank is on the verge of going under.

Typically what happens is some other financial institution steps in and buys the bank, and the government doesn't have to step forward with the guarantees.

The government may help arrange the marriage, so to speak, but someone comes in and buys it.

Now, rumors are that the Biden administration was very worried about bank concentration and did not approve a number of potential suitors because they thought, oh, there'll be too much monopoly in banking.

In my view, that's like a seventh order worry.

And the notion that you're going to guarantee all these deposits just because someone might buy what was what, the 17th largest bank in the United States to stop that because it's too much monopoly, there's plenty of banks in most neighborhoods.

So that I traced to the influence of Elizabeth Warren and her people on the Biden administration. We had a much easier solution.

We were not willing to do it.

It may yet happen.

We will see.

But that's where I'm going to throw my partisan blame.

Now, the DEI stuff, it's a waste of money.

I think it's bad.

But look, we've had bank failures for all of financial history without DEI.

You can't say that's the major factor.

In the wake of SVB's collapse, many on the right and the left seemed to be singing from the same hymnal, and the song was very simple.

It was, screw these people, right?

Not only should there not be a bailout of the bank, which was a consensus opinion, but the argument was the depositors who trusted the bank shouldn't even be made whole.

On the left, the sentiment was venture capitalists are reckless, they're greedy, they're wealthy parasites, they're tech bros.

And on the right, it was much of the same thing, just add coastal woke elites in there.

And both sides seemed to ignore the fact that thousands of people affected by this bank's collapse were neither wealthy VCs nor coastal elites.

On the contrary, they were small business owners or founders of very small startups.

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How did you understand this strange political realignment?
What is it about tech and Silicon Valley that hits a nerve with so many Americans?
America as a country right now is pretty high in neuroticism.
Silicon Valley has been pretty successful.
It's changed all our lives.
We spend a lot of time with Silicon Valley derived devices.
So of course it becomes an enemy, right?
It's the ritual sacrifice of American intellectual life.
But I think had we not done anything, there would have been runs on many more banks.
That would have been disastrous for much of the country.
But again, we had a pretty simple remedy.
You don't have to have done those major bailouts, just let someone come in and buy the thing.
And that's what we didn't do.
That's what I see as the huge mistake.
Do you see Silicon Valley as the scapegoat for our abundance?
Also the scapegoat for a lot of the problems in our politics.
I typically blame the voters.
So you hear, oh, Silicon Valley got this candidate elected, that candidate elected.
And the story changes depending what side you're on.
Ultimately, the voters decide.
The voters do not always choose well.
Silicon Valley is a kind of conveyor belt.
You can say it magnifies some ideas.
But when you look at what actually decides elections, typically it's fundamentals and whether they're good candidates and what they say in their campaigns and how they've done if they were in office.
Tyler, what do you say to the person who is struggling and watch the whole SVB story and walks away with it with perhaps a misconception, but walks away thinking, the rich guys just got bailed out again.
What do you say to that person?
I would say if you had money in your local bank, you were bailed out too.
Some reporters at outlets, including the New York Times, have intimated that the government essentially got bullied into the decision that they made to make depositors whole by rich tech bros.
Is there any truth to that?
You could say if government was bullied, it was bullied by the fear that many other banks would collapse and it would face a much higher bill a week later if it had done nothing up front.
So the real power of the financial sector is that if you let it fail at too large a scope, you pay a very high penalty in electoral terms, job loss, other problems, deflationary pressures.
So that's why the financial sector so often gets its way.
What do you think would have happened if the Fed hadn't stepped in?
Many more people would have gone to their regional and smaller banks and removed their

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deposits and put them into larger banks.

At the very best, those banks would be in trouble.

The local economies would have less lending, less job creation, and we would end up with too much centralized power and resources in the larger banks.

That's the best-case scenario.

The worst-case scenario would be that the run spreads very quickly and a large number of the smaller banks go under.

I don't think that's the most likely scenario, but again, the chance of that was high enough that it would have been irresponsible for the policymakers to do nothing.

Something like First Republic Bank, which claims to be insolvent, solid, all of those things sounds like a great bank from a lot of people I know that use it and they really trust it.

The fundamentals, it sounds like, are solid at First Republic, but if everyone goes and asks for their money at the same time, it collapses, right?

We don't know how sound the fundamentals are, right?

So asset values are not always transparent.

That's why we have banks in the first place, because I can't judge how good a loan is.

I have the bank make it for me.

So you end up in this situation.

It's always a mistake to say, I trust my bank.

They might be nice people.

They might be honest people, but how much are their assets really worth?

It's not fundamentally up to the bank.

So even a so-called trustworthy bank can end up insolvent.

So we need to get out of the mindset of treating banks like friends when we trust or don't trust.

We need to realize it's a mercenary affair with hard-to-value assets, and just be very cautious and spread your money around and take whatever other care you need to.

Buy more treasury securities, whatever, depends on your portfolio.

And think through the issue of your own personal responsibility for your money.

That sounds really like wise advice, but it seems to put a tremendous amount of onus on the individual.

The idea that I, as an ordinary American, am supposed to do independent research, right?

That was the rejoinder as SVB was failing.

People were like, the depositors should have looked into this.

The depositors should have spread out their money among many, but isn't that a lot to ask ordinary people?

Well, who else do you want controlling your decisions but you?

So keep in mind, ordinary people do not generally have more than \$250,000 in their checking account.

Fair enough.

