This feels like a rug pull.
Whenever you make a massive change in terms of pricing and how you price,
and this is why it's important to get pricing correct early in your startup.
If you change pricing, people can feel like you rug pulled them.
And to go from flat rate pricing to, you know, a percentage of revenue,
you're basically like becoming like the app store.
So now you're a tax.
Imagine if Airbnb charged $500 a year to put your apartment or your cottage
on Airbnb. And then they said, okay, you know what?
Forget about 500 a year, we just want, you know, 10% of every sale.
And you're like, wait a second, I'm doing $100,000.
That's $10,000.
That's 20 times more.
I can't afford that.
Whereas if they do it from the start, you'd be like, okay, that's the price.
They bring the extra customers, et cetera.
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Hey, everybody, welcome back to this week in startups.
It's a big news day.
We thought we would get a news program in because you all like to know what's going
on in my takes on the news.
And one of the first stories I saw, and I watched a video of this recently,
producer Nick is with us to read the news, is that Bill Ackman has a new kind of
SPAC, Special Purpose Acquisition Corporation, but he's calling it a SPAC.
Yeah, Bill Spachman is back.
So cue this up for us.
Obviously, everybody knows Bill Spachman is a hedge fund manager.
Yes. So Ackman actually raised the largest ever SPAC back in 2020.
It was called Pershing Square Tontine Holdings.
It was a four billion dollar vehicle.
The ticker was PSTH.
And if you remember, Jason, this was like peak crazy meme stock.
Like there were rumors going around that could it be striped?
Could it be SpaceX?
It wound up to be nobody.

He failed to find a deal.
And then he eventually returned the money to investors last year.
But as part of returning the money, investors got what was called a
tradeable right to participate in a future deal.
So Ackman gave this to investors and then said, I'm going to go to the SEC
and see if I could get a new kind of SPAC formula approved.
Got it. So he wasn't able to find a company.
He didn't want to leave those investors who I trusted in high and dry.
So he said, hey, let's give you the right to participate if I do this again.
And so he created this new conception instead of a SPAC, this spark.
So I guess what is the difference?
So how SPACs typically work is, you know, a promoter raises a SPAC.
It starts publicly trading as a shell company.
If retail investors trust the promoter, they can buy into the deal
or they can buy into the SPAC before the deal actually closes, before there is a deal.
If the deal closes, it's announced.
And then the new company releases what's called an investor presentation,
which is basically like an S1, but because the SPAC is technically a merger,
not a traditional IPO, those investor presentations can have like really
far reaching forward looking statements.
Right. So if a company goes public via IPO like Instacart,
you never would see 2026 or 2027 estimated expected revenue
in Instacart's S1. That's more like a venture pitch.
So you have to take it with a grain of salt.
They're, you know, the most creative, as my partner, Brian Alvi,
said the most creative, the most creative, the best tool for writing in Excel.
Yeah. Yeah. The best fiction is written in Excel, not Microsoft Word.
So and, you know, listen, Chamath did a bunch of SPACs as everybody knows.
And some of them did great or OK.
And then other ones didn't do so great.
These were, you know, really, I would qualify a lot of the SPACs that happened
as venture rounds of funding as opposed to, you know,
companies that maybe should be going public.
And the argument that was for this is to give people access
to earlier stage startups that are more risky, but have more reward.
And of course, with more reward comes more risk.
And so if you want to bet on a veto like Joby, the flying quadcopters
that humans are going to fly in, yeah, now is your chance.
You can just buy and sell it on the public market.
Of course, that can lead to, you know, people coming in and out of a stock every quarter.
And, you know, you're really investing in private companies for a decade.
So I think there was a bit of a mismatch and I think it was during Zerp.
So people were, you know, just going wild.

They were almost, I think the big problem with SPACs was they were too popular.
Yeah. And sometimes illiquidity is a feature, not a bug, right?
Correct. The fact that you couldn't sell Uber as an early investor,
the earliest investors could technically, but most of the investors
who were private market investors were not allowed to sell.
And so, you know, they had to hold on till the IPO, which means they
they got to value their shares at 60, 70, 80 billion dollars, which was great.
Yeah. So then anyway, the investor presentation would go out
and then a DSPAC process would begin.
The DSPAC would take four to six months, typically.
And once that was complete, the ticker would change from the SPAC ticker to the new company.
And then that company would just trade as if it were any other public company.
So fast forward to the present day.
The SEC just greenlit this spark, which is a special purpose acquisition rights company.
In this model, potential acquisitions are revealed to investors before they commit their funds.
So instead of blindly betting on the SPAC promoter, investors now have a choice
to engage with the deal or back out, and it's in the form of basically
it's a short term option to buy the stock at the same price that Ackman is paying.
Great. So you actually know, hey, we're going to be investing in Joby
or Virgin Galactic or desktop metal.
And so you can make a more thoughtful decision.
Exactly.
And how it works, Chamath or Ackman or Reed Hoffman from LinkedIn.
Yeah. So how it works in practice.
I'm just going to read directly from the press release.
Spark will shortly begin the distribution of 61 million spars, special purpose acquisition rights.
These are basically the short term option tickets.
Spark will not receive any proceeds as a result of the distribution
and will not raise capital from public investors until after Spark has entered
into a definitive agreement for its business combination.
Once spars become eligible to trade, they can be best understood as short term options
to purchase this common stock in the soon to be public company at the same price
at which affiliates of the Pershing Square funds are buying the stock in the company.
The spars will be available for trading for 20 business days,
at which time they can be exercised or they will expire worthless.
OK, so you have the right to them, but you don't have to take it.
So more optionality for the investor.
And it seems a little more complicated on the margins.
And then I guess the question is always, is the promoter, in this case,
Bill Ackman, in sync with the retail investors and so or the investors?
And it seems like they're slightly more in sync here, if I'm reading correctly,
because you can drop out if you don't like what they've picked.
Yes, drop out.

