

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E137: Inflation cools, market rips, Ripple/MSFT beat regulators, NATO summit, cocktails of youth

We don't have a cold open well since you guys decided to go rogue and
Agreed on a vacation week and then decided Freberg decided he would go rogue
It gave me a little extra time when I was whitewater rafting hold on a second
Freberg did not decide to go rogue. He went rogue your two peers decided to go rogue
I was taking the week off. They both sent on the text stream
We want to do a show this week, and I said sure I'll do it. I'm in
It's fun. You went rogue. Yeah, that's what I said. There was no vacation I agreed to
Know your schedule you're too busy writing 30 tweet storms about Hunter Biden
Why would all of a sudden there be a skip week in the middle of July? It's just cuz you were off. No,
we said
Vacation
No, I also have to give my producers a week off now and again because they work into the weekend
editing the stuff
So we're editors
I have two editors. Yes, I gave everybody the week off the point is that when one of us said no
No is off on a given week the show goes on
That's what you always say
Then when you
Have a need to go on vacation. No, then you know it gets canceled. No, what would have happened
was what would have happened
Was I would have put one of my producers on for that weekend
I would have given the other one off but because we all said we're gonna be off that week
I gave everybody off that week because I said let's take advantage of this. That's what actually
happened, but that's fine
Because you didn't get back to us. We had to have literally both said to you in the chat
We're off this week. We're off this week, and we confirmed with your teams
Multiple times we were off this week. It's no big deal. If you want to go 52 weeks
We want to record this week on Wednesday on Wednesday when everybody had already been given
off
I know that everybody who works for you is a surf. You just went dark. You didn't respond to us
I we Nick and I both responded. We're off this week. Please don't pretend like you're a great boss
We all know what a bad boss you are. I know that the surf should work for you
Do not get days off, but I treat the people who work for you like partners. We all know about the
churn in your organization
Try to my organization
What's the average 10 year of one of your employees is like six months in the round? No, no actually
it's more like
Four or five years right now. I mean I have people four or five to ten years now. It's pretty
impressive actually
You know what's interesting? My tenure is actually bimodal. It's either
Years and years and years and years or out the door one year or months. Yes, that's the way it
should be either you
Hit the notes or you don't and you should know quickly. There's nothing in the middle. Yeah, that's

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the way it should be actually I

Was sitting by the the river I went whitewater rafting on the rogue river when freeberg went rogue

Why am I the one who went rogue because I don't like you

That's the reason I'm not blaming the other two guys. I'm friends with them. It's obvious

So

All right, the big news this week is inflation has eased at 3% in June. We'll throw up a chart here

It's the slowest pace in more than two years. So the feds increases have worked and I guess the question now is

Are we gonna have a sustained high interest rate or is it gonna get cut slowly?

Chamath and freeberg you've been talking to a number of people about this

I think all-in summit 2023 speaker Larry Summers has been pretty vocal about this. What's your take freeberg?

Yeah, I mean, I think Larry said publicly that he thinks that rates are gonna need to be higher for longer

Then what the market is currently showing we talked last week with Brad obviously

About what the market is showing rates to be and he's assuming some rate cuts will start to happen in December

And that's really what the market is saying is gonna happen

Brad's point was the market knows better than the forecasters

But Larry Summers has publicly shared that he thinks that that that is actually not correct

And you know again diversity of views is important to understand

That there are structural things that are happening in the world right now including a decoupling from China, which is inflationary because

You know China provides cheap goods and cheap manufacturing for a lot of industries and many of those industries sell to consumers

So ultimately those prices are gonna show up in consumer costs. There's an increase in energy transition

expenditure and security

globally and Summers has pointed out that those are not free they have to be funded and

Obviously taking on more funding means you're gonna have to pay higher interest rates for investors to provide that capital to do that funding

So there are more structural

longer-term

Friends that some folks in the Summers camp have been arguing are gonna be driving inflation higher and keep rates higher for much longer than what the

Market is currently showing and I think it's really worth noting that point of view

Particularly given how quickly the market things rates are gonna start getting cut

Shemath you've been talking about the interest rates and that you believe it will be persistent

So higher for longer you sticking with higher for longer on the interest rates. I assume. Yeah

I think the more important thing from that J. Cal is

So what do we do about it? And I think the most important point of view that I'm trying to get to is where do I think?

the equity market is going to go and

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You know all roads at least right now look like the market is getting set to go materially higher and The reason isn't whether you know terminal rates are at 2% or 3% or 3.5% I don't think that matters that much

What matters more are the trillions of dollars that are sitting on the sideline or in other defensive assets

That need to then pivot around and get put back into growth assets once you know that the worst is behind us

And I think that's what a market always looks for before real sentiment changes

And what's important to note is that by the time most people figure out that the sentiment has changed

It's already actually too late and so I think right now in the next sort of like 12 to 18 months

Is really when the bottom is put into the market. It's before the Fed starts cutting

It's when rates are still going to be relatively high

But the really astute sharp in this market

We'll get ahead of it and they will start to buy

What they think will be an eventual rally and then it's going to get supported

By the fact that if not enough people are also long

You get caught on the wrong side. You don't necessarily have to be short

You just aren't long enough and what that does is put pressure on your business model

So if you're a mutual fund or if you're a hedge fund and you've missed most of this rally

Which most people have because it's really only been five or six companies

So I think that Larry is right

I think that I still believe what I've said for a while, which is rates will be higher for longer

But what I didn't believe before

Was that the market was set to go up? I think we did a great job

I think literally that when I made that comment November of 21 about starting to sell it was the absolute top of the market

Yeah, you know that one. You know that one nailed it. Yeah, and I think my commentary now is that we're putting in the bottom and

I think the market is set to go materially higher even if rates

Are persistently higher for a while just to challenge you on that second point the bottom really was put in maybe last summer

You're really speaking to the psychology and the dynamics of capital allocation

there are people who were scared maybe and thought the bottom could get much worse and

They didn't want to put money at play. There were some people who are brave enough to put money in play in the last 12 months

Oh, I'll give myself a pat on the back

I did J trading starting last summer and I'm up whatever 25% something crazy like that because I picked all the big tech companies

But you're saying now because that's but that's a good example just to pick on that

The reason you did well was mostly because they were oversold

Meaning that was my perception

Yeah, if you look at those big tech companies and but that's not a sustainable thing if you're trying to

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own great companies

The reality is those seven companies

One of them in video is actually firing on all cylinders

Everybody else just stopped acting like a fucking moron

Hmm, and that's not a sustainable business strategy meaning, you know

Burning billions and billions of dollars a quarter totally wastefully with all kinds of random free stuff to a bunch of entitled

projects side quests and then taking that away

Doesn't ensure long-term success for anybody all it does is just turn the kits the bleeding

And so you have more material short-term cash flow and the markets are going to reward it

Especially in a moment where it's the trade-off is against rates short-term rates that are five or six percent, but from here

right

The real long-term value creation is still going to go to the companies that are building true product market fit in product value

Good. Well, and our are and are really growing in a material way

From adoption and usage not from cost-cutting because people see through that and when rates start to get cut

They'll see through it even faster

The only time cost-cutting gets rewarded is when short-term rates are this high because people love short-term cash flow

Yeah, and it was when the the moment I saw Zuckerberg and

Airbnb Uber or other places just start and obviously Google and Microsoft start making cuts

You're like, okay, people are going to lower their costs

They're doing triage as you're saying to make the balance sheet to make the area works in the final third of a bear market

Okay, so but triage does not work in a bull market. You don't get rewarded for triage in the bull market

I totally get it. You have to innovate. You have to build great products. So Saxman, you're looking at the overall market

I think we talked about the average

Recession or downturn is six quarters plus or minus one or two historically

We are entering the seventh quarter of the downturn at least in tech started by tech in the first quarter of 2022

Here we are in the third quarter starting in July of 2023

What's your take on what the next six quarters look like? Are we going to be sideways?

