Do you want to run a marathon at 57 years old?
52, 51, 2, 52.
I'll be honest, I miss you.
Can you come back to the United States, please?
I will.
I will.
I will.
I miss you too.
I mean, the poker game can't, by definition, be as much fun if I'm not there.
It plays at bigger states and it's more challenging,
but it's not as much fun.
There's not as much laughing.
What's on the menu tonight for austerity 2023?
The Amusebouche is a Madeleine with like a terrine of flagra.
Fantastic.
In honor of Freeburg.
And then rutabaga, rutabaga salad, and then some duck thing, duck breast.
You know I love duck.
And then and then butterscotch panna cotta.
Wow, that is great lineup.
And you know what?
I like the idea.
We're doing some poultry.
Chef Sean is firing on all cylinders these days.
I feel he feels very like engaged.
He was very engaged.
Yeah, he's kind of going for it.
He's been on.
Yeah, that was quite nice the other day, Brad,
because it's austerity measures.
We had this incredible dish
and we're eating it.
And then he said, the caviar's on the bottom.
And I was like, oh, so we just,
we don't put the caviar on top.
They just put it on the bottom.
Shh.
The market's down.
Put the caviar on the bottom.
That's my style austerity.
Caviar on the bottom.
I'm not lying.
Am I lying?

Oh my god.
No, he did say, guys, the caviar's on the bottom,
not the top this week.
All right, Sax is here, everybody.
So that means we have a quorum, hopefully,
the Sultan of Science, who is on Wall Street today,
taking a company public.
So congrats to our bestie, Friedberg.
Ding, ding.
He couldn't make it.
He's had a dinner.
So with us, the fifth beetle, as it were, Brad Gershner,
is here to talk all things macro.
Welcome back to the pod.
How's life been?
Good to be back.
A little domo arigato to you, Jason,
as you eat your way through Japan.
Yes, I am on my culinary tour.
I'll be back Sunday.
But I am having the time of my life here.
Are you running AdWords on your food blog?
That's what it's come back to.
I'm back to the weblog zinc days.
I'm just trying to make $2,600 a day.
I noticed your TikTok got 22 likes.
Yeah, I'm trying to figure out TikTok.
Right as they shut it down, that's when I'll figure it out.
Will that rupture buy you another Japanese pancake or no?
Those pancakes, man, are next level.
The fluffy pancakes here.
Everything, actually, with the exchange rate,
coming to Japan is so affordable.
It's nuts.
And this is a crazy week, because it's the Tokyo marathon.
But everything is so affordable.
The people are amazing.
It's the best country to visit in the world, I think.
For me, it's Italy, Spain, and Japan.
I mean, Italy's right up there, too.
But I would say Japan is like, it's definitely top two or three.
What do you love about it?
Best food.

I took the kids like five years ago, the older three at the time.
But they were younger.
And there's a negative birth rate in Japan.
And so number one, when you have any kid, but frankly, multiple kids,
the Japanese embrace you with so much love,
because they love seeing these big families.
They are unbelievably kind.
We went to Kyoto, did the Professor's Walk,
saw the Cherry Blossom Festival,
basically ate our way through Japan.
That was my only vacation trip.
I did, I've done like 10 or 12 trips for work.
Once we, I went with Reed Hoffman and Reed set up this thing
where we went through all these different parts of Tokyo
and ate at this incredible sushi place.
You have to go with somebody who can dial it in
and have all the hookups.
Brad, you spend much time in Tokyo and Japan?
I haven't.
I've been there only twice.
And that was when I was poor,
and I stayed in a really small room and ate really shitty food.
Oh, all right.
So you're staying in 2022 when you became Oregon?
Okay, great.
He's like Brad Cozier.
He's like, oh, the Amon Hotel, we have rooms.
He's like, is there a hostel?
Yeah.
All right.
And with us, of course, the next department,
what cabinet position you're going for, Saks?
What should we start floating here?
Oh my God.
Here you are with the disinformation starting already.
It's a compliment.
Secretary of status is with us.
DeSantis had a pretty great article on The Wall Street Journal.
Oh, really?
I didn't see that one.
Did it?
When they revoked the special administrative status for Disney,
he wrote an article.

I think it was Wednesday.
Tuesday or Wednesday in The Wall Street, I'll bet.
What was his premise?
That it was a corporate or as a culture?
That wokeism is basically modern Marxism, and we have to defeat it.
This is his language, not mine.
At every turn, and Disney needs to just be business people
and not feed the vocal minorities inside of their company
like every other company should.
They should be subject to shareholder concerns
that apply to the majority of shareholders.
Well, I think this is why I think DeSantis
is doing well with the Republican base,
and if you see polling of the Republican primary,
is he understands that it's not good enough
just to have this sort of Reagan-esque,
totally hands-off government approach,
because the radical left is advancing its agenda,
not just legislatively, but through corporations, through ESG,
really through taking over key private sector institutions.
And so he's willing to use government to push back
on that agenda on behalf of parents or on behalf of what he sees
as the majority of the country.
And so it's a very different approach than the Republican party
would have been 30 or 40 years ago.
This is why, in the parlance of the base,
he understands what time it is.
And what's required here is not, again,
this totally laser-fair approach,
but rather a much more energetic, aggressive approach
towards checking these bad ideas wherever they come from.
Yeah, he's not the only one.
I don't know if you saw this week, Bill Maher went on a bit of a press tour,
and he was on with Jake Tapper,
and he made a very interesting, I think,
point about liberalism versus wokeism.
And it was quite articulate.
He's a pretty good observer of culture.
He said they're kind of casting out the liberals in the party
for this wokeism and the intolerant nature
of the woke movement versus the liberal movement,
specifically under the lens of trans rights.
But let's put that aside for now.

We've got a full docket before we get into the cultural wars
and the presidential elections.
Let's start with, we'll go private markets to public markets,
because they obviously dovetail so nicely.
Item one on the docket today,
there is just a massive AI FOMO frenzy going on.
Economist published a piece this week
about the insane fundraising in the generative AI space,
this is stuff like ChatGPT,
Stable Diffusion, you've heard these names,
and there are now 500 generative AI startups,
according to this report,
that tracks with what I'm seeing in the early stage,
and not counting the open AI 10 billy
from Microsoft, investment, donation, revshare, roundtrip,
whatever that is.
They have so far collectively raised more than $11 billion.
The article included this chart,
which you can see if you're on our YouTube channel,
and just tons of folks working in audio, image, and text.
So we're basically looking at the multimedia,
basically revolution of PCs in the 90s,
occurring again, and a complete platform shift.
Doug Leone from Sequoia,
one of the greatest investors in the history of Silicon Valley,
had this to say, and we will comment on the other side
of this 52nd clip from Doug.
I actually think that AI is the next platform shift,
in the same way that mobile was the one before,
internet was the one before.
So I think AI is real.
But I said earlier, we're going to overestimate it
in a short term.
We're going to invest in everything,
in the same way that in 1999, we invested in everything.
But then Google came out of that,
or Facebook came out of that.
So I think you have to have a good head on your shoulder,
a good head on your shoulder, where you don't practice FOMO,
where you don't chase every company.
AI is real.
AI is the next platform.
But how do we not invest in everything that walks?

How do we make certain investments based on market maps,
based on thought processes that are more rational,
and not do every investment,
just because every other venture firm is doing every investment?
All right, Chamath, what do you think of this massive influx?
I think it's important to think about what the incentives are.
As Charlie Munger says, show me the incentive,
and I'll show you the outcome.
I posted it into our group chat.
Credit Suisse sent all their private banking customers an offer.
They are now offering 6.5% for a three-month T-bill, 6.5%.
And if you go back to what we talked about before,
when the risk-free rate is somewhere north of 5% or 5.5%,
and banks are willing to give you 6.5% in the short term,
you have to generate more than three times that
to make an investment make sense when you're investing in the long term.
So if three-month money is going to pay you 6.5% or 7%,
if you're going to invest for 10, 15 years,
which is what you need to do typically for a startup,
you need to get 20% to 25%.
So there's going to be a lot of pressure for venture investors
to put the money to work, because otherwise,
their LPs, their limited partners, the people that give them the money,
will have this attitude that goes somewhere along the following lines.
Okay, I've committed to you.
Why aren't you investing?
Because otherwise, I can get paid 6.5% on the front end,
and so this is becoming very problematic.
What am I paying you for?
What am I paying you 2% a year in management fee for?
So I think what happens, unfortunately,
is the opposite of what Doug says.
I think good investors will try to follow Doug's feedback and advice,
and the ones that have a track record of distributions of DPI
can do more of it than not.
But I think most people will be under pressure to deploy the capital,
and so the 500-odd companies, Jason, you mentioned,
will get a lot of it, and it'll get torched because most of them
probably won't amount to much of anything in the short term.
You will create way too much correlation,
and you will have zero time diversity,
which, as we've learned, is a recipe for terrible returns.
Time diversity being, hey, you deployed all this Web2 capital,

Web3 capital, sorry, crypto, whatever,
in this very short period of time, you overpaid.
You need to spread.
Literally on fire.
Brad, when you hear Chamath talk about this, 6.5%,
and then you look at private markets,
you invest across the life cycle of companies.
Obviously, you're in some private companies we all know very well.
Famously, Snowflake, I think your biggest win ever.
Correct me if I'm wrong in terms of a private.
How do you look at this when you're a steward of capital,
public markets, private markets, and then just YOLO,
just put it into some Cheabills or bonds or whatever?
I mean, first, let's just frame the chart that you showed.
I think it said X open AI, I don't know,
something like 10 or 11 billion dollars
has been invested into some 500 AI companies.
I mean, I happen to agree with Doug
that this is a platform shift on the same magnitude
as the internet or mobile itself.
In fact, it may be bigger than both of those.
But when I look at 10 or 11 billion dollars,
you know, let's put it in context.
Metta is going to spend 20 billion in one year alone on ARVR.
And this is on an entire platform.
So I don't know.
I think whenever you have something as tectonic,
as mobile, or internet, it deserves a lot of investment.
And yes, it's going to be messy.
And yes, Chimath's right, the cost of capital,
frankly, is limiting the amount of money
going into these businesses already.
So we see a lot of dry powders sitting on the sideline
that's chasing new ideas.
I think one way to frame it as well is,
think about in 2000, we all knew
that the internet was going to be big.
We may have been lucky enough to conclude
that search was going to be big.
But if you invest in, in Yahoo, or InfoSeek,
or AOL, or Excite, you tore it.
All that money went to zero, right?
So now think about just these large language models, right?

The foundation models, which are driving
and enabling all of it, open AI.
You've got open AI, you've got Anthropic,
you've got Cohere, you've got Character,
you've got Stability, you've got Lambda.
It is almost impossible to know within the certainty,
much like it was with the search engines in 99, 2000,
who's going to emerge, where the value capture's going to be.
It may all end up with Microsoft and Google.
I mean, this may end up looking like iOS and Android
at the foundation model level.
And so, you know, I think as investors, for example,
on the foundation model side, I think it's very difficult
to choose just one, particularly when the largest one
is frankly captive and a proxy to Microsoft,
and they're capping your upside return.
So like, those are difficult investment decisions.
That doesn't detract from the fact that I think
it is as big as Doug suggests.
And I do think there are going to be applications
and tooling layer to come out of this
that's going to produce really big winners.
I would say that we are spending an extraordinary amount
of time in this space.
We haven't made a lot of investments.
I think you have to study, you have to get deep.
I mean, Chamath certainly and I have been investing
in this space for at least a decade, maybe 15 years.
But don't underestimate that the transformer model
really did change the game here.
And we're now producing impacts much larger.
Saks, last week you said, we'll have three
and crypto didn't kind of stick with you.
You didn't see the use cases.
And you, in the first inning here, or first at bat,
you rattled off three or four really compelling use cases
from summaries to, you know, the assistant guide
on your side concept.
Is this a kin in your mind?
Because Brad just said it could be bigger than mobile.
Internet, mobile, AI revolution.
If you were to look at those three,
do you think it's bigger than actually mobile?

