

I'm so fucking tired. I've slept six hours in three and a half days. Six hours.

So wait, wait. You went to the World Series of Poker with Helmut. So you spent... No, no, no. First of all, I flew public, took Southwest.

What? Yeah, cost me 49 dollars. You were on a Southwest flight?

Yeah, I got a ticket for 49 bucks. It's like so fucking incredible.

Oh, did you sit in seat A1, also known as Jay Cal's reserve seat? It has my name on it.

Well, it was in the front row. Yeah, it's great. Like, Southwest has these numbers.

Hold on. You were in first class on Southwest?

No, no, no, no. Premium. Plus, he was in the front row.

No, there's like these signs that like have a number that attaches to your ticket. And then you stand in that line and then you go on in this orderly way. And so I was, I had like A5 or something. So I was like the fifth person on. And then I sat in the front and I put my bags up top.

Yeah. You carried your bags. Yeah.

An hour later, I was in Vegas. It was so easy. Southwest is phenomenal. And then I flew back.

Anyways, and after, after losing as much money as I did, it felt good to fly for \$49.

I got to be honest with you.

Well, austerity measures have their benefits. You can sleep better at night with austerity measures. And did you go to the all you can eat buffet and ticket to go as well?

No, I never do that. You never know.

Why did you fly Southwest?

Why did I fly Southwest? Well, the plane's in Europe with Nat. That's number one. And then two, I just wanted some flexibility to get in and out, depending on when I busted these tournaments.

So let me tell you about these tournaments. The hundred K is literally like a murderer's row of like every great poker pro. So it was like 96 of us or something. I got to be honest with you.

It was so much fun. So much fun.

Why? How so?

You know, we play 40 minute levels and you have to really get the chips moving, which means that there's only so much like, you know, game theory, optimal poker you can play. And at some point, you just got to gamble it up and you got to take your shots and you have to be willing to bluff and, you know, you have to bet for thin equity. It's so much fun. And then you see some of these guys that just lose their minds. Anyways, it was, it was really, really a lot of fun. I finished in the middle of the pack, like 40 second or something. So that was brutal.

But then the thing that I'm the most proud of is, and I went from that and I hopped in the three K, six, six handed right afterwards. And there was like 1250 people in that. And I got to 81st and whoa, the problem was like, just couldn't get anything going. I couldn't get any real card. Like you need some card distribution. Like you have to, at some point, make some hands. You can't just, you know, I could bluff my way to 81st, but I needed hands to really, really have a chance to chip up and run it. Then I played in the Raz, which is seven card stud low. There's 126 people now when I finished in the middle of the pack there. And then this 10 K bounty, there was about 600 people and I finished like 150.

Those are all respectable.

I mean, I know play tournaments. I have no idea how to play tournament, to be honest. I know how to play poker. I know how to play cash games, but tournaments are very different. So I feel

like I was very ill prepared, but I had so much fun. And you know, the crazy thing is, when you're playing for 12 hours a day, you are focused for 12 hours. The thing that I forgot is that you end up, I ended up losing like two and a half pounds. Oh, wow. If your brain is going, going, going eight hours a day, biggest fucking thing. And I was, I was mentally devastated at the end of each night. You're just lying in bed, eyes awake. Yep. And then you can't sleep. And so then, you know, you go and you play crabs and buck rot, break the casino for a couple hundred times a night there and then go back to bed. It's great. God, it sounds like a great week.

The good news is, uh, as Phil was live blogging for you on your behalf from, uh, from over your shoulder.

Oh, by the way, the other thing was I brought my phone, but I don't have anything on my phone. Like I don't have Twitter. I don't have any of that stuff. So I was just totally in the zone. It felt so great to not be connected to social media.

It's a flow experience. It's a flow experience when you can turn everything off and just be in the moment. Congratulations on the, on the, you know, coming in the 10% of the field and the 3,000 or 8% of the field. That's incredible, dude.

If I really practice at these tournaments, I think I would bank a couple, but I just don't have the time. The paradox there is that you did best in the largest field. If you can do this for three or four years and you go into those ras fields when it's a hundred or those 25K, 100K is when it's a hundred, 200 people in the hundred K, there's 90, 95, 96 people. Like you really do have about a 1% shot of winning the thing, which is pretty incredible. Yeah. Raz too. Raz is always a hundred. I love tournament poker. That was my, that was my game back in the day. Well, it's because,

it's because you're afraid to lose money. So it's perfect for you. Put up a small amount of money and you can play for many hours. You're probably in your mind, you're probably dividing the number of hours by your buy-in so that you can think about what your hourly cost is. I actually like tournament poker because when you lose, you lose. Like you can't just rebuy and basically, and then there's a broader macro strategy. You start to play the chips against the other players because, you know, however, everyone else is playing based on how many chips they have in front of them. It's a great point. This theory of ICM, which is like independent chip model, is exactly what you just said. The craziest thing for you Berg happens right at the money bubble. These guys start, I've never seen this before, they ultra tank. Ultra tank. Oh yeah. They go in the tank for two minutes and then they fold. So obnoxious. When I used to play tournament poker, I'd fold ace king suited. You'd fold pocket queens. You'd fold everything if you're on the bubble of getting into the money or you're on the bubble of getting to the final table. It just doesn't matter because if there's three guys with you that have smaller chip stacks, let them get blinded off and now you're in the money or now you're on the final table and then you'll play poker. It's like, go get up, go have some dinner, come back in an hour, don't even look at your cards if you can cruise your way there. It's a totally different kind of game. Totally different.

There's a guy that was tanking. He's a really lovely guy, a British guy. I offered him the min cash just to not tank. I was like, please stop tanking for four minutes and folding your eyes. I'll just meet it as action. I had a guy do this in a tournament and I timed it with the rest of the table. I took out my phone, I timed it and I said, whatever number of seconds you do,

I'm doubling and I just did that. It was so obnoxious that the entire table, like the guy finally stopped. Well, in the 100k, we actually had a better setup, which is that we had these iPads on the table and everybody gets a 30 second shot clock. So you can't really fuck around, but then in these big field events, they're not going to have iPads on 100 tables, obviously. And so instead, people just tank forever and then you have to call the floor and you have to call time on these folks. The funniest thing though was like the last tournament I bought in for was a 10k secret bounty, which means that on day two, when you knock somebody out, you actually, everybody stops the action. You go up on stage and you pull like out of like treasure hunting and some of these bounties can be like a million bucks. And obviously, there's a lot of people there that kind of recognize me. And when they saw me in the 10k secret bounty, there was like a movement. It was so funny. They were like, if you win the secret bounty and you win the million, we're going to revolt and burn the Paris, Paris. And I thought, you know, it's true. It'd be patently unfair if I was the one that won that million dollar secret bounty.

How many selfies did you take on Southwest? That's the question everybody wants to know. How many people recognized you on Southwest and what was the shame that you felt? It was great. I'm going to fly Southwest to Vegas all the time now. It's fucking great. It literally was honestly to get from my house to the gate where you stand to get into the plane. It was like plus or maybe 15 minutes more than just driving on the tarmac. Like it was a nothing burger. Check out. It's amazing what a down market could do to people. This is the victory of the age of fitness. Chama. Absolutely. Chama. Southwest. You were in the first row. You were the front row of Southwest. All right. Listen, there's a big docket today. We've got a lot on the plate. David Sacks is busy in a star chamber right now selecting the next president in the United States. He's picking a VP and the cabinet for whoever's going to win. So he couldn't make it today. So we brought the fifth bestie, Brad Gerson, her back and great timing because the Fed decided to pause rate hikes in just yesterday, I guess. And this would have been the 11th consecutive rate hike. Is that about right? That's right. And they anticipated two more 25 basis hikes before the end of the year. So here's just the Fed funds effective rate. So you can all concede it here over time. And there was also some big news this week. A couple of 2023 IPO candidates started to be floated. Obviously, we've been hearing about Reddit and Shrype for a while, but ARM, confidentially filed for an IPO back in April, and they're seeking to raise between eight and 10 billion later this year. And that would be a pretty big deal for SoftBank, which owns the firm. And that could, I guess, save SoftBank, which has had just a brutal run with the two different opportunity funds. Sorry, why would it save SoftBank? The ARM deal is being done. What's the valuation it's being done at? SoftBank acquired ARM for 32 billion in 2016. They don't know the valuation right now. They haven't put that out there yet. I mean, they were originally looking for anywhere from 30 to 70. But I mean, Brad, where do you think that comes out? I have no idea. I think that they're shopping to get these anchor tenants into ARM. If the IPO market was super hot and this was really easy to get done, this would have been done. So I think they're tiptoeing out because they need to get it into the public market. But I think that anybody who does an IPO today is going to demand a rate of return into that offering.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

That is a significant margin of safety relative to all deals that were done in 2020 and 2021. What that means is on the roadshow, investment banks go and they try to drum up demand. They want

to have anchors in the IPO book. They call firms like ours. They call strategic investors. They want to size up what that is. They give you their expectation of fair value or where they think the IPO will trade to. Of course, you meet with management. You ascertain and develop your own expectations of fair value. What I'm saying is maybe in the peak, in 2020 and 2021, people were getting thinner and thinner in terms of the margin of safety they demand. My expectations, whether it's ARM, whether it's Databricks or other companies that are starting to queue up, and these are fantastic companies. Make no mistake about it. Nvidia tried to buy ARM and Databricks

is doing over a billion in revenue, growing extraordinarily fast led by an incredible team. In order to get into the public markets, they have to step in with a bigger discount than they would have, previous correction. Just to put some numbers on it, ARM had agreed to be acquired by Nvidia for \$40 billion before the talks fell through. That was due to regulatory scrutiny. Bloomberg says ARM is aiming for evaluation of \$70 billion. Obviously, there's no confirmation about that. That's just the news, hopefully intelligently speculating about it.

What exactly would you be buying for \$70 billion? They missed it.

ARM had a window where they had to make some really important product decisions to be able to actually have reference designs that actually made sense beyond just simple mobile processors and CPUs. They don't have any of that. They have a good cash cow business. It's probably worth \$25 billion. They paid \$30 some odd. They could have gotten it out for \$40 something, but it's a mid-20s billion dollar company, no more. If you buy it at the 20s, you're buying a casual yielding asset. Good luck to all the players, I guess is what I would say.

Clearly, it's a function of soft banks seeking liquidity. They've had this position for how many years now? Four years? No more. I think this was... Six maybe? Six years?

When did they buy it? Was it 2016? I think it was longer. Yeah, 2016. They bought it.

So this has been... In the fiscal year ending March, the vision fund alone took a \$32 billion right down. Obviously, Soft Bank has a big chunk of the vision fund, but this is not in the vision fund. It's not in the vision fund, exactly. This is on the balance sheet. It's on the balance sheet.

Yeah, but it's clearly a liquidity driver for them. I don't think that this is... First of all, Jason, I don't think the point about Soft Bank needs saving is necessarily true. It's not a company that needs saving, but they've certainly taken some hits. Well, they could use a win. Is it my point? Yeah, they could use a win, but... The last two quarterly calls, Masayoshi-san was pretty repentant and humble. In fact, he used that exact language. We talked about it here.

So this big liquidity need at some point for the business. So they can get this thing out and get liquid on it. It would certainly support the balance sheet more than anything.

You know, the market is on a tear this year, Brad. Is there... Now that everybody's buying back into tech stocks, I guess two questions. Why is everybody suddenly buying into tech stocks

when people think there's going to be a recession and consumers have run out of money and...

Yeah, what's the thinking here of why so much money has gone to tech and this incredible rally?