Are we going to as Tramot saying hey, there's a lot of people who are trying to pay catch up

They missed this bump and now they're competing and they have to at the end of the year

Capital allocators are going to show in their yearly reports what they did this year and now they're like hey

We got to put some some bets into some high-growth companies. Is this the setup for another mania and

Maybe unhealthy behavior. So Jason, I don't think it's gonna be a mania

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But I do think that the market is ripping today because the market is basically pricing in the idea of a soft landing

Along with inflation being tamed. So you had a positive CPI report at 3%

You had a hot jobs report a week or two ago and there's a interesting article in the Wall Street Journal today talking about the odds of a soft landing improving

And they have some data for that. I don't particularly agree with the subhead line

They're trying to latest data suggests a lot of past inflation was transitory. That seems would yeah

That I think is is being too charitable to the Fed because when they use the word transitory

They were using as an excuse not to raise interest rates

And we just had the fastest rate tightening cycle ever over the past year

That's the reason why inflation has gone down. It was not transitory until they jacked up interest rates from zero to five percent

So the Wall Street Journal I think is doing a little covering for the Fed there

But nonetheless, I think everybody is pleasantly surprised that a CPI is now down to three percent and B

You have not had a significant cooling of the jobs market

So certainly the odds now of a soft landing have gone up and the thing

That's sort of surprising about what Larry Summers is saying is that if you believe

That inflation is going to come roaring back. That's certainly a contrarian bet

That's not what the market is saying right now what the market is predicting right now

And the reason why stocks are rallying is what the market is thinking is well if inflation is down to three percent

We can end the year at three or even lower

Then the Fed can start cutting next year and so they're starting a price in rate cuts

But if inflation comes roaring back, you're not gonna get rate cuts and so stock prices are gonna go down

I don't see how you can have a scenario of even higher interest rates from here

Along with higher stock prices. I think you need lower rates to get higher stock prices

And one of Brad's charts shows this if you look at the software index the median

Enterprise value divided by next 12 months revenue. What you see here is that the mean

Multiple is 7.7 excluding the COVID distortion. We're at 6.6 now, so there is room

For the software index to run up pretty nicely here

You could argue that's undervalued or fairly valued you see the ten years at three point eight percent

If you compare it to where we were before COVID when interest rates were in the mid-twos to around three percent

Yeah, we got to an 18x multiple. It was crazy. Yeah, so so basically if interest rates go down

I think for sure you'll see multiples go up

But I think if interest rates gonna keep going up from here

Then you're not gonna get that rally or I don't see why you would well the thing to keep in mind is I think this chart is not that helpful

Because this is all unprofitable software companies

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So I think the more important thing is to look at the broad-based index
The thing with these companies is that even if rates are at three percent or six percent or two percent or one percent
that
Trick is over these companies are not going to get out of this cul-de-sac
until they figure out true product market fit how to eliminate your and how to drive medium to long-term profitability and
most of them unfortunately don't have a clear path to that and
The problem is all of the old legacy
Software companies X of Salesforce have still not got to profitability
So meaning the ones that went public in like the early teens are still sucking wind losing money
So the idea that software businesses generate long-term profits is so far unfortunately been a fallacy
So that chart I think will stay exactly the same way it is
I think the bloom is off the road
But where the money can go we change that though Chamath which it would what we because we need to stop at this point
To look talk about these SaaS companies because what would change that if they actually get to profitability and sacks
What's the chances they get to profitability because that would make them look more like Microsoft or the biggest problem that software as a service
Businesses have is the same thing that it benefits from which is cycle time
So the cycle time for a SaaS business to build a feature set to get product market fit and to get early revenue is very short
The problem with that is that is the equivalent amount of time
It takes for a competitor or several competitors to compartmentalize and chop and slice and dice that feature set
Into a bunch of smaller sub-scale SaaS products that then go after it and cannibalize that revenue
So I think the issue that they have is they show
contractually a lot of
Revenue expansion that looks good on the service
But underneath these guys are in this constant hamster wheel of trying to build features and trying to keep their head above water
and all of that treading
Consumes enormous amounts of cash and so from an OPEX perspective these SaaS businesses
They just suck. They don't generate free cash flow except for a few
Let me let me bring sacks into the sacks. Do you think that these companies will
Get to having a PE ratio because a lot of times you pull them up
It's like price earnings ratio not applicable for this company because there are no earnings and you've dedicated
And you built a billion dollar company. So give us the other side
The other side of it is that software businesses have great gross margins
I mean you spend all of your R&D creating the first instance of the product and they're
After every additional instance of the product is basically almost free to provision on the margin

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So these are super high margin businesses

Once you achieve dominance in your category, there's a bunch of different modes. You can create a platform

You have the largest sales and marketing operation

Everyone wants to go with the market leader

so there's

You know a bunch of different ways to lock in your advantage and not all those companies were losing money a growing number of them are making money

I just think that's like a sweeping over generalization. So I still think software businesses are some of the best businesses

But why don't they get earnings?

We're off on a little bit of a tangent here, which is I could have shown you a slide of

Almost any basket of growth stocks and you would have had something similar, which is there's still trading below

There's seven-year mean on a multiple basis

And so my point was simply that if interest rates are coming down there is room for these stocks

No, you're right about that. Yeah

Let me let me bring freeberg in freeberg in the summer's camp and some other people's camp

They believe interest rates have to go higher

Despite the fact that inflation has plummeted and it feels like a

For pal that this is a mission accomplished moment the reasons they believe that are the infrastructure and chips bill are going to pour

Money into the United States and we're gonna have massive spending. We already have absurd 50-year low

unemployment

Which is insane. We still have close to 10 million job openings. We have locked the borders

We now have Democrats and Republicans back-to-back saying we're not gonna let people into the country

We've so I don't know who's gonna work in all these factories if we don't have an immigration policy

So maybe you could tell us if you actually believe this sort of let's call it the summers

Doctrine here or the the contrarian summers position

67%

interest rates are coming because we are going to have

persistent inflation

And if you believe that contrarian take I think there's a

General statement that can be made that we are coming out of a zero interest rate environment into

Which lasted for a very long period of time

into

A very stimulatory environment because of

Government spending and when you have

Government spending stimulating the economy you have a natural market force of

Inflation coming from the additional capital being pumped into the economy and the purchasing and

and all that sort of stuff like you pointed out 50 year

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low in unemployment and we're trying to create a bunch of new jobs and
Who's gonna fill those jobs? You're gonna have to pay people more to get them to take those jobs
So, you know, you're gonna see a rising wages and then you can I ask you a question
I know as a follow-up to that free break you pay people more, but there's nobody looking for jobs
We're kind of that's I think the conundrum we're in people you can boost the labor participation rate,
right?
You can attract more people to the workforce
Yeah, and it drives wage growth, but ultimately keep it this in mind
So the lower wage workers, let's use a simple example people that work in fast food
There if their rates go from, you know, eight bucks to 15 bucks to 25 bucks an hour the cost of fast
food goes up
So on the food price index you'll see a rise in food prices
So right now it seems like the Fed and the market are all acknowledging and reacting to you know,
these these
I don't I would kind of argue acute
Conditions that are that are being resolved from coming out of the COVID stimulation
But there are in place as the comments have been made
Increased spending to NATO because of global security concerns increase defense spending globally
the current projection from the CBO
Showing what defense spending is going to be as a percentage of GDP or percentage of government
spending
There are some folks as you guys all know
Well, do you would speak to in DC who think that those numbers are BS because we're gonna
increase defense spending not cut it
Because of global security concerns particularly as we decouple from China and all of the energy
transition stuff the IRA the chips act
Which is a security thing. These are all stimulatory
So the tides come in and out, but the sea levels are rising and over time that translates into a way to
manage
The inflation but also to raise the capital, which means you have to pay higher rates
And this is this is in the EU and the US that it seems this is going to be the case. So
I feel like we've gone in a circle a little bit, which is good
I think just to show how complex the issue is and we're trying to predict the weather here or at least
understand the weather patterns
So let's talk about the driving force in this and CPI the first word is consumer Chamath
Stimmy check summer last year and the year before
NFT crypto, you know secure your bag summer. I think was this the same sort of phenomenon and
Unlimited, you know double or triple bonus unemployment
Plus deferring your student loans those four things were, you know, pretty much defined the last two
years and all of them have come to a crashing halt
You can't get unlimited unemployment. You got to start paying your student loans in September from
my understanding
And