And then we'll get into return profiles of 6.5% on cash
versus what are VCs going to be able to do
in this kind of market?
Yeah, I mean, so I agree with Brad and Doug
that this is the next big platform shift,
whether it's as big as mobile or it's more like social or cloud.
I mean, those have been the big platform shifts
over the last decade or two.
And I think this is definitely on par with those.
I think Brad's right.
We don't know where the value capture's going to be.
Maybe it just all ends up accreting to the big companies
who can make massive investments in this space.
You know, one difference between the Internet ecosystem
today and 20 years ago is you do have these giant companies
who are not totally incompetent, right?
I mean, they are, they do have lots of talented engineers.
And, you know, like 20 years ago, you'd have company,
you know, the big companies would just sit on their hands
in the face of a platform shift,
and they'd just be sitting ducks who get disrupted.
That's not going to happen today.
That being said, I do think that any new platform shift
creates opportunities for startups.
And it may not be efficient the way that these opportunities
get pursued in the sense that, yeah, Doug's right,
that there's going to be a lot of spray and pray.
But I think that it is kind of efficient
for the ecosystem as a whole, right?
Because like any smart engineer with a half-decent idea
ends up getting funded.
And out of all of that, you get kind of a pre-Cambrian
explosion where, you know, the ecosystem involves
a lot of different types of businesses.
Most of them don't work.
They get wiped out.
They go extinct.
But there'll be some good things that get funded.
So we're more like, I think, Doug and how we see it.
We don't want to spray and pray.
We want to be very selective.
We want to put more money behind fewer opportunities
that we think are better.

And Doug Leone, you know, I think he generally
gives good advice of the tough love variety.
And this is of a piece with that.
And so I agree with him.
That being said, there is a certain value to the ecosystem
in having all these seed funds to spray and pray, right?
Because this gets a lot, it plants a lot of flowers,
and then you see what blooms.
I would say, yeah, to build on that, Sacks,
this is a perfect inefficiency.
You know, when you see it from the outside,
you're like, well, this is super inefficient.
Why so many companies?
If you free your mind and just say there are experiments,
two or three person experiments,
$500K to a million and a half in that first stage when I invest
right before you do when you do your series A's
at five or 10 million, milestone-based funding
is back in the tech industry.
And that was something, Chamath, that we lost
for a little while there.
People would just come out and they would raise a series B
out of the gate.
No product market fit, et cetera.
Now what we're seeing is people are raising that 12 to 18 months.
They got their backs up against the wall.
Speaking of tough love, which you referenced, Sacks,
that tough love of, hey, you have to hit the next milestone.
What did you accomplish with the 1.5 million
in order to get the 10 million, in order to get the 30 million?
That 500 is going to go 10x.
There'll be 5,000 of these startups,
but it will quickly whittle down.
Wouldn't you, Chamath, as people go through this milestone-based
funding system in Silicon Valley?
We haven't given enough time for a logical framework
of investing to develop, which also is tied to a logical framework
for entrepreneurship to emerge.
We're just way, way, way too early.
So the thing with all of these language models
is that they are grist for the mill.
And we talked about this before.
If it was a highly proprietary asset,

you would have never sold 49% of it to Microsoft
for 10 billion dollars,
because you would assume that it was worth a trillion dollars.
So it's a huge tell on the part of OpenAI.
They're deep understanding,
and they understand it better than anybody else,
that it's a bit of a capped upside.
So what is uncapped, I guess, is maybe the better question.
Well, if you look at the 1849 gold rush as an example,
the people panning for gold, in my opinion,
are the people building language models today.
They're going to come and they're going to go.
But who's going to win?
Well, the pick and shovel providers won, Levi Strauss won.
So what is the equivalent of that today?
I think it's at the Silicon layer,
because you need to really re-architect
how compute will actually work in a world of all of these models.
Those folks will get paid.
If you look at AMD and NVIDIA,
they've been getting paid for years.
They continue to get paid.
They probably will continue to get paid even more.
And so folks that actually take a step into doing something hard
and difficult in AI, like custom silicon, could get rewarded.
And then there's what I call the white truffles.
What are these unique Alba white truffles?
These singular sources of data
that when used in reinforcement learning,
make your output just zing.
And that's where I think Facebook is an obvious white truffle.
Quora is a white truffle,
but there are a lot of startups that could become white truffles
if they gather enough data.
And that's like a pretty reasonable framework.
And so in that framework, if you apply it to today,
there's way few silicon startups
and there's way few white truffles.
Instead, it's everything is the baloney in the middle,
which is random people talking about some random model
that's just going to again become highly commoditized.
You have to remember, all these models are open source,
and none of them mean anything

in the absence of the data you give it to train on.
100%. Brad, hey, okay.
Well, I want to add one other piece of news
that we saw this week, which is open AI announced
that it's developer AI.
They were cutting the tax on that, or basically the metered rate
they charged to use it by 90%.
So I think this is going to be a game changer.
I think this is based on the ChatGPT 3.5 API,
and of course, we're coming out with 4.0 later this year.
I've already had...
Explain to the audience what an API is
and why this is important for those people who don't know.
This application programming interface,
it allows a developer of some other application
to build on top of use.
So in other words, a developer wouldn't have to use
this chat interface to get access to the large language model.
You could just submit your request through the API, and so...
Give an example of a popular app
and how they might use it in ChatGPT API.
So I think Notion actually had a demo that they published
where it was a pretty incredible demo.
Maybe we can find it, and it would do things.
They added actions in the demo,
like generate a task list.
So you could take a document or a meeting summary
and would spit out recommendations for next steps or tasks.
It could spit out a table.
Basically, it's auto-complete for everything
that we talked about, right?
So now Notion doesn't need to build their own LLM expertise.
They just use the API.
So when the Notion app, you say,
hey, I'm building a marketing plan, and you say,
well, okay, give me a list of things
that should be on my marketing plan for my new app.
It sends a signal to the ChatGPT API,
which will be on Azure Microsoft's platform,
and then it gives you the data back.
You don't have to build the language model.
Incredibly powerful.
Notion has all the content that they need,

but they don't have the AI expertise.
Now they don't have to generate or create AI expertise in-house.
They just use the API.
That's really powerful.
But just to finish the thought here,
I think that one of the things that's probably misleading
about these stats around funding
and that there's like almost 600 startups already,
there are AI startups,
is that what happens when there's a new wave
is that founders are smart, right?
And they know how to market themselves
in the way that is most compelling to VCs.
And they know that like VCs, frankly,
are a little bit lemming-like in terms of their migration
to the next wave and wanting to glom on to the next big wave.
So VCs are now looking for AI.
If you're a founder and you build one feature
on top of the open AI API,
now all of a sudden you're going to market yourself
as an AI company.
You're not going to market yourself as just a SaaS company.
And that's valid.
Yeah, I mean, it could be gained
or it could be like a great pivot, you know?
Yeah, and it's not totally one or the other.
I mean, it's just that if you have a plausible connection
to AI as a founder,
you're going to start marketing yourself as an AI company.
And so that's how all of a sudden
you can have 600 of these companies
that are all of a sudden out there
in the wake of this sort of chat GPT
is I think a lot of companies are recategorizing themselves.
I literally had this experience
not three weeks ago, right before I went to Japan,
serial founder and team that we've backed before
that had an exit said, can I show you something?
I said, yeah, got on the Zoom,
showed me a little proof of concept using chat GPT.
And he said, this is my idea.
This is the vertical.
And I just said, okay, what do you want?

He said 500K for 10%.
I said, okay, done.
Great, let's learn.
And it's an easy bet for us to make
because we know it's a serial team.
For open AI, the way that it could become
a trillion dollar company is actually by cutting the cost
to such a low degree that nobody else
can effectively compete with it.
And then at that point,
they can become a small, small, small tax.
You'd rather just pay it than try to compete with it.
And I think for open AI,
that's actually a very brilliant strategy.
So that's how they could get to become
very, very large in valuation.
Would be to become so pervasively relied upon
and where they take such a miniscule take rate
of their participation in you building a company
that could be really effective for them.
Like cloud computing, right?
Like we're going to just take such a small tax.
No, that's not a small tax.
That's a large tax.
That's the picks and shovels play in a way
to create the developer ecosystem for AI.
And Jamal, to your point, I mean,
I think you raised a good point that, you know,
what was their motivation to take such a dilutive round,
you know, the 10 billion that was evaluation at 30?
30, yeah.
And does that imply that they're not confident?
I mean, the flip side of it could be maybe they know
they want to compete on the basis of rapidly, you know,
becoming the developer platform.
And so they're going to subsidize that developer platform,
you know, with negative gross margins
for some period of time.
And maybe that's why they need a lot of capital.
And they were in kind of a reflexive loop
of just cost of getting better versus the amount of money
they had to get better.
And so maybe they were forced to do it.

And then in that point, how would you justify it?
You would say, well, the other 50% is still hugely valuable.
So that's enough for us.
And I think that that's very logical as well.
Brad, you have your finger on the pulse of LPs,
limited partners who back funds like Chamats,
Saxes Mine and yours.
We heard 6.5% on your money for no risk.
Well, you in Chamats position is how you have to triple that
if you want to be a private market investor.
That's about 20%, 20% rule of 72.
That means every three and a half years you got to double.
If you're doing that for a 10-year fund,
you're looking at a 5x fund is kind of table stakes.
Then I think just back in the envelope math,
what are LPs thinking right now?
Are they looking at this world and saying,
I should just be all in cash or are they saying,
yeah, everybody thinks we should all be in cash.
Therefore, there's not going to be enough money in private.
Therefore, there's an opportunity there.
We know the 6.5% rate.
You know, that's not going to be here forever.
Maybe here for a little while,
but we need to keep investing in venture
or are they just cutthroat about it?
Let's pause, venture, investing, private market investing.
It's a great question.
First, when I look at the three-year Treasury Bill,
it's like 4.7, not to quibble here.
So I think Chamats getting a little goosey-goosey
on his 6.5.
But the fact of the matter is these...
What does that mean?
Goosey-goosey.
You know, you get a little extra.
Goosey-goosey, little excited?
You're super special.
You're VIP, JP.
Oh.
Maybe there's like some sort of like bond rate
that included corporates or something.
Maybe it was a T-bill.

I'm getting like 5.2 from Robin Hood
on my Robin Hood account for J-training.
So it's right there.
What is in that, Jason?
They probably got some junk bonds
and they're ripping you off.
Whatever it is, I'm getting five points.
It sounds pretty good to me.
Wait, you are until you're not.
You are until you're not.
It's a 100% T-bill, parentheses, and junk bond fund.
Look at the fine print, Jacob.
LPs have a 10-year view.
They understand like most people.
I mean, listen, if you look out at the 10-year,
the reason the 10-year is, you know,
that we have real interest rates at about 1.5%.
So that's the 10-year less expected inflation
when you look out is because people expect inflation
to come down and they expect rates to come down.
So if you were an LP and you said,
I'm not going to invest in venture
in the next two vintages,
which may be the best two vintages we've seen in a long time
because prices are adjusting, et cetera,
and I'm going to move it all into some rate bet.
First, it's just very difficult to do.
They don't move their allocations around that quickly.
Now, a wealthy family as an LP could move their allocations
around really quickly, but if you're Texas or you're Ohio
or you're a sovereign wealth fund,
you're betting on the arc of value creation.
I would say this, the consequence is they're narrowing
their aperture as to the venture funds
they want to allocate capital to.
Okay, explain that.
Unpack who they are narrowing the aperture term to.
We've talked a lot on this pod about the power law.
And the truth of the matter is whether we're talking
about AI or software or anything else that, you know,
people are going to be funding,
it's 10% of the investments that are going to yield
90% of the returns.