You could do in a SPAC too, right?
You could you could drop out, right?
You didn't have to make the commitment.
I'm not sure exactly.
It seems like this.
The benefit here is you know well in advance what the company is going to be.
Do you think that going back to illiquidity being a feature
that if a company goes public too early, some of the incentives
from the public market, depending on how interest rates are and just the state of things,
can be short term profits where that could actually hurt the long term prospects of business?
Once you're public, you're getting graded on a report card every 90 days.
And your team is you know basically geared up to do quarterly reports.
And so you need a business that has predictable revenue
and that has to say it's strong product market fit is an understatement.
It has to be an established product with an established customer base.
And you have the ability to improve that product, increase the sales of that product.
And of course, yeah, maybe launch new products as well.
But you're generally managing the growth of an existing product line.
So Google is managing the growth of search, Uber, of rides and eats.
And you know Apple, the sale of iPhones.
And of course they have other lines of businesses.
But generally you know you get an audience of investors
who and shareholders who understand your primary business, how it operates.
And if they see oh my god iPhones are not selling particularly well,
they can say you know what I want to leave this stock.
And that's where price discovery happens.
Is people are looking at the news, they're looking at the metrics every quarter
and deciding do I want to be in this or not.
And then that's you know really dangerous in terms of short-term thinking
for private market companies.
You wouldn't want people like Airbnb, Uber or Google or Apple on the early days
having to deal with the public making the stock go from $2 to $20 to $1 to $15.
Why the employees get distracted, right?
And the management gets distracted.
And then they might do unnatural acts.
And you don't want people doing unnatural acts.
All right, yeah so wish them luck with it.
And you know I don't know that we need to have too many of these vehicles out there.
But it seems like this has captured the imagination of people like Bill Ackman
and Shemath and other folks.
So you know it's another way to get public.
And I think a little bit of innovation here is great.
There was rumors that he wanted to take ex-public.

I saw that on a CNBC headline that that was one of the targets.
I'm not sure if that's correct.
And I don't know the size of this thing.
Did they mention the size?
It was originally a $4 billion vehicle.
Pershing Square can commit between $250 million to $3.5 billion as the anchor investor.
And they're targeting companies that are seeking to raise $1.5 billion minimum.
Okay, so yeah if you're going to raise $1.5 billion
and you were going to dilute 5% or 10% of the company,
that would imply 10 times that amount.
Let's say $15 billion company, $20 billion company.
I guess Twitter X would fall into that and many other companies.
So good luck with it.
I think it's particularly hard to be a publicly traded company.
And so hopefully this time around either they'll pick more established companies that have predictable revenue or maybe over time there could be more innovation here where people are, I don't know, more patient, but it just seems to me the ability to sell shares and human nature is human nature.
When things go down, you want to sell, right?
Or actually when things go down, people hold on sometimes too long.
And then people don't sell when things go up and book the profit.
They think it's just going to go to the moon.
So people really are their own worst enemies when it comes to these kind of decisions because they have this like sunken cost fallacy and they just hope and they hope and they hope that a company rebounds.
Whereas other people will look at a company in a very cutthroat way and compare it to other options they have.
In a private market, we don't have an option.
I can't take my shares in a private company and very easily liquidate them and then put them in another private company that I think is doing better.
You have to kind of stick with it, which is a feature.
Again, for the private markets, you want people thinking in a decade-long approach to building a business.
Why would a tier one stripe like company ever do a SPAC?
Is there any path for SPACs too?
Because that was the big complaint about them, right?
Was that they were always kind of giving out B, C tier inventory?
I guess if you could go faster, get to market quicker, maybe have less scrutiny on the business.
But then the scrutiny eventually comes.
Right, it's always going to come.
It's always going to come.
So yeah, I think it's maybe people just wanted to get out quickly, raise the money.
And it was a quick way to raise a growth round.