So ordinary people are protected.

If you're married, if you have a beneficiary, you can raise the protection higher yet.

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It's not unreasonable to expect a large number of Americans to know that, but the simple common sense intuition, don't put all your stuff in one place, whether it's Bitcoin or gold or art.

The alternative is either we leave that up to individuals with advisors or we have some centralized authority telling you what to do with your money.

Which of those two systems would you prefer?

Okay, aside from SVB failing, Signature Bank has also been shut down.

That was closed on the Sunday before the Fed stepped in for SVB.

First Republic Bank has been sort of propped up and Switzerland's credit Suisse has been taken over by its rival UBS.

And many are calling the current moment a banking crisis.

But Jerome Powell, Joe Biden, Janet Yellen, they're saying everything's cool.

In a joint statement this past weekend, Yellen and Powell said this, the capital and liquidity positions of the US banking system are strong and the US financial system is resilient.

Who are we to believe?

You can't trust what they say, but that said, there is not yet enough evidence to conclude we have a real banking crisis.

The failures we've seen do seem to come from exceptional cases.

And keep in mind, we have this thing called the Fed discount window, where the Fed can lend against bank collateral to banks in trouble, give those banks more liquidity.

The Fed has done a great deal of that.

It makes it able for banks to pay off depositors who want their money out for whichever reasons.

And as long as the discount window is up and running, you need something truly deeply wrong with your economy to generate a major banking crisis.

And right now we don't see enough evidence to conclude that's the case.

So probably so far, at least provisionally, Powell and Yellen likely are correct.

Do you think that the rational position after watching the events of that weekend was to say to yourself, A, I need to spread my money around more, B, I maybe need some under my mattress, and C, I should get out of the little banks and go into the big ones?

I wouldn't put money under your mattress depending where you live on your local market.

Real estate is another potential investment, but some mix of spreading your money around and putting it in the larger banks is good advice.

Any market funds by US treasuries, which are directly guaranteed by the government, not up to some 250K limit, they're just guaranteed outright.

Is this all in the end a second or third order effect of shutting down the global economy during COVID?

I mean, everyone has sort of waited for the past three years for the other shoe to drop.

Is this the other shoe dropping?

I would say this is one of the other shoes.

So as you asked me before, did we inflate too much, yes?

Did most of the Western world inflate too much, yes?

And then when you undo that inflation, you wreck parts of your economy.

So we got addicted to lower interest rates.

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At some point, we had to raise the rates to get inflation back down, and that's going to be a crunch somewhere at some pace, and we're seeing it now. Keep in mind, all these tech layoffs, that's another example of the same phenomenon. Those companies hired too many people, had them work for years on a lot of what turned out to be wasted projects, then they're laid off.

That's a direct waste of resources.

Now those people financially typically can afford it, but you can see instances of mistaken projects all around the U.S. economy, some of it being brought on by the swip saw of super low interest rates and now much higher interest rates.

After the break, the implications of Silicon Valley banks collapse on banking policy, on the entire tech ecosystem, and more.

Stay with us.

Listeners of Honestly have probably heard me talk about Sapir, a quarterly journal edited by my friend Brett Stevens.

Here's why I like Sapir so much.

By featuring provocative, surprising heterodox perspectives on important topics like education, politics, and religion, Sapir challenges its readers, whether they sit on the left, the right, or the center.

It challenges them to rethink and re-engage with their ideological orthodoxies on America, on Israel, on a Jewish life more globally.

From its bold first issue on social justice, which challenged the conflation of Jewish values with progressive politics, to its upcoming issue on Israel at 75, Sapir is the kind of provocative thinking person's journal that any honestly listener would love.

In addition to their articles, Sapir also hosts live events, including an upcoming event in New York City on April 23, and a thought-provoking podcast featuring conversations with the journal's

editors and authors.

Visit sapirjournal.org, Sapirjournal.org, to explore all of its issues, sign up for the mailing list, and more.

This episode is brought to you by Cozy Earth.

If you don't have a crying six-month-old in the house like I do, you can still get the best sleep of your life with Cozy Earth's comfortable, temperature-regulating bedding.

Cozy Earth sheets are incredibly soft.

They're made from highly sustainable and ethically produced bamboo, and they're temperature-regulating

so you can sleep comfortably year-round.

Millions of reviewers have given these breathable sheets five stars.

Whether it's their luxury sheets, loungewear, pajamas, or plush bath towels, Cozy Earth has you covered.

Their bedding comes in five colors, and they also throw in a reusable canvas bag.

Cozy Earth products have been on Oprah's most favorite things list for five years in a row.

And Oprah, if you're listening to this, come on honestly and teach me about how to get my life in order.

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You can save 35% off now on Cozy Earth.

Hurry, because the offer ends soon, go to CozyEarth.com slash Barry.

That's CozyEarth.com slash B-A-R-I.

Tyler, what are the lasting repercussions of SVB's collapse?

In part, the collapse of SVB was brought on by higher interest rates.

So the Fed and indeed other central banks around the world, they're now more reluctant to raise interest rates at the pace they had planned.

So they are likely to keep interest rates lower for longer periods of time.

That will increase inflationary pressures, so it will be harder for many economies to get rid of their especially high inflation rates.

That's the main upshot right now.

And that's bad, of course.

Do you think that SVB's collapse makes it more likely that we're going to head into a recession faster and sooner?