And so they're looking at that and saying,
who are the top 10 firms in Silicon Valley?
I either want to get allocation to those firms
who are seeing the best deals, converting the best deals
and are selective like Sachs talked about,
or we just don't want to allocate.
So I think, you know, what we saw over the last two years,
Jason, was an explosion of new funds.
An explosion of new, you know, first time, second time funds.
I think subscale small funds with no DPI,
they're going to find a really, really tough time
to Chimás point about DPI raising capital.
And you're going to see the scale player scale.
So part of that is clearing out the inventory
from the last cycle, two new stories this week
about companies, you know, maybe struggling.
Sequoia got off the board of Citizen.
If you don't know Citizen, that's that app
that tells you where crimes are happening in your city.
Very popular in San Francisco.
It's literally goes off every 90 seconds.
It's pretty dystopian.
That company, Citizen, which is a pretty cool app,
has raised 130 million to date.
Sequoia led the Series A in 2017.
They did a pay to play around.
If you don't know what that is, basically,
if you don't invest, you get crammed down.
How does the crammed down work?
Well, your shares in the company went down 10 to 1,
and you probably got moved to common shares
as opposed to preferred, which has a series of protections.
They get their money out first, yada yada.
But Sequoia refused to participate according to this FT story.
Again, Sequoia did not comment on this.
It's kind of something you don't do as a VC
when something goes bad at a company
and you leave the board.
You generally don't want to say bad things
or taint the company any more than leaving the board does.
So a bunch of crammed downs happening
and then dovetailing with that.
Instacart, according to the Wall Street Journal,

had a big Q4 as it prepares to go public.
Instacart, if you remember, we talked about it on the show,
cut its internal valuation 75% last year
from $39 billion to $10 billion, according to sources.
Instacart's Q4 results, according to the Wall Street Journal,
up more than 50%, even though order volume grew only 16%.
Why?
They turned advertising on the app,
just like Uber and Amazon, a lot of these commerce folks
are building ad business inside of theirs.
So what do you think about what's happening
as we clear out this private?
Anybody have thoughts on Instacart or the crammed down rounds?
Go either way with this and then we'll go to public.
I wouldn't focus too much on those two companies.
I think what we're going to see in the second half of 23
and all of 24 is a lot of medicine being taken,
a lot of down rounds, a lot of structure.
It's going to be a tale of two cities.
The hot area, AI is going to continue to receive new investment
and all these companies that receive peak valuations in 2021
are going to have a day of reckoning.
Either, if they're lucky, maybe they have a flat round
or modestly up around,
but a lot of them are going to have down rounds or restructurings.
And this is going to be going on for the next year and a half.
What's your philosophy, Saxon, leaving aboard?
This is a really dicey issue.
When you give up on a company, what's the best practice there?
How do you do it without damaging the company?
Obviously, the founder relationship is going to be hard.
What have you learned about this as a private market investor?
I think that sometimes we flip board members internally at Kraft
just because people have different amounts of capacity.
That's not a statement at all about the way Kraft feels about the company.
It's just a reflection of our individual bandwidth
or whose expertise are needed at that time.
But when the firm itself quits aboard,
I think there's no way to read that oven, a statement of protest.
And I don't know what happened with that company,
but it seems to me that, you know, again,
it could be a sign that the venture firm isn't happy
with the way that they're being treated.

The cram down, Chama, that's a bitter pill to swallow.
Why would founders do this cram down
instead of just adding a little more to the top?
And is there a way to do this without, you know,
going scorched earth or poisoning the well as it were?
And again, putting this app and Sequoia aside,
this happening all over the ecosystem.
So is there a way to do this gracefully
or is it just going to be messy?
I think it's going to be really messy.
I mean, to state the obvious,
no venture capital investor ever quits the board voluntarily
of a great company that's doing well.
That would be dumb.
So as David said, sort of like the proof is in the pudding there.
And at the same time, there are a lot of companies
who don't want to see the writing on the wall
and will do all kinds of gymnastics
to try to stick a landing on a contorted financing.
And sometimes those things have real consequences
to other investors who just don't think it's the right thing to do.
I wouldn't read too much into this except that
good founders have a responsibility to do what's right
for themselves and their employees, nobody else.
And the thing to keep in mind...
Not the investors, really?
No, I think you absolutely have to prioritize
the people doing the actual work.
And if you actually did prioritize them,
what you would probably say to yourself is,
oh my gosh, there are people who I work with
who I look in the eye every day
because investors, you'll see once a quarter.
But I have my fellow employees as a founder
that I look in the eyes every day who've been toiling with me
for umpteen hours a day every day for years
and they are now totally underwater.
What is the right thing to do for them?
And I think if you just answer that question,
you wouldn't do all these contorted things.
You would just reset the valuation.
You would refresh the equity pool.
You would issue options back out to those employees

and you would move on.
It's all these other things that get in the way
of answering that simple, simple question
where people fuck it up.
And I've done that before.
Saks, if you don't have a team
and you don't have a motivated team, you have nothing.
I've done that before.
I don't want to rehash one of my more miserable experiences,
but I was dealing with a company
that had a grossly inflated valuation.
It was a total problem case.
We voluntarily slashed the valuation in half
and reissued options to the employees
to keep it motivated.
No big deal.
Yeah, exactly.
It's not that it's no big deal,
but it requires some amount of fortitude
and understanding your priorities, I guess.
Well, Jabhat, what do you think?
First, I think it's revealing
that we think what happened here
is so out of the ordinary.
I mean, you flashed back to 2001 to 2004.
Sequoia, I don't think funded a single loser
in their portfolio.
That's a time where you walked away
from the ones that weren't winning
and you fed the ones that were
because you have limited capital
and you don't know when you're going to raise your next capital.
This idea that you have unlimited capital,
you can give money to anybody
no matter what they're doing with respect to their plan
I think is a function of the last 10 years.
But to Chimaz's point, the idea of tough talk,
either out of CEOs or out of board members
has been in short supply in Silicon Valley.
This idea that saying the truth,
just speaking the words about needing to get fit
or needing to lower the valuation,
that somehow that is founder unfriendly is nonsensical.

The truth is founder friendly by definition.
And I think to Chimaz's point,
the less complicated you make this, right?
You reset the valuation, you re-up the option pool,
and then everybody has a choice to make.
And if the people who are on the board
and backing the company choose not to re-up
for whatever reason, they no longer believe
in the path forward for the company.
That's incumbent upon the founder to go find people who will.
That's not abandonment as it's being framed in this story.
It is a trade.
And I think maybe if you look at public market investors,
Brad, nobody gets upset by a trade.
Trade's a trade.
But in the private markets,
there's a lot more emotion involved,
a lot more relationship material.
And this founder friendly concept of like,
you're abandoning me.
It's like, no, the trade here makes no sense for this firm
and for this fund and for these LPs, right?
You know, at a certain point.
Sometimes the founder needs to have the courage
to look in the mirror and say,
what I'm doing is not working.
I had a plan.
I missed the plan by 70%.
I'm lighting capital on fire.
This is a charity, not a business.
It's best to say it didn't work.
Shut it down and move on and do something else.
Okay.
So of course you're referencing Salesforce.
So we'll pivot to that.
I'm joking.
It's not that bad.
But I think this is a good time to maybe talk
about the public markets and inflation
and what we're seeing in macro.
So can I set up a question for Brad actually?
Sure.
Go ahead.

Yes.
Yeah.
So on a previous podcast,
I laid out my theory of how you could just use the two year bond rate relative to the Fed funds rate to understand where the bond markets sort of prediction market about inflation is going.
And a month ago, the two year bond rate was at 4.1% relative to 4.5% Fed funds rates.
In other words, the bond market was betting that interest rates would go down between now and two years from now relative to where the Fed had it.
So therefore it believed that inflation had been conquered.
Now fast forward just one month later and the two year bond rate set about 4.9%.
You know, the Fed funds rates about 4.5%.
That is a massive swing, basically 80 basis point swing in the, I guess, the two year bond rate.
And so the market seemed to be saying all of a sudden, not just that they expect rates to be higher longer, but also that the Fed needs to keep raising.
And that is a big change.
So Brad, what is the basis for that?
And what do we now believe about inflation?
I think just a few weeks ago, we were thinking that this problem was licked and the market took off like a rocket.
It ripped.
Now all of a sudden it seems like investors are really worried that inflation is not over.
So where does this stand right now?
Well, I think when we started the year, you know, the 10 year was close to 3-2.
We're now closer to 4%.
The 10 minus 2 is negative as it's been in the last probably 10 years.
So the market is clearly saying, you know, we saw some inflation prints that came in hotter.
I think it's now consensus, which you guys have been saying on the pod that, you know, although the second derivative is slowing, that it's a sticky, right?
We're going to get stuck at this four, four and a half, three and a half.
And it's the slope of the curve downward is going to be slower.

We've gone from thinking we're going to have two 25s to now thinking we'll have three or four, you know, and so I think everybody is now bracing for more inflation.
But remember, when we started the year on January 1st, the consensus wisdom was we were going to retest the S&P at 3,200.
We're going to have an earnings recession and that inflation was going to continue to run hotter.
The only surprise in my mind so far this year is how well the equity markets have held up in the face of a tenure that's gone parabolic, right?
And an actual earnings recession.
Right. And you, you know, you posted, you know, in our thread, Shamath, about just quality of earnings, you know, even the earnings speeds are pretty low quality.
And so I think, you know, we now are going to have a couple of inflation prints coming up over the course of the next couple of weeks that are going to be important.
My hunch is, you know, everybody has tilted again on, you know, what we saw in the last couple of prints.
My suspicion, if you look at Morgan Stanley and Goldman Sachs, the consensus view is that we're still heading in the direction of 4% faster than I think people emotionally think.
So I would say there's maximum uncertainty in the world.
The fear that inflation is uncapped the way Larry Summers was articulated in November and December is less today than it was, but what's emerged is this idea that we're going to have higher rates for longer and we're going to have a higher inflation for longer.
Now, the question I throw back at you is the market abhors uncertainty.
The market's done totally fine during periods where we had 3% inflation and 5.5% rates, right?
When the internet boom that was, you know, 2000 to 2005, rates were a hell of a lot higher than the rates are today.
So I don't think that higher rates and higher inflation means that we can't, you know, invest in venture-backed companies that have huge secular growth.
The world doesn't end at that level.
But what I do think it means is like if there's massive uncertainty in the world, if allocators of capital don't know whether rates are going to double again, whether inflation is going to double again, then everything just

shuts down and that's really bad for the economy.
I don't see that happening right now, but I do think that the prints over the course of the next eight weeks are going to be important.
Tramathia, have any macro thoughts here at the same time this is happening?
We saw rents broke in the last month, so rents got cheaper.
Yeah, a governing principle.
I think I've probably said it too many times, but I'll say it again, rates are going to be higher than we like and they'll stay here longer than we want.
So if you use that as a principle, whenever the consensus thinks we're done, it's been pretty profitable to be on the other side of consensus.
And so I still kind of maintain that we're probably going to have a 5.5% Fed funds rate, which means that, I don't know, maybe Credit Suisse will offer me 7.5% soon on three-month t-bills, but we're going to have higher rates.
And I do think Brad's right though in the sense that as long as we know that then that's it and we can forecast it into the future without it changing too much, it'll be okay.
But right now what you're seeing is a lot of make-believe going on in the stock market.
So Nick, if you want to just throw up that image, so this is a really interesting chart of cash flow versus earnings.
Yeah.
So this is something that I saw in Bloomberg, which I thought was really interesting.
And if you focus on the period of 2020 to 2024, what you see is the white line, which is net income adjusted for depreciation and amortization.
And the blue line is cash flows from operations.
So what does that mean?
And this is for S&P 500 firms.
This is the best 500 companies in the world.
Yeah.
And the white line is what you tell Wall Street in terms of what you make on paper.
The blue line is what actually appears in the bank account.
So why could there be a gap between what you tell somebody you made, I made a dollar versus what's in the bank, 50 cents?
Well, the reason is that there's all kinds of accounting tricks that you can use accruals, inventories, and all of