I think that's how a lot of people saw it.
This is a way to raise a growth round.
Endless entrepreneurs are super positive.
So the Joby founders were maybe like, couldn't clear market privately.
They thought the public would be a better investor.
They would get excited and stoked about this.
But the Joby stock has gone up and down.
And that was the one I didn't understand.
And some of my friends were involved in that.
Why would you want that company to be public?
Joby is better off as a private company, I think.
Ackman had an interesting quote too.
I was reading his announcement from 2020 when he was announced
that Pershing Square was going to give the money back.
And he said something like, when we raised this in 2020,
the IPO window was still so close for companies
that we thought SPACs would be a good way to get companies out.
And then what really hurt us was that IPOs in 2021 became so hot
that nobody wanted to SPAC anymore.
Yeah, you had just too many ways to get public.
Right. Yeah, there were just too many people going public.
There were too many options.
The market is not a logical, this one thing I've learned
is that the markets are not logical or predictable.
And so just build a great business.
Go public when you have predictable revenue.
That's my best advice.
Yeah, it's funny.
And if you want to bet on this category of company,
you really need to get used to the concept of losing 80% of your bets
and 90% of your bets go to zero.
That is not something that is in a retail investor's mind
when they're buying public equities.
Great.
When I see a startup that's got bad design,
it's hard for me to take it seriously in today's day and age.
Why?
Because having great design, having world-class design,
it's kind of table stakes today with consumers,
with employees, with partners, and of course with investors.
But design agencies, they're very, very expensive.
And there's a lot of back and forth to figure out what you want.
It's not for startups.

You can't spend a quarter million dollars,
a half million dollars getting some design agency to do your look and feel.
And it's hard for you to hire somebody full-time
because that's a full-time staff position.
So let me tell you about an amazing service.
It's called Catalog, a full-service design studio tailor-made for startups.
And Catalog does all of your branding.
They do UI and UX.
They'll do landing pages, pitch decks.
They'll do it all.
It's half the price of a typical design agency,
but they offer a full team, including a dedicated project manager
and a design director.
They've worked with hundreds of startups.
So if you have a problem, chances are they've already solved it.
You can stop and start back at any time it's a monthly subscription.
And Catalog will never waste your time.
They do three-day turnaround.
Okay, that's more than enough.
Stop wasting time.
Stop wasting money with all these expensive design firms
and unreliable freelancers who disappear.
What you want is fast three-day turnarounds
for a flat monthly fee with Catalog.
And you're going to get $1,200 off right now
at tricatalog.com slash twist.
That's $1,200 off at tricatalog.com slash twist.
What else is in the news, Nick?
So remember earlier this year you had Steve Huffman on from Reddit
after there was a massive moderator revolt
when Reddit changed its pricing structure
so that API calls were now going to be charged
on like a usage-based fee?
Yes.
And then some of the favorite Reddit apps
wouldn't be able to afford that.
And so people were upset that they had some habit
of using a third-party app to read Reddit,
take out advertising or whatever the features were of that app.
And yeah, this Twitter had the same issue
with people building apps that took out advertising, etc.
So yeah, I do remember.
Something similar is going on with Unity

or something similar has been going on with Unity
over the last month or so.
And actually just earlier this week,
the CEO, John Riccatello, stepped down
in the wake of a developer revolt
and he's been there for a while.
So just a quick fill in on Unity.
It was founded as a company called Over the Edge Entertainment
in 2004 in Copenhagen.
They rebranded to Unity a couple of years later.
They make a mobile games developer engine
where devs can build and run games.
Notable titles on Unity, Pokemon Go, Call of Duty Mobile,
Beat Saber among us.
So very, very popular mobile titles.
Sequoia led the Series A in 2009.
Great investment.
So up until last month,
the way that pricing worked on Unity was they had a free tier,
they had a $2,000 a year tier,
and they had a $5,000 a year tier.
So in September, Unity announced a new business model
where developers would be charged per game installation,
meaning more popular games would cost much, much more to operate.
And the proposed changes they were going to make
was basically with Unity's free plan,
developers would be charged $0.20 per installation
once their game hit thresholds of $200,000 downloads
and $200,000 in revenue.
And then developers that were paying $2,000 or $5,000 a year
for the pro plans would have to hit higher threshold
and would be charged lower fees.
And the new fee system would start at the beginning of 2024.
So three months from when they announced it in September.
Basically, they were attempting to transition
from flat subscription-based pricing to usage-based pricing.
Sure.
And then developers flipped out.
And so if you had, what were they going to charge?
Is that public what they were going to charge
for usage-based pricing?
I didn't see what the, like among us said,
they were going to leave the platform.

They didn't say what they would be paying,
but they said, basically, this is BS, we're leaving.
So I'm assuming it's a multiple of $5,000.
Yeah.
I mean, it sounds like their product is phenomenally underpriced
given that big games can be made on it.
I'm not sure you can charge people a different price
for a camera, one camera that records George Clooney
and one camera that records you and I.
And so I think for the creators, they look at Unity as a camera.
They look at it as a tool.
And if I can use this tool to make $1 million, $100,000,
or $100 million, why should I pay a different amount
for the hammer?
It doesn't make sense to them.
I understand their position.
And it's a pretty radical change.
And I guess the question is, what is the deal here?
And it says, instead of charging per installation,
Unity will now let developers choose for games
that are subject to the runtime fee,
we're giving a choice of either 2.5% revenue share
or the calculated amount based on the number
of new people engaging with your game each month.
And so they want to be attached.
That was actually in their update.
That was after people originally flipped out.
10 days later, they sent an update and they said,
listen, we're still going to go through with the changes.
But to try and subdue the developer outrage a little bit,
they said, here are some little updates
that might make you feel a little bit better, basically.
Yeah, so I think there are open source engines
and there are other options for folks.
So I think this feels like a rug pull.
Whenever you make a massive change in terms of pricing
and how you price, and this is why it's important
to get pricing correct early in your startup,
if you change pricing, people can feel like you rug pulled them.
And to go from flat rate pricing to a percentage of revenue,
you're basically becoming like the app store.
So now you're a tax.
And imagine if Airbnb charged $500 a year

