

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E123: Trump indictment, de-dollarization, should VCs back Chinese AI? RIP Bob Lee

I can't see what's on your hat. What does it say super gut? One of my most exciting companies called Oh, holo. Oh mahalo

I still have mahalo.com. No, not mahalo unrelated completely unrelated nothing whatsoever to do with mahalo

I remember mahalo great product
sorry to

Become against, you know, we were making ten million dollars in revenue

At the peak. Yeah at a hundred people writing like human curated search result pages

I remember that look at chat gbt. You're a great guy to reference the chat gbt thing

Coming out of that. Well, then what happened was they did the panda update and we went from 10 million down to

500,000 in revenue overnight. What was the panda update? They looked at who the top sites were eHow

Mahalo

Etc and they just said nobody can get any more than this amount of traffic and they literally throttled the number of unique users

they would send to you and

That was it game over and

Then everybody I knew at google wouldn't return my emails and they were like, we don't have partnerships

With anybody that's what matt cuts told me are you saying that mahalo's lack of success had nothing to do with the poor product

In execution. It was google's malfeasance. It got really rave reviews. It was backed by sequoia

So did the movie but it sucked

You know when you build a company that gets to 10 million in revenue in 18 months

You can talk trimoth, but basically looking at your resume here. I see that you've created nothing in your entire career

When you get in the arena

The arena and you actually build a product then you can talk to me

I had the number one blog in the world one of the top five tech magazines in the world

And this is the number one tech and business podcast. So good. I touched a soft spot

I got to the warm underbelly there. Check out so rarely goes after chimoth when he does. It's just gold

It's like it's incredible. You're talking to three founders here chimoth

You're the odd person out. So when you want to talk about product then make one

Okay, so gross and yet i'm the richest it's so tilting. Let's tilt you totally fine. So is kim jong-un. So is putin

Okay, there's a lot of rich people in the world. Oh my god, but these are three products. Okay dictator

All right, let's get started everybody. It's been a big week. There's a lot to talk about. Uh, might be a little bit of a controversial spicy agenda today here on the all-in podcast with me again

All right, let's get started everybody. It's been a big week. There's a lot to talk about

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It might be a little bit of a controversial spicy agenda today here on the all-in podcast with me again

The sultan of science who is tearing up the youtube comments everybody asking the sultan of silence To contribute more and to speak more. But when he does speak my lord, he drops those knowledge bombs. How you doing sultan of science?

I'm hanging in there. You're hanging in there. Okay. Well, I'm hanging in there

Man a few words. I guess hanging in there. Okay, great with us again, of course another android david sax sax. How are you doing?

I am doing fine. How are you?

Wait, let me ask gpt. What's the question?

Hey, how are you doing? Let me ask it. Hold on. Let me see what it says. I mean, basically chat gpt 4 is the ultimate

Asperger's equalizer you guys are going to benefit most from this. I asked it. How are you? It says as an ai language model?

I don't have feelings or consciousness

So I don't experience emotions or states of being like a human does however

I'm here and ready to help you with any questions or topics you'd like to discuss

How can I assist you today? That's pretty similar to how you feel except you don't offer to help anybody

Okay, also with us is the dictator himself. We're here to talk about topics

Looking forward to today's episode and with us the dictator with a shockingly

Shockingly low cut. There's only one button on the shirt. Only one button. Okay made from a tiny albino baby

Like right here. They were like, should we put buttons and they're like

Why put buttons? Why put buttons?

It's a button conservation movement

Exactly. No, no, no, no. The one button is what counts. That is a baby albino rhinoceros that was killed

Fed to Chamath on his vacation and then

Attached to his linen shirt. I guess let's just get this out of the way. Trump was a

Arraigned, I guess is the term. He was charged in New York

With 34 felony counts of falsifying business records Alvin Bragg

Alleged Trump orchestrated a catching kill scheme as well

To suppress damaging information before the 2016 election

Of course, Trump pleaded not guilty and did a feisty

press conference or speech rally

Moral logo after that prosecutors say the scheme involved falsifying business records to conceal payments to stormy daniels

We know all that

Same thing Michael Cohen went to jail for the indictment wasn't a speaking indictment

Where it explained all the details. So Alvin Bragg

Hasn't tipped his cards by explaining in detail what the legal theories are and which information he has and he was pretty clear about that

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That he was not going to tip his cards, which makes us even more
Hard to understand what's going on and creates even more divisiveness
Predictably the right is framing this as a witch hunt, but surprisingly many on the left including
former sdney head
Preet Barara of the amazing podcast stay tuned with Preet, which I love
He felt this was the weakest of the four major investigations that trunk is under and he expressed
some concerns
On his podcast that it was light and not detailed
and he might have
Not actually pursued this
Unless he had a 99% or something like that chance because it is the president's
Sacks, I guess everybody's expecting us to fight over this but to just be a little preemptive here
As much as I think trump is like the most unethical person to ever hold the office
This does seem a little light and I'm hoping bragg
Has the goods on him because why bring a mr. Mena case?
You know and these are all I guess
Mr. Meaners that are being elevated to felonies because of tax evasion possibly or election
interference. So
What are you a steel man or just generally speak about the the case here because I know that you're
a man of law and order
well many
People on the left are criticizing this case. Uh, jonathan chate who's a liberal writer for the
New york magazine wrote a good column about it and look here are the reasons why number one the
underlying behavior here is that
Trump engaged in a private settlement
With stormy daniels. That's not illegal. Even if it is, you know, so-called hush money. That is legal.
You're allowed to do that
number two
Is that he used personal funds to do it
He did not use campaign funds and this is why alvin bragg has had to make this kind of
Ridiculous claim that he should have used campaign funds to do it
But does anyone believe that if trump had used campaign funds that wouldn't be alleged as the
crime
So he's kind of damned if he does damned if he doesn't here
I think that you know what the law is trying to do with these rules around campaign funds is protect
donors
From canada's misappropriating them and trump had every right to use personal funds to engage in
the settlement
It's a major distortion of campaign finance rules. Third
These campaign finance rules are federal laws. They're not state laws
So it's not up to alvin bragg to
Enforce them and in fact the feds looked at this and decided not to prosecute it
Because if they did they'd have to enforce similar laws against hillary clinton recall

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That hillary clinton had a problem where she used campaign funds
To fund the payment to chris for steel to write the steel dossier
And that was a real problem and it was miscategorized as legal fees
And she had to pay a fine for that but no one talked about locking her up over it
And no one was talking about you know indicting her and sending her to jail
And so part of the reason why I think the feds
Didn't want to look at this is because they'd have to look at similar cases that are even more
egregious
And then finally the last thing is that we're well past the statute of limitations on this whole matter
So alvin bragg is really out here on a limb. He's passed the statute of limitations
He's enforcing laws that are not his business to enforce. They're distorted interpretations of those
laws and the underlying conduct here is fully legal
So I think everybody is kind of like wondering why he's doing this and I think there's two theories
either alvin bragg is incredibly stupid
Which is not or he's incredibly smart. Yeah, and the the sort of three-dimensional chess explanation
that an colter has is that
This is all a giant honeypot
For republicans because they're all rallying around trump here because they perceive I think
correctly that he's being railroaded
And he's being he is the victim of a political prosecution
But in rallying around him to defend him you see that trump's poll ratings among republicans in the
primary are going through the roof
Descensors are going down and so what in culture fears is that this is all an elaborate ruse to make
trump the nominee
Because biden would much rather face a reelection against trump than against a young youthful
vigorous governor like a desantis
Do you think bragg has a bunch of more information and maybe that tax evasion is the issue?
He'll go after because that seems to be the other theory here is he's not going to do the federal
You know election stuff. He's going to go after the tax evasion
Which is what they already got the trump organization on when weizel I guess the cfo is going to jail
for six months
It's going to be hard to connect and they did 1.6 million fine for that company. Good. These are
misdemeanor crimes
And to convert them to a felony
The crime needs to have been done
In the process of aiding and abetting another crime
And tax evasion is the concept here
When he listed the bullet point list of all of the reasons that were all of his evidence
It seemed to point to what david said, which was just these campaign finance violations
Yeah, this whole thing just seems like such an enormous waste of time
just think about
the amount of money that will have to be spent
on

