

**[Transcript] All-In with Chamath, Jason, Sacks & Friedberg / E146: Did the Fed break the VC model? Plus IPOs, M&A, revaluing unicorns & more**

Did you just finish a good cry because you had this wetness right here on your eye?  
Oh, sorry. I just got out of my cold plunge in my sauna because, you know,  
I hit a new record low weight, 169 this week.  
Oh, hold on. I'm going to get my weights.  
What's your temperature on the cold plunge?  
Oh, I don't want to say. It's embarrassing.  
It's embarrassing. I don't want to say.  
No, what is it?  
I've been doing like 56, 58.  
That's great.  
It's okay. I mean, all these lunatics, like, I don't know, they're at 45 degrees,  
48 degrees. I think it's unnecessary. You get the same value, I think at 50.  
My two year old does 56. It's good. It's really impressive.  
I consider an 80 degree pool to be a cold plunge.  
I don't get it unless it's like 85.  
That's actually, I've been to four parties at Saks's house.  
There's no difference between the hot tub and the pool.  
It's a full-on schvitz.  
It's a schvitz.  
If it's not the temperature of bath water, I don't get it.  
Yeah, it's a schvitz. It's crazy.  
And then I went in my infrared sauna, so now I've been going in.  
You do the cold, then the warm. I think you're supposed to do warm, then cold, no?  
They say end on cold.  
And so I've been ending on cold.  
Yeah, yeah, yeah.  
I just do like a cycle now.  
So you do cold, warm, cold.  
Cold, warm, cold, yes.  
And what do you do?  
Like two minutes, 10 minutes, two minutes, or what do you do?  
Yeah, exactly. Like one or two minutes cold plunge, four minutes, you warm up,  
you get back to it, and then you jump back in.  
It works pretty good.  
I have to say my energy level goes way up.  
Have you been tracking your blood pressure?  
I have not, but I have this executive health coach that I'm using.  
And so that's where I got those ridiculous glasses, the blue lights, and my sleeps better.  
I got some, I've taken some supplements.  
I'm eating...  
Estrogen.  
Are you taking more estrogen, bro?  
No, estrogen levels are at an all-time high from hanging out with you guys.

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It just oozes onto me.

No, it turns out, even at 52, my testosterone is very high.

So that's good.

What is your free testosterone?

I don't have the number here, but they said it's the high end of normal.

So I was like, should I be shooting up testosterone?

They're like, no, you're good.

You're good.

Just we'll send it over to Freiburg.

I was like, all right, great.

Send it over to Freiburg, it's all good.

A lot of people take testosterone in their 50s and 60s.

And I've had a couple of my friends in their early 60s start...

Is it HGH?

Human growth, yeah.

Is that right?

Not a good idea.

Seems like a really bad idea.

That off-menu stuff, I don't think it's a good idea.

I think you gotta be careful with the off-menu items.

No, I think you can get a prescription for it.

Is that right?

Yeah.

I know there's a lot of off-menu items available to affluent people.

With the right doctors.

And I don't think it's a good idea.

I mean, you guys see Bezos, he's jacked.

I didn't bring up anybody specifically, but he looks great.

I think that's just all waits.

Is he going to be president?

I mean, if you had your choice right now between Bezos...

And Bob Beiger, who would you pick?

...Trock and Biden, I think we know who you'd pick.

I mean, listen, I was talking to some affluent people, and they...

Everybody's going...

I was talking to some affluent people.

I don't want to say who, but Vivek is...

Now people are starting to talk Vivek.

I think he's hitting the right chords, man.

Vivek is about to pass to Santos.

He will be, I think, if you look at the polling right now...

New Hampshire.

He'll be the clear number two in about four, between four and eight weeks from now.

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That's crazy.

That's crazy.

And so I think if he becomes a clear number two, the...

Think of this.

It's like, then all of a sudden, all these MAGA supporters are giving Trump, and then Trump with some small feature improvements that are actually pretty meaningful.

Right.

And then they're like, well, do I want the 80-year-old Trump, or do I want the 38-year-old Trump?

That's a super upgrade.

With the super features, you know?

I can forgive all of his other issues when he tells me that he's going to cut the government, the federal government, by 75 percent.

75 percent, my gosh.

Sold.

So you're on Team Vivek.

I want to continue to gather a little data.

There's no rush to make a declaration right now.

Give me a little bit of time.

Chimab, are you with Vivek?

Yes.

And the reason is I would love for it to be RFK and Biden in a debate, and then Trump and Vivek in a debate so that I could really figure out between RFK and Vivek, who I would like to vote for.

But I think it's been pretty clear that the Democrats have chosen to railroad RFK's candidacy.

It's unfortunate because I don't think we're given a real fair shake in really being able to evaluate him.

Even the tractors, like Freeberg, you have some pretty significant things that you dislike about RFK, which I think are fair.

They're never going to get a chance to get aired out because you're never going to get a chance to be put on a national platform where there will be really enough debate.

And I think that's where America loses.

So, yeah, in that context, I would say that Vivek has done more in the last month to convince me that he is fiscally responsible and that he has some intuitions that I think RFK and Trump and a lot of people in America share, which is just about the usefulness of the blob, and that there maybe needs to be a grand experiment where we deconstruct the blob.

And I'm for that experiment, to be totally honest with you, to see what happens.

Sax, where are you at?

He's unhappy.

What I would say, I think it's too early in the process to say definitively, okay, this person has to be the person.

For me, I'm viewing candidates as either being acceptable or unacceptable.

And Vivek is acceptable to me.

I think to Sansa says too, the ones who are unacceptable to me are the ones who would escalate

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this Ukraine war because I think that avoiding World War III is, to me, the central issue of the campaign. So for me, it's just a litmus test issue.

I can only support a candidate who would work to end this war, not one who had escalated.

Where does our fiscal emergency sit for you in terms of priorities?

So no World War III priority one is the fiscal emergency that we're facing?

Priority two, or is it overstated by Media Bank or others?

No, I think it's important.

But the problem is this, is that in order to do something about that problem, you really need bipartisan support because it would be suicide for one party to try and do all the heavy lifting without the support of the other.

And I just don't see in the near to midterm that you're going to get that kind of bipartisan support no matter who is president, whether it's a Democrat or a Republican.

The only issue that for sure the American president has unilateral discretion over is our foreign policy.

And so for me, making sure that the next president pursues a foreign policy that doesn't result in the destruction of the United States, that to me is the overwhelming issue. It doesn't mean these other issues aren't important, but

Look at how certain these numbers are. Let me show you this poll for a second, just so we level set with the audience.

Poll ending September 18, 2023 for those of you not watching on YouTube.

Trump 39% is that or 38?

Then the vague 13% Haley, 12% Christie, 11% DeSantis, 10%.

That is a stunning turner.

Yeah, that's probably because it's New Hampshire.

Check out.

But you know, no, I know it's just, but that's a very critical state, right?

I mean,

Zach, what do you think about what Dalio said on stage about the need to have a Manhattan project style effort here that is bipartisan, comes to the center and tries to resolve this as that scale of an emergency? Is that realistic to kind of frame this as

we are in a fiscal emergency, we have to get a Manhattan project style effort underway to try and engineer a solution?

Well, let's back up. First of all, I think you asked the right question to him, which is, is our decline a matter of physics, you know, due to forces we can't control?

Or is it something we still have control over?

And I think that that's a really good framing.

I think if you're in the bucket that we can do something about it, I mean,

I believe that we can. The question is how?

And I think his view was that somehow you get all these elites together and you get them on the same page. I don't think that's how our system works. I think what happens is you have elections, people compete against each other, and then voters decide who's right.

And so one side has to defeat the other.

And I think until we get some clarity from voters on the direction they want to go,

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I don't think there's going to be a resolution.

But to your point, there's no solution without bipartisanship here.

So what is the path to bipartisanship when it comes to the fiscal crisis?

I'm not sure.

Wouldn't the obvious thing be if one party wins with that as part of their platform, then it becomes part of the winning platform and the winning formula?

Or are we just saying that's not even possible because it's too unpopular to tell people that they don't get free money?

I think it's political suicide for one party to engage in deep cuts, deep government cuts, deep cuts of programs, especially popular programs.

You could probably cut the unpopular ones at the margins.

But it's political suicide to cut anything important without having the other party on board. There's been a couple of times where we've been able to have this type of consensus.

I mean, the one that always gets mentioned is when Reagan and Tip O'Neill cut a deal and they were able to reform entitlements and make some changes to those programs, and they kind of did it arm in arm. And that worked.

And then the other time where it kind of happened, not through agreement, but almost through lack of agreement was when we had the sequester. Remember when Obama was president?

And what happened is the Democrats and the Republicans worked out a deal where if they couldn't agree, you would get equal cuts in both military spending and social spending.

The idea being that Republicans wanted the military spending, the Democrats wanted the social spending. And that's ultimately what happened is that they couldn't agree.

And so you got the sequester and we had some spending restraint for a short period of time.

The problem now is that both Republicans and Democrats want more military spending. I don't hear anybody really arguing for cutting military spending, except for maybe Rokana at our event.

But the Democrats are completely on board with war now. And then on the social spending, I don't think either party really wants to cut social spending either or do entitlement reform.

So there is no constituency out there for reining in the biggest sectors of government spending.

So I don't see how it's going to happen, no matter who the president is.

Well, the forcing function will be the debt service costs, which is just crossed a trillion dollars a year just to pay the interest. And it's mounting, right? 30% of our debt I think is coming up for refinancing in the next 12 months. And that's going to refinance at a 5% rate,

because that's where the markets are at. Just like consumers can't ignore it,

Friedberg, and put their fingers in their ears and say, la, la, la, la, la,

I don't have to worry about my payments. Then the payments show up and you got to worry about them.

Same thing's going to happen here in the US, right?

The federal budget will get naturally constrained at some point here.

But yeah.

As the economist Herbstein once said, if something can't go on forever, it won't.

So I think you're right, Friedberg, that this won't go on forever.

That Yogi Berra?

It's not Yogi Berra, it's Herbstein, I think. Yeah, if something can't go on forever, it won't.

