

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers, and each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find Another Bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

I've got a six-bedroom house on a hillside in Spain overlooking Orange Groves, 10 minutes to the beach, and I could lose my job.

I could...

Still have that.

And I could work in a bar and I could live there.

I'm done.

Right.

My game of life was won.

I feel like I can rule the world, I know I could be what I want to, I put my all in it like no days off on a road, let's travel never looking back.

It's good to have you.

So you live in the Cayman Islands or something, right?

Is that where you are right now?

Yeah, I'm in my house, my beach house in Little Caymans today.

So I live between Great Cayman and Little Cayman.

And why are you in the Cayman Islands?

It's beautiful, and it's just a nice place to live.

I'm English, so I don't pay tax here either, which is also nice.

Yeah.

And we had a guy on the last episode that was...

He's in Puerto Rico, and he was just like, oh man, like, he's like, I can't believe you're living in California.

Like, he's like, you know, you have to keep the money you make.

And he just...

He was really laying into me about, you know, paying basically 50% tax, and I kept showing me the pool behind him and how he's like, I just sit there 20 days out of the month right by this pool because, you know, I don't have to work because I keep all my money from taxes.

And I was like, okay, all right, all right, I get your point.

I get your point.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

Yeah.

You just pay it to the supermarket here because everything's so fucking expensive.

Well, I lived expat my whole life, so like, yeah, I know what you mean, where you want to buy some product you're familiar with and you're paying like, you know, \$30 for a box of cereal.

And it's a bit strange, but you do it because you still kind of net out ahead.

But it is funny how that works.

I was going to ask you about, you know, I don't know how much we care about, you know, how much we want to basically go into the like, you know, sort of impending war that's going on and all this crazy stuff.

I wrote something in my newsletter today, which was like, there's a lot of tech VC that basically, you know, like overnight will become a geopolitical expert and pandemic with a minor in pandemics.

And like, you know, the next at the next thing they sort of feel like, you know, if you're smart in one area, that doesn't mean you sort of need to raise your hand and talk about the rest.

But the reason I wanted to bring it up with you is because you actually are kind of like a macro investor, right?

That's your, that's your domain of expertise.

And you've seen many cycles and many sort of news events and you tweeted something out that I thought was hilarious, which was like, you know, here's a thread on my advice to you about trading during, during, you know, like crisis or sort of like these global events.

And then, you know, the thread was one tweet, which was like, don't you're not going to have an head sort of, you know, doing arbitrage against headlines for CNN and Fox and all these other guys?

Like just don't kid yourself.

But can you kind of talk about that?

Like you've seen, you know, these different things you've been an investor throughout.

So talk about that a little bit more.

What is your kind of mindset around that?

My mindset around that is nobody has any clue about geopolitics.

So even at one point at a hedge fund, we hired the ex-prime minister of Israel to help us over the Iraq war.

And the, basically the information he gave us was useless.

And I've noticed it always, it's useless and the market moves up and down on headlines and generally it amounts to a lot of P and L pain if you try and trade it.

Best thing is, you know, stick with the, with the bigger outcomes.

If it's tied with the recession, it's different.

Those things can see one year, 18 month bear markets as a different thing.

These events tend to be short and sharp.

Right.

And so you, your career is kind of funny.

I was sort of tracking it and it's, so for those who don't know, you basically, you were

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

at Goldman, you started your own hedge fund and then similarly you retired, correct? You retired pretty young.

You retired at 36, but I mean, now you're, you have a company now, so you're not, you know, fully retired and kicked back, but no, I've got four jobs I'm doing right now.

So, right, but you did have a break in between, correct?

So like, I think it was 2004 when you, when you sort of retired from the hedge fund and it was like 2014 or something when you launched, you know, real vision.

So what was going on in between where you're doing nothing or you were doing other projects I just don't know about.

I was writing global macro investor, but that is a monthly publication.

So I don't know why all of you guys do weekly newsletters or daily newsletters.

That's hard work.

So I wrote monthly.

It's big.

It's like, well, it starts off at about 35 pages a month and then due to inflation, it gets to about 130 pages a month now, but I write it in a weekend.

So I was living in Spain, wrote one weekend a month, sure, I need to monitor markets and talk to people, but it was a part-time job.

So really what I'd done is kind of opted out of the rat race, moved to the Mediterranean coast of Spain.

I was growing fruit and vegetables in my garden and almonds and olives and all of that stuff, living the beach life in Spain on the side of a mountain in the middle of National Park, having a great life.

In the end, you must start missing intellectual capital, the people around you, because most of the people, most of the year around in a beach town in Spain, work in a bar or restaurant or they're in real estate, which is fine, but you feel very isolated when your world is global macro.

Totally.

So describe the moment because I think a lot of people listening to this, so just so you don't know how much you know about the podcast, but basically the podcast is usually me and Sam, he's not here because he's traveling, he's actually in Portugal right now.

We just sort of usually spit, we're both founders, both recently sold our companies in the last two years.

We started the podcast after we sold because that's when you have a bunch of time on your hands and it's usually just spitballing different kind of business opportunities, market opportunities. And so just stuff that we see, that we think could work or is interesting, but we're not going to go do it ourselves.

So this became our outlet to do that.