these things allow you to present a healthier earnings report than is actually true.
And so right now we have the worst earning situation.
So the worst gap between what we are telling people versus what is actually in the bank account that we've had for 30 years since 1990.
And so it just brings into focus the fact that we may be in the last few innings of trying to make sure this all looks okay, in which case one faction of the investing world who thinks that this earnings recession is actually at hand would be kind of right.
And then what they would say is that once we all realize that these earnings are fake and you reset down 15%, that's where you get to the mid 3000 in the S&P 500 right now it's around 4000.
I don't know if that's true or not, but there's more and more evidence that would support that the way that they see the world could be credible.
The other side says, hey, listen, this is a bump in the road.
We're getting a handle on things and it's stabilizing.
So even though it's higher than we'd like, it's not going to change that much.
So now just think about 10, 15 years from now and let's go.
And those are the folks that want to rip the money into growth stocks and tech stocks again.
How does the consumer play into all this record low unemployment, like it's 1% in Utah, 3.5% for the country, 2.5 jobs for every American who's unemployed.
And then these rents coming down, but consumers have seemed to have burned off all that extra money they had.
So Brad, when you look at the consumer driven economy that the world lives in.
That's not true because you have to understand stimulus is still entering the economy.
It's just harder to measure.
So for example, take social security.
You have cost of living adjustments in social security that's lifting payments by 10 and 15% because it's backdated for what was going on last year.
And remember last year, we had 2, 3, 4, 5% inflation rates.
So there is more and more money coming into people's pockets that we don't realize.
And we're all on the hook for that as US taxpayers.

So I think it's very dangerous to kind of look at one data point and try to pick off what's happening in consumer land because there's all kinds of hidden ways in which money gets back to people.
Brad, you have thoughts on the consumer because, you know, eye test, it does seem like consumers are still spending money, but the cost of goods in some cases is coming down.
I mean, how do you look at the consumer and try to make sense of what's going on here because it does seem the United States is in its own little bubble here world of just over employment.
Still, even though we're seeing these layoffs in 10.
Well, I would say, number one, the pop we've seen in rates which impacts consumers by way of higher mortgages, higher variable expenses on their credit cards was offset over the last few months by lower energy costs.
So their cost of gasoline went down.
Add in the things that Chimath's talking about.
And I'm not sure you took a lot of money out of people's pockets.
I would say this, that again, what we're talking about here, retail sales have continued to do really well.
E-commerce sales in January were quite strong.
That would all be consistent with the soft landing.
But here we are, you know, again, talking about macro.
I think when you spend this much time talking about macro, doing what we do, you know, like last year,
I'll be the first to raise my hand and say, you know,
like our friend Bill Gurley would say,
it leads you in the wrong direction.
The fact of the matter is it's totally unknown and unknowable where we're going to go over the course of the next three or four months.
I think there's a better ability to predict maybe over the course of the next couple of years.
But the fact is, if you would have told any,
I was just with a bunch of investors who probably represent a trillion dollars of public market demand, ten or so long only investors, if you would have told any of them that the tenure was going to be at three, nine, six,
they would have told you that the NASDAQ would be down ten percent to start the year, and it did just the opposite.
So I think you got, you know, you have a bunch better chance,
particularly if you're playing at home, right,
than trying to guess the direction of that.

Find five companies that you think are going to grow
and earn more money irrespective of the direction of rates
and inflation, own those, and enjoy your life.
I'm looking at the world and going, Saks, my Lord,
I'm seeing great founders, great companies,
and five to ten million dollar valuations,
and I can buy five, ten, fifteen percent of these companies.
This feels like the best it's been for me as an angel,
investor, seed investor, seed fund for a long time.
This is fantastic.
Great deal flow.
The deals are taking six weeks to close.
We're having very thoughtful discussions.
People are taking a real focused approach to how they
deploy the capital.
It is not YOLO.
People are building models again.
People are showing their CAC.
They're being thoughtful about how they spend the money.
They're being thoughtful about salaries and hiring.
So what's your, you seem to think that, you know,
what we're seeing here is challenging or a problem.
What are your thoughts on how it's affecting your day-to-day
business as somebody who is a company builder?
Well, let's separate two things.
So there's the tech ecosystem and then there's the economy
as a whole.
The fact of the matter is that tech already had its bubble
in 2021.
It had its crash in 2022.
And now we're largely on the other side of that.
There's still a lot of companies like we talked about.
They're going to need to restructure who raised during
the bubble and may not have come to grips with that.
But if you're talking about new investment, new rounds,
new companies are starting with a clean sheet of paper
and a blank slate, you're right.
Things seem good and normal, right?
People are making intelligent investments.
And obviously the innovation cycle doesn't have anything
to do with the macro picture.
I mean, technology wants to evolve and it's great
engineers and product people who drive those ideas forward

and they're not thinking about interest rates.
I never thought about the Fed funds rate at all when I was a founder running companies.
So let's just put that aside and acknowledge that great innovation is going to keep happening no matter what the macro picture looks like.
That being said, I mean, just for the listeners of the show who aren't startup founders, I tend to be a little bit gloomy about the macro picture right now.
Because yeah, it's true that what Brad said that we've had good economies with 5% rates before, but I think you also have to look at the pace of change or the rate at which the Fed funds rate has been going up.
And if you look at the chart of rate increases, it is a very steep chart of rate increases.
And I just think that for the last decade or so, we've been operating in this like zero interest rate or reserve environment with lots of monetary stimulus.
And I think a lot of companies, a lot of parts of the economy got addicted to that stimulus.
They got hooked on drugs.
Now all of a sudden you're putting them through withdrawal very, very quickly.
And obviously the withdrawal pains are going to be worse if you can't taper off slowly.
So it looked like just a few weeks ago that the Fed was done raising rates.
Now we know that they're not.
We don't really know when they're going to stop.
So I tend to be a little bit gloomy with respect to the big macro picture because I just don't see how you can change rates this fast.
And I mean, you look at like real estate, for example, we just saw the first year over year decrease in the housing market in a while.
And again, that's all driven by rates.
The cost of mortgages going up.
And two big defaults and the first two big defaults.
Yeah.
So I think that there's going to be some pain ahead.
Now, you know, ironically from the standpoint of the tech ecosystem, we may have already taken our medicine and we may already be on the other side of it.

Actually, that is a good way to look at it as we took the medicine.
It's painful and you can do it, Jason.
Maybe that's the segue to talking about Benioff.
I would say we haven't took it, we're taking it.
We're starting to take our medicine.
Well, it makes sense that Benioff with his, you know, very loving family kind of approach to running the company might actually, it might take him a little while to become a big cutthroat.
So as everybody knows, Benioff and Salesforce have had a lot of turnover.
A lot of senior executives have left voluntary or involuntary.
But shares were up 11% on Thursday after reporting their Q4 earnings.
They're up 14% year-over-year, small net loss, but the company bought back $2.3 billion worth of its stock.
We're going to see more of that for sure.
And they're going to be increasing its share buyback program to $20 billion going forward.
And like Meta, which suddenly got fit and got religion, Benioff is now basically with all these activists, I guess, on his ass.
He says, and this is the quote from the earnings call, we're more closely scrutinizing every dollar of investment and resource and very focused on driving operational excellence and automation across our business, focusing on 4K errors, short-term long-term, expense for structuring, employee productivity, there it is, product innovation and building relationships with shareholders.
Profitability is truly our number one strategy and that's my number one strategy.
That's the number one thing we talked about at the start of every meeting we have in this company, quite a turnaround.
Your thoughts, Brad.
I don't think the story is that Benioff made these cuts and that activists are around the rim.
What was significant was his comments that he made.
And I tweeted about it today.
He said, every CEO in Silicon Valley has looked at what Elon Musk has done and asked themselves, do they need to unleash their own Elon within them?
And you know, listen, we've been talking about this for

nine months.
The reality is, if you look at the employee count at Salesforce, in 2015, they had 19,000 employees.
As of last year, they had 80,000.
In seven years, they forexed the number of employees.
They were a mature company by 2015.
Their employees cagored at 23%.
You know, we don't talk about it in this way, but these large companies, these employee bases, they're not unions, but they may as well be.
Why would they be unions?
I just think there's, there is, during this age of excess, where it was just easy for people to hire more people and build more things, not to make tough choices, etc.
Right.
We just had an explosion like we've never seen in Silicon Valley, in the number of employees in these businesses.
Meta went from 10,000 to 85,000.
Google went to 185,000.
And at those levels, it's very difficult to govern them.
And when the CEOs went to make decisions in the businesses, there would be protest revolts within the business.
30 or 40,000 people would sign petitions even say, no, we're not coming back to the office.
No, we're not going to work three days a week.
No, you can't name our AI bot what you want to name it because it offends us.
And so to me, what's more significant is over the last six months, we've seen courage gain momentum in Silicon Valley, right?
What's deeply underappreciated about Meta and the changes they made, it would be one thing if it was just window dressing, we cut 10% of the workforce, kind of tighten our belt a little bit.
But Zuckerberg got on his call and he said, we only have two priorities in 2023.
One is efficiency.
And he went into depth about once they started cutting people, how the company got faster, the product release cycle sped up, the employees got happier.
And now it's an end in itself to de-layer the business.
That's what we're hearing out of Benioff as well.
And I think people can quibble with how Elon went about

the change which you and David are very familiar with at
Twitter, but the reality is he lit a fuse in Silicon Valley
that is giving courage, whether it's private companies,
Series B companies, pre-IPO companies, public companies.
I've had that conversation more times than you can imagine
over the course of the last six months.
And I think it's a really important change because I
think it breathes new productivity into all these
businesses and importantly, it unleashes these engineers
back into the ecosystem to start the next wave of companies.
Yeah, Jason, I mean, you and I got to tag along with Elon
during that transition phase at Twitter.
And the thing that I took away from it was just how much
agency CEOs have that they're not using.
I mean, Elon went in there and he basically changed
whatever he saw that he didn't like.
I mean, unsentimental and quickly and you know,
and so you look at all these other companies,
you talk to CEO sometimes and they act like they're
prisoners of their companies.
Like, I can't change this.
I can't change that.
Yeah, it's like, you know, I've got all these employees
and all these layers and but I can't, you know,
there's always some reason I'm afraid of the bad PR or,
you know, whatever it is.
And I, you know, the thing I came away realizing is just
how much agency particularly founder CEOs have that
they just don't use.
You know, they're always like hemming and hawing
and wringing their hands and acting like they're tied
down by this or that.
And the reality is they can do whatever they want just
about, you know, with it and the bounds of what's,
what's legal and, and I think they're starting to realize,
oh, wait a second, like I actually can do that.
You know, I can walk into my company one day and if there's
a team that's not performing, that's giving me answers
that don't make any sense.
I can start over.
I'm just going to start over.
Yeah, I mean, if you can't get it done, then we need to
have somebody who can do it and it's, it's incredible.