It's been great to watch, but people seem to be perplexed by the rally and then the Fed,

even though they didn't do a rate hike, seem to put cold water on it and say, hey, listen, don't get ahead of yourselves. We're going to probably do rate hikes later in the year. We all have short memories. Tech had a devastating year in 2022. So this is a bit of a reversion to the mean. If you remember the chart, we showed a lot on this pod last year at the end of starting at the end of 2021 was that we were trading at multiples that were 50% to 70% above their 10-year average. And at the trough, we were trading about 30% to 40% below the 10-year average. So the market corrected, it overshoots on the upside because rates went to zero. And by the end of 2022, when you had Larry Summers and others who were going out and saying, we don't know what the upper bound of inflation and rates is, that's really scary to the markets. And so you had this overshoot to the downside. We're still trading below the 10-year average for internet and software companies based upon our numbers. And so when you look at this, as we said at the end of last year, the framework changed early in this year. All of 2022 was about two things. Is inflation going higher and are rates going higher? And those things are debilitating for growth assets and growth multiples. By the beginning of this year, we started to have confidence that

inflation had peaked, which meant that rates were largely in kind of, you know, spitting distance of their final destination. And the framework shift to economy, are we going to have a hard landing? Now remember, at the start of the year, Mike Wilson from Morgan Stanley, who gave him credit, made the call in 2022. He said, 22 was going to be awful. He was right. But he stayed in that bearish position at the beginning of 2021, said the economy is going to hit the skids in Q1, and that we're going to revisit 3,000 or 3,200 on the S&P. Instead, we're sitting at 4,300. So he was tragically wrong at the beginning of this year, because again, he was fighting, I think, the last battle that was won, as opposed to looking ahead and saying, this is no longer about rates and inflation. So the NASDAQ has moved 30% to start this year. The Fed said yesterday, we're hitting pause. The quote from Chairman Powell that has everybody a little bit perplexed is on the one hand, he says, we're data dependent. On the other hand, he said, we're likely to have more rate hikes, and that rates are going to stay high for a couple years. Well, you can't have it both ways. If we're data dependent, we have a hard landing, like Stan Druckenmiller thinks we're going to have in Q4 this year, then rates are going to get cut. But the market seems to like this. And let's talk about where we are. The 10 years at about 3,7, the S&P's basically flat in terms of where it was before and where it was after the rate hike announcement. The economy appears to be reasonably good, 80% of earnings in Q1B. The guides were okay. Stan Druckenmiller said, I shifted. He pulled forward when he thought we're going to have a hard landing based upon the bank crisis, which now feels like it's a distant memory for many. And he's now calling for potentially a hard landing in Q4. So the Fed just came out and said, no, we're not going to have a hard landing in Q4. We think we're going to have 1% growth. They think that inflation to end the year is going to be at 3.2% versus the 3.7% Goldman consensus. What I would say is, you know, we've moved but we're still below the 10-year average, but you have to start paying attention now to individual stocks that have likely gotten ahead of themselves or where they've taken out a lot of the return. What's an example of that?

A lot of the return. Facebook, Apple, Microsoft?

No, you know, I think a lot of the AI related stocks are now at or within 10% of our end-of-year price target. And when you see that, take something like NVIDIA, if I'm playing at home or I'm a,

you know, a professional investor, I may say, oh, I'm going to go sell some long-dated calls to buy a little protection to the downside. I don't think there's any problems with NVIDIA. I think they're going to continue to perform. I think they'll beat their numbers for the balance of the year. But, you know, remember at the start of the year, people thought they were going to miss their numbers for data center. People thought data center revenues this year were going to be negative. And they just revised their guide from \$7 billion in Q2 to \$211 billion in Q2. So they've absolutely blistered their numbers. And the stock's gone from \$125 to over \$400. So when you have those parabolic moves, just like we did with rates last year, I think it's wise to say it's a fantastic company. We want to be involved. It's going to continue to be one of our larger positions. But if I can lock in 20% yield by selling calls six months out, I think that's a reasonable risk reward. So, you know, I think that's where we are. And now the question really becomes, and it's unknown and unknowable, right? Are we going to have a soft landing, a medium landing, a hard landing in Q4 and rolling into next year? And I would say as an investor, I'm very data dependent. You know, we're talking to companies, we're looking... What data point should we all be looking at at this point, Shomath? You think jobs, unemployment, just these stocks and their multiples, and how are you looking at it as a capital allocator, Shomath? Still on the sidelines? What have I said like a broken record? Rates are going to be higher than you want, and they're going to be around for longer than you like. And now Powell is basically telling you the same thing. So, we're almost at the end of, I think, the bottoming, though. I don't agree with Druckenmiller. I think he's wrong. On which part? That doesn't be a hard landing in Q4? Yeah. Yeah. And the reason there's not going to be a hard landing is you just saw China today basically say we're going to start to rip in trillions of dollars. They're going to stimulate the economy. You can't have a hard landing when China is printing trillions of dollars. Not possible. So, I think that what Powell was forecasting is that if China starts to basically turn on the money printer and go through a huge spate of quantitative easing, it's going to just inflate everything because they're just such a critical artery to the world economy. And so, you just have to get prepared for rates just being sticky and inflation being sticky. And I think that that's probably the most reasonable base case for the rest of the decade. Rest of the decade. Seven more years. Yeah. Yeah. Yeah. And so, in that environment, the problem is that now you have the seven or eight most valuable tech stocks priced to perfection yet again. If you look at their enterprise value over their net income, these things are trading at astronomical yields that are less than half of the two-year note and now approaching sometimes less than half of the ten-year note, government bonds. That makes no sense. And if you subtract out those seven or eight biggest companies in the S&P 500, the S&P has not been a great asset. So, I think the Equal Weighted Index, Brad, you probably know the exact number. The Equal Weighted Index is just shit. So, what does all this mean? I think it means that people are psychologically exhausted with having lost money. They are psychologically wanting to will the market up. They want to psychologically believe whatever will allow them to influence rates getting cut. But I think the most reasonable bear cases rates aren't getting cut. And whatever hope you had of rates getting cut just went out the window today because

there is no world in which you cut rates when China is going to print a trillion dollars or more. Free-burn. A lot of people seem to think that this big run-up in the markets is AI-related everybody's got an AI angle for their company. Some of them are super valid like Microsoft and Google. Other ones feel kind of speculative. We talked about BuzzFeed, talked about having AI journalists in their stock, which looks like it's going to be delisted. Got a quick pop.

Do you think the AI actually coming to market, driving efficiency, driving revenue for companies is going to happen in the short to midterm or is it more like midterm to long term? In other words, is the AI rally overheated and fake? I don't know if I would assume that the pricing of equities is entirely driven by AI. I think there's a lot of factors and including a lot of folks maybe being on the sidelines for too long and needing to come and buy in at the same time. But I do think that there's a radical realization underway that a lot of businesses that are dependent on services that might be replaced by AI don't necessarily have the longevity today. Those are businesses that have been severely hurt by the point of view of what AI could bring to market and bring to industry. There's a lot of stuff happening on the short side. On the long side, I think it's a distribution curve on how quickly different industries will be affected in a positive way by AI. Certainly, the most obvious is demand for chips because all this infrastructure is being built out. That's the first. With a high discount rate, which is the environment we're in today, you can more quickly bet on those opportunities. You see a disproportionate

bubbling and valuation in multiples on businesses like that. There are other businesses that are further down like services businesses. How long until lawyers are able to leverage AI? How long until banks, investment banks are going to be leveraging AI to create new products and improve their margins? There's a lot of speculation and a lot of ideas, but the discount rate is quite high right now. That's probably a few years out to the point that the fuzziness wipes out the potential value there. Just explain what you mean by the discount rate in this context.

Let's say that I think that investment banks are going to be severely changed in seven to 10 years. That's the time horizon. I think that their business is going to improve because of AI as an example or factory machinery automation, manufacturing businesses, probably 10 to 15 years. I can't really give them that much credit today. I apply a higher discount rate there, but there are other industries that are certainly being affected much more quickly. I'm sure Brad and his team of finance wizards probably have a board where they have this list of all the industries that are going to be affected and what time horizon. That's the way you could think about this. Over different time horizons, you could kind of accrue some net improvement to earnings and say, okay, you apply a discount rate to that. Here's how much the stock should trade up. That's one way to think about this. I don't think it's everything everywhere all at once. Great drop. Great reference, Brad.

Great. By the way, I got to tell you, I just saw that movie. I had to reference it because I saw it over the weekend. Have you seen that movie? Of course. Of course. Yeah, what was your take? What an unbelievable film. I had not seen that film. I had kept kind of postponing it. Incredible. Anyway, shout out. What is it? What movie? It's everything everywhere all at once. It won best picture at the Oscars last year. I don't trust the best picture awards at the Oscars. For a few years, I've just been duped by that award. You get some really crap ass movies that are like... Watch this movie and then report back. I won't even say anymore. Politically correct or whatever.

Yeah, there was a little virtue signaling. They were doing a little catch up because of Oscars so white, the movement to try to balance things out. In fact, people... Well, that doesn't exactly reinforce trust that actually destroys complete trust and reputational credibility. Yes, they're virtuous. Actually, that was something people said that everything everywhere all at once was possibly because it's an Asian cast. I don't even know what it is. What is it? It's a sci-fi, adventure, surrealist kind of romp. Michelle Yeo is in it. She's very famous. Ooh, from Crouching Tiger, Hidden Dragon? Correct. There you go. Exactly. Oh, she kicked ass in that movie. K-Boy Kwan is in it who played short round in Indiana Jones and The Temple of Doom. And I would do my impersonation, but I would get canceled for doing the impersonation of him in that film. That guy must be like fucking 70 years old. Yeah. Yeah. No, he's like 50 or something, but it's pretty great because he also won best actor, best supporting actor. And there are all these pictures of him with Harrison Ford and Steven Spielberg. Spielberg cast him. The guys that made it are like music video directors. You got to go see this film. It's really good. It's on a visual basis. You have to go to a theater? You have to go to a theater? No, no, no. Just watch it on one of your theaters. Watch it on Apple TV and one of your theaters tonight. Go to your play. Go to your theaters. Go to the theater on your plane and watch it tonight. Yeah, the theater is literally on its flight. Actually, I'll do that. Actually, we'll do that. I'll do that when I fly to you. This is probably the best moment I've ever had. I go to the bathroom. You know, it's a long flight back from Italy, so I'm taking my time. And I see that ASAP, ASAP soap that I can't afford. It's like 100. ASAP. Yeah, that one. ASAP. So I see that and I'm like, wait a second. So I look in the cabinet underneath. I'm like, if there's two up here, there's got to be six down below. So I check in the galley. Of course, there's six down there. I put two. I boost two in my back. Which I'm still not in my bathroom here. That's about 300 bucks. Then I go and I check out. He's got a TV set up. So I'm like, oh, I wonder what movies are on here. And it's Netflix. He's got so much bandwidth on that freaking plane that you can stream on the plane. You don't have to download your movies before you take off on Chamath's plane. All right, let's get back to work here. Brad, have you seen it, by the way? Have you seen that movie?

Yeah, incredible movie.
Incredible.
He's got to watch that.
It's not the best film of the year.
That was Tar, but I don't want to get into it with Chamath.
Oh my God, I tried to watch Tar.
That movie sucks balls.
It was so boring and fucking self-absorbed and contrived.
It is a little self-absorbed dollar bitch, but the best thing about it.
For anybody that has sleeping issues and otherwise needs to use a sleeping aid,
I would just put that movie on because once you see Kate Blanchett
blathering on and walking back and forth from her kid's fucking school
and then some crappy piano play, you'll fall asleep.
And then next thing you know, it'll be the morning.
What puts you to bed faster, Chamath?
Ambien, Tar, or Science Corner?
Why don't Tar or Science Corner?
Which one?
I actually love Science Corner.
I love Science Corner too.
I don't take Sleep Aids.
I've taken Ambien three times in my life.
Yeah, but that was recreationally during the day.
No, no, no.
It was prescribed to me because I wanted to try it.
I also tried Lunesta once.
They're both like, be careful with that stuff, man.
You'll start tweeting weird shit.
Be careful.
I tried those sleeping aids four times in my life and you wake up,
I wake up with a, it has a really bad tail effect.
So like you wake up, I wake up super groggy.
I only get five or six hours of sleep with it.
So anyways, I do take melatonin and that's really good.
That works.
That's natural.
Kind of does the trick.
Does the trick for me and then I try to just.
Why is it everybody on melatonin all of a sudden?
Like everybody I know takes melatonin.
Are you sure?
Just a natural way to ease into sleep.
Yeah, for me, what I do is I use it as part of a routine

where like typically around 10, all the devices,
things get silenced and do not disturb mode.
And I'm in a really restful place by 10 o'clock
and then usually by 10, 15 to 10, 30, I'm out like a light.
Out like a light.
I just got this infrared sauna.
You guys have infrared saunas.
This is like the new hotness.
And man, that is incredible.
You get a heart rate goes way up and then you sleep like a baby.
Okay, let's get back to AI.
Brad, are people getting too much credit in their stock prices
and is the AI.
Wait, do you do contrast therapy after the infrared sauna?
I don't know what contrast therapy is.
What is that?
Meaning when you do the hot, then you jump into like an ice bath.
No, I'm getting an ice bath next for my little outdoor sauna area.
And I'm going to start doing that.
I did that with my friend Antonio,
a friend of the pod, Antonio Graciaz.
He's got one of those cold plunges.
We jump in the cold plunge together.
He's got this thing at 45 freaking degrees.
He says, don't try to do too much.
You'll have a heart attack.
So I go in, I get 45 seconds in.
I start breathing like really heavily.
And I'm like, I got to get the hell out of here.
He does six minutes.
The man is an animal.
I do four minutes three times a week.
What temperature?
What temperature?
42 to 44.
The research paper that everybody references now,
I think her name is Suzanne Soderbergh or something like that.
She's the Swedish researcher.
Huberman did it on his podcast.
Rogan did it.
Anyways, the data is like a little less than an hour of heat
and 11 minutes of cold per week was shown to be physiologically optimal.
So I do it three times a week.