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Just securing new york city every time he shows up
The five car motorcades the secret service the police the this that the disruption to people
For what really ultimately I think is right is kind of like, you know, it's a bit of like man
This case should have been brought years ago. Well, not at all in relation to that
They were told to stand down from doing that because of the you can't indict a sitting president and
that's paused
So that's another legal theory that's going to have to be tested Jason the feds looked at this years
ago
And they decided not to press charges. They were told to not do it because he was just sitting
president
No, they were no, he's been out of office now for a couple years. Why didn't they move forward?
They were that was the process they were doing
So that takes two years to decide the previous da
Said he was told to stand down
Because sirens man decided not to prosecute on the same underlying offenses. That was his
decision. He decided not to
Who told him to stand down? No one could tell him to stand down. Yeah, the office of
Sirens vans decided not to move forward with this very same case
When the statute of limitations had not expired now it has an album brags move forward
Yeah, you really have to stretch here
to come up with any kind of plausibility to this
To this case and I mean you have to wonder why he's doing it. Is it just naked partisanship?
Or are they trying to make trump the republican nominee?
Well, here's what van said on meet the press this weekend
I was asked by the u.s. Attorney's office in the southern district to stand down on the investigation
And they were asked to stand down as well because of the you can't indict a sitting president
So anyway, all this stuff is going to get done in the wash
I don't think we have to spend too much time on it because
We'll find out I think in the coming weeks. Do the democrats actually want him to get convicted?
Then what he's going to be under house arrest in moro lago because he's not going to be sent to jail
And then what then to santus actually will win the nomination
So what exactly is the perfect outcome which is to
Create this theater waste taxpayer resources only to have trump acquitted
Just so that he can win the nomination and then he can go against biden and lose this seems so far-
fetched and idiotic
Move on
Right closes chapter and move on totally. This is ripping the country apart for no reason and such a
stupid case
It's such a stupid case
Even the people who would like to prosecute trump
Like you jason, I think have a problem with it and one of the reasons why
This is going to be counterproductive even to the
The anti trump forces is that by going first with this case

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Yeah, alvin bragg is poisoning the well for any future case. He might bring against trump because now

All future cases against trump are going to be seen as painted with the same brush

Which is

Enacutely partisan sort of witch hunt

And there may be other cases out there that have more validity to them

But they're all going to be seen as of a piece

With this sort of alvin bragg

Yeah, that was pre exposition. I think it's a it's a logical one. I don't disagree. What do you think of the other three cases?

january 6

The interference in georgia where they recorded them on tape and then the stolen documents and the

obstruction of justice or do you think all four cases are politically motivated and none of them have any validity to them sex?

I mean look the question you have to ask is if donald trump was a private citizen who never ran for president

Would he be the target of any of these prosecutions? I mean he was

You know high-profile business figure for decades and he wasn't prosecuted like this and so that's really the question

You have to ask and

Cohen did go to jail for the same crime. So the answer is yes

What michael cone wasn't prosecuted till after trump was president. No, what I'm saying is you asked if

If he was not do you really believe he would let me finish you asked if if trump was not

A president if he would have been prosecuted for this crime in fact another person michael cone was prosecuted for this crime and did

Serve jail time. So the answer is yes, he would have been

And they've and they brought these cases the spanking kind of cases and they brought the other one for the

1.6 million fine and weasel were going to jail. So I think they would actually but anyway

I don't think so. I think this is I think that do you think all four are politically motivated is my question to you

Or you think any of them have a look I can't I don't want to comment on the other cases until I see what

Case is actually made and what the merits of them are however

I don't believe that all these prosecutors all over the country be looking at donald trump this way if he was just a

Private citizen who never ran for office and I think we have a big problem in our political system

When political disagreements are criminalized and this has been a nasty trend that's been going on for many years

It was usually

I guess practice against staffers, you know here or there you'd have some

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You'd have some executive branch staffer would you know find themselves on the wrong end of a prosecution
And they'd end up going to jail. Maybe they get pardoned or not
But now it's reached all the way to the the top and we have presidential candidates basically being Prosecuted and I do not believe they'd be prosecuted if they were not major political figures
And it looks really bad for the political figure who is leading
Right now in the republican party to be joe bynes opponent in the next election to be prosecuted by one of joe bynes political allies
I mean if this were happening in some other country, you know, I used to be criticizing it as some sort of
You know banana republic type move
So this is not the direction we want our politics to go and and look I don't I I don't want trump to be the nominee
I supported a different candidate, but I think that to be interfering
In our elections for alvin brack to be interfering in the political process this way
Is a reach and it's setting a horrible precedent for the future. I mean we're talking about major presidential candidates
Let me ask a question then by local da's. I mean, why would we want this?
So let me ask a follow-up question then do you the doj is currently investigating hunter biden
And then obviously that goes up to the big guy with the 10%
Do you think the doj should be investigating hunter biden or do you think we should be giving a pass to presidential?
of presidents and their families
Well, the hunter biden case. I mean, this is one where you've got foreign governments basically paying off hunter biden for
political access now that may ultimately be legal because I think influence peddling is
Kind of a business that takes place all over washington
But that actually does speak to the integrity of our political system
At the end of the day, would I send hunter biden to jail? No, I don't think so. Like I said, I don't like criminalizing political disagreements
But what hunter biden did was definitely pretty shady and you know
Hunter biden and trump and his family are both shady is my feeling on it
We got got to get better candidates in here. Nikki haley your candidate chamath raised 11 million dollars last week. She's on fire
Freeberg, you want to jump into this and and touch the third rail you want us to move on?
Uh, let's move on. All right. So there's been a lot of twitter
back and forth about the D
ation and if it's real if it's happening if it's not last week china and brazil struck a deal to trade
In their own currencies, uh, the brazilian government announced the two countries were no longer used the us dollar as an intermediary
I don't know if that's for everything they trade or for certain things. They're trading. It'll be a straight one for reyes

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Trade china is the top u.s rival obviously and brazil is one of the largest economies in latin america
What are your thoughts generally speaking freeberg? I know that you have some exposure here

You know with your company that I think you spacked recently and you have some knowledge of the space, right?

Well, I mean china and brazil are pretty sizable trade partners
I think it's around 150 billion dollars a year bilateral trade. So
china historically has made a lot of investments through their companies in
railways infrastructure waterways ports and infrastructure to support
the agriculture manufacturing economies

In brazil and it's a very deep tie obviously the closeness of that relationship
china became a bigger trading partner for brazil in 2009
surpassing the us by the way china has had similar trading strategies in africa in australia
They've bought several companies in australia. They've made massive infrastructure investments the
currency of trade

It's one element of a broader

Interpointing that china has kind of enabled by using its resources to invest in infrastructure
development and then participating in the economic value and gain

That arises from that it still also supports the local country the local population the local economies
in a meaningful way

I think it's worth noting that the anti-globalization

Moment that we're having in the u.s. And it may be a longer term trend

Doesn't mean that globalization and global trade is going to slow down between china and other
really important well resource nations

Around the world. So the brazil-china summit that happened a week ago

Where a lot of brazilian executives went to china and had a very deep

Set of dialogues, but they also signed a ton of agreements on trade and also in some of those cases
the trade being done in non-us dollar denominated currency

It's worth noting is being that if the u.s.

Does continue to push for de-globalization

We can only leverage our side of those relationships

China will continue to make investments continue to develop trade and continue to develop really
deep tie-ins

with countries around the world from a resource perspective from an economic perspective and
ultimately

The leverage will sit with them on what currency folks are going to trade in

So, you know what we're seeing with the china-saudi discussion around the petro yuan, which
doesn't seem to be really a standard thing yet