And so you get like, we have like, I don't know, like over a million downloads a month and what the people who listen, what they're doing is they typically are either like they want to start a business, but they don't and they have like a good paying job and they're looking, thinking about making a leap or they have their own business and this is like they're doing this while they're doing their chores and it's like, oh, I get to hang out with

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

my buddies who are shooting the shit about business because like, you know, we talk about the stuff that they want to talk about.

They just don't maybe have the friends around them that want to talk nerd out about business all the time.

And so we kind of had that same thing where you needed that intellectual sparring to feel good.

But the thing you mentioned, which was like, you know, you sort of won one game, you're doing well in one game, but you decided to exit the rat race.

What was that?

Did you have like a kind of come to Jesus moment?

Did you have like a, was that a long time coming?

How did that happen?

My meta narrative is the game is life itself.

The game is not money.

The game is quality of life and how you live it.

So that was always my objective.

So when I was on the tube in London at five, 15 in the morning to get my, get to my desk at Goldman before six, the reason I did it is because I knew that the next thing I wanted to do was go and live in the Mediterranean and wanted to have that quality of life.

You know, for me, a lot of people think of money as the primary objective.

I actually like houses, as you can tell from the house behind me, right?

Because this is where I live.

This is the quality of life.

This is my bank.

This is everything.

And so I like where I live and how I live.

That's why I live in the Cayman Islands.

That's why I lived in Spain.

They're beautiful places and I live a quality of life.

So that has always been my journey.

But what I want to do is I always take steps towards the end game.

I kind of live in the future always in everything that I do.

So I always have a vision of my future self or whether that's future state of financial markets where I think it's going, whatever it may be, I'm always well ahead.

And so I then can look, it's much easier to live in the future and look back and say, how do I get here?

Then stand here today and go, I want to go forward.

It's kind of weird.

It's a psychology thing.

And so I had realized that the Mediterranean was this life.

And I was my ex-girlfriend when I was at university, her mother lived in Mallorca in Spain.

And I was there in Mallorca one point and we were on this small beach eating grilled sardines.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

There was this perfect Mediterranean scene, right?

Grilled sardines.

Somebody's making a big oil drum on the beach.

You've got a cold beer, some grilled sardines.

And on this little mini peninsula, there's a bunch of pine trees and palm trees.

And there's this long table of like 30 people, 25 people of different age groups, parents, kids, grandparents, eating paella, the Spanish national dish on this Sunday, drinking wine, laughing.

And I'm like, that is quality of life.

And so I kept that in my mind.

And so I kind of facilitated it to happen that I would move to Spain.

And I did it in steps as well.

So I did it in the step that I was speaking to my father, I was having dinner with him and he's like, and I was just chatting over a few glasses of wine.

I was like, you know, I'd love to buy a house in Spain at some point.

And he said, you know, I've got a friend selling a house in Spain, a random thing.

So I said, sure, well, let me know.

So he sent, he, this isn't the day of facts is, is like 1998 or something.

He sends me a fax of this six bedroom house on a hillside in Spain.

I'm like, that's great, dad.

How the hell am I supposed to afford it?

He's like, I was 30 years old, I was working at Goldman.

He's like, well, I don't know how much it is.

So he came back and said it was 150,000 pounds, which at the time was like 250,000 US, 200,000 US.

And I just had a bonus and I thought, well, I can actually buy that in cash.

And I did.

Right.

And it was game changing.

I had a mortgage in London, everything else was game changing because now I'd won the entire game.

I've got a six bedroom house on a hillside in Spain, overlooking orange groves, 10 minutes to the beach.

And I could lose my job.

I could still have that.

And I could work in a bar and I could live there.

I'm done.

Right.

My game of life was won.

So that, that was the marker stone to allow me to take more risks to do the next thing.

And so that's how I've always done these things.

And how do you get that vision?

So, so I'm the same way, but what I've noticed about myself is like every, I call them like

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

these chapters.

So it's like every sort of like five years is like a new chapter.

And what I've noticed if I go look back at the kind of last three chapters.

So I'm, I'm 30, about to be 34.

So basically, you know, three chapters, I've done three chapters now.

And each time it was sort of this like fortuitous bounce where I get in touch with somebody and they show me a glimpse into this lifestyle or this kind of like mode that they're in.

And then I just can't unsee it.

I'm like, why the hell am I not doing that?

Right.

It's your version of seeing people eating paella, drinking wine at a 30 person table, just enjoying life on the, by the water.

And you're like, that's the glance that that's the glimpse I needed to do it.

So is that how you also got your vision for the next, for the next kind of like chapter for you?

Yeah.

And so the next thing was not, so I'd been in Spain and I realized the thing I was missing was intellectual capital, even though my clients were the world's most famous hedge fund managers, you know, all of these super smart guys, but they weren't around me. They're all around the world.

And it was not as easy to get in touch.

Twitter wasn't really around, you know, there was less ways to be social online.

Podcasts didn't really exist.

Right.

And then I think I probably discovered Tim Ferriss.

And another friend of mine, Mark Hart, have gone down this journey of looking at Silicon Valley and entrepreneurship.

And that was the thing that I thought, okay, this is the next thing for me.

How can I, how can I take the entrepreneurial journey outside of, you know, setting up my own research business, which was a one man band, essentially, I wanted to take that entrepreneur's journey and push myself.

I wanted to see what I was capable of.

So that was the next, that was the next thing and give people a sense.

So you're at Goldman.

That's a good job.

What are you making back then?

