

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E115: The AI Search Wars: Google vs. Microsoft, Nordstream report, State of the Union

I had this thing with my oldest son, where I don't know if it's all kids, but he's 13. He doesn't know how to answer the phone, not to save his life. He picks up the phone, huh? Hello. And so I said, listen, from now on, when you call me, I expect a certain way that you pick up the phone, and that's going to be practice for you, how you interact with anybody else. And vice versa as well. If I call you, you have to pick up the phone. And if you don't, I'm hanging up right away. So yesterday, he calls me and I'm like, Chumat speaking. You know, it's like, hello, Chumat speaking. Done. He calls back. Hello, Chumat speaking. Done. Hung up again. We did this three more fucking times. And then finally I said, when will you get it through your head? Can you please just answer? Like, if I say, hello, Chumat speaking, hey, dad, it's your son or hey, dad, it's and it's unbelievable. And he's like, well, none of my friends pick up the phone like this. And I'm like, oh my God, like, don't they think they need to have verbal communication skills? It's unbelievable. And then when I call him, he picks up the phone. Oh, what? Not even hello. Huh? What is that? It's like a grunt. Minimal effort. It's like the minimum minimum number of syllables. It's embarrassing. Are you kids like this? Or is it just my kid? Actually, I don't think I've heard him pick up the phone. I need to test that. Yeah.

Jay Cal was on Twitter calling me out for not denouncing the Chinese balloon is strong enough language. Although I don't think he understood the language I was using.

Um, did you understand what the word errant means? What did you think it meant?

I, you know, I do understand the word. Yeah, it generally means straying off course.

Yeah. And traveling in search of adventure, at least according to Maryam Webster. So I just thought maybe you're being a little, but I know you're a dove. So, but I was a little dovish thinking they were just off course. I think you'd think they were off course or they were doing it deliberately. You buy that it was off course. Genuflect. Go Genuflect. Jay Cal, go, go, go, go. So I knew Jay Cal would have to join in this nationwide panic over this balloon.

I have no panic over it.

Jay Cal, I got some really bad news for you. There was these things called spy satellites and they can see everything. I want to know the, it's obvious people, they've been sending these balloons over here for a while. I just thought you're framing as it was errant, as in like, well, we don't know. Of course. Do you think it was, I'm sincerely asking, do you think it was errant? It was an accident? Well, here's the thing. It's such a harebrained scheme to send a balloon flying over American territory that the Occam's razor explanation here is that they somehow lost control over it and these things are not steerable. So like my guess is that it probably wasn't deliberate just because of how stupid a plan it would be and how like obvious it would be. But it could be. I don't really know. What I do know is that the whole nation got in a lather and a tizzy and sort of hyperventilating about this balloon and it just shows how reflexively hawkish the media is. You know, it's like, hey, can we just wrap up this war in Ukraine before we start another war with an even more formidable superpower? The balloon got more intention than us blowing up Nord Stream. Exactly. Well, okay, well, hold on. We're going to jump into it. No, what I would say about that is the media insight is the valid one. I was just responding

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to the errant and I was curious if you actually thought it was an accident. I don't think it's an accident. I don't think there are accidents. Well, I think it clearly was off course and problematic. So, you know, I don't know about the intentionality of it. I think it very well could have been intentional, but I tend to think because it's such a stupid harebrained scheme, like I almost give them the benefit of the doubt, not because they're not capable of spying. I'm sure they're spying on us. Obviously they're spying on us, just like we're spying on them. That's what we both do. But it seems like such a stupid way because you're going to get caught. It's a made for TV moment. You have to understand the nature of live television and why the media overreacted to it. It's ongoing. So, because it's not final, it's like a live event occurring, like when kids are trapped in a mine. Those are the best stories for CNN because you can keep updating people and people keep turning the TV on to check on the status. So, this one was just made for CNN because obviously we're going to shoot the thing down and obviously you can interpret into it if it's an accident or not and just give them something to talk about on a slow news week. But it is interesting. I think your point that is interesting is, is the Nord Stream story correct or not? Why is that not being covered? It's not being covered because there, it's not an ongoing story. So, that just shows you.

No, I don't think that's right. I think it's not being covered because the mainstream media already took a side on this. It's even more cynical. Well, it's not, it's not just cynical. So, when when Nord Stream got blown up, the administration came racing out with the line that the Russians did it, that they, this was self-sabotage. And by the way, the media repeated this endlessly. This was the media line. And it never really made sense to anyone who's paying attention because first of all, this was an economically vital asset to Russia. Second, it was their main source of leverage over Europe. Was there control over the gas supply? So, the idea that they would shoot themselves in the foot that way, just to somehow show how crazy they are, it never really made sense

to anyone who's paying attention. And the fact that the administration, the media, so quickly raced to that conclusion, suggested that it was maybe a cover story. Because if we had nothing to do with it, you would just be more neutral and say, yeah, we don't know what happened. But they had to like promote this line. That's what the Russians did it, which just never made any sense. And now Sy Hersh has come out with this story. So, it laying out in great detail how we did it. It's not just saying we did it. It's laying out who did it and how and the steps and all that kind of stuff. And just so you guys understand who this guy is, he's this legendary Pulitzer Prize winning journalist. He's like 86 years old or something like that now. But he broke during Vietnam, he broke the story of the Milai massacre, which the military denied until he proved it. He broke the story during the Iraq war of the Abu Ghraib prison abuses, which again, and the military denied until it was undeniable.

His Pulitzer winning is all you really need to know.

Yeah, and here he is breaking basically another covert military action. And look, we don't know for sure whether it's true or not, but it looks pretty bad.

Do you think that Europe knew? Do you think that the Europeans were told that the Americans were going to go and blow this thing up?

If that's true. By the way, the administration has said clearly this is a false story.

It was just pure fiction. I think the specific code was this is pure fiction.

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The Ukraine would be the most likely person to do this.
You've got to look for a means mode of an opportunity.
They don't have the opportunity to go down there and place a bomb.
I don't think the Ukrainians have the capability to do an undersea mission like that.
Oh, interesting.
The Norwegians do and the story maintained that we did it with them. The British do.
The story didn't say whether they were involved or not.
So no, my guess is that if this was a covert U.S. activity, it was kept to a very small group, which is why it'll be hard to prove more definitively than this.
The other side of the argument is this is such a provocation and the administration saying it's fiction. So what is your response to that, Sacks?
Would the U.S. do something so provocative or would they have somebody else do it?
And would Norway do something so provocative? It seems like an extremely offensive technique as opposed to just backing the Ukraine to defend itself against Russia's invasion.
Here's the thing. Before the invasion, Biden at a press conference said that if the Russians invade, Nord Stream would be no more.
And they asked him, well, how can you make sure of that?
That's a deal between Germany and Russia. We're not involved.
And he said, we have ways. We have ways. Just trust me, it'll happen.
Separately, Victoria Newland is our deputy secretary of state said something very similar about how we would stop Nord Stream if the Russians invade it.
And then after Nord Stream got blown up,
Blinken at a press conference said that this was a wonderful opportunity and was extolling all the benefits of this.
And then Victoria Newland at a congressional hearing said that, I'm sure we're all very glad that it's a Hong Kong medal at the bottom of the sea, again, extolling all the benefits.
And we've discussed the benefits on this program.
But now we've shifted the European dependence on Russian gas to a dependence on American gas.
So the fact of the matter is the administration kind of telegraphed what they were going to do.
They had the capability to do it and they had the motive to do it.
So it's certainly a plausible story.
You're right that we can't know for sure.
It's a single source story.
You don't believe the administration.
Hold on, it's a single source story that depends on the credibility of Sy Hirsch.
But as it stands right now, whose story do I think makes more sense?
Probably Sy Hirsch's.
You believe Sy Hirsch over the spokesperson of the CIA who wrote, the claim is completely and utterly false, just to be clear.

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Well, these same people denied Abu Ghraib, they denied Meelai.

But to be clear, you believe that.

They deny everything.

Okay.

They deny that NATO expansion or anything to do with the breakout of this war.

Yeah, I mean, this is one of the situations where we can't possibly know.

Yeah, you make a good point, J. Cal, which is this, if true,

and look, I'm not saying I don't know if it's...

You're leaning towards believing it.

I lean towards thinking it's more plausible than not.

Because also, like, who else could have done it?

And again, who had the motive, means an opportunity.

But you make a great point, which is, if we did it, it's an incredibly provocative act.

It's basically perpetrating an act of war against a country that has thousands of nuclear weapons.

Biden promised us at the beginning of this war that he would keep us out of being directly involved.

So this would directly contradict what he said at the beginning of this war.

So I think it's a very scary situation here.

Yeah, I know.

And if the US didn't do it, like, why don't we find the real killer?

I actually have this.

I have the theory.

Here's my theory.

The CIA knew how to do it.

Biden wants to do it.

The Republicans want to do it.

Obviously, the people who are the most pro-stopping Nord Stream have been the Republicans.

They've led this charge even more than the Democrats.

So it's a bipartisan issue.

Stop Nord Stream, bipartisan issue, hands down.

I think the CIA probably knew how to do it.

And just like we equipped the Ukraine to do it, we might have facilitated the Ukraine and a collaborator.

UK, Norway, some freelancers.

You know, we have those freelance former Navy SEALs that operate.

Perhaps the CIA just said to the Ukraine, here's a, you know, Black Ops group.

If you wanted to engage them, you could feel free to do so, which would then split the difference between what Xi is saying, what the CIA is saying, which is typically where the truth lies.

It's probably between what this investigative journalist of note has said and what the CIA is denying.

The CIA probably has plausible deniability.

That's my prediction.

Well, if you could find a source for that story, J. Cal, that lays out in the same level of detail that Hirsch has laid out in terms of the meetings that occurred, what was approved,

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what was approved when, how they did it, you know, when they did it, the explosives they used, the divers they used, it goes into a fair amount of detail.

Incredible detail.

Yeah, I mean, down to what explosives, right?

But you're trying to put what you just said, which is basically you inventing a story on the same level as Hirsch's story.

Yeah, I understand.

But he actually has a lot of detail in his story.

Yeah, he had umpteen sources.

There was a lot of people that were willing to tell the story.

No, no, I don't think that's actually the case.

I don't think he has umpteen sources.

And there's no, on the record.

There's one main source.

There was one main source.

But who provided a ton of detail.

I don't know exactly how much he was able to directly corroborate with other sources.

I don't know about that.

The other thing I wonder, Sacks, is he, with this one source story, he has a collaboration with The New Yorker and anybody would, if this was a really well-sourced and you could back it up kind of story, they would love to have the ratings for this story.

This is a blockbuster story.

Or as happens a long time, which we learned, was it through the Valerie Plain affair, which is that these major news publications will some timesimes have a back channel back to the national security apparatus when they have something like this.

And the message was, you can't hit print on this.

Yeah, that's a possibility too.

He goes and just self-publishes himself, which wasn't really even an option a few years ago.

So, I mean, this is the raw shock test of raw shock test.

You have the media, you got the CIA.

It's fodder for a great movie.

What I go back to, Jay Cal, is I think you can lay out some theories about, let's say, the polls did it, or maybe Ukrainians with the British or something.

Yes, you could lay out those theories, but the media wasn't willing to entertain any of those theories when this news broke.

What did they do?

They blamed the Russians.

And that story made no sense, but they said it so definitively.

I'm looking for the source on that.

Nick, if you could pull up the source of the administration blaming the Russians,

I just want to make sure we're accurate.

The Biden did it at a press conference.

Yeah, I just want to make sure we actually have that.

