

[Transcript] The Prof G Pod with Scott Galloway / Conversation with Fareed Zakaria — The Conflict in Israel and the State of Foreign Affairs

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Episode 271. 271 is the country code belonging to South Africa. In 1971, the first Starbucks opened its doors at Seattle's historic Pike Place Market and, while Disney World Resort opened in Florida, a white woman walks into a Starbucks and asks for the usual. What's that? The manager. Go, go, go! Welcome to the 271st episode of the Prop G pod. In today's episode, we speak with Fareed Zakaria, the host of Fareed Zakaria GPS on CNN and a columnist for the Washington Post to break down the conflict in Israel, the implications that are following the region, and how the U.S. is responding. Fareed is a role model. I just admire people that you can't tell their politics. You just know that they have a fidelity to insight and facts and think he's just a joy to listen to. Big fan of Fareed. Okay, what's happening?

Disney is in the news again because Nelson Peltz, an activist investor, wants board seats for himself and a few others. According to the Wall Street Journal, the activist firm believes that Disney shares are significantly undervalued today and that the company needs a more focused board. In the past, they've contended that Disney has excessive executive compensation and a poor sense of expense discipline. I think there's a term for that. I think it's called Hollywood. Disney is probably a really good buy at this point. There are a few companies that have the kind of IP that Disney has. The streaming, essentially there's kind of three businesses here. There's the movie studios. There's the streaming network. There's the parks.

So is that right? Streaming networks, movies, parks. That sounds about right.

Oh, wait, I forgot the fourth thing. I forgot that you look down and you just peed and there's blood everywhere in the basin. Yes, that's right, the broadcast networks or the cable TV affiliates which have seen their EBITDA cut in half. This is a company that needs divestiture, probably needs some cost cutting, but more than anything, I believe that if Disney, if and when they get rid of their cable assets, TV assets, which supposedly Byron Allen and others are circling, I think the stock will go up just on that because it'll be a cleaner story, if you will. They have just standalone IP, fantastic culture of creativity, talented management team, and meanwhile, the stock is at a nine year low. Part of it is one of the worst acquisitions in history when they acquired some of the assets of Newscore, specifically Fox. And whenever you have River Murdoch and Jeff Bukes, who are arguably the two brightest minds as a leases, it relates to

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shareholder value selling assets, you do not want to buy those assets. And Bob Iger did, unlikely or did just massively overpay for them and has put so much debt on the Disney company that it has now become similar to Discovery Time Warner, kind of what everybody sees. Everyone just looks at this giant debt load and is a little bit scared of the equity and the equity has been driven down. They can essentially kill two birds with one stone with the sale of some of their cable assets. It'll be a cleaner story. We have movies that are synergistic with our streaming network, and we have something that is the, what I believe is the most defensible asset of Disney, which is in fact its parks. The parks are singular, although the park attendance was down in the summer in Orlando. I wonder if that has something to do with the fact that Orlando is like 700 degrees

during the summer, but even year on year it was down. I don't, I wonder if people are running out of their COVID money, or they've decided to do other things, or there was a bit of a revenge travel bump post COVID that's now starting to abate, but I don't care long term, these things are singular, other than kind of universal Hollywood or universal studios tour, which is also pretty strong, call this thing a duopoly. I mean, other than Disney and universal, what really is there that you feel as if they're going to call child services if you don't take your kids a few times by the time they're eight years old. They have been cutting costs at Disney, they're going to exceed their goal of \$5 million in savings. I do believe it's a buy right now. I think this is a company that's well run, unbelievable assets, trading at a nine year low. By the way, as an activist investor or someone who conducted a few activist campaigns, what management, a rookie move of management is they circle the wagons and say, fuck you, we're geniuses, and anyone who questions our impeccable judgment is the enemy, and they spend so much time trying to fight off an activist that the business goes into further decline because they're totally distracted. What do really smart managers do? They say, sure, come on board, you've got a bunch of shares, we'd love to have you on the board, we don't have monopoly on truth, and that's the best way to shut an activist up. It's what Apple did with Tim Cook. I think it's what Iger kind of did with Nelson earlier in the year. I think Nelson started rattling the cage and said, we want you to cut costs, and they started. The stock is underperform, so now he wants to go on and he wants board seats. What is a board's responsibility? The board of directors is there to show care and duty for the company. What do we mean by care and

duty? Care. Care means that you are there to represent other people and I'll come back to it. Duty means you have a duty to actually read the board book and keep up on the numbers and make sure that the company is engaging in fraud and there's no unwelcome surprises. Let's go back to care. A wonderful word, a wonderful word to better describe care as fiduciary, and that is once you have your deal figured out, you are now representing the interests of someone else. It's a wonderful role, job description to be a fiduciary for other people's interests. Board members are supposed to be fiduciaries for stakeholders. It used to be just shareholders, but then Elizabeth Warren got angry and we got into identity politics and we decided that shareholders are mostly just rich white people. We're just largely true, so we're going to broaden it to stakeholders, the community, employees, the environment, and what have you. I'll give each of those 5%, but it's still pretty much 80%. If you want to know what decisions a company is going to make, if you want to know what