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I think that that's where we're headed, is we're going to have restraint imposed on us from the outside. It's not going to come from inside Washington.  
People stop buying the bonds. People stop buying treasuries.  
Interest rates just have to go up to a point that...  
So what's happening in Japan, right? I mean, their bond auctions have been very lukewarm. And supposedly, a lot of the money in Japan is coming west, looking for opportunities to get alpha. So we have an example that we can look to.  
All right, let's get started here. We've got so much to talk about.  
I think we got to give some flowers here. Last year, the Sultan of Science, the Prince of Panic Attacks, the Queen of Kinwa was an absolute terror when I did the All-In Summit 2022.  
And then this year, he was an absolute all-star in delight.  
What an amazing job you did on the content. People are saying the content at All-In Summit 2023 is the best conference ever held.  
Bill Gurley got a four-minute ovation. And that talk is on YouTube.  
Elon Musk starlinked in from 40,000 feet. He crushed it. Toby was fantastic.  
Ray Donnelly and Larry Summers, Mr. Beast.  
One of the Paltrow, the BOTES sisters, which we did a pretty good showing, I have to say.  
A great job to Saks and Friedberg, who held the line with the BOTES sisters in our group chests.  
Brian Armstrong. Who am I missing here? I mean, what an incredible lineup.  
The Fusion panel, Nicole Polk.  
Rob Henderson.  
Jenny Juss. Rob Henderson.  
I mean, extraordinary. Let me just go around the horn.  
What discussion or moment picked your choice there for you was the most intellectually engaging and important at the summit? You can mention two or three, if you like.  
I thought number one were my outfits.  
Pretty great. I mean, you did do an affid change twice a day. So congrats on that.  
I liked the sport.  
I did a really good job with that.  
I do agree. I agree.  
Did you guys get the special shoes from Laura Piana?  
Oh my God.  
The King's cashmere loafers? Yeah, those are ridiculous. I'm wearing them as we speak, actually.  
I wore them the other night. And I came into Pelt.  
Did you wear them yet, Saks?  
Yeah, yeah.  
They are the most incredible shoes.  
Clouds.  
They said they made like 10 pairs or something.  
Yeah.  
And we got four of them.  
They're special for us.  
Yeah.

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Then I get back to the Beverly Hills Hotel, the suite,  
that Freberg booked me a beautiful suite. Thank you, Freberg.  
And there is a Laura Piana box.  
Oh, Freberg chaffed me on my room.  
What?  
What?  
Yeah, I get it.  
Are we put you by the garage?  
No, I got a room that was...  
Well, it's very appropriate that these rooms exist, but it's handicap accessible,  
which totally fine, except the problem is  
the closet and everything is set for wheelchair height.  
Why didn't you change your room, dude?  
And so all my...  
And that's why I thought, oh, he just fucked me on purpose.  
He just tried to...  
He trolled you?  
A little passive-aggressive name check.  
So...  
All right, you guys got some work to do in the group therapy, Saks.  
I would never do that to you guys.  
Don't worry. When I organize this summit,  
I'll make sure these details are perfect.  
I fly on Chamath's plane.  
He has gluten-free Nutella crepes handmade in the morning,  
and I stick them in a handicap accessible room  
where he can't even put his bag in the closet.  
And I can't put my clothes except without it touching the ground,  
so then I had to lay them on the bed,  
and then I had to lay them on the sofa.  
I'm talking about first world problems, yeah.  
The audience right now is just triggered by the suffering  
that you went through at the Beverly Hills Hotel.  
My honest reaction was I thought the content was really inspiring.  
I guess it's kind of like...  
I knew what I was going to get up front with so many of the folks,  
because I knew them,  
but then where I still came away,  
where they exceeded my expectations,  
number one, probably was Graham Allison.  
I could literally talk to him for eight hours a day, I feel like.  
And I don't know him well,  
so I felt like I was scratching the surface



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of the things that he knew.  
I could do an entire dinner, I think,  
where he could just walk through the Cuban Missile Crisis  
and I could just sit there listening.  
So I thought he was unbelievably intellectually stimulating for me.  
Every time I sit down with Toby,  
I'm just in awe of how smart and different Toby Lutke is.  
And so I always walk away thinking,  
this is really one of the very special entrepreneurs of our generation,  
just in terms of his mindset.  
Underrated.  
I thought Larry had the line of the summit, Larry Summers,  
where he said self-esteem should come from achievement,  
and not the opposite,  
which is that achievement should come from self-esteem.  
And he was talking about  
wokeism and sort of like the entire philosophy  
around that stuff right now.  
And I thought that that was really insightful.  
Those are probably the three moments.  
I thought Gurley's obviously presentation was superb,  
but again, it's kind of like saying the obvious  
because it was just so masterclass.  
But from what I expected to what I got,  
those were the three that I thought were the most inspiring  
and net new positive for me.  
Fantastic.  
Saks, did you have any moments aside from Gwyneth Paltrow saying  
she was your favorite Bestie,  
other than that being the clear number one for you  
and soul crushing for us?  
Well, I never even heard that because of the sound issues.  
We had technical issues during her interview  
and it got really hard to hear her at various points.  
And I don't think you guys heard that either, right?  
I heard it.  
I tried to ignore it.  
I tried to block it out.  
I couldn't hear it.  
So I didn't know that.  
Yeah.  
Well, congratulations.  
Could we cut that up right here?



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No.  
We're not doing victory laps on the pod.  
We talked about this on the chat.  
No, I mean...  
That's awesome. Go for it.  
I want to hear it.  
Oh, my God.  
She said it.  
She said she's in love with David Saks.  
No, that her husband thinks that she is in love.  
Uh-oh.  
This is not good.  
David is incredible.  
Uh-oh, the husband's jealous.  
That's not a good situation for you, Saks.  
After that, what did you like, Saks?  
Be honest, I want to also give credit to David Saks  
who showed up for every talk.  
And Freyberg said,  
Jake, I have an issue.  
I said, well, anything I can help.  
He said, well, actually, the issue is I asked David Saks  
to show up at 8.45 for the run-through  
and he won't respond to me.  
Can you get in touch with him?  
I said, let me tell you what's going to happen  
with David Saks.  
Program's going to start at 9.  
He'll be here at 8.56.  
And if you get him on stage for two out of three talks,  
you did better than I did.  
And Freyberg's team, which, God bless,  
the production board team, they did an amazing job.  
These Wolverines are incredible.  
Shout out to Laura, Rachel, and everybody on the team there.  
They did a fantastic job.  
And sure enough, Saks shows up at 8.56.  
Goes on stage and he crushes it.  
So great job getting him on stage.  
But congrats on showing up for him.  
Well, they wanted me.  
I mean, I asked, when's the first speaker going on stage?  
Yeah.

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Actually, it was 10 a.m., right?

10 a.m.

I'm sorry, 10.

10.

So I'm like, okay, in my head, I'm thinking, okay, I'll be there at 9.59.

And I'm like, what time do you...

Yeah.

And then they're like...

And you were there at 9.55.

And I was like, let's get a cup of coffee.

No, they said you need to be there at 8.30 for a sound check.

And I'm like...

Does Mick Jagger come for the sound check?

What?

I'm sorry, does Jimmy Page like Jagger?

Let me talk about here.

Does Madonna come check?

Okay, let's start the show.

Can we have you done self-aggrandizing ourselves?

Look, I thought the conference was amazing.

It exceeded my expectations.

Your conference exceeded my expectations too, Jacob.

But I think Fiebert took it to another level.

Yes, he did.

And it exceeded my already high expectations.

Yeah.

You know, highlights.

I mean, I think starting with Ray Dalio as the first speaker was really interesting.

I think we only got to go for, what, 30, 40 minutes with him?

I felt like we could have gone for two hours.

I don't have to bring it back on the pod and drill into that topic more.

Two hours with Dalio would be amazing.

Because I think what's really interesting is the way that he's looking at the grand sweep of history, right?

He's thinking about not just a 10-year business cycle or a 75-year debt cycle.

He's looking at a 250-year empire cycle.

I think this is really interesting

that he thinks in that really big way.

I agree.

Graham Allison, really interesting.

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We could have spent two hours with him.  
Larry Summers, these are all people I think  
should bring back on the pod for a long-form conversation.  
I agree that Bill Gurley's talk was one of those great  
Ted-style talks that I think should go viral.  
I think, you know, 20 million people should watch that.  
Yeah.  
I mean, the people retweeting it are incredible.  
And I was at a dinner party last night  
and everybody was talking about it.  
So it's spread into our industry  
and it's starting to tip over into other industries already.  
The chess was really fun.  
I am a game day player that way.  
You know, I brought it and managed to win the game.  
I know there were a lot of great moments,  
I'm sure, forgetting about things.  
I love that.  
I love that.  
The parties were incredible.  
Absolutely incredible.  
The parties were absolutely incredible.  
We missed both of you guys at the Grimes DJ set.  
That was amazing, by the way.  
I think Chamath was there for that.  
Weren't you there?  
I left right at 10 to fly back to the Bay Area early night.  
Yeah.  
Got it.  
Yeah, she grimes.  
Thank you to Grimes for doing that for me.  
A personal favor.  
The audience lost their minds.  
Santa Monica.  
She was incredible.  
She's such a performer.  
It's incredible.  
Yeah, people were losing their minds.  
For you, Freeberg, best moments on stage?  
It was just great to be with everyone and go through it.  
I mean, honestly, I didn't source all these speakers you guys did.  
So I don't want to take credit for that.  
I think it was what I had hoped.

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I went to TED for 12 years.  
I started going to TED, I think, 2007,  
and I felt pretty disappointed over the last couple of years.  
And I actually spoke to the CEO of TED and said,  
I'm not going to go anymore because so much of the talks  
became kind of social justice type talks.  
Talk nonsense.  
I don't want to use that term  
because I do think it's all very well-intentioned.  
And I think it just became overwhelming  
that you would go to TED and you would basically  
feel bad about yourself.  
And that it kind of missed the element of the world is an amazing place.  
We should have a great degree of optimism with technology  
and where it's taking us.  
We should observe the greater cycle and the bigger perspective  
of things that are happening in the world,  
not kind of go into a who done it and who's to blame  
and us versus them kind of mentality,  
which I think so much of the stuff turned into at TED.  
And I was really hoping we could capture some of that.  
And so I'm really glad we got a lot of the speakers we did  
and had a couple hours to do that.  
Hours to be able to share those sorts of perspectives.  
So it was fun.  
I really enjoyed doing that.  
What you did with the conference  
in terms of the editorial direction was great.  
You leveled it up certainly from last year,  
as Chamath pointed out correctly.  
And it had a great amount of optimism, realism.  
And we didn't talk about superfluous,  
virtue signaling, social justice, woke nonsense  
that really should not be at the top of the agenda in my mind.  
I'm not saying that these issues  
are not important to some people,  
but I think prioritizing what's important in the world  
is what I got out of the conference.  
You know, when you have people on this level  
speaking for very long periods, and not long enough,  
but you know, Larry Summers and Ray Dalio and some of these talks,  
they really gave you a sense of this is what's important  
in the world right now.

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This is the priority.

And I came away from it so intellectually stimulated  
maybe just say, hey, you know, I want to travel more.

I want to read more.

I want to have more conversations.

And I have been basking in that like afterglow.

So I just want to say, you know, once again,  
what an extraordinary amount of teamwork,  
just as the moderator of our quartet,  
felt everybody did a great job moving the ball around.

I think everybody was on their game.

Everybody, you know, I'm talking about the three of you guys,  
very focused on just knowing exactly when to insert a great question.

So I felt like we were playing basketball,  
like the Warriors when they play prime basketball,  
ball move really well, great questions,  
people picking up on themes,  
threading themes from one talk to the other.