You know, basically like, what was your kind of like, because I think for a lot of people, they're like, okay, some people feel trapped when they're, when they're making a high salary at a nice company, they feel trapped, they don't, they don't take those leaps.

And other people, they'll look at this and say, well, it's easy for you.

You probably were making a bunch of money at the time.

You know, so yeah, you could take these leaps of faith because you had kind of a safety net.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

But wait, wind the clock back, we're talking almost 20 years ago or something like that. You know, how were you doing financially then versus, you know, at those two steps kind of research firm in Goldman?

I've been really lucky, you know, I worked in the banking industry selling derivatives to hedge funds, right?

So these are the mega trend of finance, the mega trend of derivative and the mega trend of hedge funds.

So I, you know, I was doing pretty well, you know, at 30 years old.

I was earning more than the million dollars a year.

So but you managed to walk away from that, which is pretty impressive.

Yeah.

And I first went to a hedge fund, don't forget.

So I left Goldman went to hedge funds.

I took a risk.

But I used to argue with my boss every time he used to give me share options and restricted stock.

I'm like, thank you, it's worthless.

I'd rather have cash because how dare you, you should be proud to have equity in Goldman and that's why we can give you so much more compensation.

And he said, it's worthless.

He said, why do you say that?

I said, because it's not money I can spend.

So he got really pissed off with me.

And then when I finally quit to go to my biggest customer and the biggest customer of Goldman's equity, equity desk and entire equity floor in Europe, GLG partners, he then called me into his office and goes, well, you were dead right.

It was worthless.

He said, so I lost all, I managed to cash in some of it, but I lost millions of dollars to make that move.

But I wanted to make that move because I wanted to see whether I could, if I could run money myself and be a macro investor because it was another chapter that I wanted to pursue for my own goals.

All right, a quick message from our sponsor.

You know, I was thinking about the shortest day of the year earlier.

And while we technically have the same amount of time as every other day of the year, the lack of daylight makes it feel so much shorter, which is exactly the same kind of feeling as working with disconnected tools.

Our work days, the same length as always.

But before you know it, we spent three hours just fixing something that was supposed to be automated.

Thankfully, HubSpot's all-in-one CRM platform can serve as a single source of truth for managing your customer relationships across marketing, sales, service operations with multiple hubs and over a thousand integrations and an easy to use interface.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

HubSpot lets you spend less time managing your software and more time connecting with their customers.

Learn how HubSpot can help you grow your business at HubSpot.com.

And then let's kind of fast forward till today.

So you came on my radar, I think I had seen Real Vision a few times, but I hadn't, I'm not from the financial, I'm from the Silicon Valley tech world, and you know, so we all kind of have our like media sources that we learn from based on whatever industry you care about, right?

And so I had seen it, but I hadn't really paid too much attention.

But I saw you start talking about crypto.

And this was, you, I didn't realize that you had actually started talking about crypto back in, I don't know, 2013, 2014, and I went back and I read your old kind of like memos and stuff that you know, put up screenshots about.

So you know, like you said, ahead of the curve, you have the receipts to prove it.

But I think it was 2019 or 2020 where you started becoming very vocal.

And then you made the big splash where you were like, I've moved some ridiculous part of your liquid net worth.

And I think it was, I think you might have said 50% out of one point, I thought you heard you say 90% into crypto, 100% into crypto.

And so that caught my attention and the attention of a bunch of other people.

And so, you know, I know you've talked about this before, but this is a new audience.

So give, you've kind of the origin story of how the mind virus of crypto kind of like, what were the steps where you went from like, curious to convinced?

What was that journey like for you where you put in 90% or 100% years?

My job is to live in the future, so I had gone, I had lived through the financial crisis and predicted it.

I had also lived through the European crisis and predicted it and had been in Europe and had to buy a generator and food and get cash out of the bank and keep it at home.

Right?

That's how close we were in Spain to losing our entire banking system.

And as a macro guy, I knew the issue was leverage.

And leverage had meant that we had a unique problem which was there's a layer of collateral and all of this debt is against the collateral.

And usually you've got like 30 claims on the same piece of collateral.

In fact, the average US Treasury has 32 claims on it or it did debt, may have more now.

So therefore, who owns what in an unraveling, you know, who's going to get screwed?

And the leverage was, you're talking about government or corporate, or where did you see this stockpile of leverage?

I look at total leverage, financial system leverage, government leverage, household leverage and private sector leverage.

Right?

So we're at 480% of GDP now, whatever the stupid number is, right?

It's ridiculous.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

But the problem is, is that's a lot of claims on the collateral.

So because not everything is collateral in the system, only some things are used as collateral.

When Lehman went bust, right, everyone's scrambling to find who owns what and, you know, that happens all the time.

So I started trying to start the world's safest bank with a bunch of family offices.

I thought, you know, we could set a bank that doesn't use leverage so then people can put assets there, their savings there and realize they're safe because it wasn't safe.

People in Cyprus had all of their money taken out by the government.

So I'm like, okay, I need to do something about this and I can do something about it.

So I started that journey and a friend of mine called Emile Woods, who was a subscriber to Globe Macro Investor, who was running a hedge fund at the time, an ex-Goldman guy, he said, you need to look at Bitcoin.

And I'd read a bit about Bitcoin, that's probably 2012.

And I wrote the first macro piece on Bitcoin, which is I think the thing you referred to, which is 2013.

I saw it and thought, okay, so we've got two things here.

One is this asset, Bitcoin, and that's a scarce asset in the digital world.