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the CEO is going to say, it's pretty simple. Reverse engineer back from one thing. What will move the stock price higher in the next one to four years when the CEO vests his or her options and can finally get that Gulfstream or that place in the Hamptons? By the time they've gotten there, they have literally navigated the Hunger Games. They're usually in their late 50s, early 60s, or in the case of Iger, early 70s, and they're just kind of run out of time. Should they be thinking about the world and climate change, maybe, but for the most part, they just want to get the stock price up so they can make sure that they get to live in relative comfort for the rest of their lives. That is a safe bet. Every decision goes right back, right back to the share price, but you are a fiduciary for all stakeholders. Let me do some virtue signaling. I was on the board of Eddie Bauer. I was put on by a friend of mine who ran a distress credit hedge fund. Eddie Bauer was going out of business. They were going bankrupt, and I was there to basically help facilitate a new strategy, have a sober conversation. Let's stop kidding ourselves. Let's go into bankruptcy. Let's clean up this company, clean up the balance sheet, and hopefully it emerges stronger. There was a bidder, once we ended in bankruptcy, that was just a licensing firm that wanted to fire all 1200 employees in Seattle and just license the brand out. Economically, that might have been in a purely Darwinian environment. That might have been the right decision, but we as a board decided, no, we're going to see if we can find or kind of stoke some demand and see if we can mature a bid from a player who wants to buy the company and will hopefully keep the majority of the jobs in place. Why? Because we are fiduciaries, not just for shareholders, not just for the debt holders. Once you go into the zone of insolvency, you're supposed to represent debt holders as well, meaning the company's about to go bankrupt, but also the employees, the stakeholders, the community. We were fortunate enough to find another buyer, I believe it was Golden Gate, a private equity firm who kept the majority of the jobs in place. But fiduciary is a wonderful term, and the problem is most CEOs who are in fact fiduciaries on the board are not representing any interest other than what gets the stock price up in the next one to four years, full stop. Okay, moving on, moving on, moving on from my favorite word, fiduciary, let's talk about the IPO market and how fast it's becoming the last sort of stop on the pump and dump train of our capital markets. US IPO performance over the last three years has vastly underperformed the S&P 500. I mean, you're just saying these things are just especially SPACs, 300 companies de-SPAC, I think in 21 and 22, and I think 10 of them are above their offering price. Get this, about two-thirds of companies who went public in the UK over the last decade are below their offering price. Why is that? It basically is the public markets have now become a place where people sell shares for one or two reasons. One, they have squeezed all of the juice out of the lemon, or two, they are hoping that the public markets are stupid enough to provide capital to a company that makes no fucking sense. Among the 13 VC-backed companies that went public in 2022, not one was profitable. It used to be three-quarters of companies that went public were profitable. They had proven they had product market fit. Now it's less than a quarter. Why? Because we have all this FOMO. Some companies have done exceptionally well over the last 20 years in the public markets. I mean, if you'd invested in Amazon, if you'd invested in Google's IPO, you'd be up 100 or 200-fold. If you'd invested in Apple's IPO, you'd be up something like two or

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3,000-fold. People got excited and wanted to get into IPOs, but then private market investors, specifically hedge funds and venture capitalists who fund these companies in the private market, said, why are we letting these gains leak to orphans and widows? Why do we want the little guy or retail investors to recognize these gains? We should just keep hold on to all the shares. We have the capital. We used to need to go to the public markets to raise money. Now we don't need to. Now we sit on not \$200 million funds. We sit on \$8 billion funds. As long as the company is going well and we think there'll be an increase in value, we can give shareholders, existing shareholders liquidity and secondary markets. We can buy shares from employees or other investors and we can find new capital and we can continue to squeeze as much juice from this lemon as possible.

But wait. What happens when things look bad? I know. I know. We can't raise money from the private markets of the valuation we want. Let's do another round at a very high valuation from existing investors to give a jazz hands fake signal, head fake to the market that, oh yeah, we work really is worth \$45 billion because soft bank invested \$45 billion in the private markets. Oh yeah, Instacart's worth \$40 billion. Even though when it went public, the market said, no, thanks, girlfriend, value to \$10 billion. And as we stand here, it's at \$7 billion. I am not immune from this. I invested in oddity, which I like a lot. It's a combination of AI and beauty. When public at \$35 a share shot to \$55, it's now, I think, at about \$28 or \$29. And I'm holding on because I think it's a great company. But look at, we want to talk about a train wreck. Blue Apron went public at a \$2 billion market cap just got sold for, I think, about \$130 million. And the majority of IPOs are trading below their offering price. Now, what's the one that's coming up? It's easy to talk about the past, Birkenstock. Hello, hippie. Hello, let's make love in the mud and listen to Jimi Hendrix. That's what I would do if I wore Birkenstocks. It's a great brand, great product, really an interesting, well-run company, expected to go public this week. May have already gone public by the time you hear this. And it's planning to issue 32 million shares priced at 44 to 49 bucks each. It expects a \$9.2 billion valuation. That's nearly double what private investors bought it for in 2021. They bought it for \$4.8 billion. It's approximately 14 times the company's expected EBITDA. Our financier, Aswath Damodaran, colleague at NYU, says that based on his inputs on growth, profitability, and rescue values, the firm around \$8.8 billion. So what's the prediction? If it follows the same path as every other IPO, look for it to get a pop because people are excited that the public markets are back. There's a lot of capital to be allocated, and then they will take their small gains off the table, and the company will probably be a busted IPO within 30 to 90 days. These things are just not working. What does this mean? It means that increasingly kind of institutions in the already rich are sequestering the gains from what used to be an incredible wealth generator, and that is the public markets. Does that mean you can't make money in the public markets? No, it does, but you probably need to go into index funds, hold on for a long time, which is still a great way to build wealth. Because if you purchased an index fund, you essentially own what's referred to as the fabulous or the magnificent seven, and you would have done just fine. But if you were going into IPOs hoping you're smarter than anyone else, you kind of been screwed over the last year. Now, the good news is the IPO market is thawing, which is great news. What I am saying personally is that in the private markets, these entrepreneurs still haven't come to grips with the fact that it's not 2021,

