

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

I'm recording. Yeah. How's my hair, Nick?
Do I look ridiculous and shit or where it happened?
Oh my God, I went to the teaching salon in for a haircut a few days ago.
The teaching salon.
Ten dollars. You got ten dollars worth of value.
My neck was literally bleeding.
The guy cut my neck like six places diagonal on the back.
He was stoned the whole time I walk in.
He's like, what do you want?
I'm like, I put this thing.
He's like, shit, OK, sit down.
I thought I was like in a barber shop.
Candid camera.
Why would you possibly do that?
There was nothing available.
I told my wife, I'm like, get me any hair appointment, anything.
I just got to get my hair cut.
It was so long.
And then she's like, oh, I got you an appointment at the teaching school.
Oh, I'm like, that's high end.
All the hair salon stylists go there.
It must be awesome.
This guy fucking butchered me.
Guys worth over a hundred million.
He got a ten dollar haircut.
Fucking ten dollars.
And then he's like, what would you like to tip?
I'm like, here's a tip.
You should be a fucking barber.
Get a new career.
All right, everybody, welcome back to the all in podcast, episode one for one.
Chamath Polyhapitia has gone missing somewhere in the Mediterranean.
We've sent some search crews out.
We got some beacons.
We're trying to find him, but he is not here today.
There will be no conspicuous consumption or discussion of truffle season or wine.
But instead, we went to the BG squared.
If you got to come to all in summit 2022, one of the highlights of the event was having two BGs,
Brad Gerstner and Bill Gurley on the pod.
So we thought for all star summer, we would bring in some all stars here.
Welcome back to the pod, fifth bestie, Brad Gerstner and Bill Gurley.
How are you, sir?
I'm doing great.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

Thanks for having me on.

Bill, you don't do a lot of press.

You don't do a lot of pods.

And I know you're on a lot of boards, but you're not part of benchmarks next fund.

So people are wondering, are you retiring?

What are you up to?

I know you're still got all these boards you're on.

But what's Bill Gurley up to these days?

Yeah, I appreciate that.

As you mentioned, I'm on nine benchmark boards still.

So I'm working with those and doing the classic work that I've been doing my whole career.

Second thing is I've started, I've done a handful of angel deals, about one one hundredth the frequency of J.

Cal here, but a few so dipping my dip in my toe in the water.

And then third, I've been working hard on a book.

Got a co-writer.

We've been doing a ton of research.

We've got a proposal ready to go on agent.

We're going to go out to publisher soon.

Oh, well, you should just do Harper Business.

I'll put you in touch with Hollis.

That's the winning publisher.

That's the best business publisher in the world.

Perfect.

No, Harper, Harper Collins Business, World's Greatest Publisher, World's Greatest Publisher.

And you don't need what the thesis is.

Yeah, it's a further development of a speech I gave at University of Texas

Business School about how to chase and succeed in your dream job.

Oh, nice.

Oh, she'll like career advice, letter to a younger girlie.

Is that what this is?

A letter to a younger bill.

Yeah, I didn't want to do like, oh, here's my, you know, thoughts on venture capital that didn't feel right.

This is something I'm more passionate about.

And some might, I hope will be impactful to a lot of people.

I've already gotten quite a bit of feedback from people that have been moved by the the shorter version on the on the presentation.

Well, when you when you look back on your career on packet for a minute, what do you think the things you got right were or the things, you know,

you might change in terms of your career and being happy and finding your passion?

Yeah, I do feel super fortunate that I was able to do, you know, my my dream job for over two decades.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

And I love innovation.

I love betting and gambling.

And I love the combination of being able to think through markets and disruptions and to be able to place bets and all those things are super exciting.

Things I got right.

Studying history, which is something I talk a lot about and we'll be talking about in the in the book, like knowing who the the patriarchs were of your industry and knowing what they thought, I think is super powerful in any endeavor.

And then networking, you know, just like crazy, which I think is actually easier today. So those are a couple of the themes that we develop.

Networking and studying history.

Specifically, you and I have had many conversations about biographies.

We both share a passion for those.

Top biographies, not of business people, but that had an impact on you.

And then I'll go around the horn.

Top biographies that had an impact on you, preferably ones that aren't business.

But if it is business, I guess it's OK.

One that that actually led to me.

Developing this theme was was learning more about Danny Myers journey, who is the renowned restaurant owner in New York City and the founder of Shake Shack.

But he had a career where he was in sales.

He was about to go to law school and his I think his uncle told him, what are you doing?

You know, you want to be a restaurant owner and he stopped that day,

took a job at 10 K a month or 10 K a year.

He took like a 90 percent pay cut and started studying.

And that gets into the history part, but he just started studying.

And obviously the rest of this history, for those of you that know about Danny Myers, setting, setting the table is the book.

Yeah. And that is the book.

That is the book Union Square Cafe, Gramercy Tavern,

amongst some of his great restaurants going around the horn here, Friedberg.

You have a favorite biography you read or something that impacted you young in your career.

And then do you feel like you figured it out?

And what did you what would you change about the early part of your career?

So the same two questions.

That's a three very loaded questions.

I don't know how to pick which one you want to answer that one.

I will tell you when I was running my company in 2011, climate.com.

Yeah, the climate corporation.

I read the Walter Isaacson biography of Steve Jobs.

Yeah. And he actually profiled a number of jobs as management techniques.

My only operating role prior to that was working at Google.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

So that was the only management experience or exposure I had had.
And then reading about how Jobs ran his management team,
it actually changed my behavior going into the office.
I I took a very different approach and I saw the results almost immediately.
What was the primary thing that impacted you?
Well, first of all, like having the cadence and the and the directness
with the team, engaging the team fully in discourse,
immediately making decisions, getting everyone to commit, moving forward very quickly.
I was a first time CEO, so I never had a good mentor.
And reading those segments of Jobs's management style in his biography
was just a really great tool to add to my emerging toolkit
on how to be a manager and how to be a CEO and how to run a company.
That was big for me.
I could rehash everything about early on in my life.
I don't think that's the use of Walter Isaacson's book on Elon coming out
in a couple of weeks, which should be interesting.
I sat for an interview with Walter for that one.
So I'm interested to see how that turns out.
Yeah, I did too.
I was asked to I didn't.
Yeah, we were asked to didn't do it.
No, I did it. I did it.
You know, I don't I didn't ask to do it.
I got asked, you know, if I would give some anecdotes.
I think Sacks also got asked if he would do some anecdotes.
So I think it's going to be pretty good.
And Walter was hanging around.
He's been putting passages out on Twitter, right?
Yeah, I mean, he's such a good writer and just watching him, you know,
David and I were at Twitter for a little bit and, you know, just being.
He was hanging out.
He was like, you know, in the corner of the room,
like just spending a lot of these meetings.
Yeah.
So he was there basically during the whole transition.
I think that was going to be the ending of the book is, you know,
he had to cut it off at some point,
but he was there for the first month of the transition of the Twitter takeover.
And for rocket launches and everything in between.
So he, I mean, watching his biography technique is, it's pretty intense.
I mean, he spends a long time with the subjects and, you know,
just taking notes and talking to everybody around him.
So he would, you know, peel off Sacks or peel me off.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

Hey, could I ask you a question about this or ask you a question about that?

What do you think of this?

Well, Jay Cal, speaking of books, I'm in the rare position of needing your advice.

Oh, okay.

There we go.

I think that's a compliment.

Maybe sort of a compliment.

Okay.

So you would Harper Collins.

I decided I'm going to do a book about how to create, run, scale, operate software companies, which will be an extension of the blog I've been writing for a couple of years, which I haven't been active on mainly because I've been using that time for this pod.

But I was writing at a pretty good clip until we started doing all in pod.

So I want to get back to putting that together.

Yes.

And I could go chapter by chapter.

You know, here's how you should think about marketing.

Here's how you should think about sales.

Here's how you should think about finance metrics and so on.

But I'm not sure that's the best way to present the material.

So do I just write the book that I think it should be?

Or do I work with a publisher on what the business book should be?

And they kind of give me the guidance.

So it's a great question.

You are in a unique position where, you know, you're successful, you have an audience for the book and success for you is for, you know, great founders to read the book and for it to have impact, as opposed to somebody who's an author who just wants to be published, right?

So you have a different reason to do this.

I think you should write the book.

You should decide who you want the audience to be and what you want to get out of the book.

And you should forget about publishers and the whole grand scheme of things.

Then when you write the treatment, you write the first five chapters or so, then you can bring it to a select group of publishers.

You can get an agent, I can introduce it to two or three agents.

There's, you know, a top two or three in this field.

And I think what you should do is the business advice is out there, right?

And the techniques are out there.

But what you have is you have war stories.

So the technique I used in my book, Angel, was to, you know, talk about techniques and investing that I had learned from other folks, including Bill Gurley and Michael Moritz or whatever.

But then I would give my anecdotes, things I had experienced personally.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

And what that does is it makes the examples, let people really get some narrative out of the book.

And so the lesson combined with the actual practical experience, that's kind of the magic of these business books, I think.

Do you have a favorite biography yourself, Sacks?

Either business or non-business?

I don't think I read a lot of business biographies.

Really?

I read one business how-to book back in the PayPal days.

You know, I didn't have any real business education.

Good to grade?

Do you remember what it was?

It was good to grade.

Yeah, I mean, that was the seminal book at the time.

So I read this book and literally one chapter was on how you should stick to your core idea.

And then the next chapter was about how you should be flexible.

So I'm like, well, both of these ideas are right situationally.