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Rent. Oh, yeah. Oh, wow. What a crazy concept
Here no more. So we have five factors there. You have to you have to pay your landlord your rent
So let's talk about the consumer for a quick second here. Is this the last hurrah summer?
People consumers are going to need to get back to work in September because it seems like the credit card debt's going up
We talked about that over the last year and if consumers aren't spending
You know, that's going to be the driving force and that was the goal of raising the interest rates is to maybe get consumers to have a higher
Car bill a higher mortgage bill and to get back to work. Yeah, I mean, I think that's very well summarized. I think that we
Are absorbing all the excess liquidity
In the economy that would otherwise have gone into really speculative things
The extra vacation the extra pair of shoes on
Stock X or whatever the extra NFT the extra this the extra that that's all out the window a
Traditional home mortgage is probably doubled in terms of your monthly payments. Yeah, people will be forced to get back to work
They'll have to stay in jobs longer. They'll have to
Just do a much better job of managing their finances
But all of that doesn't necessarily mean that the US economy falls off a cliff
I think that the thing we have to remember is that and
I don't think we can explain it actually
Very well because every time an economist has tried to do it. I don't think they've really figured this out
but we tend to have a very resilient level of consumer demand and
When you look at the correlation between consumer demand and the underlying economy even in periods of extreme shock
So even like the pandemic is one of those moments where yeah, the demand fell off a cliff
But that's because we were literally prevented from doing anything
We could not buy the things that we wanted to right or if you even go back to 2007 2008 in the great financial crisis
The interesting thing about consumer demand is that it snaps back very quickly
so there's this weird dynamic where folks have a base level of spending and
They use an amount of debt to basically, you know, subsidize that and
Then they're willing to work in order to make sure that that doesn't change and I think that that's what we're getting back to
we're gonna get people off the sidelines into the labor market and
Yeah, I think it's all keep going sacks. I think it's all psychology like if you were I think people's spending is a function of their optimism
And like maybe their last trade where their last bank statement. So it's like oh my NFT tripled
Therefore it's going to triple again next month. And hey, there's a chance at my go 10x. Oh, I invested in the startup
Oh, you know, I'm getting stymie checks. I'll get another stymie check
And now if they get three or four moments in time where oh

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My NFT is now worth 10% I can't defer my student loans anymore. Oh, I'm a curing interest
Oh, no the house I bought now has a
15% mortgage and I was on variable so
What's your thoughts on the psychology of the consumer here? And is everybody just still spending
but maybe downgrading a little bit
Maybe they buy the Tesla Model 3 instead of the you know going for the Model S
If they take business class instead of taking business class or economy plus they do a staycation and
drive somewhere
I've been surprised at just how resilient the economy has been. I
Figured that after all the distortions we had in the economy all the stimulus during COVID
We basically floored the accelerator and then slammed on the brakes with this
Incredibly rapid rate tightening cycle. I thought for sure that was gonna basically crash the
economy. I was in the drunken Miller camp on this
But I think again what you're seeing over the last few weeks is just more more evidence that it could
be a soft landing
That we may not have a recession and we might even get rate cuts next year
But I do think that right now the risks are probably as balanced as they've been
So if you want to pull up Nick, can you pull up that chart the quadrants from the co2 summit?
I thought this was actually a pretty interesting chart that we saw at the co2 summit as a useful
framework for thinking about the scenarios for the economy
Yeah, so basically it's a two by two quadrant
We're on one axis you've got inflation and inflation can be either low or high based on 3% being the
dividing line and
Then the economy can be either weak or strong with four and a half percent unemployment being
the dividing line
so if you believe that inflation is coming down below 3% and
Unemployment is going to stay below four and a half percent. I think it's already at like three and a
half percent right now
Then you're back in the sustained growth quadrant in which case the S&P 500 is going to keep
ripping on the other hand if inflation
Is above 3% with low unemployment. You're back in the overheating quadrant
Which is probably bad for stocks now. You could have a situation in which
Inflation goes down and remains good, but unemployment goes way up in which case that'd be the
hard landing and then the final quadrant is
Stackflation where you've got high inflation and high unemployment. So I
Think the quadrants right now are probably as balanced as they have been in quite some time in
terms of where we could end up in let's say a year
Yeah, I think that there are some yeah, there's some early
signals
That you can look to to get a sense of where this may be going Disney World is
Empty the lines are really short. I don't know if you guys have any friends that have been to Disney
World lately or Disneyland
It was in the Wall Street Journal. The traffic has fallen off a cliff. Yeah, and there's just there's

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another won't go broke company

That's a really interesting point is do you think that Disney traffic?

Has gone down because the conservative half of the country basically feels ascended and they're a lot but light. Yes, or is it a larger consumer spending problem?

Everybody everywhere else is still spending like even if you go to like look at the World Series of poker main event this year had

The historic number of entries everything is telling you that people are getting their last raw

So the fact that Disney has been decaying for the past year is

More emblematic of the fact that they've gotten into this social culture war and half the population of America said we're not going to support

Your business like they did to Bud Light and I'm not adjudicating the rightness or wrongness of either Bud Light or Disney

But the answer is in the actual results

The people are not walking into the store just to show this while we're on Disney

So here's a Disney chart for you just to show you the times at the different parks over the years

It is in 2023 meaningfully shorter than 2022 or pre pandemic

So I don't know if that's a function of their technology that they've been deploying or if maybe conservatives are not going

But there's also another x-factor, which is the previous

Head of Disney who got ousted and Bob Iger's back was the guy who ran parks and he

Just leaned into changing the pricing and it got absurdly expensive and they got rid of like the California pass and all that stuff

So I think the the jury's out on this one Bob Chapek

Yeah, but there's a broader consumer spending question that I'm saying there may be some early signals

Most consumers rely on credit as you guys know interest rates are rising and that passes through to consumers purchasing goods

but other folks look at the metric of consumer credit card balance as a percentage of savings or percentage of

Earnings which is actually a little bit lower given wage growth and savings that have accumulated regardless

There are other signals we can look to so if you pull up this chart, this just shows a really important statistic so

80% of new car purchases are financed meaning you take out an all alone to buy the car

40% of used cars are financed and interest rates on car loans as you guys can see in this chart in just the last year or so

Interest rates have spiked from under 4% called 3.7% to an average of 7% today

and that obviously translates into a doubling of the

Monthly payment needed to buy a car and now if you go to the next image

So this is now playing through in terms of used car demand and used car prices

In the last month it was reported by Cox Automotive's that the pricing for used cars has declined by 4.2% and so this starts to indicate that there may be a bit of a softness emerging

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We could argue yes

This isn't having a positive effect on the inflationary conditions

but it may also be an indication of consumer spending and that we're starting to get to a point where credit is so expensive and

Consumers ability to flex credit is being decreased and that's starting to translate through into what everyone's been worried about

Which is the recessionary or declining effect on revenue

Declining effect on profit of companies that are selling goods and services

So that is obviously the challenge to sax's point on that two by two matrix on it

You know if you if you reduce cost and reduce demand too much

You can have a recessionary effect and consumers are a big driver of this and so many consumers depend on credit

It's a it's going to be a big condition to watch. I'll study measures

Are going to happen. Here's the chart of quarterly revenue for Disney. Yeah, still doing great

I bought the stock and it's the one thing in my J trading portfolio

I've gotten crushed on that and Warner Brothers discovery made two entertainment bets and what I think are the two best companies

I also did Netflix but

One out of three ain't good. All right, so some breaking news here that we'll try to dovetail together with this

Lina Khan and the FTC losing their Activision case apparently and it's breaking news a partial win is what it looks like

Let me read this here judge gives ripple partial win in SEC case over XRP currency

Ripple labs ink violated federal securities law in its sale of cryptocurrency XRP directly to sophisticated investors

But its sales on public exchanges did not involve securities a US judge said in a ruling that sent the cryptocurrency

Soaring XRP was up 25% after the ruling

SEC had accused the company and its current former chief executives conducting a 1.3 billion dollar unregistered security offering by selling XRP

Which ripples founders created in 2012 US district?

Judge who is based in New York on Thursday said the company's

728.9 million of XRP sales to hedge funds and other sophisticated buyers amounted to unregistered sales of securities

but

Torres ruled XRP

Sales on public cryptocurrency

exchanges would not offers of securities under the law because the purchasers did not have a reasonable expectation of profit tied to ripples effort

Okay, those cells were blind bid ask transaction

She said where the buyers could not have known if their payments on reading from

Reuters here of money went to ripple or any other seller of XRP interesting so the buyer becomes the

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The person who profits from it becomes the the the fulcrum here XRP sales on cryptocurrency platform

I'm not gonna figure this out in real time. This is too complicated. The bottom line is that the headline is

I just want to make sure the audience gets it. Yeah, look the headline is I mean the tweet ripple sales of XRP

Do not constitute offer investment contracts according to judge. They won

They won. This is a huge vindication for them and that XRP is ripping 35%

Yeah, and it really handcuffs the SEC. What are they going to do about coinbase and every other exchange?