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and the valuations have come down. Effectively, what you have here, and the reason you're seeing, if you will, a drawdown in the price of IPOs, post-IPO, once the excitement is off and kind of the traders are out of the trade, and it's just people looking at the underlying company and its fundamentals, is that you had a crowding effect and late stage venture taking evaluations well above what they were going to get in the public markets. We've also seen a lot of IPOs underperform, which is probably giving people a little bit more caution or reticence to pile in recognizing that the majority of the juice has already been squeezed. What does this mean? The IPO market is in structural decline. The private markets are increasingly where the action is. There are some ways to play the private markets. You can invest in funds like Apollo. There's some publicly traded VC vehicles where you can get access or get some exposure to the private markets, but effectively, what is happening has always happened or has continues to happen in America. That is the wealthiest, the largest, the incumbents are capturing the majority of the upside and the majority of the gains. Look at Warby Parker, an amazing company, off 75% from its IPO, but that's not as bad as all birds and rent the runway to, in my opinion, shitty companies that it should have never gone public and were losing money when they went public. Those companies are off 96% since going public. Think about that. Hey, I know, I want in in this cool shoe company that all the VCs are wearing or, oh my gosh, you can rent a dress, you can rent a DVF dress. Isn't that a great idea? Well, look at the financials. These companies make no fucking sense. If you'd invested \$100, you'd have four right now. You'd have four. Look at the capital here. Uber raised \$10 billion in private capital, most of it from Soft Bank in the kingdom, before going public in 2019 at a valuation of \$82.4 billion. Four years later, public shareholders have earned 3.5% annual return. And that's a good company that is essentially a monopoly. Don't tell me about Lyft. Lyft is a pimple on an elephant that's about to be popped. It's a distant... I'm not even going to talk about Lyft. I'm not even going to talk about Lyft. What do they take to get in between floors in the UK? It's a fucking elevator. It's not a Lyft. Anyways, I'm not even going to mention the term Lyft in the context of ride hailing. Uber is dominant. It's a great service. They've have pricing power. They've raised their prices. They've done really well. It's a monopoly. It's an incredible service. And if you invest in the IPO, you've effectively made no money. When will SpaceX go public? I mean, get this. SpaceX is private. And yet it's managed to raise \$9.5 billion across several rounds and remains private. In some, the private markets are serving everyone except a little guy. And guess what? No one gives a flying fuck about the little guy. No one gives a flying fuck about the individual who used to get an opportunity to participate in our best companies. So what do you have in the public markets? A bunch of companies that have run out of steam, have backers who are trying to create false signals in the market in a head fake, an underperforming IPO market, and fewer and fewer opportunities for people on Main Street America to build and create wealth. We'll be right back for our conversation with Fareed Zakaria. Support for Prop G comes from Intel. World changing ideas have to start somewhere. And Intel believes that exceptional engineering can provide the foundation for real solutions. Intel technology has empowered innovators around the world to push the boundaries of what we thought was possible. Assistive AI offers new solutions for those with disabilities.

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Welcome back. Here's our conversation with Fareed Zakaria, the host of Fareed Zakaria GPS on CNN

and a columnist for The Washington Post. Fareed, where does this podcast find you?

I am in New York in actually my bedroom, which has good light and so I wasn't sure whether this was a video thing, but here I am. Well, I'm sure the light will come through on the podcast, so thank you. Thank you for that. And also just think, I can't imagine, there must be, there's probably two or three people in the world right now that are more in demand than you. I don't know who they are, but I appreciate you carving out the time for us. So give us the atmospheric here around or some context for what happened in Israel and why now and what you think the objectives and the end state goals are for Hamas. It's a great question. So I think, if you want to think about it in a kind of historical backdrop, really the most important thing that has happened over the last two decades in the Middle East is the withdrawal of American power in a fairly dramatic sense. The United States had been the kind of dominating outside force in the Middle East for decades. It used to be the Soviet Union and the United States both had their client states, then in a kind of amazing move of diplomatic jiu-jitsu after the 1973 war, Kissinger gets Egypt to flip. It goes from being pro-Soviet to pro-American. And that begins the end of the Soviet era or the bipolar era and it becomes a period of American domination. So the United States had better relations, if you think about it in 1975, with every country in the Middle East than they had with each other. This was sort of Bismarck's dream in the 19th century in Europe

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to be the pivot. So the United States had better relations with the Shah of Iran, with Egypt, Syria, with all these countries. And of course, it had very close relations with Israel.

Then that starts to change. But the fundamental thing that happens after the war in Iraq is that the United States realizes it is over-invested in the Middle East. It just does not have the capacity. It's a very turbulent, unstable region. And the only way, seemingly to stabilize it, is military power, military force. And Obama begins this, it was called a pivot to Asia, but really was a pivot away from the Middle East. And he was continuing in a way something that Bush had begun

in the second term, chastened by the Iraq adventure. Bush had been cutting back. And so in that context,

what's been happening is you've been creating a kind of post-American Middle East. And in that Middle East, everyone is jockeying for advantage. And everyone is trying to figure out, how do I protect my equities? How do I? So the Turks have become much more active and freelancing. The Saudis and the Iranians, that's the principle dynamic. Each one is trying to become the top dog. Israel has quietly become the essentially economic superpower, technological superpower of the region, but increasingly military. And the Israelis have been trying to do this extraordinary move, which is to completely marginalize the Palestinians by making peace with the Arabs, who want to make peace with Israel because they fear a common enemy Iran. So that's the backdrop of what's happening. Two important things in the shorter term. One is Netanyahu really pushing forward to try to make a deal with Saudi Arabia, which would really marginalize the Palestinians. Saudi Arabia is the most important Islamic state. It's the richest. It's the one with the two great mosques. King of Saudi Arabia is called the custodian of the two great mosques. And the second piece

is that because he has a very extreme right-wing coalition, he has people in his coalition who basically don't believe there should ever be any kind of Palestinian state at all. They want a greater Israel, as they call it, from the river, the Jordan River to the sea. And that means no West Bank, no Gaza. I don't know what they plan to do with the, you know, 5 million Palestinians on those lands. But the Netanyahu government has been very, very hard-line. Mostly in the West Bank,

you know, shootings, arrests, killings, you know, thousands of Palestinian prisoners.