Yes.

But so how do you decide?

So I came away from the book thinking, this isn't really going to help me because it doesn't give you what you really need, which is what are the specific situations in which you should apply a given principle?

Yes.

And I kind of came away from like thinking that business self-help books just weren't that...

They're too theoretical and weren't that helpful.

Well, and this is where biographies really become helpful because you actually get to see why the technique was deployed.

Brad, do you have any business bios that you...

You know, related to that about Sacks.

Sacks do not write a how-to book.

Yeah.

Right?

Write a book about your visceral experiences, right?

That just...

You happen to teach people how-to along the way, right?

You have a lot of...

You know, I just think the story is powerful.

Holy shit.

What?

What?

Unbelievable.

Is it calling Zoom bombing when you just...

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

Wait a second.
I don't know.
I don't know.
I don't know.
I don't know what I'm doing.
Hold on.
I don't know what I'm doing.
I don't know what I'm doing.
I don't know what I'm doing.
I don't know what I'm doing.
Hold on.
Oh, look at this, Brad.
I gotta get this.
This guy fell off a boat in the Mediterranean.
Thank you to the Starlink team.
We're yet again coming to the rescue.
What is this?
Now we have six of you.
It's like you're all starting a game.
No, no, no.
No, I just wanted to come and say hi.
It's fun to see you.
Are you trying?
You have to hang.
This is the Black Mirror version of the Brady Bunch.
Right here.
What happened?
Are you lost at sea?
We tried to get you.
We couldn't find you.
The yacht was missing.
The dingy's missing.
We sent out search crews.
Hold on.
Your camera angle.
You look like Tiger Woods in this shot.
A guy that I work with since a month.
You're the Michael Bridges of the All-In Podcasts
and that you haven't missed a podcast since the beginning.
So then that's the only reason why I'm coming into this.
It's in your head.
Yeah, it's in my head.
I just wanted to put this in since a lot.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

Anyways, I just wanted to say love you guys.
Enjoy the podcast.
I'll talk to you later.
I'll watch.
Bye-bye.
Look at that.
The Iron Man Street continues.
Bye-bye.
You didn't want to give up the street?
Bye-bye.
Love you, Bruce.
He's drunk.
He thought he was a drunk.
Zoomed on.
Yeah, remember he's nine hours ahead.
Jake, I'll answer your question.
Yes, please.
Teddy Roosevelt, Man in the Arena, Phil Knight,
Alexander Hamilton.
Those three for me, like the takeaway,
the red thread that connects them,
is do shit that matters.
Do stuff that matters.
Your life is short.
Get in the arena.
Major in the majors, but do stuff that matters.
So they all were inspirations for me,
both in terms of how I organize my own life,
but also how I think about investing.
Fantastic.
And I'll give you a couple of ones
that you may not have thought of,
something like an autobiography.
The biography of Akira Kurosawa,
the famous film director, absolutely outstanding.
Great recommendation.
I'm going to, I actually want to read that.
That's a great recommendation.
Incredible.
I'll read that.
Who wrote it?
Akira Kurosawa.
It's an autobiography.

Oh, it's his autobiography.
Autobiography.
Oh, wow.
Born standing up, Steve Martin.
Bill Gurlian talked about this one.
And it really is fantastic.
I've actually listened to it twice.
And that's one of the great things about these biographies.
You'll listen to them a second time.
Here's another one, Sax.
This is critical for you.
On writing.
Stephen King's biography.
You've listened to it?
Who's biography?
Fantastic.
Stephen King.
Stephen King, huh?
On writing might be top five for me of all time.
And he really goes into like the story of Parry.
He wrote like a small treatment of Parry.
He was a math teacher.
He threw it in the garbage
because he was so frustrated with his wife,
sees it in the garbage.
She reads it.
She says, this is incredible.
You should keep writing it.
He writes it.
He sells the book for \$10,000.
She's getting paid like \$9,000 as a teacher.
He can't quit his job.
And back in the day, they used to sell
your hardcover rights and your paperback rights separately.
If your hardcover went well,
then you would do a paperback and go mass market.
He gets a call.
They sold the rights to the mass market book,
\$400,000, the paperback.
This agent gets on the phone and says it's \$40,000.
And he thinks he hears \$40,000.
He says, well, \$40,000, that's incredible.
That's four years.

I might be able to quit my job as a teacher.
He goes, no, that's \$400,000.
He says, okay, so \$40,000 divided by nine.
It's like, maybe it's even closer to five years.
He says, no, you're getting \$400,000.
He can't believe it.
And that was basically the story of how Stephen King.
But it'd be great to listen to prior to writing a book.
He's, it's, it's, it's, it's super amazing.
Well, most people don't know this fact,
but King wrote the novella that became Shawshank.
Absolutely. Yes.
Oh, yeah. That's right.
He's got a lot of those, you didn't know it.
And then the Malcolm X biography is amazing too,
if you haven't read it.
So those are just non-traditional ones of people
following their passion.
One of the things about it is the stream effort
and the decades of perfecting craft
that I found super appealing about these.
Nothing happens easily.
In your honor, J. Cal, the rest of the episode.
Oh, Seven Samurai.
There's T'Shara.
Seven Samurai, by the way,
if you're a startup founder, entrepreneur, CEO,
best film to watch.
Because, well, yeah.
I mean, there is no, there is no giving up.
You do what it takes and you persist.
I think persistence is one of the biggest.
I've talked about this,
one of the biggest predictors for success.
And there's a character that emerges
once you're facing challenge.
This film does such an incredible job
of demonstrating the essence of that character.
Yeah. I think it's also a similar character
that's needed in.
But if you read Kurosawa's biography,
you'll see that a number of the actors
in that film occur in other films by Kurosawa, including.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

Do you know who that star is?
T'Shara Mufune.
Yeah, exactly.
Well, he's an aula.
He's just about an aula.
He was his muse.
He was to De Niro to Scorsese.
Scorsese sort of modeled his relationship with De Niro after Kurosawa.
And George Lucas, Kurosawa, Francis Ford Coppola, were all disciples of Kurosawa's, you know, incredible.
Well, the Seven Samurai was remade as a Western, the Renaissance Seven with, I think, Steve McQueen and Yule Brenner.
A lot of Kurosawa's movies were remade as Western's.
It just works pretty well.
And they were all scored by Ennio Morricone.
A lot of them by Ennio Morricone, which I was listening to in the coal plunge.
I started doing the coal plunge.
Oh, my God.
I would just like to say, just a hearty fuck you.
This is such a random show.
We have not.
Well, we'll get there.
But I mean, I just want to start the podcast by saying fuck you to take first.
Girlie's like, is there anything else that's going to be talked about on the show?
I'm like, I don't make sense.
Joe Rogan and all these assholes who said, in order to be like successful, you have to jump in a coal plunge.
Because now I've done it four times out of the last, like, I'm doing it every other day.
And they're right.
I feel like a superhero after I do this.
Anybody doing coal plunge here besides me and Shama?
Nobody.
That's an occasion.
Well, I mean, I was in Mexico a few years ago.
Oh, bills occasionally?
And they had this coal plunge thing.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

And we did it every day that we were there at the hotel.

But then we came back.

Well, you get this endorphin rush afterwards.

It's incredible.

And then afterwards, now when I go to the gym,

I only do like a 10-minute ice cold shower afterwards.

Like, it's critical to like, and it feels amazing.

You feel like so relaxed after you put up with that.

I did six.

I did five or six minutes at 58 degrees.

I mean, lowering at two degrees a day.

But the first thing, I did it at 43 or 44.

For like 45 seconds.

My body started shaking.

I got hypothermia instantly.

Bill, you've done it.

You've done this nonsense?

Occasionally.

Occasionally.

I'm still not convinced there's any medical benefit to it.

But you guys have to center out.

You've center out.

It's very trendy.

It's very trendy.

I have an inference on it, too.

That pickleball.

So I'm doing inference on it.

I haven't started pickleball.

I'm motorcycled bikes, right?

Exactly.

And motorcycled bikes.

I'm converted to pickleball.

You bike a cold front.

It's literally when my last week has been failure.

You just take your bike into the cold front,

and then you ride it into the Ibransada,

and then you go play pickleball.

Okay.

And you're wondering why everybody hates us.

Lifestyles of the abhorrent 1%.

All right.

Listen.

By the way, a couple other rentals

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

that are Kurosawa films are worth watching.

Actually, he did.

He did versions of Shakespeare, which I think is really interesting.

Absolutely.

So Kurosawa took on Shakespeare, and then Hollywood kind of adapted Kurosawa.

But a couple of really good ones, throwing a blood was Kurosawa's adaptation of Macbeth, and then Rand was his adaptation of King Lear.

Two of my favorites worth checking out.

Hidden Fortress, also great.

Hidden Fortress became the basis for Star Wars.

It was a big influence.

Yeah.

The R2-D2 and C-3P characters, C-3PO characters who are like sort of telling the story are in the Hidden Fortress.

You can see the direct descendants here.

But for me, the genre I love for Kurosawa is his Film de Wa era.

Stray dog, high and low.

I mean, these are exceptional films.

And high and low, I wanted to remake when I was thinking about being a film director.

And it turns out Spielberg owns the rights, high and low.

I mean, incredible story.

But we digress here.

Let's get to the dock.

But you got just one last anecdote.

I know the TV show Breaking Bad was inspired by Akiru,

the Kurosawa film, about a guy who finds out he's going to die.

And when he finds out he's going to die,

suddenly he becomes his true self,

like this true nature comes out.