So that's probably interesting.

And second, we've got blockchain, which is a recorded ownership of everything.

Okay, well, that solves the entire financial system.

And this could be something useful for the financial system in itself as a new version of gold.

So I backed out that the fair value of Bitcoin with gold at 1300 using the kind of supply, stock to flow ratio done badly, I'm no statistician or econometrics expert, but I kind of backed it out so it was probably worth a million bucks.

And then how I like to look at things is, okay, what's the price now, \$200.

Let's assume probably rightly that Raoul is a total idiot.

So let's assume he's wrong by 90%.

So it's worth \$100,000 and it's at \$200.

That is the best single bet I've ever seen in my entire life.

So I bought it and I wrote about it and I held it all the way through till-

And when you say you bought it, that's like the first time I bought Bitcoin, I bought like, I don't know, \$1,000 of Bitcoin, right?

So I bought it means what?

Like you bought a tiny bit, you bought a medium amount or you went like you put a significant stake for yourself into it?

A decent enough amount.

And I sold it after a 10X.

So I've done well from it.

Sadly, I got divorced in the process, so I halved that.

So there was my tax that I don't pay in the Cayman Island, I chose a voluntary 50% tax.

So you know, it wasn't a life-changing bet, but it was a good bet.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

Now had I held it on to \$20,000 when it peaked, yeah, it would have been life-changing. So okay, so I've been in it, I got out, I was nervous about all of these forking wars and everything going on.

I'm like, don't understand this, let's wait and see.

And then I had talked about it a lot, analyzed it, been involved in it, but hadn't been investing it again until 2019, started to stick my toes in again, because the market had been selling off.

I was starting to get comfortable that yes, then we've got a recession coming, this is going to be a useful tool.

And then 2020 comes along and I was already positioned for a recession, but this opportunity was like, okay, if the central banks are going to print like crazy, then that's the opportunity.

So I bought a lot of Bitcoin at that point, I was long bonds, gold, dollars, Bitcoin.

And then over time, I started charting Bitcoin versus other assets, and I realized its dominance in performance was so extreme that it made no sense to own other assets, even with the fact that Bitcoin can be very volatile and have periods like now where it's down 50%, it's like it makes no sense to own anything else.

Now, I probably will take other bets here and there, but I think my core strategic, so I was Bitcoin first, then I started doing the work, I was on Twitter a lot, and people, if I were to ask anything about Ethereum, people would pile on to me, that makes me want to know more, so I stopped digging in.

Has the opposite reaction.

I knew what about Ethereum, but I started properly digging in, and I thought, this is really bloody interesting, the chart looks incredible, the chart versus Bitcoin looks incredible, this makes sense to me, so I started switching into Ethereum.

And when you say the chart looks incredible, so tell me what that means.

So I've, like I said, come from the tech world, we look at charts all the time, but they're always like users, revenue, things that sort of like are not based on any kind of speculation or human emotion, exactly.

So charts don't lie or they do, but unless you know what you're looking at.

So when you talk about charts, I've seen people do this all the time on Twitter where they're like, it's voodoo magic, they see a chart, then they draw this crazy shape, clearly this is doing a reverse cyclone pattern, and it's going to go all the way up.

And so are you one of those guys where you actually do the technical analysis and you say, no, the price chart is what I'm looking at, or are you looking at other charts?

Both.

So, and I'll come on to that.

So price chart, I think is the best guide of what the asset is doing, what its trend is, how people are perceiving it, and where it is versus what you might perceive as fair value.

So, you notice certain characteristics, like crypto tends to be exponential in price.

So you put on the logarithmic chart, it starts to make sense.

You look at things like copper and lumber, they tend to be mean reverting assets because they get met by excess supply, with high prices lead to excess supply.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

So right now with oil at 100 bucks, everybody wants to make as much oil as possible, so the price comes down over time.

It doesn't happen with crypto because you can't.

So you need to understand the structure of markets, where the sentiment is, is it overly bearish?

Like a day like today, it got overly bearish.

And so suddenly you start to see a reversal.

So these kind of things are interesting.

But my big discovery and why I really started loading up on Ethereum was another chart, which was a understanding that Metcalfe's law was the primary driver of all crypto markets and in fact, almost all of the tech stocks that we've known today.

And once you realize that these are basically networks, and once you realize that crypto are networks where you actually own the network, so Facebook is a great network stock and it works perfectly on the log chart and it's an exponential, does all the things as you imagine, you can value it in Metcalfe's law terms.

But the fundamental difference is shareholders and network users are not aligned.

The shareholders make the money, the network users get the utility.

Along comes crypto, you marry the network user with the owner.

Okay, now you've got network effects upon network effects.

This is like behavioral economics, right?

Right.

Manifold heaven.

Religion meets Metcalfe's law, right?

It's like, yeah, now I'm tribal about the thing.

It's religion meets capitalism.

It's basically what it is.

Right?

So that is incredibly powerful.

So I start looking at the fact that Bitcoin and Ethereum charts just at different points when they, at the same point in the adoption cycle were remarkably similar.

And then it dawned on me as they're all the bloody same thing.

They're all about adoption.

So then, so if you look at it, and if you're honest with yourself, Ethereum, if you think about Metcalfe's law, it's about the number of users and then the kind of connections between the users and the applications built to create those connections.

Well, Bitcoin's kind of a one-sided one, which is a bunch of people own it as a store of value.