I mean, if they're not selling securities, I think coinbase and everybody else has always maintained their selling tokens

This was the this was the fulcrum argument for the SEC and they just could they just lost

The whole crypto market is ripping right now

It's an interesting one the confounding part of this is that the initial sale to accredited investors and hedge funds was done

That they violated securities law there when they were signed directly to sophisticated investors

I just looking at it logically you would think it was the reverse

But this is a fascinating turn of events. I just texted with Brad Garlinghouse and he says

Yes, it does mean that they won and he feels

Vendicated vindicated and really happy

About the do you feel J. Cal well, I feel like I'm gonna launch j-coin and sell a token to back startups, I mean if it's a free-for-all, I won't tell you tell you what he said

No, I mean

They've been convicted of securities fraud here, so that's the judgment

Ripple violated federal securities law in its sale of cryptocurrency the first line of the story

That there's two judgments here

They violated federal securities on its sale of cryptocurrency XRP directly to sophisticated investors

But the sales on public exchanges did not involve securities

So what they're saying is if you sold XRP to hedge funds that was a security when they did the first offering

But when the public started trading it on public exchanges, they did not have according to the Howie test

This belief but that's where their vulnerability was because if you sell to a professional hedge fund, they're accredited

That should not be an issue. You should be able to sell to it. So what's the problem?

Apparently the judge says they're pretty happy and the market seems to be indicating that this is I mean, would you say the price is up 35%?

Well, I mean

37% right now crypto trades. I wouldn't necessarily put too much on it

I would look at the the actual judgment here

But we all know people trade headlines, so let's let's see where it's at in five days

But a bunch of the all coins are ripping right now. Oh

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Boy, here we go. It's a judgment that seems to indicate for a lot of folks that these are not going to be treated as securities

I think that this is a really important

Just think about how amazing the United States is that the government

agencies the administration in power can come after

Corporations and then we have a court system that can adjudicate and make decisions that follow the rule of law

I know we're going to talk about Lena Kahn and her agencies efforts at litigation

But I'm really encouraged at the fact that the court system in the United States doesn't just

Cautow to whatever administration is in power at that moment that they do adjudicate by the law and

Ultimately provide greater clarity for business for individuals to operate

Going forward that there is a better sense now for the market. There's a better sense now for individuals

Our have they always a check in balance

I think that's what's so great is that there's now clarity because the courts provided that yeah has this trend changed

I thought they thought America always did that. Yeah

I think it's great. I think it's look because you have you obviously have a very zealous

administration and a very zealous agency leader who is testing the boundaries and

You know Lena Kahn's agency is pushing the limits on what constitutes antitrust and

In the effort to try and push those boundaries. There is a pushback from the courts. No, but it's been Gensler in the SEC

It's been Gensler in the SEC. I'm sorry. Yeah, but but both agencies, right?

And so it's good to see that there's clarity emerging and that the courts do their job and that the administration's come in

I think the Lena Kahn thing is yeah, I think this was a nuanced argument that the SEC made

That required a highly sophisticated interpretation of securities law and you're supposed to go to the courts for that. I

Think what the FTC has been doing is basically

Just emotionally reactive lawsuit filing. All right, so let me just pivot over to Lena Kahn's losing shriek here on Tuesday morning

A federal judge denied the FTC's attempt to delay Microsoft's 70 billion dollar acquisition of Activision Blizzard and the FTC's argument was basically Microsoft should not be allowed to acquire Activision because it would make Activision score assets

Which is basically call of duty one of the greatest franchises in the history of franchises movies or

television shows or video games and

That it would be

Exclusive to the Xbox Satya Nadella and Xbox head Phil Spencer both said under oath

They could not make COD and exclusive and they wouldn't and not only that they said they would allow it

No, it made no sense. I mean they also said they would put it on Nintendo

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Of course because

Because Nintendo and Sony because Nintendo and Sony are the other number one and number two players in this market and Sony alone is

Basically 50% of the market

So I think like the crazy thing about all of this is if you look at the legal strategy of

The FTC it's basically that they view themselves as a hammer and

Every deal particularly if it's done by big tech is a nail and so, you know, Amazon Roomba lawsuit

Facebook some rando little company lawsuit

Microsoft Activision lawsuit and it's that emotional reactivity that takes away

Faith and trust that this organization is intelligent and

Sober and well run and that's the shame of it because if you actually look across all of the deals in tech that have happened recently

This deal was frankly do away from the start from a regulatory blocking perspective because of what I just said

The number three player a distant third

Buying an asset. Why would you take an asset that you pay \$70 billion for and immediately turn it off from 50% of all consoles?

Nobody would do that. Hey sacks when we look at this and let's widen this aperture to the faith and institutions because we have the Gary Gensler

Hey, do we actually believe that they're acting in good faith or are they trying to protect fiat currency and

not let an alternative currency take some control and

Sort of be a backstop against their behavior and the money printing machine, which is cryptos, you know

big sort of let's call it the biology position and then in this case Lena Khan was selected hand-picked as a

32 year old wonder kid

Who had this incredible thesis that she could predict who would compete in the future?

She was like a minority report freak on she alone could decide

You know who how these competitions would emerge and she keeps losing so

These two institutions now being used for political purposes

by the Biden administration or do you think that they're just

Poorly executing what's your take?

Well, I think clearly the legal strategy that Lena Khan has been pursuing is not having much success in the courts

I mean she just lost this big decision on the Microsoft acquisition of

Activision but that being said I'm almost starting to feel bad for her because although some of her legal theories moving flawed

I do think that these big tech companies like Google and Microsoft do need a check on their power and

So what I would urge is that Lena Khan needs to regroup

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Maybe figure out a different legal strategy

Figure out a different way to take on big tech because someone does need to cut these big tech companies down to size

They are giant monopolies and they do need to be restrained and controlled or they will basically

Consolidate the whole tech ecosystem and abuse their market power

So I think it's actually pretty vital that we have a regulator who is energetic in wanting to check the power of big tech

I think maybe

Trying to put a damper on M&A was the wrong way to do it. We've talked about this before it needs to be more surgical

All right, there's so few ways to have a good exit in the tech industry that when you take away M&A

It puts a damper on all risk-taking and the deployment of risk capital into the ecosystem

So I think it was having too big of a chilling effect. So I think she needs to

move away from

These M&A cases unless it's a very very clear case

But I think where she can be more aggressive is on restraining anti-competitive tactics and also maybe busting up these companies

You know, I'm thinking more and more about this Google case that she has where she wants to basically break up the company because they've got this monopoly

Not just in search, but also in advertising. Maybe that's a good thing

Maybe Amazon Chef to spin out AWS. Maybe Google Chef to spin out YouTube because I do think they are

Abusive in the way they exercise their authority as a small example over the past week

YouTube just banned a video of Jordan Peterson

interviewing

RFK Jr. Why?

What gives them the power to interfere in our democracy that way where they just decide for their own reasons

That the public can't watch a video of Jordan Peterson interviewing RFK

Well, wouldn't be cataracted in the Supreme Court to say private companies can serve customers however they want if you want a gay cake

You add a baker who doesn't have to make it isn't the same analogy. No, I don't think it's the same principle

These are huge monopolies that have tremendous market power that are so small companies can choose their customers and products

But the big company has a more of a responsibility to be an open platform in your mind. Yeah, that's the common carrier argument

My point is just they have tremendous market power that they abuse in arbitrary ways. You have to admit sacks

They're her lawsuit strategy is scattershot

It's a little bit spraying prey and fairness to her

She said she was gonna do that for example like but where is the I agree we like where's the lawsuit on adobe figma

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That seems like a more obvious one. You have the number one and the number two, right? There's a clear number one monopoly buying the number two and so that could be more market consolidation than a number three player buying Nobody that the public doesn't know those names and Biden put her in there to be anti-tech, but I think you're Her but no, I just want to tell you her position has also been driven by wealth inequality, which is not the mandate of the FTC I think that's why she's the worst modern-day FTC head. I'll say it again Because she should be looking at tactics and the tactic she should do is the app store on iOS should be open to other app stores Amazon, you know is open to third-party sellers They should be looking at the bundling of Microsoft of teams and say, you know what because you have a monopoly position You can't add things to the bundle without charging for them So if you want to include Microsoft teams, you got to put a price on it And the price has to be a fair market price because you're doing product dumping You're dumping into the market a free product with your market position Instead when they launch that the settlement should be Microsoft teams should be plus eight dollars per month per person plus four dollars But it she shouldn't be allowed to dump products onto the market. I think the tactical stuff That got a response, okay free birk first Shemath sacks Well, I'm just asking why like why wouldn't it be okay for Microsoft to put a cheap product out if someone makes an alternative to teams That is a better product with more features and they charge for it and people are willing to pay for it They'll win in the market because of bundling bundling and product dumping is illegal according to the F the laws in the United States Well, I'm asking you Yeah, it's a form of bundling you got to make that argument. But yes, I agree with that But look the way I judge these things is what is good for the ultimate health of the startup ecosystem? Because entrepreneurship is the thing that we should be optimizing for not the power or wealth of big companies But the vibrancy and dynamism of the startup ecosystem as a whole because I think that long term That's what leads the creation of new big companies. That's what's good for America. I cosine Yeah, so with FTC, I think Lena Khan hasn't gotten the formula right I think she's challenging some of the wrong M&A deals But like I said, I'd like to see her regroup and figure out how to take on these big companies because I do think they have to be restrained on the other hand what's happening with sec and operation choke point is I think They would have basically put the kibosh on the whole crypto ecosystem I mean if you basically come out and say that there's no such thing as a token that every single Token is basically a security then that's the end of crypto as a potential Center of innovation now we can argue about what the utility of it is we can argue about whether