And it just made me really excited for next year.

So I just want to say a great job to each of you.

Thank you.

Back at you.

No, back at you.

Listen, we could talk about ourselves all day,  
but people hate that.

Let's talk about what's going on in the markets.

Yeah, we only did it for 40 minutes.

Perfect.

Okay.

Yeah, exactly.

IPOs and M&A on fire.

We've had a ridiculous week.

Six quarters of down market has suddenly turned into  
a bunch of green shoots on the M&A front.

Cisco announced it acquired Splunk for \$28 billion  
in an all cash deal if the notes are correct here.

It's about 10% of Cisco's market value.

Somebody did a trade where they bought a bunch of options.

So that looked a little fuguey.

Congratulations to Nancy Pelosi on that trade, possibly.

Allegedly.

Don't forget your favorite word, allegedly.

Allegedly.

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Allegedly.

Perhaps.

I don't know.

She's good at trades.

So if somebody's going to make money on that trade, or somebody's going to jail.

So congrats to Screlly.

Instacart, Klaviyo, and Arm.

All IPOed in the past week.

And they've fallen back to earth.

Just crazy stat.

21 months since the last significant venture back company went public.

I'll leave out the Middle Eastern food company.

Was that Kava that went public?

And then the vacuum company that went public.

But that's just in the past seven days.

So we talked about this on the program.

We discussed, hey, we'll know when the markets are back if some of these companies are forced to walk the plank slash, get public, and fix their cap tables.

And sure enough, Instacart really kind of represents that most.

Most of the late stage investors in Instacart are under water.

The early stage folks absolutely crushed it.

Chamath, listen, you're a market expert here.

You've taken a lot of companies public.

What do you think the last week means for the greater technology industry?

I don't think that this was the great reopening that we all were hoping for.

I think it's important to understand the dynamics of bank-led traditional IPOs in America.

And the best way to understand them is to contrast and compare to how that same company would go public in Europe or Asia because it'll explain what happened.

And I think, unfortunately, what has happened is not good for the market.

So typically what happens is when you construct an IPO, you're selling 15% to 20% of the company.

And when you do that, you go and you call hedge funds and you call these mutual funds, but what are called long-onlys, meaning they don't short, they just go long, these big mutual fund companies.

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And you try to find a handful of people to anchor the IPO.

So they take a huge piece of that 15% to 20%.

And in Europe and Asia, the securities law says that when you get such a big allocation, you have to hold it for six months, which means you're treated as a big asset.

Which means you're treated exactly the same as the employees who are typically locked up in an IPO for at least six months.

And so what happens is these firms do all kinds of diligence and when they buy something, it's because they really believe in it and then they go long it for what is at least half a year.

So it's a non-trivial amount of time.

So that's what happens in Europe and Asia.

15% to 20% of the company is sold, a handful of people anchor and you're locked up for six months.

Now you need to look at how American IPOs are done, which is why people have experimented with direct listings.

We've experimented with SPACs.

It's because the fundamental architecture of IPOs are broken.

They're set up in a dynamic where it's a heads I win, tails you lose situation for the bankers that run the IPO.

Now what happened in these three IPOs?

Number one, it was less than 10% of the float.

So highly, highly, highly concentrated small amount of the company was made available for sale.

Number two, there really weren't anchors.

What happened was the allocation of that less than 10% was smeared across 50 or 60 different organizations.

And then number three, there was no lockup, which meant that people could sell right away.

And so what you saw with all of these companies was the exact same dynamic, which was it opened because there was

such a small amount of supply, it traded up and the minute that retail, which typically tends to be late to the

game because they don't have access to these things, right?

When they started buying, what was unique this time around is all of the mutual funds just dumped everything.

And the hedge funds were like, well, we don't have a real allocation.

Our friend said in the group chat, he got a five or



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10 million dollar allocation in these IPOs.

These are 20 and 30 billion dollar hedge funds, five and 10 million dollar allocations, don't move the needle.

So the hedge funds sold right away and got on the sidelines and said, I don't care about this.

The long on these bought just enough to make the stock go up because of such a small supply.

Then when retail stepped in, they just dumped it all.

And so unfortunately, what's happened is all three IPOs within a few days have breached their issue price.

Now they're at the same issue price, maybe slightly higher, but that is an unsuccessful dynamic.

What could have been different?

The banks could have forced these companies to sell up to 20%.

The banks could have found a few anchor buyers.

The banks could have created a lockup structure for these anchor buyers.

They did none of it.

And so the result is a lot of downward pressure in a moment where the overhang of rates has come back and are forcing all of us to realize, and we'll talk about it in the second, that these rates are going to be higher for longer, which completely changes how you value these tech companies.

So net net, very poor IPO construction by the banks.

And the grand reopening was a grand closing, I think.

Okay.

So just to put some numbers on that, Instacart's float was 6.7% and Klavia's float 7.6.

Arms float almost hit the 10% 9.4, but certainly less than the 20% that you would expect.

So then I guess the follow-up question here at SACS is, why did these companies go out and will we see the other big ones go out?

The Stripes and some of the other backed up inventory, what's the back channel in our industry about the viability of other IPOs?

Is this going to push a lot more people out to get liquidity, even at discounted prices, even with the headwinds that Chamot points out?

Or is this going to have a chilling effect and people are going to say, you know what, let me wait until 2025?

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So I think they went out because investors and others need liquidity.

And there's no point holding on and waiting for evaluation that's never going to come back.

I mean, so you take Instacart, for example, their last private round was at \$39 billion.

What's the market cap now?

Around \$10?

\$9.

\$9.

So it's great that they got out.

I think that is-

And no, it's at \$8 today.

It's at \$8.

I mean, look, it's sort of a green shoot that they got out, but we're never going back to the valuation level.

So we had a couple of years ago during a giant Zerp created asset bubble.

So I just think there's no reason to wait.

And you look at Softbank, they needed the liquidity from the ARM IPO.

Yeah.

So I think that's why these companies are going out is we're kind of getting back to business as usual.

Just to broaden out the question a little bit, what I think is interesting is that for the past year or so, we've been in a software recession.

It really started in the first half of 2022.

The market's cratered, especially for growth stocks, there's a huge correction in valuations that happened in especially the first half of 2022.

But then about a year ago, it started starting in mid-22 and continuing through Q2 of this year, you saw a reduction in growth forecasts. Everybody started forecasting down.

There wasn't a single board meeting that I was in in private companies that wasn't missing their numbers and reforecasting down.

And you saw it in the public companies as

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well.

I think Jeremy Ball's substack showed that the average growth forecast for SaaS companies for the next 12 months have been cut roughly in half.

So for the last year, year and a half, we've been in a software recession.

You could say a B2B recession.

We saw companies like Meta, Google, and so on cut thousands of jobs.

Tens of thousands.

Tens of thousands of jobs get much more efficient each.

That meant they were buying a lot less software on a perceived basis.

So I think we've been through, call it a B2B or enterprise recession.

But the thing that's held up stronger than I think people might have expected over the past year has been the consumer.

Consumer spending has kept the economy afloat.

So the B2C part of the economy has been strong, whereas B2B has been very weak.

What I wonder about next is whether that's going to flip.

I wonder if the consumer is on their last legs here.

You see that credit card debt is at a all-time high.

Interest payments on credit card debt, all-time high.

Mortgages, the rate now is approaching 8%.

So no one can afford to sell their house, which has a 3% mortgage, and then buy a new one at 8%.

So real estate transactions have cratered.

The commercial real estate industry is on its last legs.

I think they're starting to throw the keys back to the bank and start forfeiting buildings because they can't refi an attractive rate.

So I just wonder if the consumer now is

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about to go through the type of pain and restructuring of their personal balance sheets the way that the enterprise segment of the economy did over the past year.

Freeberg, your thoughts on what we're seeing here in terms of the IPO window, companies getting out, and the impact that'll have maybe on how limited partners look at venture funds.

That's been frozen for 18 months, limited partners, and I'm raising a fund right now publicly under 506C so I can talk about it.

And it's going great, but man, it's a lot of meetings and I'd say two thirds of the meetings I'm having, people are saying we're not adding managers, we're cutting managers, and we're cutting commitments to managers, but we'd love to meet just to start the relationship.

So what do you think this means overall for the limited partner GPs and the startup market?

Start of a turnaround or maybe just sideways for more.

I guess we should just put the volume in context if you look at the slide.

This is from Ernst & Young showing the IPO activity by year, and this was through June 30th.

So if you assume kind of a steady state, you probably are going to come in at a volume that's less than 22 and perhaps even less than going back all the way to 2019 with less than 1200 IPOs during the year compared to the peak of 2400 which happened in 2021.

And if you go to the next slide and just look at the total dollar volume raised, so the IPO proceeds thus far through June 30th of this year is just around 60 billion.

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Compare that to a total of about 180 billion all of last year, 450 billion in 2021.

And the IPOs we're talking about today, Instacart, Clavio, ARM, in total raised about five and a half billion dollars. So that kind of doesn't have a huge consequence on this dollar volume for the year.

And then if you look at what's in the pipeline right now in terms of what's publicly filed as S1s, there's basically nothing right now.

So I think everyone's kind of sitting around waiting to see how these transactions go before they decide to put other stuff.

I think the big mistake is that we continue to treat IPOs as this big yard stick.

The real yard stick for a business is the performance of the business.

And the valuation you get when you raise capital at some point in time is largely driven by market conditions, not necessarily by the performance of the business and the value of the business over time, the market will do its job and rightly value that company. We've talked at length about how much value has accrued as a public company for Apple, for Microsoft, for Google, 99.9% of their total market value was realized post-IPO.

So the IPO transaction, I think it's a little too much weight and gets a little too much attention in terms of determining success or failure of a business and success or failure of the investors in that business.

So I really hate this whole thing about does the IPO price go up on a day.

It's this really weirdly engineered

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thing that they try and do to drive psychology and marketing by banks to go out and the banks to try and get people to give them more capital or to give them more deals in the future.

Do you think that the IPO market would be better served if banks were forced to be locked or the the allocations were forced to be six-month lock like the employees? Of course.

Maybe longer, what if they were locked for 70 years? What do you think?

Well, where would the float come from on day one?

Well, why do you need a float?

Yeah, I mean, that's a good point. I believe the direct listing should be the way that you do this and then you do a follow-on offering once your shares are created. The problem with the direct listing as I've found as a seller because I went through a handful of direct listings. I went through Slack and I went through Coinbase.

Coinbase, right? Yeah.

And in the Slack direct listing,

I only sold a small portion on day one and it turned out to be a mistake.

And the reason was because the pricing of a direct listing forces you to find the absolute highest price at the open.

Now, we learned that so then going into the Coinbase IPO, what all the venture investors did was distributed literally the day before and the day of the direct listing so that you would get delivered your stock at the highest price so that you could sell.