to put your apartment or your cottage on Airbnb.
And then they said, okay, you know what,
forget about 500 a year, we just want 10% of every sale.
And you're like, wait a second, I'm doing $100,000.
That's $10,000. That's 20 times more.
I can't afford that.
Whereas if they do it from the start,
you'd be like, okay, that's the price.
They bring the extra customers, et cetera.
So this is just very hard to change pricing once it's set.
And they should have come up with some additional features.
I'm kind of surprised they didn't come up with a series
of additional features and make this a very slow change.
There is a corollary to this member, Adobe,
was charging $800 for-
All in, right?
Yeah, you could get the entire creative stack for 1200 or 800.
You got a bunch of CD-ROMs.
You would install all the Adobe Photoshop, et cetera,
on your machine, then you'd give it to a friend.
They would steal it.
They would have, if they were on the internet,
you know, the serial number wouldn't work.
You'd have to tell them to unplug from the internet
while they're using Photoshop.
There were all these games going on.
And then they just said, yeah, it's $25 a month.
Now that was a change that felt like it was cheaper, right?
And it was easier because you didn't have to come up
with an upfront payment.
And so here, I think that might be how they executed it.
It could have been the problem as well.
And I'm shocked that the CEO just left because of it.
But I think you have to float these positions too.
So they should have just made a new tier called Enterprise.
And they should have told, you know,
their top five game developers,
hey, we want to make an Enterprise thing.
We need to make more money.
Here's what we're thinking.
What's your feedback?
Would this be cool with you?
Would you try it out?

Here's what we were going to provide in value.
And I'm kind of shocked they didn't do that.
If in fact they didn't, maybe they did.
But you got to be very careful with pricing.
People get very upset.
Unity has never had a profitable quarter as a public company.
The stock's down more than 50% since going public in 2020.
It's most recent fiscal quarter.
Their revenue was up 80%.
You're over a year to $533 million,
but on $193 million in net losses.
And according to the New York Times,
about two-thirds of its revenue comes from its ad business
that allows games to insert ads in mobile.
If you ever played a mobile game
and you see like there's a 15-second ad,
two-thirds of that of Unity's revenue comes from advertising
and it has to give 30% of that that's on iOS back to Apple.
So do you think that kind of caused this pricing change there
if they're trying to increase margins?
They obviously want to extract more money from the developers
and they want to do it from the people who have large games.
And it's not an unreasonable position.
But again, you know, when you change things,
after a long period of time,
people have a hard time getting used to the new model.
People used to buy cars, then they started leasing them.
That caused decades of people trying to understand
what the difference between car payments
and leases were, et cetera, right?
So this is just the nature of the beast.
This is how people screw up businesses
is by not being thoughtful about the changing of prices.
That seems to me what has occurred here.
They should have been just more thoughtful
about how they did it.
Yeah.
When a community becomes so large
that it's almost like unruly
and that the entity actually can't control it,
is that like a existential danger for a business?
Or do you think that unity has such lock-in
that it's not that big of a deal?

Yeah, I don't know what the options are,
but if you do try to extract too much,
you will create other options.
So if the take rate becomes too great,
people do look for other options.
And you know, if you look at something like Salesforce,
right, really great product, but it's expensive,
I got pitched a number of times
for sales management software, CRM software,
that was lower priced.
And that was the go-to market strategy.
So there's always an option
to lower the price of Google Docs, right,
and Gmail was, and that whole Google Office suite
was a way to make Microsoft Office cheaper.
So you can look at somebody's margin and lower it.
So yeah, it's really tough to change pricing as you go,
and you got to get it right from the start.
And you know, listen,
if you're going to add some new clever way,
like another clever pricing model with surge pricing,
you're going to have to explain it to people
over and over again.
People were used to paying more for flights
if they bought them at the last minute.
It took decades for people to understand that.
That, you know, if they bought last minute,
it was going to cost twice as much,
and it's frustrating, and people change their behavior.
The people will just not take the trip,
they'll drive, or they'll pick a destination
where the ticket price is lower,
or they'll plan ahead.
So people now plan ahead, right?
You don't expect to go, you know, and book,
you don't expect to book flights at the last minute
at Christmas or Thanksgiving and get a deal.
Yeah, we'll get an Uber at, you know, midnight,
or 1 a.m. on New Year's Eve.
Exactly.
And so Uber had to explain surge pricing to people.
So you just have to be really thoughtful pricing.
It takes a massive amount of communication,