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there's long term gonna be anything there

I don't really know for sure

But I would like the United States to be the place where we figured this out not driving it overseas

So I'm happy that the judge found in favor of ripple without knowing anything specifically about what ripple did and I'm not

Endorsing their behavior or tactics or whatever

But I'm happy that there is now a precedent that says that you can have a token like XRP

That is not a security because that is going to enable more innovation in the ecosystem because it was really going the other way before and

My critique of what the SEC was doing is they were basically seizing power that they did not have I mean basically Gensler

Unilaterally was telling Americans that they cannot

Hold or buy or trade crypto because when you say that

Every tokens of security and they can't operate on exchanges

You're basically saying that Americans don't have the right to engage in crypto

And I think that was basically a bridge too far to Matthew. Why don't you get in on that?

well, I just think that part of the thing that I

Think maybe the FTC suffers from is that Nina Conn is a very young academic and maybe what we need

to have a little bit more

Of a higher batting average or slugging percentage here is just to actually have somebody that understands how business works

Because I think the scattershot approach doesn't do much and I think it just wastes taxpayer money by funding these

Frivolous lawsuits that then sophisticated organizations like Microsoft and meta just win. Yeah, and so where does it leave us?

It weakens the institution. It makes the laws

Frankly not enforced where they need to be and

The whole point is not a marketing exercise or a PR exercise to go after companies you dislike

But to actually enforce the laws of capitalism and market dynamism and so to not do that. I think is very

Egotistical I think it's emotional and I think it sets the US back because the things that should get stopped don't and

Then all this other stuff is just a red herring and a waste of time and taxpayer money

I think you absolutely nailed it there. I think both of you nailed it Saxa and Chamath there

I think she needs to focus on product dumping. You can pull up the screenshot here

Predatorial below-cost pricing is well within the FTC's mandate. You can go look up just type in predator or below-cost pricing

FTC and you can read all about it. It's absolutely clear that you cannot put

Products out there at a lower price and so you have to have a granular discussion is

Teams Microsoft teams a product or a feature. I think we all know it's a product

And so that's an easy win for her interoperability

Should Android people be not allowed to use iMessage

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Should people on iOS not be able to use the place store or buy digital assets from Amazon?

Obviously

Apple should be stopped there. So interoperability and then there's one that's a such a clear easy layup for her

And you know, we'd all like to see her succeed, but I think she is absolutely doing Biden's bidding With an anti-tech anti-wealth creation anti-capitalism frankly

Pro-union

Punishment, I think this is punishment for tech being too successful. I don't think it's logical

If you really wanted to get them go after dark patterns and if you don't know what dark patterns are that's when you subscribe for the Wall Street fucking journal online and then you have to call them to unsubscribe and

There are so many dark patterns and I think Amazon's getting in trouble for this for prime one of the most loved products of all time

Obviously, but dark patterns could be stopped by the FTC and that's where they can really really do damage

I heard today that they're investigating chat GPT for giving out wrong answers

It says right on it. It's gonna hallucinate and give you a wrong examples. This is an experiment another example of the FTC going after

You know the wrong thing. So just I think she needs a sniper rifle not a shotgun

And she's got it. She needs to get a kill shot. Where's the kill shot coming from?

Let's kill Google

That was pretty controversial when you said blow it up. I mean, I would love for you to say more on that

Yeah, well, I paraphrased a line from RFK Jr. Who is paraphrasing a line from JFK

Which is you want to shout out the CIA into a thousand pieces and scatter to the winds

I said that after they banned the Jordan Peterson RFK interview that we should shatter Google into a thousand pieces and scatter to the winds

And that thing went massively viral

There's a big part of this country that has really passed at Google in the way they're exercising their arbitrary power

How many did you get 12,000 likes? I just think that

The people running that company, I don't understand how they make these decisions just makes no sense

Well, freeberg you work there. What are your thoughts on breaking up Google and how they make decisions?

Look, I'm a

Free market guy as you guys know, I think that consumers

Fought with their dollars and their eyeballs and their time and ultimately as

We see with Disneyland in Disney World if people don't like the behavior of a business

They're gonna stop giving their time and their money to that business by the way freeberg

Were you shocked at the fall-off in traffic?

Immediately thought I'm gonna take my kids to Disneyland

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Please Republicans stay home Disney hates you you guys know
It's so expensive and I'm like man if I could
Problem we have with you is that you're driving a 12 year old Audi that gets six miles to the gallon when you can
Drive a great car. I love the Audi RS7
A hole in the ozone you hypocrite and you're a hypocrite because you should you deserve that
You deserve that. What is it?
\$10,000 for the day to bring your kids to Disneyland VIP or you could
It just hire somebody in a wheelchair. It's ridiculous the the cost, but yeah, you get to cut all the lines and everything
Also, I generally don't love the crowds. So if it's gonna be less crowded, I'm more interested in taking my kids there
It's already hard enough to deal with you know, so speaking of you know freeberg made this point about
The administration being overzealous
Did you guys see this article on the glut of electric cars that are piling up now? Yeah on dealers lots
Yeah, we shift gears to this by the way
I think this is a big part of what I said earlier about interest rates on car loans
This specific thing is more because of the bureaucracy of the government not allowing these credits to beg basically work across all different kinds of cars
This this should not exist for the reason. This is not a demand issue
This is a year's to the car. I see you know government intervention in market dynamics. Is that the driver? Oh, yeah
So Axio so it says here
The legacy auto industry is beginning to crank out more EVs to challenge Tesla, but there's one big problem not enough buyers
There's a growing mismatch between EV supply and demand
Even though consumers are showing more interest in EVs or still worry about purchasing one because of either price or charging concerns
range
anxiety
Yeah, a lot of these new companies that are they're not new companies, but they're new to EVs don't have charging networks. Yep
And that that's an issue and then also if you've never owned an EV and
You don't live in a city because now we're going down the curve of people who live outside of cities
And you see 200 mile range you remember your trip where you drove 300 miles or 400 miles
And you're like well, then I can't have this car
If you have a Tesla you obviously can but then Tesla also made the chess move of lowering their prices and having record sales
So their margin went down but their sales went up and everybody can wait a year
Like that's I think that what people don't realize about cars
You can always get another year out of your current car
So according to this article

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The nationwide supply of EVs in stock has grown nearly 350 percent this year to more than 92,000 units

Which is a 92 day supply of

EVs whereas by comparison dealers have 54 days worth of gasoline powered cars in inventory

So even though interest is growing in EVs are simply

Too much supply too much supply

It's because all these other companies like Ford and GE are now

Producing tons of EVs, but they don't have the charging networks and they're new to the EV game and they don't really

Produce great cars great EVs

Tesla does not have this problem by the way and what I come back to is just the administration's industrial policy

I mean the

Administration just gave all these subsidies and credits to big companies like Ford and GE to make EVs

But no one wants those cars. Yep

by the other problem and so they're actually interfering in a free market where

Tesla is

The big winner because they took a huge risk and created a product people wanted and now you've got these big stodgy old companies trying to catch up

But no one wants their cars and the administration which is pro union is anti Tesla because they don't have a union

And so they put the thumb on the scale and give them the credits instead of giving the credits to Tesla

Although Tesla lowered the prices and I think they now qualify

But the prices are so low for Tesla and the cars are so sophisticated listen up to talk up our guy's book, but I

Think the other big issue here. That's not mentioned the story is

Interest rates. I mean if you could give these things away at 2% 3% 4% interest rates. That's a big difference, isn't it?