20 minutes of heat followed by four minutes of cold plunge three times a week.

Do you have like a cold plunge where you set the dial on it?

Or is it just cold water?

No, I do old school.

I use the Mr. Steam in my bathroom.

Because after I'm done working out,
the last thing I want to do is schlep outside, find my slippers,
put on a robe.

I'm not going to do any of that.

So I walk upstairs, I do the Mr. Steam at like 110 degrees.

And then while I'm working out,
somebody just makes a nice bath for me and put a bunch of ice in a tub,
fill it with water and just jump in it.

So what do they do?

Do they carve like a bunch of baby seals in ice and then they just,
when you get in and push them in?

No, no, no. All the ice cubes were made to look like my face.

So I have these shapes of the ice.

It's like a bust of yourself.

So I'm like looking at myself.

Yeah. No, infrared gets up to like 130, 140 degrees.

And your heart rate will go up to 140, 150 degrees in this.

It's a whole different experience than the Mr. Steam stuff.

I was recently on a ski trip and it's an extraordinary sauna.

It's wood-fired.

Oh, you told me about this.

So the lead guide on this trip, we go down there,
he gets the thing heated up before we show up, right?

And I show up with this great athlete down there.

And we go in the hot box because, you know, this is the thing to do.

And I look at the thermostat, I think it's broken.

It shows like, it's hard pegged at like 225 degrees Fahrenheit.

That's a lot of it.

You walk in, you're, I mean, you slow cook meat at 225.

My lips are burning, you know.

And this person sitting in there is like,
now this is the way you do it, right?

Tough guys, you know, do it at this temperature.

We're like, all right.

So, you know, we sit in there for like 10 minutes and then we go
and we jump in a, you know, in a frozen lake.

And about 10 minutes later, we're taking off.

We had to leave this particular place and, you know,

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

people are waving goodbye and they're looking, you know, they have to look over the sauna as they're waving goodbye. And they noticed that the sauna is on fire.

Ah, yeah.

That's basically what happens when you go to 225.

Unbelievable.

People are taking this a bit to the excess.

It's a little crazy.

All right.

So back to the docket here.

AI, people getting too much credit in public markets, kind of running with this before it's actually ready for prime time, just to add to FreeBurks point here.

There are a lot of people talking about doing things.

In startups, I see people actually doing things.

I would say four out of five startups that we've invested in and the majority of them that we're being pitched on right now are not only talking about AI, which they were all talking about it three years ago.

They're actually implementing it now because the tool sets are available.

I just had a call.

Thank you, FreeBurk, for putting me in touch with the Google people.

I just did a call this past week with Google and they gave me some previews of what they're working on.

I can't say anything about it, but it's mind blowing.

I think Google is not as far behind closed AI as we think.

Brad, what's your read on Google now?

We had a little kerfuffle when I talked about Sundar's reaction to AI and the concerns that others might have on folks talking about the company.

I mean, what's your point of view on Google today?

I don't know if you talked about this.

Yeah, I know.

I mean, I think I had this dinner, this incredible dinner actually, Thursday at the pub.

It's how I know Silicon Valley is back because it was just like serendipitous.

We threw it together in the afternoon.

You had this four extraordinary CEOs there, and you had Mustafa, one of the co-founders, DeepMind there, and Rich Barton from Expedience.

Oh, it's just an incredible group.

And the \$20 trillion question is, how does the entire open architecture of the web

get re-architected in the age of AI?
Another way of asking the question,
because we're all playing small ball, right?
We're all talking about our TPUs and GPUs,
what cloud's going to get accelerated?
That's kind of the small ball.
The big ball here, the \$20 trillion question
that has defined the entire internet
for our entire careers has been web search.
And I will tell you that the conversation around that table,
there's increasing confidence that whatever comes next,
the top of the funnel is up for grabs.
And all of those dollars over a period,
again, of five years, seven years,
is going to get redistributed.
And make no mistake, Google is well-positioned
to make its claim for that.
But its claim is going to come at the expense of search.
And so Google may create the best AI in the world,
but it's going to have to fight off
the cannibalization of core search.
And the question is, in this new thing,
and so Rich Barton, an incredible product founder, right?
CEO of Zillow?
Yes, and Zillow.
So he's founder of Expedia and founder of Zillow,
two vertical search engines that dominated
their particular verticals.
And the topic of the conversation was that the new UI,
the new way you interact with your customers,
is not optimizing a web page.
It's not optimizing an application.
He calls it the race to intimacy.
The race to intimacy,
that you have to build a conversational UI.
I've run that race a few times.
No, and it's a related race.
I think that was a sprint, not a marathon.
Sometimes it's been a marathon.
And the penultimate question is, who ends up on top?
Who ends up on top?
Yeah, are you always on top, Jama?
I run really good middle distances,

and then if I need to just make it run a Boston marathon,
I can if I want it, but I don't want to.

Oh, okay. Yeah, sure you can.

Yeah.

But I think, you know, I took a poll around.

Does he think, sorry, does he think Zillow is dead?

I mean, he's no longer sure what they're guessing.

I mean, no, he's a CEO.

He's the CEO.

He's the chairman.

Sorry, sorry, not Zillow.

Sorry, not Zillow.

Expedia, pardon me.

What does he think about Expedia and travel?

Well, you know, you and I had this conversation,
girly chimed in, the cash chimed in on Twitter.

Well, you're not on Twitter, but they chimed in.

You know, about the conversation from last week's pod,
every vertical search engine and Google itself,
that architecture is suspect, right?

The question's just over what timeline is it suspect?

But the world is moving past 10 blue links.

Information retrieval that looked like a card catalog
is not where we're going.

You no longer need an index.

You need someone to do the retrieval from the index for you.

That's the new service.

And extract the knowledge and present the knowledge.

Yeah, that's what I mean.

It's personalized to you.

But I think one of the questions that's still outstanding
from an architectural point of view,
in terms of your interaction with all the data in the world,
is are you as a user going to have a number of independent
relationships with your travel search engine,
your travel agent, or are you going to have a relationship
with your doctor, medical office,
and you're going to have a separate relationship
with your, you know, financial advisory type service?
Or are you going to end up seeing,
similar to the challenge we have in search versus
vertical search today, an aggregator of services,
because there's value in cross-populating the data

and the knowledge about you across those services.

So, yeah, sure.

You know, it's going to be the, no, it's going to be the former, because like, obviously, there's value to the company, because every company wants to profiteer from you and monetize you in nine different ways and maximize the equity for their employees and their founders and their board and their shareholders. But that's not what people want, right?

So like, for example, when you go to a doctor, would your doctor be better off if, you know, she also had all of your data from, I don't know, pick your other service providers?

Of course, maybe you could make a claim that if they had all of your personal information and they understood your risk factors, they could do a much better job.

But the reason you don't do that is you want some segregated relationships.

A, it gives you some level of privacy, but mostly it gives you control.

In a world of AI where you can be more conversational, the idea that humans will want to get reduced to talking to one thing for everything, I think is wrong.

I think instead it's actually going to be hyper-pragmented because the best-in-class use cases are going to be the things that people want.

And then B, it gives the user control.

The one thing I would tell people is, do not give up all of your data to one thing who's professing to be at all.

They are going to lie to you and trick you and you're going to have a social media problem writ large all over again.

There's another way to think about this, which is the reverse of the client-server model.

Where today, you are the client, you are the node on the network, and you're communicating with the center of the network, which is the server, which is the service provider. And all the data sits there and you're getting data in and out of their product

to suit your particular objectives.
But the future may be that more data
is aggregating and accruing about you,
you end up becoming a server.
You then have the option,
and this speaks to the architecture on the internet.
Imagine if every individual had their own IP address
and that individual's IP address had behind it,
behind your ability to control,
lots of information and lots of output,
about all your interactions across the different
network of service providers that you use.
That's a very smart framework, I think.
And ultimately, would you agree?
You want to be able to rent that data to services
and have them pay for it.
I don't even think it's about rent as much
as it is about you should have.
The reason rent, well, then you have to rent it.
You can't give it to them because that's be stupid.
That's right.
Your goal, your usage, like let's say the doctor says,
hey, can I get access to your health data?
Or sorry, your Apple Watch activity data for the last year.
You then have the option to provide that data to them
through some permission type service
that you then make available.
So there will be interconnectivity amongst the service providers,
but entirely gated and controlled by the user.
Look, you're seeing this up front now with Reddit.
When in this world, the people that create the content
are actually in control of the data.
And if you try to like monetize an API
without paying the people that created it
or giving them control, they'll revolt.
And you're seeing it happen.
Now Reddit lost what, 90 some odd X percent
of all of their content because the mods were like,
fuck you to Reddit.
Well, think of that writ large where everybody is asked,
hey, I'm this great service.
Hey, I'm this great service.
I can solve X, Y and Z problem for you.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

Just give me all your data.
And then if you're not asking, well, what do I get?
And they're like, well, you're going to get a WhizBank service.
And that's all they say.
You're being tricked.
It's already happening.
I mean, there's an open source lawsuit against Microsoft's GitHub co-pilot and you have the Getty lawsuit.
And there's also a corollary for this.
Google tried to kill Expedia already.
They tried to kill Yelp.
And it didn't work.
Folks use both services.
And if you are trying to boil the ocean, like ChatGBT might, I think it's not going to work because there's going to be so much innovation, so much community brand and all that kind of stuff.
And these LLMs seem to be trending towards good enough or some kind of parody that I think your rights from off people aren't just not going to give their data over wholesale.
I've been using the Zillow plugin to get exact.
And the Zillow plugin sucks on ChatGBT.
It's getting slightly better.
Plugin is the wrong model.
It's going to live.
This will exist on Zillow site.
Zillow will not let ChatGBT take their business.
You're going to go to Zillow site and you're going to say, hey, show me homes that have a sauna and a nice plunge.
And that are four bedrooms and that are fixer uppers or are not fixer uppers and have in-suite bathrooms and whatever.
And it's just going to give you that list.
Why would they give that business to close day?
I can take a crack just at summarizing what we all just said because your initial question was,
Friedberg was like, what does this mean for Google?
Well, we all just said that what we're certain of is there's not going to be 10 blue links and a model of search that they have monetized in a way that has been the most prolific business model in the history of capitalism.
That's a problem for them from a business model perspective.
So they're going to have to reinvent their business.
That's going to be hard to do.