So, you know, you had gotten to the point where Israeli-Palestinian relations were terrible. The Palestinians are looking and seeing they're being marginalized. They're going to be bypassed, this big deal. And all that comes together. And the Palestine Hamas must have decided we are going to, you know, burn the house down. And in doing this, what are they hoping? They're hoping they'll trigger a massive Israeli reaction, which is ongoing, that that reaction will then make the Arab world sympathize with the Palestinians who are getting pummeled. In that context, it'll be very hard for Saudi Arabia to normalize relations with Israel.

And that serves their objectives of a, highlighting the Palestinian cause, b, putting Israel on the defense of, c, getting rid of the Saudi normalization.

So I think that was their objective. How much of this, in terms of the timing, do you think was because Hamas sensed weakness and a divided Israel?

I think there's probably some of it. I would, I wouldn't exaggerate it. I think that they know that the Israelis are very strong that in situations like this, they've come together before.

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Remember, Israel has had divided and fractious government for the last 20 years. And this is the fifth time Hamas has tried to do something like this. The one of those, those wars, if you want to call it that, or military operations between Israel and Hamas lasted 51 days. So this is, I think that there are some people on the Israeli right who are saying, see, you know, all these demonstrations caused all this. I don't buy that at all. I think that I would put it slightly differently, which is that the government in Israel had focused almost single-mindedly on, on, on three issues, overturning judicial independence or undermining judicial independence. That was their big constitutional push, normalizing relations with Saudi Arabia and essentially creating de facto annexations on the ground in the West Bank to make

a Palestinian state, state there more and more unviable. They might have not been paying a lot of attention to Gaza. In fact, we have some interesting Israeli reporting that says that there were army people who were telling the Netanyahu government, look at what's going on in Gaza,

because some of what the Hamas was doing is they were openly practicing maneuvers. And the Netanyahu government thought this was a head fake, that they were trying to sort of fool them and they didn't take it very seriously. I can't vouch for this, but this is, this is being reported in places like Haritz. So I think that they may, some of that dynamic may be at work, but I doubt very much that it, you know, I did, did, there was some of it a lot and look and noticed that, you know, 2000 was a very, very fractious election and the Supreme Court decided it. And that's why he went for 9-11. I don't buy that. I think these guys know these countries are strong. What they're looking for, terrorists are always looking for the reaction. They're always trying to bait you into a massive reaction. So if one of the objectives was to put a wedge between Riyadh and Israel, it just strikes me that, and tell me if you agree with this, that it's worked. And I'm just shocked that both Riyadh and Israel wouldn't make some noises that, no, this isn't working, but it appears as if they've, to a certain extent, if this was the primary objective, they've already achieved their objectives. I think, I think you're right, Scott. I think that at least in the short term, you notice that they're being very, Riyadh is being very quiet. I'll tell you this, a few weeks ago, a Saudi official explained the situation to me and he said, and I'm paraphrasing now because it was sort of all off the record, but I think this is the way the Saudis are thinking about this. Look, we are willing to do this and we want to do this because it serves both our interests, but we have to be careful with our domestic population, particularly because the Crown Prince has been doing a lot of stuff that has been enraging the religious fundamentalists in his country. He's shut down the religious police. He's allowed, you know, movie theaters, restaurants, desegregated every facility where women can be, women can now drive, women can leave the country without checking with their male guardians. All that stuff is pissed off the Mullahs. He said, we can't also piss them off by completely abandoning the Palestinians. So we do need some real concessions on the Palestinian front.

So he was telling me, you know, that there's a feeling, particularly in America, in Washington, that the Saudis are, you know, completely unconcerned. They're happy to sell the Palestinians down the river. They just want to make a deal with Israel. Now, I think there's some truth to that, that is that they are as frustrated with the Palestinian leadership as anyone who has

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ever dealt with the Palestinian leadership would be, who are, they're feckless, corrupt, incompetent, but they know that they've got this issue. They don't, you know, and they're fairly careful about how much they push forward. You know, for example, they've been opening up all this tourism and all

this, building all these hotels. They still don't allow you to drink alcohol. And I talked to a couple of Saudi friends of mine, and the point is, you know, it's going to happen. But, you know, you push one of these things every six months, you don't push them all together and you try to work with those people. So my guess that's the dynamic here, that the Saudis are going to be very careful. But I think their national interests are driving them together. So, you know, as long as this doesn't completely explode, and it might, you could, you could see this getting back on track, maybe in a year. So if this is a war of perception, it was a Lincoln said that you can't win a war without public support and you can't lose one with it. And they're trying, this is a game of perception, trying to evoke sympathy based on what they feel will be an outsized overreaction. Grant, and I'm seeing everything through the lens of Western media as someone who has family in Israel, as someone who sits on the board of companies that former Israeli combat veterans who that night were on planes to Israel. So I have a bias here. But it seems to me that they have vastly miscalculated that the perception of what has gone on here will, I believe that empathy towards Palestine or the Palestinian cause across America and the West had somewhat increased steadily over the last 20 years. And that the perception was negative or increasingly less positive towards Israel. And I feel like the actions of the last three or four days have totally reversed that. Have I misread the situation?

I tend to think you're right. I mean, I guess I would say I hope you're right in the sense that I think this kind of brutal, savage, barbarous terrorism really has no place. You can have, you can sympathize with the legitimate grievances of Palestinians. You can sympathize with the Palestinian cause, but it seems to me nothing justifies this kind of terrorism. And the barbarism with which they did it, that music festival, dragging women, raping, taking children, all that I think will produce the kind of reaction you're describing. Now, it is worth saying though that that is not how it's being portrayed, particularly in the Arab world. I've taken pains to try to, to the extent I can, watch and read stuff that is more available and gives you a sense of what's going on outside. There was some initial shock at just the brutality, but now increasingly what is happening, and this is what I was sort of saying, now what is happening is there is the focus on every building that's being bombed in Gaza, every family that's being dispossessed, the women and children in the rubble. And my guess is you're going to end up with a very disproportionate body count at the end of all this, because right now you have 900 Israeli skilled and you know, several hundred Palestinians. But by the time the Israelis are done with this, you know, just because of the massive superior firepower of the Israelis, you're going to see the Gaza will be devastated and that will probably evoke a certain amount of sympathy. So I think remains to be seen. It partly depends on what the Israelis do. And I hope the Israelis think about that issue because, you know, they bombed Gaza a lot over the last 20 years. It's not clear to me that that strategy works. I would think more about creating a buffer zone, you know, taking essentially annexing a kilometer or so of land so that you make the border impregnable.