Yeah, you're right monthly car payment 80% of new cars are

Financed okay, so that's the beginning and end of this probably I mean it's it's three factors going on an interest rates on auto loans

Have doubled like the chart I showed so you know, it's it's a huge impact on demand overall

And it's not you know, if you know the adoption curve of technology

I think we're getting into the big middle the fat middle and then going to the laggards and the laggards want an

F-150 or a Cybertruck and until lows emerge or a suburban that's electric

You know three rows with a lot of storage those those don't exist yet

All right, so Jake, let me ask you a question. Okay, so you've got an administration

That is overzealous as free berks had on industrial policy

Basically subsidizing these like old stodgy broken companies like Ford at the expense of innovators like Tesla

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They are bringing a bunch of anti-M&A FTC lawsuits that you don't like no
They are cracking down on crypto, which you may like but in an overly aggressive way the course is
throwing that out
Have the rules fair
We've just gotten off of a
one-to-two-year spike in inflation caused by
Runaway deficit spending and overstimulus. Yeah, so my question to you is
Is the economy doing so well because of or in spite of this administration? I think it's a
Innovators and consumers drive the economy. I
Think I voted for Biden and over Trump because I think Trump would have
Stolen the election and as a treasonous
fell in a felonious
horrible human being and I thought it was existential crisis for America now if you could put up a
Republican candidate like Chris Christie who I just
Mooch just put me in touch with Chris Christie. He's coming on the show
So Nikki Chris Christie are coming on the show. You couldn't deliver you couldn't deliver DeSantis
for the show
So I will deliver Chris Christie and she's gonna deliver Nikki Halley. I'm gonna vote. I'm giving my
announcement now
If Chris Chris, I'm gonna vote for Chris Christie. I think I
Think you change the subject. I wasn't asking you about I mean
I was asking you about whether you think the administration is helping the economy or
hurting the economy I
Think the runaway spending to free Berg's point last year is
Made me a single issue of voter and I think that their spending disqualifies them for me voting for
them
I need somebody who's gonna balance the budget or get this spending. I love you now. Oh my god
No, I mean, I can agree with you on some things. I'm like Han Solo. You're like C3PO
I need you to navigate an asteroid field, but I need you to also just shut the fuck up when I'm doing it
Okay, so just let me cook as the world's greatest moderator
Now I do agree with you on this you're you're absolutely correct
If we don't get the balance sheet, right? Nothing else matters
And I don't think Trump's crazy spending and Biden's crazy spending is not gonna get us out of this
We need somebody to control spending a period full stop. I don't know how you where how are you
guys feeling about the election at this point?
I guess we can put it to that book the deficit myth. Okay, that book is the problem
It's that we can always just issue money
because we are the currency that everyone wants to hold and
The flawed logic is that we are at the currency that everyone wants to hold
Until we issued too much debt. Yeah, we've rehashes. I mean the interest payments
I think are the backstop to mouth when we start hitting those interest payments
People are gonna start going we're paying more an interest
Just like people with their home mortgages or like, you know, I should have bought a smaller house

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Because I'm paying so much in interest. I should have bought a model 3 instead of a model X
I over I over spent so is that gonna be the backstop for the United States itself?

Is there any path of controlling spending? Is there any candidate who will get spending under
controllers? It's Rfk

You think okay, and then the reason is because he's so against the military industrial complex and he
wants to pass an executive order that bans

Pharmaceutical advertising those things would have a pretty large ripple effect in the economy and
in spending and in entitlements

So be interesting to let it play out

All right, so really care about

Yeah, those things would be

Pretty meaningful changes

Sacks anything from you on any theory on how we could control spending in this country

If there's any backs out ie my theory when we start paying huge interest payments, maybe we get
our act together

There any candidate at the end of the day the markets probably gonna impose discipline on us.

That's sort of my point

Yeah, yeah, you're right. The cost of borrowing will become so

Painful that is the argument that Larry Summers another contrarian economists contrarian to the
Administrations policy have been making. I'm sorry. I don't want to put that in his mouth, but

That the cost of borrowing is gonna be high as long as spending remains high

And so when you see security and climate transition

Type and simulatory spending going on Chips Act IRA all this sort of stuff

It's not cost-free. You have to pay more to the buyers of your debt

Yeah, I mean can speak to this

The big, you know, it's always if you replace a lot of bats the big doesn't go down it goes up when the
debt goes up

So anyway, just on the market imposing

Discipline on the federal government, you know, one of the things we've talked about is whether
there could ever be an alternative reserve currency

And the theory was that as problematic as the US fiscal situation is there's no real alternative to the
US dollar

The bricks countries are about to introduce an alternative currency. That's based on gold

So it seems like what the bricks countries would like to do is use gold go back to the gold standard
gold certificates as

An alternative that's basically what we're talking about. So

It's announced. They're gonna be rolling this out. We haven't yet seen how or what the details are
gonna be

But that scarcely built into it

That would be the alternative as you go back to old standard and the bricks countries move to that
now

I know a lot of people may not

Think that's much of a threat

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But I was reading actually some really interesting articles
About how big the bricks countries are now and if you look at them on a purchasing power parity basis
the bricks countries just surpassed the g7 in
Terms of GDP. So if you if you measure the size of their economies based on exchange rates
Then the g7 is still bigger
But if you look at it in terms of PPP
Actually, the bricks are now bigger than the g7 and growing faster just end up for people who are catching up Brazil, Russia, India, China
and
Other what are considered emerging markets, but are quickly resuming. Yeah, Brazil, Russia, India, China bricks
And there's a bunch more who want to join with this ripple ruling
I think this becomes a boon for people to say well the scarcity of
Bitcoin and
Bitcoin's stability I think where it's trading right around 30k between the 10k previous average and the 60k peak
Maybe that becomes the gold standard in the future
And it you know if people can feel a little bit more secure in it
Now are we going to see like 10 counter lawsuits and everybody's just going to sue the sec and stand up for themselves?
I think that's what's going to happen now that if ripple wins this or you know, if this ripple thing does work out appeals, whatever
Then for sure. Yeah, all the all-coins are they're not going to want to know settlements
And I think that's what M&A is going to happen all M&A. It's like well now the Settlement is off the table. We're going to fight and
You know what you can afford a lot of lawyers if you sold a lot of tokens or you're a big money printing machine quick plug for the summit go
Yeah, well we have
At this point the ability to announce a bunch of our speakers for the summit, which is super exciting
Put in like some tip in here
So we have Toby from Shopify
Stephen Wolfram of Wolfram Alpha Mathematica obviously mr. Beast everyone knows mr. Beast mr. Beast is coming mr. Beast is coming
In the green room, can I ask him take a picture of my daughters? You can do it. Yeah, I can't
It'll be interesting to ask Toby
I tweeted this out this whole thing that he did where he canceled everybody's meetings and that was people to
Reset it with a little calculator that shows how much money that meeting costs in terms of
In the Google calendar, too, it's like this meeting cost believe three thousand dollars
He launched this AI thing called a sidekick. It's awesome. It's awesome like all board meetings
Yeah, if you're if you're like a basically it also tells you how to do basic stuff that you need to do to get your business stood up

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E137: Inflation cools, market rips, Ripple/MSFT beat regulators, NATO summit, cocktails of youth

It's fantastic reconfigure a website in real time to increase sales. They'll tell you why sales are falling off a cliff

It's like you're a little, you know, and he said like every superhero needs a sidekick and Robin boom So we got Rob Henderson Nikki Paul Vinod Kosla Bob mom guard from Commonwealth Fusion Jenny just

Brian Armstrong

Alexandra Botez of the Botez sisters

famous chestreamers

We have the fifth bestie Brad Gerstner Larry Summers and a few others that we can't announce just yet

We'll announce closer to the summit or at the summit. We reserved a hundred general admission tickets for after we announce speakers

So we're gonna update the website with these speakers and we're reopening GA ticket sales until those hundred final tickets are sold out

So if interested in joining us, it's gonna be a fantastic event Jason

Organizing amazing parties all three nights Sunday Monday Tuesday night can't wait to find out about them

First first nights party

I mean this is subject to change is the bestie who loved me casino Royale James Bondi where your best James Bond

Tuxedo play roulette Baccarat, whatever white bow ties. Yes, exactly

Second night party is gonna be bestie club like the breakfast club 80s big 80s

Club where people get in the right and best okay, okay, and then the last night the rays and we're gonna go late

I don't know how late we're gonna go late. We're gonna have a rave

It's gonna be bestie runner a blade runner cyberpunk send up where your best blade runner cyberpunk rave outfit

sacks is gonna dress like

The fifth element red meat for sacks and for jacals to a certain extent. There are no winners and more NATO has

Brought Sweden and obviously Finland came in right before them because of Putin's invasion of Ukraine and here we go Zolensky denounced the NATO Alliance's administration policy as absurd and disrespectful

first sentence of

Sacks is very long tweet storm to spite Biden's best efforts to put a happy face on it

Villanias will be remembered as the NATO summit where tensions boiled over obviously this photo has become a bit of a meme

Throw it up on the screen right here Zolensky

Literally not figuratively having NATO turn his back on him on stage from being the cause celeb last year to everybody

I you know and again, it's it's just a picture

There was a press conference with Biden who said Zolensky was stuck with the US and

I'll let sacks take it from there these NATO meetings are supposed to be

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Symbols of unity and harmony and the Alliance coming together to show how on the same page. They are and

This meeting it sort of ended up there, but it's not the way it started

Zolensky had been told the Ukrainians have been told before the summit that there would not be a timetable for their

Admission to NATO on the agenda Stoltenberg had said it weeks ago

Biden said it weeks ago this controversy had played out already in the pages of the New York Times and other publications

So he knew that it would not be on the agenda

And yet he went into the meeting demanding that they put it on the agenda trying to muscle his way into admission into NATO which Biden I think to his credit has resisted because by an understands that this is an escalation

That could lead to World War three as Biden explained

The members of NATO have an article five commitment to defend each other's territory

So if Ukraine is admitted to NATO then we would end up being directly involved in this war or at least that's the risk and so

Biden's position is that the Alliance will admit Ukraine at some point in the future when the conditions have been met and

That wasn't good enough for Zolensky and he basically threw a diplomatic tantrum. Why well, I mean do you explain from his point of view?