But we're starting to see inklings of some deals happening in yuan

But it's more related to the depth of the chinese trade relationship with all these nations around the
world

so

The more we kind of as the u.s. Think we want to

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De-globalize and reduce our trade relationships with other nations the more
You know, we're out of the way in allowing china to do that
I think it's worth observing
That the chinese economy will grow the depth of their relationships will grow potentially
The strength and importance of their currency will continue to mount as they build these really deep
infrastructure and investment tie-ins around the world
Tramath, what does a party trading in one do with the one?
Do they buy a business?
With the one do they buy a bunch of stuff from china?
What happens to the one?
This whole thing is a huge nothing burger
This is the third deal that the china has done the other two countries are pakistan and brazil
And the reason why is i've seen like people on twitter now breathlessly
rambling on about de-dollarization and all of this stuff and
I think if any of these people would think from first principles the first thing that you would know is
that the
Yuan is pegged to the us dollar
And so as long as it's pegged
Whether you trade through the us dollar or you don't and you directly go to yuan
Your index to the us dollar and then you use a dollar swap to convert it into the currency you need
So I don't know. I think this is kind of like a lot of folks who don't really know what's going on
What do you think about the the depth of china's trade relationship?
so forget about the denomination of the currency but the fact that
Um, the statistic now is that you can't forget the top trading partner with 120 countries
You know, they surpassed the us with many of these countries over the last, you know decade or two
in particular
And continue to increase the the scale relative to the us where we're kind of decreasing our
dependence on
On nations and reducing our trading the reason why china has had
So much dominance as a trading partner
And the reason why china's central bank has the largest amount of foreign us dollar reserves about
three and a half trillion dollars
Is exactly because of the thing that you want to ignore in order to have this high-faluting intellectual
conversation
It is pegged to the us dollar
And until it is unpegged in a free-floating currency, we will never know
What the real market clearing price is and just to be clear. China's been able to hold on china has
been very effectively able to
Manipulate this currency
Since they were brought into the wto
In order to engender that trading partner status. They were able to
artificially
suppress the value of their currency so that exports from china

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Could gain traction in countries all around the world. You have to take into account this currency peg and you have to ask the question

Where would the currency be if it wasn't free-floating and then what would the incentives be for folks to replace?

the dollar

And I think that there's a lot of interesting questions or that are worth asking

But I think you have to be a little bit more intellectually honest to have the discussion and just for clarity

chumat you said they already have these deals with

pakistan and pakistan russia you met pakistan and russia i think they already have those deals with those two pakistan russia

Right. Okay. Good. I just want to make sure it's clear there

sacks

Do you have any thoughts on this is is this an example of people just maybe

Taking the ray dalio book and it fits a certain narrative and over hyping it or do you think this is an actual real trend in the world?

To be concerned about I think

D dollarization hasn't happened yet, but I think it's a risk and I think there's a bunch of reasons why the risk is growing

So first of all we have 32 trillion dollars in debt

Someone has to finance that debt and the bigger that number gets the more unattractive our debt is because they have to be concerned

That we're eventually going to monetize the debt pay it back by printing a bunch of new dollars

So that's point number one is we have these massive deficits and debts

number two is that we

Have I think in the last couple of years really weaponized the dollar

So if you look at like what we've done with ukraine and russia, we basically seized

Hundreds of billions of dollars of russian reserves that were held in dollars

We've excluded them from the swift banking system

We've imposed massive sanctions on them and in fact we now have sanctions

On a huge number of countries all over the world. So we're very sanctioned happy

all of which makes these countries

view the dollar as an unreliable store of value. Why would you store your money

in something that can be taken away by the us and specifically by the state department

So I think this is a major change in the way that we view the dollar over the last couple of years

Is we're going to use it as a weapon that again that makes it

View that's not the first time we've ever done that right we've done sanctions against many different

We've done sanctions, but as far as I know we've never seized foreign currency reserves and

excluded a country from swift

Which is the banking system so as as an instrument of us foreign policy

So I mean I could be wrong about that, but this was a major event when it happened

Remember we also did stuff like seize the the yachts and the

The foreign holdings of russian oligarchs remember their ill-gotten gains. We suddenly decided they

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were all gotten
Let me tell you
We didn't think they were ill-gotten when those russian billionaires were buying those yachts or buying new york real estate
Or london real estate or investing in facebook or investing in Companies here or buying sports teams or what have you
So we didn't think they're ill-gotten
Hold on we didn't think they were ill-gotten at the time that they were actually made and spent
But we decided subsequently we're just going to seize those things. Well, again if you are A foreign country or a wealthy person in a foreign country or just trying to decide where you're going to keep your money
You may not want it to be liable to the vagaries of us foreign policy
So I think all these things do matter and when you're running the kind of debt and deficits we have And you're making the u.s. Dollar less attractive. You are running a risk
I mean, that's we should be keeping people we have disagreements with on the dollar standard because that's good in terms of power
For us, which I think opens us up to a broader discussion
Okay, just to clarify this it's not even the dollar standard right like what this deal was
Is to use this thing called sips and sips
is the non-dollar
competitor to swift and
So you settle right
Across let's just say you have two trading partners in
Two completely different countries that use a bank in each of their local areas
They typically swap to dollars and then they transfer right using this this backbone of the financial infrastructure called swift
China has built a competitor to it called sips cips and China's been going around and signing folks up makes a ton of sense
Right. Hey, listen, if we're trading between each other, let's just use that
So I think it's important to not paint this with more of a brush than it should be
I'm not saying that de-dollarization couldn't happen
I just think that everybody tries to take one random data point and conflate it all together to Reinforce a redalia point from a book three years ago. I do think there's a group of Catastrophists who maybe are maybe hoping this happens or it's a great twitter fodder
I think we are headed for some sort of government debt crisis. I said that there's going to be three prongs to this financial crisis
One was these long dated bonds having unrealized losses, which is causing problems in regional community banks the second piece of it's the commercial real estate crisis, which I think is
Metastizing right now, which is also going to be a banking crisis once all those unrealized losses come to you
And the third piece of it is government debt crisis
We have this 32 trillion dollar debt that we're now having to refinance at much higher interest rates

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I've read somewhere that half our government debt, so 16 billion is going to come to you
16 sorry trillion. Yeah, and it's going to have to be refinanced in the next three years. The average
Rate on that debt is 1.7%. Well, if you want to refinance it at 10 year rates
You're going to be looking at somewhere between three and a half of four percent maybe more
So you're looking at a doubling of the interest costs, and I also read that by 2030
We're going to have over a trillion dollars of interest expense
Ode by the US government every year that is money. That's not funding anyone. So security. It's not
funding anyone's health care
It's not funding one weapons program. It's not funding anything. We're not funding anyone's health
care
It's not funding anything we want. It's this the big it's going to be more than a quarter
Of our total federal budget. Yeah, and this is where you start gambling when you're chasing that big
payment
You start taking risks. This is also where you have to expect the Fed
Will really want inflation to stay high
That's sort of what we've said before the only way out of this mathematically is to keep rates high
But the other thing David that you when you mention all of this is what about every other country?
If you think that's happening in the united states
I think it's important to make sure we at least consider every other major economy because it's not
as if they're pristinely sitting on the sidelines
While this happens to the us
This is my whole argument the whole time which is if you're going to have this argument
You need to do it thoughtfully and relatively
Right because the euro is in the same amount of trouble
If you look across it's not as if china is actually sitting pretty and smelling like roses either
Every major economy or trading block in the world is going to go through this at the same time
So it becomes a relative trade argument and there I just don't know enough to know whether
The us is poorly positioned versus europe or china
But it just seems like you get back to a place where it's like, okay
We need to find the flight to safety. What is the canonical flight to safety if it's not a commodity like
gold?
It's probably the dollar until it's not
Yeah, okay freeberg
Obviously other countries have even more cube problems higher debt to gb gdp, which means
higher debt payments
just rounding third here on this issue any final thoughts on
de-dollarization and
servicing our debt
look, it's we're in trouble
and it's uh
It's unclear the timing and the path, but
The arithmetic is pretty simple
In addition to the point sacks made you guys saw the news

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E123: Trump indictment, de-dollarization, should VCs back Chinese AI? RIP Bob Lee

The city of Chicago has a 44 billion dollar pension hole
That's just the tip of the iceberg on unfunded pension liabilities from both state government city government
Even private institutions this is again
hundreds of millions of people worldwide that are expecting money coming to them from institutions
That ultimately the federal government of the US is likely going to have to backstop to some degree
So that's another huge check that's going to need to be written
But the federal government is inevitably going to have to write because we're not going to just let all these people have
No money and come starving
And social security right now is projected to go bankrupt sometime between 2030 and 2035
So we're going to have to write a check to cover the hole there
Plus the interest payment checks
So a bunch of Moxpoint Freeberg of like relative to other
Let's see if we're finished relative to other societies other countries
yeah, so
the very likely case is that
Relative wealth will decline
So in the near term, I think it's inevitable
We have higher tax rates
I've said this before because in order to kind of meet the gap even if we have these austerity measures or reduce costs or reduce the budget as the Republicans are going to push for is the state ceiling
Debate reaches its apex in
60 days from now, which you better believe this is going to be pretty pretty damn dramatic
And there's going to be real questions of what happens if the US defaults on its treasuries
If the US defaults on obligations it has on treasuries
There will be a real shift away from
Using those assets as the baseline of the risk-free rate worldwide what what the net what the other thing will be I don't know
I'll speak about the challenges. I see with Bitcoin
You know if we want to at some point
Oh, did he hit but did he hit a million yet?
But if you put all of this together
You're going to have to source income somewhere
You're going to have to take a piece of the assets and a piece of the income