An incredibly poignant film that obviously inspired the extraordinary TV show Breaking Bad.

Yeah.

Akiru means to live in Japanese.

And this is a story of somebody who's basically lived a modest, a mid.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

It's somebody who lived a midlife.
But then at the end decides he wants to do something meaningful
with his little pittance of money
and to make an impact on the world.
And so he decides he's going to take a parking lot
that's disgusting and filled with garbage
and make it into a kid's playground.
So people can enjoy their life.
It is extraordinary.
And it's also, it's Toshiro Mifune as an old man.
So in a way, this parallels their careers
and trying to do something important.
There's another one, I Live in Fear.
So those two, to live in I Live in Fear
about aging and getting old.
The genre, if you don't know Akiru Kurosawa,
you're going to need to be a little patient
because it doesn't have a thousand cuts per minute,
like modern films.
It's not the Transformers or a Marvel film,
but it's well worth it if you can get your ADHD under control.
I would start with the Samurai movies.
Samurai movies.
Super obsessed.
Seven Samurai.
Yeah.
Seven Samurai, Throwin' a Blood and Ran.
Yeah, you go there.
And then there's, I mean, if you want to go
super intellectual, Rashomon, which is about truth
and people's different perspective on truth.
Every film theory class starts with Rashomon.
Yeah.
So there's your USC film school divergence.
Save 100 grand.
Okay, we just saved 100 grand.
We'll see you all at UCLA.
Yeah.
Okay, VC Market Update.
CARDA has released a series A Funding Map
covering the first half of 2023,
but the date is what's interesting.
They covered and CARDA basically manages cap tables

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

and stuff like that for folks.

The original company was E-Share, as I think.

This is a funding map, which just shows how much money was raised.

Nothing really too consequential in there.

But what's really interesting is the data on series A rounds.

Series A rounds are typically the rounds when a benchmarker,

Sequoia, a craft come in and join the board and put in a significant check.

Before that, you have angels and seed investors.

And after that, you have growth funds.

But the series A is considered like a seminal moment

in the history of a startup.

Median round is now 7 million raised.

That's down 26% year over year.

And this is all data from the first half of the year.

It's the first half of 2023 versus 2022,

which was a really crummy year.

We're down from the crummy year, 26% on the dollars raised, 7 million.

And the pre-money valuation, 40 million down, 17%.

So last year, it was 11 million raised on 48.

I don't have the 2021 data here, but it would be even more.

So just right off the bat, reactions,

oh, sorry, you Bill Gurley, to what we're seeing in the series A space.

This is a return to normalcy.

I mean, the series A's back in the Uber days and Airbnb days

were, what, 5, 10 million bucks on a 30 million?

So this is a return to normalcy?

Yeah, I don't think you've gone quite back to that line, right?

And so I think there's still a significant amount of competition at that level.

And the fact that it's off a little bit is no worthy,

but it's not like off 50%, right?

I think that market remains competitive.

I think there's a number of great people out there investing at that level.

And of course, the AI deals,

one thing that might be interesting is if you pulled the AI deals out,

I bet those numbers would be more akin to what they were two or three years ago

because those are being done at 200.

Is the reason you went to angel investing or seed investing, let's call it,

because it's so crowded and competitive at the series A level.

And what seed investing is now is what series A investing was for the 20 years of your career.

Nah, I think if I were practicing institutionally, I would stay at the series A level

and take board seats and try and get as much ownership as possible,

which has been the benchmark strategy.

This is more of a hobby thing for me.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

Got it.

And I don't want board seats anymore.

But it's super, super crowded at series A still to this day, yeah?

I said it was competitive.

I don't know that it's super crowded.

I think a lot of people realize that if you can get two and a half or 3% management fee investing \$300 million at a pop, that's an easier lifestyle than actually taking board seats and doing work.

And so I think a lot of money and activity got pulled into the late stage market.

Nearly every firm started doing that.

And once the center of gravity goes there in a firm and you're investing \$200 million a clip, can you imagine the Monday meetings?

Like who's paying attention to the person that's putting \$5 million out at a time?

It'd be hard for that to...

It's like going to playing high stakes cards and then you get invited to it.

You're playing \$200, \$400, \$200, and you go to 510 games.

Except they're the team and who's paying attention to the person playing in the little game.

And so I actually think the number of people that practice at that level has actually gone down.

But that doesn't mean the business since I got in only got more competitive.

And so there's still enough.

And the other thing is the founders have learned how to play.

If there's 10 people doing it, they know how to play them off of one another.

They're very skilled at it.

Yeah.

That's a weird thing that happened is like the playbook because of podcasts, because of blog posts.

I mean, just how to run a company and then how to negotiate with VCs.

It's all been unpacked.

Saks, what are you seeing?

You're a Series A investor.

You compete with the Sequoias, the benchmarks heads up for these Series As.

What are you seeing in the Series A?

And what do you take from this data being down 26% year over year, which probably actually means probably 50% down from the peak.

What are your thoughts?

Well, yeah, the venture capital market peaked in Q4 of 2021 in terms of both valuations and the amount of money that was being deployed.

And it kept going down throughout all of 2022.

And I think a bottom down in Q1 of 2023, basically in the last several months.

And I think now the pace of deployment has stabilized.

And it's stabilized at a pre-pandemic level, so maybe at 2019 level.

Now, I think that probably masks some big differences by round.

So like you're saying, Series A rounds are more competitive.

There's relatively more action there.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

I think the late stage rounds, Brad can speak to this.
The capital there has dried up, I think considerably more.
And those rounds are much harder to get.
And the reason I think is because that when you have more operating history, then it's harder to raise around based on narrative.
Whereas when you're at a very early stage, you can basically just raise money based on a dream and a story.
The way I frame it to people is when I'm, part of this is my fault because I'm training people in our accelerators and pre-excelerators.
I tell them you're either selling promise or performance.
And once you start having customers and numbers and retention, someone like Sax is going to be like, give me the data and they're going to look at churn and say, yeah, this business has too much churn.
It's a leaky bucket, whatever.
But when you're selling promise, it's a lot easier than selling performance.
I'll tell you guys, the CEO that is a well-known CEO, public company now, he told me, and I think girly, I think you guys were investors.
He said, as soon as we started having revenue, our valuation felt like it went down.
As soon as we started making profit, our valuation went down.
Because at that point, you're judged on the quality of that stage of the business.
Whereas before, you could paint a picture with a thousand words about the different paths you might walk and everyone wants to believe the optimistic path will be walked.
And so you can boost your valuation, boost investor interest.
But once those numbers start to come through, it really changes the investor criteria for how they assess the value of the business.
To a lot of people, we'll state, if they have a product launch, tell me they'll tell you to raise money before you launch.
Yeah, sell the promise of that launch, yes.
Old saying, it's better to raise on the sizzle than on the stake.
Unless the stake is pretty high-grade.
Yeah, obviously, if the stake is great, then yes, that's the best time.
Do you take that risk off the table?
Yeah, but just to recap, I think where we are,
I think the venture capital markets have stabilized for funding new companies.
I think there's a mania going on with AI, both in terms of the size of these rounds and the valuations.
It's like 2021 for a lot of AI companies.
We're not participating in that craziness.
We are doing some seed checks, I would say, and early-stage AI companies.
We're kind of calibrating the size of the check with the stage and amount of risk.
And I think that's appropriate.
So you are going pre-series A seed, putting in, that's a \$500K, \$1 million check?
Seed is what makes the most sense, I think, for AI startups.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

Because if you wait for a later round, then they're not being priced based on fundamentals at all.

Not yet.

Yeah.

Yeah.

So what check size is that?

\$500K million?

We just did one of a \$4 million check where he led a bigger seed round.

Got it.

Fantastic.

I love that those are called seed rounds today.

I mean, it used to be 3 to 5 million with your series A, but yeah, sure.

Seed round, 3 to 5.

I still don't understand the term pre-seed.

So just to finish the thought, I think where we're at and Brad can chime in on this, is I think the venture capital market is stabilized for new companies, new fund-raising.

However, I think there's going to be a one to two-year period of distress for all of these companies that raised in the peak 2020, 2021 and are now running out of money and they don't have enough revenue, they're not growing fast enough, and or their burn is too high.

And all of those companies are going to be facing down rounds or restructurings or they're not going to be able to raise.

Well, people are also marking their books now.

We're starting to see the marking of the books.

Markdown.

So we're going to have probably a one to two-year period of distress for all those bubble companies while we have a little bit of a resurgence for new companies.

I've got another topic I'm going to go to here related, but Brad,

I just wanted to let you chime in on the late stage there because you operate in the BC storage.

I think, and this is related to the topic I suspect we're going to transition to, but listen, there is a lot of activity in venture today, right?

And we're very reflective to the stock market.

People were really scared in Q3 and Q4 of 2022 started in 2021, but 2022 was scary to people because public market valuations for growth companies were down over 50%.

So we really saw IPO markets, venture all start to slow down.

Coming out of that, we've seen stock market within 10% of all time highs.

We see this wave of AI occurring.

What I would tell you is under 500 million, maybe under 600 million, right?

Series B and C rounds are as hot as I've ever seen them in data infrastructure and AI and software, et cetera.

So there is a lot of competition there.

The later stage stuff, which as you know, I call quasi-public.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

So if a company is over a billion dollars, right?

Now you're very reflective relative to what's happening in the public markets.

We're starting to see activity.

I just read Wiz raised more money.

It's got \$200 million ARR raised at 10 billion.

So those markets are definitely-

50 times revenue.