I think the SVB collapse and the resulting decision to probably keep rates lower will postpone any recession, but it will mean that if a recession does come, that recession will be worse because we postponed it for longer.

What is a proper interest rate for the Fed?

Where should it be?

Well, as we're speaking, it's in the range of basically 4.5% to a bit higher.

It is widely recognized that at some points interest rates need to be higher to limit inflation.

But how quickly can you pull that trick off?

That's what we don't know.

So central banking is an art.

This week there's a Fed meeting and announcement on Wednesday, but I can tell you now, speaking on Tuesday, at first economists expected the Fed would raise what is called by 50 basis points.

Now they're thinking they'll raise by only 25 basis points.

Some people think they won't raise rates at all.

They'll see what they decide, but no matter how you slice the cake, the overall pace that the market expects is lower interest rates looking forward.

And again, that makes credit flow easier, will keep inflation higher for longer.

Aside from the Fed's decision this week about whether or not to raise rates, SVB's collapse brings up, I think, some more existential questions about what it means to deposit your money in a bank, right?

It seems like the current system is people go and they loan a bank money essentially for free.

Is that a fair description?

And is the current banking system that we have outdated?

The way things have been arranged was never going to be entirely stable forever.

So by some estimates, about half the deposits in the US banking system were not insured by the FDIC.

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As long as things are fine, that's fine.

But once people start to relitigate the meaning of money in banking, when so much of it is not insured, there is a risk of bank runs and you can either have the run happen or have the government step in and guarantee more and more of the system.

That's not stable either, but that's what we've been doing.

So the most likely outcome over time is just more and more is consolidated in very large centralized banks.

Those banks are explicitly guaranteed.

The smaller parts of the system end up with implicit but still pretty strong guarantees.

We have a lot more moral hazard and we place indirectly much higher regulatory taxes on the banking system through capital requirements, higher deposit insurance, freemia.

Those get passed along to depositors.

Depositors then say, why is my money in a bank at all?

I'm going to put it in a money market fund and we damage our own banking system.

It slowly bleeds resources and competence over time and that right now to me is the most likely scenario.

It is bad but not explosive.

I'm embarrassed to admit that I didn't know that the FDIC had an insurance limit of \$250,000.

First of all, where does that limit come from?

Why that number?

When the FDIC was created, Roosevelt actually was opposed to the idea of deposit insurance.

He thought it was like a laughably unworkable system because banks would take too many chances knowing that the deposits would be protected.

But there was a political compromise and the number has changed over time.

Obviously, it's gone up but people agreed we would have deposit insurance as long as we put a cap on how much would be protected.

But the problem is this.

The bigger your banking system grows, the more the unprotected parts can bring the system down and sooner or later you're faced with this contradiction.

You either have to put up with very damaging bank failures, which is not good, or you have to keep on raising the limit of protection, which is also not good.

So there's basically no really good outcome here.

Do you think that the FDIC should raise that bar from \$250,000 to what?

Well I would say for the moment they shouldn't say any more than they have to.

So they already made a major leap forward by guaranteeing all the uninsured deposits in Silicon Valley Bank.

That's already a huge signal to the market.

I would just say for now, shut up, let everyone digest that, don't dig the hole any deeper.

If you need to say more, if reality forces your hand, do so, but don't do it preemptively.

Okay, let's talk about the thing that underlies this entire conversation that we're having, which is trust or lack of trust in institutions.

Over the weekend that SVB was failing and when those people were texting me, I had a deep feeling of profound panic actually.

And the reason for that is that one of the things I feel like I've learned over the last few years is that I thought institutions were run by adults who knew what they were doing.

And again and again and again, I have found, and I think many of us have witnessed, that the people we thought knew so much more than us didn't really, whether you're looking at public health institutions or Congress or journalistic institutions or education, there's an epidemic, I would say, and a justified one of distrust.

And for the first time, I found myself wondering if another one of the institutions I should be skeptical of in a way, frankly, I hadn't before are banks or the institutions that hold our money.

Are we witnessing sort of the spread of that epidemic that has hit so many other institutions to the world of banking?

I think the problem there is a very fundamental one, and it's even prior to trust.

Basically, we all want a huge chunk of our wealth to be safe, right?

Natural human behavior.

But if you just go out there and count, how many safe assets are there?

Add up the T-Bells, add up the AAA commercial paper.

There's not nearly enough safe assets to make so much safe for everyone.

It just cannot be done.

There's no way to add it up to make everyone safe.

And the government doesn't go around telling you that, because that will scare you.

But that's the actual reality.

So things have always been less safe than we thought.

And the more money we have, the bigger a problem it is, because the more that people want guaranteed

and the safe assets are not there to back it up.

So the question then is, what do you want our leaders to do about that?

Just tell us the truth.

Hey, everyone, not that much of your stuff is actually safe after all.

That doesn't work.

So they fudge it.

And they try to let it out in little droplets and get us to reallocate slowly and accept more risks slowly.

So I don't think they're corrupt elites.

Like if you or I were in their position, we'd face the same problem of not knowing what exactly to tell people, there's just no way to make the whole world safe.

But we kind of pretend there is.

And by semi-pretending, you do make it a bit safer in the short run, at least.

So they're basically in an impossible situation and they're forced to tell a lot of little noble lies?

Yes.

Now, they make particular mistakes.

But in a way, I find it amazing they don't do worse than they do.

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Like we're here, my bank account is OK, yours seems to be OK.

That has not always been the case in history.