but it looks like they're not going to back down completely here.
Some concessions, but yeah, they said we're going through with this.
Yeah, I mean, if they say any game that makes under a million
in 12 months will not be subjective to the fee,
that feels like they'll keep the majority of developers.
And so all they have to do is have it be tiered.
And I think people, if they get value from it,
we'll never have a problem with it,
but they will have to adjust.
And so how you communicate this is critically important.
It doesn't seem like they did a great job doing that.
Imagine this, you got an idea for a tech startup.
You're going to change the world.
I know it, but you got a problem.
You don't have any engineers.
Engineers, hard to come by.
They're very busy.
They got jobs backed up.
Well, you need to find great engineers.
You need to find them quickly.
And you need to reduce your burn rate, right?
Because you can't be spending like a drunken sailor.
You have a limited amount of resources as a startup.
Now imagine there was a partner out there waiting to help you
who had a thousand on-demand developers
and they were vetted, experienced, results-oriented,
and passionate about helping your startup grow.
And what if they charge competitive rates,
you know, reasonable rates?
Does this sound too good to be true?
Well, you need to head to lemon.io right now.
Startups choose lemon.io because they only offer
hand-picked developers with three or more years of experience
with strong portfolios.
And if anything goes wrong, lemon.io
will replace your developer as soon as possible.
A bunch of launch founders have worked with lemon.io.
They've had great experiences.
So here's the call to action.
Super easy.
To learn more, go to lemon.io slash twist
to find your perfect developer or tech team
in 48 hours or less.

And twist listeners get 15% off the first four weeks.
What a deal.
So stop burning money, hire a developer smarter,
and visit lemon.io slash twist.
Easy peasy.
Lemon squeezy at lemon.io slash twist.
I have a search pricing question for you if you're up for it.
In its last quarterly earnings, I believe Lyft mentioned
that it was looking at actually getting rid of search pricing
to boost its rider numbers.
And I think last quarter, Lyft's revenue per rider
decreased about 5% quarter over quarter.
It's a really stupid idea.
You think so?
You have to understand a competitive landscape.
The drivers want to maximize their earning potential.
If you want to drive on a Friday or Saturday night,
you have to deal with drunk passengers who might, you know,
puke in your car or might be obnoxious.
And you have to give up your Friday and Saturday night
with your family, your loved ones.
And so in order to get people to give up their Friday
and Saturday night to drive Uber,
you need to incentivize them or Lyft.
If Lyft takes that out, you know what's going to happen
on a Friday night?
The Lyft wait time, yeah, Lyft might only cost $20
instead of $30, but you're not going to be able to get a ride
where it's going to say 10 minutes.
And then Uber is going to say two minutes
and it's going to be $30.
You know, most people are going to make the choice
that their time is worth more than the money.
And you might just not even get a car.
I'm here in New York doing some meetings
and I've been testing this REVEL, R-E-V-E-L,
which is all Teslas, I think, all electric cars.
And so that's fascinating.
It's a competitor at Uber and Lyft.
And, you know, they're just not available.
And when they are available, it's 10 to 20 minutes to wait.
So I've used them twice.
I want to try it, see if it's a better service.

They pay the drivers hourly.
And, you know, you're going to make compromises
if you're going to pay the drivers hourly.
You're going to need to have a high utilization rate
because they're going to get paid no matter what,
which means the wait times have to go up
because you can't have people waiting for a ride with Uber
because it's a marketplace.
Frequently, I don't know if you've had this happen,
but when you live in the suburbs,
you'll get an Uber and it won't start moving
for like three minutes.
You're like, why is the Uber not moving?
And then I ask the person, hey, do you live in the area?
And were you waiting for a call while watching TV?
And they're like, yep, I had to put my shoes on
and that's why I didn't move for three minutes.
And so people will, you know, wait for an airport ride
if they live near, you know, SFO or JFK.
And sometimes drivers live near those places
so they can get those calls.
And so, you know, marketplaces just ultimately perform better
because they price correctly.
All right, can I read you this quote
from the Lyft CEO real quick?
Yeah, let's hear it.
Primetime pricing, TechCrunch is paraphrasing there,
is a bad form of price raising, said Lyft CEO.
It is particularly bad because riders hate it
with a fiery passion.
And so we're really trying to get rid of it.
And because we've got such a good driver supply,
our reliance on it has decreased significantly.
Okay, number one, they don't have a great
driver's supply is lying.
And this is the hippie guy who worked
at a nonprofit for like a decade.
David Risher.
Yeah, so no offense, but this like hippie-dippy guy
who has, you know, worked at Amazon,
then took a decade to work in a nonprofit
is not cutthroat enough to go up against, you know,
the modern CEO and the modern startup.

You know, the whole point of surge pricing
was to get the drivers more money for them to drive
at times when maybe they didn't want to drive,
like a holiday, like a weekend.
So, and I don't think people hate it
as much as they're saying, you know,
there's two things that are going to be certain in life.
Customers want to pay less and employees
want to get paid more.
That's a hundred percent.
So if you survey any customer and say,
hey, what do you think about the price
of a cup of coffee?
They say, I want to pay less.
Do you want to pay more or less?
Or do you feel this is a fair price?
They're like, no, I want to pay less.
And then if you ask the barista,
hey, do you think you deserve to get paid more?
They're like, yeah, I do.
How much more?
Double.
Like there's somebody who's advocating
for a $50 minimum wage right now.
I mean, that's absurd.
You would have no jobs in the United States
if you put a $50 minimum wage in.
The market has to do price discovery.
And the sign of a healthy market
is that the participants maybe have
a little bit of tension there.
Does that make sense?
Yeah.
Do you feel you should get paid more,
working for me?
Yes.
Do I feel I should pay you more?
Maybe yes.
But the point is, this is like the nature of work.
And so this was when the journalists came after Uber,
they're like, Uber drivers are unsatisfied.
They want to get paid more.
It's like, that's an entry level job in society.