Yeah, we did not participate.

50 times revenue.

You know, so there is definitely activity.

I know a deal we got called on yesterday raising 2.5 billion at 100 billion.

There is a lot of activity.

However, Saks is right.

There is, you know, remember we had 1,000 unicorns at the end of 2021.

And I've said 100% of those are going to do a down round.

And we're still in the early stages of that reset to occur.

There was some, you know, there's a report out this week that lots of people commented on Twitter where public markets were down 50% and private marks were down.

I don't know, 5% to 10%.

Like that will all normalize.

It's all going to be down, you know, the same.

So that's the only place I don't see activity.

Under-performance companies that were valued over a billion dollars, those are dead on arrival until you get to a market clearing price.

And we're not there yet.

Okay.

So the other big issue here is a lot of money was raised by VCs.

Oh, you know, commonly known as dry pattern in the industry.

But there are some misconceptions about this dry pattern.

People are saying, oh my God, all this money is going to come flowing into the ecosystem.

Kumbaya, it's going to be the roaring 20s again.

However, Bill, you did a little tweet storm.

What people don't realize is when we refer to dry powder at VC firms, the VCs do not have that 250 billion dollars or whatever it is, quarter trillion dollars sitting in their bank accounts.

That money is sitting in another person's bank account, LPs, Harvard's Endowment, CalPERS, Sovereign Wealth Funds, etc.

It has not been drawn down by the VCs yet.

So Bill, why is this an important fact for people to understand?

And what are the dynamics that LPs are dealing with?

Yeah, and there's a ton of dynamics between the GPs at the venture capitalist and the LPs at those endowments that Brad started to hit on one of those, which is the marks aren't in the right place.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

And so the thing you just explained is critical, Jason, which is you don't actually have the money. There's no venture firms sitting around with all of the money that they've got committed to their fund in a bank account.

That's just why not.

Why does that not actually occur?

Because people would say, oh, you raised a billion from these folks.

They gave you the billion, right?

Why do you not take it down?

One of the brilliant realities of the way that a LP agreement works with a venture fund is they're not on the IRR clock until they actually pull the money down.

So they explain what that means.

Yeah.

They charge fees based on the total committed amount, but they don't actually draw the money down and get gauged on the performance of their investment until they need it.

And so a classic venture firm will do five, six drawdowns over a 10-year period of a fund.

And so they literally don't have the money.

A couple of other things worth noting, and some of that I didn't put in the tweet, but the marks aren't right.

And everyone kind of quietly knows that the marks aren't right, but there's actually no incentive to get the marks right.

Explain what a mark is to folks.

So private companies have an evaluation that's assessed either by the GP themselves, in most cases, which is a bit of a conflict of interest, sometimes by your auditor, he and wire, whoever's auditing your venture fund.

But of course, the techniques they have for assessing valuation are extremely crude because they're not market-based.

They're just, you know, they're not public companies.

Yeah. And so there's actually not a way to know they have extremely complicated cap tables.

The other thing is many LPs are actually bonus on the paper mark.

And this is something that a lot of people don't realize.

And so they don't have an incentive to dial around to the GPs and say, get your marks right, because it's actually going to affect poorly on them.

So both of them are, both of the LP and the GP are in a dance there.

Hey, we know that Stripe is not worth \$100 billion right now.

It's worth \$50 billion.

But if you mark it down, I don't get my bonus.

I'm the person who's giving you money for your next fund.

And so when we're assessing, hey, how much are we going to give you for your next fund?

We're going to look at the performance of previous funds as an indicator.

The only thing I pushed back on what you just said, I agree with what you just said, except no one has the explicit conversation.

It's an emergent behavior of the dynamic system.

Show me an incentive.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

I'll show you an outcome kind of situation.

But there's no, I've never heard of an LP like Brow being GPs to get their marks right, like especially on the downside, never heard of that ever.

Those marks can be done by an audit.

Like you said, they could be done by around a financing.

And then there's a secondary market, weird secondary market.

Secondary market can do it.

And sometimes LPs have this weird situation where different venture firms are marking companies at radically different prices,

which creates some interesting dynamics.

Okay, so I did the C round of Stripe where I'm Y Combinator.

And I say, you know what, 50 billion is fine.

We're going to market at 50 billion because we invested at 2 million in Stripe.

But then whoever did the series G or whatever it's up to,

who did the \$100 billion mark is like, yeah, we'll mark it down to 90.

But, you know, somebody, Calpers or Harvard has two, has the same share class in two different funds

at two different prices.

So then you could really triangulate on reality, huh?

Another dynamic that makes the powder less dry, that I didn't mention in the tweet storm.

Imagine you're on your first or second venture fund.

Or imagine you're a fund that used to just have one fund, but they've expanded to four funds.

Okay. Now, imagine you don't have a lot of liquidity proof points on those funds.

Do you really want to run out of money and go test whether or not you can raise your third fund or your second fund?

Do you kind of want to wait and see if you can develop some track records?

Because you may be facing the imminent death of your firm if you run out too quickly and go back to market and there is no market.

So I have a hundred million dollar fund. It's my third fund.

Okay. What pace am I going to do this?

Am I going to do it in 24 months or 18 months like maniacs were doing during the P?

Or am I going to take a 36-month approach, a more traditional three-year deployment?

If I even if I take a 40-month deployment, hey, I got time to work out all these issues in the previous portfolio.

Sax, you've heard this sort of dynamic.

What are your thoughts on the dry powder issue?

You yourself have a lot of dry powder, I understand.

So how do you think about it?

We do have a lot of dry powder and we're going really slow.

I mean, there's no feeling that we have to rush out and deploy this capital.

And one of the things that's interesting about the period we've been in that's been surprising to me is that our metrics actually haven't changed.

I mean, the things that we're looking for in a software company haven't really changed.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

We look for a certain amount of ARR, certain growth rates, certain amount of net dollar retention, a certain CAC, a certain capital efficiency. That bar hasn't changed for us, but the number of companies meeting that bar has gone down considerably.

Because they have headwinds because customers are in austerity measures or companies are going out of business and saying, hey, let me consolidate my SaaS tools.

Enterprise buyers are sharpening their pencils.

They are trying to consolidate vendors.

There's a lot of headwinds in the buying cycle right now.

And it's a little bit like, I don't know if you remember in the dot-com crash 20-something years ago. Oh, I remember it.

Yeah. So back in 99, 2000, the conventional wisdom was that the company you wanted to be in was Yahoo because Yahoo was profitable. And when all these startups went out of business, Yahoo would be the way that you could own a piece of the future of the internet, but you wouldn't have to take all the startup risk. And then it turned out that all of Yahoo's revenues went away because their revenues were coming from banner advertisements bought by startups, which were funded by VC dollars. So when you had the whole dot-com crash, Yahoo's business dried up. So then Yahoo lost whatever it was.

The tide went out. It turned out a lot of people weren't wearing swim trunks.

Yeah. So Yahoo's business was actually highly correlated with startup funding.

And I think there's been an aspect of that with a lot of these companies where you would think that they're pretty insulated from the business cycle, even like especially the enterprise software companies. There's a lot of software companies that were selling to other startups.

That was pretty obvious. They're going to be impacted. But even the ones selling to enterprise companies have been affected in subtle ways. And there just aren't that many startups right now hitting that same bar that they were hitting just a couple of years ago.

Friberg, your thoughts on this LP, GP, Dynamics and DryPattern?

I mean, one aspect on the same front of VCs being somewhat reticent to deploy more capital is flowing through to the LP space. And Gurley can probably pine on this or Sack can probably pine on this too. And all of you guys obviously could. But it's been apparent in the last year that LPs are wondering what do they have? What are these portfolios ultimately really going to be worth? What's the actual cash distributions? And I think there's these new rules, right, Gurley, where you got to distribute 5% of your assets each year to the institution that you're meant to represent. Yeah, Bill, explain this. You're an endowment. You're obligated to not just grow your endowment. Both either from the board of the, like the endowment of the Board of Trustees

of the University, or I think there was a tax provision put in that if you're not distributing 5%, then you're exposed to tax on the returns. And so there's an unquestionable potential issue with LPs around their own liquidity. So they've all followed the Dave Swinson model where they've all got 50% or even more in illiquid assets. You move into a cyclical decline where the number of IPOs and liquidity events, both for VCs and PE, remember PE is way bigger than VCs. Private equity aren't coming. And then the drawdowns keep coming. And so you have to meet the drawdowns. You're not getting any liquidity. Your constituent needs 5% liquidity.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