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Away from the private citizenry. So you're going to have to tax
And that tax will be used to kind of fill some of the hole and then more of the hole will be filled by printing money
And that will lead to this kind of inflation of asset values
Which ultimately means that the relative cost of things go up and relative wealth goes down
And I think that's the point to take note is that anyone who's concentrated assets is going to have them effectively
Lost in the washout sacks you want dead
Well, yeah, I just want to add a couple of details there because freeberg went pretty quickly over a couple of those examples
So just to take that that chicago case the numbers I saw in an article this week
I think I was in the Wall Street Journal was that 80 percent
Of the property taxes in chicago are now going just to pay for pensions
So 80 percent are going to pay former workers not current city workers and moreover
Those pensions are only 25 funded
So they've already overpromised by 75 percent
Benefits that they can't afford
How is this going to work and you saw that we just had an election there and rather than fix the problem
They voted for a candidate brandon johnson who is even softer on crime than lorry lightfoot
And the reason for that is because the
The government workers unions basically all supported him
So you have a situation in these blue cities and states where there is a massive civil service
They are the strongest special interest in local and state politics. They have already taken
Huge appropriations out of the state budget in the form of these pensions
Which aren't even adequately funded. We can barely afford them as they are should we have pension sacks?
What do you think? Should we just have people doing for our one case?
Sure, so what the what happened in the 1980s when there was a lot of pension reform in the private sector is you move from
Defined benefit to defined contribution
So you start having more defined contribution like 401k
The way that these public pensions work is defined benefit. So
You know, what they'll do is they'll say that we're going to take your last year of employment
With the city or state
And whatever your whatever the amount of money was you made that last year you're going to get 80 or 90 percent of it
For the rest of your not just your life, but your spouse's life, too and more over any overtime
You earned it becomes part of that calculation. So everyone knows this game. And so what you see is in their final year
State or city employees will load up on the overtime. They'll earn twice as much and then that's a

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great

80% of that. Yeah, they get 90% of that for the rest of them and their spouse's life

We just can't afford to have rules like that that don't make any sense

to have rules like that that don't make any sense. And so but the point is that

The benefit that's been defined bears no relationship to the amount of money

That's gone into these pensions, right? And so you have a there's a simple solution here. You have a huge on funded liability

Yeah, but to freeberg's point every blue city and state in the country

Is going to have this problem and who's going to pick up these expenses?

You bring up great points, but you just mash them all together in this mashed potato of random things like

Unfunded pension liabilities

You want to remember re eyes trading and they're like the same thing. They're not the same thing

They're driven by totally different subjects here, but we're talking about listen

I mean you just kind of throw them in this like amalgam soup and outcomes all the conversation

So I'm just saying like if these are important topics, but I'm just saying I do think they're motivated by totally different things

And they're not related as much as we think they are related. I think they're related

Let me walk you through how they're related

Okay, I want to hear how the re eyes you want trade is connected to the chicago pension system the holes need to be filled

so

The money is not going to just not get paid to the pensioners social security is not going to go away

Just like we saw in france

If you start to do that you have revolutions in the street

There's literally bonfires at intersections in france in paris today

Because people don't want to wait another two years before they get their pension payments

So ultimately that check has to be written when you add up the column of how much money is not on the balance sheet today

How much liability is not on the balance sheet today that is ultimately going to have to get paid out

And the u.s. Government is going to print money to pay it out

It indicates that there is a higher degree of uncertainty on whether or not

I'm actually going to get the value back for the bonds that i'm buying in u.s. Dollar denominated form

Or that the u.s. Dollar is actually going to be strong enough to cover the cost or has enough kind of You know or has too much volatility

Because of this uncertainty

And I think that that's really where people start to say well

Maybe the u.s. Dollar isn't that risk-free rate where it's a strong economy with a great balance sheet great economic growth

There's certainly extraordinary potential because of the freedoms that we have to operate in this country as individuals

Through the enterprise through the innovation through the entrepreneurship through the attraction

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of talent from all over the world to come here

But at the end of the day we do seem to have a very big set of checks that we're going to have to write

And as those you know liabilities start to mount there becomes a real question on do I really want to hold dollars?

Maybe I want to hold something else

And maybe I diversify a little bit and maybe instead of holding just dollars

I also hold other things and as that starts to happen you see a little bit of a shift

It's not an overnight thing. It's all catastrophic one or the other

But it starts to bring into question whether the u.s. Dollar is the standard defacto

System that's used for trade around the world. That's the point and sacks there is a solution to this superannuation is

done in the uk and in australia where you

Contribute you're forced to contribute to your 401k essentially, but you get to learn how to put money away and you become a little more

You have a little more authority

over your future with these pensions where

You're responsible for saving and you're kind of forced to save and it seems to have worked really well in australia and other places

Where people have great savings and you don't have this major debt load by the government doing it

So it's something for people to look into sacks. Did you want to add anything to this? Yeah, I mean being this one to the death

Just make it quick. Yes. Well, I don't think we're necessarily beating it to death because I think it is a huge issue

I mean look the part of chamois argument that I agree with is that you do have to evaluate

The dollar on relative terms and you know, you can argue that

The u.s. And the dollar it's it's still the

You know, let's let's call it the most eligible bachelor in the leper colony

um, you know, nothing started falling off on the man yet, but

Um, but that doesn't mean that it won't

That's really good

That's really good. By the way, the first default might be the noses falling off, you know

The economist Herb Stein once said that if something cannot go on forever, it won't

What we're doing right now cannot go on forever

We are running deficits and debts and unfunded liabilities

That we cannot afford and so it will stop and the only question is how it stops

Well, I think there's yeah, and it may stop in a way

That is

Not vault. It's not a voluntary choice by us. We crashed the car basically

You guys want to make a bet a friendly wager for charity. Oh about what happens in june

I'll make a bet with you guys. Do you mean the debt ceiling? Yeah, what do you guys think happens?

You think this is going to be a frac just chaotic thing where the markets get roiled? No, I think it's going to be a pretty

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Rubber stand forward deal where they're going to it's going to come down to the wire
But my guess is no one's going to want to default on the debt
Yep, and there's going to be some concessions on spending
and ultimately
The debt ceiling will get extended and that those concessions on spending will allow
The republican party to save face with their voters and say look we we got some concessions here
I'm not sure they're going to be enough to really address any of the major problems
That the us is facing over the longer term
but you know certainly letting the
Debt ceiling hit and defaulting is catastrophic everyone knows that with freeberg
I think the majority case is a bunch of hand wringing and then they make a concession people that
are interested in this topic
I would go use the wayback machine and go and read all of the articles in the 80s
Where you could replace china with japan
And what happened with japan is that japan just hit a demographic wall
Not to similar to what china is about to hit in the next 15 or 20 years, right? It's a good counter
argument
Yeah, that's a really good point and I think that there is this element of you know china as the
primary threat
But I think the the bigger problem chimat is that we have voted ourselves into a stupor. We have
allowed
ourselves to accrue these liabilities
That are in many cases not on the balance sheet that we simply cannot afford to pay
And the social unrest that will arise if and when we don't pay them or the economic cost of us
actually paying them
Either of those are going to be pretty significant, but that's under that's water under the bridge
And it has nothing to do with china
It has just everything to do with how the u.s is spending. Thank you for being intellectually honest.
This is my point
I agree with you about the importance of these unfunded liabilities
I just completely disagree with you that this argument about these things being so hyper connected
Or that all of a sudden we're at the cliff of de-dollarization
I don't think it's rooted in facts and I think again it ignores this unbelievably important piece of logic
that all of you guys
That say this tend to ignore and it's still and it's not even well addressed in dalio's book
Which is it is a pegged currency
And the minute you unpack it none of you know what happens to it except that it probably isn't
where it's trading today
And if you actually then have to factor in
Dollar reserves that everybody holds that thing would skyrocket in value and it would crush the
export value of the yuan
And it happens to all currencies
And this is this funny thing that has happened to the united states