I'm not sure that that serves anybody any better. You know what I mean?

Because then you get a lot of price volatility and the price just goes straight down. So I don't exactly know

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what the answer is. I suspect though that getting companies to float at least 15 to 20% and doing a better job of allocation so that you're right, David, removing the psychology of like it has to go up 100% on day one is success is the thing that actually catches these companies off guard. Now, we haven't even talked for a minute about whether any of us thinks the quality of Instacart and Clavio and ARM are good businesses. And this is part of it as well.

Exactly.

We just spent 15 or 20 minutes debating the stock price that is completely divorced from the reality of these businesses.

And that's a bunch of distraction that the banks create as well that is totally unnecessary.

I mean, what do you guys think about these businesses?

Yeah, let's double click on Instacart.

Hold on, let me just respond to the direct listing point. I just want to also point out Spotify went public via direct listing. The stock actually traded up after the direct listing.

It went down a little bit after, but it continued to trade up, you know, into the 2021 era.

And today it's trading at or above what it was trading at during the direct listing.

So can I tell you why though?

The performance of that business fundamentally drove interest from investors.

The thing with the Spotify IPO was that it was still a very new vehicle.

And so that direct listing was we were all learning as we went along.

And at the end of the day, there was



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one bank that kind of not cornered the market, but really became an expert on it. And they use Spotify as the example. So by the time Slack and then Coinbase came along, the playbook was so tight that everybody knew how to play the game. So I think a lot of the Spotify post-IPO behavior was a bunch of people figuring out what a direct listing meant. By the time that we actually DL'd Slack, and specifically when we DL'd Coinbase, the bank was so sophisticated in telling us, here's what's going to happen. Here's what you should do. What do you want to do? And obviously, we wanted to do the thing that maximized returns for our LPs. So I'm not sure that the Spotify example will ever repeat in a direct listing. I think that the Slack and Coinbase particularly will be the example going forward. You'll top tick day one, and then the thing will spear down, find a bottom, and then leave the... But why does it matter? Why does... Isn't it ultimately about finding the real market value for the company? Yeah, price is good with it. It doesn't matter that the price goes down or goes up, that ultimately the buyers that want to pay a certain price will step in and buy. And the folks that want to sell because they think the price is higher than their mark will want to sell. I agree with you. I do think that it's really about business fundamentals, but there's a lot of people that get caught up in the price as what the quality of the business is. Now, those people are maybe not the most sophisticated people in the world, but they make a lot of noise

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for not knowing what's going on.  
And so they can be a real distraction  
to a CEO trying to run a business.  
I remember in 2008,  
I think I've told you guys this story,  
it was like November of 2008,  
Expedia was trading down to seven bucks  
and I saw Dara at some event in March.  
Yeah, March and he said,  
Hey, our stocks at seven bucks,  
I can't believe it.  
I mean, like everyone should be buying our stock.  
And that was well off of the price  
that it had been trading at in 03, 04, 05.  
And sure enough, if you had bought that stock,  
you would have made 15X from there  
to where we sit today.  
And even more if you sold at the top take in 2021.  
So, you know, that's a good chart.  
So look at where Expedia was in March of 09,  
it was right around seven bucks.  
And I think that that was, for me,  
like the first example where I really understood  
that the price where the market trades a stock  
shouldn't matter as much as the fundamental value  
of the business if you're willing to be a long-term holder.  
If you're willing to say, you know what?  
And you're willing to do the work.  
And you're willing to do the work.  
Most people are not willing to do the work.  
They want to look at a price and then they want to imbue  
all of their own psychological desires into it  
versus what are the actual ones and zeros  
of a spreadsheet tell you?  
Yeah, but I'm like a pure efficient market guy.  
I feel like that, you know, whatever shares should be,  
people want to sell, they should be able to sell,  
whatever people want to buy should buy the market.  
And if the stock gets too cheap,  
there's plenty of capital out there to step in and buy the stock  
if they think that it's too cheap  
and the market will find itself.  
So let's do the underwriting of Instacart then.

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Were any of you guys investors in Instacart?

No.

Through any?

I am in a fund that's in Instacart from the seed round.

So I will do, I think, very well because of that.

Let's bleep that out.

Thank you.

That will be a yum yum for Jay Cal.

But let's just talk about revenue.

Yeah, but we'll actually take out,

when it trickles down all the way to you as an LP,

what's the real multiple?

I guess, you know, if you take out the carry, 25% or 30% less than what looks like to be, I'll tell you again.

Right, but you've got to pay back the whole fund first, so.

Yeah, that fund's been paid back many times over already.

So that will be...

Do you know what the multiple is on that fund for you?

Yeah, it was 8 million invested and...

No, that's their investment.

That's not your investment.

Yeah, what, if you look at your investment,

what multiple have you got back?

That investment's going to be 200X, 100 or 200X, somewhere around that range.

I will report back, but I think the seed round investors are going to be...

Okay, so hold on.

So you're saying 8 million will become 1.6 billion.

I think it's over a billion.

We can actually have a chart here.

Let's take a look at...

Let's assume it's a billion.

1.6 seems a little high.

Let's say a billion.

But let's say the fund was what, 5,600 million?

400 million.

So for the LP, it's like a 2X.

I'm just saying that, yeah, for the fund, it was 100X, but for the LP, it's a 2X.

I think that's a big difference, right?

The fund's already in the black.

So mitigating factor.

Okay, so it's two extra turns of your investment.

Meaning if it was a 4X, Jason, he's saying that it'll become a 6X.

Yeah, something like that, yeah.

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I mean, it's a good fund.  
I'm not disparaging it, but I just trying to put things in proportion.  
I think at this point, that fund's at 21X right now,  
something in that range.  
So it's a pretty great fund in terms of total.  
So it'll go to 23X.  
Something to that effect, yes.  
It's going to be pretty amazing.  
What else was in there?  
I think that was Instagram and WhatsApp were also in the fund,  
either before it or with it.  
So they were.  
That's a pretty good fund.  
There were two funds, I wouldn't say which firm this is, but 12 and 24X.  
I believe is the last time I checked in on this.  
WhatsApp was a monster.  
That was a really big acquisition.  
Well, everybody learned from WhatsApp, and shout out to the Sequoia team,  
Doug Leone, I think, and they did every round.  
Jim Goetz did that on you.  
They did every round.  
So it was an internal round for, I think, four rounds in a row.  
So they just made preemptive offers.  
The reason WhatsApp was a home run is because it was so capital efficient.  
They didn't burn that much.  
They didn't raise that much.  
So there's very little dilution for everybody.  
Whereas, and I think that's the problem with Instacart is,  
how many billions do they have to raise?  
Let's pull up this chart here.  
This is super telling to pull up who made money.  
And I think this shows you what happens in a SERP environment  
when people do not look at entry price.  
The Series C underwater, no, no, Series C, not underwater.  
Everybody from FON is kind of underwater, and everybody from the Series C  
is underwater compared to the S&P 500, to your part,  
Series F broke even.  
And then everybody who invested in 2020 and 2021 actually lost money.  
General Cados, DST, D1, T-Row, Fidelity, all the late-stage folks.  
Even Sequoia was in that late-stage, that Series I in 2021,  
when it was worth \$39 billion.  
But that whole environment, not only was it bad  
for all the late-stage investors who invested at too high a price,

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I would argue that it was bad for the companies and even their early-stage investors, because these companies got so inefficient. The dilution is ridiculous. It was their capital deployment. Yeah, the dilution was ridiculous. I also think you have to think about this in the context of what your alternative returns are. I think that we always look at these numbers, and we think we try to make judgments. But if you put yourself into the mindset of an investor, it's actually the alternative of what you could have gotten. And it's the spread between the two that's really important. So, Nick, do you want to just throw up this image that I just sent you? This is an example that I saw in Axios. I thought that this visualization, by the way, I want to try to use this visualization in the future, because it just paints a very clear picture. Oh, this is wonderful. Let's sports against this here. Well, what this picture shows is essentially, and this uses Instacart as an example, but you could use it for any company, but it just basically shows you at every point in which you could have invested money in Instacart. What would the equivalent return have been had you just invested that same amount of money in the S&P 500? And the difference between that is what you would call the alpha, right, because the S&P 500 is the beta, meaning it is what the market's going to do. It'll be up 10%, it'll be down 4%, whatever. And so by owning the market, you get that. If you decide to not own the market and make an explicit decision like owning Instacart, then you get a different return stream. And if you compare the two, you know how much better or worse you would have been. So what this chart shows, for example, is the Series F investor in 2018. If you had taken a dollar and put it into Instacart, it would have gotten 13%, but if you had put a dollar into the S&P 500, you would have gotten 68%.

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In the Series C in 2015,  
had you invested a dollar in Instacart,  
you would have made 153%,  
but the S&P would have returned 121%.  
The difference means that the Series C investor  
generated about 32% alpha.  
Now, then the decision you have to make  
is that 32% of incremental gain  
over the last seven years or eight years,  
was it worth it?  
Because you're not liquid.  
And because you have to then solve for illiquidity  
and other things.  
And this is the math that I think  
all of the LPs will be engaged in.  
They'll be doing these calculations.  
It just goes back to what Sax's point said,  
which is our business, frankly,  
did very well in moments where we had zero interest rates.  
Our business now, when prevailing rates are at 5% or 6%  
and you can own those things  
or you can own structured credit for 11% to 13%,  
our business unfortunately does not look so good.  
And when people do the calculations  
on what the true alpha venture capital is,  
they're going to come back with answers like this,  
which is it's not that great.  
And I do think it will impact  
how limited partners have an appetite  
to give all of us or you guys folks  
that are accepting LP checks more money  
because the alternative universe is more liquid,  
it's less volatile,  
and it has roughly the same amount of return.  
I can tell you what they're saying  
because I'm doing about a dozen LP meetings a week,  
and I've got 50 more on the calendar to the end of the year.  
So I'm going to hit 100 of these meetings.  
They're really saying two things.  
One, we want to go earlier,  
we don't want to go later, as that chart proves.  
They're suddenly fascinated with the seed in series A rounds,  
and they're looking for distinctly different strategies.

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They're looking for some sort of edge.  
So the first two questions are,  
how early are you getting in and securing  
a 10% position in this company?  
And then what's your edge?  
And literally the start of my pitch deck now,  
when I walk people through it is, I have two podcasts.  
One of them gets 50 million listens a year.  
The other one gets over 50 million listens a year.  
Those 100 million listens result in 20,000 applications.  
I have larger deal flow than anybody,  
with the only exception being Y Combinator.  
And that resonates with folks.  
But if you're somebody who's got a new fund  
and you're like, what's your edge?  
I go to some demo days, that's not an edge.  
You have to have a massive competitive edge  
and you have to be differentiated  
in some very credible, believable way.  
And they're telling me the same thing.  
They're cutting two funds out of their 20,  
and then they're cutting their commitments  
to the weaker ones of the other 18.  
I have a question for all of you guys.  
You had a wonderful question, which we never touched.  
Guys, what do you guys think about the ARM business model  
or the Clavio business model?  
Let's go to Instagram first.  
Have you guys had a chance to look at any of those companies  
and think about that?  
Yeah, let me tip the facts and then you guys respond.  
The revenue is up 15% year over year, 716 million.  
Ad revenue is 206 million.  
That's on pace to make up 28% of their revenue.  
This is just the last quarter.  
I'm talking about it right here.  
Ended June 30th, net income 114 million.  
They have 600,000 Instacart shoppers.  
Those are like the drivers.  
You can give them like door dashers or Uber drivers.  
7.7 million monthly active orders.  
The red flags is that their gross transaction volume,  
which is the value of all of the groceries in the bags, is flat.