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He said it was sabotaged by the Russians.
Now, they didn't push it that hard.
What was interesting is the Biden administration set up,
but they didn't keep coming back to it.
But the media really ran with it.
And when people on both the left and the right,
like people like Jeffrey Sachs on the left and Tucker Carlson on the right,
basically started a question whether the US could have done it.
They were accused of being conspiracy theorists and Putin's Stooges and all the rest of it.
And now, all of a sudden, here comes Seymour Hirsch with a pretty detailed story
lending credence to that point of view.
It just may indicate we don't know everything that's going on with this war.
And I think the longer this goes on, the more dangerous it is.
Freeberg, you have any thoughts on geopolitical issues and who might have blown up Nord Stream?
And what are your sources saying, Freeberg?
What are your sources in science quarter saying?
Speculation is best left to the future.
I don't know about the whole speculating on what could have been done in the past
by someone.
Those are conspiracy theories and little dangerous.
They're not actually conspiracy theories.
No, I'm not saying Nord Stream was blown up.
You understand that, right?
Like there's no doubt that it was blown up.
No, I'm saying Jay Cal's theory.
Oh, yeah.
Jay Cal's theory is just a story with no evidence.
I think you've got to bring data to the table.
Yeah, pure speculation.
You got to bring data to the table to make it a...
By the way, speaking of which, Radik Sikorski, who is a Polish diplomat,
I think he was like their foreign minister, when Nord Stream blew up,
he tweeted a photo of it saying, thank you, USA.
Which was one of the reasons why people thought that, okay, like, yeah, of course the US did it.
You know, who has the capability to do it?
Who has the motive to do it?
Who said they were going to do it?
And who benefits?
You correct.
We bono.
Who benefits?
Who was conducting NATO exercises in that region.
Three months before the things blew up.

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Yeah, exactly.

And Jeffrey Sachs pointed that out on, I think it was a CNBC interview before they basically stopped him, because he's not allowed to talk about this on, you know, network TV apparently.

But he basically pointed out they were like US radar signatures in the area.

President Joe Biden declared that, this is from Bloomberg, that a massive leak from the Nord Stream gas pipeline system in the Baltic Sea was an intentional act, and that the Russian statements about the incident shouldn't be trusted.

It was a deliberate act of sabotage, and now the Russians are pumping out disinformation lies Biden told reporters Friday at the White House.

So he didn't exactly say the Russians did it.

He just said, it's an act of, don't believe the Russians.

The media did that, Jekyll.

What's that?

The media did.

You could do one of these montages where it was like, Russian sabotage.

In fact, go to Matt Tidy's blog.

But he just didn't say it was sabotage.

He said it was an act of sabotage.

If you actually look at what Biden said, everything he said is absolutely true, if the US also did it.

Correct.

Yeah, every single sentence that Joe Biden said is 100% true, whether we did it or whether Russia did it.

It was a deliberate act of sabotage in part of these bias.

Think about it.

If we did it, we know they didn't do it.

And then we have to be like careful about suggesting they did it.

Well, what do the Germans think, because this is the Germans' pipeline.

So if we blew it up, that's also, explain to me your thinking on the chessboard of our relationship with Germany, if we blew it up.

Would they not also see that as a hostile act?

This is why I asked if Europe knew, because I think you have to tell Germany that it's going to happen.

And I think the quid pro quo with Germany is some amount of guaranteed supply that the US directs into Europe so that they know that their long-term LNG supply is intact so that they become ambivalent.

There's a point of indifference where the Germans say, okay, we don't know when this thing is going to get turned back on.

And we don't know what the implications of it are.

Here's what our demands are, meaning our energy supply, our energy needs are.

And so as long as the United States can say, look, worst case, we have stuff in the SPR that we can give you, there's probably a point of indifference where the Germans say,

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okay, we're just going to turn around and not say anything.

And I'm curious, did the Germans say anything when this happened?

No, not that I love.

I'm looking for the, I was literally just typed to Nick.

What was the Germans position on this?

That's interesting too.

That's a tell.

Well, yeah, if you're breaking this down like a poker hand, who are trying to figure out.

If you construct this hand, right, pre-flop, it's like, you know where both of these folks are.

Right?

Okay, there was a really interesting video that a guy named Matt Orphalia who puts together these really funny videos, he puts together these montages of media reactions to things.

And what he shows is that, you know, you can have like 20 different media outlets,

and they all use the exact same words.

And when he clips it together, you can see the reading from somebody's talking points, and it's not really clear who.

And basically, if you look at his video here on who blew up Nord Stream Pipeline, you see that there was like a party line from the mainstream media on this stuff.

No longer a Nord Stream too.

We will bring it into it.

But how will you do that?

I promise you we'll be able to do it.

So that blew up Russia's Nord Stream Pipeline.

I mean, we have to conclude without the evidence that it's most likely Russia.

Russian sabotage on its own infrastructure.

The common sense matter.

I think it's Putin's way of sending a message.

What Putin is saying to us by blowing up his pipeline is, look, I can blow up a pipeline.

Everyone knows that Putin did this himself.

Are these talking heads?

Smoking gun without the correct proof.

Yeah, I think logic and common sense will tell you that.

Without the evidence.

Russia was behind the incident.

We can say it for sure.

Who sabotaged the Nord Stream 2 pipeline?

Right.

And enough.

This is nonsense.

Come on.

That's hysterical.

You know, it's these talking heads who have no firsthand experience, and they're more than willing to comment on this stuff.

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It's hysterical.

It's fantastic.

It's fantastic.

I don't believe it.

All his videos are like that, where he has one on the Hunter Biden laptop as well, where again, he's got like 20 different talking heads and media outlets, all portraying it in exactly the same language.

And it just makes you realize that there's a narrative around things.

For the Sunday morning shows, you hear the same narrative from each side.

How does that actually get coordinated?

Each side builds those bullet points, emails there.

What do they call them?

Serigates.

They email all the serigates and say, just keep saying these things over and over again to codify.

Yeah, so what's that group?

It's what's that group, and they're just like, save this over and over again.

How does it work, Saks?

I think it's partly talking points, memos that go out to chat groups.

I think it's also just people looking on Twitter, and then there's like certain key nodes that they follow.

And they know, okay, this is the party line because such and such key person is saying it, and they take their cues.

It's that mememic, mememic effect that you guys always talk about.

People mimetic, yeah, the mimetic.

Yeah, the thing to understand is that all of the prestige outlets repeat the same party line and have the same perspective.

Yeah, you got to do your own search for information.

This is the beauty of Substack, actually.

That's why Substack is so important, is it actually gives you an alternative.

Yeah, it's pretty disruptive.

Because you've got 10 different mainstream media networks or newspapers and magazines, but they all have exactly the same talking points, except maybe Fox News is kind of the one exception.

Although even Fox on the whole Nord Stream thing, you saw that Fox can be pretty militaristic, and they had the same generals basically blaming the Russians for this on Fox.

Yeah, Germany's position is just, hey, everybody, this is sabotage.

So that's it, but who did this sabotage?

I think you asked a really good question there about the German interest in this.

Right now, the German economic interest and the German foreign policy interest are not aligned.

What's clearly best for the German economy is to have cheap natural gas

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powering its industries, even if it comes from Russian pipelines.
And they no longer have that anymore.
In fact, they may never have that again.
So they're going to pay a very high price economically, maybe forever.
And remember, their whole economy is based on industry.
They're very industrial power.
So if this war drags on for a long time,
I think Schultz might be in some political trouble,
precisely because he's gone along with the Americans on this.
And there is a growing political opposition to this war inside of Germany.
War fatigue is a real thing, and this thing's got to wrap up at some point.
Any final thoughts, Freberg?
You didn't get too involved in that conversation.
But what is any game theory from you?
No.
Okay, there you have it, folks.
Sultan of Science checking in.
What's the problem?
You don't want to criticize the establishment?
You don't want to criticize the establishment?
It's very personal with sacks.
You predicted.
Why don't you have my position on this?
No, I'm just trying to understand because...
I don't think anyone has...
I'm not pro-establishment.
I think you know that.
I think I'm just analytical around the fact
that I think there's a strong orientation towards conflict.
And I think there still is.
I don't think that there's much of an incentive or a motivation to back down
because this conflict creates a significant amount of debt owed back to the U.S.
It creates a potential future asset stream.
It creates a realignment of power.
Everyone's looking externally as internal economic conflict
and wealth disparity issues arise.
And economic growth is challenged and inflation is soaring.
It's a great place to address one's energy.
So I think all of this stuff is detailed analytical shenanigans
around who's saying what or who's doing what.
I think the underlying thesis and the underlying river that's flowing
is one that's looking for external conflict.
I think the same is true with the U.S. and China.

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You're talking about the military-industrial complex is going to benefit massively in this.

The longer this drags out, the more the conflict in Taiwan heats up, the more we're going to invest in our military.

We often talk about these things as if they're top-down, master plan-driven. And as we all know, they're more Ouija board-driven.

It's a bunch of guys that got their hand on the Ouija board and they're all just had a little too much caffeine.

In this case, I think it's just more about everyone's little anxious and the anxieties leading to a desire for more conflict.

We're not happy at home.

If you're happy at home, you're not looking externally for conflict.

That's true in nearly every developed nation on Earth today.

That's it. I don't know. It's pretty simple.

I like your position.

I think it's a great take. I think it's a great take.

It's a good take, hot take.

I think there are a lot of interests who benefit from war.

And I think the foreign policy establishment is funded by those interests.

And it's kind of wired for war, at least in terms of the reflex, right?

Even something as relatively harmless as a balloon.

That becomes like a casus bella.

It's like people are ready to go to war against China over that.

I saw a couple of military leaders give a talk a few months ago.

It's in a private thing.

So it wasn't on public record.

With the establishment?

No, yeah, I was at the establishment gathering.

Where the establishment gets together.

Oh, this is the Illuminati?

Did you genuflect twice going in?

Because that's definition.

You do one genuflect on each knee, then they give you the bag of capitalized, with the Illuminati logo on the side of your fund.

I can't have my pen or my lapel.

Yeah.

What was striking to me in this particular thing, where these guys were being interviewed on stage, had like a dinner thing.

And they were so oriented around their, their next steps in escalation.

And I think it speaks to the point sacks.

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Like none of them were thinking about like,
where are we at today?
How do we de-escalate?
What is this going to get?
There was no conversation at all from anyone
about resolution or de-escalation.
With every single one of them,
it was all about like my orientation for getting bigger,
going deeper, going harder,
going stronger, making this thing bigger.
And I think that was really scary to me.
Because I didn't, I didn't hear anyone having a conversation
around like, how do we, should we even consider
whether or not this doesn't get bigger?
Everyone was thinking,
assumptively, it was going to get bigger.
I like the Ouija board.
You have to follow the financial incentives.
When the last time we looked at this, right,
Leon Panetta and all these other guys
who were screaming for war,
they were getting paid by the military industrial complex.
I remember when Lloyd Austin was nominated
as defense secretary, he had some conflict issues
because he was just on the board of Northrop Grumman
or one of these big military industrial companies.
And so, of course, these generals have to push for war
because as long as they're girding for war,
they're guaranteed to have, for them,
a very lucrative job once they leave the military.
The Ouija board, though, sacks I'll throw to you.
Maybe you can keep this metaphor going.
The media's got their hands on it.
They want ratings.
You have the energy industrial complex
in this German conflict
who seeks to benefit massively
if people invest in renewables
or you find other oil off Norway.
Norway's oil is one of the largest reserves that's untapped.
So you have this Ouija board, media, energy,
and the military industrial complex all moving it at once.
Maybe you can speak to that analogy.

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And everyone wants to move it
to the side of the Ouija board that says escalate.
There are very few people that have the energy
to move it to the other side that says de-escalate.
It's not profitable.
De-escalation means less energy, more less investment.
So, yeah, are you going to go escalate?
You know who warned us
about the military industrial complex?
Yes.
Dwight D. Eisenhower,
a supreme ally committed in World War II,
wins the war.
Patriot war hero, top general,
becomes president or Republican president
and his departing address warns us
that, yes, we need a defense industry,
but they become a vested interest
in favor of foreign interventions of war.
And it was on the other side of it.
Where's the interest on the other side of it?
I can tell you this.
The American people don't want to be in a war with Russia.
I don't even think most American people
want to send \$100 billion over there.
They want to send \$100 billion to their cities
to fix crime and all the other problems.
Yeah, homelessness, everything, yeah.
If you've never seen that farewell address from 1961,
it is well worth watching.
You can find it on YouTube.
Just search for military industrial complex, Eisenhower.
And this is a person who was part
of the military industrial complex saying,
watch out for this.
It was a very prescient warning.
In you of which he spoke.
Yes, he was in the machine.
He helped build the machine.
Welcome to the All In Podcast with us again,
David the Dove Sacks, Chamath Palihapatia,
and the Sultan of Science who is on his podcast.
Oh my God, so many podcasts you're doing.