Like gold, nothing wrong with that.

But there's not many applications built in it.

When you look at Ethereum, it's like, holy shit.

I mean, this is like the internet.

Right.

And the moment is like, okay, this is far superior bet.

And so that's why I took that bet and then I eventually shifted majority into Ethereum

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

and then took other bets in the space to express macro views.

Yeah.

It's funny.

I have one-tenth of the intelligence of you, but I did the exact same pattern.

So I heard about it in 2013, bought a little bit dabbled, sold during when I went to a wedding and my aunt was telling me about how great Bitcoin in Ethereum was.

I was like, ah, it's probably a bubble 2017, 2018, sold for a nice profit, was patting myself on the back.

In retrospect, worst trade I ever made should have just held everything.

Started buying back in 2019 or 2020, I kind of announced that I had moved 25% of all my liquid net worth into the thing, but that was right before another run up.

And so that became quickly 50, 60% and peers and some people were telling you, you're crazy.

I'm sure you had the same.

And same thing.

Why are you betting on this?

Are you just kind of speculating?

And I said, no, basically I spent my whole career studying the power of network effects.

I'm trying to build marketplaces and social networks in Silicon Valley because I know that a network effect is the most powerful force imaginable.

And then I see this adoption chart of this new money network.

It's like, well, if the social network was worth X, and the information network was worth Y, and then the merchant network, which is basically Amazon, it was worth Z, then this thing is going to be, the money network is going to be worth a lot.

I can tell you that.

And so I was like, I didn't know much more than that, but I just knew, if you can bet early in a network effect that's still going through, it's kind of like an adoption curve, you'll do pretty well.

And so that was kind of my bet coming from a sort of a different take, but ended up at sort of the same conclusion.

And I remember being impressed that you were talking about network effects because I didn't really see a lot of people in kind of traditional finance talking about that at all.

And I was like, they're missing the point.

Really one of the first people to really start saying, unless you understand network effects, you don't understand what this is at all.

Because everyone's an anchoring in weird things.

Because people listening maybe don't know network effects.

So to find it, network effects just describes this phenomenon where let's just take a language.

If I'm the only person who speaks English, English is not very useful, same thing with a telephone system.

If I'm the only person with a telephone, it's not that useful.

But now another person gets a telephone or learns English, well, English just got more valuable.

And then the more people that learn English, the more valuable English is as a language.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

And so it's described as phenomenon that every participant that joins the network makes the whole network more valuable.

So it's like the opposite of like a popular nightclub where everybody who joins makes the thing sort of diminishes the popularity over time.

Network effects typically describe that it gets more valuable at a square basically as an exponential, not linear.

And then if you think about it in other terms is let's say let's say let's look at web three as a network and a network of engineers, engineering talent, right?

This is where it gets really interesting.

Why is it exponential is because there are parts when everybody's trying to hire web three talent, right?

We are every single person I know is, right?

And the actual pool of people who are capable of doing it is probably like a thousand.

And there are multi-millionaires who don't want jobs.

That's the point.

Is their salaries and the demand for them is exponential.

The demand for the network of those guys becomes exponential.

Over time, there'll be millions of trained people and it becomes the network effects.

The overall space is very valuable, but the opportunity, that ramp, that's the single most important interesting part of network effects.

Right.

And the fact that you can own a share of the network.

So even when the network flattens out and is now worth, I think, \$200 trillion for the digital asset space, it's currently \$2 trillion.

That's a hundred X in market cap.

That's huge.

We've never had anything like this before.

Right.

Like when the information network was getting built out, which is just the internet, and it was pretty clear, slowly but surely, people were adopting, they were getting online, and then stuff was getting built, stuff to do, and then everybody who was online made being online better because you could communicate with them or they might write a blog or whatever. The whole internet was getting better the more people joined.

That was a network effect, but you couldn't invest in the internet.

You couldn't just invest in generically the internet.

And so you had to pick certain platforms, and even then, let's say you believed in Amazon or eBay or whatever, you're only getting a slice of the total internet.

And even then, the average person could not invest.

And that, to me, it feels like NFTs right now.

We want to all get involved in NFTs.

You have no idea what's going to win.

I mean, you don't have the ability to go on every Discord, so it's bandwidth constrained.

We all are in this space.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

We know it's huge.

We all know it's huge.

We also know it's a bubble.

We also know tons of this is going to zero.

That's fit.

What's interesting about that...

So, only ETH gives you the action of NFTs.

That's the kind of, you know, that kind of makes sense, like owning Oracle did a pretty good job of capturing the internet.

Right.

And so, you've been now kind of following this, and so, what does a viewpoint you had about crypto that you've changed your mind on, or what you believe before, now you realize it's sort of wrong, and you think about it in different ways, or any...

Has there been anything as this kind of, you know, it's kind of like this rapidly evolving thing, you're sort of like defogging this like brand new world, you know?

So, you know, maybe some mental picture, some mental framework you had before hasn't really held up, and maybe something different has happened.

Can you think of an example of that?

Well, my views on Bitcoin changed significantly.

I don't think, you know, no less of it as an asset, but I thought about it in network terms and the community, and I thought the community is not attracting new people.

And the job of a network is to attract new participants.

And if the network was actively rejecting people, I thought it's going to end up a form, which was surprising to me because I was very bullish on Bitcoin first because I thought, look, it's going to have a larger place.