Like if we were doing an analysis on this week
and startups of the, you know, employees per company
and the revenue per employee per headcount and I got
roasted for having this, even having this conversation.
And now here we are, Chamath.
People are looking at efficiency.
We're looking at, you know, really how efficient
can these companies be run?
Is there a limit to where this is going?
And, and if we were to look at this as a process,
where are the fangs, the Amazons, the Googles,
Facebooks, where are they at in terms of percentage
to being at Elon?
If you, if you were to put Twitter and Elon as the,
the goal, where are these companies?
And I don't know that that is the goal.
Maybe, maybe he's cut too much.
Who knows, we'll find out.
I think it's a, it's a, it's a pretty radical experiment.
Experiment he's doing there.
Yeah.
I don't think that's a reasonable or an achievable goal
for a public company.
I mean, I think the thing we have to keep in mind is
Elon's also capable of doing that because he paid
$44 billion of his own money to buy something that
he owns outright that no longer has revenue pressure
to outside stakeholders.
Different circumstance.
Revenue went down 70% at Twitter.
Well, that only affects him and his ability to pay
whatever he borrowed in order to buy that company.
And as long as he's willing to fund that somehow,
he's literally allowed to do whatever he wants.
That's no longer the case when you're borrowing money
from other people to build your business,
which is what every other capital market participant
does, public market participant does and private
market participant.
So I think that that distinction is just a little
bit important because it probably means that there is
a shadow of what Elon is doing.
That's probably the threshold of what's possible.

And it's probably sort of 50% headcount reduction.
That's probably the, the bound in which things break.
Because I think the thing to keep in mind is that
over time, this stuff is like collagen in the body.
It just like, it creates these interconnected webs
of just very difficult stuff that you sin you
that you cannot tease apart.
Blockages.
So even if you tried to go in and cut 50% of a company
like Facebook or Google or Microsoft or Apple or
Amazon, it would be so difficult because all of a
sudden the coordination that happens at that scale,
I think would get lost.
So I'm not sure if it's possible.
You kind of have to do what they're doing,
which is cut 5%, then cut 10%, then cut 5%, then cut
5%.
And I know it frustrates people on the outside looking
in, but I think it's the, it's probably the only way
it can be done without torpedoing the company.
What does that do on a culture basis then?
Because that is the big critique.
Hey, you're creating now this culture of fear.
I guess the opposite of that is you're creating a culture
of performance and expectation.
So how do you think about it on a culture basis?
Cause that keeps coming up from founders to David's point.
It depends because I think companies when they're
smaller, I mean, I can tell you when I was a part of
the Facebook senior management team, we would rank
all the employees.
So we had a very good sense of who was the best and
the most performant all the way down to who was not.
And we were able to do that probably up to 2,000 or
3,000 employees.
That's not possible at 50,000 and nor is it fair.
So because you don't know who these folks are, the real
contributors are, you have to do what Elon did, which is
literally go person to person and say who is unbelievably
performant or critical.
Yeah.
In the absence of doing that, you just don't know who
to let go.

And so you have no choice except to bleed down the
question that I have.
And Brad, maybe there's a smart analyst on your team
that can do it is, right?
And it's more of a statement as well.
Can you imagine the totality of stock based comp that's
been given out by all these companies since 2015 when
they were cagoring their employee basis by 25% a year?
I bet you it's a trillion and a half dollars at least.
You think it's that you think it's in that order
managing?
100%.
This has been the greatest grift in the history of
Silicon Valley for sure.
Let's pause for a second.
Can you explain what we're talking about here?
Stock based compensation obviously is the stock given
to employees.
It's generally not counted.
Well, let's do it in the accounting, right?
Let's do it this way.
Let's just say that you believe in capitalism, okay?
Yep.
So if you believe in capitalism, let's say the four
of us start a company and there's a dollar of profit
and we each own 25% of the company.
Got it.
Normally what you would say is each of us get 25 cents,
right?
Reasonable.
We own 25% each.
There's a dollar of profit.
We each have 20.
So that means that in four years, right?
We each will have made a dollar because so let's just
say it costs a dollar to get off the ground or four
dollars to get off the ground.
All in summit budget, believe.
We all would have been made whole.
We all would feel great.
And then now every year afterwards that 25 cents
we get is profit.
Now let's say that Jason, you add a fifth person and Brad

and David and I can't say anything about it.
Okay.
And that fifth person now gets a fifth of it, right?
And so now all of a sudden our 25 cents goes down to 20 cents.
Then let's say you add five more people.
Now all of a sudden our 25 cents went to 20 and then it went to 10.
And at some point Brad and David and I raise our hand and say, Hey, this is not the deal we signed up for.
And you say, well, too bad because revenue would not be what it is and profits would not be what it is without these extra six people.
And that's effectively what everybody debates when they own a stock.
The shareholders want that number to be as small as possible.
And I think what Brad is observing is that in Silicon Valley, what has happened is there's been poor accountability for what all of those extra people do and profits haven't written risen fast enough to make the existing three people on the cap table feel okay about it.
And that instead of talking about three people and six and a dollar, you're talking about trillions of dollars and hundreds of thousands of extra shareholders, millions of extra shareholders.
And now we have some charts here so we can do some fun with numbers.
I think taking a step back, I think it's very important to realize that stock as a form of compensation to create alignment, excitement in the early stage of venture capital is part of the true magic of Silicon Valley.
You know, you're starting a company, you ask somebody to go on this adventure, take a bunch of risk.
They often have to cut their pay.
They could get it Google by half to join your adventure.
It's only fair that you give them stock in the company and they share in the ups.
And if the company smokes it, they get rich for taking that incremental risk on their behalf and on their family's behalf.
What's happened over the last 15 years is something

totally different, which is this stock as a form of
early stage compensation, right, continued.
And there's a feature in Silicon Valley as companies
came public, one way to kind of hide an expense in a
business is to bury it in SBC.
So let's say Google wanted to hire somebody for $4 million,
which they're doing today in AI.
But instead of paying them $4 million in cash, which would
all count against their operating profit, they give
them $500,000 in cash and $3.5 million in stock.
And let's say they make all that stock best of all
immediately, Jason, in this year.
It's obvious to you and I, that's just cash.
The person turns around and sells it.
It's a real expense of the business, real expense
of the shareholders, but when they report their earnings
and they report adjusted EBITDA, they adjust out the
$3.5 million that they gave by way of SBC.
Why did stock-based comp SBC get excluded from accounting?
What is the history of that?
And is that going to change now?
Are people going to say, and shareholders demand in this
new economy and this new, you know, sort of reality,
hey, you know what, you can't play fun with numbers
here, stock-based comp has to come out.
What would you like to see, Brad?
It's fairly esoteric, but they're back in the mid-2000s,
2004, 2005, there was an accounting.
There was a big debate about this.
Warren Buffett was famously saying, listen, it doesn't
matter whether you pay in stock, whether you pay in cash,
whether you pay in cans of beers, like it all cost the same.
He's right.
And so there was a debate.
We had a statement, an accounting statement, FASB-123.
And in that statement, it said gap EBITDA must include the
cost of stock-based compensation.
So all of a sudden, if I'm reporting gap EBITDA, I got
to include the cost of stock comp, which it does today.
But what did everybody do?
But what happened?
They started adjusting it out, right?
Because they said, hey, this isn't real expense, right?

Because we're not, it's not cash, we're giving out the door.
What did they call it?
Did they come up with a term for this adjustment?
No, they just called it adjusted EBITDA.
And the crime, the crime here is that when rates fell to zero and everybody was making money on tech stocks, nobody wanted to rock this boat.
And everybody just said, you know, like adjusted EBITDA, kind of ignored, I can model it into my future dilution.
So we model a share count over the course of the next three years, but this literally over the last five years went parabolic because I just shared with you the number of employees exploded.
The amount of share-based compensation exploded.
Because of competition for those employees?
Coinbase, I think, just reported SBC, which hold your hat, Sachs, was 70% of revenue, not 70% of their earnings, 70% of their revenue.
Just for Coinbase, we're talking about here?
That's for Coinbase.
And so, you know, last week there was something that I thought was pretty brave, booking.com on their earnings call, really called this out.
And what they said is, listen, we've been playing by the rules.
We understand that stock-based comp is cash.
And they say every metric we report includes the impact of stock-based compensation.
And if you look over the last 15 years, if I'm an owner of booking.com, I was only diluted by about 5%.
If I was an owner of Salesforce or Expedia, I was diluted by about 25%.
That's 25% of my ups were given away, right?
But yet those things were adjusted out when they reported earnings.
And so, you know, what's become invoked today is CFOs get on their calls and they say, no, no, no, no, don't worry.
We're going to buy back a lot of shares.
So we won't have much dilution.
Okay.
But if you take my 2 billion of profits that Chumat just talked about and it goes right out the door just to buy back the shares you just issued, you're effectively round-tripping that money, then it just proves the point.

It's cash.
It's an expense to shareholders.
And my biggest problem with it is, it's led to the bloat
because if companies actually had to account for this as cash,
right, as opposed to being able to do it, they wouldn't hire
as many people.
They wouldn't pay as much in stock comp.
And I'll end with this because I want to end with the solution.
Every comp committee on every board, frankly, their heads spin
when you start talking about this subject.
They bring in a comp consultant.
And the comp consultant is really the CYA for the comp committee
because they want to approve a comp plan that's been recommended
by the management team.
And they just want to know, is this what everybody else is doing?
Okay.
So everybody's doing it.
So the comp consultant looks around and says, yeah, all
your peers are doing this.
This is why Charlie Munger said, I'd rather throw a pit viper
down the front of my shirt than hire a comp consultant, right?
What is going on on these comp committees?
If you give bonuses to anybody in your business that is based
on an adjusted EBITDA metric, rather than free cash flow
per share, per share is the key here, it's negligence.
It's negligence.
So if comp committees just walk in and they say the gold standard
as a public company is 50 basis points, annual dilution.
That's Apple.
That's booking.com, Visa, MasterCard, or even below that.
That's the gold standard once you're in the public market.
And we will never incentivize our employees on the basis
of anything that excludes stock.com.
And it has to be on a per share basis.
That would be a massive leap forward for public company
accounts.
Seems reasonable.
Anybody have any other thoughts on that?
Stockbase.com?
No.
All right.
Sacks, where do you want to go?
You want to go Fox?

I'm going to do Fox.
Yes, do Fox.
I mean, Fox is kind of crazy.
OK, so Rupert Murdoch had been deposed here with this Dominion Voting System lawsuit.
They're suing Fox for 1.6 billion in damages over claims made on air that we all know around technology enabled election fraud.
We remember this wild period at the end of the last election cycle with this incredibly false claim that the election was stolen, something both sides of the aisle said did not happen.
However, it seems that the hosts on Fox knew it wasn't happening, knew it wasn't true, but were engaging in entertainment of allowing these people to come on air and say the election was stolen.
So Murdoch said, I would have liked us to be stronger in denouncing it in hindsight.
And when asked if he could have stopped the host from highlighting these false allegations on air that were obvious to everybody.
He said I could have, but it didn't.
He said the truth.
He's not allowed to lie in court.
Yeah.
Just on air, but not in court.
I mean, it's actually to be fair, like you really care about freedom of speech.
You really care about the libel laws.
You really care about the GOP.
Obviously, you bring it up every week here.
So when you looked at and but you were very clear, you were not happy about the election denial, all that like false claims that Trump made and these insane people he put around himself.
So how do you look at these foxhose and listen, you've been on Tucker and all the things knowingly spreading lies about something as important as the election and then doing it in the most cynical ways.
We, we sit here and every week we roast the media, the mainstream media.
You particularly go after the Dems and the left and the media elites.