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But there is this desire for understandable, for revenge almost. And I would hope that that is kept in check. And there's a more strategic idea of like, what is the purpose of this operation? Yeah, I just, when I see, when I saw these barbaric images, I couldn't, you know, we spend a lot of time talking about young men on the show. And we've always, we've said consistently that the most dangerous person in the world is a young, broke, and a lone man. And I see this imagery, and I just go back to the same thing, that there's too, too many of these young men that have absolutely no, just quite frankly, nothing to lose. And have there been any ideas or opportunities to address longer term? I mean, I don't care if it's migrants flooding the US border. It all seems to reverse engineer to an absence of opportunity across young people, which, and I need to say this, in no way excuses what has happened. But do you think some sort of long term solution? What is it? Is it economic aid? Is it their own governance rights? Like, if you, if you, if Israel says, we can't have this again, and we need a buffer zone, and maybe some retribution that teaches people the algebra of deterrence are pretty difficult lesson, there's going to also have to be a long term sort of economic solution. Because you're right, there's 5 million people we got to deal with. Has there been any leadership around this issue or any model for what we might want to implement here? So first, I want to underscore the point you're making, which is, you know, there are 2.2 million people in Gaza. It's the most densely populated part of the world. 50% of those are children. 50% of those are children. Youth unemployment in Gaza is over 60% by some account, 70%. 75% of the people in Gaza lack access to drinking water. 60% live under poverty, and, you know, below the poverty line. So it's a pretty miserable place. The Secretary General of the UN visited it, and he described it last year as hell on earth. So, you know, it's an interesting question of how much, how much worse can you make Gaza? And again, absolutely, you know, and it's important, but now I'm talking about the people of Gaza. Hamas is a terrible, tyrannical terrorist organization. So it's even worse for them. To the extent they have any governance, its governance through this very tyrannical, radical and corrupt organization, Hamas. The problem is, I think, Scott, that you put your finger on how to think about this. But what these people want more than anything else, as far as I can tell, is political rights and dignity. And the Israelis have been very willing to give them a lot of other stuff, economic rights, development aid. The world has been willing to give them that. But it's almost as if we're trying to kind of obfuscate or get around the central problem, which is what they want is a state. And the Israelis, to be fair, have tried to go down that path as well. Not so much this government, but Ehud Barak, you remember 2000, Bill Clinton came all tantalizingly close to a Palestinian state. They had agreed on all the parameters, both sides. And then Yasser Arafat pulls out the last minute. Ehud Omar, another Israeli prime minister offered a version of that deal again to Abbas, the current Palestinian Authority leader. He turned it down. So the Palestinians, I mean, I have a lot of sympathy for the Palestinians. I do not have a lot of sympathy for the Palestinian leadership, which has time and time again. Just, you know, the way I would put it is fundamentally, there was a struggle here. The Israelis have won. The Israelis have won. They have, you know, they have all the territory. They're a rich, powerful, strong country. When you're in a war that you're losing, the longer you wait, the worse the deal you get. And the Palestinians have kept, if you think about it, the deal they were offered in 47-48,

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the partition was half of that British-mandate land. They said, no. The Israelis take more. Then 67 war happens. The Israelis take more. Now the settlement activity is taking place. The Israelis, so what the deal that Clinton offered, Barack and the Palestinians, is way better than anything they could dream of getting today. Because in a war when you're losing, the longer you wait, the worse the deal gets. And the leadership doesn't want to own up to its people. That, you know, the dream of a loaf is gone. We have a half loaf. And if we keep pissing around, it's going to be 40% of the loaf. And then it'll be 30% of the loaf. And they just, you know, Palestinian leadership has a lot to put to answer for, in my view.

So let's talk about second order facts. We talked about that for the time being, any sort of agreement between the Kingdom and Israel as kind of on hold or is in stasis. What about, what does this do for US-Israeli relations, US-Iranian relations? What does it mean for the conflict, not the conflict, the invasion of Russia, Russia's invasion of Ukraine? What are the kind of, as we get away from the blast zone here, what do you see as the long-term geopolitical impacts across Europe, Middle East, and US relations with these different entities? So I think in the region, what you see is the reality of a post-American Middle East.

It's very messy. Everyone is trying to gain a jockey for advantage. You're going to see more violence. You're going to see more groups that try to take advantage of the fact that there is this level of instability. I think with the Iranians, the interesting question is, how much do they wonder? That's the crucial question here because the other ones, the Turks are trying to establish themselves a bit in Syria. The Israelis, of course, have largely been trying to do it through technology and that kind of thing and build up a big deterrent force. The Saudis are trying to do it with money. The Iranians have tended to try to extend their influence politically and militarily through militias in Lebanon, in Yemen, in Syria, in Iraq. And so will the Iranians really try to play a game here? I think everyone, the Iranians are a malicious force. Don't get me wrong, but they seem to be searching for a way out partly because they have these crippling sanctions on them. What's the evidence of this? The biggest evidence of this is the Saudi Iranian normalization, the rapprochement. That was a big, big deal. You remember it happened last year? The Chinese brokered it. That seems to me, they would jeopardize all that if they were to go really take advantage of this. But that's the part I worry the most about. And then there's the broader issue, which is, look, the central challenge in international relations we face is a version of what's going on in the Middle East, which is, can we maintain a rules-based international order that encourages open trade, open commerce, open communication, open information platforms without the great liberal hegemon superpower that sustained, built, and paid for the international system as it exists today, the United States, because the US is not going to be able to play that role that it's played in the past, partly because it has grown weary, partly because others have risen and will not accept US hegemony. And people, states like Russia, Iran, groups like Hamas, Hezbollah, are basically trying to, in various ways, undermine the rules-based order, undermine the international system, burn the house down. Will they win? Or will the United States and Europe and Japan and Singapore and Saudi Arabia, all these countries that want order and stability and openness, will they prevail? That's the big dynamic, and that's why what happens in the Middle East does have a larger global significance. Ukraine, what, if any, impact does it have on our... I don't think it has too much. The biggest problem in Ukraine is the West is getting fatigued. They won't admit it, but they are getting fatigued. You're seeing signs