And what's happened is almost immediately, and it made me change my mind, is the institutions started going, well, I actually don't like this space.

And they started buying ETH.

And that was so that's that's new.

I haven't really heard that.

So tell me about because you're connected to all these folks, right?

Like, you know, they just fun guys, CIOs, whatever, you know, a bunch of different people in that world.

They don't want to own an asset where everyone's shouting, have fun, stay poor at each other and putting laser eyes, right, makes them look fucking stupid and irresponsible with their money.

Well, ETH feels like it's a technology play.

Yes, it's amusing because everyone's saying GM to each other and all of this stuff.

But it's not at war.

While Bitcoin was at war with every other network, because, you know, that's what networks do, you know, religions go to war with each other for the same reason, right?

They're exactly the same principles.

So you know, it's the same reason Russia and NATO, I mean, they're all the same.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

They're all networks fighting each other for the robustness of their own network.

I get it.

But that whole process of seeing institutions getting turned off by it was a big deal to me.

I just thought, yeah, I don't like this either.

So that was one thing.

I'm trying to think.

Well, on that point, you've seen a lot of news about institutions buying Bitcoin, whether it's Tesla or MicroStrategy or Square or, you know, some like, you know, a random insurance company buys \$100 million worth of Bitcoin.

So we've kind of heard those.

We hear less of that with ETH.

Is it just going on under the radar?

Is it coming?

What's your sense of that?

Because I haven't, I'm in this space and I haven't heard a ton.

It's happening below the radar because people keep coming to me saying, when's this wall of money?

I'm like, it doesn't come as a tidal wave.

It comes as a flow, right?

You don't see it until you look back and go, wow.

So I mean, I literally, every other day, I'm speaking to the world's largest financial institutions who put me in front of the investment committees and to talk them through crypto and how to invest.

And the narrative change, it really surprised me.

It was always Bitcoin, you know, can we put Bitcoin on our balance sheet?

How should we invest in Bitcoin?

What's the diversification?

Move very quick to look at Ethereum, feels like it's a technology play that makes sense with the applications.

We can't, we're interested in DeFi, et cetera.

Then it very quickly became, oh shit, how do we get involved in Web 3?

So it moved very fast, which is why in the end VC got most of the money.

Because they saw the broader opportunity.

They all came through the 2020 lens of Bitcoin is the asset and the Michael Saylor route and even me, you know, in the early part of 2020, a lot of people came in that.

And then like all of us, they kind of go, oh wow, okay, this is much bigger.

So you know, I've started a fund of hedge funds, which is investing in crypto hedge funds to allow institutions another way into the market because they don't really want to buy just Ethel Bitcoin.

They want exposure to this \$2 trillion asset class is going to go to \$200 trillion over the next 10, 12, 15 years, whatever the number is.

So hedge funds are pretty good for that because their job is to manage the exposure and to

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

capture this big move.

So you know, that's another way that it's coming in that people don't see.

You know, people, it's not all about the Bitcoin ETF.

I don't think that's going to move the needle as much.

It'll be positive only in a positive market.

Yeah.

Yeah.

The way you described it is like it's not one giant wall of money.

Like most things, it's not, you know, a single moment in time where it just goes from not here to here.

It's like a, it's more like a cascade of dominoes.

And every day you hear something, that's another domino that's tipping the next domino.

Each one influences the next one.

And then you sort of, once you tip it off, which has already happened, it just takes a matter of time until the whole domino set runs through and it's all, it's all done.

Yeah.

And I'm seeing institutions using this weakness and not being frightened by it.

So like, look, this is fantastic opportunity.

I need to use this.

I get it.

It's a volatile space.

They understand.

The people who are trying to put capital work understand.

But once the price starts going up again, then you'll see the stampede.

Right.

And if Bitcoin's at 65,000 or 70,000, then people say, okay, we've had a year-long correction.

It's now going up.

Next phase is going to go to 150,000.

And they'll be in.

And they'll be in and they'll be a mad panic because they've all been doing the work over the last year and a half.

So they'll be like, we've got to get in now, got to get in now.

Because if they don't, they miss the outperformance of their peers who've got it.

And what do you do with your, do you, like, put it into DeFi or you're earning interest or you yield from, you put it in a lock it away, you don't touch it?

Do you remember that story of the house in Spain?

Once you win something, you don't let somebody else take it away from you.

It's as simple as that.

Because if I was staking, I get, what, 5% yield or if I'm really clever and I mess around in deep DeFi, I'm getting like a 15% yield and then I get rugged or something goes wrong or it's on an exchange, it gets hacked.

I just, that's not the risk I want to take.

It's not worth it.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

If my expected future return is, you know, 10X, Y take, Y get a 5% yield.

It's nonsensical.

So I just don't do it.

Yeah, exactly.

It's basically Y take a, even if it's a small chance of multiplying the whole thing by zero, you know, that's not really the bet to make.

What I do is I take a very small percentage and I say, this is my learning budget.

Like, because I, you know, basically if I had done that with Bitcoin, I would have just sort of sat on my Bitcoin, never touched anything else.

And I said, well, no, actually it was quite useful to start playing in Ethereum fairly early on.

And similarly now playing in DeFi or NFTs, you take a learning budget and you say, look, this isn't the principle.

This isn't the one that's going to make all the money.

But this is also where I get, you know, continue to play the game and understand how this whole thing unfolds.

Yeah.