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Which is that it ran forward and it transitioned its economy to a service-led economy
Faster than other countries and other economies and other currencies did
And nobody wants to just talk about that
Except it's the fact we're talking about and that's what sort of drives us
I don't think the big risk is that all of a sudden the dollar gets replaced by the yuan as the world's
reserve currency
I think freeberg lays out a more intermediate path, which is people start to hedge their dollar
exposure
And decisions that used to be automatic like trading oil and dollars, you know the so-called petro
dollar now becomes a little bit
You know more of a decision. So, you know, that's what happened
That's what happened with the pound sterling
It was a similar story and it was not an overnight collapse. I mean, there were certainly these kind of
punctuated moments where there were hits
but
You know the history is that there was a slow devaluation over time and the
You know as a result of obviously the economic pressure and the uncertainty actually, you know
What happened to pound sterling was that it was pegged to the u.s. Dollar and then it became
unpegged
So exactly what i'm talking about. No, even post that chimac even post that if it's a free floating
currency
Yeah, you're proving you're proving like no, dude
You're proving my point when soros broke the back of the u.s. Dollar what he forced george brown
or what he forced the chancellor
The extractor to do was to basically depeg the pound and then yes, you're right. It's been like this
ever since
Yeah, that was what i'm saying if you let it be free floating nobody wants to trade in that other
currency everybody wants the dollar
As bad as the dollar is david's right. It is the the worst affected leper in the leper colony
This is why you have to have if you're going to be intellectually honest just have a relative
conversation about all of the currencies
And all the things that they're also going through which are also not not perfect the debt payments
for the emerging and the frontier markets are
Extraordinary and just realize that if you want to go and peg your economy to somebody else's back
They also come with their own trials and tribulations that you have to risk manage as well
And now you have to decide on balance. Do you want to risk manage?
A centrally governed economy? Right from a central bureau or a free-wheeling democratic like these
are all the discussions that people should need to have
Yeah, there's a lot of
choices there just back to the the non-currency part of this for a second. There are a lot of like
connections between these things
I actually think there is a strong connection between
What's happening for example in chicago with the out of control civil service and the unfunded

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pensions all the way

To the dollar status, but there's also a connection between commercial real estate and these pensions

So on a previous show we talked about the commercial real estate

Looming crisis

And a lot of people thought that you know some of the comments where we're just talking our book, which is not true

I don't own I don't have a dollar invested in any of these office towers

But you know who does pension funds. Yeah, who owns these office towers?

So you're talking about pension funds that are three quarters unfunded

And they may have a lot less funds than they even think they do because we're about to have a huge reckoning

We're all of a sudden these office towers that were supposed to be blue chip

That we're supposed to have the best collateral there was

In major american cities

Now all of a sudden they may not be nearly as valuable as they thought they were

And and if they don't own the building they definitely own the debt

100% for sure in the fixed income portfolios of all these pension systems are the debt that was used to finance these buildings

By the REITs and by, you know, the big real estate funds have put those things together. So you're absolutely right

They are

100% impacted by what's about to happen. We're not we're not going to allow given the civil unrest and social unrest risk and

Obviously as a democracy, we're not going to allow that all to go

To zero and we're not going to let pensioners not get into the debt

To zero and we're not going to let pensioners not get paid. Ultimately. That's just a kiss of death

Maybe pension payments are reduced to some degree. But again, Paris is a really great example

Of as you start to try and shift the economic guarantees that have been made to pensioners even slightly

Yeah, what was it two years in retirement?

62 to 64 or 64 to 62. Yeah, and it was certainly like

You know, you could sit here and argue what people do for years for their whole life

Have this expectation set we have all for our whole careers invested in the social security

Benefits that were owed as retirees through every paycheck that we've received

And those social security payments may not end up coming back to us if social security is allowed to go bankrupt

So ultimately the government has to step in and issue new dollars to make that up

Then the economic question is what happens to the value of the dollar

What happens to the value of the economy and so on as you issue trillions of dollars to fill these holes?

Let me ask a question. That's a little more positive here, perhaps

Which is is there a path

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out of this

You know debt cycle we're in and what are the

Top ways in which we're going to get ourselves out of this

I I have three that come off the top of my head. Hold on. I have three off the top of my head

number one is austerity measures number two is productivity through technology and

Perhaps number three is maybe recruiting more entrepreneurs here to start more companies and You know fill some of these jobs. So intelligent immigration, which is higher taxes

Yeah, number one is higher taxes in terms of what's likely to happen or reduce spending

That would be a fourth one. That's austerity. Yeah. So look higher taxes because you can go after assets

You can go after wealth. So there will be higher taxes. Okay, so that's what I still think

I still think we'll end up seeing 70 percent tax rates on the wealthiest

people in the country 70 percent

I don't see I don't see it being like unpopular. I think it's going to be unpopular with the wealthy

It's going to be popular elsewhere to fill the hole second is cut back on spending

But that's a really hard thing to do because you know as we've talked about in the past

People vote to get more stuff

So you put the politician in is going to vote to get you more stuff. You don't vote people in to go cut spending

So generally, you know, we're going to likely see

Number one happened first

Maybe there'll be a reckoning where you kind of reduce spending

It's going to take extraordinary political will and an extraordinary depth of education and diffusion of understanding of this this key critical economic problem amongst the voting class

Which is a really hard thing to realize. I think number three you're saying get the public

To understand to understand that we have to have austerity measures

Yeah, and then number three and and and basically people are going to have to make sacrifices

So the first sacrifice will be the wealthy

They're going to have to sacrifice through higher taxes the second sacrifice will be everyone else

By seeing reduced spending and reduced kind of services the services, etc. The third is

The hopeful one, but we don't have a guarantee on this which is do we see

Economic growth through productivity gains. Can we create leverage with our resources and our people by using new technologies to get more with less?

And you know anytime. Yeah, like again, I gave the example last time

But when a tractor was introduced in agriculture all the people that were farming the ground didn't have a job anymore

But what happened is new jobs emerged in making tractors and servicing those tractors in

You know gas pipelines to get gas to the tractors all these economies emerged as a result of that economic

Innovation so I think as we see AI and other innovations hit the market

You know new economies and new industries. Hopefully

Really blossom and and we can benefit from that economic growth and also lower costs for people

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On purchasing goods and services. We've identified four things when Reagan came in
Wasn't wasn't the highest tax rate like like 70%? Yes. Yeah, that was the top marginal tax rate is
70%

70% is not unheard of it will happen again in the us. Well, and but Reagan unleashed an economic
boom by flattening the tax structure because
marginal tax rates created a disincentive for people to work and produce more
And so there is a big economic hit from this. Yeah, and remember what this 1970s were like
It was the malaise days of jimmy carter
We had a horrible economy with high inflation and everybody was paying high tax rates
And the government wasn't making that much revenue
Because there wasn't as much economic activity going on
And during the 1980s we had an economic boom and the government actually collected more
revenue
With lower tax rates because so much economic progress was unlocked
Sacks we identified four things just like we've learned nothing. Which one is the most important
here?
Which ones are the most important? We talked about austerity. We talked about increasing taxes
We talked about innovation and efficiency and then we talked about immigration recruiting more
Highly talented people when you look at those four
Do you have any to add to that list to get out of this and which ones do you think are the most
important and why? When you look at
federal
tax revenue
Over a 50 year period go look at the fret charts. What you see is that?
quite independent of the top marginal tax rate the amount of
federal receipts that the government's able to collect is roughly around 19 percent plus or minus 2
percent
And so you can only get so much blood from a stone. You can try to raise the top marginal rates, but
Then rich people have an incentive to basically find more tax protected strategies
So the history of this thing going back 50 years is you can only extract
So much from taxes and what you're better off is a lower tax rate that is broader based
And you go for economic growth that produces more activity, but look if you if you're spending
Too much there's no way out of that. So austerity critically important and entrepreneurship
I mean when Bill Clinton left office and I think Reagan through Clinton was the biggest 25 year
period of economic boom
We've ever had
federal spending
As a percentage of GDP was 18 and a half percent
He got it down from like 22 percent and he did it through economic growth and he bragged about it
Yep, so, you know look where you want to be is I think federal spending
Should be in the low 20s. I think you want tax revenue to be in the high teens 19 percent
You can have a small deficit. Those are the conditions for economic growth Jamath
Any thoughts here on our way out? I'm going to take the complete opposite of all of this, which is the