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But ad revenue is growing.

This means ad revenue is just a massively larger percentage of the total revenue.

They think they can, you know, they're on track for 800 million in ad revenue.

So this is starting to look not like a e-commerce business, but more like an advertising business.

Sure, that's Freberg or Sachs on the actual car business.

Amazon, by the way, has that dynamic too now.

Have you seen the chart showing advertising on Amazon compared to the entire internet?

Yeah, it's huge.

And also Uber's blown past a billion, I believe.

Here's what we know.

We know that advertising multiples, broadly speaking, have contracted.

Right?

So I think that the market in general doesn't love that revenue quality because it's too levered to interest rates in the economy.

So when the economy does well, more companies advertise.

When the economy doesn't do well, companies advertise less.

That's number one.

And number two, the ones that can systematically drive advertising more broadly, the Facebooks and the Googles of the world tend to get an increasing share.

So advertising as a revenue stream, I think, is good and complimentary.

Unfortunately, the markets don't necessarily love it.

And then the second thing, generally speaking, for these businesses that drive huge GTVs, gross transaction values,

is I think most people, when they try to find what they're worth, are very sensitive to the take rate.

And what they typically do is they assume a falling take rate, which means what percentage of the transaction can you get.

And the reason why most people do that is that history has shown that these kinds of businesses cannot defend take rate for a very long period of time.

Whether it's for competitive pressure or whether it's because their suppliers actually develop more pricing power, take rate tends to decay.

So said in grocery land, I think it's because Walmart and Amazon will try to do it for much, much cheaper and or charge just be more aggressive in how much they want to keep,

which means it's less that you can maybe necessarily pass through.

I don't know the Instagram business at all, but if I were starting to look at it, that's where I would focus is what are the assumptions on take rate?

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And if the take rate is going up, it would be a little bit of a headscratcher.

I think that you have to model the health of the business with a declining take rate and growing share.

Yeah, I can actually build on that pretty easily, having spent a long time in the advertising market.

If this was very profitable advertising, Shamath, it would get a 25x multiple on earnings.

So let's take that 800 million, you put it at 400 million in profits.

Like if the other business didn't exist, so you have 400 million in profits of advertising times that by 20, you get 8 billion.

That's exactly their market cap.

So perhaps what you're saying is exactly what the market is actually penciling out Google, which obviously has a lot of other technologies.

I think a 28x PE and Facebook has crushed it on like a 35 PE, but these are much different scale and scale matters.

This is not one or two billion in a little extra revenue on top of your business.

That's the entirety, 90, 95% of their revenue.

I think what's working in favor of Instacart is that if you compare it to probably Uber and DoorDash or Airbnb at least, Airbnb dash, I'm going to guess that it looks pretty cheap.

Now, I think of all the three businesses, Dash probably has the biggest upside.

Quite just like, again, harm's length.

I don't know in any of these three stocks.

I'm just saying business model quality, Dash seems infinitely scalable.

Airbnb, I think probably has long-term issues would take because of this exact reason, could just competitive dynamics and pressure, regulatory capture.

You're seeing that in New York for Airbnb.

And then the question is, what is the business outside the United States look like for Instacart?

I don't know.

But if I had to figure out what to pay for, that's how I would try to break the problem down.

Saks, any of your thoughts on the actual business here or do you want to jump over to Klavia?

Yeah, I think Klavia is the really interesting one, at least from my standpoint, because it's a software business.

I think Jason Lemkin had the take here.

He said that Klavia's IPO will be the ultimate yardstick for SaaS in 23 and 24, top growth, top margins, top founders, going to cruise past \$1 billion in ARR.

Whatever multiple they end up trading at, you're almost certainly worth less.

I think it's trading at about 12 times forward revenue.

So just...

Revenue or ARR?

Last quarter, they did \$165 billion.

That's \$165 million, sir.

Yeah, so they're at \$650 million in ARR, growing 56%.

That's amazing.

Well, year over year, 51% over year.

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Year over year, so project that forward, they're probably going to be at \$1 billion in ARR next year, 119% in ARR, which is very good, especially considering that it's from SMBs.

Explain that to folks, yeah.

It's not revenue retention.

The way to think about that is, if you just look at your existing customers, going into next year, what percent of that subscription base is going to be there?

And if it was 80%, it would mean 20% of your customers are churning away.

If it's 119%, it means you have expansion from your customer base.

In other words, your customers are buying more, and there will be some who churn, but the ones who are expanding more, they make up for that.

And then they've been very capital efficient.

Apparently, they've only burned \$15 million today.

That does not mean they've only raised \$15 million.

They've raised several hundred million in various growth rounds, but they've still got that money in the bank.

So I assume they raised it as a cushion in case they missed their forecast or something like that.

Yeah, it seems like a pretty strong business.

But I think his point is right is that they're kind of the ceiling.

So I think founders still have maybe unrealistic expectations from the days when SaaS businesses were being valued at 100 times ARR.

Have you had this conversation, Saks, with folks coming in for funding who have great businesses or let's call them good-to-great businesses somewhere in that zone?

There are seven, eight, nine businesses.

But their valuations are way off.

And do you bring up, hey, here's what your company would be worth publicly.

This is what your last round is.

And then trying to negotiate in between those two numbers because

it does seem like founders are bringing that up proactively in some meetings with me.

They're actually aware of public comps now, and they're kind of admitting, hey, I get it kind of situation.

Yeah, I think founder expectations have adjusted on this.

Which is healthy.

When you're in a hot market, there's definitely a lot of sharing among founders of what's happening and where valuations are at.

And I think the same thing is probably happening in the down market as well.

So yeah, I think everyone's getting more realistic.

Just to finish on Klavier, I just want to give a shout out to Toby Luckey.

The best thing that I saw about that was that Shopify actually owns like 11% of this company, which I think if you look at the corporations, again, just doing an incredible job of building an ecosystem, not only does Toby support these companies, but Shopify ends up owning a huge non-trivial portion.

I think Shopify owns like 11% or 12% of Klavier.

I think with the sale of the Flexport deliver back to Flexport, they own 13% or 14% of it.

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I suspect they probably own a non-trivial share of Stripe.

It's incredible.

You're right.

And by the way, if you do some of the parts on Shopify, their cash and cash equivalents are only valued at like two or three billion.

So I feel like there's a ton of upside there just for free.

Again, I don't own it.

I haven't done the work, but I'm just saying it seems like he's a great Travis.

So I think that brings up a really interesting point, which is the only vulnerability or negative I think about Klavier's business is the fact that 70% of it is on Shopify.

So that's a platform dependency.

And whenever 70% of your business is on one platform, you always have to be afraid of getting the rug pulled out from under you.

By the way, that was PayPal's problem back in the day.

20 years ago, 70% of our business was on eBay.

eBay had a competitor who were constantly worried that they were going to pull the rug out from under us.

If we could have made a business deal with eBay, we would never have had to sell the company.

It would have been ideal.

I think Klavier was really smart creating alignment with Shopify by letting them invest, giving them equity, doing a rev share agreement.

And they would be smart to continue that rev share agreement into the future to take this risk off the table because investors do not like existential risk.

You could have a perfect business, but if there's some hard to quantify risk of the whole thing basically getting rug pulled, then how do you discount that?

David, as an investor, you look at that and you're like, okay, I then price this company as a function of Shopify?

That's a good point.

I mean, 70% of the business is Shopify.

The way I would look at it is I would price it as a SaaS business because Shopify is more of a transact.

Well, they're a transactional SaaS business.

Klavier is a superior SaaS business.

I'd price it as a SaaS business, but I would have to create some sort of discount for the chance that, you know, that, yeah.

Rightful discount.

Well, Shopify adds the features.

How do you figure that out?

That's a really complicated thing to figure out.

I agree.

But I think that Klavier mitigates the risks except they do this like rev share agreement.

It's a really savvy move for people who have insights into the market

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to own pieces of emerging companies and lock in that partnership.  
This was Emil Michael, a shout out at Uber and Travis did this with all of the grabs, DDs, et cetera.  
And then Dara just slowly sold those positions and they were incredible cash accretive to that stock and to running that business.  
Let's talk about Airtable for a second.  
This also trended on Twitter with the TweetStorm.  
If you don't know what Airtable is, it's kind of like...  
What is it?  
It's like Excel meets a database and it's more programmable.  
So if you wanted to have a bunch of data...  
Who uses it?  
A lot of small businesses use it.  
Medium-sized businesses and they use it to...  
Let's say instead of hiring somebody to build a database system...  
It's like Google Sheets on steroids.  
It's actually a really good product.  
It's a really sick product, yeah.  
I've seen it used like 10 different ways.  
Some people use it for tracking product feature requests and task lists.  
Some people use it for contact database.  
Some people use it for complex project management.  
It's super extensible, super easy to use and a great collaborative tool.  
It's like a spreadsheet for words instead of numbers.  
But you could also do numbers.  
With a lot of great features that you can do really dynamic things within the spreadsheet.  
Do you guys believe in this Swiss Army knife approach of building these kinds of things?  
Or do you believe that it's just cheaper and simpler to build best-in-class versions of each of those use cases, Friedberg, that you just mentioned?  
I think it allows certain businesses to have a very specific tunable version of what they need from call it a project management tool.  
So if you use a traditional project management tool, it may be too overbuilt or it may be too specific.  
Whereas this tool allows you to build something unique for your platform.  
So that's where I've seen a lot of teams use it instead of other tools like JIRA or whatever for tracking projects.  
Well, that's the point.  
I just wonder that you get these small, non-scalable use cases because then if a company is successful, don't they then just migrate to JIRA, for example?  
No, I do it a lot like spreadsheets.  
Basically, the reason people use spreadsheets for so many different things is because everyone's got their own representation of data

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and utilization of a spreadsheet.

And I think this is just an extension of that.

It's a cult.

Think about it as a more feature-rich spreadsheet tool.

I actually think that Chamois question is an excellent one.

I tweeted many years ago that the way I saw Excel was the long tail of use cases that hadn't moved into a dedicated SaaS app yet.

That's interesting, yeah.