If you ask dishwashers or people picking rice in a field,
like, how much do you love your job?
It's like, I'm on my knees picking rice in a field.
It was backbreaking labor.
I'm picking strawberries and they heat in California.
This is horrible.
Yes, I hate my job.
Like, really?
Does anybody like making coffee all day?
I mean, maybe some hipsters.
But if you work at Dunkin' Donuts,
I think it's the highest turnover
of any fast food restaurant.
It's hard work.
It's hard work.
I think people are contankerous and it's hard.
Just anecdotally what I've seen from people driving Uber,
especially people that have been doing it
since like the 2011, 2012 range,
it's almost sort of like what you said with Unity,
where, and this happened gradually with Uber,
but do you remember the driver credits
that Uber used to give when they were like-
Oh my God.
It was, so I think a lot of the negative sentiment
from drivers is actually like,
hey, what happened to all those boosts
we used to get all the time?
Because now Uber's trying to get profitable
and that doesn't happen as much anymore.
I think that's really where a lot of the
negative sentiment comes from drivers.
100%.
Yeah, they used to get these spiffs like,
hey, if you do your tenth ride,
we're going to give you 50 bucks.
If you get to your 20th ride,
we can give you 100 bucks.
And that was just to keep people loyal to the platform
and keep them playing the video game.
And Travis is a genius when it comes to gamification.
He was into video games.
He gamified being a driver.

And it made people want to get that incremental 10 rides in.
And if you get those 10 rides and those rides are cheaper,
man, Uber spread so fast around the globe
because, and everybody became addicted to it.
And now, as I said, for five or six years,
when people are like, it'll never be profitable.
I'm like, they lost a billion.
They did a billion rides.
If you had $2 to each ride,
they would make a billion a profit.
Do you think that's impossible to do?
And it's like, yeah, that's impossible.
I was like, well, here we are.
It's possible.
Duh.
Give me another story, Nick.
What else do you got on tap here?
So much news going on.
According to Wall Street Journal sources,
GitHub's co-pilot, which is GitHub's text code tool
that's powered by OpenAI,
users pay $10 a month for it.
Microsoft is losing $20 a month per user,
on average, on co-pilot.
And some power users are costing them
as much as $80 a month.
But again, they're losing $20 a month on average.
The article is essentially saying
that the major problem with AI services right now
is that there's no benefit from economies of scale
because operating costs and user queries
are tied together.
The more people are using your product,
the more that you're paying for it, right?
This makes total sense to me
because if you're using a co-pilot,
all the time, like a developer,
you're writing code for,
let's say you're doing it six, seven hours a day,
you're just pounding code,
and it's filling in what it thinks you should do,
it basically would be like me writing my next book
and it's constantly giving me the next paragraph, right?

Because that's what it's doing.
It's giving you a lot,
and it's doing it in real time.
So imagine you're a business journal
and you're writing seven hours a day,
and every sentence,
it's not guessing just the next word,
which would be pretty lightweight.
It's guessing the next series of sentences,
and it's just constantly hitting servers.
I think that's what's happening with co-pilot,
and so probably the difference
between losing $10, $80 a month
is the number of hours somebody's coding a day,
and it's just very simple to solve this.
A developer is worth $100,000 in the world.
They obviously at $10 or $20 a month,
that's way underpriced.
This should be a $100 a month product.
And so they probably were betting
that over time this cost would go down,
and they didn't want anybody to compete with them,
so they just underpriced the market,
which Microsoft has an unique ability to do,
and it's worth it,
because if they lose 10s of millions of dollars on this,
but they get all that data from developers using it,
just think about how valuable that is over time.
So it's probably an investment,
just like Uber in building out its network of drivers
and its network of cities around the world.
Uber becomes more valuable.
Every city that comes online,
and then every service that then goes to every city.
So if they release this task rabbit,
like the rumor to do, or train rides,
or planes, or hotels, or experiences,
whatever they add and they try on the product,
you know, if any of those things take off
across the entire network,
that cost can be spread out against the $15 billion
or something that was invested,
the paid in capital to Uber,