And now you have a cash crunch. Now you have cash crunch as an LP. And I think GPs are aware of this issue. So, you know, do you want to provoke that or not? Maybe you run quick, you run early, or you run late. You don't want to be in the middle. So I'll just say like anecdotally, it seems LPs are more reticent. I've heard several folks talk about how they're reducing commitments by 50%, two thirds, or in some cases, 100%. Particularly after the mad rush for capital over the last couple of years or capital commitments, I would say for the last couple of years. And so the downstream effect of that ultimately, as the current funds get deployed, there are fewer new funds and less new capital being committed from these LPs into new funds. And you know, fast forward two or three years, and there's going to be less capital available. And so it keeps the bar high. And so the bar, I think, is only going to get higher over the next couple of years as that capital cycle moves its way through the system. It's probably worth explaining what Freebird was talking about in terms of a commitment. So you may have a, let's just say, University X has committed 25 million to funds three through five for venture fund Z. And now they're saying, in the next fund, we're going to be at 10 instead of 25. When they say they're making that commitment, that capital gets deployed by the venture investor over the next, on average, call it five years. So the reduction in a commitment this year means that there's less capital to invest over the next three to five years. And so that gets played out. As we fast forward, we're still sitting on funds from the last couple of years. As those funds get invested, the new funds are going to be smaller. There's going to be fewer of them. And that's when the market gets much tighter as in the next couple of years. You know, Brad, this seems like the greatest setup ever. It feels like the setup last year buying equities when everybody was scared. If everybody is tightening their belts, if VC funds are not going to deploy, this feels like the time to be deploying. So maybe you could talk a little bit about this austerity measures coming or just bell tightening or some people may be getting out of the venture business who shouldn't have been in it to begin with. All of this seems like a great setup for more discipline and more disciplined founders. If the VCs have to be disciplined, doesn't that trickle down to the portfolio 100% and while this might happen, I'm going to take the other side. I don't think that's what the lived experiences of most VCs in Silicon Valley today on Series A, Series B, Series C is certainly not in the area. We're competing. We're seeing four or five, \$600 million deals get done on zero revenue, two, \$3 million in revenue. And so let me just throw out perhaps an alternative view as to why this might look a little different than the world of austerity that we saw in 2002, 2003, 2009, 10, 11. The first is the stock market is near and all time high. And we know that the venture markets are reflexive to the stock market. We talked about that. The second reason which I think is interesting is most firms on average are a lot bigger. That creates two issues. We have a situation where younger partners and principals who all did deals that were overvalued over the last few years, they want to put some points on the board in a repriced deal because they have to have some winners. So you have this principal agent problem. The people who used to check them were the senior partners, right? The investment committee. But now they have a lot of mouths to feed. So when you put money to work, you pull down more fee. And so these funds now, I mean, if you're Tiger or some of these big funds, you have giant cost bases that you've created because of the size of the firm that you created. The third is the nature of LPs. And Bill

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

mentioned, you know, Dave Swinson. In 2002, MIT, Yale, Harvard, they would call, you know, who were the early backers of venture firms, they would call these venture guys up and say, listen, we're hurting. There were a lot of markdowns. We need to slow down the pace of deployment, right? And so they were a factor. LPs said, slow it down. I'm not hearing that out of LPs today. Okay. And I think one of these changes, I certainly am hearing it out of traditional LPs, some family offices, some endowments, but pensions, sovereign wealth funds, etc., who now represent a much bigger percentage of the total capital base of venture, they have money coming out of the ground every day that they need to deploy, like they did in private equity. And so again, I'm not saying this for certain. And certainly, there are more discerning sovereign wealth funds than others who are saying, don't speed up the pace of deployment. But I'm wondering if that nature, that change in the nature of the LP base is also contributing to this, you know, as Zach's called AI mania? Yeah, I mean, we see it in Hollywood, some new actors come in, they want to build a brand, we saw the Russians do it, we saw the Japanese do it, we've seen China do it, people come in, new entrants at the table, they get splashy-cashy, they want to place a lot of bets, they want to make a name for itself, build a brand. So that's an interesting counterpoint. Our entire business, of course, is based on exits. The highest form of exit, I guess, is an IPO. An overpriced acquisition would be the second. And there's a secondary market for shares as a distant third. It looks like the IPO window might be cracking open a bit. And some people are being forced, the guns to the head, ARM owned by SoftBank, Masayoshi-san, looking to raise 10 billion, had a 50, 60, 70 billion dollar valuation, could be the largest IPO of the year. Instacart looking at a 12 billion dollar valuation, Reddit kind of went dark, they had a couple of problems with their community. But they were in line, Stripe obviously in line, Clavio's got a 5 billion dollar valuation. And then we saw a couple of, what I'll say, are non-traditional companies going public, something called Shark Ninja. I saw in public, we had a little conversation about this, Brad Kirstner, they have a market cap of 4.3 billion, they had a pop of 40%, Hava, a Greek food chain, Oopa. They went public and have a market cap of 5 billion dollars. Surfer, a company I'd passed on investing in but was intrigued by, they do Pilatus shuttles between places on the west coast here at Little Short Runs. They did a direct listing in July, market cap of 85 million didn't go well. Bill Gurley is the IPO window opening for our people kind of on the ledge who have no choice but to jump and hope for the best. One thing we didn't probably spend enough time on in the last topic, which I'll just hit on briefly is the complexity of those unicorns. So Brad mentioned, I saw a deck that said there were more private unicorns than public tech companies over a billion dollars at one point in time, which is shocking. But those, because those companies grew up in the 99-21 timeframe where you could raise money at excessive valuation, their cap charts are very complex and rigid. They have different lick preferences at different places. And they've got board members who all have different marks and are all very worried about whether this thing can get to a certain place or not. And so it's very difficult to come in and do another private round in those situations. You might have to put the return in a guaranteed pick dividend to IPO or some complex derivative. And a lot of people, I think Brad would agree with this,

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

a lot of people just say, they opt out and say, no, this is too hard. I'm not going to go in there and negotiate with five different constituencies on how to do this. You can't just do a simple investment because of that. Okay. So it's gotten too complex, which then if the buyers of those shares

do not want to be involved in that crazy, okay, is Stripeworth or just pick Stripe as an example, 50 billion or 100 billion. And the last investors are at 100. YC in at 2 million.

Sure. And be a bad example just because their total lick-pref stack may still be a fraction of their market cap. For a lot of these unicorns, the lick-pref stack can be very close to their market cap for their today's valuation. And that's what creates a real structural problem.

You got a billion dollars in investment in the company and liquidation, money that has to come out to pay those investors, but the company's only worth 2 billion or a billion. And now it's, yeah.

When you get to that place, sometimes going public is just the easiest way to clean it all up.

Because everybody converts to common and we just, the company starts trading and reality is reality. It's kind of like taking the medicine.

Yeah. And I think that happened. One good example was Square at one point had done a derivative financing on top that was somewhat problematic and they just felt like they had to get out.

And they did and it cleaned up the cap chart. And one thing I've been waiting on, we'll see if it happens, but because of hyper-competition and investing in 1999, 2020, 2021, there was a term removed from most term sheets that gave investors the right to protect their lick-pref on IPO. That's gone in most of these cases. So you could convert lick-pref under, which for a founder or an early stage angel investor would be a huge win.

Whereas if you sold a company in M&A, the lick-pref would play. Does that make sense?

Yes. So the last investor comes in, they're getting a multiple of their money back, except in an IPO. And so the IPO happens, yeah.

And I suspect most of those late-stage investors keep, assume that their investment has a debt-like floor on lick-pref. And if this were to start to happen or recaps, which can also be done, the self-inflicted recaps I have seen many times just to get past the structural complexity, either one of those things could wipe out that lick-pref.

So net-net, girly, more IPOs are going to happen in the second half of the year?

There's two things. I think that cleaning up complexity is a great reason for the public market. And Brad already said, we've seen a massive recovery in software stocks.

The marks are better than they were two years ago.

So Brad or Saks, just M&A-wise, we've seen Lena Kahn, we've discussed it many times, seems to be saying, all business equals bad. Any merger equals bad. She's going to attempt to throw cold water on any merger that's happening. So M&A seems to be being taken off the plate by not just Lena Kahn, but also the EU seems to be turning the screws. So if we don't have an M&A market, then that means there's only an IPO mark.

Correct. I mean, that's just another one of the reasons that is pressuring these companies. These companies need to raise capital. So just to double-click on what Bill said and put some numbers around it, right? Because we read a lot of stats about how many IPOs there were. So I had the team pull some figures, 480 IPOs, US IPOs in 2020, 1,035, so a huge bubble in 21, 181 in 22 and 123. But I think that overstates, right? Because we had a lot of SPACs and crappy IPOs. So it really overstates the quality IPOs. So we're one of the major buyers in tech IPOs. So I just went to the

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

team and said, how many IPOs were we tracking and did we consider participating in during these years? So that was 46 in 2020, 100 in 2021, three in 2022 and zero year-to-date in 2023.

Okay. I don't want to be in the Greek food. So what I would say is I just returned from Deer Valley this week where Morgan Stanley is putting on a conference talking to their big potential IPO buyers. We are now queued up. As you and I, we had this tweet exchange, Jason, this week, and I said, you know, in that exchange, the world's normalized, fear of COVID's passed, hyperinflation's passed, et cetera. First-class IPOs are coming and a bunch of down-round IPOs are coming. So let me just explain really quickly on that, right? You mentioned Instacart, right? Super high-quality company. I think its last private round was 50 or 60 billion in the bubble and now it's rumored to be going public at somewhere around \$10 billion. Okay. So that represents the reset that will have to happen. And as Bill said, if you were an investor in that last round of Instacart and you were buying preferred shares and thought you were protected,

that preference is washed, right? So you're going to be down 50, 60, 70% on those preferred shares because you're going to be converted into common in that IPO. It's the right thing for the company to do. It's the right thing for the investors to do. It cleans up the cap table. So that is an example of, you know, the down-round IPOs of high-quality companies that you're going to see come public. Then you're going to have folks like ARM, like ByteDance, Databricks would be another one of these, I think that, you know, Sneak, that would be more in that Instacart camp, you know, like there will be some discount relative, perhaps to their fully diluted last round's valuation. But these make no mistake about it. There are high-quality companies that will lubricate and Altimeter will compete for those IPOs because these bankers are hell-bent on pricing these IPOs at a discount to fair value. They need them to work. They need to bring buyers back into the IPO market because these companies need liquidity. So suddenly the banks need to get wins for the people buying these shares. As opposed to in the past, they were like, yeah, we're just selling a security at the market rate, whatever that famous, the famous monologue from, what was the movie? Was that Jeremy Irons who gives that monologue? We're selling securities to informed buyers, and that's it. It's a pretty dark scene. So it won't be a light switch, Jason, but I do think margin call. Margin call, thank you. It was Jeremy Irons. I don't think it'll look like a light switch, but it will be. I think we're going to see five, six, seven IPOs, good-sized IPOs in Q4. We'll probably see closer to 10 in Q1, and then it will start opening up in the back half of next year, in part because boards of directors will begin to realize, you know what? We have to go public. If it's down around who cares, it's acceptable, and this is really healthy. We need these companies. And by the way, I'm in the Bill Gurley camp. You should not stay private forever. You should get your company. If you have 100 or 200 million of revenue, get your company public. Innovate and grow in the public markets with the discipline and cadence of the public markets. And if it's... You should expect the prices lower because the world was out of their mind in 2021 and multiples of reset.