And that the way that if you wanted to be a SaaS founder and you're trying to come up with ideas, find some really complicated Excel spreadsheet that's used across many different businesses.

And just figure out if you can move that into a SaaS app.

So for example, think about Carta.

Before Carta, people just use a spreadsheet for the cap table.

And every company had a cap table spreadsheet.

But they just move that into a specific SaaS app.

So I think there's a lot of that.

And all the spreadsheets, it's a visual representation of a database with some relational logic that you build into the cells of the spreadsheet.

And this pattern of breaking apart a major product was the playbook for Craigslist.

People looked at Craigslist and said, oh, there's couch surfing.

Make that Airbnb.

Oh, there's a ride-sharing.

I'm going to LA.

I have two extra seats.

That became like Uber.

So this playbook has a system.

It's a great visual of that too.

Where every category on Craigslist became its own dedicated marketplace.

Like five startups.

Yeah, yeah.

A test rabbit was one.

Well, you know, everybody uses free break.

Everybody uses a practice for something different.

It's interesting that it comes to you.

That's the one that comes first.

Craigslist was a huge dating product before dating apps came out.

It was.

Casual encounters or missed, what was it called?

Missed connections.

Missed connections.

Missed connections was hilarious to read.

It was like me, you, the number four train.

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I think the point though, the question that I was asking is exactly this, which is, you have these beefed up workflow things that happen in Excel.

But then eventually you go to these systems of record that are purpose built to solve the use case.

And if the use case is important enough, it just seems like that's what's happened.

I don't have a view because I've never used the product.

But I wonder whether part of this valuation reset doesn't reflect that dynamic.

It is a dynamic.

The two companies or yeah, two or three companies that represented best is there's a product called Coda, which is part wiki, part air table, part database, and it's programmable and notion.

And now people are making templates in notion and then they're adding things like project management.

So I asked my team to do project management for events and they tried base camp.

They were looking at a sauna and then somebody was like, you know what?

I just added it to notion is good enough.

It's not as good as those other two products, but it's good enough and we don't have to.

And the reason I didn't want to do it was not because we're cheap.

I don't want to spend money on another SaaS product.

We don't want to have to teach everybody a new SaaS product.

We don't have to want to do the logins for that.

So I think it is a natural tension and people are doing both trauma fill.

Some people like the best of breed, but you're also seeing it.

I don't know if you saw this past week's Slack added, I think during Dreamforce, the ability to give you an AI summary of everything you missed and then Zoom added AI summaries of calls.

So that feature that I guess Otter and some other people were doing, that feature is now built into Zoom.

You get a transcript from Zoom for free and now you get a summary of the call for free.

That is work that was done by somebody on the meeting, right?

Somebody was responsible for being the note taker.

Sometimes somebody was, so those are jobs that are gone.

And I think it speaks to the bigger economy.

I had the CEO of Kayak on this week and startups this week.

He'll come out next week.

He's really great.

And I asked him about hiring and the size of the company.

He said, I'm not hiring anybody in the next year or two, because all my developers are 30 or 40% better.

I got junior developers that are acting like senior developers.

I got senior developers who are turning into 10x developers.

We're not hiring.

We're just going to have increased margin.

So what happened to Airtable?



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Airtable had a massive valuation.

Here's the tweet storm that somebody from CB Insights, this guy in on.

I think I follow him.

Oh, so did something happen or nothing?

Well, they're most recently valued at \$11.7 billion in December, their 2021 series F.

His thesis, not only is Airtable worth less than \$11.7 billion,

it's likely worth less than the \$1.4 billion in funding it has raised to

free birds from bringing this point up over and over about the overfunding

and cash in is less than the valuation.

I think most, yeah, most of these unicorns are worth less than their total press stack.

And this is a good example.

I've just been through this week.

I went, I saw it as a company.

I was an investor and then I saw this happen.

Airtable on track to do.

Their big problem is, I mean, they're doing over \$100 million of ARR.

It's a great product and \$150 million of ARR, that's no small feat.

The problem is the growth rate, I think it's only 15%.

What do you do with the founder's tax?

Because this was my point earlier, is in these circumstances,

it's still a good business.

Investors are going to want to own these shares at some price.

Someone will buy new shares at some price.

But to do this transaction, given that the preference in the company,

which is effectively debt, is greater than the value of the company,

the founders and the employees get their ownership stakes wiped out.

So if you want to keep the employee, you know.

I think their only hope is to go public because that wipes out the press stack

and everyone basically just owns their percentage of the company.

If they don't go public and if the founder.

Why would a private investor do that?

Why would a preferred investor allow that to happen?

Well, this is going to be the huge tension on the board,

is that if you're a commonholder or if you're one of the early investors of the company,

you want to go public.

If you're a late-stage investor, you don't want to give up your preference.

But those late-stage people, Sachs, did not have blocker rights in many cases

because the market was so hot, they just put the money in without a blocker.

I mean, unless they had a ratchet into the IPO, but yeah.

Yeah, but in many cases, but that's not a universal truth, right?

In almost, in the majority of these cases,

the preferred shareholders do have significant representation on the board.

They do have the ability to influence whether or not the company is going to go public.



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And there's likely some middle ground that every company ends up having to meet at. Which is we're going to recap the company in a way that we're going to give some shares, newly issued shares to founders.

What we saw, we're going to have to resh.

Door-dash, they got dragged along.

Yeah, in Door-dash, I think they all just got dragged out.

They didn't have a choice.

My understanding of some of these late rounds during peak Zerp 2021, from talking to Bill Gurley, was people did not negotiate those rights.

So those rights, the blocker rights weren't available.

And if the majority of commons says we're going public, you're going public.

And that's the end of the story.

Here's the punchline to the air table.

If you look at the Ford price-to-sales multiple, 78x for an \$11.7 billion valuation at \$150 million ARR, and you compare it to the trailing price-to-sales multiples in the project management space, Mondays at 12x plus, Osana 6.6x and Smartsheets at just around 8x.

So it's a challenge.

Yeah, well, to Friedberg's point, one of the downsides of taking all this excessive capital at these ridiculous valuations is that it produces a dynamic in your boardroom where your board members are at war with each other.

The late-stage investors are going to be at war with the early-stage investors and the founders.

And who knows who comes out on top of that thing, but that's not healthy dynamic.

I don't know if you guys have, but I've got like so many anecdotes over the last couple of months on this exact scenario playing out.

And amalgamation of those, without talking about specific ones,

but you can make your amalgamation, what is the dynamic and how does it work itself out?

Investor invested a multi-billion-dollar valuation.

The company is now worth 20% of that valuation.

And the investors have more money in the company than it is worth.

And the company needs more cash.

They can't go public at this rate because the markets are shut down.

No one's going to buy new shares.

They can't raise cash by going public.

So they have to raise cash in the private markets.

So then the tough question is, okay, what's the value of the company?

In almost all of these cases, the CEO has been replaced.

Or with some professional CEO, so there's a new option pool created, equal to 10% to 15% of the company.

New options are issued and a round is done at a significant discount and there's a huge recap and a pay-to-play and all this other sort of stuff starts to play out that the original founders in the company get wiped out.

Most of the management team leaves because their options are now worthless.

And the investors who historically have been totally passive,

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late-stage investors have had to step in and try and take action in rebuilding a management team, which guess what?

They're not necessarily good at.

And so it ends up becoming this really nasty unwinding of the business because everyone thinks, oh, well, I deserve to get a fair deal because I put money in and I have a preference in this company.

Founders don't want to see their ownership go down from 20% to 2%.

They're like, why would I keep working for 2%?

I'm fully vested. I'm going to leave.

The management team is like, wait a second,

I'm getting offers left and right to go join other companies.

And so it's a real kind of nasty unwinding.

And I think that's the scary scenario that's likely going to play out.

Not all, but a good chunk of these companies that are still businesses, they have decent value to their business,

but they just raise too much capital relative to the valuation of the business today.

If you looked at it on a blank piece of paper,

these businesses look incredible at whatever the true valuation is today.

But if you have the psychological hindsight bias

of what the price was two years ago, you just can't see that truth.

Can't get it. Totally.

Can't get it.

And by the way, I will say-

And the structure, there's like legacy structure in the cap table from...

Yeah.

Meaning there's like this prep stack.

I will say that the terms are so crazy good for the recap

that investors are clawing their way into the recap round.

Well, that means, oh my gosh, I get this.

Nature markets are healing.

That means we're in the end game, right?

That's part of what's happening.

Part of what's happening is they bring in-

It's totally predatory.

It's totally predatory.

It's predatory, but that means they're going to be able to go public again.

I think that when there's a recap

and the founder is still running the company,

there's a chance of it being fair.

But when they bring in a new CEO who then does a recap...

Oh yeah, they don't care.

They don't care.

They don't care about their investors.

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They don't care.

Exactly.

And all these recaps turn into a disaster.

Yeah.

Well, it's recap or you're going to go out of business.

So, I mean, this is a forcing function and everybody party too hard.

I think it's time for everybody's favorite part of the show, which is to give Chamath his flowers.

Here we go.

Chamath the Fed spoke this week and it's time for Chamath to take his victory lap.

Here he goes, everybody.

Chamath.

Is this...

Polly Haas is here.

This is Vangelis.

Yes.

Vangelis doing chariots of fire.

This week, the Fed said to quote Chamath.

Well, this is...

Look, I paid in...

This is...

This is but...

Interest rates would stay higher for longer.

There he is.

There's Chamath leading the pack.

I sent my talking points from six months ago to my deeps, up to our friend, deepstate.

You can deep that out.

Deepstate sent the note and deepstate sent it to the Fed and the Fed just cut and pasted it into the...

Rates will stay higher for longer, Chamath.

You right on this?

Absolutely.

We don't care.

Who cares?

I don't think anyone understands what it is that Chamath said that he's taking the victory lap on.

Why don't you set that up, Jacob?

He said that rates will stay higher for longer and now he takes his victory lap.

All right.

Enough of this shenanigans.

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Chamath said rates will stay higher for longer.

The Fed said rates will stay higher for longer.

At the end.

Congratulations, Chamath.

You got it right.

Thanks.

Okay.

Well, that's actually talking about...

Every week, we're going to give our chariots of fire.

No.

Look, Chamath is receiving a medal.

Here he is.

What?

Chamath can give himself a medal in the grid chat.

This is Obama.

This is when Obama...

Who is Obama giving the medal to?

What's the real picture here?

It's Obama.

Is he giving it to Biden?

Giving the medal to Obama.

To Biden.

I think he's giving it to Biden.

He's giving it to him.

He thought it was so.

Yeah.

So, oh, Chamath giving a medal to Chamath.

So, I think what happened this week is actually pretty important

because I think the markets were really trying to force your own

Powell to start the cutting cycle.

And now they had to move the date at which they could expect cuts out by a year.

And I think that we're only starting to see the reverberations of that.

You're going to have to reprice a lot of risk assets.

So, if you put it all together, oil is creeping back up.