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The Sultan of Science is in hot demand.
What are all these podcasts you're doing, Freeberg?
All these science podcasts pulling you in.
I did a podcast with Brian Keating last week
who was really kind enough to reach out.
He's had some awesome guests.
He's a cosmologist at UCSD professor down there.
And we were supposed to record that day
and then we canceled I think last minute, right?
Yeah, yeah.
So I was only supposed to be on with him for an hour
and I'm like, oh, well, my next thing just got freed up.
So ended up doing like three hours.
It was, I was so, I was like exhausted that day.
So I look really hungover on the video.
And probably.
Let's par for the course.
Stumble a lot, yeah.
But no Lex Friedman for you.
So Chamath and I have done freedmen,
Lex Friedman, but you have not.
Has he invited you yet, Lex?
Has Lex invited you?
No, no, he's not.
Where's my invitation?
Where's my invitation?
I don't know what's going on here.
Collect all four, Lex.
What are you doing?
All right, let's-
No Davos and no Lex Friedman.
Well, yeah, what's going on?
You would never-
Am I too anti-establishment?
What's going on?
No, I'm too anti-establishment, Alex.
That's, you know-
You've mischorized me.
Nobody, nobody's inviting this quartet to anything.
Well, full stop.
We're not doing all in live from Davos.
It's not happening, bugs.
Sorry, they don't want that heat.

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I agree.
I'm with Groucho Marks.
I don't want to be part of any club
that would have me as a member.
Absolutely.
And they also don't watch you there anyway, so.
Yeah, I'm over it.
It works out for everybody.
It does fill me with like a rage where I actually
might agree to doing the all in summit again.
By the way, proposal coming your way this weekend.
If you want to really, really, really
thumb your nose at the establishment.
Yes, let's do it.
Set it during the exact same dates and times
as an establishment conference.
Oh, the Alt Davos?
And then invite all the best guests
so that they are, they come to ours.
Just a suggestion for you guys.
Of course, to choose Alt Ted.
Ted, not one of it now.
You know how Vanity Fair does their new establishment
conference?
You could call it the anti-establishment.
Oh, that could be a tagline.
Let's come up with a tagline that just tweaks everybody.
And then we invite-
We should create a list.
We should create the anti-list.
You know, they have their like establishment list.
We should have the anti-list.
That's a good point.
I like the anti-establishment.
Start with them.
I have a great Vanity Fair establishment thing story.
Oh, okay.
I snuck on that list.
They put me on that list a decade ago.
Oh, let's pull it.
Let me find a link.
Go on.
And the most incredible thing about it

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is that when you go to the event,
which was kind of a cool event,
we all had photos taken by Annie Leibovitz.
Oh.

And I have a montage of some of the people
that took photos that day.

That's pretty cool.

Me, Aaron Levy.

Priscilla Chan.

Bezos.

A bunch of people.

But-

I was about to say, just before you had-

Just when you had the dad bod and no fashion sense?

Yeah, it was like, yeah.

Oh, look, he looks great.

Here it is.

I just-

Basically, I had no stylist.

It was really bad haircut.

I was wearing shitty-

It was like-

Torn limb glasses.

It was like a year or two post-Facebook.

It was not a good look for me.

Yeah, but that's not the-

Yeah, yeah, yeah, yeah, but that's not the picture.

That's not that picture.

Is that Tom Ford?

That was your Tom Ford face.

Tom Ford.

It was like Tom Ford's face.

Well, but he's doing the jeans blazer thing,
which is like a really tired look for a Silicon Valley square.

Pre-skinny jeans, though.

It was like a little-

Pre-skinny jeans.

That is pretty sharp looking.

That was it.

That was in 2011.

2012.

Not bad.

Not bad.

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That sounds so bad.
Just don't pull up the Chimoth pictures
when he's wearing like-
Oh, my God.
You know, his Macy's shirt.
If you do the Google search,
you put the images before 2011,
you will find Chimoth photos.
Dude, if Facebook-
Regrettable.
I wear the same thing every day for four years.
Five years is brutal.
Oh, my God.
What is-
That's also Tom Ford's.
We got to break this down.
See, this is when the sweater game was not tight.
This is like sweater 1.0 game.
And he says, I didn't know what I was doing back then.
Just stop.
Put these pictures off, please.
Look, oh, and he's also got the watch subtly peeking out.
This is back when he was like, oh, I got a Rolex.
Ooh.
That's a potato.
But anyways, yeah.
This is when the watches were only five fingers.
Out of zero.
Out of zero, please.
I don't know if that watch got to six fingers or two.
Or two, but yeah, same story.
Same, same, Jake, same, same.
Same, same, same.
All right, well, listen.
All right, listen.
I got an Apple watch, and I'm going to-
Oh, jeez.
That's the dad vibe.
There's the dad vibe.
Oh, he's going to spare us the dad vibes.
Wow.
That must have been from Mayfield?
13, 14 years ago.

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Wow.
God, you had no style.
I really didn't.
It was rough.
It was rough.
I mean, don't pull up pictures of me.
I was fat.
Yeah, yeah, yeah, yeah.
Pictures of me eating egg sandwiches all over the internet.
Oh, my.
Yeah, chubby J-Cal.
Oh, man, look at that face.
There he is.
Ooh, that's plus 20 pounds.
Let's keep this going.
Search wars.
Microsoft versus Google.
Okay, it's been a rough couple of days for Google.
We've all seen it.
Google and Microsoft both did live demos of their new
January of AI, yada, yada, yada.
You guys all know about ChatGPT.
But now Bing is integrating it into their search engine,
getting there before Google.
And Microsoft CEO Satya Nadella, he is going ham.
He looks great.
He's fit. He's wearing a tight t-shirt.
And he is saying he's going to make Google dance.
Dance, Google dance.
He is getting up in their business.
And listen, he is in a distant second place.
So it makes sense.
On the other hand, Google's AI demo was, frankly,
a bit of a disaster.
Poorly received.
Stock, they dropped 12% since this event.
And their presentation did not include the ChatBad BARD
because in search, because it wasn't working.
It seems like there was an error in it when they said,
what new discoveries from the James Webb Space Telescope
can I tell my nine-year-old?
And BARD answered that it took the first pictures
of a planet outside Earth's solar system, which is false.

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Which, of course, we all know about ChatGPT.
It's only right half the time.
And it's a little woke on the margins.
So anyway, there was a screenshot circulating today,
which is probably false.
But it says the following.
Me and a bunch of coworkers were just laid off from Google
for our AI demo going wrong.
It was a team of 168 people who prepared the slides
for the demo.
All of us are out of jobs.
I can't imagine that's real.
But if it was, that would be a hardcore moment for Google
to fire a bunch of people for screwing it up.
Listen, you worked in the belly of the beast for your Berg.
What are your thoughts on being poking the tiger
and telling Google, dance, you know, Sundar dance?
You know, what's interesting is Google's had an incredible AI
competency, particularly since they bought DeepMind.
And it's been predominantly oriented towards kind of internal problems.
They demonstrated last year that their AI improved data center
energy efficiency by 40%.
They've used it for ad optimization, ad copy optimization.
The YouTube follow video algorithm.
So what video is suggested to you as your next video
to watch, which massively increased YouTube hours watched per user,
which massively increased YouTube revenue.
You know, what's the right time and place to insert videos in YouTube
or insert ads in YouTube videos.
So, you know, auto fill in Gmail and Doc.
So so much of this competency has been oriented specifically
to avoid this primary disruption in search.
Obviously now things have come to a bit of a point because,
you know, this alternative for search has been revealed
in chat GPT.
And you guys can kind of think about search.
And, you know, we've used this term in the past.
Larry and Sergey, the textbook that they read, you know,
one of the original textbooks that's used in internet search engine
technology is called information retrieval.
Information retrieval.
So information retrieval is this idea that, you know,
how do you pull data from a static data set?

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And it involves scanning that data set or crawling it and then creating an index against it. And then a ranking model for how do you pull stuff out of the index to present the results from the data that's available based on what it is you're querying for. You know, and doing that all in a tenth of a second. So, you know, if you think about the information retrieval problem, you type in the data or some rough estimation of the data you want to pull up, and then a list is presented to you. And over time, Google realized, hey, we could show that data in smarter, quicker ways. Like if we can identify that you're looking for a very specific answer, we can reveal that answer in the one box, which is the thing that sits above the search results. Like if you said, what time is it? You know, when does this movie show at this theater? So they can pull out these structured data and give you a very specific answer rather than a list from the database. And then over time, there were other kind of modalities for displaying data that it turns out were even better than the list, like maps or shopping, where you can kind of see a matrix of results, or YouTube, where you can see a, you know, longer form version of content. And so these different kind of, you know, information, retrieval, you know, media were presented to you, and it really kind of changed the game and created much better user satisfaction in terms of getting what they were looking for. The challenge with this new modality is it's not really fully encompassing. So if you can kind of think about the human-computer interaction problem, you want to see flight times and airlines and the price of flights in a matrix. You don't necessarily want a text stream written to you to give you the, you know, the answer that you're looking for, or you want to see a visual display of shopping results, or you do want to see a bunch of different people's commentary because you're looking for different points of view on a topic rather than just get an answer.

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But there are certainly a bunch of answer solutions for which chat DPP type, you know, natural language responsiveness becomes a fantastic and better mode to present answers to you than the matrix or the list or the ranking and so on. Now, the one thing that I think is worth noting, I did a back of the envelope analysis on the cost of doing this compared to chat GPT. So Google makes about three bucks per click. You can back into what their revenue per search is in a bunch of different ways. One way is three bucks per click, about a 3% click-through rate on ads. Some people estimate this is about right, about five cents to 10 cents revenue per search done on Google, or anywhere from one cent to 10 cents. Even if they don't click the ads, because one out of 100 people click an ad and that's where the money comes from. So let's just call it five cents, right? And you can assume a roughly 50% margin on that search, which means a 50% cogs or cost of goods or a cost to run that search and present those ads. So, you know, right now Google search costs them about, you know, call it two and a half cents per search to present the results. A recent estimate on running the GPT-3 model for chat GPT is that each result takes about 30 cents of compute. So it's about an order of magnitude higher cost to run that search result than it is to do it through a traditional search query. Today. Which makes today. That's right. And so that's the point. Like it has to come down by about an order of magnitude. Now, this then becomes a very deep technical discussion that I'm certainly not the expert, but there are a lot of great experts that there's great blogs and sub-stacks on this, on what's it going to take to get there to get a 10x reduction in cost on running these models.

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And there's a lot related to kind of optimization on how you run them on a compute platform, the type of compute hardware that's being used all the way down to the chips that are being used. So there's still quite a lot of work to go before this becomes truly economic. Really economically competitive with Google. And that really matters. Because if you get to the scale of Google, you're talking about spending \$8 to \$20 billion a quarter just to run search results and display them. And so for chat GPT type solutions on Bing or elsewhere to scale and to use that as the modality, you're talking about something that today would cost \$80 billion a quarter to run from a compute perspective. If you were to do this across all search queries. So it's certainly going to be a total game changer for a subset of search queries, but to make it economically work for these businesses, whether it's Bing or Google or others, there's a lot of work still to be done. The great part about this Chimath is that Bing gave 10 billion to our friends Sam and chat GPT to invest in Azure, which now has the infrastructure and will be providing the chat GPT infrastructure to startups or corporations, big companies and small alike. So that 10 billion dollars should do enough to grind it down between software optimization, data optimization, chip optimization and cloud optimization. Yes, you would think so or no. The ability to run this at scale is going to happen because we're getting better and better at creating silicon that specializes in doing things in a massively parallelized way. And the cost of energy at the same time is getting cheaper and cheaper along with it. When you multiply these two things together, the effect of it is that you'll be able to run these models. The same output today will cost one, one tenth as long as you ride the energy and compute curve

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for the next few years.