Saks, you shared a news story with me just about some of the incredible returns in the Golden Hour of venture capital, Washington University, Duke University, some of these endowments just exploded in value. I remember when this article came out, it was September 29th, 2021, less than two years ago. And we were all feeling really good about our industry. But as it turns out, the whole thing was inflated by all the free money

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

that the Fed had airdropped. So the public markets were really frothy. It was basically very bubbly, especially for growth stocks. You had all these new IPOs and SPACs and so forth, and they were super bubbly. And the result was that the returns, both realized returns and on paper for these endowments were massive. So if you think about the LP, the LP community, if they're making commitments in 2021, the way they do that is they look at the total value of their endowments and then they allocate a certain percentage to buy asset class. So they'll allocate a certain percentage to public markets, certain percentage to real estate, private equity, and then VC. So if the overall value of the endowment is really big, then that percentage that goes to VC is going to be really big too. And then what happened is you had this huge correction over the next couple of years. And so one of the things we heard from the LP community last year is a problem they called the denominator effect. Well, the value of their portfolios had gone down a lot because the public markets were down. What was it? Something like 50% in some cases, yeah. For growth stocks and like 15%, 20% for the entire market. So the value of the portfolio was down, but the venture capital part of that was not down, both because of the lag in getting fresh marks. And then also because they had already made commitments to new VC funds at the peak of the market. So all of a sudden the percentage of their portfolio that was VC related roughly doubled. And so that's why all of a sudden the LP commitments have dried up is because they're overallocated to VC. Now, as the public markets have come back this year, then that problem mitigates to some degree. But I think it's still out there. And I think this is why you're seeing certainly domestic LPs really slow their allocations to venture capitals. They still have the denominator problem. Now, I think there's less of an issue overseas. I think, Jake, how you observe that the four seasons of the bar at the Dubai... Abu Dhabi bar looked like the Rosewood to Brad and I when we were there. I literally got stopped four times from the elevator to the front door. I am not kidding. Four people stopped me. That's two more than would stop me at the Rosewood going to the front door. It was bonkers. You should recognize that as a hyperattractor for where available money was relative to the US dollars and whether they were available or not. Yeah. I think we're in for a period here. I've just continued to stress and pain even though the market has sort of normalized or stabilized now. Again, I just think we've been in a huge software recession for the last year. I think that it's been masked by the fact that the rest of the economy seems to be okay. But this is the worst software recession we've been in, I think since the dot-com crash. I mean, the buyers have been laying off employees by the thousands. And since software is bought on a per-seat basis, the market has really condensed. We had one startup that was selling to Twitter and they got a renewal and I think their contract... 80% off. 80% off because Elon's laid off 8% of the employees. And that's before negotiating the last 20%, which you could negotiate 50% off that. I told them they did a great job of getting that 20% because Elon's casing everything. I was really impressed. They were able to renew at 20% of last year's value. You know what? We had a bender and this bender went on for far too long. And you know what? If you go out two or three nights in a row until four or five in the morning, that next week is going to be painful and suffering. That's what the industry is going through. It's just going to take a lot of cold plunges and infrared and pickleball

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

and you know, silence to feel good again in this industry.

One thing I would like in retrospect that I think is super interesting about the venture capital cycle. One, I think it's inherently cyclical and it's always going to be that way unless we fundamentally change the structure of the industry because it just invites competition and there's no barriers to entry. But I went and talked to some LPs that have been in the business for a very long period of time and a vast majority of the reason venture outperforms other asset classes has to do with these tiny windows when you have a super prodding market. And if you don't, if you aren't around for that part, you know, if you strip those years out of a 40 year assessment, it's actually not that interesting an asset class, which highlights the need for venture funds to get liquidity at the peak. Yes, right when we are at the peak is when people get the most brazen, the most confident and they start talking about how we're going to hold forever.

And so you had venture firms with the biggest positions they've ever had in their entire life go over the waterfall and basically evaporate what could have been returned.

Diamond hands can come back and bite you and you've said famously you can't, what was the line you had you can't eat IRR? Well, you can't.

I don't think I said it, but it's been said.

Since we're on our movie bender here, for those of you who haven't seen Margin Call, just one of the great scenes. This is the best scene, the whole scene, by the way, is like the best scene I think of modern finance films. So look at this murderous story.

Will we selling this too? Same people we've been selling it to for the last two years and whoever else will buy it. But John, if you do this, you will kill the market for years. It's over.

And you're selling something that you know has no value. We are selling to willing buyers of the current fair market price so that we may survive.

Oh man, you can rationalize a lot on Wall Street, man. But what Bill's saying is that the opposite took place, which is VCs drank the Kool-Aid and didn't sell when we were at the peak of the market. They also got caught up in a competition of trying to appeal to the founder community of saying, hey, we're in it forever. We're going to hold forever. We're your best friend forever.

But Bill, there was also this element that drove that strategic rationale, this data set, which is the best performers in tech generated most of the value after they went public. I mean, there's a trillion dollars of market value generated in Nvidia, in Apple, in Google, in Amazon, all over the many years post-going public. And if you read Sequoia's notes when they kind of made the transition that they made, they said, we don't want to walk away from the power law, that the power law continues to accumulate in a crew, even in the public markets. And we want to continue to participate in that because there's another 100x upside coming from here in the ones that we select we want to stay with, not necessarily we're going to stay in all of them. There are some that we believe are still 100x upside from here. And just because there's an IPO doesn't mean that we want to exit the position, that there's now more capital available to them, more public currency they can use to do transactions to hire, etc. And we want to participate in that value creation. And the last double could be the biggest, right, Bill?

I think the total number of companies that meet that criteria in the history of the venture industry is like 10 or 15. And you named many of them. And the problem is that the rhetoric becomes common narrative and it becomes part of the ethos of the firm. And people want to apply it

[Transcript] All-In with Chamath, Jason, Saks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

to every single company in the portfolio. And that's not true. I mean, I don't want to get too specific here, but you do have some, let's say, seasoned vets, yourself included, Bill, who when given the opportunity to get liquidity on an incredible investment will do so. Fred Wilson sold, I think, all of Coinbase when it goes public. He just clears the position when things go public. That's been his philosophy, kind of the antithesis of what Sukhoi and Rulof are doing with some of their holdings. And then we've seen, we work has an existential crisis. They don't think this might be a viable concern anymore. But famously, Benchmark was able to sell shares at a very high valuation at some point and lock in an incredible return, yeah? Yeah. Okay, there it is, folks. So let me ask you a question, Bill, about getting older.

Well, let me ask the question. Let me ask you a question about getting older and watching.

Well, Saks, Saks, like you're going to be the world's 17th best moderator to go.

Saks, you have an investment in SpaceX, right? I mean, there's been a lot of secondary action in SpaceX. Why would you not sell SpaceX at this valuation today? Or maybe did he?

As you kind of think about this, yeah. I think we're going to wait till the company IPOs.

I think that would be our default. When it goes public, Saks, do you then think

what's the upside from here? Or do you think my job is done? I think my job is done. Yeah,

I think my job is done. I think what we would do is just distribute the shares and then each LP

can make their own decision about whether they want to hold it or not. And you, as a chief, decide what you want to do with your share. Yeah, one of the nice things about distributions is that nobody has to sell, so everyone can make their own decision about whether to hold or not.

Once the company is public and the public has all the information through disclosures, the odds that I know something special that a seasoned public market investor doesn't, that's probably pretty low. I mean, the great paradox of what we all do,

and Brad, you have both a public and a private portfolio. I started trading public market equities to get better at my private behavior. Bill, you've done that forever,

is public markets you can't trade on inside information, private companies, that's all

you're trading on. Maybe you could speak to a little bit about being, what do they call it

when you do both crossover investors? Does that make you a crossover investor? Is that the proper

term? Well, Bill Gurley is the original crossover investor. He's been trading public stocks since he's been doing that. Yeah, researching him. But the fact of the matter, as has Warren Buffett

and who would laugh at the idea of a crossover fund, he's been running one of the world's largest public portfolios and private portfolios forever, he would say, I invest in great companies

that are mispriced. There are moments in the market cycle where late stage venture is mispriced to the downside. And there are moments in the cycle where the public markets are mispriced to the downside. What we saw in 2021 is the private markets were crazily overvalued.

In 2022, we had this massive correction in the public markets. We believed that they overshot

in part, we believe that because we didn't think we were going to have hyperinflation forever, et cetera. And so you and I invested in Metta and a lot of other things that were on their ass, you've got to buy in the public market when there's blood in the streets.