So that the system has survived as much as it has is a testament to something strong in the American system of both finance and regulation.

Do other countries do it better than we do?

It depends.

Now, you can always make your banking system safer.

You can have banks take on more protection and raise their costs, but then those banks fund less innovation and they can't lend as much to create new jobs.

So it's a question of finding the right balance.

Is there a country where I would prefer the balance more than what I see in the United States?

I'm not sure.

But it depends how risk tolerant your country is.

A lot of Western Europe, they dislike risk more than we do.

So they choose the safer outcomes, maybe just a few very large banks, a lot less local innovation.

I'd rather do it the American way, but their system does have some advantages.

A lot of people are saying that the collapse of SVP is one heck of a good case for decentralized banking.

Don't trust banks, trust Bitcoin.

That's the meme.

Former Coinbase CTO and very interesting Twitter personality Balaji Srinivasan says things often like the Fed crashed the ship, Bitcoin is the lifeboat.

Do you think that's a reasonable takeaway from what's happened?

Is that a good lesson to draw?

The prices of crypto have been extremely volatile.

I don't intend that as a criticism, but it doesn't mean that you should put your trust there.

Crypto is a way to make or lose a lot of money very quickly.

I view it as kind of a luxury product that wealthy people can speculate in.

We may build new financial structures out of crypto.

That to me is an interesting, but still unrealized project.

But in terms of safety, it's not a substitute at all.

It's like telling someone, oh, your money's not safe in your bank, go out and bet on the horses.

Well, no, the analogy.

So you're saying it's way, way, way less safe and secure.

Well, I don't know what the triple way is supposed to indicate.

I would just say Bitcoin was never designed for stability.

We're still unsure what it's good for, same with Ether and the Ethereum network.

It's okay that we're unsure, but as long as we're unsure, those are like venture capital projects where their value changes a lot rapidly.

And again, not a criticism, but it just means they're not safe havens.

Here's how I think crypto was sold.

I don't think that most people understood it to be the stable bet, but they understood it to be the bet for a place where those who have reasonable distrust in the systems and in the authorities that set monetary policy might turn to for a new sort of hope, a secure place to put hard earned money where it wasn't so susceptible to the whims of the Fed or whatever administration was in the White House.

But that does not seem to have panned out.

It seems like if you look at the past few years, you were a better off having left your money to lose value day after day in a savings account than to hand it over to, say, FTX.

At a time where Americans are understandably looking for a better alternative, did crypto just kind of take advantage of our collapsing trust in the system that we currently have?

If you look at the overall data, crypto prices tend to do well when other things are doing well, when interest rates are low, when there's a lot of stability and when inflation is low.

So it's another financial asset that co-moves with the market portfolio.

Nothing wrong with that.

But it's not some kind of substitute like the canned tuna and the shotgun and the dog where you pull it out when times get rough.

It does well on average when times are better.

Well speaking of crypto, I want to ask you about another three-letter acronym that begins with an S and contains a B, which is not SVB, but SBF, Sam Bankman-Fried, the founder of the now shuttered cryptocurrency exchange FTX, sorry for all the acronyms.

In March 2022, you interviewed Sam Bankman-Fried and you introduced him this way, perhaps the world's leading practitioner of earning money to give it away.

It turns out not only was he not giving so much away, he was living in a \$40 million penthouse in the Bahamas, but the whole thing FTX appears to be a scam.

He's about to stand trial for eight counts of fraud and money laundering.

Charge is that if he's found guilty, could lead to a life sentence in prison.

First, were you surprised when FTX went under?

And second, having sat down with him, what was the most surprising aspect of this story to you?

You know, I knew Sam a bit in advance also, I had played chess with him a number of times.

I was surprised when it turned out to be so fraudulent.

I wasn't surprised that it went under.

My view had always been that if the exchange FTX were to grow too large, the regulators would step in, insist that it not be allowed to operate in the Bahamas, and demand that it essentially hold high capital requirements, and it would lose its competitive advantage over mainstream banks.

So I didn't think it would succeed.

I thought Sam was reckless in investing so much money in a thing that had no regulatory plan B, but I really had no sense that it was fraudulent.

And I know many people who knew Sam and people have different opinions, but many people put their money there.

I never did.

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But it seemed like an okay thing in that regard.

Was he a good chess player?

He loved to play bug house more than chess.

Bug house is a form of chaotic chess where you have four people and two boards, and you kind of throw the pieces back and forth across the two boards.

You need a very extreme temperament and risk tolerance to be willing to play bug house at all.

And he much preferred bug house to chess.

Was he good at it?

He was good, yes.

In hindsight, if you could ask SBF anything today, what would it be?

I don't feel I have some big mysterious question to ask him.

I think he's incredibly smart.

Obviously, he made some significant mistakes.

He did in fact give away a lot of money.

I think the bad sides and the good sides are somehow tied together psychologically.

And it's for the better for the world that the thing is over.

And it's just quite a remarkable story.

Were Elizabeth Holmes of Theranos or more Bernie Madoff?

It started as a legitimate project and evolved into a form of Bernie Madoff based on the belief that Sam and his crew could always trade their way out of it.

That is my take.

Sam was the poster child for a movement that I'm very interested in called the Effective Altruism Movement or EA.

And this is a movement to do as much good in the world as possible in a lifetime.

Is that a fair summary of it?

I think so.

I'm not an EA person who was allowed to define it, but yeah, that sounds okay to me.

But EA people tend to like you for reasons maybe you understand better than I do.