It's like rebuilding the plane on the fly.
But then if you just go to the two models that we outlined here,
on the one hand, Chema said,
you're going to work with all of these agents.
That's exactly what Mark Zuckerberg said on Lex.
He's like, you're not going to have one super agent.
You're going to have hundreds of agents
and he thinks of what's happened.
All of his platforms is the new open web
where all of these agents will live
and you'll interact with them.
You'll interact with your Zillow agent there.
You'll interact with your booking agent,
your Expedia agent there, et cetera.
On the other hand, Chad GPT,
Pi, Inflection, Reed Hoffman and Mustafa,
and many others think that the benefits
of general intelligence,
this will be the first time
that we solve vertical problems horizontally.
And their metaphor, the compare there,
is we all don't have 100 personal assistants in our office.
You have one that gets to know you really well.
They get to know what you like to wear,
how you like to travel,
the things you like to eat,
the things you like in your house,
how many kids you have.
So there's real leverage in that horizontal knowledge
that can then be applied to these different verticals.
I think the answer lies in between.
Your personal assistant will do a lot of the general stuff,
okay, whether it's Pi, Chad GPT,
whatever Googs comes up with, et cetera.
But I think they will subcontract the work,
whether they chain it out behind the scene mechanism
to other agents.
So for example, if you're interested
in traveling to this undisclosed location
that I'm at in Europe right now,
my assistant doesn't know anything about this place.
So she may interact with a specialist
for this particular place

to get you that magical experience.
So I don't think you have to pick one or the other,
but architecturally, \$20 trillion of value on the web
is built around web pages, advertising and e-commerce,
and sending traffic to those other places.
And what we're all saying unequivocally
is it's moving to knowledge extraction
and intelligent agents.
And I think that's tectonic.
But I still think there'll be clicks.
I have been using BARD a whole bunch
and they have made massive rapid progress
just to give you but one example here,
I'll share on my screen.
It is pretty extraordinary
how quickly they're figuring this out.
And I did this just in the search while we were talking
about the five best Greek restaurants in the Bay Area
obviously came out with Kokare and other ones.
And then I asked it like,
hey, what are the top items on each of these menus?
They started putting images in and linking to Yelp.
And then I said, hey, tell me the most expensive wines.
And it actually got that from Kokare.
They have a Chateau Margot 2009 for 1500 Chamath.
I don't think it's good enough for you, but...
What year is it?
It looks like 2009, yeah.
They have Screaming Eagle 2013.
I don't know if that's a no-go.
Harlan 2014.
No-go, no-go, no-go.
Yeah, so it's a no-go.
No-go-rish, yuck.
Yeah, but anyway...
Harlan's good, Harlan's good.
Harlan's okay, okay, good.
So we gotta save.
Anyway, this, I did the same exact search like four weeks ago.
It didn't have images and it couldn't get me the items
on the menus.
And these could all be links.
And these could all be paid links.

So in these results, there's nothing to stop Google from saying, hey, Yelp, if you want, we'll put your information here or not up to you. You choose, do robots.txt, except we're gonna call it ai.txt. You tell us what you want to be included. And if you want to be included, we want, you know, it's a marketplace for clicks. We'll include three of your images with clicks and we'll call it sponsored. They are gonna be able to insert ads into here that are better than the current ads and that will perform at a higher level. And they're gonna know us. This could actually be the reverse of what everybody's thinking. This could lead to higher CPMs and higher cost per click because of intent. By the way, I mean, the 2014 is actually, I think, underrated and it's very highly rated, but I think it is an excellent one. That's an excellent point. Jason, as to your point, I think all of that, I mean, that's impressive. It's true. You can also do it on ChatGPT. I'll just say the number of people I interact with on a global basis who talk about ChatGPT versus BARD is like 10 to 1 today. Now, Google's got massive... That's gonna change real fast. Google's got massive distribution power. Let me tell you what I also think. But to your point, Brad, about this, I just want to respond to your BARD versus ChatGPT4. People are not paying attention and when Google puts this on the homepage and starts sending 5% of users to it, I mean, obviously it's expensive to do it, people are gonna have their eyes jump out of their head. I think Google's going to be... ChatGPT4, I'm saying it right here, right now. I think they're going to beat them because I think that they're better at indexing all this information and understanding it

than anybody on the planet
and they have the largest ad network.
If they get this done in the next six months,
I think it's gonna increase the cost per click
because they're gonna know so much
about each user, continue, Brad.
I know I'm in the minority here.
Well, no, no, I mean, listen,
I think a lot of Google's revenue
comes from de facto navigation of the web.
They turn the URL into a navigation box.
There are a bunch of ads there that people click on.
They don't even know they're clicking on ads
and they generate a lot of revenue off of that.
But let's be clear, Google is firing at this.
I just don't think it's gonna be as monopolistic
as they are in search.
I think there are going to be other competitors
who are gonna be well-financed,
who are gonna have access to the data.
And today, you have well north of 100 million people
who are paying a huge percentage of those
to use ChatGPT.
And I think it's the first competition,
but Friedberg knows he and I had the back and forth.
They reported earnings.
Stock was flat.
I said on CNBC that we had sold our shares.
We bought back some of the shares around Google IO
because we do think they're gonna be a player.
We think they're gonna be a beneficiary.
But I would say as I sit here today,
the distribution of potential for them
is less than it was before ChatGPT.
The distribution of upside.
They have some competitors now
who are going to be vying for this next new thing.
And I wonder whether or not as they try to navigate,
you're saying they're gonna take some of this traffic
from search and feed it into this other thing.
This other thing better monetize as well as search
or by definition, that means revenue goes down.
It feels like Google is so close to figuring this out.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

I mean, I've been doing some barred searches.
Jake, how much Google do you own?
How much Google do you own?
Not enough.
Not enough.
Six shares.
I've just been playing with the J, on myjtrading.com.
He's thinking of adding this.
He's thinking of adding.
I'm thinking of adding \$10,000.
Like a buy-in or two.
But let's pivot over to this Reddit thing
because it's super important that people understand this.
I'm going to buy 17 more shares.
I'm going to buy like a Harlan 2014 equivalent in shares.
No, my Jtrading is up right now.
Jtrading.com.
Shout out to my trades.
I did it as for fun.
I'm at like 20% returns versus 6%.
Well, Jake, you went quiet for a while.
So when you're down, you don't talk about it.
No, I had bought all the stocks I liked
and I didn't want to change them.
Do you track them in exit or what do you do with management?
I'm going to track the exits, but I haven't exited any.
If you go to Jtrading.com, you can play along.
But how can you only be up 20% when Facebook has doubled?
Oh, sorry, 22.43.
Yeah, but Facebook doubled off the bottom.
The whole goal of trading, Jake, how to maximize your highest conviction.
Maximize your highest conviction.
What'd you do?
Put a nickel to put 5% into Facebook?
I don't know.
I just bought companies.
I know what I'm telling you when you trade.
When you talked about it on group chat, I made the trade.
You got to put a lot of chips on the table.
I mean, you have pocketation.
That's, I think, what's the optimal number as a day trader, Brad?
What's the optimal number of names I should have?
You're not a day trader.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

You don't trade.

As a long trader, what's the optimal number of names I should be?

You have too many.

I think with your level of insight on the things that you really believe in, there was such asymmetry in that position at the time that you bought it.

It was your best idea.

You should have put at least 30% of whatever you were going to allocate to this into that position.

That's what I'll do.

Yeah.

I mean, it's done.

Okay.

I mean, listen, I'm up.

What did I buy?

I bought 500 shares and my basis is 47.

I'm at 140.

So it was a good trade.

Now imagine if you could, you know, 10 or 20X that.

Yeah.

That's what I should have done.

Yeah.

All right.

Jason, how, wait, hold on.

How much have you put into all those stocks?

1.5 million.

I basically had some money in an index fund laying around and I was like, let me do this.

1.5 million.

I did J-trading as a blatant attempt to get a sponsor for this weekend startups.

So I was like, oh, maybe Robinhood or E-Trade will sponsor this and I'm going to make it like a segment.

Oh my gosh.

So I was like, let me do like a segment where I trade and see if I can secure the bag.

And it, you know, the markets are so crushed that nobody is spending advertising from Robinhood or E-Trade or Interactive Brokers or Bloomberg, but I also did it because I wanted to become better at public market trading.

To your point to last week's conversation, Chamombe, is understanding when to sell and when to go long when you get distributions as a VC.

That was really the reason I tried to do it was just to try to have skin in the game.

You know, just like learning to play PLO or you playing the RAS tournament.

I just wanted to.

It's very, it's very easy.

Once you get shares distributed to you, immediately sell them.

And then, and then hold on, and then re-underwrite from scratch from there.

Okay.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

Once the money is sitting in your account, even if it takes a day, a week, a month, it's not like the stock's going to rip and triple on you over the next 30 days.

Re-underwrite it from scratch.

And then see if you have that much conviction when you see the money in your bank account.

I like it.

I would just tell you guys, the distributions, you know, there were a lot of firms that wrote, you know, a lot of these big names, right, all the way down.

Um, you know, they, they, they got public, but they didn't distribute much, if any.

And it's really.

Don't say the names, but what do they rhyme with?

I'll, I'll, I'll start.

I'll start.

But what's your idea?

Go ahead.

You go.

You go next.

You pick one.

Not doing it.

Bliger, Bliger.

Driesen.

Borowitz.

Mlounder's Lund.

Freebird just dropped off.

He's like, I don't want to be associated with this conversation.

All right.

Listen, we all got our asses kicked.

Except for me.

Uber's up 67% this year.

Oh, come on.

Come on.

Let me, what, what I was going to say.

And Driesen.

Blorowitz.

All of it, what tends to happen is things hit the bottom.

They bounce a little bit and people are so relieved that they bounced a little bit that they immediately start distributing because LPs are hammering them.

LPs are like,

why did you not send us this snowflake when it was at \$400 a share?

Why did you not send us this door dash?

Why did you go through any name that you can think of?

But then people compound the mistake, I think,

that as soon as they get a little relief, boom, it's out the door.

And then the thing doubles on them.

And I just think part of the benefit of me having to get up every day, 5 a.m. deal with public markets and think about longer short. It's what we were talking about in the fall of 2021 around the table before the poker games, which is the public market is tilty. It doesn't feel good.

And that, you know, we stopped making venture investments in October of 2021, principally because of how we felt about public markets at that point in time. And so I think a discipline, in fact, I was meeting with a managing partner of a very big venture firm in Silicon Valley this week. They just started about a year ago or six months ago doing public market investing. And they said it was incredibly valuable to how they think about distributions and what they're doing in the venture business. That's what it's been for me.

I have now started to learn how these things are priced. And I just think it's great as a learning thing for me. I have to make two decisions. One to distribute to my LPs, which I just give them the shares the second I have them and let them make the decision. But that is also personally for me. Do I want to hold it or do I not? I like your suggestions.

Nice punch up, Tramo, of looking at the cash and then deciding if you want to reality or not. Did you guys see this crazy thing from CalPERS where they were like, yeah, they were down like four, I mean, horrible returns on the venture side. And so their decision was to double down. Well, they didn't have, they took like a decade off from venture. The returns of what they did invest in venture were atrocious. To be fair, I don't know how the board has changed at CalPERS, but CalPERS brought in a new CIO, an entire new team. And so they can't be held liable for that track record. I did kind of see something on Twitter about it. I was shocked.

It would be very difficult to manufacture that bad a track record if what I saw was accurate. However, I would say the team that is there now, the portfolio that they're putting together and doubling down where I think venture is kind of at the bottom or bottom third. Oh, this is the bottom, yeah. I think bottom third, I don't know, bottom half. Listen, in venture, you got to find three things. You got to find, you don't want to invest all your money at the top. So you got to get the bottom third. None of us can call the bottom. But last year at the end of 22, we were certainly in the bottom third evaluations. Then you want to be early in a major platform disruption.

I think we all agree we're early in a major platform disruption.
It's probably the third of our careers.
And then you want to back one of the best firms, best brands in Silicon Valley.
Like if you do, and people know who those are, if you do those three things simultaneously, like you got a good shot at producing really incredible vintage.
Just to put some numbers on the CalPERS thing so you can respond to it.
America's public, largest public pension, CalPERS, that's the California's, manages some 444 billion in capital on behalf of California's 1.5 million state, school, and public agency employees is leaning into venture after years of bringing down its VC exposure to a 1% target.
The institution investor is now looking to increase its allocation more than 6-fold, obviously 6%, from 800 million to 5 billion, the Financial Times reported.
So that's on that, Shamanth?
Well, I mean, this is the moment.
There's a lot of venture firms that are hard up for money.
And so they may have a shot.
They can get allocations now.
In order to get into these funds, the problem that they have to realize is they may be buying a bunch of toxic assets or a bunch of toxic partners in the sense that a lot of these people have been getting run over for the last three or four years.
We don't know.
Again, we've said before, most venture investors are probably unprepared for the shock because they've never lived through one.
There's been a lot of junior Muckety Mucks that were hired because they were XYZ middle-level exec at Rando Company, means nothing.
So I don't know.
I think it's smart that they have to be thoughtful in picking managers.
How is it that the call of like, literally it's like, trillions of dollars being made in your backyard and some genius was like, well, the thing that's creating all the wealth in the world, which is in our backyard, where we probably have the best pitch in order to get into these funds.
Look at over 100%.
And you just come down to Leonie and say, hey, who are they?
Give me the list of 10 and put money in those 10 and call it a day.
Oh my God.
I mean, unbelievable to run it.
That's unbelievably derelict.
That's unbelievably sloppy and emotional.
I will tell you that.
I think, sorry, sorry, let me just finish.
Actually, that's the best word to use.
When you look back on a decision like that, there's no numerical justification that one could have made in the 2000 teens

to have made that decision, except that that was an emotional decision.