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of it in the Republican Party very strongly. You're seeing some signs in Europe as well, Slovakia election. They elected basically a pro-Russian leader. The Poles, these populist nationalists are, they're pretty good on Ukraine, but they've been quarreling with Ukraine for the last two or three months about Ukrainian aid. As these refugees, remember, there's six, seven million Ukrainian refugees living in Europe. I think that's the critical thing to look at. The Ukrainians are not going to give up. This is their land. This is their existential for them. The question is, will they run out of money and weapons? That's all on the West. I have begun to feel that one solution to this problem might be for us to seriously try to do what a number of very smart experts and senior former policy officials have been saying, which is, let's tap the Russian funds that are frozen from the Russian central bank. That's about \$320 billion. We start getting that money flowing to Ukraine as reconstruction, as reparations, call it what you will. Money is fungible. That both gives Ukraine a cushion. It also sends a signal to the Russians that, look, you can't outweigh us. The Russian strategy right now is pretty clear. They're waiting for the 2024 election. They think there's a 50% chance Donald Trump will win. Trump will sell the Ukrainians down the river, may cut a deal with Putin. What if you had this independent mechanism set up by an independent agency, maybe the European Union or something like that, that is just sending this money on the basis? As Larry Summers, the former Treasury Secretary said, this is unprecedented, but so is the naked aggression that Russia engaged in. And if the president your setting is, your foreign exchange reserves and your central bank reserves are psychrosanct, unless you brutally invade your neighbor, in which case, all bets are off. That's not a bad president to say. We'll be right back.

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I want to put forward a couple of theses and you validate or nullify them. But as we pull back the lens on the Middle East, I increasingly believe that the geopolitical or the catastrophic geopolitical decision of the last 50 years will be seen as our invasion of Iraq. Our wariness, the resources expended, we're like someone who's gotten their eyebrows burned and we just don't want to get near any hot surface any longer in the Middle East. Whether it's taking out a natural buffer to Iran, this incredible vacuum that we will in the fullness of time look back on going too far. Going into Afghanistan, absolutely justification. But going into Iraq will be seen as probably the greatest geopolitical mistake in US history since last 50 years. Yeah, I think there's no question. It was bigger than Vietnam, I don't know, but it certainly was a massive, massive mistake. And it represents two things. One was this was the kind of peak American hubris. This was an American dominated world. This was the post-Core war world. We destroyed the world like a colossus. And then 9-11 happens and we're like a wounded giant. And we start lashing out and we lash out and we totally militarize the conflict.

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You know, I wrote a piece for Newsweek right two weeks after 9-11 called Why They Hate Us. And the hope, and we're trying to explain the roots of this kind of Islamic rage.

And the main point I was trying to get across is look, the main thing we have to understand is this is a kind of ideological, civilizational, political struggle. Don't turn it into a military struggle because that's what they want. Again, Osama bin Laden once said, you know, it's so telling that he thought about it this way. He said, if we go anywhere, if a small band of us go anywhere in the world and raise the flag of al-Qaeda, we can be sure the American army will come thundering in. That's the goal. That's what they're trying to do is to draw you into these places that are quagmires. Even Afghanistan, I think we massively misread how we should handle it.

We should have gone in there, got rid of the Taliban and then left. You know, I mean, these places, when you try to bring order in a country, what we always forget is we are the foreigners. And you're going to have all the best intentions in the world. But it's the easiest thing in the world to arouse nationalist opposition against an occupying foreigner. You know, if we had understood that, I think we would be in a much better place today.

So the U.S., I think crudely, perceives the kingdom and MBS, poor track record on human rights, the murder of Jamal Khashoggi. And the thesis is that MBS is actually an enormous asset or an enormous positive for the West, that the pivot from a hot war in Yemen and a cold war in Iran, sort of the pivot loosely speaking from terrorism to capitalism, that we could have not written a better script for pro-West interests. Your thoughts?

Yeah, I basically agree. But let me preface it by saying, when I went to Saudi Arabia about 10, 12 years ago, this was more than that now, 15, 16 years ago. I know this happens to you, Scott, but as you get older, you forget that the thing you did that you thought were 10 years ago or actually 20 years ago. Time is just flying by.

I went to Saudi Arabia and Jamal Khashoggi was my guide, was my Sherpa. He took me around. So we got to be very close and I admired him enormously. So I say this with that caveat.

Look, at the end of the day, what he did on that front in some other areas was unpardonable, unforgivable, but he has been the principal modernizing force in the Gulf on a scale we have never seen before. Saudi Arabia has modernized more in the last two to three years than it did in previous 50. Even if you think about human rights, he's allowed women to drive. He's allowed them most importantly to be in unsegregated areas in education, in workplace. That means Saudi women, female participation in Saudi Arabia has been going up steadily, much, much faster than people realize. You are getting to the point where those distinctions are becoming much less important. He's opened up the economy to outside forces. He's opened it up to entertainment. He's opened it up to tourism. All those are freedoms. People have the freedom now to do lots of different things that they were not able to. They don't have political freedom yet. You can't pretend they do. But point two, as you say, he could be a huge Western asset because look at how he's modernizing his country. Is it along Chinese lines? No, it's on Western lines. Look at what he's buying. He's buying golf and Formula One and soccer. They're opening four seasons. Exactly. So we are sort of blowing it a little bit by not recognizing that. I think that the deal that the Biden people have been trying to do with the Saudis with Israel is good for the Saudi Arabia, good for America, good for Israel. Understand the parts America gets. Saudis would agree to consult with America on the price of oil. Saudis would agree no Chinese military facilities in their country and basically no Chinese high-end technology. No Huawei. They've agreed that they would

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continue to price oil and dollars. No question of pricing it in what you want.