No, and I like a lot of them.

I have a lot of good friends in EA.

I think on net it has been a positive for the world.

Well, after the implosion of FTX as SBF's world was falling apart, he did an interview with the journalist Kelsey Piper and he seemed to admit to her that his interest in EA was essentially for PR purposes and that the ethics stuff, that's how he called it, mostly boiled down to quote, dumb games we woke Westerners play.

What did you make of that?

There's different ways you can interpret Sam's words in those contexts.

I view it this way, that being altruistic is itself a form of power.

You have the power to actually help people.

And if someone gets off on power, they also will get off on altruism.

It doesn't mean their altruism is entirely cynical.

They actually enjoy it because they enjoy power and because they enjoy power, they also

enjoy being selfish.

There's a pretty large class of people somewhat addicted to power who do it in both selfish and altruistic ways.

But I don't think the altruism is a mere cover for the selfishness.

I think in part they do in fact want to earn money selfishly so they can give it away and that's an ultimate form of power.

And possibly that describes Sam as well, to a pathological degree, of course.

You've said that we shouldn't hold what happened to FTX or SBF against the effective altruism movement.

Why not?

Every movement will have bad apples, right?

The best thing about the effective altruism movement is that it points out of how much mainstream philanthropy, speaking of trust, is just wasted, sent to bad places, say parents donating to alma maters that teach their kids things the parents would hate if they heard.

And effective altruism just says, wake up, make your philanthropic decisions rationally.

And that is so long overdue, whatever else one might say against effective altruism.

The main message, we can do this better, I strongly agree with, I'm fully on board.

I don't agree with all of their remedies and I think as a class of people they are far too rationalistic about life and far too likely to think you can sit down and derive all kinds of principles for what you ought to do and then they end up in polyamory or worry that AI is going to destroy the world and it has a kind of religious aspect to it.

And I would part company with them on many of those issues.

But the core point, do better with your giving.

It's so long overdue.

You're right that all movements, even very, very good movements, have some bad apples.

I have a very deep sense in my gut that crypto is actually a movement with a maybe a majority of bad apples.

Like there is something fundamentally scammy and predatory about that entire sector.

Why do I have that feeling and am I wrong to have it?

There has been a large number of scams in crypto, but some of the top people and Vitalik Buterin would be example number one, are extremely honest and care about the world and have worked

very hard to build sustainable crypto systems, greener crypto systems, give away a lot of money to charitable causes.

New things you tend to have higher variants of people's ethics and morals, crypto just because it's of sheer resources and there's been this feeling of get rich quick because a lot of people did get rich quick.

If you bought it basically zero, even at today's lower prices, you still might have made very large sums of money.

That attracts a lot of scammers, but I don't think the topic of crypto itself has to be connected to scams.

It seems like a year ago, we were constantly hearing about how big tech companies were too big and they needed to be broken up, but now they're laying off tens of thousands

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of people.

Companies like Meta, for example, laying off lots of people losing lots of money and both startup and big tech valuations are really, really down.

Venture capitalists are talking openly about how tech is in serious trouble.

Nasim Taleb, who I love following on Twitter mostly because he's just the most negative cynical person to follow, is screaming from the hilltops about how tech is over.

What do you think?

I'm much more optimistic than Nasim, but oddly, he and I get on pretty well.

I want to blame Elizabeth Warren again and Lena Kahn.

They told us for a long time, all these are monopolies.

The market positions cannot be contested.

Now there's like red alert going on at Google.

They might lose dominance in search.

Meta, formerly Facebook, losing a lot of revenue and attention to TikTok.

Anywhere you look in the tech world, it's a lot more competitive than, say, Elizabeth Warren had told us, and that's a healthy thing.

It's not always good for those individual companies, but it's a result of the fact that users have choice, markets are not guaranteed, and we're seeing incredible innovation in tech right now with artificial intelligence.

A lot of the key breakthroughs were done at DeepMind and OpenAI, which at the time were very small entities before DeepMind became part of Google slash Alphabet and OpenAI before the alliance with Microsoft.

Okay, well, speaking of AI, the strong counterpoint to the idea that the tech bubble is bursting is AI.

A lot of people are saying that the large language models that power things like chat, GPT are a paradigm shifting technology.

As big as the invention of the internet, maybe even bigger than that.

Where do you think it will fall relative to the invention of the internet or the invention, let's say, of the smartphone?

I compare it to the invention of the printing press.

I think it's a very fundamental change.

We have created truly intelligent entities which can converse with us.

The reason you know it's a computer is not because it isn't articulate, but because it's too smart to be a human.

That is remarkable.

Over time, it will change how we learn, how we work, how we store and organize information. It will change the entire world, it will change religion.

It's as if everyone right now has access to a personal Oracle.

You mentioned chat GPT, but its successor GPT-4 is much better, much more powerful, and it didn't take much time to get from chat GPT to GPT-4.

The pace of advancement has been stunning.

I would love for you to respond to some of the skeptics.

Noam Chomsky referred to chat GPT as a, quote, false promise and said that the dawn is not

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breaking for artificial general intelligence.

Meta's chief AI scientist said that chat GPT is not particularly innovative and there's nothing revolutionary about it.

What do you make of those kinds of criticisms?

I did my own podcast with Chomsky in conversations with Tyler.

That's not out yet.

But keep in mind, large language models refute parts of Chomsky's theory of language.

He claimed originally that speech and thought are virtually synonymous by their nature.