And when you're running a half a trillion dollar fund,

there is no room for emotion.

You should not be allowed.

There should be some.

So I think that that shows a very hollowed out

and at a minimum imbecilic risk management infrastructure

at CalPERS that needs to get fixed.

So whether the allocation goes up or down,

if I was a teacher and my money was being managed by them,

I'd say, man, these people,

I would want to understand how they're making decisions

because I don't, I would want to see the investment memo

that got them to decide as an investment committee

that 1% in the most important asset class

that's in your backyard that's making all the money in the world

made any sense.

I just want to read that memo and see, could I agree with that?

Because then I would want to read the investment memo that says,

we're going to change course and get back to 5% or 6%

because if that process isn't fixed,

these decisions are just going to be equally bad.

You're just going to compound bad on top of bad

because again, they clearly did a terrible job

and then on top of that,

they had horrible partner selection

because the people that they did invest in

because the data is public have performed horribly.

So what changes now all of a sudden, right?

Because if the best firms still don't want you in,

increasing it from 800 million to 5 billion

just means you're going to lose 4.2 billion more

than you would have otherwise at 800 million.

It says here they made two bets.

They had bet on, it looks like light speed

in the last couple of years, light speed and TPG.

So we'll see how those go.

That was in 2020.

Those can be tough bets.

I do have some data on this

because we've spent a lot of time talking with them

and as you know, Jason, we were just talking,

you know, like talking to folks like Mabadala.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

California is one of the largest sovereign wealth funds in the world, right?
This is not just a state.
This is bigger than most countries, right?
This is one of the biggest economies in the world.
I would say that my interactions with the new team have been very impressive
and I will tell you, they're not just looking at funds and building a new portfolio.
I think they are thinking about doubling down at the right time
and they're thinking about thematic bets against super cycles like AI to say, let's allocate this much money.
Who are the three or four deep strategic partnerships that we can have to drive, you know, return on that?
So I think they're on their way, but I agree with you. They're the sovereign wealth fund of the most prolific state in the world
and they should have outsized returns, not trailing returns. I just want to point out one thing here is the power of writing.
Chamath, you decided to write your annual letter a couple of years ago.
Brad, you also will write a letter, famously the Facebook Getting Fit One or the Meta Getting Fit One.
The power of writing is, and I just did this for the launch on four, and when you write a deal memo, compared to doing a deck, the questions you get are so qualitatively different
and the people you attract are so different. It is extraordinary.
I am advising startups across the board to write really tight deal memos because we write these deal memos internally when we make an investment.
But man, is it great for clarity of thought and for the person on the other side to just stop and read 1,000 words or 2,000 words as opposed to go through some stupid performative deck? It's just such a better process.
Maybe you both could speak to that or Friedberg.

I don't know if you've been writing deal memos,
but maybe for people who are listening
who are capital allocators and founders.
I've been writing for years.
Why? And what does it do for you?
It allows you to actually find people
who will critique things in a thoughtful, intelligent way.
It's hard to critique decks because you use broken English,
you use fancy graphics, all of a sudden somebody
that's very good at like graphical layout
can dupe somebody else.
And so you don't get to good outcomes
because this weird group think effect
sets in when you look at decks.
So I'm not a fan of decks.
I use them, but they need to be a companion
to some sort of long form narrative document.
And I just think it's more useful.
You get people who can really think about
what they agree about, what they don't agree about.
It shows the intellect of the person writing it, quite honestly.
I just think it's like a basic skill that people should have.
It's a useful skill to teach people as well.
Decks are very dangerous, I think.
If you're going to make decisions,
I would encourage you, the bigger the decision,
the deck is insufficient.
It can be a companion piece,
but it needs to be attached to long form documents.
But the long form documents don't need to be long either.
Two, three, four, five pages.
But without it, I think you're going to allow
some really bad decisions to creep into some good ones.
Freeberg, any writing from you?
For deals?
Okay.
He ran.
He doesn't want to talk about writing.
All right. As everybody knows, Reddit is on strike right now,
or should say the mods who run Reddit are on strike.
95% of Reddit's went dark.
They basically turned off new posts,
or they just went private basically.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

Nobody could join, nobody could see the content.
I believe is what that means between Monday and Wednesday.
And the reason they're doing this is because Reddit decided it would start charging for its API.
So who gets impacted by using the API?
It turns out apps.
We saw this at Twitter as well,
when Twitter started changing its pricing for its API.
And this means that some of the really high-end Reddit apps would have to pay \$20 million a year for access to Reddit's data.
Now, they originally had said they were changing this pricing because they were going to train AI models.
And they wanted anybody using that data, i.e., Google Barred or ChatGPT4 and closed AI, they wanted them to pay for it.
And Steve Huffman explained all this in a New York Times profile in April.
You can go search for that.
Reddit wants to get paid for helping to teach big AI systems.
The largest app is called Apollo.
Just so you know, if you're not into those,
Reddit really came out with their app really late.
This was a function of the 2005 to 2015 time frame.
Back then, Web 2.0 startups didn't have a lot of capital,
so they let other people build on their APIs and build apps.
Some of those apps caught steam and are actually better than the apps developed, at least for a while.
It was better than the Twitter app and the Reddit app.
So, thoughts on this, Frieberg?
There's a history here is mimicked at both Facebook and Twitter,
both of whom had open APIs that provided access
to third-party app developers to build tools on top of the platform
by accessing either user data or content off of the network
and then making that available via some different product
function, some different UI than the native tools allowed.
If you'll remember, Facebook started to kill off its API
and in the process killed a number of these third-party app developers,
the most prominent of which was Zynga.
I think this was around the 2012 time frame.
You guys know if I'm right on that?
I think that's right.
Sounds right.
And we saw the same thing happen in Twitter,
where if you guys remember in the early days,

a lot of users accessed tweets from people that they followed through third-party apps and third-party apps all competed for the user. And ultimately, Twitter's management team realized that having direct access to the user, being able to control the UI, the UX, and not just become a data network, but to actually become a service for users made a similar sort of change.

So, Reddit's motivation around AI training is an interesting one, but it does speak to this idea that these social network companies, social in the sense that the users themselves are creating the value.

They're creating the content at both Facebook, at Twitter, and at Reddit.

Ultimately, the company loses the value if that data, that content gets extracted and they can't monetize it or capture the value somehow. And it's a lot different.

Every company ultimately wants to become a platform company, meaning that they can offer multiple products or services to users that sit on top of some network that they've created.

And in the process, create a network effect, because more products, more apps, creates more users, more users, begets more apps, and so on.

That works well in some contexts, like an Apple App Store context.

But in the context where there is a network unto itself, like Facebook, Twitter, and Reddit, meaning that there is already a user network that is generating value in the form of the content that's being produced and consumed,

you don't necessarily gain anything by then building an app network on top of it.

And I think that's been one of the key learnings that's repeated itself over and over with Twitter and Facebook.

The thing about Reddit, it's always been a community service.

If you guys remember, in 2014, 2015,

Ellen Powell stepped down after there was a Reddit revolt.

She was the CEO at the time.

And she fired an employee at Reddit

that ran the Q&A site for Reddit's mods and their users.

And the network, the community, was super pissed off when this happened, and they all revolted

and they were going to shut down the service.
And ultimately, Ellen got removed from her role as CEO when this happened.
Because so much of the value of Reddit isn't in the management team, it's not in the work that the software engineers do that run the company.
It's not the VCs or the shareholders.
The value of Reddit is inherent in the community.
It's inherent in the individuals that build the content on that platform.
And that community has convened many times in the past at Reddit to change the rules, to say this is what we want this community to become and this is how we want this management team to operate.
And so it's a really uniquely positioned business.
It says a lot about how social networks in this kind of modern era are operating.
It really speaks to how much of the value ultimately accrues to the shareholders in a business like this, when the users themselves can step in and unionize and say, hey, you know what?
We're not going to allow this much value to be pulled out of the network in this way.
We want this to change.
So I think it'll have a lasting effect in terms of investing in social network or social media type businesses where the users are generating so much of the value and have the ability to kind of communicate with one another and control where value ultimately falls.
Tramath, you were at Facebook, I think, when Zuckerberg realized enabling a bunch of folks to use the API wasn't as good as controlling the user experience, having a uniform user experience.
And it got deprecated.
And I remember Zynga and a bunch of other people had games and were sucking users off the platform.
There was a LinkedIn competitor at one point that was growing at an incredibly violent pace.
And I guess y'all made a decision.
We don't want you sucking our user face off the platform.
Maybe you could expand on what the decisions

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were at Facebook at the time.
That was one of the things I ran, I think.
One of my teams was responsible for Facebook platform.
Yeah, it was just a very clinical decision
around enterprise value.
Look, the thing with Reddit is that it's a hot mess.
And in order to try to create enterprise value,
they decided to really leverage the mods
so that there was some level of control.
And that control was necessary so that they could basically sell ads.
That's how this thing moved in lockstep.
Because the minute that there was corporate venture investors
and other investors and a need to generate enterprise value
and is it worth \$2 billion or \$5 billion or \$10 billion,
and whatever the number was that they thought they were worth,
they had to make money.
And Huffman was very straightforward about that
and wanting to go public in the whole nine yards.
But because it was such a hot mess,
the mods became this integral part of the ecosystem
so that they could actually drive reasonable revenue.
But then what happened was it also allowed them to basically
take over.
And I think that it was a pretty significant miscalculation
because I think that what they needed to do
was really redefine the economics of how revenue generation splits would work
before they could do all of this stuff and try to monetize the API.
So I think they got the order of operations wrong.
But I also think it's very fixable.
And I think that they have some very smart people around that table.
So as long as they're again willing to be clinical and unemotional
like we were, they'll get to the right answer,
which is give them a healthy rev share.
That's the future.
What version of what Friedberg said is true.
The content creators need to get paid.
You see content creators now on YouTube making millions,
tens of millions, hundreds of millions,
and a few unique cases, billions.
And then we are all content creators,
yet most of us on these old legacy platforms make nothing.
So that exchange has to change.
Brad, any thoughts with us to rally the IPO?