Those are real important elements of American power. Saudi Arabia is still the swing state for the most important energy resource in the world and will be the most important energy resource in the world for the next 20 years. No question. You used a key term there was my next question, swing state. So if you think these polls in the media, Biden versus Trump, I find just totally superfluous obnoxious because it really doesn't matter what the U.S., 45 states have already voted. It all comes down to a small number of people in five states. And then if you look globally, it strikes me that the swing voters in what looks like a bifurcation or a bipolar world where it's loosely speaking China and Russia versus the EU and the U.S. that the swing votes, the people who decide who wins and who loses here come down to the kingdom and India. Your thoughts? Kingdom, India, Turkey, maybe Indonesia, but basically it's a small number of states. I want to underscore the point you were making that people don't focus on enough right now, which is I think crazy. The most powerful man in the world is going to be elected by probably 100,000 people in four states in Georgia, Arizona, Wisconsin, Pennsylvania. It's not even going to be in those states, as you know, because the cities are going to go blue, the rural areas are going to go red, and it's going to be those ex-urban counties. And you're talking maybe 50,000 people are going to determine the fate of the, I mean, of the way the war in Ukraine goes, the future of the international system, whether or not, you know, because the part that worries me the most is the Republican Party is returning to its isolationist roots. This is something people don't realize. This is a big deal for ever since World War II. The Republican Party had been taken out of that. They opposed US entry into World War II. They opposed US support for Britain and France,

all that stuff. It was the most bitter debate in some ways of the 20th century in American politics. They were going back to that. Listen to Josh Hawley, listen to Vivek Ramaswamy, listen to Trump. And you see the Republican Party is basically saying, you know, box on everybody's house, we get out of the world. If you want to see serious disorder, that's where I think it begins. If we really see a total withdrawal of America from the world. What are your cliffnotes on the election or 2024 in America and where America is economically and politically?

To me, what's stunning about where we are is the mismatch between economics and politics.

So if you look at where we are economically, Scott, if you were to ask yourself at any previous point in history, who dominates the world of technology and the industries of the future?

In the 1970s, you'd be looking at a lot of German companies, Japanese companies, you know, and Dutch companies like Phillips. You know, think about what were the hot technologies then? NEC, Toyota, Siemens. Right, cars, computer-like, consumer electronics, all that.

Today, it's America, America, America. 100%. You know, it's just crazy how dominant we are. Our banks are absolutely dominant. There are no global banks left-hand. They're just American banks. The Europeans are in tatters. The Chinese can't open up their system. The Japanese banks have been declining for 25 years. You look at demographics. We're the only rich country that is going to be demographically vibrant because we take in, not talking about anything illegal, we take in a million legal immigrants a year. That's more than the entire industrialized world put together. We're energy-sufficient, independent. We are now the largest producer of liquid hydrocarbons in the world. It doesn't have as much impact as people don't think about that because we consume most of it. But we are still the largest. We produce more liquid hydrocarbons than

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Saudi Arabia or Russia. You put all that together, and then you say to yourself, how do we have this totally screwed up politics? We can't pass a budget. You can't have a speaker. You can't get any kind of rational immigration reform, which is the single thing that can, you know, that could boost the American economy right now. If we had a rational immigration system, where we could bring in high-tech workers, and by the way, we should be bringing in people who are just, you know, I'm a big believer that one of the great things that a rich country needs is drive, is just pure drive. And guess what? Those people probably cross the border three times, four times, that pain of death, they have drive. And we need some of them too. But you just need a system where it's lawful. It's, you know, it's not, you know, just rewarding people who are breaking the law and pretending then to require asylum. How can we not, you know, we have this great hand. How are we screwing it up? And what, so having said that, do you think we're gonna screw it up? Do you think Trump's gonna be reelected here? You know, I'm an optimist by nature, and I'm an immigrant. I kind of chose, I left my country and my culture and my family and came here. So I have a lot writing on that question. I hope that America will survive and prevail and thrive. I think it will, because I think at the end of the day, we muddle through. Our politics is never great, but we don't kill the goose that lays the goat on egg. We get it right. It just takes a while, right? What do you, on the Democratic side, do you think Biden is a lock for the nomination? There's, there's, I mean, it seems like we're all kind of praying for some mythical figure to show up and be the obvious replacement for Biden. Do you think it's too late for that? It isn't too late, but it's getting there. Look, if he decides he's going to run, it's difficult to, to dislodge him. He has been a successful president. He's done more in terms of legislation than any president, any Democrat since Lyndon Johnson. He's got good judgment on Ukraine, on, you know, things like the Saudi deal. His foreign policy has been smart. And yet the problem, I think we all have at the back of our mind, is he is going to be 82 years old when he starts his second term. I don't know. My dad lived to 85 and he was a very healthy person. And in his 80s, he started to, mostly everybody I know who has been in there, who's been through this journey, 80s are different. And I just worry. And I think that, you know, I hope he's really thought through this because it seems to me, one strategy would be to say, look, I came in to do a job. I've done it really well. I'm now leaving it to the next generation. Yeah, it's not the 82 number that really freaks me out. It's the 86 number when Marine One leaves the West Lawn for the last time. That means at 85, we're going to, I almost don't think it's fair to him. And the declines, at least among the people I've known in their 70s and 80s, the decline is not linear. It escalates. So you've been very generous. And when we were off mic, we were talking about your son. I don't want to pivot for a quick minute. Do you just have one son? I have a son and two daughters. A son and two daughters. And daughters are younger or older? So my son is 24. My next one is 20. She's a girl. She's at Wellesley. And my 15 year old is in high school in New York. So advice to your younger dad self? Gosh, I have a lot. I mean, to me, that has been, in many ways, the most important thing I've done in my life and the thing I've, I think I've thought about the most and tried to get right the most. And to the extent that I've done it okay, it's the one thing I derive the most pride from. I would say there is no such thing as quality time. You have to spend a lot of time with your kids. Secondly, whatever you say is irrelevant. They will follow what you do. If you tell them,