So that's just going to naturally happen.

I have two interesting takeaways.

And one is maybe a little bit of a sidebar.

So the sidebar is if you guys were sitting on top of something that you thought was as foundational as Google search back in 1999, would you have sold 49% of it for 10 billion dollars?

Hard no.

I think the answer is no.

I think the answer is no.

Not in an environment where you have unlimited ability to raise capital.

This is something that we've said before, which is that chat GPT is an incredibly important innovation.

But it's an element of a platform

who will get quickly commoditized

because everybody will compete over time.

And so I think what Microsoft is doing is the natural thing for somebody on the outside looking in at an entity that has 93% share of a very valuable category, which is how can I scorch the earth?

And so Microsoft effectively for 10 billion, bought almost 50% of a tool.

And now we'll make that tool as pervasive as possible so that consumer expectations are such that Google is forced to decay the quality of their business model in order to compete.

So that as Friedberg said, you have to invest in all kinds of compute resources that today are still somewhat expensive.

And that will flow into the P&L.

And what you will see is that the business quality degrades.

And this is why when Google did the demo of Bard, the first thing that happened was a stock went off 500 basis points.

They lopped off \$100 billion of the market cap.

Mostly in reaction to, oh my God,

this is not good for the long-term business.

Explain why it's not good for the long-term business on a mechanical basis.

When you get an answer, you don't have to click the links.

No, right now, if you look at Google's business, they have the best

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eBest business model ever invented
on earth ever for a profit company.
It just rains money.
This is a business that this year will do
almost \$100 billion of free cash flow.
It's a business that has to find ways,
and we kind of joke,
but they have to find ways to spend money.
Otherwise, they'd be showing
probably 50 or 60% EBITDA margins.
And people would wonder, hey, wait a minute,
you can't let something like this go unattended.
So they try to do a lot more things
to make that core treasure look not as incredible as it is.
They have \$120 billion of cash.
This is a business that's just an absolute juggernaut.
They have 10 times as many employees
as they need to run the core business.
That says enough.
I don't know what that is,
but my point is that it's an incredible business.
So that business will get worse
if Microsoft takes a few hundred basis points of share,
if Metta takes a few hundred basis points of share,
if Tencent does, if a few startups do.
Hora, by the way, launched something called Poe,
which I was experimenting and playing around with last weekend.
If you add it all up,
what Satya said is true,
which is even if all we do collectively as an industry
is take 500 or 600 basis points of share away from Google,
it doesn't create that much incremental cost for us,
but it does create enormous headwinds and pressure for Google
for Google with respect to how they're valued
and how they will have to get revalued.
And that's what happened.
So the last thing I'll say is,
the question that I've been thinking about
is what does Sundar do?
So what's the countermeasure?
Yes, this is what I was going to get to.
I think the countermeasure here,
if I was him,

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is to go to the board and say,
guys, we're going to double-tack.
So tack is the traffic acquisition cost
that Google pays their publishers.
It is effectively their way of guaranteeing
an exclusivity on search traffic.
So for example, if you guys have an iPhone,
it's Google search.
That's the default search in the iPhone.
Google pays Apple.
This year, this renegotiation for that deal
could mean that Apple gets paid \$25 billion
for giving away that right to Google.
So if these,
Google does all these kinds of deals.
Last year they spent,
I think \$45 billion or so.
So about 21%.
In a way, when you think about that, Sharmouth,
Google basically paid Apple,
which was working on search technology.
They were working on a search solution.
They paid them to stay out of the business.
And they're paying everybody.
So I think the question for Google is the following.
If you think you're going to lose share,
and let's say you go to 75% share,
would you rather go there
and actually still maintain your core stranglehold on search?
Or do you actually want 75% share
where now all of these other competitors have been seated?
Well, you can decay business model quality
and still remain exclusive
if you just double the tap.
And what you do is you put all these other guys on their heels
because as we talked about,
if you're paying publishers two times more
than what anybody else is paying them,
you'll be able to get publishers to say,
hey, you know what,
don't let those AI agents crawl your website
because I'm paying you all this money.
Remember that, right?

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So do not crawl in robots.txt equivalent for these AI agents.
And I think that that'll put Microsoft and all these other folks on their heels.
And then as you have to figure out all this derivative work stuff, all these lawsuits, Google will look pristine because they can say, I'm paying these guys double because I acknowledge that this is a core part of the service.
So that's the game theory, I think, that has to get figured out.
But if I was soon done, I'd double the tap.
I love the second part because, hold on, let me get saxophone.
I love the second part, Tramo, because in this clip, I'm about to show Neelay Patel from The Verge did an awesome interview with Satya.
And he basically would not answer this question, at least to my satisfaction, which is, hey, what do the publishers get out of this? You've ingested our information.
How do we get paid?
Watch this clip.
It's very telling.
In the answer or even in the chat session.
But if I ask the new being, what are the 10 best gaming TVs?
And it just makes me a list.
Why should I, the user, then click on the link to The Verge, which has another list of the 10 best gaming TVs?
Well, I mean, that's a great question.
But even there, you will sort of say, hey, where did these things come from?
And would you want to go dig in?
Like that even search today has that.
Like we have answers.
They may not be as high quality answers.
They just are getting better.
So I don't think of this as a complete departure from what is expected of a search engine today, which is supposed to really respond to your query while giving them the links that they can then click on,

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like ads, and search works that way.
In my mind, there's a terrible answer.
He needs to address how they get paid.
He punted the answer and just said, hey, listen,
search works this way.
Saks, will the rights to the data, will Google just say to Quora,
hey, we'll give you a billion dollars a year for this data set
if you don't give it to anybody else?
They should.
Saks, the strategist.
Let me hear your strategy here.
You are now CEO of Google.
What do you do?
I think there's maybe even a bigger problem before that,
which is I think the whole monetization model might change.
So the reason why Google monetizes so well
is it's perceived as having the best search.
And then it gives you a list of links
and a bunch of those links are paid,
and then people click on them.
Now, I think when you search in AI,
you're looking for a very different kind of answer.
You're not looking for a list of 10 or 20 links.
You're just looking for the answer.
And so where is the opportunity to advertise against that?
I mean, maybe you can charge like an affiliate commission
if the answer contains a link in it or something like that.
But then you have to ask the question,
well, does that distort like best answer?
Like, am I really getting the best answer?
Or am I getting the answer that someone's willing to pay for?
This is your key insight.
The fact is, if Google gives you an answer,
you don't click on ads.
Google has had a very finely tuned balance between,
hey, these first two or three paid ads,
these might, the paid links might actually give you
a better answer than the content below them.
But in this case, if the chat GPT tells you,
hey, this is the top three televisions.
These are the top three hotels.
These are the top three ways to write a better essay.
You don't need to click.

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You have now been given an answer and the model is gone.
The paid link is still a subset in that case.
So at Google, we used to have a key metric was the bounce back rate.
So when a user clicks on a result on the search results page,
we could see whether or not they came back and searched again.
And so that tells you the quality of the result
that they were given, because if they don't come back,
it means they ended up getting what they were looking for.
And so ads that performed better than organic search results,
which means someone created the ad, paid for it,
and the user clicked on it and didn't come back
and came back with less frequency than if they clicked on an organic result,
that meant that the ad quality was higher than the ad result.
And so the ad got promoted to kind of sit at the top
and it became a really kind of important part of the equation
for Google's business model, which is how do we source,
how do we monetize more search results
where we can get advertisers to pay for a better result
than what organic search might otherwise kind of show.
And so it's actually better for the user in this case
than say just getting an answer.
For example, I'm looking for a PlayStation 5.
I don't want to just be told,
hey, go to Best Buy and buy PlayStation 5.
I want to be taken to the checkout page to buy a PlayStation 5.
And I am more likely to be happy if I click on a result
and it immediately takes me to the checkout page.
And Best Buy is really happy to pay for you to get there
because they don't want you looking around the internet,
looking for other places.
And we can't convolut all search queries.
Not all search queries are,
hey, what's the best dog to get to not be on the floor
or whatever kind of arbitrary question you might have
that you're doing research on.
Many search queries are commerce intention related.
I want to buy a flight to go somewhere.
I want to book a hotel to go somewhere.
I want to buy a video game system, et cetera.
That series of queries may have a very different kind of modality
in terms of what's the right interface
versus the chat GPT interface,
where yeah, there's a lot of kind of organic results

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that people sift on the internet for today.
And the question earlier can be resolved
by Google doing a simple analytical exercise,
which is what's it going to cost us
and what's going to give the user the best result.
And that's ultimately what will kind of resolve
to the better business model.
It's really measurable.
I think on Chimah's point,
you know, today Google pays Apple \$15 billion a year
to be the default search engine on iPhones,
on the Safari browser.
That's only about a quarter of Google's overall tack.
The majority of Google's traffic acquisition cost
is actually not being paid for search.
A good chunk of that is being paid to publishers
to do AdSense display ads on their sites
and Google's rev share back to them
for putting ads on their sites.
So, you know, the tack number,
I think maybe you kind of want to move the needle,
but the majority of Google searches
don't come through the default search engine
that they pay Apple to be on.
It might move the needle a bit,
but I don't think it really changes the equation for them.
My comment is more,
tack has to become a weapon on the forward foot, number one.
So if you're going to spend 21% of your revenue on tack,
you should be willing to spend 30 to 40%
to maintain the 93% market share.
I don't think what you want to see
is your profit dollars decay because you lose share.
It's rather better for you to spend the money
and decay your business model
than have someone decay it for you in general.
At this point, Apple is really the only tack line item
for search.
I'm not talking about today.
I'm saying take that idea.
You have an entire sales team
whose job it is right now to sell AdSense, right?
You have an entire group of people

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who know how to account for tack
and how to think about it as a cost.
But if you're basically willing to say,
out of the \$100 billion of free cash flow,
I'm willing to go to 80 or 70 billion of free cash flow
combined with the 100 billion
of short and long-term investments I have,
and I'm going to use it as a weapon.
And I'm going to go and make sure
that all of these publishers have a new kind of agreement
that they signed up for,
which is I'll do my best to help you monetize.
You do your best by being exclusive to our AI agents, right?
So you deprive other models of your content
on your pages because that will get litigated
and there is no way, just like, again,
if you say do not crawl,
you're not allowed to crawl
if you're Google or Microsoft or searching.
So this is going to happen for these agents.
It's unrealistic to expect that it won't.
So my point is Google should do this
and define how it's done before it's defined for them
because right now people are in this nascent phase
where everybody thinks everybody's going to be open
and get along and I just think that that's unrealistic.
It's a really important kind of philosophical question.
First off, like Google today,
just so people know on AdSense
is typically paying out 70 cents on every dollar
to the publisher.
There's, you know, it's a pretty, you know, generous
and it's the way they've kind of kept the competitive moat,
you know, wide and kept folks out of beating them
on third-party ad network bids
because they bid on everything
and they always win
because they always share the most revenue back.
So they own that market with respect to acquiring content.
You know, the internet is open.
It's an open protocol.
Anyone can go to any website by typing in the IP address
and viewing the content that a publisher chooses

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to make available on that server
to display to the internet.

And there's a fair use policy.

That's not true.

And there's, you can type in any IP address.

I think 15 or 20 or 30% of the pages on the internet
right now are apps that are closed.

Facebook's closed, Instagram's closed.

I'm talking about the open internet, right?

So like the content on the open internet.

But I'm saying the open internet matters less and less.

Yeah, I don't know.

I mean, look, you're right.

Maybe there's the enhancement of the models.

But my point being that if the internet is open
and you and I spent a billion lifetimes
reading the whole internet and getting smart,
and then we were the chatbot

and someone came and asked us a question
and we could kind of answer their question
because we've now read the whole internet.