As Buffett says, buy when there's blood in the streets and sell when there's trumpets in the

air. And there are definitely blood in the streets when you saw things down 60, 70, 80, 90%.

Is it trumpets now? Does it feel like trumpets to you now or does it feel like trumpets next quarter or the quarter after? I feel like people are polishing those trumpets right now.

Yeah. I mean, a lot of it obviously depends on your view on what's going to happen in the economy fundamentally. And I'm happy to shift to that. But what I would say is this, remember the chart that I've showed many times about software internet valuations, we were 70% above normal, and then we were 30% below normal. And now we're closer to the trailing tenure average of internet and software valuations. There are always outliers on both sides of this. But I would say a lot of the positive arbitrage that we saw in 22 has been squeezed out of the public markets and we're close to fair value. So now if you want to generate alpha, this is going to be about picking individual winners versus individual losers. This is going, like the beta trade on global macro, I think has largely played out, the catch up back to fair value. And now I think there's a debate between kind of hard landing, soft landing, are we going to have a reacceleration inflation or not have a reacceleration? Where you come down on these major issues, I think dictates whether or not, you know, now is a good time for us now. Wait, can I correct something? You said, J.Kale? Yeah, please. All right. So you said that public markets inside information isn't allowed, whereas private markets, it's all inside information. I think that could give viewers a misleading impression of what we do as VCs. Okay. The way that around typically comes together, it's not like we get tipped off by some insider at the company in some nefarious way. What happens is that the company chooses to engage with us or a select number of firms in a process and then gives us their metrics and gives us the business plan and gives us the forecast. And it's all done in a very above-board way. It's not like we're being tipped. However, the part of it that I guess is true is that a private company does not necessarily engage with everyone in the world. Yes, they don't put on a website, a quarterly report and say, here's what our revenue and our cost were, and here's our earnings. Although some private companies do start that process like before they're... By and large, they're selective about who they want to be on their cap table, and that's the big difference between public and private. A public company doesn't care who's on its cap table. It doesn't really know who's got... Apple doesn't know every shareholder and who's got accounts at E-Trade or whatever, Charles Schwab. I mean, they may care who their biggest shareholders are, but they don't care who the average shareholder is, whereas a private company really does care. And part of the reason why they care is because these startups are highly risky, and they want to have investors who have a track record of behavior where they don't have to worry about being sued every time something doesn't work out, which is most of the time. I think there's good reasons why startups want to control who their investors are. By the way, there's also the issue of value add, right? I mean, other things being equal, founders and startups would rather have investors who can help them as opposed to simply John Q. Public. Yeah. I mean, you mentioned both scenarios. You don't want somebody who's a neophyte, who's going to cause chaos and be upset when revenue goes down or things are swinging up and down. And yeah, if you're public, yeah, buy the share if you want or sell the share if you want. It's a marketplace. Sorry. Just pull up this image I just posted. This is from... You guys know Gokul Rajaram? Gokul is a great human. We used to work together at Google. Then he worked with Jack at Square. He's at DoorDash today. And he was a leader at Facebook

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

after Google. But he did this tweet last month. Any tech venture investor who compares their funds return to the S&P is being naive or disingenuous. The correct index to compare to is the QQQ, the NASDAQ composite. And its performance has been mind boggling. And as you can see here,

over a 20-year investment period, if you basically just buy the top 10 public tech stocks and at the end of each year rebalance to the top 10 at the end of the year, your multiple over that period of time is 24X. Over 20 years. Yeah. And over a 10-year period. There's quite a bit of hindsight bias here in saying we're only going to look at the top 10, right? It's like... Or how the hell do you determine? Why not top 20? Why not top 100? I mean, are you willing to say that for the next 10 years that you should only buy the top 10? What if over the next 10 years, it's more of the field versus the next 20? Or top 5. Yeah. I think comparing VC as an asset class to the NASDAQ makes a lot of sense. I think that's fair. Yeah. And that's the second column from the right, which is basically... QQQ. Yeah, 5.2X over 10 years. So, if you're not beating 5.2X, which is a totally liquid investment if you just bought the QQQ index.

What this really shows is Apple, Google, Facebook, and Amazon have had an massive run-up. That's not true. That's what it shows. That's actually not true, Jacob, because if you look at just the static, it doesn't outperform. It's the rebalance that outperforms, which is whoever's winning in the market, meaning whoever's gaining market value each year, is who you then double down your dollars into for next year. That's changed over a 20-year cycle, over a 10-year cycle, and it really starts to play out over time. If you just look at the QQQ, that's the benchmark as an investor, as a private investor, and Gokul's comment in his tweet is that if they can return, call it 7 to 8x over 10 years, or in this case, 5x over 10 years, you could argue that a venture fund needs to return a significant premium, probably a 25-30% premium due to the illiquidity and the riskiness of the investment cycle there, whereas the QQQ you could just sell anytime you want. You need to be demonstrating a 30% premium to the 5.2x 10-year, which is about 6.5x, 7x, cash on cash.

According to this, the venture asset class is super overfunded, so why is that then?

Gurley, do you have a point of view?

Yeah, I mean, it would be completely speculative, but I do think if you look at the structure of endowments, you've had a few people really leading the way in terms of a playbook with Dave Swenson, who has passed away recently. Dave Swenson, he was a Yale guy. He ran Yale's endowment in his consideration.

I think the vast majority of people decided they were going to follow that playbook, which had an oversized investment in illiquid assets, PE, venture, real estate, commodities, those kind of things. I think it led to just a massive, and these things take forever to figure out if they're right or not. If your portfolio is over 50% illiquid, who knows what's right and what's wrong. There were years where Yale was printing 27% a year, and then in one reset, no nine, wiped out a ton of that. It's super hard to know, but I do think that philosophy became broadly adopted. Can you pull up this chart real quick? This is a chart from Statista that is Value of Venture Capital Investment in the US from 2006 to 2022. What you see is there's basically a few different levels. Before 2014, call it, the industry was basically a \$50 billion industry in terms of deployments. Then you had a run-up where for several years, it was around

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

\$100 billion. Then in the pre-pandemic year, 2018-1920, it was around \$150 billion a year of deployment. Then it went totally nuts. In 2021, it was \$350 billion. It started to come down in 2022 to about \$250 billion. I think where we are right now is at that 2019 level of about \$150 billion a year. The question is what it should be. Should this be a \$150 billion a year industry? Should this be a \$100 billion a year industry? Should this be a \$50 billion a year industry? It sounds like \$100 to \$150 would have been the steady state. Bill, some portion of this is stay private longer, having an impact where those last couple of rounds were the big, huge, juicy rounds. If people had gone public in year seven, eight, nine, like Microsoft, Google, not Google, but Microsoft, Google went, what year was Google when it went out eight? Going out a little bit earlier would have chopped off some percentage of this growing. I do think one of the most interesting things to watch is going to be how these 1,000 unicorns, private unicorns play out. Not only do they have the cap structure problem, but they lived and grew up in a day and age where they were told growth at all costs. It's super hard culturally to go from that type of execution to the principle type execution you guys have been promoting over the past several months. It's just hard. It's not impossible, but it's very, very hard. Google went public in year six. That's 23 million of total venture raised, I think, prior to IPO. Think about what that means. If a lot of those unicorns are fake, what does that say about innovation in the American economy? We had this narrative over the last decade that the pace of innovation had fundamentally increased because of the availability of tools and technology. You had a lot more unicorns being created. I remember back in, I don't know, a decade ago or 2010 era, let's say, there were maybe 20 to 50 unicorns a year, maybe 20 unicorns a year. There were arguably 10 to 20 early great companies formed a year in Silicon Valley or in the tech industry in the West. I remember when Andreessen gave this talk about it maybe a dozen years ago, he said the number was 17. There's like 17 important companies created every year in Silicon Valley, and your goal as VC is to be in one of those 17. Then all of a sudden, we had, was it like 100, 200, 300 unicorns a year? Yeah. I mean, if you decide- And so the question is how many of them are real? Well, I mean, Brad was just talking about that you're giving a 50X multiple, 50 times top line. I'm not talking about earnings, folks. I'm talking about top line. If you give 50X to every company, then you only need 20 million dollars in revenue to be a unicorn. And that's unrealistic when compared to the public markets where things are trading at five times top line and 20 times earnings of its high growth, right? So is it just a different market? All right. There's a major slowdown in China, where we could talk about Portnoy and- Can I just say one thing real quick? Let's do markets. Just real quick. I think I've spent a lot of time on the island of Maui. I think it's really sad. I don't know if you guys ever been to Lahina, the whole town, beautiful town. It's so sad. Yeah. It's gone. I just wanted to make sure that we mentioned it because it's pretty depressing what happened. I don't know if you guys have seen the wildfires burned down down there. No, I mean, sacks in our families, we all went to that area for a vacation. My favorite- Remember that sacks? Yeah. Maui's my favorite- Code 13. Yeah. Yeah. I mean, Maui's my favorite place on earth. I've been to Lahina so many times, it's super sad what happened. I just want to hopefully send a message to them. It's a beautiful town on the water with those old buildings and porches. Gorgeous. And it's just all gone right now. So yeah, this global warming thing and these fires and wind. Man, what a hot summer.

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

I mean, we could do a whole- Dude, in southern Iran, check this out. The temperature hit 155 degrees.

It is 9 degrees warmer than it's ever been off the west coast of the United States right now. There was 90 degree ocean temperatures off of the Florida coast. The sea surface temperature in the North Atlantic is the highest it's ever been by, I think, seven standard locations.