Not on that, but I mean, I think you bring up this thing about meta. Did anybody pay attention to Zutz launching Project 92? And Project 92 is going to take on Twitter. It's a tech space social network that's going to pay creators. And they're courting, apparently, Oprah Winfrey, the Dalai Lama, and all of their creators that are already on their current sites are saying, we will use this thing to interact, and we will compensate you. And then on Lex Friedman's podcast, he mentioned something about having been inspired a little bit by what was going on with Blue Sky. So I'm super intrigued. He talked about it at this all hands meeting. I think Chris Cox talked about it. So it looks like meta may be revisiting some of these things that they shelved a while back. It doesn't have any direct implications on the Reddit front, but I think there's a suggestion here that it may be more about putting the control back in the hands of the user from a data perspective and a monetization perspective. That would be a pretty gangster move, and an interesting way to leverage the platform. And I don't really hear anybody talking about it. There's a really easy solution here for Reddit. Those mods, most of them do it for fame, glory, and affiliation community. But if some number of them wanted to monetize their activity there, why not allow people to subscribe to subreddits and pay a membership fee and split it with the mods? That seems like it would be a high-scale move, getting Patreon subscription services to let them make a little bit of money. And then with these, it's only three apps that are being affected. They should just either buy those apps and bring those teams internal or they could split revenue with those apps. They could tell those apps that... That's the key issue. If you're going to try to monetize APIs on user-generated content, I think what's happening here is the Internet is saying, okay, that's enough because we're going to leak our activity someplace else where we can directly monetize it. So that's the whole point, I think. In this current version of the Internet,

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

the value is going to go, and again, further, further, further, erode away from these centralized apps and more towards the individual people, or in this case, these Hubbid spokes, these mods, and not to the centralized organization that has the housing, the Reddit, the Facebook of the world. So that's just the trend that's happening, the Instagrams of the world. And there's nothing wrong with that, YouTube as well. It's just where the pendulum is swinging. So I think that Reddit just has to cut them a deal. Pretty easy to do. Speaking of AI funding, there was a breaking news story. Just in the last 48 hours, a startup named Mishral AI has raised a 105 million seed round. They're calling it. It should be at about a 240 million valuation according to reports. One of the co-founders is a DeepMind researcher. I guess people are saying this is insane because they haven't written any code yet, and they've been working on the company for a couple of weeks. Why these rounds are so big is, I guess, that you have to buy all these H-100s, and they're expensive, and these rigs are very expensive. I mean, you guys saw this, that Nat Friedman basically published that he spent \$75 million on a bunch of hardware, and if you were one of his portfolio companies, you could use it. So getting these H-100s and A-100s to train on seems to be a non-trivial task, and they're very expensive, even if you can't get ahold of them. So I think what we're talking about is basically that these rounds have to go up. Because if you notice, you have to raise the post so that it wasn't so utterly dilutive as to completely disincentivize the employees, but let's speak honest here. Nobody's writing a \$105 million seed check. That \$105 million is chopped up probably 10 ways to Sunday, so there's a bunch of people putting in 5s and 10s and 15s. I asked one of the people in the round, and they said it was massively oversubscribed. Yeah, so it's everybody taking a little teaser bet. The problem with these teaser bets is they never hit in the way that you think. Maybe you'll get your money back with all the dilution that's going to happen, etc. etc. This is not the way to make money, guys. I'm just going to be honest with you. So whoever's putting money in thinking they know what the fuck they're doing, you might as well just light it on fire,

go to Vegas and have some fun with it,
because you'll get more enjoyment from that than you will
from making these kinds of investments.
What do you think, Brad?
It's dumb.
Stupid.
Stupid, Pat?
Brilliant, Pat.
By the way, this has nothing to do with the company.
Nothing to do with the idea, I'm saying.
Just talking about that side.
When you're betting \$4 million and \$105 million all around at 240 posts,
you do not know what the fuck you're doing.
That is not the job.
So again, Mr. Rod, there are going to be a couple of monster rounds I think
announced next week that are going to make this one look like kids play.
So a lot more of this is coming.
You're exactly right.
This is about buying H100s and Compute.
Everything we're talking about, an essential ingredient is Compute,
and it's a scarce resource.
My God, these people that put the money in the seed round
should have just bought NVIDIA.
Buying some call options.
So like, can you make more money?
Well, and there's downside protection because NVIDIA has a floor.
And by the way, because in just in case Mistral doesn't work,
NVIDIA will sell those H100s to somebody else.
The resale value.
Yeah, they probably have the option to resale them.
Crazy.
I do think you're right on these teaser bets.
This is a power law business.
There's a massive pressure on young junior partners,
principals within these firms to do something.
Fire them.
It's not just teaser bets.
What happens in these places is they want to get the logos
because they need to explain to their employees.
No, actually, no, that's even worse.
The GP that can't manage their fucking principal should be fired.
Right.
The young people should shut the fuck up.

Okay.

Be lucky you have a job.

Learn the craft.

It'll take you a decade.

And if you are proposing stupid bets like this, again, sizing matters.

Again, I'm not talking about the company here.

I'm just saying when you make a \$5 million, \$3 million deal memo for \$105 million round, that is stupid.

Okay.

And so if you're the partnership that allows those kinds of things to leak through, you don't know what you're doing.

So at some point, somebody should be held accountable for this.

And I guess what's going to happen is the returns of CalPERS are going to cascade through everybody else.

They're going to say, well, at least I own some H100s for a minute.

So let me stipulate, I think this could...

You want to take the other side, Brad, of that?

No, it's just an incredible team that's going to do...

This may turn out to be a fantastic bet, or I don't know, Lightspeed or whoever led this round.

Let me say something different.

In 1997, 1998, we had a similar phenomenon.

Everybody thought internet search was going to be huge.

There was Massifomo and Chasing, and everybody scrambled to get a search logo.

AltaVista, InfoSea, Lycos, Go, Planet All, GeoCities.

Just go through the lists that people were scrambling after.

And the truth of the matter is almost all those companies went to zero, even though you got a couple of bets right.

You got the internet right, you got search right, you got search right,

but you didn't have to invest a dollar in search until 2003, and you would have captured 98, 99%...

Do it again, do it again now for social networking.

Same thing, do it again for social networking, Brad.

Say all the names, say all the names.

It's the same thing.

And so when I look at it today, we have a huge anti-portfolio for AI.

It's painful.

We've said no to over 60 companies.

Right?

But when we look around, I see a lot of our competitors doing a lot of these deals.

Maybe they're teaser bets.

I don't really know the size they're putting into those companies,

but I suspect that if we believe this is as big as it's going to be

and going to play out over decades,

then putting a bunch of really small bets in order to buy a network

or buy relationships or buy logos, etc.,

I don't think it's going to work any better this time

than it worked then around social networking.

But to be clear, there are going to be some people who lead these deals,

who help these companies build incredible businesses,

and those will, you know, there are going to be some winners here.

I think there's time to participate in the winners.

Look, even if you have...

A lot of this is unknown and unknowable.

It will become more clear in the one, two, three years ahead.

The problem is for the LPs.

Like if you are the LP, I am an LP and a bunch of enter funds.

This stuff really turns my stomach because I'm like,

wow, I am losing money every day.

When I see these things, that's why I get so emotional about this.

I think to myself, if the GPs that I've given money to

are doing these kinds of deals, I'm screwed.

At best, maybe I'll get back 50 or 60 cents on the dollar.

And I immediately start thinking to myself,

I really need to write this down and I'm re-underwriting that person

and that organization because I'm wondering,

how can you let these things happen?

Because if you just look back in history,

you have to be really, really negligent to not learn

that these things never work out the way that you think they are.

And especially these kinds of rounds and this nominal ownership,

the inability to defend ownership, it's just not a path to success.

I mean, also, if you think about this, Shema,

what company in recent history that got overfunded

actually used that money logically?

The magic of Silicon Valley is the milestone-based funding system.

And whenever you short-circuit that,

this money becomes a huge distraction to founders.

If they were to receive \$10 million, \$25 million,

work for a year or two, then raise another \$25 or \$50 million,

they don't need to raise all this money at once.

This is like taking your ABC round, putting it all in one.

100%.

And all it does is distract founders,
and then everybody coming for a salary says,
well, you got \$105 million in the bank.

I want \$3 million.

I want \$5 million.

What's the best example, guys, of a huge financial winner
that raised these ginormous amounts of money?

What's the best example?

Pre-launch of a product, Shema.

There's no product here.

What's the best example?

Magically?

What is it?

Of disasters?

That actually...

No, no, no.

What is the best example of a great company?

I'm putting great in quotes.

That raised these kinds of amounts so early in the cycle.

Quibi.

No, Brad, do you have an example?

What's main money?

I think there are people who raised a lot of money
over the life cycle like an Uber.

No, no, I'm not talking about that.

We're talking about three rounds at once.

What was your first seed check in Uber?

What was the total seed round?

I can tell you what Facebook's was.

It was \$500,000.

It was \$1.25, I think.

Facebook's was \$500,000.

We needed a lot of money later.

We needed a lot of money later.

But no, it's \$500,000 safe at five posts.

There was a \$5 million valuation for Uber,

\$1.25, I think, when it...

Here's another thing.

Everybody walks in.

They say, well, I have to raise this much money.

And it's good.

This is a circular logic.

I have to raise this money
because I have to have all this compute.
And I say, well, okay, you got to train it.
We want to have a vertically integrated model.
We want to train a model.
I say, okay, so there's a huge upfront cost.
And they're like, but I don't want to take a lot of dilution.
So I have to raise it at a really high price.
And so you say, okay, well, that's a challenge for you,
not necessarily a good thing for us.
And then they say, oh, and if you ask the question,
is this an ongoing expense?
They're like, oh, yeah, we're going to have to retrain.
Like we're going to have to continue to spend this money.
And I'm like, well, so if you're a software company,
for example, and you say, well, what's my cogs?
If all of a sudden you have an embedded cogs
that's massive and recurring for your compute costs
that we haven't had in the past,
then the revenue on the other side of that's got to be a multiple
of what a traditional software company might have
in order to get back to that set of economics.
So I think there's a scramble and understandably so.
If you think the big win, AGI, or this autonomous agent
that's going to be the top of the next funnel,
that thing is going to be worth a lot.
But to me, those are lottery tickets at this stage.
Can I tell you a little secret?
Here's a little secret.
When you put in \$100 million into a startup to buy compute,
you are not buying whiz bang next generation IP.
You are subsidizing capex.
And that is a job that many, many other people will do
at a very low hurdle rate.
And so it is a law of capitalism
that it could be the most incredibly innovative company in the world.
But if you are offering money to them to fulfill a low yield thing,
you are just not going to make a lot of money.
When you put money into a startup that is their writing code
to build groundbreaking IP, you own something that's really real.
But that's because 80 cents on the dollar
is going to core critical R&D in that point in time.
And then they raise a lot of money at a lot less dilution

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when 80 cents on the dollar goes to sales and marketing.
Then they raise a lot even more money
at an even smaller, smaller amount of dilution.
You start to scale internationally.
So you start to see more dollars, less return.
You're owning less of the critical differentiation.
So if everybody is like, oh, it's so expensive for compute,
I need to raise \$100 million.
Well, buddy, that's like a leasing function.
You're like, all of a sudden, the best VCs in the world
have become like Comerica Bank.
Yeah.
I mean, they could have done it with the same structure, right?
Comerica could have given them \$50 million to buy these machines.
And maybe they should.
And Comerica and JP Morgan and somebody else
should basically say, hey, you know what,
here's a lease line for your H100s
because I know they're worth so much and I'll just write it at 10%.
And my point is that the fact that people don't understand
this is why the money will get torched.
I would love a critique that says,
actually, Chamath, you're an idiot.
I'm right. I know that that's happening,
but here's why I still see it happening.
I don't hear any of that.
Here's the problem with that critique.
Okay.
So you asked like, what are the biggest projects in history,
you know, around startups?
Think about AWS.
I don't know.
They spent \$400 million probably in order to get AWS off the ground,
but it wasn't done by a startup, right?
You think about what Zuck's spending on the metaverse.
It's not being done right by a startup.
The truth of the matter is the high...
Sorry, can you go back to AWS?
AWS was dog fooded on Amazon retail.
Of course, of course.
And Oculus was done on Kickstarter.
The cashflow of Amazon retail fed the development of AWS.
Correct.

My point is that when you think about what these hyperscalers are going to do, they're not going to spend a billion. They're not going to spend \$10 billion. They'll spend \$100 billion, right, in order to be in this race. And so if you're backing a startup that says, I'm going to build a better chat GPT, right? Just like OpenAI discovered themselves, they sold 51% or 50% of the company to Microsoft for a reason. They had to. They had to have the data and they had to have the compute. This is a nuclear arms race around compute. And so I think it's... This is insane. It's financially illiterate for someone to think that they are actually doing anything other than subsidizing capex when you're giving \$100 million to a startup to literally buy chips and servers and rack and stack them. But the founders want to give up 40% of their equity. That's the other thing. If this equity is so valuable, why would you want to give 40% of it when you could get an equipment lease and keep another 20% of your company? You can't get those. You can't get those. I mean, if the VC is put in 50 million instead of 105, you don't think Comerica would come on the back end with 25 million? Of course they would. Brad is right. This happened in 98, 99, 2000, where all of this money was getting flushed down the drain, going into buying data center capacity, where I remember even at Facebook, we were racking and stacking our own servers, and then we ultimately got big enough where we actually built out our East Coast and West Coast data centers and data centers all around the world. But it was very expensive. And in that moment, again, all of those companies just lit all that money on fire. They torched it. There was no remnant equity value for that capital.