Do I owe licensing royalty revenues
to the knowledge that I gained

and then the synthesis that I did,
which ultimately meant excluding some things,
including some things, combining certain things.

And the problem with these LLMs,

these large language models,

is that you end up with 100 million, a billion plus parameters
that are in these models

that are really impossible to deconvolute.

You don't know, we don't really understand deeply
how the neural network is, the model is defined and run
based on the data that it is constantly kind of aggregating
and learning from.

And so to go in and say,

hey, it learned a little more from this website
and a little less from that website.

I'm not saying that. It's a practical impossibility.

I'm saying when you look at Transformer architecture today,
every LLM that you write on the same corpus of underlying data
for training will get to the same answer.

So my point is today, if you're a company,

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the most important thing that you can do,
especially if you have a \$1 trillion plus market cap
that could get competed away,
is to figure out how to defend it.
And so all I'm saying is,
from the perspective of a shareholder of Google,
and also from the perspective of if I was a board of director
or a senior executive or the CEO,
this should be the number one thing that I'm thinking about.
And my framing of how to answer that question
is build a competitive moat around two things.
One is at the end, which is how much money
and what kind of relationship do I have
with my customers, including the publishers?
And can I give them more so that number two
is I can affect who they decide to contribute their content to?
So you're right.
Let's assume that there are five of these infinite libraries
in the world.
You mean non-public content.
How important, and also public, how important is it
if Quora says, you know what guys, I've done a deal
where my billions of paid views
and all of that really rich content,
Quora's incredible content,
Google's paying me \$2 billion a year
and so I've decided to only let Google's AI agents crawl it.
And so maybe when there are questions
that Quora is already doing an phenomenal job of answering,
I think it does make a difference
that Google now has access to Quora's content
and others don't.
Right.
For hot minute, they did have access to the Twitter firehose
and that was the premise was we could get this corpus of data
that we can have in a very limited restricted way.
They pay Twitter a lot of money.
I don't think that those deals exist anymore, Twitter.
I mean, you guys might know better than I do,
but I don't think they exist anymore.
Here's where it's a month, I think you're right.
And maybe Dave, I think you're being too forgiven.
These models know where they got the data

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and they can easily cite the sources
and they could easily pay for it.
And if you want to say something, go ahead.
You're absolutely right.
The video in the Wall Street Journal
where Satya was interviewed showed a demo
and you're exactly right.
They actually showed Jason in the search results.
Yes.
The five or six.
But it made no sense because it's like,
how do you know that those are the five most cited places
that resulted in this?
Well, by PageRang technology
or the authority of the website or the author.
But let's pause for a second here.
There is a company called Neva.com.
I'm not an investor, none of us are.
It's a former Googler.
They have 78 employees, I think, according to LinkedIn.
I just typed in one of the best flat panel TVs.
Here's the result.
And as you see, sentence by sentence,
as it rewrites another person's content,
it links with a citation.
Just like the Wikipedia does.
And when you scroll to the bottom of it,
it tells you, hey, this is from Rolling Stone.
This is from Best Buy.
This is from Ratings.
And if that answer is good for you
and you trust those sources,
those people should get a commission.
Every time there's 1,000 searches and you come up,
you should get a dollar every time your data was used.
And if not, these sites should sue the daylights out of Google.
And for Google to say they can't do it is hogwash.
Why isn't it fair use?
They can attribute it.
Why isn't it fair use?
It's not fair use because in fair use,
you have the ability to create derivative works
on future platforms and you are taking this person,

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the original content owner's ability to exploit that and you are co-opting it and you're doing it at scale.

And that is against fair use.

You're not allowed to interfere with my ability to make future products.

David, you know this as an attorney.

The problem with that idea...

I'm not an IP lawyer, sorry.

All right.

Well, I play one on TV and this podcast.

The problem with that idea just from a product perspective for a second is that if you limit

how they can tokenize to just being all entire sentences, the product will not be that good.

Like the whole idea of these LLMs is that you're running so many iterations to literally figure out

what is the next most best word

that comes after this other word.

And if you're all of a sudden stuck with blocks of sentences

as inputs that can't be violated because of copyright,

the product will not be as good.

I don't just think it'll be as useful.

Correct.

These are also not deterministic models

and they're not deterministic outputs,

meaning that it's not a discreet and specific answer

that's going to be repeated every time the model is run.

These are statistical models.

So they infer what the right answer could or should be

based on a corpus of data and a synthesis of that data

to generate a response to a query.

That inference is going to be, you know,

assign some probability score.

And so the model will resolve to something

that it thinks is high probability,

but it could also kind of say there's a chance

that this is the better answer, this is the better answer,

and so on.

And so when you have, like you have in the internet,

competing data, competing points of view, competing opinions,

the model is synthesizing all these different opinions

and doing what Google search engine historically has done well,

which is trying to rank them

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and figure out which ones are better than others.
And that's a very dynamic process.
And so if as part of that ingest process,
one is using some openly readable data set,
that doesn't necessarily mean that that data set
is improving the quality of the output
or is necessarily the answer from the output.
Correct.
Let me just give everybody a quick four factor education
on fair use.
And here it is from Google's actual website
because they deal with this all the time.
And when you look at it,
the nature and purpose and character of the work,
including whether such use is not profit
or educational purposes.
So that first test of fair use is,
hey, if you're using it educationally
and you want to make a video
that is criticism of Star Wars prequels
or how to shoot a shot like the squint in Tarantino,
if it's educational, it's fine.
And of course, typically focus,
I'm reading here from Google,
on whether the use is transformative.
That is whether it adds new expression
or meaning to the original
or whether it merely copies the original.
It's very obvious that this is not transformative.
They're just rewriting it.
The nature of the copyright report...
This is pretty transformative to me.
I don't think so.
And not at all.
We talked about they're coming out
with entirely new content.
They're just rewriting it.
They're not actually adding anything to it.
Transforming would be...
If a human did, it'd be fine.
If a human does it, it's not...
It's pretty transformative.
We write something.

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Come on, J.K. It's pretty cool.
Listen, J.K. I think the rights issue
is just like the cost issue,
which is a problem today, maybe,
but it's going to get sorted out.
But here, let me finish.
New technology waves that are this powerful
don't get stymied by either chip costs
or legal rights issues.
They do by legal...
They're going to get worked out.
You're 100% wrong.
It's going to get worked out.
YouTube got stopped dead in their tracks,
and the only way YouTube and Napster
got stopped in the tracks,
I predict this is going to get stopped dead
in its tracks with YouTube-level
near-death experience losses.
Napster was pure piracy.
This is different.
And Google was enabled piracy,
and then they had to build tools
to fight against it.
I deeply disagree with J.K.
I deeply disagree with you.
I disagree with both of you guys.
You guys both think that costs can stand in the way...
Hold on.
Let me read you number five.
Nobody's going to stand in the way of the AI.
No, it's going to stay in the way.
The AI wants to happen.
The AI is going to happen.
The AI is going to happen.
The AI is already happening.
AI is happening.
Let's move to the conversation for it.
Actually, I want to tell you my AI experience.
I would like to make my point.
We don't need your amateur lawyer opinions.
I am going to give my point.
I don't give a shit if you want it or not.

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The effect of the use of funds...
You're going to bill us \$500 an hour
for pretending to be a lawyer on TV.
Sure, he's the effect of the use.
Let's look at this.
He's better call Saul.
I've heard this one of you before from you.
Here it is.
Okay, take it easy, Mr. Sub...
Better call J.K.
This is the time you've done this.
The effect, listen to this.
The effect of the use upon the potential market
for or value of the copyright work.
Uses that harm the copyright.
Listen to this.
Very important.
Uses that harm.
When the AI takes over the world, like SkyNet,
J.K. is going to be like,
I thought we'd stop this with rights.
Listen to this.
The AI is not going to be stopped,
but companies using AI to steal content will be.
The effect of use uses that harm
the original copyright owner's ability to profit
from his or her original work by serving as a replacement
for that work are less likely to be fair uses.
Listen to this, AI.
This is the one.
Okay, great.
Okay.
You made your point.
You made your point, and you made your right.
Okay, I'm sorry.
Do we need to get to Marjorie Taylor Greene
for you to have this show?
Sure.
Let's queue up Marjorie Taylor Greene.
No, no, no, hold on.
Hold on.
How much did you raise so hard?
I have another aspect of the AI thing

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I want to talk about,
besides this like,
internal rights issue that you're going on about.
Better call Jay Paul, go.
So I had an interesting AI experience this week,
and I think we're all going to start having these stories.
Oh, you use AI to make a script
of how to talk to your kids?
No, every week there'll be some new use case
that you see that you're kind of blown away by.
The use case I saw this past week in a product demo
was they were showing me an Excel spreadsheet,
like a very complicated Excel spreadsheet
modeling and financial asset,
and they had a plug-in to a chat GPT type AI.
And so they just asked it,
they typed in what does this spreadsheet do?
And it spit out like a one paragraph explanation
of what the spreadsheet did, and it was really good.
I mean, because me just eyeballing the spreadsheet,
I could not have figured out like instantly
what that thing did.
It would have taken me like a while to figure it out.
It told me, here are the key inputs,
here are the key outputs.
So that was number one.
Then they did something,
I think even more interesting, which is they said,
give me the formula that tells me
when the yield is above 2% and this and that and that.
And the chat GPT spat out a formula
that was like perfect Excel logic,
that was something that you or I could never figure out.
You need like a super pro user of Excel
to basically know how to do this stuff.
So it spit it out and like boom, it worked instantly.
They copy and pasted into the spreadsheet.
And then you could basically,
like the spreadsheet was much more advanced now.
So what it got me thinking about is that
we're gonna have these little assistants everywhere.
You combine that power with say speech to text, right?
Because we couldn't just talk to it.

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The speech to text would transcribe the instruction, spit it back out, and you're gonna have these like little personal digital assistants in applications. I think, you know, it's pretty obvious to see how AI could replace call centers with, you know, having the frontline call center operator be, instead of being a human, it could be like an AI. But this is actually even before that, like you could actually, I think in every single application that we use, there's gonna be an AI interface and like a, it is probably gonna be voice based where you can just say to it, hey, I'm trying to accomplish this. Like how do I do it? Can you just make it happen? Totally. And it's gonna be really powerful. I have an idea. I was hanging out with Andre Karpman with Andre Karpathy and I gave him this following challenge. So there I was. So there I was. I said, if you had to build Stripe, I said, how many engineers do you think it would take you and how long would it take you to build a competitor? I was just a thought exercise. You know, it would take hundreds of millions of dollars and years. Now imagine you could, you were feeling threatened by Stripe. Imagine you're a large company. Visa MasterCard just as an example. You can now actually get one or two really smart people like him to lead an effort where you would say, here's a couple hundred million dollars to compete with Stripe, but here are the boundary conditions. Number one is you can only hire five or 10 engineers. And so what you would do is you would actually use tools like this to write the code for you. And the ability to write code is going to be the first thing that these guys, that these things do incredibly well with absolute precision.