I think at one point was like $15 billion.
That $15 billion, people were like,
oh my God, it's never made its money back.
It made its money back with the DD investment,
that threw off like $6 or $7 billion.
Each of those investments really quickly
started to pay off that $15 billion.
And then over time, just like Tesla,
you know, I don't know if there was $10 billion invested
into Tesla, and then they showed the J curve or Tesla,
you know, when they all of a sudden
you get to the millionth car, boom,
now you're in full-on profit mode,
and the thing starts printing money.
It's the paid in capital,
the complete amount of money invested in the company,
and just people got used to doing,
taking bigger risks,
whether it's Amazon, Tesla, or Uber,
you know, and those all are hardware real world businesses.
So that's a note, right?
Those businesses can be more capital intensive
because you're operating in the real world.
Yeah, the article was interesting though,
because it noted sort of the pricing strategies
of different big like major AI players
that are using it in their products.
And one quote that I thought was really interesting
about Zoom specifically,
because remember, we just talked about
how Zoom is now doing these AI summaries
that are dead on.
So here's a quote from the article.
Zoom has developed a smaller,
cheaper software for its AI assistant
powered by multiple models,
including those made by OpenAI and Meta.
So they're using Lama,
the open source model for Meta for some things.
Quote, it only uses the most powerful AI
and most expensive for the most difficult tasks.
Right, so this is why the models that will run
independently, we talked about this with Sonny,

you know, maybe you can use
Chan CPT3 or 3.5 to summarize a Zoom call.
And it's powerful enough
and you can run it on commodity hardware.
You don't need an H100 or A100
or some giant server farm of really expensive.
You just put it on your existing cluster
and you know, how much time does it take, right?
Right.
You know, if you're processing video files
for YouTube and it's a free service,
do the people who are getting free service here,
if their 4K file takes 10 minutes or two minutes, no.
You know, if you're Mr. Beast, maybe you care,
but most people don't.
Yeah.
So that seems very smart.
And so this is where, you know,
maybe co-pilot will be on its own,
smaller, dedicated hardware
or a verticalized language model
that is able to run locally.
Maybe you could eventually run this locally, right?
And it would cost a lot less.
Yeah.
Hey everybody, today I'm joined by Root CEO,
Dan Dorfman.
Dan, welcome to the show.
Thanks for having me, Jason.
Tell everybody here in the audience,
what is Roots and what makes it different
than the other real estate investing platforms?
I'm a complete neophyte.
Roots is a reed with a little twist.
Sorry, I had to do it.
We are the first real estate portfolio
that we know of that builds wealth
for both our investors and our residents.
And we've created a unique win-win model
that creates partners and not tenants.
So you're telling me instead of putting down
a $2,000 one month security deposit,
you get $2,000 invested into the reed.

So you're day one an owner.
Absolutely.
And so it kind of goes against,
you know, when we first started this two years ago,
I wasn't really looking to build a product out,
to be honest.
I was looking to find a product
that I could offer my residents
and my other portfolios
that would help them get to home ownership
or help them participate in this market.
And all I saw was, you know, rent-to-owns.
And in theory, those are great,
except for the fact that less than 10% of them
actually convert into home ownership.
So you're kind of just putting a carrot
out in front of your resident
and you're not really actually impacting.
So we wanted to really develop a program
and a model that said,
hey, we believe in you.
You're a partner from day one.
Help us take care of this thing
and we can all win at the end.
Head to investwithroots.com
slash twist to sign up and start investing today.
That's investwithroots, no spaces, no dashes,
dot com slash twist to sign up today.
Google is using data from Google Maps
to help certain cities optimize their traffic lights.
In Seattle, drivers weigh an average of 20 seconds
at red lights
and these delays result in over 1,000 metric tons
of CO2 emissions daily, according to Wired.
Google's AI software is aiming to reduce
both the environmental impact and delays for drivers.
And the initial results are really good.
30% reduction in stops and 10% reduction in emissions
for 30 million cars every month.
This has been the holy rail of AI and also IoT,
Internet of Things.
So the original idea of how to solve this problem
was to put in every car a beacon and airplanes have these.

So if you get too close to each other and airplanes,
like some alarm goes off that there's traffic near you
and then you have to go visually,
go find the other small plane.
So imagine every car had a beacon in it
and that beacon knows I'm going north,
I'm going south on Broadway
and you're coming across 14th Street
and the grid knows, hey, it's 1 a.m.
and I'm gonna get to the intersection of Broadway
and Union Square before you.
Therefore, I get the green light.
But it knows you're coming
and there's nobody else coming north or south,
coming south on Broadway.
Okay, let's switch the light.
And if the lights are typically timed
based on just alternating one minute for north-south
and then 30, one minute for east-west, that's suboptimal.
And so what they're doing here is a different,
instead of putting IoT in every car,
which is how we thought this would work,
they're just saying, hey, the traffic patterns are showing.
There's a lot more people going north-south right now
than east-west.
Let's just give 45, let's give a minute 30 seconds to north-south
and give 30 seconds to east-west traffic.
Let the east-west traffic bulk up and wait
and let's just keep going.
You know who also does that?
Remember when they would have a person in New York
at an intersection moving the traffic by flow
and just keeping people going?
And they still have that in some places
to keep people from blocking the box and doing gridlock.
So yeah, these are gains that are just obvious.
And because they have that ways and real-time data,
you can probably, yeah, it looks like they can solve a third
of wasted time.
And then you add to that a lot of electric cars
and hybrid cars.
And I have one gas power car.
I only have one iScar left, my Suburban.