How do you feel about these media elites who are part of the GOP machine lying incessantly about something as important as the election integrity of the United States of America?
First of all, you're trying to tee this up as some giant dunk on me, Jay Cal.
No, I'm not.
No, I'm not.
You said from the beginning.
I need to remind the audience.
You didn't believe in this.
Exactly.
Let's go back to November of 2020 on this show because there may be a lot of parts of the audience that weren't watching back then.
I was really clear that I said Sidney Powell and 100% and Rudy Giuliani.
I thought they were wackos and this whole idea that the Dominion voting machines had somehow been rigged and somehow it involved Hugo Chavez was a wild conspiracy theory.
So I said at the time, 100% that I also said that I thought that once the Supreme Court denied certiori to Trump, I said that he had his right to have his day in court and to challenge the election in court.
But once that the court throughout his claims and the Supreme Court denied certiori that that whole thing needed to stop and it didn't stop.
And that's why the Republicans lost that Purdue runoff seat in Georgia on January 5th and you had January 6th.
So, you know, I've been warning against this for a long time, Jake.
Now, with respect to to Fox, I think you need to basically get a little bit more nuanced in what you're saying there because I think within Fox, there were actually two groups of hosts.
So there is one group of hosts that I think you could say were Trump loyalists and they basically not only platformed the Sidney Powell lies, but also endorsed them and Rupert Murdoch admitted that they went too far and actually endorsed.
And so you had Hannity and a couple other hosts do that even though Hannity had some text messages that indicated

he didn't believe it.
So I think he came across the worst.
However, there were within Fox skeptics of the Sidney Powell theory.
And so I'd put Tucker Carlson in that camp.
I put Laurie Ingram in that camp and Tucker had Sidney Powell on his show on, I think it was November 19th.
I think this was 16 days after the election.
It was a 20 minute interview in which he grilled her and he kept coming back to what is your evidence?
What is your proof?
And if you were paying attention, he demolished her.
I mean, I remember that notable.
Yeah, exactly.
So I mean, honestly, no one looks great when all of your text messages come out and you can nitpick about this or that text, but the bottom line is I think Tucker did his job.
You know, yes, he platformed Sidney Powell, but he platformed her in order to dismantle her and you kind of have to be pretty dopey not to see that she was dismantled after the appearance of Tucker.
Should Fox be liable for knowingly platforming these people and endorsing them in some way or is it their freedom of speech in your mind as an attorney here or somebody with that, you know, legal degree, where does it stand?
Like put aside, if this was, if this was CNN doing it, MSNBC will switch what publication if this was the New York Times and they knowingly lied, knowingly platformed some coops with a conspiracy theory, what should the price they pay for and then how does that affect the freedom of speech that we all think I think universally on this podcast, especially and in Silicon Valley or at least we used to that freedom of speech is really important.
Do you have the freedom to lie and platform coops like this?
Let me answer you directly, Jason.
I think this would be a better world if Fox reliable, but I don't think they're going to be because that's not the legal standard.
I believe that if a television network knowingly spreads and endorses baseless accusations against somebody, which they know or should know is basically untrue, I think they should absolutely be liable for libel or defamation, but that

is not what the law requires.
Under New York Times versus Sullivan, you're required to show that that they knowingly spread misinformation, but in addition, you have to show that they had actual malice, which is that their intent was malicious.
And I think, you know, Rupert Murdoch is a widely old dog because he admitted on the stand everything, but the thing that was most important for the plaintiffs to prove, which is actual malice, he admitted that they platform things that they knew or should have known were false.
He admitted that he should have put a lid on it sooner.
He admitted that he knew it wasn't true, but he said the reason they did it is because they're afraid of their audience or a portion of their audience going to some rival network.
So basically what he said is in not so many words is that his motivation was greed.
And in our system of law, that is a complete defense against claims of defamation.
Now, I think what we need here is to rewrite the defamation laws.
I think the Supreme Court needs to overturn New York versus Sullivan.
Clarence Thomas is basically intimated that he would support that.
I think that would be a great thing to do.
I think actual malice should not be the requirement for libel.
I think if a television network or a publication puts out information, they know it's false.
They should absolutely be liable for it.
And that is enough to show.
And if we did that, by the way, it wouldn't just be Fox in this particular case.
It'd be CNN and MSNBC.
We have to completely revise their coverage and all of these tech reporters who do nothing but defame the tech industry.
The entire tech press just about is a slow moving defamation lawsuit.
Elon Musk would probably be the richest man in the world just based on all the defamation lawsuits he could bring if we were to overturn New York Times versus Sullivan.

The richest richer guy?
Yeah, because all they do is defame Elon Musk every week with claims that are ridiculous.
So, David, let's revise the whole thing.
Yeah, but hold on.
There you go, folks.
Very, very intellectually honest.
I like it.
David, so what you're saying is you expect the Dominion lawsuit to fail.
Can it be appealed all the way to the Supreme Court?
Can this be the case that rewrites New York versus Sullivan?
Good question.
That's a good question.
I'm not sure.
I mean, I think that'd be great if it did.
Just to be clear, listen, I think that if Fox were somehow found guilty, I think one and a half billion, there's a kind of a ridiculous amount of damages.
I don't think Dominion was damaged to one and a half billion, but do I think that it would be a good thing if this lawsuit were challenged all the way to the Supreme Court and they overruled New York Times versus Sullivan?
That'd be a great thing.
Let's fund the lawsuit.
I would fund that lawsuit.
But the next thing I want to do is sue MSNBC and CNN for all the nonsense they spread every night.
Just to be clear, I have a couple of things that I would want to go and get correct.
Clean up.
I just want to be clear here, though, Brad.
David's guy, Tucker, he did the right thing.
That's the most important part of the story, isn't it, David?
You're still a sucker for Tucker.
You're not being nuanced.
You want to throw Tucker into the bus.
I think Tucker did his job.
I think Tucker did his job.
Yeah, I think the guy who looks a little worse is Hannity because Hannity in the text admitted he didn't

believe the story, but as a Trump loyalist, he endorsed
the bullshit theory.
That's no good.
Brad, you come on the show every couple of episodes and
pitch in here as our fifth Beatle.
Would you like to touch the third rail?
What are your thoughts and would you like to get some
incoming email from all your LPs about your position on
Fox News and Trump?
I mean, I think that's a million.
I mean, I just feel like I sat through the University of
Chicago Law School class.
It was awesome.
And I think we have some good issues here.
We still got to tick off on J-Cal.
Yes, okay.
Well, we got to talk just for a second about China as it
relates to TikTok.
Okay.
All right, here we go.
This holly hearing that's coming up.
So we've got a hearing in Congress.
Let's start with you are a shareholder, a significant
shareholder in ByteDance, the parent company of TikTok.
We have to say that in front, correct, correct, correct.
And you, you, you started that position.
And my kids use TikTok and my kids use Reels and everybody
you and I have had a spirited debate on.
Yes, you're a shareholder.
Okay.
A Twitter about this.
So I, so I haven't interested.
You want me to see it up.
You want to see it up.
But hold on a second here.
Like, because just like Sacks had to defend himself before
he even got started.
Otherwise, you wonder my credibility.
I have to do the same thing.
I'm a much bigger shareholder of Metta who stands to do
incredibly well.
If TikTok in the U S is banned.
So you have a spread threat.

Wait, you win either way.
I've got a hedge on.
Good.
Okay.
You know, if TikTok in the U S gets banned, but you know,
the con the context here is the TikTok ban debate is heating
up, right?
And it's all in a march up to the Holly hearing.
I think it's on March 23rd.
And there's real, like we, we spent a lot of time at the
start of this pod on inflation.
And I think a much bigger issue right now.
I was just with all these investors.
The main issue on their mind was global decoupling between
China and the United States.
We're going to see a level of Chinese.
Hey, leveled out of out of Congress, both sides.
I mean, we heard it.
Jamath at dinner at your place not so long ago that this
hearing is drawing more demand for speakers from both sides
of the aisle than any such conference in a long time.
But there's a lot of, there's a lot of heat now around TikTok.
Should it be banned and when I, when I look at the situation,
if you frame it for bite dance, because Jamath talked about
this a couple of weeks ago, it's been reported bite dances
revenue is about $120 billion.
It's been reported.
Their profits are about $25 billion.
That is almost identical in size to Metta.
Metta is worth about 450 billion.
So 120 billion top line.
It's also been leaked that in that TikTok is about 14 billion
of that and that US TikTok is three to four billion.
US TikTok three to four billion of 120 and it loses money.
So there's a lot of debate.
Should we ban it?
Should we not ban it?
Is it going to go public and what do you think?
What do you want to happen as a shareholder?
Listen, I think it's a pan American.
I think this is a puppet debate over a much bigger
conversation that's going on.
One of the things I've urged the company to do over the course

of the last several years is parental controls.
My kids use TikTok.
They use reels.
And what I want is to be able to set effective time limits.
And I also want TikTok has incredible video content in math
in science and history.
I want to be able to set a slider and say 20% of the videos
that get shown over this one hour period have to include some
of these math and science videos for my 12 year old.
Then he can elect and not watch it all or watch it.
They announced those product changes yesterday.
So they're teeing up those product changes.
I don't happen to think there's a nefarious plot,
but I also understand that people might not want this.
And so like listen, I think we should have a debate.
I think that the CEO of TikTok should show up.
He should speak the truth at the Holly hearing.
And if the US Congress wants to ban TikTok in the US or force
to spin or a sale, I think we should do it and stop debating
it.
But the much larger conversation is whether we have a hard
or a soft decoupling with China.
And I think this is just canary in the colon.
All right.
So let me just tee up also and Chamathol get your reaction.
On Monday, the White House gave government agencies 30 days
to remove TikTok from all federal devices, all federal
agencies must delete TikTok from phones and systems
and prohibit internet traffic from reaching the company.
This is following moves by Canada and the EU and Taiwan.
And obviously, there is a bigger House committee focused
on China that held its first meeting this week.
So there is the bigger picture.
But let's start with the smaller picture.
Number one, Chamathol, do you think it's a security risk
to have a Chinese company have this kind of access
and influence with TikTok specifically?
And what do you think the remedy should be for that?
And then we'll get big picture and only get sacks involved
in this as well.
Should it be banned?
Should they have this kind of access to Americans
and influence?

Should it be banned?
No, because I believe in a free market.
Will it be banned?
Yes, because it's the most obvious cultural way
to pick a fight with China without actually picking
a fight with China.
So yeah, I think it's going to be the most obvious victim
of all of this.
And so I don't know, my advice to my friends
who are shareholders, not just Brad, but others, is sell.
Sell it, move on.
It's in the warm buffet, what warm buffet calls
the too hard bucket.
Sacks, do you think that this is a national security issue?
Do you personally believe TikTok should be banned?
Or do you, like me, believe that we should just
do a reciprocation test in order for TikTok to be allowed
here in the United States, then Twitter, Facebook, Metta,
Instagram, LinkedIn, et cetera, need to be allowed in China.
And you have this many days to reciprocate,
or else it's banned.
I do not think Chamath is right that TikTok is going
to be GPC roadkill.
And GPC stands for Great Power Competition.
You're going to start hearing that term more and more.
It's going to become the organizing principle
of American foreign policy.
And I just think that TikTok is all caught up in that.
And personally, I'd like to understand what it is exactly
that they're doing with TikTok.
And instead of just having these vague accusations,
I'd actually really like to understand the underlying
surveillance that they might be doing.
Yeah, so I'd like to know a lot more about that.
But in any event, I just think they're going to get caught
up in this, again, GPC.
That's going to be the dominant organizing principle
of our foreign policy.
I think that people are coming around to realizing
that it's China and not Russia.
That is the central global competitor and adversary
of the United States.
It's the only country in the world

that's a potential peer competitor to the US.
It's economy is roughly the same size of the US.
It's got four times the population.
It's the one that we really need to watch out for.
I think there's growing realization in Washington
that the Ukraine war is a little bit of a misdirect
and that we need to basically get back to doing
what we were doing before the war, which is pivoting to Asia.
And by the way, thinking about that just for a second,
I think, David, you're totally right
because the game theory now, to me,
makes a lot more sense in the framing of GPC.
So for example, if you think about what the CHIPS Act does,
the CHIPS Act basically says we are going to near shore
or on shore every capability we need
so that we can make and manufacture
all the critical semiconductors for all of our interests,
technological, business, military, et cetera.
But what is that really?
What that is is an option to not have to defend Taiwan.
And why is that important?
It's because today, if Taiwan were invaded by China,
we get pulled into a conflagration
that we don't know how it ends.
We don't know what the beginning middle of end of it looks like.
It's extremely dangerous and precarious.
So spend a couple trillion dollars,
create financial incentives,
build a bridge to Korea and to Japan
so that they bring on shore and into Mexico
all the capabilities we need with Western Europe
who are already our allies already along with Japan and Korea.
And now all of a sudden, we have complete optionality
and now we can deal with the greater Chinese hegemony
in a much more balanced way.
So I think the GPC framing is shared, by the way,
between the Democrats and the Republicans.
So this is why it's so much bigger than one single company.
That's why I think I think TikTok's roadkill.
Brad, if we frame it as a competition,
we're not framing it as a war.
We're in competition
and part of that is going to be this decoupling.