Is this global warming or is it all a hoax? Look, people want to debate all day long about anthropogenic climate change. Yeah, I'm asking you. I'm telling you with absolute certainty, the data right now is unfucking believable. How hot and how dangerous the earth is becoming.

And we're seeing not just the fire in Maui, the sea surface temperature, which increases the probability of severe tropical storms and hurricanes in the coming season. It's unlivable. In Saudi Arabia, in Dubai, 130 degree temperature, 95 degree overnight lows.

If you don't have air conditioning, you will die in a lot of these places.

So there are parts of the earth where people cannot afford the amenities and the luxuries that we have in the world that we all live in. It's just saying. There is no hoax.

There is no hoax. I'm putting this off all right in front of you. Yeah, the earth is warming.

The amount of extreme weather is increasing. The significant effect of that is becoming apparent.

And, you know, we could debate for hours about what, quote, can you do about it.

But there's just a series of really awful things happening right now.

And it's becoming more frequent and more apparent that this is a pretty serious thing that we're in the midst of. All you have to do, girly, is follow what you're doing down there in Texas, which has, is it the highest renewable energy percentage of any state now is Texas?

Greater than California. It's one of the biggest successories. I saw some politician from Texas saying, we got to get off all these renewables.

There's no silver bullet. If you want to talk about the fundamental challenge that we all face in terms of whether atmospheric carbon is driving heating or not, if you follow that track, there is no silver bullet. There is a lot of things that have to go right in a coordinated way.

And there are market incentives that make it very difficult for any of those things to actually get done all the way through. But renewable energy and nuclear, you would say, are two of the most important? Yeah. There's still industrial production. I mean, the list goes on.

Systems and agriculture, there's a lot of contributors. What's the clearest path? I mean, if you had to, if you said, hey, put 90% of your effort on these three things, it would be nuclear renewables, painting people's roofs with white paint like this new paint that's reflect stuff. I mean, what would be in your shortlist? That's not going to change much.

Let's see this conversation at the time. We've got Brad and Bill here. I think, honestly, I'd love to have this conversation. We should do it.

Let's put on the dock. Next week, we'll do a big thing here. So just wrapping up here on sort of macro. We'll give you a little macro, Brad. CPI seems like it's measured and consumers seem like they're running out of money and starting to tighten their belts. Unemployment, still all-time low, still 9 million job openings. Feels like this is the steady state for the next year. Or do you think hard landing, no landing, soft landing? Well, maybe they could bring up the first chart. This morning, we had CPI reported. We had the smallest back-to-back monthly gains in core CPI in over two years. Back to 0.2% annualizing just over 2% now. So on a year-over-year basis, it was 3.2%. Now remember, it was only six months ago that people were still hyperventilating

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

about this 9.1% we saw last year that everybody on this pod, I think, was largely an agreement that was COVID-stimulated. But the blue line here represents the consensus estimates of folks like Goldman Sachs, which is pretty similar to what the Fed's own estimates are. If you go to the next

slide here, Nick, this is what people, the current market is betting will happen to the Fed funds rate. So the market is saying, like, you know, you've heard Shema say many times, higher for longer. I happen to think we'll have higher rates for longer too. But the market is saying, we're worried about an economic slowdown that's going to force the Fed's hand. So the market is betting that the Fed funds rate will come down either because inflation continues to roll or because the economy continues to slow. And so this third slide, which I think is a really interesting one, which nobody really talks about, but this is the reason I think Druckenmiller and other are worried about recession. There's a measure by the San Francisco Fed, which is called the effective funds proxy rate. Okay, so this is not the Fed funds rate. This is what they say, the total impact of quantitative tightening plus rate hikes are. And we're now back to the highest level on that proxy rate since we've been since May of 2000. It's up over 7%. I think that's the reason people are looking at this is blue line up over 7%. That's the highest effective rate calculated by the San Francisco Fed since all the way back to May of 2000. And this is the concern a lot of people. Brad, could you just explain that? Why is the effective rate 3% higher than the official rate? Because of quantitative tightening. Because there's a lot of other things going on in the economy, the impacts, interest rates, the rate at which you can borrow. Part of it is there's just less money in the system. It's like a crunch basically. Exactly. Just because the rates 4% doesn't mean you can get access to it. You can't borrow. Nobody can borrow at the 10-year rate. Okay, so if you're a company or an individual and you want to go borrow, you have to borrow at a much higher rate. So that is where the rubber meets the road. If you're trying to borrow to buy a house, borrow to buy a car, borrow to expand your business, the blue line represents a much better calibration for the level of tightening in the economy. So there is a very strong debate. And I would say the market's actually betting here that the Fed is overdoing it because of what you see in that blue line and that the economy is going to slow. The lag effects of this tightening have not yet been felt. And so this gets back to the question we had before, which is where are we in the cycle and whether or not we're going to continue to have growth. Now, really interesting, Jason. Bloomberg's headline today was the summer of disinflation. And we said on this pod six months ago, we said it's more likely by the end of 2023, we're going to be talking about disinflation than inflation. And lo and behold, not only are we seeing signs of disinflation, air tickets down 18% year over year, but China just posted actual disinflation. So places are coming down. People are going to be surprised that there's more products or services available at lower prices, which then could affect the salaries. Because, hey, we're not making as much money at this company, we got to cut salaries. I mean, we know that the Fed at the start of COVID was more like the curses of disinflation are almost bigger than the curses of inflation. And China just saw CPI down three tenths of 1%. In the month this week, annualized, that's over three and a half percent. That is a major problem for China. So I think you have some some yellow flags here, right, that say, do we have too much tightening if one of the global engines of growth is experiencing this level of disinflation, that's going to impact the global economy, global demand, etc. So yeah, I think that's been the

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

pattern of the Fed, right? They seem to react late, and then they oversteer. This has been the theme. And so there's also just to add one other cloud to the silver lining, it's the amount of debt that's out there. Correct. So both private debt and government debt. Yeah, consumer debt is high, this real estate, commercial real estate is high, got debt everywhere, and people are going to have to belt tighten and maybe austerity and stop spending on some yolo trips. But if salaries keep going up, this isn't a Kona Koa. Who is this? Who are you sharing here? It's not a Kona Koa link. Is it another great Kona Koa? Koa by EC Letter. Oh, Koa by EC Letter. Oh, Koa by Ashi here. Koa by Ashi, yeah. Koa by Ashi. That's got 300,000 followers. So we have record household debt, 17.1 trillion, record mortgage debt, 12 trillion, record auto loans, 1.6 trillion, record student loans, 1.6 trillion, which as Drucker-Miller points out, have to start being repaid, I think, as of September, because Supreme Court overturned Biden's unconstitutional debt forgiveness. Record 1 trillion in credit card debt, that I think should be pretty worrying, because credit card rates are now around 25%. So credit card debt gets, the interest on that is obviously floating. And so when rates go up to where they are now, then it gets very putative. David, precisely, and this is, remember, we're seeing inflation roll over huge, and we have a chips act in an infrastructure, we have massive government spending going on, and we still see inflation rolling over. So I just find it interesting that within six months, we've gone from worrying about hyperinflation to Bloomberg running a headline summer of disinflation. The last piece of it is government debt. So at the rate that the government is racking up deficits, the Treasury is going to have to float something like 3 trillion of new T-bills by the end of the year. And we're rolling something like 9 trillion of old government debt over the next 18 months at new higher interest rates. So there's a lot of debt, and we'll continue that discussion next week, as well as the global warming hearts and prayers out to the fine people of Maui who invite us to come to their incredible paradise. We hope you all stay safe and have a great recovery. You're in our thoughts and prayers for Brad Gersner, the fifth bestie, for the architect, David Sacks, and the sultan of science. I am the world's greatest moderator and officiant if you're getting married. And for Bill Gurley. Bill Gurley, you have some anecdotes about the all-in-pond we were talking about. Close on, closing on an anecdote here for Bill Gurley. Close this out, Yona. Obviously, huge hat to the success you guys have had. When you first mentioned you were going to do this, I don't think anyone had any idea that you would reach this level. And I know the hard work it takes for you guys to do this weekly. It's amazing. But I was walking down this, you guys share anecdotes about people mentioning all-in. I was walking down the street in Austin a few months ago and a guy came up to me, he goes, are you Bill Gurley? I go, yeah. And he says, you're that guy they sometimes talk about on all-in, right? Yes. So the guy they sometimes talk about it all in is your, there's your subtitle of your memoir. The guy they talk about all-in sometimes. There's your tombstone. There's your tombstone. To your point, Bill, it took 10 years of hard work by J Cal for the rest of us. We just walked in off the street. Exactly. Thanks. I've got you all on my shoulders. That's why he thinks he deserves more than 25%. Holding you all on my shoulders. But he don't get more than 25%. J Cal, where are you running off to? Why do we got to shut this down? Saxon Gurley and I may stay and just keep talking. Because I'm the world's greatest

[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E141: State of Series A's, VC dry powder, IPO window opens + more with Bill Gurley & Brad Gerstner

moderate. And we'll see you all next time on the All-in Podcast. Bye-bye.

And it said, we open sourced it to the fans and they've just gone crazy with it.

Love you, Eskies. I'm the queen of Kinoa. I'm going all-in.

Besties are gone.

I'm cold-thirsty. That is my dog taking it. I wish your driveway's safe.

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 we just need to release somehow.

What? You're a bee. What? You're a bee.

We need to get merch. Besties are gone.

I'm going all-in.