And I've, I've never been interested in yield, even in financial markets, all the old stuff is boring to me.

I'm a, I'm a guy who likes the capital game route and different people, right?

There's a whole bunch of people who love yield.

It's called carry in financial markets.

They want to get carry and others want to go for performance.

And they're two different equations and the carry guys do really, really well until they blow up and the guys like me tend to do mediocre, mediocre and then make huge things.

They're just different ways of skinning the cat.

Right.

So I spent my time because we don't have enough mental ability to focus on all the things in the space.

So I started going down a different rabbit hole.

I saw NFTs, I understood it mainly, not all of it.

I understood the, you know, the, the, the, the macro view of what these things are and how big this is.

I wasn't really that interested in these communities.

And give the, give the, uh, here's my understanding of NFTs because I think like you know, the, the third most Googled question is like, what is an NFT?

So, so, you know, even people who like hear about it, maybe even own a couple, but they don't have a great frame.

Um, and I think you're very good at framing things.

And so give us, give us your current frame of NFTs.

So Ethereum introduced a piece of magic in a smart contract.

A smart contract attached to a blockchain means that any contract in existence can now be attached to a blockchain.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

And smart contracts allowed an algorithm or a calculation to be made automatically and verified on the chain.

So that could be your insurance contract for your house.

It could be any of the contracts.

I mean, if you look around you, almost everything that we have in life is a contract, whether it's a spoken contract or written, me appearing on this together with you is a form of contract, right?

So all of these things are contractual relationships that are everywhere.

What this was saying is we can record all of them and verify all of them.

Okay.

So that's a really big concept beyond which most people understand.

And you can understand that, okay, if that's the case, then a house can go on a blockchain.

Yes.

Because the deeds and then you don't need a notary and then you don't need lawyers and there's all of this stuff.

Most legal stuff can actually go on this.

And then the breakthrough is that, okay, we've got another thing that's going on in digital world, which needs solving.

So this contract thing is a big deal.

We don't even know what this means yet, right?

When we talk in 10 years time, we'll go, oh my God, we didn't see that coming, right?

So that's all happening and defies that.

There's contractual obligations between borrowers and lenders.

It's all happening on chain.

But the average person is seeing is a different breakthrough that came out of this whole concept is in digital world, everything that gets digitized goes to zero in value or cost.

Everything, right?

The price of data, the price of everything is zero over time.

So that's a big problem if you're living in an increasingly digital world.

So how do you cement digital value is you have to introduce a system of scarcity.

When an NFT allows a digital asset to have scarcity, okay, breakthrough.

Now it could have come from the music industry, it could have come from a number of different places.

It ended up being the art market, okay.

And where you can say this stuff that was now was basically worthless online, I mean, Getty had bought a bunch of image rights, but to police it is really bloody hard as well.

So okay, now we can create a one-of-one of value or a number and do that.

So that becomes the value of an NFT.

The next part of an NFT that you say, okay, well, if we give a bunch of people these, we can now identify a community.

And then these people can be like-minded communities because they coalesce around an idea, which is this piece of art and this community, which is Baldate Yacht Club or CryptoPunks.

So that becomes incredibly valuable, it's a membership to a club and it's your identification.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

It's showing your Rolex and, you know, it's all of that stupid identifying tribal stuff that humans do endlessly and always have and always will.

So that's going on and it allows us, don't forget, the internet had taken us from our town's villages families, which is our social structure, and thrown us into a big shouting room from people all around the world with different views, right.

It's quite exhausting and we all wanted a place and what this is giving us is these little digital communities, sovereign states, villages, towns, cities, where we can now operate with civically-minded people within that and these tokens are the identifiers. Social tokens are the big thing, they're not, they've only just started, that's much bigger I think than even NFTs are, but let's start with this because this is a way of coalescing humans because humans like these kind of identification, system of shared values, that kind of stuff. So NFTs are a lot of things, that's why they're so big and again, that's just scratching the surface of what this is, it can also and will also be your digital identity online.

Right.

You said something about music and I saw you tweeting about music and kind of the future of music royalties or like how anybody can become an A&R, you know, a person now. What you kind of, what you're thinking there because I think that'll be fascinating to a lot of people because music is one of the, music like art is a great entry point for a lot of people whereas, you know, macro investing is deeper in.

Correct.

So what is the world's most vibrant communities?

It's sports and it's culture, that's fashion, brands, fashion brands more than any others. It's music, it's art, it's these things, right, culture.

The big unlock here is if you can tokenize communities, which is now the network owner is the same as the network user, remember that Facebook example.

Right.

So now we've got Popstar and Tokenholder, they're all now joined in the same network. So now every incentivize to grow the value of that network, you've now made culture and investment.

This was not possible.

You could take a cultural marker like an Adidas sneaker, but you weren't making money from Adidas, you had to buy the shares and there was no connection between the consumers.

There was no network of Adidas users.

Now you're about to create networks amongst these people.

So what is the value of LVMH, the fashion company, right?

With all of its kind of mega brands that people are passionate about, there are status symbols that humans like, we've just talked about, love these things.

So the same with music, right?

We're all tribal in music.

We love different music, we like different bands.

So to be part of that network, I could now be a 16-year-old kid and never have to have a job because I happen to get involved in the right, I'm good at finding the next Popstar.

If I buy their social tokens or I invest in their song IP on NFTs, right, I'm in business.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

So what this is creating as a system I think is universal basic equity, where culture is the investment.