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You can already do unit testing incredibly well, but it's going to go from unit testing to basically end-to-end testing. And you'll be able to build a version of Stripe extremely quickly and in a very lean way. So then the question is, well, what would you do with the two or 300 million you raised? And my thought is you use it again as tech. You go to customers and you're like, well, listen, if Braintree is going to charge you one basis point over Visa Mastercard, or sorry, a hundred basis points and Stripe will 50, you know what? I'll charge 10. Margin destruction. Margin destruction. And this is going to make everything. That's what's so interesting. You can take any business that's a middleman business. I think this is the point. Any middleman business right now that doesn't have its own competitive mode can be competed against because now you can take all of those input costs that go into human capital. You can defer that, have a much smaller human capital pool and push all of that extra money into traffic acquisition and substitution. This goes to the movement in Silicon Valley of being more efficient. This is going to lead to that efficiency. The net benefit of all of this is economic productivity because the end customer that's using that tool that you just mentioned, they now have a lower cost to run their business and their total net profits go up. And this is what happens with every technology cycle. It always yields greater economic productivity. And that's why the economy grows. And that's why I just want to say this is so important. That's why technology is so important to drive economic growth, not debt. We've historically used financial engineering

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to drive economic growth,
but technology and innovation drive this.
What about China?
What about China?
Wait, what are you talking about?
What we're describing here is AI
making it harder and harder to make humans productive.
So you want to like bring in millions of...
No, it's more productivity per human of labor.
Yeah, one human can do the coding
that 20 humans would do before.
Assuming they're skilled enough to use the AI.
Guys, go back to traditional capitalism.
Shack is easier than programming.
Go back to traditional capitalism for a second.
So please.
Because the Stripe example is another good one.
So if you have this business model, right,
how does the ecosystem get efficient, right?
How do we create more opportunity
to use Friedberg's language?
Well, the only way that it really happens,
how does cost go down is that certain entities
become big enough that they can drive the prices down, right?
An Uber, a DoorDash or whomever says,
yes, I need payments capability.
So Braintree, give me your best bid.
Checkout.com, give me your best bid.
Odiان, give me your best bid.
Stripe, give me your best bid.
You compete it down, right?
Amazon comes in.
Walmart comes in.
They do it in physical CPG goods.
They do it online.
They do it for all kinds of technologies.
But you've never had an internal form
that can create hyper-efficiency
and basically create customer value like this thing can.
Because this thing can allow...
Let me show you an example.
Jillian 10% companies to get created
that can do the work of 10,000 people.

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That's so cool.
Hold on, let me show you two things.
These are two AHA moments I had this week.
This first one was called Galileo AI.
It was just a tweet.
You describe the design of an app.
And here they say an onboarding screen
of a dog walking app.
Incredible.
And you type that in and it gives you a welcome screen.
That's like a seven out of 10.
Then it says, oh, a way for people
to change their name, phone number, password.
You know that classic screen on any app?
I need to change my thing.
Boom, it gives you that.
Well, then at the same time
that people are making text to UX, user interface,
beautiful here, this stuff will get dumped into Figma.
But then there's a GitHub co-pilot,
which if you haven't seen, we don't know it here.
This is allowing you GitHub and GitHub co-pilot.
GitHub is bought by Microsoft,
another one of Satya Nadella's incredible acquisitions.
This guy's like the new Zuckerberg.
I mean, what an incredible person to come after a bomber
who's just so effective at what he's doing.
As you're writing your code, it fills in your code.
It knows what you're writing, just like in an email.
And it's a smaller subset of information than email.
Email, you could write anything.
You could be talking to a lover
or a business person, whatever.
Here, when you're doing programming,
it's a much finer data set.
These two things are gonna come together
where you're gonna be able to build your MVP
for your startup by typing in text and then publish it.
You're not gonna need a developer for your startup.
That is transformative in the world.
Let me ask you guys a question.
Do you think that this leverage,
and I argue this is all about leverage.

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It's one person can generate X units of output more.

Do you guys think that this commoditizes
and puts at risk, Saks in particular,
like all of enterprise SaaS,
because it becomes such a commodity
to basically build a business that does something now?
Or does it create much higher returns for investors
because you invest so much less capital
to get to a point of productivity with that business
or revenue with that business than was needed before?

I'm not sure.

I tend to think that if it gets easier,
then everything becomes more competitive.

So, I don't know, but...

So value gets competed away with that.

I would slightly disagree with the characterization.

Does this scare you as an investor in SaaS?

I mean, like, for example, in that demo we just saw,
what does the AI do?

It exports the new design assets to Figma format.

Because that's the standard.

Yeah, it just makes you faster.

So if you can create a SaaS product
that becomes a standard,

everyone's still gonna want to use it.

And there's really good reasons for that.

So I don't know.

I don't think business software is going away.

I also don't think that you're not gonna need
to hire engineers,

because co-pilot's just gonna do it for you.

I think what co-pilot will do

is make your typical engineer more productive.

Yes.

Get some graphs around how co-pilot reduce coding time
by 50%.

So I think you'll be able to get a lot more
out of your developers.

I think that's sort of the key is

a lot of the drudgery work gets taken care of.

The answer for your question is,

I think more startups, more niche startups,
will make better products.

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And then you'll just have many more folks like making SaaS for Ventus, making SaaS. Are those venture, they don't get big enough, right? I mean, in that case. It to entry price matters. It'll be poorer returns. Well, entry price matters too. If you're investing at 5 million, like I do in companies, when they're just on napkins and you know, back of envelope, there's plenty of room. If you have a \$200 million exit, that's a 40X. But there could be a lot of new categories too. Like a lot of new categories. A lot of new categories. There could be a lot of traditional industries. There's a lot of traditional industries that get disrupted. Like we're thinking about just software displacing software. It could be software displacing like industries that aren't even software yet. Video games. The entire video game industry is going to get completely rewritten with AI because you're not going to have a publisher anymore that makes one game that everyone consumes. You're going to have tools that everyone creates and consumes their own game. You guys want to watch this cool clip? It's 58 seconds long. Go ahead. This is a music clip day here on All In. But I thought it was really cool. Is this AI turning you into Eminem? This is what the world's waiting for. I hope it's you doing an Eminem song. It's not me. I'm naturally Eminem-like, but this is a... Only in your anger. This is the future rave sound. I'm getting lost in an underground. This is the future rave sound. I'm getting lost in an underground.

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Is that Eminem?

It's David Guetta.

And David Guetta playing Eminem
a track with Eminem's voice, right?

And the track just became hugely viral.

This is something that I made as a joke
and it worked so good I could not believe it.

I discovered those websites that are about AI.

Basically, you can write lyrics
in the style of any artist you like.

So I typed right a verse in the style of Eminem
about future rave.

And I went to another AI website
that can recreate the voice.

I put the text in that and I played the record
and people went nuts.

That is nuts.

It's nuts.

And the crowd went wild for it.

So awesome.

So here it is, folks.

Whoever makes the best Friedberg Eminem hybrid wrap
with David Sacks as the hype man is getting a free VIP ticket
to all-in-summit 2023.

I think we need an AI performance
at all-in-summit 2023.

1,000%.

You and I are so in sync these days, Friedberg.

There are going to be a lot of interesting mashups
that get created.

Like, for example, you'd be able to create a movie
where let's say you want to make a Western
and you want John Wayne to start it.

I mean, you obviously got to get the rights from the Wayne
estate, but no actor ever goes away.

You could, there's going to be a database of all of them.

But if you wanted to make it...

Sacks, it's going to be better.

You're going to be writing the script.

As you write the script, the AI is going to be showing you
that scene in real time.

And you don't have to publish it.

Cloudy day, rainy day.

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It'll just change in real time.
Think about what we're going to do for Star Wars.
Yeah, just like Instagram and TikTok,
basically democratized everyone's ability
to create and publish content.
This takes it to a whole other level
where the monopoly that big production houses have,
because they have the big budget,
so they can afford to make a big movie.
If that cost of making a \$10 million movie
goes to \$10,000 or \$1,000 of compute time,
anyone sitting in their studio in a basement
can start to make a movie.
And it really changes the landscape for all media,
not just movies, music, video games.
And ultimately, the consumers themselves
can create stuff for their own enjoyment.
And maybe the best of those products win.
You nailed it.
But having free individuals create their own content.
Maybe free people just become a lot more
like the music industry.
I mean, remember, anyone can really create a song now.
And they do.
And people do go viral on TikTok and what's going on.
They uploaded on Dishro Kid, and it's on Spotify.
Did you guys see this article in The New York Times
that was kind of throwing some shade
at the CEO Goldman Sachs, David Solomon?
Yes.
I basically see the headline.
You look great in the picture, but I didn't read it,
because I figured it's hate.
They were talking about his side gig as being a DJ,
but specifically, they called out
a potential conflict of interest.
And it's related to this, because I guess
he had gotten a license to a Whitney Houston song,
and he remixed it and released it on Spotify.
And her biopic is about to come out.
And they thought that there could
be this perceived conflict, because Goldman
works on behalf of the publishing company.

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And my thought was along the lines of what you guys said, like, why is this a story?

Meaning, David Solomon should be able to go to any website, license the song, make it, and then submit it back to them for them to approve, because the quote in here that matters is, the company that licensed it said, we are in the business of making sure this body of music stays relevant.

So obviously, you want Whitney Houston songs, Michael Jackson songs, you want John Wayne. You want these people to live on in culture, because it's part of our culture.

Look at the subhead.

David Solomon brushes off DJing.

The better way to maximize it will be like this.

Go and use it, create a derivative work.

Let us see it if we like it.

So like, Guetta should be able to just give that back to Eminem.

If Eminem's cool with it, he should be able to ship it and just be done.

What a non-story.

Like, the New York Times is just so anti-billionaire.

So David Solomon brushes off DJing

as a minor hobby that has little to do with his work at the bank.

But his activities may pose potential conflicts of interest.

It's like, what are they writing about?

Is there not something more important than this?

Do we think that David Solomon or any CEO of any major bank on Wall Street would put their job at risk

running one of the 20 or 30 most important institutions

in the financial architecture of the world

to license a Whitney Houston song

that they can play at Coachella?

I mean, does that pass the smell test?

No, no.

And just for the record, iconoclastic David Solomon,

you're going to be doing the opening night DJ set

for all-in-summit 2023.

The Gryff, the Gryff is on.

Let's get a more peace book.

If the New York Times hates him, you got anybody

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that the New York Times hates on, you got a slot.
You got a slot.
That'll be our lens here.
Dave Chappelle.
Dave Chappelle, for sure.
1,000%.
I mean, he looks good.
He looks like he's living his best life.
So fine, that's nice.
Does this just offend them somehow?
It just like offends them that a corporate CEO could.
Well, that anybody's happy.
Well, I think it's kind of cool this guy.
It's punk rock.
Yeah.
Fuck yeah.
Let me do his thing.
I've always wanted to be a DJ.
Yeah?
Oh, DJ probably happens to be a spin the one and two.
You could be DJ one night if you're all-in 2023 after-party
and we'll use AI to help you out.
VIP.
Sadly, when I should have been learning how to DJ,
I was playing the violin.
Oh, fuck.
You should get up there and urcl your violin under a DJ set.
That would be next level.
I played violin for 10 years.
We can play a duet together.
I played the 14 years in an orchestra.
I played in an orchestra.
Oh my god, I never knew this.
Never again.
This is all kind of revelations happening here.
By the way, here was my most pull-up that first chat GPT
I gave you.
This was an aha moment.
Me and Saks were doing our weekly mastermind group.
Saks and I get together.
We kind of like co-mentor each other.
Here was somebody who blew us away during our mastermind group.
This was the chat GPT.

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I did this one because I was trying to figure this out.
How do I make my spouse and kids feel hurt?
And the chat GPT gave us a great one.
Give them your full attention.
Number two, empathize.
Number three, validate their feelings.
There you have it, Saks.
Just put that at your sub routine.
Let me use this as an example.
What public, so that's obviously the aggregation
and synthesis of lots of different self-help websites.
How do you describe attribution of that answer
to a particular content publisher?
Honestly, serious question.
Fair use, derivative work.
I think in this case, there would be compassion.
No monetization opportunity there.
There's no monetization.
Yeah, you say that because you hate content provides.
But here, I tell you, this is compassionate publishing.
I think the GPT, the chat GPT should be given a pass.
Because this is, no, they know who they got it from.
They know who they got it from.
It's a synthesis of lots of websites.
It's a very smart synthesis.
You can build the software.
It's not pulling a result from someone's website.
It's like red hundreds of websites,
and it's like averaged them.
Bulldogging.
How do you pay for the average?
That's complete bullshit.
They could say, as we ingest this stuff, tag it.
It's not bullshit, that is how it's being done.
And then you could publish it.
When you publish it, you say,
hey, where are we sourcing from?
You're agreeing with J.K.L., is that what you're saying?
No, I'm saying it's not bullshit.
What you said is exactly how it's being done.
Right.
And J.K.L., let's say that the AI is using
100 different websites and synthesizing 100 websites.