So I guess I'm just questioning,
what does a GP think they're actually buying?
Well, if 80% of it's going to hardware,
I mean, they're buying the other 20%.
You're buying chips?
I mean, it doesn't make much sense.
And a chip that's going to get obsolete?
I want to make one point here, and not free break.
I want to get your input on this as well.
Constraint is important for founders.
And the thing that I find really troubling about this
is, and putting this startup aside,
because crypto people also went through this
for the last three or four years, where they were overfunded.
How did that turn out?
It was tens of billions of dollars burned
of LP monies, people's retirements, and college endowments.
And it's going to be quite a post-mortem.
But look at, you invoked meta.
It's important for people who don't know this
to know that that was a Kickstarter.
Shout out to Palmer Lucky.
He raised a couple of million dollars in 2011,
I think it was, on a Kickstarter pre-selling the devices.
Constraint makes for great art.
Constraint makes for great startups.
You need to have pressure on a startup
for them to deliver.
You cannot give startups five years of runway
and expect it's going to work.
It just doesn't work.
And we've seen this movie so many times.
But now we've gone through 18 months
of nobody doing anything, I guess, in VC land.
So folks on Sandhill Road are itchy.
They want to justify why they should still be drawing 2%
on the full fund.
They want to try to show activity
so that they can raise the next fund
and continue to stack fees.
And all of these leads to these suspension
of financial logic.
But it gets replaced with financial illiteracy.

Which is why there's an optimal fund size, right, Chamath?

And this is why the people that pay the price are ultimately the LPs.

And it may be the case that CalPERS maybe actually avoids a lot of these pitfalls because by missing, yeah, they missed all the returns. But then they missed writing the mega follow-on checks for all of these folks.

And then they would have torched many billions more.

I'm going to take the other side of that.

Go ahead, Brad.

I think it's nearly impossible to conceive that all of these bets that are currently being made are bad bets.

I think it's major platform disruption.

But I, you know, instead, I think the right way to think about it is it's about pacing.

And if you're trying to, if everybody thinks they're going to build the next Google, they're going to build the next autonomous agent that's going to sit on top of the funnel, that's going to be worth a trillion, and therefore they can burn a billion-dollar training models, that's not, we're not going to have 10 of those winners, okay?

But at the same time, there's a lot of stuff getting funded that is in the application layer, that is in the tool layer.

And these are not the big headlines that you're reading about.

But these are really interesting businesses that are solving real problems in the software and tooling layer here, you know, in the smaller model layer, vertically-oriented things around life sciences or, you know, targeting, you know, financial services or things in the application layer, you know, like character.ai, et cetera.

So I do think there are a lot of good things getting funded that will deliver real value.

But I agree with you, the problem, there's a second problem to this, Chamath.

If you drop a billion or two billion

or three billion into something,
you have not only a product challenge,
you have a distribution challenge.
Right?
We know all the hyperscalers are going to play.
Google is going to play.
Meta is going to play.
And so you've got to compete and then beat them.
And it used to be that you would say,
well, if I get a lot of traction, they'll buy me.
If I'm Instagram or WhatsApp, like, they'll buy me.
Well, we have such a regulatory nightmare
in Washington, D.C. today.
No hyperscaler can spend over a billion dollars
to buy any AI company.
Not even that \$400 million.
What is it, Giffy?
Meta wasn't even allowed to buy that.
Unfortunately, in the United States today,
we replaced mergers and acquisition
with copy and compete.
Because we've said to hyperscalers,
you're not allowed to acquire any of these companies.
So the unintended consequence of the regulation in Washington
is that entrepreneurs and founders and venture capitalists
who might otherwise have had a good idea,
built something with some traction,
they can't find a home for it in the way, you know,
that WhatsApp found a home or in the way of Instagram.
Isn't that a good thing?
Isn't that a good thing to come and delegate it
just because they go public and be independent?
Is it better for the market?
Jason, it presupposes that everything can become
a big and profitable business.
There are a lot of businesses.
No, but net net.
Can, is it better for things?
Has it ever become a big and profitable business?
No, on its own, no chance.
Well, it's still not a big and profitable business,
let's be honest.
Okay, so that's what I'm saying.

So maybe it should have died.
I mean, maybe it's been kept alive.
But I mean, it's better for them.
Don't you think it's better for the market?
I think it's great that it got it.
It was, it was innovative technology.
It was, yeah.
It, you know, you, you were able to back it
with some good funding.
And I think what's coming is going to be really exciting.
But it took a really long runway, a lot of capital,
a lot of intelligence in order to build.
Unfortunately, we've killed that.
So you have a two-sided problem.
We're spending more than ever to fund and start these companies.
And we, you know, have undermined a lot of the downside protection.
Freeberg, your thoughts.
So if you look at how the capital is being deployed,
if it's mostly being deployed to train models,
then the question has to be,
is there really a sustainable advantage that arises
by being the first to train the models
and then being able to persist an advantage
by training new models from that foundational model
going forward?
And the reason that that matters so much
is because you have to really have a deep understanding
if you're going to invest a lot of capital here,
you have to have a deep understanding
for how quickly model development and training
is accelerating and how quickly the costs are reducing.
So something that costs, like we said,
OpenAI spent \$400 million training models for GPT-4.
If they spent \$400 million in the last couple of years,
you could probably assume that doing the same training exercise
could be done for \$5 to \$10 million 18 months from now
to generate the same model.
That's a 100x cost reduction,
and I'm just ballparking it here.
But if that's really where things are headed,
then does the \$100 million to train models today
really make sense?
If training those same models can be done

for \$5 million in 18 to 24 months.
And that's where it becomes
a really difficult investment exercise
and one that you have to really critically understand
how cost curves are moving in AI.
The same thing was true in DNA sequencing in the early days.
And it's following, by the way,
a similar cost curve as DNA sequencing,
which is actually greater than Moore's law,
greater than a 2x cost reduction every 18 months.
We're seeing something much greater than that
in machine learning right now,
in terms of cost reduction and model training.
So ultimately, the business model has to have some advantage
that by being the first to market,
you can then generate new data
that gives you a persisting advantage
and no one can catch up with you.
And my guess is if you get under the hood of the business models,
it's unlikely going to be the case.
And it's very likely going to be the case
that you don't know when the market advantage will lie,
when you will be able to kind of create a persisting mode,
a mode that expands as you get more data and can train more.
And this is why it's so hard to invest,
generally in technology,
is because you don't know the point at which the market tips,
relative to the point at which the technology tips.
So there's a moment where the technology gets so cheap,
and then the market maybe adopts
after the technology gets cheap.
And at that point, it's a totally different game.
Remember in the mid-2000s, where we had memory shortages
and we used to have to buy RAM?
Yeah, I mean, it's all this stuff.
And it's like, if VCs are funding this stuff,
you just like the equity on fire, guys.
Not going to be worth anything.
Brad's point is right,
which is the question is what's possible now?
Where can you build a sustaining advantage now?
Rather than go after big model development cycles,
where the cost curve is going to come down by 100 fold

in some period of time in the near future,
is there a business model advantage you can build
by being in the market first,
building a customer base, accelerating your features,
getting user feedback?
And that certainly exists in the application
and the tools layer as Brad is talking about.
That seems like such a no-brainer for disruption
across many different segments, many different verticals,
many different markets right now,
versus trying to compete further down the stack,
where it takes hundreds of millions of dollars of capital.
And in a couple of months,
that 100 millions of dollars of capital
can be replaced with 5 million bucks
of training, exercise and compute.
Can I take the other side of that?
Yeah.
All that coordination makes no money today.
So to your point, when you cut the actual input cost
by 100 fold, the coordination cost goes
from being zero to being worth less than zero.
Right.
I don't see any money being made there either.
And all the people that say,
I'm sure there's going to be some genius in the comments,
but what about open source?
And it's like, what about it?
Open AI also just gave an update
on their cost structure for their API
and they just dropped it 25 to 75 percent.
Again, this is after the 10 fold drop they did last year.
Play this out.
A hundred million dollars of capital spent training today
is a million dollars spent doing training in 18 months.
Yeah.
Three years, 18 months, 18 to 36 months.
Somewhere in that time frame is likely the time frame.
So why would you spend all this money today
when in 18 to 24 months,
things are going to get so much cheaper?
No sense.
Yeah.

I think the further up the value stack you go,
the more of an opportunity to truly kind of innovate,
disrupt and make what are on capital is possible.
What happens in 24 months?
So when you've made a bunch of hundred million
dollar investments and they're all zeros?
You get fired?
Maybe.
Well, unfortunately.
As an investor, Shimab, is that what you're asking?
At some point, you don't get invited to join the next fund.
Think about the alternative investment strategy
with lots of capital,
where the cost curve is not coming down as quickly
in terms of where that capital is being deployed.
For example, building rockets to go to space
or building infrastructure to transport power
or building roads.
You could raise a billion dollars
to build a toll booth system or a port.
Let's use a port.
A shipping port is a good example.
You could spend a billion dollars to build a shipping port.
It's not that the cost of building a shipping port
is going to come down by 10X in 18 months.
So it makes sense to raise a billion dollars
and build a frigging shipping port
and charge people to coming out.
VCs thought they were underwriting IP
and said they're just actually subsidizing catbacks.
It's the craziest thing.
It's the craziest thing.
Brad, is this a problem of the optimal venture fund size
that Fred Wilson talks about, that Bill Gurley talks about?
A lot of the OGs say, hey, 250, 400, 600 million.
There's an optimal size here for four or five partners
in a venture fund to put money to work.
Is this part of the problem right now,
which also happened in crypto,
is you had billion dollar, two billion dollar funds
sitting around and different venture brand names
having four or five of these multi-billion dollar funds
burning a hole in their pocket

and getting frisky over this 18 month pause.
And is this about optimal fund size, making bad bets?
You know, we have over a billion dollar fund.
So if I take the other side of that,
the people are going to say you're talking your book.
But I don't think this is about large funds.
I think this is about good and bad decisions.
At the end of the day, some of these decisions will pay off.
Like for example...
What's the largest bet size from a billion dollar fund
that you've made or will make?
I think out of that fund would be \$100 million, most likely.
But we may cross it over other funds and have bigger bets.
Certainly...
Would that happen two or three times, though?
Would you do it all at once like this,
or might it happen over a series A, B, C kind of situation
when you build a position?
Well, I would say we're not writing...
We haven't written a \$100 million check into a series A.
And I don't think most of the people to Chimás point
that you're talking about are writing \$100 million checks
into those series A's.
The Mestral round that you referenced,
I imagine the lead check into that was maybe 50, maybe 50.
So listen, larger fund sizes enable you to participate
in companies that require more capital.
And these companies do require more capital.
So you may take the position that all these companies
are going to zero.
That's not my position.
My position simply is that I do believe
there is a bit of over-exuberance
that too many things are getting funded, right?
And that some, you know, like the margin of safety,
the margin of return being required
is probably lower than it should be.
But there's no doubt out of this vintage in my mind
that you're going to have some epic companies.
Now, I don't know if what Mustafa and Reid Hoffman
are doing at Inflection is, you know,
building pie to take on ChatGPT and to take on bar
and to be the intelligent assistant.