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Um anti chicken little version, which is I think not much at all changes. I think that jet debt to GDP
Will continue to rise
Not just for us, but for every other country in the world whose fate is worse than the United States
And I think that
On a relative basis the United States will continue to be exceptional
and that
This will not really be an issue in our lifetimes
Okay, and I'm not saying that's a good thing
And I'm not saying that's a just thing
And I'm not saying that's what I want to happen
but pragmatically I think that
That's what will happen and I don't think that there is a magic number
Where all of a sudden things start to break where there's some magic number for jet debt to GDP
where all of a sudden everybody finds religion
Instead, I think that it just creeps higher and by the way
If you look at where debt to GDP was at the turn of the 19th century and then what happened
through the world war two
What we've really done is, you know, we've retraced a lot as well
So there have been moments where we've been out over our ski tips a lot
And so I think it's just important to keep in mind that
Sometimes
What works just continues to work and I keep asking myself the relative question, which is what
country
What economy
What group of human capital
Is better positioned than the united states and despite all of the things that are screwed up with this
country
It's hard to find a better example
So yeah, unless you happen to have the lucky
mineral or oil
Club like Norway or Saudi Arabia. You're you're you're going to be hard pressed to find a better
place to plant your money
And I think entrepreneurship and immigration are the two most important things we can do
As well as austerity and I think Joe Manchin is like or these moderate candidates in the middle who
might actually be able to talk about cutting
But by the way, you said something you said something really interesting
Which is if you look at Norway, Saudi Abu Dhabi
What are those countries effectively becoming by monetizing the oil?
They invest in all of the economies that are working perfect segue. Thank you
It's not as if the Saudis and Abu Dhabi and the Norwegians aren't trying to invest in America
They're trying to put as much money to work as possible. They're just trying to
Pace it out so that they have time diversity and asset diversity
So to your point Jason, it's so this is a it's sort of a bit of a self-fulfilling prophecy

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I think that what has worked continues to work and then
The burden for disruption gets higher and higher that changes. There's two things that work in the world
Having those natural resources or having entrepreneurship. Let's make a segue here
Wait, can I add the final point on that? Oh god, we've been final pointing for 20 minutes here. Go ahead quick final point
This is an important discussion. I think okay
So Adam Adam Smith once said that there's a great deal of ruin in a nation meaning
It takes a lot of local bungling to screw up something as big as a nation, especially a nation
That's the number one superpower in the world that has the world's reserve currency
So we are in some ways the beneficiary and coasting on hundreds of years of excellence of economic performance and
great political leadership in this country and the question to ask is not
Whether we can still coast on that
But whether the political leadership we have today is living up to the standard we had in the past
and I think it's clearly not and the only question is when it breaks and
It's hard to predict exactly when it's going to break
But what I do believe is that if we keep going the way we're going it will have to stop well said
We're definitely bending it right now and when you bend it sometimes it breaks
Right and and by the way the the reason why we are going to pursue ai at breakneck speed
Even though it may lead to some sort of weird dystopian future
Is because we need that productivity boost. We have no choice now
Because we are so frankly better us than the next guy
Absolutely, whoever gets their first choice
Another perfect example is two major stories this week
That we need to discuss the first is Saudi Arabia's public investment VC arm
Took a very interesting PR step of listing
Their funds that they have backed and it's a significant list
everybody from Andreessen Horowitz to koto not surprising there and
Mark Andreessen and Ben Horowitz and
Adam Newman had a major keynote at a
Saudi
Startup conference. I was actually asked to keynote the next one in riyadh, which I'm debating doing
and then
In sync with that happening at the same time there has been a debate of should
LPs in America
Be backing
firms like sequoia china matrix china etc because those firms are now backing
open ai competitors and
If we believe ai is the big race here
Should we as a country we don't we're not allowed to to back military stuff obviously in these
countries, but
How do we on this global?

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Chest board decide should we be taking money from Saudi?
Should we be investing money in AI startups in China?
So I think traumatic. You've got a big perspective here globally. Let's start with you
Two separate issues any surprises here by Saudi the Kingdom actually releasing the list of who they're backing and why would they do that at this point in time and then
US investing in China because we are at a moment here across roads
I think of should we be engaging or not engaging and building bridges with China and Saudi
You know for obvious reasons look Saudi Arabia Abu Dhabi all of the UAE
These are countries that are really important on the world stage and increasingly so because they manage peace and prosperity
Regionally now right they have huge balance sheets that can accelerate all kinds of projects all around the world
And so they have to be taken seriously and so this is a very smart marketing move
By the PIF which is to essentially say look, we are an established blue chip LP
Of the blue chip organizations that you're used to hearing about and celebrating
And I think that's very smart of them because what it does is it reinforces the feedback loop that other great firms should be going to them to raise capital when it comes time for them to raise their N plus first fund and so I suspect especially now
It makes even more sense because everything we've heard Friedberg mentioned in a couple of episodes ago
The United States limited partner market is essentially closed for business. They have huge misallocation problems. The endowments are sort of closed. The universities are closed. A lot of the family offices
Are licking their wounds?
And so this is a perfect time for folks in Saudi Arabia and the UAE to basically put the foot on the gas and basically tell everybody
Hey, we are open for business
So I think that that makes a lot of sense
And I think that it'll be successful. It'll work, especially in a moment now where US dollar flows from US dollar limited partners are very difficult and
Harder to come by
Well, and we're also selling billions of dollars in weapons to the Kingdom
And we are a major partner there are valuable. They're a valuable security partner of the United States. They're a valuable economic partner in the United States
It's no different than doing business with any other country. I think it's smart by the PIF on the other thing though with US firms investing in
Chinese AI, it should not be allowed. And I do think that
The folks that are responsible for Siphos need to get a handle on this
Look, I've done a bunch of deals where I have had to jump through a bunch of Siphos hoops where explain Siphos, please
So basically Siphos is the committee on foreign investment in the United States. Now what that

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means

Is if folks want to invest in certain things that are on a list of things and I'll and I'll tell you the things that I've been involved with that

That came under syphesus rocketry

And certain chip technologies

Are so advanced that the United States has very specific rules

That limit the ability for foreign actors to invest in those businesses

And in those situations where a few folks invested beside me in some of these companies

We had to go through a process to get syphesus approval

Before that investment was allowed. Now. What's interesting about that is that's about money coming in

But I do think that the reverse now becomes important because if us dollars are going

To go and see these extremely complicated advanced technologies abroad

especially into the hands of

Countries that are frenemies at best of the United States

I think we have a responsibility to have a point of view on that

And so I think keith rebuy was the one that was very definitive and said this should not be allowed

I do think it is so early jason. We talked about this. We're on this curve of fuck around and find out which means

There will be some crazy examples of stuff that are very uncomfortable

Yep, I don't think we want us fingerprints on this stuff being perfected outside of us borders

Sacks when we look at the history of engagement with china, maybe we can take a multi-decade globalization perspective here

When you look back on it the engagement with china created so much prosperity so much

Interquined dependency iPhones being the the best example possibly. We're selling them in china.

We're making them in china

China loses apple as a customer. That would be absolutely

Devastating for them and it would obviously be devastating for apple as well. So when we look back on that as a general rubric here

Do you think we enabled a competitor?

or we

Avoided future conflict because of the interdependency and where do you sit in terms of thinking about engagement versus

Maybe isolation or something in between those two frenemies best of frenemies, etc

The policy of constructive engagement as it was called 20 something years ago

The the idea behind it was that if we engage with china economically and help make them rich then that they would become more like us

They would somehow turn into a democracy and they would have tremendous gratitude towards us and we'd become friends

It's not the way it worked out. There were people who warned that this was a foolish approach

So most notably the realist scholar John Mirshimer at the University of Chicago

Warned back in 2002

That that was not the way this is going to play out if we made china rich they would seek to convert