Is this decoupling helpful to America?
Is it helpful to humanity?
Is it better that we decouple a bit?
This interdependency maybe got a little too deep
as we saw during COVID with supply chains?
Well, I mean, in a great power struggle,
it is what the words imply, right?
So part of the reason you want to have trade with China
and part of the reason we don't want to have hard decoupling
is a longstanding theory that countries that trade together
are less likely to go to war.
So I think if you listen to what's coming out of this,
these select committee this week
that held its first hearing is on the extremes,
you hear people saying hard decoupling, right?
And in the middle, you have people saying,
listen, we need to define a circumference
around national security
and we need to decouple as to all things
that are within that circumference.
Now, I will tell you that the debate is about
how large is that circle?
So it starts off as, for example,
sophisticated computer chips out of Nvidia
so China can't compete with us in the AI arms race.
But it's quickly emerged into batteries, energy, food,
supply chains.
The circumference has now become almost as large
as the economy itself.
I would argue that it's not just the chips act,
it's also IRA,
which is another trillion dollars of funding
for basically on-shoring supply chains,
vital materials to build batteries, etc.
You know, so I think it's a very reasonable policy
by both parties to pursue.
It's clear that we're going to have some decoupling.
I think it's going to lead to an interesting question
on the part of China.
You know, she was out last week saying,
you know, I'm going to make a speech about peace with Russia.
You know, this is more David's territory,
but my hunch is that there may be,

you know, if China thinks it's going to be a hard decoupling
from an economic perspective,
this is bad for global economic growth.
This is bad for China's growth.
I don't think it's bad for growth.
I think it's bad for inflation.
Explain.
Well, because I think that we'll have many versions
of everything everywhere.
So we will...
Some more redundancy.
Yeah, more redundancy.
Higher prices.
We're going to rely on Central and South America
in a meaningfully bigger way.
And what that'll mean is that there'll be more jobs
in economic prosperity for those countries.
They'll feed the United States.
China will feed it less.
And as a result,
there'll be more inflation
because you won't have the cost advantages.
By the way, China is not just going to sit there
and take this lying down.
They've already punched back a few times.
So for example, in the middle of the summer,
China introduced a tariff
and slowing the export of certain materials
and technology to make solar wafers.
Now, why is that critical?
Well, again, talked about this before,
but we are going to take the marginal cost of energy
to zero in this country.
And the levelized cost of energy,
particularly via solar, is the cheapest it's ever been.
And so what China sees is,
oh my gosh, if the United States has abundant free energy,
now all of a sudden,
a huge component of what drives costs is gone.
So now the United States could partner
with El Salvador, Mexico, Honduras,
you know, Argentina, Brazil.
The Vietnam is happening here too, yeah.

No, but I'm just saying it's close by.
Yes, of course.
And if you can deliver zero cost energy
to those places now, the manufacturing capability
could exist there.
My point is, it's such a complicated chess piece.
So China is not taking any of this lying down,
but I think that what David's framing is totally accurate.
This is the beginning of a GPC
and it's an economic tit for tat
that we're going to play out.
We tax chips, they tax solar panels.
We go after TikTok just as a confusion maker, right?
Yeah, there's going to be a lot of follow-ups back and forth here.
I can tell you there's a very easy test
for if China sees TikTok as a strategic asset
and it's going to create more shareholder value, Brad.
If they were to spin it out
and make it a publicly traded American company
with American shareholder,
it would create more shareholder value for ByteDance.
Therefore, if they don't spin it out,
that means they're not acting in the interest
of shareholders and shareholder value.
They're acting in the interest of their national security.
Pretty clear reciprocation and collaboration
would be a much better model, I think,
for working with the Chinese
and hopefully we can find some things
that we can collaborate on.
Brad raised the Chinese peace proposal in Ukraine,
which I think is an interesting topic.
Can we, do you guys want to go there for a minute?
Sure.
Yeah, all right.
Can I take a shot explaining what the Chinese were doing?
I think it was a clever diplomatic maneuver
by the Chinese to try and grab the moral high ground here.
They're basically saying,
listen, we're interested in peace.
We're going to put forward a proposal.
The Americans fell into the trap
of basically dismissing it right away,

throwing cold water on it.
The U.S. State Department has done this twice before.
Remember, back in March of last year,
Naftali Bennett from Israel tried to negotiate a peace deal
and he himself said that it was the West,
the Americans who rejected it.
He thought it had a 50-50 chance of succeeding.
You then had the peace process in Istanbul, Turkey,
with Erdogan presiding over it.
You had the Istanbul communique, which again,
they were very close to having a peace deal
and Blinken in the U.S.
threw cold water on it.
So what's happening here is that the U.S.
is not playing its traditional role as peacemaker,
where we try to go in and mediate these conflicts.
We're doing the opposite of that.
We're throwing cold water in the peace process.
Now, why are we not acting as the mediator?
I'll tell you why, because we are a co-belligerent.
This is an American proxy war that we're fighting against Russia.
So we have no interest in mediating a peace process.
And moreover, we're not trusted to mediate a peace process
because we're effectively one of the combatants.
So it's a PR strategy by Xi Jinping
to take the global moral high ground.
I agree with that.
I said it on Twitter a couple of weeks ago.
Like, this is amazing that he's starting the peace process.
We want regime change.
We want a deplete and we want to ankle Putin.
They want to keep him in the game.
The more death spots there are, the worse,
the better it is for them.
They would like to keep the legion of doom going.
They don't want to see regime change in democracy in Russia eventually.
I don't think that's how they do it.
Listen, J.Kal, J.Kal is very close to getting it,
but here's where I would disagree with you a little bit.
Getting what?
Let me explain.
Okay.
Go ahead.

So from the Chinese point of view,
the war in Ukraine is like mana from heaven.
Have we kissed in the room?
They love this war.
Number one, okay,
because it's interfering with the U.S.'s pivot to Asia.
We were basically in the process of redeploying all of our force,
all of our military to containing them in East Asia.
And now we're bogged down in Europe.
Okay.
So that's number one.
Number two, we are massively depleting our stockpiles of weapons.
We've used something like nine years of stingers and five years of javelins
and we're running out of ammunition.
I can't believe it, but we're running out of artillery.
The Russians actually have a six to one artillery advantage,
which is why they're actually doing much better in this war
than people are acknowledging.
We should come back to that.
The last thing is that the Chinese now are benefiting
from the economic sanctions on Russia
because Russia is now selling them oil and gas and all of their minerals
at a big discount.
A subsidy.
So it's been,
this has been a wonderful thing from the Chinese standpoint.
So this is the problem with us thinking in this marvelous movie way of the world
in which we're the super friends
and we're against the legion of doom.
Okay.
Is because there is no natural alliance in the real world
between China, Russia and Iran.
These are three very different regimes with different types of governments
who naturally would not get along.
They would be adversaries.
Naturally, they'd be suspicious of each other
as China and Russia were during the Cold War.
But we have pushed them closer together.
This is the problem with having this overly moralistic view of foreign policy.
Over to you, Jason.
What do you think?
Is there a question?
Is there a question?

What's your question?
Yeah.
I mean, you frame it as the legion of doom.
So just explain.
Well, it's the axis of evil.
The, the, the 50% of the, hold on.
No, no, no, wait, hold on.
I'll finish my sentence.
Lex Luthor and Brainiac would not be working together
if it weren't for us declaring a war on both of them at the same time.
Actually, Pakistan, Iran and China work together on nuclear technology.
So they do, when it's convenient for them, work on things like nuclear bombs.
So there is an affiliation, but you're correct.
They're, they're, they're the 50% of the planet of humans on this planet
who live under authoritarians.
And so they, they're authoritarians.
They're always going to think in their own interests.
They're always going to think in their own interest above their own peoples,
let alone the people of another country.
They don't care.
They don't care about human rights.
They don't care about the rights of humans.
And then certainly don't care about the rights of humans in another country.
And the West is on a noble mission to spread democracy in the world.
And that is a noble thing worth fighting for and is worth defending free
countries from death spots.
I know that you are a fan of these folks, sacks apparently, and you think
they should be able to run amok.
I will take the other side of it.
I think the West should act in unison.
The only criticism I have is that we're not acting in unison.
I would like to see the West, instead of sending Biden to Ukraine.
Hold on, where do I say, hold on, I like to have 20 of them.
You talked enough.
You just accused me of somehow being fans of these people.
Where did I ever say that I was a fan of Xi and China or Putin or the Ayatollahs
in Iran?
Hold on.
You said we provoked Putin.
Putin invaded another country.
Hold on.
You said we caused it.
I said hold on a second.

Hold on a second.
I am arguing for a geopolitical strategy that benefits the United States.
I'm on Team America.
And your policy of driving these people into an axis of evil is foolish
for the reason I said, which is we are going to power up the Chinese economy.
So they are a much more formidable enemy to the United States.
That is the last thing we need to do.
Now, with respect to, hold on a second.
Let me finish.
You had a chance with respect to Ukraine and Putin there.
There's no question that Putin invaded.
Okay.
He is the aggressor.
However, the question you have to ask is why and the fact of the matter is that
first of all, we fomented a coup in Ukraine in 2014.
This is your democracy spreading that you like.
Is all of a sudden we got these NGOs and we got Victoria Nuland from the
State Department in there, basically fomenting these coups.
It doesn't work out quite the way you think, Jay Cal.
That's problem number one.
Okay.
Then we try to run NATO right up to Russia's border.
Okay.
And you expect them just to accept that because we're a benevolent superpower.
That's not the way the real world works.
Putin was tremendously threatened by that and it wasn't just him.
It was all Russian elites.
Read the Bill Burns member from 2008 yet means that he explains that even the
liberal elements within Russia were tremendously threatened by NATO expansion.
That is what basically poisoned diplomatic relations between the United States and
Russia and it was a major cause of this war.
Now, listen, just because you don't think it's provocative doesn't mean that the
Russians don't think it's provocative.
You have to be able to put yourself in the other guy's shoes for just one second.
And the fact of the matter is there were diplomatic steps that we could have taken
to defuse this crisis in this war and we didn't do it.
And now look what's happened.
Hundreds of thousands of people have been killed and Ukraine's been destroyed.
It's been absolutely destroyed.
And let me tell you right now, it looks like they're losing this war.
So I don't see where your superhero policy has gotten us except to make China richer
and more powerful and to destroy Ukraine.
That is where your naive idealism has gotten us.