So, commodity prices essentially are trending up.

I don't think that's going to have a big impact on inflation because of the way that owner equivalent rents and core CPI is calculated because it's calculated on this six-month lag, this dumb nonsense of just how arcane our system works.

But that's going to spike down.

So, basically, the Fed's like saying, we know all of this is happening.

We're sitting on our hands.

But the problem is that if you add another 100 basis points to your discount rate for an unprofitable SaaS company, my gosh, guys, you're taking like another

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turn and a half of market cap out of the business.

Like, if you thought it was worth eight times, it's now worth six and a half, six times.

So, unfortunately, that's going to hurt everything that's not the top seven tech companies.

And everything else is just going to meander along for a much longer time.

So, it's really good for the magnificent seven.

I think it's really bad for everything else.

And we're going to be in a holding pattern for a while.

Crude oil is at, let's see, \$89 a barrel.

Yeah, it's getting back up there.

I told, remember this conversation, I told my CEOs, guys, let's get enough cash to last through the middle of 25.

Sure.

Remember, I was pretty clear about that to folks.

I mean, get to default alive.

But if you can't, please have enough money to the mid of 25.

I think that that was wrong.

I think now you got to be Q1 of 26 and maybe even mid-26.

So, now I have to go back to all these CEOs and redo an entire justification for why they need to cut even more people, cut even more expense, cut more burn.

I don't know where we're going to find another year of burn in most of these businesses.

So, I was wrong by at least a year, Jason, because of this.

I think I got the words right, but I got the timing wrong.

Yeah.

Just to further translate this.

Okay, so the markets right now are definitely taking a bath.

The growth stocks are off significantly.

Expect them to be off more.

Yeah, and the reason is because the market had started to price in rate cuts next year.

And now the Fed is saying that because inflation ticked up a little bit, it's not coming down as much.

We have higher energy prices.

We may not get those rate cuts.

I think the Fed still maintains that we'll get 50 basis points of rate cuts next year, but the market was pricing in more.

And I think people are starting to wonder if we'll even get the 50.

So, as a result of that, interest rates are going to stay higher longer, which means that risk capital will be less available.

So, valuations are going to go down, or at least they're not going to be racing back up like they used to.

When I was saying mid-25, sacks, that was because the forward curve started showing cuts in early-23.

You know what I mean?

So, I was like, okay, let's assume they're wrong by 18 months.

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It turns out that that initial data point in early-22,  
my God, we were wrong by three years.

Not a year and a half.

It's brutal.

And I think the X factor here is that we're running almost \$2 trillion deficits  
in peacetime.

Well, I mean, we're not in a direct war, we're in a proxy war, but in relative peacetime  
and in a relatively decent economy.

So, what happens if either of those things change, and what happens to long-term rates  
as all of these debt issuances have to get raised,  
as the Fed has to keep selling more treasuries to fund our deficit and debt  
at these higher rates?

Do long-term rates keep going up based on the debt financing needs of the federal government?  
And this is again where we made a huge mistake by politicizing this idea of  
raising money beyond 30 years.

We made that mistake under the Trump presidency because people reacted to Trump saying it,  
but it was the smartest thing we could have done to give our kids and our grandkids  
a reasonable economy.

And Friedberg has been right all along about just like our spending is just going up and  
up and up.

And now short-term rates are really high.

Maybe we'll have enough political will to just get out of the Fed's way,  
and the Fed can actually look at raising in durations past 30 years.

Because if you believe that we're going to start an aggressive cutting cycle at some point  
and you believe we'll get back to like a 2% terminal rate,  
you could theoretically justify 50, 60-year bonds at much lower than the 30-year,  
but I don't see it happening.

Here's a really good way to look at this.

There are prediction markets.

This one, Kalshi, is the one I use, KAALSHI.

Chances of a rate cut by May of 2024, 29% chance.

And these are people actually making bets on these things.

And so it has gotten pushed out.

And I guess 74% chance by the fourth quarter, third, fourth quarter of next year,  
people think there'll be a rate cut.

So we're a year away from a rate cut.

Everybody needs to just take that off the table, which means the translation for founders  
for GPs is performance has to go up.

You got to beat 5, 6, 7% or whatever people are going to get on those other instruments,  
corporate debt, you know, 10, 11, 12%.

You got a really hard bogey to beat here.

The alternative to that statement is that total capital has to go down  
in order for the capital remaining to have its return multiple increased,

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given that there's a generally set number of companies that are going to generally create a certain amount of value over the next couple of years.

And the way to create that value is?

So if that's true, well, I'm saying if there's a bunch of startups that are going to make \$100 billion of market value over the next five to seven years, you need to have less capital going into those companies in order for that capital to generate a higher return.

Which on your day-to-day basis means what?

Explain on a day-to-day basis.

On a day-to-day basis, it means there's going to be less companies that are going to get funded, but more importantly, there's going to be less LP money going into venture, and there's going to be less capital available to fund startups in aggregate by a significant amount.

Which means on a daily basis, you need to do more with less as a founder.

You need to delight customers with less resources, spend less money on marketing, send less money on teams.

And get to profitability.

You've got to be a stronger founder.

I'm seeing it across the board in the seed stage.

Two, three, four founders raising \$250 to \$1 million instead of raising \$3 to \$5.

I've got to be honest, Jekyll.

I thought it was much easier to say the sky was falling this time last year.

Sure.

Right now.

And I think that people are a little bit, again, exhausted about hearing this message constantly of like, cut more.

It's like, I think that they're exhausted.

And I see a lot of founders that are exhausted and giving up.

There's a lot of giving up.

They're like, they're like, I can't cut anymore.

And now I do think we have to go back to them and say, if we're doing our jobs, right?

Okay, even look, our now our strategic view was right.

But the timescale of our analysis was wrong.

And I think now you got a plan to mid 26.

I don't even know where to start to be honest with that conversation.

Actually, what I'm seeing is people are merging companies and M&As picking up because, hey, you got two companies doing \$5 million each, but they're burning \$2 million each a year, cut half the team, put one team with the other.

And I think you're going to just see some of that portfolio consolidation happen.

Go ahead, Sex.

I think one way to put it is that we've had a regime change.



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Those are the words that we've been using for a while.  
And specifically, we've gone from a regime of capital abundance to a regime of capital scarcity.  
And I think a lot of people are holding out hope that there's going to be a quick bounce back because we'd cut these interest rates and capital would start flowing again in a big way.  
And I think that the Fed here has dumped a bucket of cold water on the markets, basically saying, we're not bouncing back to capital abundance anytime soon.  
We're going to be in this environment of more capital scarcity.  
And that's what I think just founders and VCs now have to take into account is this shift could be permanent or it could last a while.  
Could last five, 10 years.  
Sure.  
We're seeing a lot of...  
And the big question I have is just, what do you guys think is going to happen to the consumer?  
Because I actually think that even though founders in many cases could cut more and they could have acted faster, I actually think that the B2B economy has taken its licks.  
I mean, for the last year, we've been in this software recession, companies have been sharpening their pencils.  
They've been cutting costs and getting more efficient.  
Yes, you could say maybe they haven't done enough, but the consumer has still been strong.  
But what is the consumer going to do now that credit card rates and interest payments are at all time highs?  
They're going to...  
They can't sell their house.  
No, here's what they're going to do.  
They're going to skip an iPhone cycle instead of going from 13 to 14 or 14 to 15.  
They're going to go 13 to 16, 14 to 17.  
They'll just skip, which I did for the first time.  
I don't need to skip it, but I was just like, this 13 is good enough.  
They're going to skip upgrading their car.  
You're going to keep your car for an extra two or three years.  
And if you were thinking about moving your house, you're going to say, you know what?  
I'm going to make this house work.  
We're going to put two of the kids in a room.  
I think you're 100% right.  
That's it.  
I think that's very well said.  
And the other side of it is that some of these industries where you have these large ticket purchases that drive consumer consumption, their backs are against the wall.  
Look at the automakers.



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The deals that the unions have proposed to the automakers will cause them from, I thought I saw an analysis of Ford where Ford would go, if you just did a pro forma and went back the last couple of years, they would have gone from like 30 billion of profits to minus 17 billion of losses. So that's a \$47 billion swing in the Ford P&L.

The only way they overcome that is with more expensive cars, which Jason, to your point, means that those cars are not going to get sold. I do think that you're going to just have a little bit of belt tightening in the consumer. I think this is interesting.

I think you're right that at the same time that the auto companies are facing what you'd expect to be reduced demand, because no one can afford a car payment at these higher interest rates, the unions are going on strike demanding...

Oh, I think this is existential.  
30% higher wages for a four-day work week.

How does this work?

Four-day work week.

I think that the labor deal is an existential risk.

To the unionized auto industry in America.

And I'm not opining on whether this deal should or should not happen.

I'm just making an observation.

If the deal as announced happens and you sensitize Stellantis, GM and Ford's P&L to these new terms, and then you compare that against non-unionized, highly automated organizations like Tesla and Rivian, it's going to be very difficult for the established auto industry to survive.

And then if you'd layer on top of it,

7, 8, 9% consumer lending rates for new cars, forget about it.

And yet the Fed forecast at the same meeting they were being hawkish about rates, they also said that they were expecting unemployment next year to be 4.1% down from their previous expectation of 4.5%, and they forecast that economic growth would be higher.

So I just don't understand how these countervailing forces aren't going to create so much stress in the economy that something breaks.

And these idiot unions, honestly, their timing is so dumb, whether it's the ones in Hollywood or this car strike, while they're shutting down their plans. It's great for Tesla.

I mean, it's giving Tesla the entire U.S. auto market.

Yeah, Tesla is lowering the price.

When I bought my Model Y long range, I think I paid 72 for it.

The old price on this chart says 66.

That car is now 53.

That's down 20%. A \$13,000, I'll say, is the Model Y long range,

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I think is the greatest vehicle ever made.

I paid 57, I think, for my Model Y long range.

Oh, no, no, I think, sorry, I paid 57.

I paid this price for the Model Y performance, the best car.

And yeah, that'll be a \$40,000 car in the next three years.

Well, you know, and I looked at it, and speaking of austerity measures,

I was like, I have a Model X, do I get another Model X?

I think I'll just go with the Model Y, because the Model X is 50% more, and I just prefer the Model Y.

I think this labor deal is going to put tremendous pressure on these established auto OEMs.

China is now the world's largest exporter, from what I understand, that just happened.

They work, I looked it up, 58 to 64 hours a week, factory workers.

The U.S. factory workers want to work 32 hours a week, they want a four day work week.

I mean, I don't understand the timing of these unions.

I mean, they're just going to move these factories to Mexico or...

I think it's reasonable for the unions to ask for as much as possible on behalf of their members.

That's like obvious and good, because meaning if you're collecting fees from those folks, and you're doing a good job on their behalf, your job is to ask for as much as possible.

I get that.