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That wealth into political power
And then they would act the way that all other great powers have behaved throughout human history
Which is they want to dominate their region and they would seek to push the United States out of Asia and the future that he predicted 20 years ago is the future that's come true
And I think the you know all the constructive engagers. I think has some egg on their face now
I understand where they're coming from. This is a fundamental
Difference between whether you see the world in economic terms, which is about creating positive sum
Games basically trade or whether you see the world fundamentally in geopolitical terms
Which is about the balance of power, which is more of a zero sum game
Which is about the balance of power, which is more of a zero sum game
And I think that both views they're both extremely important
We want to engage in positive sum relationships that generate more trade and more wealth through the United States at the same time
We have to be aware and concerned about the balance of power
We do not want a number two country
In the world who can rival the United States in terms of power who basically could win a security competition with us
And we certainly don't want a country in the world to be more powerful than us
So I think this is sort of the yin and the yang as geopolitics versus economics
And I think what's happened with China over the last several years is it's flipped
I think we used to see the relationship primarily in positive sum economic terms and now we see it in geopolitical terms and I think there's a lot of firms now
In the United States who haven't embraced this new reality
And to go back to your question about you know, when should a venture capital firm take Money from a foreign country when it should and I think there's a very simple Rule for this which is if the country is a u.s. Ally
I think it's fair game because the u.s. Has said this is a partner of ours
So why can't you do business with them? But if the United States government has said this is an adversary
You're putting yourself in a really difficult precarious spot
By doing business with them because then you have to explain yourself to the u.s. Government
Yeah, this is the very simple rule we would use is I don't we would never consider taking money from Russia or
North Korea
Any country that the u.s. Government says is an adversary of ours
But if the u.s. Government says this is a partner in an ally, then I think you can consider it
Do you think there's a way sacks to salvage the the relationship with china and make it productive?
Or do you think it's a far gone conclusion at this point because
One might argue and I've heard people argue this
Maybe china would have invaded taiwan already if it wasn't for the interdependency
So I know we're dealing with you know a lot of we're doing a lot of predictions here

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But do you think it could be salvaged and do you think it would have been a worse relationship if we hadn't had this interdependency that's been built up. I'm not quite sure that the economic interdependence theory preventing war has been definitively proven if you go back to world war one for example. It was the case that Britain and Germany actually were each other's number one trading partners and they still got in world war one for reasons that in hindsight seem really silly so I'm not sure that economic interdependence can prevent it. It certainly doesn't prevent security competitions from arising and therefore I don't think it can necessarily prevent a war. Although, you know having business ties can lead to positive interactions so I'm just saying the jury's still out on that. But I think that like I said, I think once you're in a security competition the way that we are with China I think geopolitics rather than economics is in the driver's seat and that's what's happening right now. Freeberg intellectually way. I think to process this you would never invest in a North Korean AI company, a Russian AI company or an Iranian AI company. How do you think about China and then just generally this topic of when to engage? When venture capitalists when startups, uh, you know and trade partners should engage with various countries. How do you think about a free bird in what role as an investor? Well, we could take multiple roles here. Founder investor would be the top two for this program. I think or taking money from any of those three possibilities very few portfolio companies that don't benefit some way from the trade relationship with China. So you know to Sax's point. I'm not sure you can really say China is a true and complete adversary in the sense that we're on opposite sides. There's obviously deep interdependencies. So you know, it's hard to kind of say I draw the line at this kind of technology investing there. But I benefit from their technology investing that's going on there in other ways with some of my other businesses. Right. I think that that's really where you kind of run into a bit of a conundrum that we do have a deep interdependency. So, you know like with respect to like investing in China I don't know. I think the investing in China thing is pretty difficult. Given that there is a single

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Power that gets to decide what does or doesn't happen. I mean look at what happened with alibaba
A lot of shareholders got pretty wiped out there
these
these governments where you have like
The the potential of getting completely wiped out by government action is a pretty scary place to
invest in general
I'd be more oriented as an investor around those concerns than I am about
You know, it's it's really hard to do the calculus on on am I helping or hurting america versus china?
You know, you could argue
100 ways each of those sides. What do you think of sax's framework if we're partners?
You know fair game if not partners not a good idea to put your neck out
But we're part. Sorry. Are you asking are you saying like we're not partners with china?
Well, it seems like the u.s. Government has said we're adversaries now and that we're in a pretty
dogged competition
Well, jake, I'll just be specific. I'm talking about a situation in which you're taking money from them.
Yes
The situation where you're taking money. I do think that selling them
products
that are
You know not
Are, you know, not like super strategic like I think selling them our most advanced chips is
dangerous
But you know, I look I think if you're selling them products that help restore the trade deficit and
correct that
I don't have a problem with that. Yeah, I don't have a problem with
Us selling movies or cars or something like that to china the question is though. I think if you're a
venture capital firm
Do you take their money? That's what I'm specifically talking about and I think whether you're
allowed to or not
We don't because
We just don't want to have to think about what complications that could cause down the road
Also getting your money out of china also a difficult task. It seems these days cash app creator bob
Lee
Aka crazy bob on twitter. That was his twitter handle was stabbed to death tragically in san
francisco earlier this week
He was squares for our ctm. He worked at google on android
He was the chief product officer at mobilecoin
Also an angel investor in a ton of companies figma space x clubhouse
Well known in the industry officers responded at about 2 35 a.m. To report of a stabbing on the 300
block
Of main street and arrived to find lee who had been taken to a hospital and succumbed to his
injuries there
No arrests has been made

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a lot of uh, san francisco

Politicians are sending their thoughts and prayers, but obviously san francisco is still a very dangerous place. It seems any thoughts on this and how it might act as some sort of Crossroads or not and thoughts and prayers obviously to his family. I think this um

This was a pretty tragic event

There's a lot of people who I knew that were pretty close with him

I got several messages on his passing. He was I didn't know him personally. I think we met maybe once or twice

He worked on android at google and obviously had a key role at square in the early days and was a pretty impactful and important person, but also supposedly I didn't know him very well again. But everyone says just such an incredibly kind and generous person. So

A tragic loss. Um, I used to live two blocks from

Uh, where the the event happened

I'll I'll zoom out. Where is it freeberg? Is it a bad place? It's in soma that ring con center

Right by the big condo towers there and that's right where the sales force uh offices used to be. And

You know block from the water front for the market area. Is it is a part of all that drug craziness? No, necessarily. No, it's not in the heart of the camping district. It's just a nice area in soma quiet area

Right. So at night, there's no one there. I went to san francisco a few weeks ago

I told you guys I pulled up to a restaurant

On the embarked arrow and I joked with my buddy in the car

I'm like, oh my car is going to get broken into while we're at dinner because I'm parking on the street

We went to dinner 90 minutes later. It came out

Of course my car had been broken into the trunk had been popped up and it's just like

This is the fancy area soma chamath very fancy area soma

Look, here's the thing if you park at a parking meter in san francisco for eight minutes too long you get a 60 to a hundred dollar parking ticket and san francisco has become an upside downtown. What I mean by that is I think that like so much of the response that we've had

In the last couple of years to power dynamics and concerns about the powerful having too much influence

Over those who are less powerful who have less influence and who suffer as a result of their demeaned influence

The response has been to turn things upside down

Which is to give those who were lacking in the power structure everything and to try and take everything away from those who are at the top of the power

Structure so if you want to deal drugs in the open air if you want to walk into wallgreens and steal thousands of dollars of goods

And walk out nothing will happen to you because you were embedded with this powerless kind of position in life

But if you have a car and you park at a parking meter and you say at the parking meter for more than 10 minutes

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You get a ticket and the consequences of responding to power dynamics by flipping the power structure upside down is obviously
Can be more negative as we're kind of experiencing. I think acutely in san francisco
But also around the nation and by the way, I think that this applies in a lot of other ways in terms of how we're doing college admissions
In terms of how we're selecting people for jobs in terms of you know recent applications for pilots for doctors where
The assessment is less about
Did the person who was disadvantaged at the beginning of their life or career or trajectory or educational path be given greater opportunity
And greater resources to catch up and to get there or did we just flip the power dynamic upside down and just give them the end point
And as a result there's a massive kind of detriment that I think can't arise and it's not necessarily always the case that it will arise
It is not necessarily the case that selecting someone based on some demographic profiling to be an airline pilot
necessarily means that that airline is more likely to have airplane crashes
but in certain cases when you don't prosecute certain crimes like robberies or
People walking into stores or breaking windows or dealing drugs in the middle of the street or camping on the street
And you fast forward a couple of years that power dynamic the flip of that power dynamic causes the whole town to go upside down
And everyone who's sitting on the bottom ends up becoming a victim themselves
And I think we're starting to see inklings of this in san francisco
We certainly have for years sacks is ranted on about this with respect to some of the non prosecution that's happened historically
And I totally agree with him
On those points and I think that it's come to a breaking point in san francisco
But that's really a beacon for what else is going on and you know, some people call it woke ism
I think maybe this notion of woke ism is one small element or segment of the broader issue
With how we are tackling with and dealing with embedded power structure issues in this world today
And the flipping of those power structures upside down doesn't necessarily yield the outcome we all want
And I think we're starting to see reasons why sacks any thoughts here. That's my rant. I can't disagree with you
Yeah, so similar to freeberg. I didn't know bobby, but I know many people who knew him and I was getting texts and
obviously we feel really bad for
Him his whole family his kids as a father as co-workers friends
We don't know exactly what happened yet
But I think we suspect and I would bet dollars to dimes that the story is very similar to a case
We had an LA recently the brianna cup for a case where a young woman was basically stabbed