The ambition is extraordinary.
The cost of compute is high,
but the first mover advantage is also high, right?
Because whoever secures this position,
you know, Bill Gates said he's been playing around with it.
It's one of his favorite agents or whatever.
That's an interesting comment.
I think it's pretty good,
but I think ChatGPT is out in front in this regard.
I think a lot of people are going to try to compete
for that space, but, you know,
I can't imagine that all of these researchers
leaving deep mind, right,
are going to be able to compete
for the most sophisticated model
to answer general-purpose questions.
So I don't think it's the large fund size.
I think it's just a lot of exuberance
to participate in what everybody perceives
to be a massive platform disruption.
I think that can be true,
just like the Internet was in 1997.
And a lot of these bets can and will likely go to zero.
How great is America?
You just rent other people's money,
they pay you 2%,
and then you're allowed to get exuberant
yet keep your job when you lose it.
God bless America.
Well, I mean, the the issue, Chomath, is
it takes 10 years to prove you're bad at this job.
For a good...
No, no, no, no, no.
It takes 10 years to prove you're good,
and it takes 20 to prove that you can be consistently good
and didn't get lucky.
But in a few years, you can tell that somebody sucks.
Can LPs tell?
Well, I'm not sure that they get the visibility,
because when LPs interact with GPs,
they're grin-fucked for the most part.
So I don't know, probably not.
But when I interact with them,

just as a peer-to-peer level,
and I see the deals that get done,
it's pretty easy to understand
that some people just suck.
They don't know how to make money,
I guess is the point, which in the job,
that's the job, is to make money,
to consistently make money.
Okay, Brad, take care.
And let's go to Science Corner.
Bill Gates wants to genetically modify mosquitoes.
Is this fake news or real?
Incorrect, fake news.
It's fake news, okay.
Explain.
The reference is from RFK Jr.'s tweet that he sent out,
where he retweeted someone talking about
this mosquito factory in Colombia.
And this guy basically put out a tweet saying,
oh, look, Bill Gates has a mosquito factory in Colombia.
It's the largest in the world.
30 million genetically modified mosquitoes
are released every week into 11 countries.
Because Bill knows better than nature
what could possibly go wrong.
RFK Jr. then took it upon himself to retweet
and say, should Bill Gates be releasing
30 million genetically modified mosquitoes into the wild?
Part of the mentality of Earth as engineering object,
what could possibly go wrong?
So I really wanted to take issue with this,
because I do think that this is the sort of misinformation
that both creates scientific illiteracy
and damages and impacts negatively.
Some of the significant progress that can be made
in medicine and in science.
So I want to speak very clearly as to what is going on,
what the science is behind it, why this is super important.
And then we can speak philosophically,
if you guys are interested, on kind of,
should we be doing this sort of stuff and why?
So what's real here?
Like what are actual facts versus fake news?

Maybe that's a good place to start.
The most common disease carrying mosquitoes are called Edis egyptia.
It's a species of mosquito that carry yellow fever, dengue, Zika, a number of viruses that obviously are pretty adverse to human health.
Each year about 400 million people are infected with dengue virus via this mosquito vector.
100 million become ill and 21,000 deaths are attributed to dengue.
Globally, 200,000 cases of yellow fever each year causing 30,000 deaths.
These are pretty significant health concerns.
And it turns out that in mosquito populations, not in this particular species that carry these viruses, but in other species of mosquito, there's a bacteria, a natural bacteria called Wolbachia.
And this bacteria exists in nature, and sometimes these mosquitoes get infected with this bacteria.
So they carry this bacterial bug.
And this bacteria is really interesting because it causes what's called cytoplasmic instability in the mosquito cells, which actually makes the mosquito largely resistant to a lot of viruses.
And there's a bunch of theories for this mechanism and why this is the case, but it causes the mosquito to not be able to carry and spread these viruses that are super adverse to human health.
So number one, there's a natural bacteria that's found in nature, and up to 40% of mosquitoes are already infected with it.
Number two is it's not common in the mosquito species that is common in these areas that are spreading these awful viruses to humans.
And so there's been a project that's been going on now for 12 plus years where they're taking large amounts of mosquitoes and breeding them specifically to have this bacteria in the mosquitoes, and then they release those mosquitoes into the wild.

And over time, the bacterial infected mosquitoes start to become a larger percentage of the population. And as a result, the vector of carrying these awful viruses into humans goes way down.

There was a study done in Indonesia where they took these Wolbachia infected mosquitoes and they released them into the wild and they looked at a population that was in a region where they released them in a population that they didn't. In the region where they didn't release them, 9.4% of people ended up getting infected with dengue fever. And where they did release them, only 2.3% were infected.

So it was an amazing 75% reduction in the infection of people by these mosquitoes. And so the whole point is just to kind of move the mosquito populations in a way without doing any sort of genetic modification but by exposing them to this bacteria so that they don't carry these viruses into people. But because people don't- So that's a nuanced point there, Friedberg. It's not genetic modification or it is? It's not. I just explained it's a bacteria and they're just exposing mosquitoes. They're exposing them so that they end up getting infected with this bacteria and then as they breed, the mosquitoes breed in this facility, you have to have an infected male and an infected female for the offspring to have the bacteria. If you have an infected male, they're actually infertile. They can only fertilize an infected female. So unless you do this breeding work, you don't end up seeing this happen naturally in the environment where the Wolbachia starts to spread widely. Where is the genetic modification misinformation coming from then? Or is that also occurring? From the presidential candidate, RFK Jr., who just propagated it. And so this is why I want to make this point because this whole idea that,

oh, should we be engineering the earth?
Let me just say something about engineering the earth.
Humans used to wander around the earth
or proto-humans did without access to food.
And until we realized that we could plant a seed in the ground
and grow crops and started to engineer the earth
in the form of farming,
we did not have access to a reliable source of calories.
Human ingenuity, human engineering gave us the ability
to do this, gave us the ability to feed ourselves.
Similarly, humans got infected by viruses,
by bacteria, by fungus, and died at a young age
over and over again.
And when humans began to engineer medicine
and engineer unnatural substances,
because he makes this point,
oh, should we be interfering in the natural world?
What is natural is for people to get infected
with viruses or bacteria and die.
And if not for the advent of our engineering
and our ingenuity and our ability as a species
to create solutions through science,
which allows us to do discovery,
and then through engineering,
which allows us to make solutions
that solve problems that humans face,
we would all be dead at a young age
and we would not have realized the progress
that we've had as a species.
So I really get ticked off when I see guys
like RFK Jr. and others not just propagate
this BS misinformation spiel
about, oh, genetically modified this
and that science is bad,
but to then say, should we be messing
with the natural world?
Because I would say to him,
what about when your kid got infected
and you gave your kid antibiotics?
Maybe you shouldn't have done that.
And there is a group of people who are saying
that you shouldn't do that, right?
There is a movement to stop taking antibiotics

because it's making, because it's having
a sudden negative impact.
I'll tell you a couple of things.
There are bad pesticides that impact human health
and cause damage to our DNA.
There is bad sunscreen that is endocrine disruptors
and can damage human health.
There are plenty of chemical products that are made
that we use in everyday products that cause cancer.
There is an endless string of things that are wrong
with the systems of engineering that we do use.
That doesn't mean that they're all bad.
That doesn't mean that we then say,
hey, you know what, let's not do anything.
Let's not do any engineering.
Let's not use any antibiotics.
Let's not use any technology in food.
And that's the challenge is getting into the details on,
like I'll tell you, I don't use any sunscreen products
with myself or my kids.
I only use zinc.
And I have a similar sort of nuanced approach
to understanding what things we should
or shouldn't use in our lives because of the data
and the sizes of it.
Pause, pause, pause, pause.
Can you please explain that?
Because I didn't know this.
What am I doing?
Am I getting, what?
Explain.
Yeah.
So there's a number of substances,
which are known endocrine disruptors
that are found in sunscreen.
I think it's like one of the craziest things
that we haven't made these products illegal at this point.
But the only sunscreen that you should use
is natural mineral sunscreen.
Sorry, I shouldn't say that you should.
I should say this is what I chose to do
based on the data that I've seen.
What's a good brand?

What brand?

Any brand that just zinc sunscreen.

Just look at the back.

If there's anything but zinc in it, don't use it.

Zinc oxide?

Is that what it's referred to?

Yeah, zinc oxide.

I totally think that's what it's referred to.

Zinc oxide sunscreen?

Yeah.

What's the ingredient in it?

So I don't know what you guys,
but here, let me just send you this.

Are you saying that you're not allowed to have
any other ingredient?

Like there's no stabilizers, there's nothing else?

No, no.

It's the stuff that's...

The principle ingredient has to be zinc oxide
versus some other chemical, you're saying.

Yeah.

So oxybenzone.

I don't use any products with oxybenzone.

That's like the most common sunscreen ingredient.

Tinoxate is the other one.

Homo salate and the parabens.

All of those product categories,
which are the most common ingredients
which are the most common products used in sunscreen,
they're absorbed by your skin,
they go into your bloodstream
and they're endocrine disruptors.

Now the problem with the zinc sunscreen
and the mineral sunscreen
is it actually stays on your skin
so you look like you're wearing...

It's really hard to rub it in.

You got to really, really rub it in.

So they're actually not popular
from a cosmetic point of view.

People don't like wearing them
because they look like idiots
and it's really hard to...

Yeah, that's the stuff I use in the summer,
the ISDIN.
It drives me crazy because I look like
this weird ghost, shiny ghost thing.
I know.
But I do use that.
That's really hardcore about that stuff.
That's an example of understanding nuance.
It doesn't mean all sunscreens are bad
and it doesn't mean that we shouldn't use sunscreen
but understanding what the risk factors are
that are associated with different ingredients
or different engineering
that's been done to make sunscreens available
is important.
But that's so many levels deep.
It's a really difficult thing.
So then people end up being scientifically illiterate
and being wrong
because someone like RFK Jr. comes along and says,
hey, should we really be engineering the earth
with genetically modified mosquitoes?
And then people have this call to action,
shut those things down, shut those things down.
And they're incredibly beneficial and effective.
They're not taking any sort of genetic editing to market.
They're not doing anything
that people might consider risky.
And we can have a separate conversation
about the risks and benefits of genome editing.
That's another topic.
But...
How much of this Freyberg-Archima,
as we get ready to wrap here,
is a reaction to what happened with COVID-19
and people's fear now of
and getting sort of educated on gain of function research
and the sort of recency effect of my Lord
doing some of the science feels like it's too dangerous,
certainly too dangerous to do inside a city.
And what's the point of taking bats out of caves
and doing gain of function research?
How much of it has to do with that right now?

And this is sort of the downside to questioning that.
Technology can be asymmetric.
You can have like nuclear weapons
can wipe out the world.
They can wipe out the whole population.
Talib makes this point on his argument against GMOs,
which I would argue against him on this point,
but we could do that another time.
If he's willing to come on this show,
I'd be super happy to debate him on this point.
But the idea being that there's super asymmetric downside.
And so, what happens is people see
incremental improvements from technology
and they don't really praise those incremental improvements.
They assume that to be the case.
It's a linear step function.
But when something goes wrong, it's a big step down.
And then people are like, oh, wow.
And then people get scared of technology.
And then people want to step away from it.
And this is true in anything that relates to your health,
to food systems, to the environment now.
Now, it doesn't mean that all technology is bad
or all engineering is bad,
but as mistakes are made in the system,
as new things are discovered,
we have to retrench and change what we're doing.
But it doesn't mean that we should stop progress.
And it doesn't mean that the whole system
of humans figuring out how to engineer ourselves
of the world around us to benefit the health,
to benefit the planet,
to benefit other species on the planet,
isn't a critical mission and effort
that we should be undertaking.
Well, the sunscreen thing is really tilting.
I mean, I just, I need to make sure.
I'm pretty sure we have a good one, but I don't.
Yeah, I'm on this right now.
This has got me a little nervous with my kids.
I like these, like, I have all my kids
have long sleeve sun shirts.
And I try to just-

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

That's what I am.
That, I think, is like the key thing.
And because my family has skin cancer.
Do I have to do that since I'm dark skinned, Freeburg?
I mean, do you want to avoid skin cancer?
I mean, I don't know why you wouldn't wear
like a rash guard thing, you know.
Nah, you know, it's the summertime,
you're in the bed, you know, you want to show off.
Yeah, you want to show off your revenge body.
I get it. I get it, Shema.
All right, everybody, on behalf of
Saks, let me just say Ukraine, Ukraine, Ukraine,
Biden, Biden, Biden, and Francis.
Mayor Francis is now in the race.
So I guess we'll have him on the pod.
We already talked to him.
Oh, okay.
So, yeah.
At the summit last year.
And also we're doing a survey for the podcast,
all in podcast.co slash survey.
All in podcast.co slash s-u-r-v-e-y.
If you got to this point in the podcast,
please fill out our survey, our listener survey.
And we will see you all next time
on the All In podcast.
Love you, boys.
Bye-bye.
Bye-bye.
Love you, Bestie.
Oh, man.
Oh, man.
He should all just get a room
and just have one big huge orgy
because they're all just useless.
It's like this, like, sexual tension
that they just need to release somehow.
What?
You're a big, big, what?
You're a big, big, what?
We need to get merged.
Besties are bad.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E133: Market melt-up, IPO update, AI startups overheat, Reddit revolts & more with Brad Gerstner

I'm doing all this.

I'm doing all this.