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What's the incentive for the marginal 100th website to say, well, opt me out unless you pay me?

Totally.

Because Google or open AI will just be like, okay, fine, we'll just work with the other 99.

And this is why content providers is my best piece of advice.

You ask the question, I'll give you the answer.

Content providers, as a group, need to get together and fight for their rights in unison.

New York Times, Metacritic.

Fight for the right to party?

No, fight for the right to get paid and to survive.

I'll tell you what I think will happen.

They need to know to chat to you and say, as a group, either give us these terms or don't index us.

You're trying to unionize all the content creators.

Absolutely, unionize all of them.

They should be a united front, like the music industry.

Why do you think the music industry gets paid by Peloton and anybody else?

Because it was easy for them.

Because the five of them get together and they fight.

There's five of them, and you could organize, but there's millions and millions of publishers.

I think the point here is that technology is fundamentally deflationary.

Here's the next great example, where the minute you make something incredible, costs go down, but also, frankly, revenue and profit dollars go down in the aggregate.

Doesn't mean that one company can't husband a lot of it and do incredibly well like Google has done, but it's just gonna fundamentally put pressure on all these business models, which is why I think it's important for Google to take, Google should go and they should cannibalize their own business before it is cannibalized for them.

Freebar, final word.

Here's another way to think about it.

I think that if this goes as we all predict and everyone's saying it's gonna go, it is more likely than not that many of these quote,

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content publishers that aren't adding very much marginal value are going to go away. That you could see the number of content sites offering self-help advice and how to do this and how to do that, 95% of them go away. Because all of that work gets aggregated and synthesized and presented in a really simple, easy user interface that makes them completely oblivious. And I'm not discrediting the value that many content publishers provide, but the requisite at that point to be valued as a novel content producer is gonna go way up. The offset to that though is it's so much easier to create content because of the AI. Totally true.

We have this company, Copy AI, where even before this chat GPT stuff, you would just go there and say, I wanna write a blog about X, Y and Z. You just give it a title and it spits out a post and then they'll actually give you 10 different blog posts and then you just select the one that is the direction you wanna go and you keep doing human selection on it. But how does new intelligence get put back into the system? That's based on an existing corporate system. No, you have like a corporate blog so you publish it to your corporate blog. My point is, if there is now some new information in the world, who is going to add that to the corpus if everybody's just stealing content and rewriting it? Not stealing, it is stealing. Humans have always had a desire to create. Most people will create for free. There's a head of the long tail that actually gets compensated. The rest of the long tail has traditionally gotten nothing and they do it because they wanna create. Yeah, it's kinda like saying- And now the creation, the creation's gonna explode because it's so easy. Beethoven listened to Haydn and then Beethoven wrote novel symphonies

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and his symphonies were incredible
and he built on the experience of listening to Haydn.
The same is true of how content is gonna evolve
and it's gonna evolve in a faster way because of AI.
And this content is not just being retrieved and reproduced.
It's being, you know, synthesized and aggregated
and represented in a novel way.
By the way, I would like to say one.
I wanna answer that, I wanna answer that, please.
If ChatGPT takes a Yelp review
and a, you know, a Condé Nast Traveler review
and they represent it based on the best content
that's out there that they've already ranked
because they have that algorithm with PageRank
or Bing's ranking engine and then they republish it
and then that jeopardizes those businesses
that is profoundly unfair and not what we want for society
and they are interfering with their ability
to leverage their own content is profoundly unfair
and those magazines and newspapers need to,
what's that?
You're gonna get steamrolled.
It's possible, YouTube is a great example.
YouTube was gonna get shut down,
Sequoia and the YouTube founder sold it to Google
because they were so scared of the Viacom lawsuit
and how well it was working against them.
They thought this business will never fly
if we don't have a big partner like Google
to support the lawsuit.
They won the lawsuit or they settled it
because they were able to do content ID
and allow content creators.
The only reason YouTube exists is, hold on, let me finish.
It's because they let content creators watermark
and find their stolen content and then claim it.
And when they claim the stolen content,
they were able to monetize it.
That's what's gonna happen here.
There'll be a settlement where they are going to be able
to claim their content.
I will bet any amount against your premonition here,
J. Cal, this is like the opposite of no predominance.

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Propose a bet.
You've seen these AIs that generate images, right?
Like stable diffusion and like Wally or whatever.
You literally just tell it, I want this image in this style
and boom, it's done.
And it would take an artist weeks to produce that.
And you can do it in five seconds.
And you could tell the AI, give me 20 of those.
And then you just keep iterating.
And in five minutes, you've got something mind blowing.
So the fact that it's so much easier to create content,
you can do the same thing with the written word.
The people who need to be compensated, J. Cal,
if they don't get what they want,
they may just go away,
but they'll be 10 times or 100 times more people.
Here's how long you are.
Thank you for bringing up this example
so that I can prove how warm you are.
Getty Images is suing stable diffusion at the moment.
Here is what the dipshits at stable diffusion did.
They train their AI on Getty Images
with the watermarks on them.
And they've been busted.
And they are dead to rights now.
And they're going to pay \$100 million or more
to Getty Images for stealing their content
and allowing it to be republished in a commercial setting.
Those images don't look too good to me.
Over time, this will get resolved, J. Cal.
Stable diffusion copied the Getty Image watermark
and put it on a reproduced work.
Okay, I think stable diffusion is a bigger problem
is they can't do noses and ears and eyelids.
That looks like a bigger problem to me.
Anyway, shout out to Stable Diffusion
for stealing Getty Image content so funny.
Just wholesale.
Wait, Mozart influenced by Haydn, not Beethoven.
Sorry.
By the way, there's a really interesting topic about AI
that we don't have time to get to this week,
but I think we should put it on the docket for next week,

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which is, should AIs be trained to lie?
Super important.
Great question.
Because that's happening right now.
Yeah.
And we'll have opinions.
Or have opinions.
The last thing I'll say on this, from my perspective,
maybe we can jump on after this,
is this is the best thing that could happen
for all of the monopolists in technology
because Microsoft taking five or 600 basis points
of share is the best way to ensure
that the FTC has zero credibility
in going after Google or anybody else in tech.
All of those things, I think, are DOA.
So in some ways, actually,
Google leaking five or 6% of the market share
is a really good thing
because the FTC is rendered toothless
in making any claim that this is.
I'm assuming they understand that.
That's such a good point.
I mean, it's kind of a good news, bad news scenario
with this whole thing.
The good news is that the Google monopoly
has finally been cracked.
The bad news is that it's Microsoft
and even bigger monopoly.
That's the one that's done it.
But it just shows how vulnerable
all these big tech companies are.
TBD. Yeah, TBD.
And they may all end up competing with each other.
I mean, they all necessarily will.
What's great is everyone's got a tactical nuclear web now
and we don't know where it's gonna get pointed
and who's gonna shit set it off and where.
Like, the weaponry has completely changed.
Yeah, the weaponry totally changed.
And to prove how wrong you guys are, here is the verge.
Here we go.
How many times have you said we were wrong?

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Here's the other lawsuit.
Open source, writers.
Nick, are you feeding him this nonsense?
Is that what's going on?
I've been tracking this, you people haven't.
You guys need to watch what's happening right now.
Co-pilot, GitHub, chatGPT and Microsoft
are being sued by developers
because Co-pilot was built off of stolen content.
These lawsuits are just beginning
and it's gonna result in licensing fees.
This'll be a transitory effect
and it won't change the dynamics
of where this is going over the long term.
It's gonna change the dynamics of YouTube
in the long term, so let's keep going.
I don't know, they're doing pretty good.
We have a portfolio company called Source Graph,
which is building a code writing AI.
Why don't you just put your logo page up
if you're gonna go through the whole portfolio?
No, I mean, they're building something similar.
But it's opt-in.
You just opt-in to the, you know,
you just get all your customers to opt-in to it.
Okay.
Which one is your pay-to-play?
Okay, let's move on to State of the Union.
All right, what do you want to move on?
You want to do the crackdown?
You want to do the Twitter exacts.
No, let's talk, I think Zach's point about AI essay.
State of the Union.
Great chat, let's talk about it next week, though.
I don't know about you guys,
but I found it one of the more profoundly
disappointing, saddening States of the Union
I've ever seen.
Unpack that, unpack that, why?
I think it was, you know, we often kind of focus
on the one-year cycle of what the State of the Union says,
but I think what's more important is how much
the data that's coming through in the State of the Union

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supports the more scary long-term cycle.
I've talked about this a lot
on how scared I am about kind of where we're headed
with respect to the U.S.'s ability
to fund its financial obligations.
And the scary moment at the State of the Union
besides Biden's inability to kind of articulate
much very well, which was honestly
a really discouraging sight to see, was, you know,
when he talked about where, you know,
the Republicans are trying to cut
social security and Medicare,
the U.S. Treasury put out a projection,
which I tweeted last week, originally shared
on Twitter by Lynn Alden.
This is the U.S. Treasury's forecast
of debt held by the United States over time.
And the assumptions in this forecast
are we've got a certain amount of debt today
and we're running social security
and Medicare forward without cuts.
And so what happens as we make these social security
Medicare payments and we accrue and pay interest
on the debt that we hold today,
and we don't change the tax rates in this country,
and this is what happens.
So it's a runaway kind of debt scenario
and the U.S. by definition has to default at some point
because you cannot tax every dollar of the economy
at 100% at some point.
And so, you know, there are two ways this can go.
The first way is you have to cut back
on these major kind of, you know,
expense commitments that naturally balloon over time.
And that is social security and Medicare.
And the other one is that you just tax a lot more.
And when you tax a lot more,
economic growth gets affected
and it makes it really hard to eventually pay off that debt
and the debt continues to spiral.
So I think what we saw was number one,
the announcement by Biden,
hey, Republicans are the ones

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who want to cut social security Medicare
and they all screamed and they said, no way, no way,
we'll never do that.
And a lot of them did interviews afterwards
and said it's total BS if Biden would say that,
which I think supports what the polls have shown,
which is on both sides of the aisle,
people do not want to see social security
and Medicare cut in any way right now.
That means you can't,
and you guys saw what happened in France
where they pushed back the retirement age
by two years and there was effectively riots
across the country.
I don't know if you guys saw this a few weeks ago,
we didn't talk about it,
but it was pretty brutal, pretty ugly.
And so this is a real cost that's coming bear.
It's coming bear in the United States,
not just with the publicly funded
social security and Medicare programs,
but also with a lot of the private pensions
that are gonna need to get bailed out
with the same federal money
because they're not gonna let those things go bankrupt.
And that's another trillion plus of liabilities.
So that cost is gonna balloon.
And the only solution at that point
is to introduce massive tax hikes.
And so they propose this billionaire tax,
this tax on unrecognized capital gains.
It is literally,
if you keep social security Medicare where they are
and you don't pay down the debt
and you don't grow the economy fast enough,
you have to introduce significant tax hikes
across corporate and the individual taxpayer base.
And so it really, again, if you zoom out,
it really indicates this steepening curve
that the US has to climb its way out of.
And as you tax more,
there's less to invest in the economic growth.
The government is a far worse investor

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in economic growth than the free market.
And that means that we can't grow our way out
and grow GDP enough to ultimately cover our debt obligations.
And this is what Dalio's book that I mentioned in 2021
was so kind of importantly sharing.
This is a multi-hundred-year cycle
and the last couple of decades get really nasty.
And this chart, which is a forecast
from the actual US Treasury, highlights the problem.
And the comments made at the Congress this,
in front of the Congress this week
by the president of the United States
indicates how serious of a problem this is going to be
because no one wants to cut these major cost obligations
that we have coming due.
And so we're just-
What are you talking about?
Sacks, aren't you and the Republicans,
you wanna cut Medicare and get rid of it?
Is that what Biden said?
You guys wanna get rid of it?
Hell no, hell no.
What was that kerfuffle about?
With your, who's the person on your squad
who was yelling and screaming out
at the president of the United States?
No, that doesn't matter.
That was to sort of-
But who was screaming at him?
Sillyness.
I don't know.
But let me tell you what happened to the union
is that Biden was basically trying to take a page
out of Bill Clinton's playbook.
When Bill Clinton lost the midterms in 94,
he basically triangulated to the center
and he did two things.
He started going for kind of small ball.
He started playing small ball politics.
It was like school uniforms and things like that
that were relatively unobjectionable
and that regular middle class people could get behind.
And then he basically posed as the defender