Yeah, and I would say if you have left to your devices and you're not engaging and not presenting a United Front against Putin, he will invade country after country.
The West must fight for democracy.
We must fight for human rights, even if it's uncomfortable.
And you seem to think we provoked him to invade this country.
He's a murdering dictator authoritarian who has been murdering his own people and other people for his entire career and he will continue to do so.
Let me clarify because you're putting words in my mouth.
Okay.
When you say that I think that we, what I believe, what I believe is that we took actions that in Russian eyes were provocative.
Yeah.
I'm saying that from their subjective point of view, they saw these actions as provocative.
They said so.
Listen, the Russian, which is what I said, we provoked it is your position.
No.
I just explained this.
Not the words I would use.
Hold on.
His position is that in their eyes, they were Jason.
All right, we are the provokers.
Listen, they're talking about, and no, why, you're like, what you're doing right now is like dishonest.
I just explained the language that I would use.
Yes.
Yes.
We provoked them.
We took actions that in Russian eyes were provocative.
There's a difference.
Yes.
Provocative, provoked.
Yes.
The act of provoking them.
Stop lying.
Okay.
It's going to be too much.
Okay.
Let's move on.
We're not, we're never going to agree on this sacks.
Okay.
The thing is that nobody on this podcast is an expert on foreign policy.
Sacks is not Henry Kissinger.
You know, I'm not Obama.

So take whatever we say.
Hold on a second, Jake.
The last week's show, you had come around to my point of view.
You said this war was a mistake.
Which one?
On the very last show, you said it was a disaster.
And now you're, you're basically.
No, no, no.
Hold it.
Now you're putting words in my mouth.
You're backsliding.
Hold on.
You're backsliding right back to your legion of doom.
No, no.
No.
I believe the West should present a united front and we should hold the line with Russia invading other countries.
That's my belief.
I do not think we should be doing this solo.
I think we should not be sending Biden.
We should be sending 15 leaders of countries to Ukraine.
We should be sending people in and we should be doing a peace process.
And I think the military industrial complex largely driven by the GOP is what's at fault here.
They want to use these weapons.
They want to replenish the supply and they want to regime change.
I don't think we should be going for regime change.
I think we should be building bridges.
So my point is, my point is a little more subtle.
You're doing it right there.
You're basically engaging in this ridiculous rhetoric that we've seen in the media, which is that if you simply want a more realistic American strategy, because you believe it benefits America, that you're automatically accused of somehow being a Putin sympathizer.
No, you're doing what the mainstream media has done.
No, I'm not.
I just said to you, it should be the entire West as a group, as a bloc negotiating with Putin and negotiations.
What do you think?
What do you think, Jason?
I think it's fine for Xi Jinping to be part of that.
I welcome Xi Jinping, Germany and the United States and France and the UK all getting together and trying to get these two parties to settle.
What do you think we're doing?

What do you think we're doing right or wrong with China right now?
Right or wrong with China?
What do you think we're doing right and wrong or right wrong?
I think we should be in discussions with them consistently.
I don't believe we should be isolating them.
I think we should be looking for areas we can collaborate on, the environment, technology.
You agree with the CHIPS Act.
You agree with basically on-shoring and near-shoring all the critical infrastructure we need.
I think we should not be dependent on any foreign, we should have energy security.
We should have medical technologies.
Of course, yes.
But I think every country should.
I think China should have that.
We should have it.
Every country should aspire to be resilient and not be dependent on another country and being dependent on a dictator like Germany was on Putin or we were with China for medicines or for medical equipment or CHIPS, we do not want to be in that position ever.
Let me ask one question.
Just on Ukraine, just for a second, Jake, would you be willing, in order to achieve a peace deal for Ukraine, would you be willing to agree to two things?
Number one, that Ukraine would be a neutral country instead of part of NATO, and number two, that we would recognize Crimea being part of Russia.
Would you be willing to give those two things?
I think that's not up to me.
I think it's up to the people of Ukraine and Russia to sort this out and it's up for the West to set the table for them to do it and part of setting the table for them to do it is to make it more painful for them to stay at this war.
So if they are told, if you keep fighting over these things and you don't come to a resolution between those two parties who have to live with that resolution, that is the uncomfortable thing that will force them and that could be China, us and India all working together, all of us working together to force those two parties into a solution that works for them.
We have Brad for 10 minutes.
I want to move on.
I want you guys to tweet about Harvard students and I want you guys to react to Draymond's comments because they're just fucking incredible.
I don't know if you guys saw this, but isn't that unbelievable?
It says there was a study at Harvard that found that 43% of white students there are legacy athletes or related to donors or staff.
That's unbelievable.
Is that public knowledge or is that like kind of leaked information?
I wonder.
I don't know who Dolores Handy, I don't know who that is.

Maybe we could click on who the source of that is.
Legacy's got to go, right?
That concept, should that just go away?
Yeah, I mean.
Is there a valid reason to have legacy?
Is there a valid reason to have legacy?
It feels unfair.
It feels un-American that these important institutions give preference to people who are stupider and achieve less if this is an achievement-based system.
It just feels unfair.
Yeah.
I mean, well, we know that the first class had 0%.
So we know what the trend line looks like.
Yeah.
So at some point, we're approaching 100%.
I think we're just debating what you are.
I don't know.
Just an open question, right?
One of the things I would like to see, Chamath, is what's the relative performance 10 years after graduation between the legacies and the kids who had to fucking scratch and fight to get into the place?
Oh, my God.
Yeah.
I mean, I think we know the answer.
Well, you would think they would be higher performers, the latter group, but you would also think that if legacy got you into Harvard, then the legacy and your career is just going to get you into other things, right?
You'll have the end in other places.
They're the ones who are miserable and walking around rich and haven't achieved anything.
Yeah.
Listen, Sacks didn't get into Stanford based on his dad's buying a building, right?
Well, that's for sure.
Okay.
So here is a video from Dreamong Green.
What I do want to go back to is Black History Month.
This is actually the first time you've seen me in a Black History Month shirt or Black History Month, and it's very intentional, and I really just threw this shirt on because I didn't have another shirt to throw on.
But Black History Month, at some point, can we get rid of it?
Right.
At some point?
Why we got to keep getting the shortest month to celebrate our history?
You got governors who want to take our history out of schools, and I'm not going to be the

fool to go say, yeah, we can celebrate it for 28 days.
So at some point, I'd like to get rid of it.
We're making all these changes in the world, can't talk about these people, can't talk about those people, can't say this, can't say that.
At some point, it's time to get rid of Black History Month.
Now, get rid of Black History, like they're trying to do.
But Black History Month, no, teach my history from January 1st to December 31st, and then do it again, and then again, and then again, and then again.
That's what I'd like to see.
Wow.
Strong.
So good.
Love that.
He's the best.
He's the fucking best.
That was strong.
He's the best.
We've got the last 10 seconds of that.
We all need to tweet that.
Yeah.
Be relentless.
Chamath, there was a correction we needed to make about the Stripe Chart last week.
Go ahead.
Yeah, so.
You have the floor.
We talked about some Stripe stuff last week, and my analyst came to me after the show was published, and there was a couple of miscalcs in the spreadsheet that generated the graphic, which big up to him for calling it out very quickly.
Anyways, I just wanted to show you the updated one, just so that we could make sure we get that on the record.
I guess this would be a purple color.
Is that purple?
Yep.
That's actually when you calculate net revenue.
And I think what I did was calculated gross revenue, which is in the red.
So we showed this, but it actually should be purple.
So that's the updated, accurate version of the analysis.
So there you have it folks.
What does that mean for Stripe versus AdGen in terms of just, which is a better business, just to summarize it?
No, I mean, to be honest with you, it doesn't, it says what we said before, which is that the, the previous valuation was very expectation heavy and the new valuation is definitely more in line, but still very rich relative to other companies who have large profitability

and large growth rates.
And I think that's the key takeaway, which is it's very hard to both have huge margins and grow at medium, high double digit rates.
And the few that can visa, Mastercard and AdGen tend to trade it a very different valuation set than everything else.
And so I think that's the challenge for Stripe.
If they can do it, they'll be in that class.
Okay.
For the Sultan of science doing his SPAC in New York, having an incredible dinner at Carbone right now.
Can I say, can I say, I enjoy the vegetarian, I pre-tilted him.
He texts into our group chat.
Don't do it.
Don't do that.
Let me know if you want me to dial in and save the episode.
My Insta reply, Gerstner is on fire.
We're all set.
Unbelievable.
He feels unsafe.
Unbelievable.
It ruined his dinner.
He has to go find a safe place.
He's irreplaceable.
He's irreplaceable.
Except, you know, this episode is pretty good.
Pretty good.
Pretty good episode.
Pretty good.
Pretty good.
Pretty good.
Pretty good.
We love you.
We love you, Sultan.
Oh, my God.
It wasn't a bad episode until J. Cal started f***ing again.
Oh.
The least you can do.
Just like you strike January 6th.
You can't strike words in English.
That's, you can't strike a single word.
You struck my single word last week when I called you out.
When J. Cal gets under pressure in a debate, he falls back on all the usual virtue-signing and f***ing.

Oh, yeah.
Yeah.
Okay.
Who did you vote for in 2016-2020?
Be honest.
I've heard this.
Oh, God.
Did you vote for Hillary and Biden?
Legion of doom.
They're the Legion of doom.
You're pro-Putin.
You know, there's actually a meme.
There's a meme on Twitter that anyone who disagrees with me is Russian disinformation or pro-Putin.
I haven't seen that one yet.
That's pretty funny.
That's basically you.
I don't think you're pro-Putin.
I always try to make sure people understand.
During this entire year of Ukraine, Ukraine, I say every time to be clear, you're not saying Putin is right for invading Ukraine and you're like, no, of course not.
Oh, God.
Don't just stop.
No.
No, thank you for saying that.
No, thank you for saying that.
I appreciate that.
I always try to say that.
He's making a correction.
It's a very nuanced discussion.
It's a very nuanced discussion.
Like, we could, nobody's in favor of this war.
Nobody.
Nobody's in favor of it.
Everybody's trying to resolve it.
I think we just have different views of what resolution looks like.
Did you guys read this crazy article in Bloomberg Business Week about Pras Michele, the founder of the co-founder of the Fuji's, and his entanglement with the one MDB scandal?
Did you read this article?
No, I have no idea.
Here's what the article starts.
I like the culture at the end.
Let's put the tinfoil hats on and do culture at the end.

His phone rings and it's a Chinese woman that says something like, you know, your cousin wants to meet you.
He goes to the Four Seasons where he gets a note that says, walk around the building twice to make sure you're not followed, goes back into the Four Seasons, gets a key card, goes upstairs into a room where they then escort him to a different room in a penthouse, take all of his phones, and he meets with the vice chairman of security for China, where that guy is asking for an introduction to Trump.
It is, that's how the article starts.
It is incredible reading, incredible, incredible reading.
I encourage all of you to read it.
It's so, what is it called?
Juicy.
It's so juicy.
Oh, spicy.
It's some crazy story. There is a company called Wirecard in Germany, and there's a New Yorker article about the biggest fraud in German history.
I highly recommend reading this one.
We didn't get to it today, but oh my God, if we had like a long reads post-show, it would be incredible.
I personally don't think we should promote any stories by the mainstream media.
We have no idea whether they're true or not.
I mean, serious.
Gentlemen.
We'll see you soon, Brad.
Thank you so much for filling in.
Love you, Brad.
Thanks, bro.
Yeah.
Love you guys.
For the Rain Man, David Sacks, the pacifist of peace, the sultan of science, Brad Gersener, the dictator Chamath, I'm the world's greatest moderator and speaker at your corporate event for 50 to 75 times, Jake Alff, talk to my speaker at Bureau, let's get this gripped on, people.
We'll see you next week.
Bye-bye.
Love you guys.
Bye-bye.
We'll let your winners ride.
Rain Man, David Sacks.
Love you guys.
Bye-bye.
Rain Man, David Sacks, the pacifist of peace, the sultan of science, Brad Gersener, the dictator Chamath, I'm the world's greatest moderator and speaker at your corporate event

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