I mean, I'm curious what you would think his why would he do something like that is I guess my question

Yeah, I think there's a couple of different reasons. Okay, so I think the less positive explanation is that his sense of entitlement has reached incredible proportions that you had here the entire West and especially the Western media has been fawning over him for a year. The West has given over a hundred billion dollars and

He just feels entitled to more and more aid and I think that really rubbed

The attendees the wrong way you had Ben Wallace who's the Secretary of Defense for the UK

Basically chastised Zolensky for his ingratitude and just so you understand, I mean Ben Wallace is a super hawk

he is super pro-ukrain and

If he had his way, we might even be directly involved in the fighting Biden actually vetoed Ben Wallace becoming the new head of NATO

That's why Stoltenberg on another year

So you probably got one of the most hawkish members of this club

reprimanding Zolensky

For again this lack of gratitude basically to the alliance now. I think from Zolensky's standpoint His view is that hey, we had a peace deal. He didn't say this

But this is my reading between the lines that we had a peace deal at Istanbul

We could have ended this war and you sent Boris Johnson to tell me we don't want to make a deal

We want to pressure Putin and we're going to give you the weapons systems to win this war

That was the deal that he thought he was making and now it turns out that the u.s. Doesn't have

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enough
ammunition to give him
I'm talking about the key type of ammunition in this war which is artillery shells the u.s. Has basically run out of
155 millimeter artillery shells which are the
key type of ammunition that's used in these howitzers and these tanks and so forth
And artillery is the main weapon being used in this war. It's what's creating most the casualties
So it must have come as a rude awakening to Zolensky to find out that his
partners don't have enough ammunition to give him and i'm still stunned
That we spent over 800 billion a year
On defense and we could run out of ammunition. I mean, how does that happen? I mean how royally screwed
Is the american taxpayer when we spend 800 billion a year and we are out of ammunition already
It is mind boggling to me now the problem. It's mind boggling, right?
I mean how incompetent has our military industrial complex become that this could even happen
We need more competition start-up shout-out palmer lucky friend of the pot
But I mean, I know he hates me, but I do think that the solution is 10 more palmer luckies. I mean, I think the silicon valley's
Anti supporting the military is a crazy position that needs to change and we should make more
weapons and have vc-back companies making
Weapon systems that are more affordable and and you know more advanced obviously
This is actually not a case of needing some smart bomb or some super sophisticated
This is basically just classic industrial production and we've hollowed out so much for our industrial
production
That we don't have the capability to scale up
The manufacturing of these artillery shells is going to take us according to the pentagon
They started the war at 14,000 shells being produced a month mainly for training purposes
They've scaled that to somewhere between 20 and 30 thousand a month now
And they're saying that they will get to about 90,000
In somewhere between 20 25 and 20 28
We have three percent unemployment as we talked about earlier talking about multiple years going
to work in these factories, right?
It's going to take multiple years to scale up these
Factories but sacks who's going to work in these factories?
We're at three percent unemployment like we don't have factory workers in this country. We have to
let them in
We're going to need more immigrants. That's not the limiting factor here
But if you're wondering why did the u.s. Give cluster bombs
To ukraine it's because we're out of ammo to give and it's all we've got left are these stockpiles of
cluster munitions
That is why the united states is violating
international law a treaty that we haven't signed but 120 other countries have signed not to
Use cluster munitions and yet we are giving them to

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ukraine because according to both Biden and Jake Sullivan we are out
Of you think we shouldn't give them the cluster bombs. That's your position. Well, I wouldn't have put ourselves in this position
I mean, we're in a terrible position
But no, I think it's degrading to America's moral authority to be
Violating international law to be using and endorsing cluster munitions, but we put ourselves in this situation
The counter to that of course is Russia is using them on Ukraine soil. This is Ukraine soil
Don't they have the right to defend themselves and use the same weapons that the invader is using?
That's just it. It's known. Yeah, it is if the Russians were using them. Would you
Think it would be fair for the Ukraine
Since they're being invaded the thing that I find curious about these accusations
Is that when people talk about these examples of the Russians using cluster munitions?
They talk about an example here or an example there
There are these isolated cases which doesn't sound right to me. It seems to me
That if you're going to use cluster munitions, why wouldn't you just use them at scale?
That is what the Ukrainians are going to be doing now because again, it's all we've got left to give them
Now what the Russians have said is that in retaliation?
They're going to start using cluster munitions at scale. So in regards of the truth of those allegations
Jason. Yeah
It's an escalation escalating this war
Yes, and the reason why invaded Ukraine. So just the reason why 120 120 countries
Signed an agreement not to use cluster munitions. It's just because they linger
Yeah, it's terrible on the battlefield long after and you have kids walking on them and civilians
We're still cleaning them up in many locations around the world that they should be banned forever.
Yeah, I agree
Let me give you your take on this Sacks as we wrap up here on the Sacks red meat section and then go to science corner
Putin did what
NATO couldn't do for decades, which is get Finland and Sweden who are famously
Independent unlike a lot of the Nordics to join NATO. They both joined because of his
invasion of Ukraine
And he's been very serious that if Finland were to join or if Sweden were to join
That this would be uh
A trigger for him if military contingents and military infrastructure were deployed there
We would be obliged to respond
Symmetrically and raise the same threats to those territories where threats have risen for us. He's
done nothing
Do you think that Sweden and Finland are
A huge 1 for him and do you think he'll have any kind of response to it? Do you think they should
have been allowed in?
to NATO

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I think it's an l for everybody. I mean we used to have an understanding that we'd have a buffer zone between russia

And the west and that was good for everybody finland was neutral

And I think it was good for finland. I mean during the entire cold war. They were at much greater risk

Facing the soviet union on their border, which was a much more powerful and much more expansionist country than

Putin's russia has been

even if you don't like Putin's russia the

Soviet union was the evil empire. It was much worse in every dimension and finland managed to survive the cold war

remaining neutral

and so now you're right that

I think this invasion of of ukraine has

Ultimately caused finland and sweden to join nato

But we are now

Directly nato is going to be directly on their border staring eyeball to eyeball

With nuclear weapons the russians have now moved nuclear weapons into belarus

So this is a ratching up of tensions that I think is not good for anybody who should get to decide

Freedberg who joins nato nato the countries that want to join or russia

What do you mean nato? I don't understand

It's a pretty basic question. You know right now. It's russia saying ukraine cannot join nato. It's a line in the sand

Obviously finland and sweden just joined this year

So i'm curious your take on the nato alliance and if it's good for humanity

I think look obviously this is a this is a different difficult calculus if you that's why i'm asking the question if nato wants to

escalate tensions

with russia by

Accepting ukraine it's obviously going to require a significant

influx of capital by some estimates up to two trillion dollars

to increase the

security capacity of nato

Given the instigation that would arise from accepting ukraine into nato with russia

so

That is one path

The other path is to not accept ukraine into nato and minimize the investment needed

Reduce the escalatory cycle with russia to some degree for some period of time

See where things go with ukraine in the conflict between russia and ukraine

Well said but not get actively involved. So it's a difficult calculus

I think everyone wants to jump to some decision about what should be done here

But this is a very hard decision very hard. What do you think about finland and sweden joining?