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of entitlement programs.
Back then he, in 96, he ran against Dole by portraying Dole.
He went all the way back to Dole's vote against Medicare.
This is what the Biden team is teeing up
for the reelect in 24 is they're talking about things
like curbing ticket master fees
and fixing right turn red lights.
I mean, seriously, like total small ball, okay?
They're gonna try and pretend
like he wasn't the most radical tax and spend progressive
over the last two years
that we've really ever had in American history.
They're gonna try and make everyone forget that
and just talk about the small, objective stuff.
And then he's also gonna, again,
pose as the stalwart defender of entitlement programs
that are very popular.
And partly they're doing this,
they're ready, I think,
getting ready for DeSantis on this
because if you read some of the political analysis on this
and Josh Barrow had a good column
and Andrew Sullivan had a good column,
talking about this that way back
when DeSantis was in Congress
and he was like a backbencher,
he voted for some Republican budgets,
a Paul Ryan budget
that had some of this entitlement reform in it.
So they're gonna try and portray him
as against entitlement reform.
Now, I don't think it's gonna work
because all you had to say is like,
listen, that was a long time ago.
I wasn't voting for cutting entitlements.
I just voted for my party's budget.
That's irrelevant.
I can tell you I will not cut entitlements.
So any smart Republican
is gonna take entitlement reform off the table
because it is a total third rail and they will lose.
And I think Trump had the right instincts on this
and I'm sure that any major Republican

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would have the right instincts on this.
And you can see, you see the way
they're throwing Rick Scott under the bus.
Rick Scott had this proposal
about having entitlements
go from being sort of permanently entitled
to being something that gets voted on every year
and the rest of the Republican caucus is like,
well, no, we're not touching that.
And they can't run away fast enough from Rick Scott.
So Freedburger is right.
There is no appetite for entitlement reform.
And I would tell any Republican,
if you want to do entitlement reform,
it's gotta be bipartisan.
You gotta do what Ronald Reagan did,
which is join hands with Tip O'Neill and Moynihan
and you jump off the cliff together.
Do not stick your neck out on this.
Tramathendots on the State of the Union writ large?
No.
Marjorie Taylor Greene yelling liar at the president?
No.
Okay.
Well, that's the most boring statement of the show.
Well, you know, Jacob, I mean, like both sides
engaged in a lot of like weirdness.
I mean, Biden was like bellowing
at various points in his speech.
It was quite bizarre.
And you're right.
There were some Republicans,
the audience who were braying like jackasses.
Weird.
And it's unfortunate because I think-
A cooth.
A cooth.
A utterly, utterly disappointed-
Yeah.
Republicans had this calm down.
I think Biden's sort of weird mannerisms
where he was like practically yelling,
it was like Abe Simpson, you know,

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old man yelling at the cloud.

Yeah.

They do a good job of like right at the moment of self-immolation, they let him off the hook.

Totally.

It's really incredible.

Republicans just, they have no impulse control.

Right when they could just be quiet, sit there, calm, quiet,

and let Biden do the damage to himself, they just cannot help themselves.

I like McCarthy telling Margie Teller Green, and Mitt Romney telling that other liar guy to get the hell out of here.

Listen, it's always been hard to control backbenchers.

That's just the reality.

That does not speak for the entire party.

How do you, how do you guys feel about being taxed on your change in net worth from year to year?

You mean a wealth tax?

Wealth tax, yeah.

If it's for billionaires, totally cool.

If it's for centimillionaires or decimillionaires, absolutely off the table.

We want those people to grow their wealth and invest.

The billionaires, yeah, sure.

Is that what you think is going for you, Berg?

Yeah.

So hard to execute on.

What are you supposed to do?

I would love to see a website where you have a piece of yarn.

You know those sites where you have, and then you have like a little pin, and you kind of push the pin out, and the other one has to go in.

You can't have it all.

You can't have low taxes, and have these entitlement programs, and have this level of spending.

It's impossible.

You have to tax.

That's the only way.

Or you have to cut the entitlement programs,

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or you have to cut the spending.

Well, you're right about that, Freeberg.

Let me tell you why the American people think it would be ridiculous to cut their entitlements.

They've watched as Washington spent \$8 trillion on forever wars in the Middle East.

They just watched as Biden spent trillions enriching the pharma companies on a fugazi that didn't work.

They've just watched as hundreds of billions went to climate special interests of the Democratic Party.

Did you just say the vaccine was a fugazi?

We talked about that.

Let me bring it back up.

Don't say it.

Don't say it.

No, don't say it.

Don't say it.

There's trillions.

Hold on.

They've watched as trillions of dollars have gone to the donor class, and they are going to rise up and say the hell with you if you cut off our social security that we paid into for decades while enriching all these special interests.

And I'm tying them in one bit.

I don't advocate for any of these points.

And the bailouts of corporations in the great financial crisis.

You're right.

I think it's just an analytical certainty that you've got to zoom out and stop thinking about the yearly cycle and the election cycle on this stuff and just look at where we're headed over a multi-decade cycle.

Okay.

And there's just no resolution to this problem.

What happens if there is a wealth tax?

Based on the way we're all oriented right now.

If there is a wealth tax, let's just say, on billionaires.

Sorry, let me just say one thing.

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Sorry, Jacob.

What will they do?

Will they leave the country?

Go to Puerto Rico?

No.

Well, that did happen in France, by the way.

I think 40% of the people that were taxed left.

And then they came back.

They would violate our constitution.

That'll be litigated for sure.

You know, Supreme Court, yeah.

If you can get the cost of energy in this country to drop by 50% to 75%

and you can increase energy capacity by 10 to 20-fold,

then you have a fighting chance

because you can actually grow the economy out of the problem.

And that's really where I am optimistic and excited about opportunities like Fusion.

And you guys can make fun of me all you want.

But if we can get to a point

where we can increment energy capacity by an order of magnitude,

there is economic growth that will arise from that, from all these new industries and these production systems.

And that's how we can grow our way out of the debt entitlement tax problem

where one of those three things has to give in the absence of that.

So I'm generally excited.

You know what the cheapest source of energy is today?

Fusion. Three cents a kilowatt hour.

Fusion, you mean?

No, it's Fusion.

It's the sun using solar panels.

There it is.

Yeah, the problem, Chamath, honestly, let me just say this one thing.

The problem is, can you scale energy capacity by 10x?

Yes.

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And can you do it fast enough?

Yes.

And that's the real technical...

While creating jobs.

That's the real techno-economic question, right?

I posted a link in my reading list today.

This week you guys can go look at it.

The most prolific distribution
of fusion technology

is China actually deploying solar
on every single rooftop in China.

The United States could do it too,
and you will 10x the power available.

Well, yeah.

I mean, they are producing...

And it'll be zero.

They're increasing their...

It'll happen in the next few years.

It's just sometimes we want to create
intellectual complexity.

I love these different forms of fusion.

I just think it's a 50-year

trodge to get it because even...

I'm not betting on it.

I'm just saying, there is a...

No, I'm just agreeing with you.

I'm just building on your point to say
it's actually happening.

Fusion is what is actually creating
abundant zero-cost energy today.

Yeah.

And so look, if we can increase energy capacity
in this country by 10x,

energy production capacity by 10x,

and we can do it in the next 20 to 30 years...

You can do it in 10 by putting solar on every rooftop.

If we can, we have a path out of
the entitlement tax debt problem.

Otherwise, one of those three things
we have, and it's going to be ugly.

The thing that we are lacking right now
is not actually the generation capability,
which is incredibly cheap,

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but it's really scalable storage.
And once we figure that out,
which is actually the real technical bottleneck
to abundant zero-cost energy,
we'll have your boundary condition met
and we'll have it well before
different forms of fusion are commercializable.
France had an exodus of an estimated
42,000 millionaires between 2012
and really before...
They only had the wealth tax for 12 years
and then they reversed it.
They were just losing their tax base so violently
they had no choice.
That's what's happening in California.
That's what's going to happen in California
if they move forward with...
That's California's problem.
It's happening in California already
without the wealth tax.
It's happening already,
and now you look at it...
Well, because they're stupidly telling people
that this wealth tax is going to have a 10-year look forward.
So everybody I know is at least talking about,
hey, could this happen in the next 10 years?
Because if it might happen five years from now,
we've got to leave now because if I wait...
They're going to chase you.
They're going to chase me.
Yeah, specifically you.
They hate you.
No, I mean, it's a problem.
It is a serious problem.
Let me tell you, I mean, to Friedberg's point,
it's not just Ray Dalio,
the great political satirist,
Pedro O'Rourke, who died last year.
He wrote that American politics is defined by the formula
 $X \text{ minus } Y \text{ equals a big stink}$,
where X is what people want from government
and Y equals what they're willing to pay for government.
And that difference is basically the big stink.

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And the job of politicians is to manage that stink.

And the problem is the politicians have not been doing a good job managing it, and they increasingly do a worse job managing it.

So, yeah, at some point, it's going to blow up.

Yeah.

You guys want to hear a crazy statistic?

I was pulling the stump the other day.

You know what the budget per capita is of the city of San Francisco?

So how much the city spends per year divided by the number of people that live in the city?

Well, we know it's a couple of billion-dollar budget.

We know only a couple of hundred...

It's a 13 billion-dollar budget.

Yeah.

And it's 800,000 residents?

It's \$18,000 per citizen per year.

That's how much the city of San Francisco spends.

A third of that money, by the way,

30% of it goes to, or 25% goes to public health care.

Now, when you look at that \$18,000 budget per capita, it is more than every single state of the union

on a per capita basis except Oregon and North Dakota, which have very weird budgets.

So San Francisco spends more than every other state per capita.

It spends more in aggregate than 16 U.S. states.

And the federal budget per capita is \$15,000.

The federal government's budget per capita is \$15,000.

So San Francisco spends more than 15 states

and spends more per capita than every other state except two

and spends more than the federal government per capita.

And I think that really highlights, and you need to tax the base to do that.

And now we are seeing San Francisco is the largest population of exodus and population exodus of any city

and business exodus of any city in the United States.

That is your predictor.

That is your predictor of where this goes.

Right.

In Miami, Florida, my contrast has no state income tax.

They just rely on property tax and sales tax, which California has as well.

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There is a income tax and cap gains tax of zero in Florida and they seem to make it work.

880,000 people was the peak in San Francisco, 2018, 2019, 2020.

And then in 2021, 815.

So 10% and it's gone even further in 2020.

Some people think it's down to 650 now.

I think it is.

Hard to track, but yeah.

Well, you have a lot of people who owned homes there and maybe owned second homes because let's face it, it was a well-heeled group of individuals living there and a lot of them just still have their places, but they've left and then they're in the process of selling their places.

The point is increasing the tax rate is a great short-term solution, but over the long term, if that budget per citizen isn't broad in line, there is no way to tax the base enough without causing the tax base to leave.

Forget about what anyone's personal opinions are.

That's just the economic reality of what happened in France.

It's what's happening in San Francisco.

We have great predictors in history of where this has happened.

And so something has to get,

or you have to have a miracle, like an energy miracle, but we'll all keep investing for that.

All right, everybody.

This has been an amazing, amazing episode of the All in Podcast 115 episodes for the dictator, Sultan of Science, and for the pacifist, David the Dove Sacks.

I am the world's greatest moderator, and I'll see you next time. Bye-bye.

Oh, man.

He should all just get a room and just have one big huge orgy because they're all just useless.

It's like this sexual tension that we just need to release somehow.

What? You're a bee.

What? You're a bee.

What?

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We need to get mercy.

I'm going all in.

I'm going all in.