So here you have machines that write slash speak at a highly intelligent level, but they're not thinking.

No one believes their sentient.

So some key parts of the Chomsky and edifice have been kicked away, rather brutally refuted by facts on the ground.

Anything new that's really important has plenty of people badmouthing it.

And that's the case with large language models as well.

Do you think that the invention of this kind of AI is as significant as us discovering UFOs say?

Well it depends what is behind the UFO, right?

So I don't know, but I feel it is one of the more important developments in human history.

It's a technology that has been adopted more rapidly than any technology in the history of mankind as far as we know.

And it's improving at a rapid rate.

I don't believe we have thought through all the things you can do with having actual true intelligence.

And again, speed of advancement.

My colleague, Brian Kaplan, he was a skeptic in December.

He gave ChatGPT one of his tests.

ChatGPT got a D. He gave the same test to GPT-4, GPT-4 got an A. Now that's progress.

Well as we know, the advent of the printing press led to the Thirty Years' War.

What is the advent of this technology going to do to us?

Well the Thirty Years' War had many, many causes, right?

Including improvements in weaponry.

But let's say the printing press is part of it.

Every major social change brings major disruptions.

And every new technology, one way or another, is used as a weapon.

Including, say, paper.

Military writes down its plans on paper.

So this new advance will bring major disruptions and it will be weaponized.

You can either decide we're not going to advance technology anymore.

That's one option.

But what it really means is China gets everything and we have nothing.

I'm not for that.

So you have to do your best to build a better world with what is coming and what is happening.

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And so far, America has taken it upon itself to accept the challenge and say, we can do wonderful things with this new technology.

So I find that heartening.

One of the things that scares me about it is that presumably the people that will be regulating it don't even seem to really understand how the internet works to judge by the latest Twitter files hearings.

How do you think this technology is going to be regulated if the people that are regulating it probably don't even know how to, I mean, they're like my parents.

Yes.

They are still on AOL email.

So how's that going to work?

I believe in the short run, it will not be regulated very much.

The laws we have apply to it, right?

So if you do something evil or if you somehow rub or defraud someone with AI, you still go to jail or can be sued.

So I think in the short run, we should do nothing and let it proceed.

And my hope is that the national security establishment is a strong enough lobby that it basically says to Congress, look, we need to beat China and other nations in this.

We're ahead of them.

We don't want to choke off that lead and turn back.

You know, what we did with nuclear weapons being first, well, eventually we did regulate nuclear power.

We way over-regulated it.

But just to say, America needs to build up in this area and not forward innovation.

And that's what I think we'll do in the short run.

One of the very real concerns that a lot of civilians have about AI and particularly these large language models is that over the next few decades, this technology is going to wreak havoc on our society because it's coming for our work.

Especially for knowledge workers, for white collar jobs, and even if it doesn't eliminate those jobs completely, it will make many of our jobs faster, cheaper, perhaps less dignified and less meaningful.

Do you share those fears?

I think the main change will be you need to learn how to work with the AI.

People who can do that will do much, much better.

People who can't do it will do worse.

If you look at an area like programming where AI has proven itself pretty early on, I think overall there'll be a higher demand for programmers, but more of what they do will be editing the code of the AI, giving it the right prompts, developing other parts of projects.

One area where AI came at a very high level some while ago was chess.

Some people predicted, oh, chess will be over, no humans will play chess.

Chess has never been more popular.

In a bunch of different ways, humans and AI's work together to make chess a more interesting game.

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I think AI will make us more innovative, create more highly skilled creative jobs.

It will not be good for everyone.

The main losers are people who mentally have low openness and are sort of sticks in the mud.

That would be a lot of my fellow academics.

But for those people who earnestly take it upon themselves to learn this thing, it is not a question of what is your formal education.

It has the potential to be a great equalizer in that regard.

If you had a teenage daughter who was just about to graduate from high school and she said, dad, what should I do?

What are the top three options you would give her as wise pursuits for a young and ambitious person given where you think the future of work could be five or 10 years from now?

I would tell her to obsess learning about GPT-4 and its successors that that will come in handy in almost every job.

I don't know that we're very good at predicting which sectors will grow, which will shrink that change is now so fluid and possibly so rapid, but actual adoption is going to be very slow where a society full of bureaucracies, nonprofits, universities, governments, how many jobs are they?

How quick will they be to adopt these things?

So when people are looking to choose careers, I prefer to have them focus on what they have a passion for, at least if they are skilled.

And then to learn the ancillary goods and services they will need along the way, how to operate them, including AI.

Jobs will be there, but you'll have to know how to work this stuff.

How much time are you spending weekly on experimenting with this technology?

On a typical day, I might spend two hours.

I just ran a podcast of my own.

It's a podcast with Jonathan Swift, but the GPT is a stand in for Swift.

So I asked it questions as you're asking me questions.

I just last night finished the transcript.

It's about 7,000 words, Swift was much better than many of my human guests, rather GPT was better.

And that took a lot of time, but it's also very rewarding and I learned a lot.

So I'm doing this every day.

It's an open window.

I use it more than twice as much as Google.

Wow.

You're using this twice as much as Google?

More than twice as much, maybe three times as much.

I haven't counted, but it's a big difference, not a small difference.

Do you think there's a world in the future of conversations with Tyler where you only talk to dead people through this technology?

I'm not going to discriminate against living people.