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don't lie, but they can, they notice you fibbing. And if you tell them live an honorable life, but you're not living an honorable life, if you tell them, don't be on your phone all day and you're on your phone all day, it's all about doing. It's not about telling and preach less and practice more. And the third thing I would say is, you know, don't get too proud and don't get too worried. This will pass. In other words, when they were reading one year faster ahead of everybody else, don't boast about it, because next year they'll be reading slower. And if you're thinking, you know, they're going through some strange phase, it's a phase, you know, have the perspective of knowing it's not a snapshot, it's a movie. So Farid, just to wrap up here, I can't help but ask a question about CNN and the larger media scape. Have you thought in terms of managing your

own career? Like, have you thought about how does Farid Zakaria and the content you produce, how do you skate to where the puck is headed? And how does it, is it CNN in different formats? Is it podcasts? Is it writing more books? When you manage your own distribution channels, what are you thinking? Yeah, it's a great question. CNN is going through a kind of classic innovators dilemma problem, right, which is that it had an amazing business model. Most people don't understand how profitable the cable carriage business was. And CNN's margins on the cable carriage fees were close to 50%. And it was getting, I'm guessing, one and a half billion dollars of cable carriage revenue. So it made sense for them to be milking that for as much as they can. But that world is going away. The revenue of the future is going to be in some form in streaming

and digital. And can they make that transition? The guy who's been appointed CEO of CNN is amazing

and just the right person for it. He's a serious grownup. He understands exactly what I said. He did it at the New York Times brilliantly. You know, let's see and let's see whether he's able to do it. I certainly hope so. For me, the big advantage of CNN is I want a place where I can have maximum impact, not make the maximum amount of money. Don't get me wrong. I love making money.

But if I have to choose, I want an open platform that anyone can access versus a closed platform where you have to subscribe to me, because then I'm only getting my my groupies. I'm only getting the people who are my fans. I like the fact that I can, you know, I'm on in a place where anyone, anyone in the world can get me. So as long as CNN can be that place, it's a great platform. There's no other global media brand like CNN in that sense. It does, it does, you know, it's all over the world, 200 countries, easy to access. And then I have, you know, the books and writing. And that's another piece where I have to think about, you know, because I've written my column for the Washington Post for about 20 years. Again, is that, is that model viable?

You know, the posters itself going through its own challenges. So I'm thinking about these things all the time. But for me, the goal has always been, you know, try to have the maximum impact. Because if I'm trying to, in this profession, make my goal, make the most amount of money, I made a stupid choice. I should have become a hedge fund manager, you know, gone into venture capital or something.

Fareed Zakaria is the host of Fareed Zakaria GPS on CNN and a columnist for the Washington Post. He's also the author of four highly regarded New York Times bestselling books, including his latest 10 lessons for a post pandemic world. He joins us from his home in New York. Fareed,

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I know a lot of people who are super talented. I know a lot of people who have insight on geopolitics, the thing that makes you singular is you are fearless. With the stuff you say, it's data driven, and I get the sense you are singing and dancing on tables as if no one is watching you. And I just, I have a great deal of admiration and you're a great role model for, for young journalists.

So I really appreciate your time and your good work.

Thank you, Scott. Real pleasure to be on here. As I told you, my 24 year old son is going to be so, so happy that I did this because he just adores you and listens to you. He finds you wherever you are. Thanks for that. Appreciate it. Stay well. Thanks for it.

As a root of happiness, wellness. What is wellness, right? The ability to take care of yourself, such that hopefully you can live a productive and prosperous life and not only that, do what's required to maintain happiness or really experience joy and victory and that is starting to take care of others, but you need to affix your own oxygen mask, right?

So what is wellness? It's not buying a candle or a meditation app. As far as I can tell, the path to wellness involves really two things, physical fitness and relationships.

I have found when I am down, the things that really help are one, eating clean and absence from alcohol and THC exercise, but more than anything, really leaning on relationships, really engaging. I find that one of the fastest ways for someone to feel closer to you is to be vulnerable and let them know you're struggling and let them know that something's not going well. I have met in my life that I consider good friends and I've never once heard about anything bad happening to them. Every business situation is a victory and another example of what fucking geniuses they are and I only hear about the stocks that go up and hear how awesome

and incredible their wife is and how their kids are setting new records on the baseball field and it's just okay. So you're living a different life than the rest of us and you're living in a different universe, but it's when friends call and talk about their struggles, such that when they have victories, we can celebrate them together. It's when I know I can call someone and talk to them about some of the struggles I'm facing and I don't want sympathy. I want empathy and I want good advice and I want support and I get that from my best friends. I'll call them and say I'm really fucking stressed out about this or Jesus Christ, I got mean in the face. I invested in this company, this stupid company. I've lost everything, thought I was a genius, whatever it is. I feel guilty. I haven't been calling my dad a lot lately. He's 93 and I can't find the time to reach out to him. What is wrong with me? Anyways, that is what makes people feel closer. That is what strengthens relationships. That is the base for happiness and the base for rebounding faster from when you're down. Buy a candle, sure. Get a meditation app, but first and foremost, if you're focused on your own wellness, it's in the agency of others. Also, sweat. Relationships and sweat. Not candles, not apps. Relationships and sweat.

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