Where I see the breakdown is that it just doesn't seem like there's enough numeracy between them, and the companies that they're negotiating against, to really sit down and look at what the impact of this is, because you may get a short-term labor deal that you can celebrate, but it may actually destroy that union member's pension.

Yes, it may destroy the company.

And this is my concern, is that then that has to get billed up by the U.S. taxpayer.

And once it happens in one industry, it's going to be very difficult to actually not do it in other industries.

And the thing that needs to be understood is the risk that it puts on those kinds of tail outcomes.

And I think that that's not well discussed.

Nobody in the media is really talking about it.

They make it a moral issue of what is the CEO pay versus what is the ratio of the...

No multiple, yes.

And yeah, sure.

Right.

That's an important issue at some level.

But if you, for example, you have U.S. senators blathering on about how they'll wear a suit, not look like a homeless bum if this deal happens in that.

And it's like, well, that's not what you should be saying.

What you should be saying is, my team has done a financial analysis and here's what it shows.

Right.

And they're not saying that.

This is crazy.

What you're saying is that the negotiation and also the political dimension of this

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have become completely untethered from economic realities.

Yes.

They are negotiating in the review mirror.

They basically talked about whatever billions of dollars in profits the companies previously had during the SERP environment, during the heyday.

And yeah, it's just timing's off.

Just add it to the list of latent problems in this economy.

It just feels to me like something's about to break, but who knows?

I mean, if the...

Should your appliance actually, you keep bringing up like what happens with the consumer, I think they just slow their roll, you know, staycation instead of European vacation.

Remember what Larry Summers said at the summit?

He said that soft landings are like second marriages, the triumph of hope over experience.

Yes.

I mean, everyone's talking about a soft landing.

Everyone's banking on a soft landing, but soft landings are actually exceedingly rare.

When you have very fast rate tightening cycles,

it generally has a very predictable effect on the economy.

There's a lag, but the effect is very predictable, which is it causes recessions.

And then...

I would argue we've already been in a B2B recession.

We're starting to come out of that, but I think the consumer has been hit yet.

And maybe that has to do with all the stimulus they pushed through.

Yeah.

And that created some amount of cushion for the consumer.

But I just wonder if that cushion's run out now, we're about to enter a new phase.

And what all of these strikes you, if you overplay your handshamoth is automation.

So this happened in New York just over 10 years ago.

The fast food workers wanted, you know, I think it was 15, 20 bucks an hour.

Okay, seems reasonable.

And they replaced every cashier.

You go to McDonald's now, you're ordering on the app,

or you're ordering on a kiosk in the space.

And we have an investment in a company called Hello Meter.

What this company does is pretty simple.

They just study what's going on inside fast restaurants.

And then they just increase the speed at which people are getting served.

And they're crushing it.

Why?

People can't hire people.

There's not enough immigrants in the country anymore.

We have an anti-immigration thing going on here.

So unemployment's too low.

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And the salaries are too high.

It's not working.

A lot of restaurants are breaking because a \$30 or \$40 dishwasher is the difference between a restaurant being profitable or not.

All right, listen.

There's apparently some potential major breakthrough in autoimmune disease treatment with this new inverse vaccine.

Let's go to our science correspondent, the Sultan of Science himself for Science Corner.

Did Saxe draw?

Saxe just turns his camera off.

Clancy Saxe.

Wow.

Saxe's going to take a dump.

He'll be back.

Oh, he's back.

I'm here.

I'm here.

Geez, you wouldn't even let me get away with that.

Nope.

We were Zoom shaming you.

Do not leave.

You could have learned something, Saxe.

I just want to give you a shout out.

My super gut.

I just have my super gut chocolate.

So good.

I just got my super gut protein.

And the weight loss continues.

Health plastic.

My gut is so good.

There was a paper published in the journal Nature this week, which I thought was worth highlighting.

Saxe, you're going to be quizzed afterwards on exactly what I say during this and the implications for it.

We've all heard of and no folks that have autoimmune conditions, and some of us may suffer from them.

An autoimmune condition is when our immune system mounts an attack against a protein that exists in our body, that is natively part of our body.

Our immune system kind of mistakes that protein for being a foreign antigen.

So the term antigen refers to proteins that the immune system views as invading and it needs to go in and attack.

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So when the immune system messes up and it sees a protein in our body as being a foreign antigen and starts attacking it, you get these autoimmune conditions.

And autoimmune conditions, as you know, are very debilitating cost on the health system, on people's lives, the top 10 autoimmune diseases include lupus, rheumatoid arthritis, even type one diabetes, multiple sclerosis, irritable bowel, chogrens, Hashimoto's, thyroiditis.

These are all pretty in different ways damaging diseases.

So this team at University of Chicago in 2019 published a paper where they actually took an antigen and glycosylated it.

So basically attached some sugar molecules and carbohydrate molecules to it and presented it in the liver.

So they put it into the blood and it showed up in the liver and they were able to cause type one diabetes to not develop in an animal model that was supposed to get type one diabetes.

So they did an extension of that work and the team has gotten broader and they just published this week a much more substantive paper that highlights a pretty incredible technique that may potentially address a long list of autoimmune conditions.

So they take the antigen, the protein that is-

So are you saying, sorry, in the type one example, are you saying like the beta cells didn't get destroyed?

Like it just stopped everything on the time.

Yeah. So the immune system has a bunch of ways for self-regulating.

There are T cells in our body called T-reg cells or regulatory T cells.

Their job is to go find the T cells in the antibodies that are attacking our own protein.

That's their job.

And when they don't do their job, the antibodies and the T cells go and attack our own body.

So T-reg cells kind of when they're turned off, they're not doing their job.

So it turns out that when a protein is presented in the liver, in this particular part of the liver,

the immune system recognizes that protein as being a safe protein.

And there's a regulatory process that gets kicked off

that causes the immune system to start to see that protein as being safe.

It should not be attacked.

And T-reg cells start to develop.

And other systems start to develop

that tell the whole immune system, stop attacking this protein.

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This is a safe protein.

This is our body.

You should not be attacking this.

This is like friendly fire, right?

Like do not.

It's like friendly fire.

Do not attack this protein.

So what they did is they took several antigens, proteins, and glycosylated them,

meaning they put some molecules on them, put them in the blood just with an IV hookup.

They go into the liver.

And once they're in the liver, the immune system sees them and is like, whoa, these are totally safe now.

And they found, by analyzing all the different T-cells, the regulatory pathway that emerged, that caused the body to stop attacking that protein.

And they were able to end MS using this induced system in animals.

So basically, we have a known model for making multiple sclerosis show up in animals.

And they were able to stop MS in the animals by taking this particular protein that they use for MS and they put it in the liver, IV.

They did the same with an egg allergy and they did the same with several other antigens.

This represents a very novel and seemingly super impactful and powerful way to think about eliminating autoimmune disease going forward is that we can take the antigen

and we now know the antigen or the protein that causes almost all of these autoimmune conditions from thyroiditis to lupus to RA to MS.

And we can take that protein, glycosylated, put it in an IV, ends up in our liver, gets presented and our immune system realizes

I shouldn't be attacking this anymore and resolves it.

So it opens up a whole new category of therapeutic pathways for addressing all autoimmune conditions.

It's a totally new modality.

It's a very interesting approach.

It'll be studied more deeply.

Folks will take this paper

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and try and start to develop very specific therapeutics for very specific autoimmune conditions using this approach. And hopefully over the next couple of years, we see some of these things have success, gain traction and go to market. These autoimmune diseases are typically some combination of genetic and environmental. So this is not attacking them on that basis. It's attacking them in a different modality. You know, there's two ways that we address autoimmune conditions today. The first one is by presenting the antigen to the immune system before you develop autoimmunity. This is like, you know, when they give little bits of peanuts to kids and that's how you prevent peanut allergies. In most autoimmune conditions, we're past that point. The immune system has already developed T cells and antibodies to go and attack. So that doesn't work. The second way is immune suppression. And that's terrible. Globally suppressing, meaning on the whole body turning off the immune system is not healthy in a lot of ways. And that's the current, you know, kind of best-in-class way we address autoimmune conditions. So this is a new approach, which is we can actually re-regulate the immune system to not attack itself, to not attack our own proteins by introducing that protein with what's called glycosylation, getting it into the liver, and boom, this magic starts to happen. And we'll see what the side effects are as they start to try this on humans. We'll see what conditions are more effective than others. Sorry for the stupid basic question, but how is the, how is it different when we put these into,

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say, like you said,  
these were monkeys or chimpanzees?  
So how are their anuses different than your anus?  
What?  
Sorry.  
Anyway, let's keep going here.  
Great science corner.  
I'm laughing at how contorted that...  
You go, you punch it up.  
You and I do these workshops.  
I'm just workshopping it.  
Yeah, let me work on the punch up for that.  
Work on punching it up.  
We'll try to get a better your anus show.  
Anyway, it's super cool.  
Autoimmune conditions.  
The world's getting better.  
The terminology refers to an approach to a therapeutic,  
and this modality is a new modality.  
So it's a super exciting new kind of universe  
to be explored now  
on how we might be able to treat  
autoimmune conditions ranging from type 1 to type 2.  
Okay, let me try.  
Hold on.  
Yeah, good.  
Free bird.  
Hey, Saks, your thoughts on the science one.  
Free bird, what part of the body do you think  
is going to be most impacted by these discoveries?  
No.  
The immune system.  
No, no, no.  
That's not good.  
That's not good.  
Okay, let me try.  
Let me try.  
Let me try.  
Okay, here we go.  
You guys are just so dumb about science.  
Okay.  
All right, here we go.  
Okay, here we go.



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Free bird, I thought the only solution to MS was fecal transplantation through uranus.

Yeah, okay, here we go.

There's your winner.

There's your winner.

That's good.

Fecal transplant.

Because you kind of did a little misdirection there with the fecal transplant.

And then we came back to his anus.

That would be the way to get that done.

We're going to wrap here.

Thanks to everybody who came.

Brian Armstrong also did a great job.

Elon did a great job.

Thanks to everybody who showed up for us.

And if you want to watch all the talks,

all the talks are being released exclusively on YouTube and X.

So go to X and look at the all-in podcast Twitter handle.

And type all-in podcast on YouTube.

And you get to see all these talks available now.

And Ray from the unofficial all-in podcast meetups is doing a 150th meetup for the fans

in all different cities around the world.

So let's just do a Google search for that.

For the Sultan of Science and the world's greatest conference producer, the dictator in the arena, making it happen.

And four, when it paltrows.

Favorite bestie, David Sacks.

I am Neal, this is Chris Monterey.

We'll see you next time. Bye-bye.

Oh, man.

He should all just get a room and just have one big huge orgy because they're all just useless.

It's like this sexual tension that they just need to release somehow.

What?

You're a bee.

Bee.

What?

You're a bee.

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You're a bee.

Bee.

What?

You're a bee.

We need to get merchies.

I'm going all in.

I'm going all in.