That seems it would be ethically wrong and depressing for me, but I might try another person using GPT because the Swift dialogue came out very well.

And I could toss whatever questions at it, oh, ask it about a Swift pamphlet from 1708. And it knows everything.

The one thing it wouldn't tell me is whether Swift ever slept with Stella, the woman he corresponded with for so many years.

It kept on trying.

It wouldn't fess up.

And I think that means he did.

Yeah, exactly.

Well, aside from the economic concerns that a lot of people raise with regard to this technology, there are also really serious security concerns.

Cyber attacks, plagiarism, scams, spreading misinformation.

William Altman, the CEO of OpenAI, recently said in an interview this, the bad case, and I think this is important to say, is that it's lights out for all of us.

What do you think he meant by that?

I don't know what that means.

I mean, my actual worry is too many people will send me GPT-composed emails, and I'll have to use my AI service to filter them, and I'll have less direct contact with readers and listeners.

That to me would be a big loss.

Our concern I have is just other nations will, in some regards, be ahead of the United States.

A lot of open information systems, like submitting regulatory comments on what the government is doing, those might prove unworkable because you can flood the system with pretty high-quality GPT-generated comments.

So just many, many things are going to have to change.

I think you'll wake up in the morning, and rather than going to your different windows on your laptop, you'll just ask your AI, what is it I want to read?

And the emails you get, it will have already composed replies for you.

You may edit those replies, delete them, send them off.

I just think all the ways we interact with information are going to change pretty quickly.

Some for the better, some will be for the worse, but mostly it's an opportunity, like the printing press, like the internet.

You recently wrote in a column that in the future every middle-class kid will grow up with a personalized AI assistant.

What will be the most difficult ethical issues that will emerge when this is our reality?

How much time you should let your kids spend with the assistant parents already face, how much should I let my kid watch TV?

Look at the iPad, do streaming, whatever.

There's no simple answer to these questions.

The AI will give your kid a huge advantage in school, better grades, better term papers, whatever they're expected to do.

So it will be hard for parents to turn away from the system.

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I think we'll see some alternate schools, kind of like Amish rejecting only AI. Those will be interesting, but most people with a reasonable amount of income will use it all the time and kids will grow up with it. It'll be like an imaginary best friend who is not entirely imaginary. Tyler, I mean this with total respect. Many people that are your age are very, very allergic to new technology. What is it about you or your personality that makes you not just open to using this new technology, but excited about it? Well, first, I wouldn't say I'm always great with technology. I have a microwave in the kitchen, but essentially I've never used because it confuses me. Now, I'm not against the devices, but I feel a bit like rather than figure that one out, I want to spend my time with GPT-4. But I just think the high returns in life are to people who always persist, never give up. They're always learning at any age, no matter how old you are, and there's just no reason why you need to change that. And the people who change that, like I don't understand them, they need to explain themselves to me. I don't know how to explain me to you. To me, it seems obvious it's better to be this way. Doing it right, everybody will be dancing and we're feeling it right, everybody will be dancing and we're telling it right, everybody will be dancing and we're feeling all right, everybody will be dancing tonight doing it right. One more break and then a lightning round with Tyler Cowan. Stay with us. Here that, that's the sweet sound of a new sale when you sell with one of today's sponsors, Shopify. Shopify is a platform designed for anyone to sell anywhere, giving entrepreneurs the resources once reserved for big business. Shopify has all of the sales channels sorted so that your business can keep growing from an in-person point of sale system to an all-in-one e-commerce platform even across your social media. Shopify has thousands of integrations and third-party apps, from on-demand printing, to accounting, to advanced chatbots. And thanks to 24-7 support and libraries full of educational content, Shopify is there every step of the way. That's why every minute, new sellers around the world make their first sale with Shopify. Join up for a \$1 per month trial period at Shopify.com slash honestly, all lowercase. Go to Shopify.com slash honestly to take your business to the next level today. When it comes to hiring, you need to trust your gut, but sometimes your gut could use a little help. When you want to find top talent fast, you need Indeed. Indeed is the hiring partner you can count on to attract, interview, and hire all in

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one place.

End of spending hours on multiple job sites, hoping to find candidates with the right skills.

Indeed can help you find top talent quick through their tools like Indeed Instant Match, assessments, and virtual interviews.

When you pay to post a job, Instant Match immediately shows you quality candidates whose resumes fit your description so you can hire faster.

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You need Indeed.

Okay.

It wouldn't be a Tyler Cowan interview without a lightning round.

Tyler, are you ready?

I am ready.

Favorite book you read last week?

It's a Solenoid.

It's a Romanian novel.

It's very long, over 700 pages, and it's a surrealistic story about living in Bucharest under Communist rule.

You can think of it as an odd mix of Franz Kafka, James Joyce, and Carl Knauskard.

It's utterly captivating.

Two-thirds of it I thought was wonderful, excellent translation, and memorable.

Who's your favorite person to follow on Twitter?

It's really the aggregate of Twitter that I find valuable, not any single individual.

I think of Twitter as a kind of meta computer.

You can play the keys of the thing.

My favorite person to follow, you could say, is Twitter search.

What's the best YouTube you've watched recently, or maybe you're not on YouTube at all anymore because you're too busy with GPT?

When I'm on the exercise bike, I watch Magnus Carlson on YouTube playing chess.

I love Magnus on YouTube, and it's great for exercise because you have to pay attention but not too much, and he also is wonderful with Whitty Banter, and 80% of the time he wins.