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Is it a is it a major win for nato in the west? Is it a major l for russia somewhere in between?
I don't really know. Yeah, I think that's as honest as you can get. Yeah
Like I said, I think it's just sort of bad for everybody but in the united states
Among the foreign policy establishment
They tend to think that any country joining nato is an asset for us
And I would argue that it's a liability because it requires the us to defend these countries
Again, if sweden or finland gets in a war
We are making a guarantee to send american boys and girls to go defend that country
Now they also make a guarantee to defend us but realistically
Are we going to benefit does our security benefit by having sweden or finland as an ally who's going to defend us? No
So every time you add a country to nato, you're making a commitment
For americans to have to go defend that country
And I would argue that's a liability not an asset for america now
You know, it's an asset for is the military industrial complex because all these countries when they join nato
They agree to spend two percent of their gdp on defense
And they can only spend that money on defense contractors who are interoperable with the nato platform
Which is basically these approved western contractors. So the defense industry loves nato expansion the military industrial complex
They're locked into vendor lock. Absolutely. Oh, I didn't know there was vendor lock
And that's like when you rent like uh, you know a union hotel or something
They're like you got to use wolfgang puck and it's uh, \$800 a person for coffee
One of the requirements for a country to join nato and ukraine already had
Been on this path for the last few years. It's called interoperability
You have to make your military interoperable with natos, which means that you use
Weapons as well as tactics and strategies, but weapons that are on the approved nato list
And if you looked at the summit we just had in Vilnius when all the planes came into the airport
You had these anti-aircraft batteries and
Howitzers and all these tanks and all these weapons were being shown off
By our defense contractors
At the nato summit. It was like a confab
For the m i c
So you have to understand that nato is a business and the more countries that join nato
The more money our defense contractors make
Yeah, and but the less price of that for the average american is that our sons and daughters
One day might have to go defend these countries
And uh, it reduces the risk of russia going into another country. It would be the other steel man of it
But let's go on to science corner every buddy's favorite part of the show
is science corner
sacks you can go use the bathroom and uh, chimoth and i will be absolutely
Engaged in freeberg's science corner

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Let's go. We were talking about what to talk about as you guys know
I said, hey, we could talk about the sea surface temperatures in the atlantic
That's likely going to drive the biggest hurricane season. We've ever seen this coming season
Super compelling good topic. We were going to talk about this minimal cell
But then just yesterday this paper was published, which I think
Deserves a lot of attention and we've talked about yamanaka factors and reprogramming cells
You know adjusting the epigenetics of a cell to make it youthful basically reversing aging
And you know a couple episodes ago I talked about how there's great proof and evidence now that
aging
Is a result of degradation or changes
In the epigenome the little molecules that stick on top of the dna in a cell
That decide what proteins are expressed that make that cell different from all the other cells
The difference between an eye cell and a muscle cell and a skin cell is the epigenetics of that cell
Even though they all have the same dna in the nucleus
And so the yamanaka factors these four chemicals that allowed the expression of these four specific
genes
Caused cells to become stem cells that can turn into any other cell the problem with applying
yamanaka factors
To reverse aging is that it turns the cells into cancer cells if you apply too much
So then there were all these efforts on doing short bursts of yamanaka factors and more recently
There's been an effort to do gene
Insertions through viral vectors
So you basically get a virus to deliver a gene into a cell
That causes that cell to express some of the yamanaka factors that makes that cell more youthful
And there's actually clinical trials underway right now to apply this as a medicine for uh for vision
loss
Um where you can make the uh the the retinal cells actually youthful. Yeah, really incredible
So the problem right now is that we don't really know how to target the cells how to provide the
right amount of yamanaka factor stuff
And how to get it there is that these gene expressing viruses or what do we do?
But this paper that was just published yesterday shows that you can use small molecules basically
small molecules are like advil
Or tylenol or you know, there's about 1800 molecules in a in a certain
reference library that's used in medicine
And what this research team at harvard uh medical um and and some other uh facilities mit and
other places
In collaboration were able to do
Is they basically did a screen a combinatorial screen
So they took all these different molecules that are known to be used in medicine
And they combined them together and created different cocktails
They then took those cocktails and they applied them to the cells to see if they could reverse aging
And in fact they found six different cocktails of small molecules
That were able to have the same effect as we see with the yamanaka factors in short bursts

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To cause these cells to actually reverse their aging and become youthful again
I cannot overstate how important this is. This is probably the most
Important trajectory of what's underway in biology since the discovery of dna
This ability to actually make cells youthful again
It can in fact
Ultimately result in a pill or a series of pills that can reverse aging
That is why it is so exciting right now
And we're seeing this data coming out from this research team
And I have heard separately about data that has not yet been published
By other research teams following the same track to do the same thing that it turns out
It may in fact be possible to create pills with small molecules in it
Things that your body can absorb and end up in your bloodstream and go into different cells that
actually rejuvenate the cells
Fix the epigenetic data loss that happens in those cells causes them to become more youthful
You could see a cream that you could apply to your skin that takes away wrinkles
Ultimately, you could take something that makes your heart healthier your liver healthier
And actually reverses aging in the individual cells by the absorption of these small molecules into
those cells
That ultimately cause the expression of these genes and change all the transcriptome as it's called in
the cell
And makes it more youthful. It is unbelievable work
Everyone should be um, I think fascinated by this
And where it's headed it is so exciting that there are multiple teams that are having breakthroughs
on this work
That could ultimately translate into clinical trials
Um and products that could be used by people the obvious question. Can we get this to Biden before
the debates?
Oh
Hey, well
Chamath, you're you're uh, uranish joke. Please Chamath. Sorry. Did we just step on uranish joke?
I'm so tired. I had such a big night last night
Man, he's like, I can't even get a uranish joke up. I drank so much wine
I am
fucking
Gassed today when you say you drank so much wine
How many bottles were opened?
And how many glasses did you have be honest? I'm gonna put the over under at six glasses
There was six of us five point five glasses five point five six of us
There's probably seven or eight bottles, but it's just like
It was just so delicious and then I don't like to eat a lot when I'm drinking really really good wine
And then oh man, wow
I'm tired. Okay. That's all right five point five. You got the over or the under sacks
Five point five glasses. I got the I drank so much. I had the night sweats

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Nothing like so hot. I get that night sweats. I'm gonna be too much meat
So you were drinking red wine. You were not drinking white wine. No, no, no white. No white white
the whole night
Yeah, champagne
Oh the champagne will get you champagne will get you that champagne gets you what is the worst
hangar is it red wine
champagne or white
What gets you worse? I think it's like the sweeter it is the higher the alcohol content the more it
really just fucks with me personally
Sangre producer nick coming in hot seven dollar pitches are sangria all night. He said sangria
That's because they pour sugar in it, dude
Sangria the more sugar. It's just it's just it's just a sugar bomb. It's terrible. Well, you know what?
I'm gonna be in italy. So maybe we could catch up and have dinner
I don't know where you'll be able to try to look shortly
I will look you up when I'm in italy
Maybe I don't know if any other busters are going to be in italy anytime over the summer
But I may go to taping. Are we taping next week or no? Oh my god. Can we do it live in italy?
Uh, I'll be in italy next week. Actually
What are we doing next week? Are we taping next week or no?
I don't know if I say we're not taping then free bergs going bro. So I'll say
Up to you freed bergs. It's apparently you know how to hack the fucking youtube channel. Well, you
took the passwords back
Of course I did. I need to have two factor when you hacked it. I was like
Who is trying to log in and then?
Uh, I was like don't worry about it. Don't worry about jakel. I'm gonna get your phone next time
I'm gonna take your phone
You know while you're in the bathroom, I'm gonna run into your house and take your phone
Thanks. Thanks. That's you running into my house. Well, jakel. I will say I'll tell you my honest
opinion
I I missed you last week. I think that the show
Is better with you. I think that you bring a character and a personality that I miss when you're not
around
And as much as we fight like brothers that truly hate each other. I really do
Respect and appreciate what you do on the show and I and I honestly felt it was a big hole last week
So despite all of our issues, I think it's great to be doing the show with you. I want to let you know
that
Thank you. That's very that's very heartfelt and kind. Um, who wrote it. Who wrote that for you? Is
that alesa wrote that?
how GPT
How do I make jakel feel better?
How do I express emotion to a friend? How do I behave like a loyal friend?
Yeah, the youtube channel and publish a rogue episode. No, that's not how you do it. All right, listen
for the

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drunken hungover dictator

C3p freedberg the sultan of science the prince of panic attacks the queen of quinoa

and

crazy hair don't care

the architect

Steve bannon with a high IQ

His name is david sacks. I am the world's obviously greatest moderator after the shit show of last week

And this has been

Best episode of any podcast ever recorded and we'll see you all next week. Uh, chindad. Maybe uh,

Maybe we'll grab some pasta. I love you besties. Love you guys. Bye. Bye

We open source it to the fans and they've just gone crazy with it

Besties are

We 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, but we just need to release somehow

What you're about to be

You're a bee

We need to get

I'm doing