They're not living in your and I world where they're building businesses and having to sell them and go through the entrepreneur's miserable journey, they don't have to do that. They do a different way, which is by using their human instincts about the communities they want to be part of and which networks are going to thrive.

And music is so powerful because it's human emotion and people, and it's a place in time. I remember I'm a huge music fan, you know, I identify music by its year, what I was doing, what it smelled like, what I heard, who I was hanging out with, I mean, everything, right? Music is one of those anchoring things.

So just the ability for musicians to now sell directly and have a direct relationship with their fans via social tokens and NFTs is literally a game changer.

I mean, there is no way on earth Snoop Dogg would have been able to sell something in small numbers and make \$50 million.

It's just not that big a star, because record labels, because 80% of all the economics of selling music gets taken by middlemen.

So he'd have to sell a huge sum to do that, or he'd have to go on tour.

And to make \$50 million, that's a big exhausting tour, you know, he's no spring chicken anymore. These things are, you know, the music industry economics got destroyed by middlemen and it made the artists have to work harder, take more risk with capital, which is like have to go on a massive tour, have to rent arenas and take these trucks.

This changes all of that dynamic and the metaverse changed at one stage further.

Yeah, like the artist had to create scarcity, which was basically come to my concert, there's only X tickets and that's how you can see me.

And then they also created status, which was take photos of yourself at this concert, post that online and that's a big part of the value that you're going to get out of coming to this thing.

And then now we have a digital version of that, which is.

And so when all these people spoke to each other, the fans, they'd have to go on a Facebook group and Facebook monetizes them.

Right.

Right.

And if they want to go on tour, they need to go on Facebook and Google and pay everybody.

But when you've got millions of token holders, you've sold out 50% of your tour, you've de-risked everything in minutes.

It's just it stops you having to use middlemen all the time.

And you talked about two different things, there's like the sort of like almost like the thousand true fans, you know, concept where basically an artist can drop something that's rare and exclusive or access to them or their fan club.

And it gives the whales, you know, something to go buy that they would, you know, they're actually willing to buy more than just a t-shirt.

Now you give them something worth buying.

And so that's that's one thing that you could do with it.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

But the other one is what you're talking about buying a stream, a part of the royalty rights, a part of the royalty stream.

And so that's where, you know, I remember, I don't know, I remember finding Macklemore, the artist when he had like, you know, whatever, 2000 fans.

And I was like, this guy's great.

And like, if I had actually been able to bet that this guy's great and therefore be a part of his community, he views me as a backer and true believer.

And I did.

I remember I kind of did a kickstarter with him or whatever.

He pre sold his album and I just gave him, you know, 30 bucks because yeah, go use this to help make your album, pay for some studio time.

But he didn't know me.

I didn't have a relationship and I had nothing to show for being right.

And and so now in this in a world like this, where the 16 year old kid can say, I think these guys are going to be great.

Their price is cheap right now and I could buy, you know, some of their future.

That's even more magic because that 16 year old kid, because he's now financially incentivized to grow the network and make that song a success, it's going to make 100 TikTok videos.

Yeah, exactly.

And if you multiply that by all of the token holders of those IP rights, they're all marketing free for you because they get paid in the upside.

It's genius.

So I mean, think about it like, you know, if you doubt what you just said, just think about, you know, who's Bitcoin CMO, who's who's the chief marketing officer there?

What's their ad budget?

And then how much publicity do they get?

Who's their PR person?

How much publicity do they get?

How much chatter?

You know, the ticker that's sitting on CNBC all day, showing the Bitcoin price, right?

Like all of this happened because you had a network of people incentivized to go shout to the world how great this thing is, you know, and people hate that about crypto.

Oh, there's just people shilling their thing.

Yes.

And that does get annoying.

And you know, you have to filter, you know, signal from noise.

But at the same time, you have to appreciate what that does.

It turns every, every believer into every society is the same.

So if we think of everything as the same, so let's assume Bitcoin is a social token, Ethereum is a social token, let's assume the US dollar is a social token, and let's assume that religion is a social status token, essentially.

So everybody goes the same way to increase the value of that thing.

So the US is like, we've got military might and we're the greatest nation.

[Transcript] My First Million / How Raoul Pal 10X-ed His Money with Crypto and Retired to the Beach

This is the free place and everybody can become a president, right?

That's their narrative.

Every country has a different narrative to drive its value system for its network because they all require incoming capital to support the network, including the church, which couldn't have survived without incoming capital.

So they get all these people out to go and tell the word of God, they then spread the dish around, take money in, it builds the church, it grows the network, they're all the same.

That's human rights.

The book Sapiens kind of goes through this a lot about how humans need to self-organize.

Yes, well said.

I think that's a perfect zoom out.

We can kind of even pause or stop there.

So where should people, so follow you on Twitter, you're Raul GMI.

You also have Real Vision and people should go sign up for that.

Yeah, I mean, look, if people are interested in crypto, really easy, I've set up an entire free crypto channel, which is realvisioncrypto.com, it's all the great and the good of the entire industry.

Everybody, every week I interview like who I think are the people I really want to pick the brains of and I go down all these journeys of social tokens and music and macro and all of this stuff.

So there's so much there and it's free, realvisioncrypto.com.

Awesome.

All right.

Thank you for coming on.

I appreciate it.

I really enjoyed it.

Thank you.

Thank you.