What's your favorite place that you've traveled to in the last year?

Newfoundland really impressed me.

That was amazing, and Malta.

There were two places I had never been before, and as someone advocating in favor of openness,

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I have to pick two new places, right?

What's the best movie you've seen in the last month?

I went to Seoul, which is a Korean movie about an ethnically Korean woman who was adopted by a French family, and then returns to Korea in part to meet her biological parents.

None of this is spoilers, by the way, but then what happens, I'm not going to tell you.

Fantastic movie will be one of the best of the year.

What's the most delightful or surprising thing you've done with chat GPT for so far?

Well, I really have been enjoying my interview with Jonathan GPT Swift, but just asking it, what are different people known for that I know?

You're tapping into the Jungian unconscious of the world and seeing what does the world really think of these people.

It's an odd way of stochastically spying on everyone, and I worry this will be used for some not-so-nice purposes.

GPT is willing to libel anyone if you give it the proper prompts.

I'm not going in that direction with it, but just to see the collected body of information.

What does it think Barry Weiss is really about?

Have you tried this?

I'm scared.

Scared?

Then let Nelly do it.

She doesn't have to tell you.

I can't let Nelly do it.

Nelly, if I'm not going to like it, don't tell me, and she'll just giggle.

Have you asked it what it thinks about you?

Sure, and different people I know, and you are forced to see yourself through a different pair of eyes.

Then you're tapping into the Jungian unconscious.

You've said that the modern internet changed your life.

You said that recently to the Financial Times.

How so?

I was able to learn a lot more, a lot more quickly, and I had an outlet for my writing, so I never say would have been given a column for the New York Times without the internet, and I wrote for the Times for 10 years for the business page, because someone at the Times read me writing on the internet, so it opened up a lot of doors for me.

Tyler, you recently wrote that a little inflation is good for the conservative cause.

Why is that?

Well, to be clear, I don't think a little inflation is good flat out, but the one nice thing about inflation is that it taxes the tenured, because they're not going to get pay raises to make up for the inflation.

It doesn't tax active entrepreneurs nearly as much, so a few favor active entrepreneurs and are skeptical of the tenured.

That's a silver lining, but again, I'm not trying to say inflation is good overall.

It's not.

[Transcript] Honestly with Bari Weiss / Bank Runs, The Economy and World-Transforming AI with Tyler Cowen

Speaking of conservatives, you recently said to me at a conference that I should just be a conservative.

What did you mean by that?

Maybe you are, right?

But you said to me I should be one, that it would be sort of a utilitarian, a strategically smart move.

Explain that.

Well, first, I think you should ask GPT-4, but here was my thinking.

People on the left, especially women who are what you broadly might call moderate and reasonable, they are the biggest losers from cancel culture.

They're the ones who people go after online, who is perceived.

They're perceived as more defenseless.

People who are just seen as solidly on the right, they might take some abuse, but as

I said once in a talk, nobody cancels Satan, right?

You're in a way safer.

I said in the talk, Steven Pinker, Larry Summers, and now you, you should all be conservatives.

You don't have to change your actual views.

Just mentally re-identify, announce this to the world, and you may well end up safer from cancel culture.

Do you adopt that strategy?

Are you a conservative?

Well, I started off with views that were quite libertarian.

I've become more moderate over time and more conservative, but I'm some blend of libertarian, moderate, and conservative, but I never had to make the jump.

I was always there.

We're three years, Tyler, into work from home.

What's going to happen to Midtown Manhattan?

I was just in Midtown a few days ago.

I saw a Leopoldstadt by Tom Stoppard, fantastic play.

But every other time I had been to Midtown, it felt dead, and I thought, oh, this isn't going to work.

But this time, it was so fantastically alive and vital, so I'm updating my views on Midtown.

I'm not sure where I'll end up, but I'm way more optimistic now than I was a week ago.

New York is the city that never sleeps.

How much do you sleep per night?

A bit over seven hours.

I keep very regular hours.

I never stay up late.

I hate staying up late.

I don't like waking up past 7 AM, and I'm in bed before midnight and up by 7 pretty much as a rule.

You made the argument in a column a little bit ago, arguing that wokeness has peaked.

Do you still believe that?

Absolutely.

And a lot of data has come out since I wrote that column, like how frequently the New York Times uses different terms, and the usage of those terms, like woky terms, peaked about two years ago.

Now, it's peaked at a way too high level, in my opinion, in this country at least.

So I'm not saying it isn't a problem, but I think a lot of people don't realize they've been winning that fight.

And if you look at who's winning elections, someone like Biden, he's really not such a woke guy.

He's given the wokies control over some parts of the government, but voters right now seem to be looking for the moderates.

Should TikTok be banned?

Absolutely not.

TikTok should be subject to the relevant laws.

So if TikTok is spying on people, including journalists, in an illegal way, we should come down hard on TikTok.

But we have rule of law, we have free speech, and TikTok, as we know it, should continue, subject to having to respect American laws, which perhaps they're not always doing.

I would grant that.

Tyler, if you had to pick one hobby or skill to master unrelated to your current ones, what would it be and why?

Longevity.

But I'm unlikely to master it.

And you know why.

Well, that last question was actually generated for us by ChatGPT.

So Tyler, it's coming for my job too.

Tyler Cowan, thank you so much for being here.

Always a pleasure.

Thank you, Barry.

Thanks to Tyler for making the time, and thanks to you, as always, so much for listening.

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