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For no reason by a psychotic homeless person who had been through the revolving door of the jail and criminal justice system
Who could have been locked up who was arrested multiple times that was not kept locked up
Because of this push for decarceration
And you can argue that maybe it'd be better for that person to be in mandatory treatment
Or in a even a maybe a mental asylum, but this idea of just releasing these people onto the street
I just think is an outrageous abdication of responsibility by
Our elected officials who run the criminal justice system who pass our laws and the thing I just wish
is that I could lock
for 24 hours
The the people like our supervisors or our governor or the people who basically make these laws or
the people who are pushing
For decarceration of these violent offenders by these nonprofits
I wish I could lock them up in a room for 24 hours
With the people that they think are safe
To release on our streets
Let's see if they really would take that test
Because it seems to me that these these elected leaders and these nonprofits who are pushing for
these outcomes
they
Are setting loose on us a predatory
criminal or psychotic element
That jeopardizes our safety and makes these cities unlivable
And we should not tolerate that and quite frankly the responsibility goes beyond those elected
leaders
It goes to all the voters as well because we keep putting up with this
And where was our governor when this happened?
He was in florida doing some sing-along at some high school where he was trolling
Ron DeSantis because DeSantis has taken on dei at that school
So that's where newson was and he's extremely popular in california fighting culture wars instead of
saving culture wars in a distant state
instead of basically
Fixing the criminal justice system in california
It's even worse than that because he's actually shut down two prisons and released lots of people
So where is the push for criminal justice reform in california?
I'm protecting the citizenry
And until the voters in san francisco in california start demanding this there's never going to be a
change
And at the same time start listening to gary tan
You know just vote for who are the gary tan tells you to vote for okay. I think it's a probably good
I can't disagree and this the supervisors seem to control a lot of this and
Uh chamath shared just this week. Mayor francis suarez is talking about on his twitter the reduction
in homicide

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shootings
and they have literally counted the
If you want to say
A drug addicted mentally ill homeless
There's obviously three or four different things going on here when you look at the population that's
living on the street
Some number of them down on their luck some number mentally ill some number
Addicted to drugs and some number a combination of those things
He seems to be getting it done in miami
and
You know other states seem to and other cities seem to have gotten this under control
Is there any hope for san francisco chumath or is this just going to take five or ten years to bottom
out?
I mean it takes regime change
I think new york
Had a long period of lawlessness
Where people were afraid to walk down the streets. It took a handful of mayors to draw a hard line
in the sand
to increase policing
Sometimes to introduce some pretty controversial concepts at the time
We're at the time that we're supported which now seem controversial. You're talking about stop
asking frisk
I think it was called the broken windows theory of policing
Yep, take care of the wearer
Take care of the little things so that the little things don't compound into the big things
But whatever you believe needs to get done
I think it's pretty clear that what is being done isn't working
And so the real question is
Can people see through
The naked partisanship to agree that this is not working
And sadly what I would tell you guys is that I don't think
They're there yet
and the reason is because america is the most divided it's ever been
especially on issues of race and social justice and
social norms
and I think that crime
Has gotten caught and painted with that brush
which means that the idea of very
Aggressive policing and safety
Are now viewed as opposite and antithetical to social justice
And I don't know how that happened
But the result of it is this which is these folks will never agree that this is not working
And you'll have to go through

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Recall election after recall election and even then it's not going to be enough because the smart politicians will say
What they want
in terms of like
safety matters
But then a lot of voters will vote the opposite the example in chicago that david brought up earlier is really interesting because
It was essentially a social justice candidate versus a law and order candidate through their democratic ranks
And the social justice candidate won the progressive candidate won and the person that wanted to tax
Businesses and individuals won and the person that wanted to sort of focus on law and order lost
So what does that say it says that we are still in a moment where we can't agree on what is important
Yeah, that's really scary. And so I think you
Kind of have to unfortunately vote with your feet if you are lucky enough to do so
I think that's the key. Yeah
Who's left over or a lot of people who are not in a position to just up and leave
And then they are unfortunately left behind
tragic situation
all around
And I will never host a conference
or any event in san francisco until this is solved because I um
When people ask us to do events. I'm like
People don't want to come to san francisco. They're afraid so I do my events in napah or in san mt
Nat nat started a
Bilingual school italian english that is on the ib system
International black calorie system and it's a sister school to a school in the city
We had a fundraiser which was literally right downtown in that encampment area
And when I pulled up I was like is this for real? It's an open-air drug market where
Folks are doing drugs selling drugs right in front of you
They're passed out completely incapacitated about a third of the guys are wearing balaclavas
So you can't identify them. You have no idea what they look like
I grew up in brooklyn in the 70s and 80s when it was legit dangerous and
When I walk in san francisco it feels much more dangerous
Than that crazy era it feels random
It doesn't feel like there's organized crime gang crime
Like I grew up in a pretty crappy neighborhood and you knew who the gangs were
You knew who the tough guys were you knew how to avoid trouble
They didn't come and randomly come and stab you to death
Right and so yeah jason you become street smart growing up in a culture like that because you know how to avoid it
You know how to be alert. This doesn't feel like that. This is just like

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A bad roll of the dice and you could get stabbed to death just walking down the street that does not
Where where are the politicians to stop this?
Yeah, I mean they don't care. There's a the level of corruption in san francisco is unbelievable
The incompetence amongst those supervisors the mayor the da's everybody. It's just incompetence
and nobody has
The hutzpah the wherewithal to say enough and I think the other group to blame
Are all the rich people and powerful people who just haven't been active in politics and I know some
of us have
In different ways, but I think it's going to take a coordinated effort by people who really care to vote
out all these supervisors and bring in
It's got to be regime change
And I just don't know if there's the wherewithal to do because every time
As a person who has some means or is successful in some way that you stick your neck out there like
you have done sacks
The the attacks that you will get from this insane
left
I don't want to even use the word woke. I think it's a different derangement
I think it's actual corruption where they're making so much money
Offer of this homeless industrial complex. They're getting paid so much money that the grift is so
deep
That they are going to fight for this and it's going to take some really courageous people
Like gary tan and maybe david sacks and other folks to back a slate of people
To change this and we need people to run for government who are brave and who want to put their
neck out there and say
Enough is enough. We're going to police the city. I just don't know if it uh, it's going to happen. All
right, listen
Yeah, I mean the the the issue is that it takes it takes more than one election
So listen, I think we made a positive change by removing chase of boudine. I think brook jenkins
Has the right attitude. She cares about victims. I think she wants to prosecute
The issue is that you've got a police department that's 50 of the number
Of officers that they want because they flirted with this whole defund the police movement
You've got the board of supervisors and you've got led an oversight board
On the police that basically make their jobs harder and it's not it's not one election because
Even the mayor doesn't control it because the board of supervisors really has all the power in san
francisco
So they take a job that really should be one or two people's jobs like the da like the mayor and they
break it up into
this like board of supervisors where
You've now got to be familiar with
A dozen different races in order to effectuate a change. Well, the machine knows how to do that
But the average citizen doesn't so they make it really hard to effectuate change
But there are groups that are springing up
in san francisco like grow sf and you know people like gary

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Who are on top of it and that's why just follow them and and
Vote for their recommendations because they're actually cracking how to make a difference
All right, I think on that we will wrap
up for the dictator trimoth polyhapitia the rayman david sacks
and the sultan of science
for a veda freeberg
I am the world's greatest moderator. We'll see you at the all-in summit 2023
Besties are gone
We should all just get a room and just have one big huge orgy because they're all
It's like this like sexual tension, but they just need to release somehow
We need to get merchies