My Suburban, when I'm at a stoplight, turns off.
Yeah.
And so I don't know what they call that technology,
but that technology is pretty cool too.
So even if I am waiting, maybe, you know,
it's 10 seconds with the engine on
and 20 seconds with the engine off.
So all this stuff helps better.
Yeah, my car has that too.
It's called Eco Mode on my car, I think.
Eco Mode, yeah, that is what they call Eco Mode.
Just turn the car off temporarily, turn the engine off,
and then start it back up really quick.
This is where I think the hybrid technology is awesome,
is with hybrids, the original idea was you could just say,
I'm going to use my battery.
I can press a button, use my battery for the first 50 miles.
I think that should be regulated.
Every car should have a 50-mile battery in it,
just as a default.
And you should just use the 50-mile battery
for the first 50 miles of every ride.
I don't know why that's not mandated.
And I can't see anybody getting upset about that,
because you would just save so much money, right?
That would be an easier mandate than getting rid of ice cars,
is to just say, you got to at least have the hybrid technology.
And people were putting that in post.
There was a whole movement before Tesla,
where people were taking Priuses,
putting extra battery packs in,
and then there was some software,
and these hackers had made it so you could override.
And you could pick use battery only,
because the way the Toyota Prius worked
was it would just dynamically switch, right?
But then people said, wait a second,
I only use 10 miles a day, my battery does 50.
I just want to be 100%, but it wouldn't let you.
And then they put this like ability to switch,
and then you put an extra battery pack in,
and they basically people made their own Teslas
before Teslas were widely available.

Really clever idea.
So awesome job to the team at Google,
and there's probably a million other opportunities like that.
And that's what we see with airplanes too, right?
People are now flying airplanes,
not to maximize for speed,
but to maximize for fuel consumption, right?
And it's very smart.
Why wouldn't you do that?
It makes total sense,
and this is a really clever idea.
Also probably there's some safety issues here too.
That's going to be the super exciting part,
as we talked about with the cruise non-crash,
you know, the collateral damage of crews
being included in a hit and run.
So many of the safety issues we're seeing,
like why do people run red lights?
Like I literally was walking him in hand last night,
and I swear to God, I almost got hit.
A Jeep just full-on blew a red light,
had to be somebody drunk.
You can't blow a red light like that without,
and when I say blew a red light,
you know, he was speeding and went through the red light
and didn't even attempt.
Could have been texting, you not even have seen it.
I think that's what it was,
and you know, in my car, the Tesla,
it does give you a chime
when the light turns from red to green
to remind you, like if you were texting at a stop light,
hey, dummy, it's a green light, you can go now.
It's like the honk, you know,
instead of getting a honk from the guy behind you,
you get the chime from your car.
It should also warn you, you know,
red light, red light, red light,
if you're gonna come to a red light,
I don't know why it doesn't say red light, red light,
red light, or something like that.
And so I think all cars should have that.
When I was in Vegas, there was a time period

where they had these, I guess there were so many fender benders,
that this cab company had put in a smart device
on the dashboard that showed you the number of feet
between your car and the next car,
and when it got to 10 feet,
it would start, you know, doing that little alarm.
And I mean, I was driving at one time,
this guy kept tailgating people,
and the alarm kept going off.
And I was like, hey, guy, like, the alarm's there for a reason.
But I guess that cab company decided to put those in.
I think that should be mandatory too.
Like an early warning collision,
it's a no-brainer to have that in there.
That would also save so much money with insurance, et cetera.
So this is better living through data, big data, IoT, AI.
And then they could probably even tell them
where you need stop signs and where you need red lights.
Right, I've always wondered about that decision.
Why does some places have stop signs?
Why does some places have red lights?
And why don't we dynamically change between them?
Maybe there's like, during rush hour,
it should be a light and then it should be a stop sign
at all other times at night.
Like, shouldn't we have a dynamic way of changing that?
So we should, there's all kinds of places we can innovate.
And I'm just really, I saw that story in wire,
and I thought, good on the Google team.
Keep thinking like that.
Won't waste an event.
All right, last thing real quick.
For you, just this is very, very short.
Very, very short for you.
Yeah, just one little hot take that you can give off.
So Caroline Ellison had her second day of testimony today.
I read through some of the stuff.
Nothing that was that shocking or crazy
that you wouldn't already, haven't already heard.
You know, one thing though I thought was interesting.
So SPF sort of like operating mantra
was effective altruism, right?
Yes.

And it was alluded to today.
And she mentioned that he, SPF justified his stealing,
his taking customer funds, all of the illegal actions
by practicing something called utilitarianism,
which basically means that all of the means,
the ends justify the means if you maximize
the amount of good that you can do in the world.
So that was sort of his mindset.
The strange and sociopathic.
And it sounds to me like,
if it was, if that literally was his operating principle,
that would explain the Michael Lewis position.
So maybe Michael Lewis knows something we don't
from spending that time with him.
I'm always open-minded when people were dunking on Michael Lewis.
I was kind of open-minded to his position,
which was like he saw something that everybody else didn't.
And that maybe his quotes were being taken out of context.
I think it's quite possible that that's true.
Like maybe SPF was so deranged
and he was like this latchkey kid with these really weird
intellectual parents.
And he obviously, the people at Jane Street who hired him
thought he was off.
They had some like really, like he was kind of scary off.
Like maybe this guy would go postal or something.
And so, you know, you have a kid who's, you know, let's say,
I don't want to say he's neurologically divergent.
I think might be the way people say it kindly these days.
So let's say he's neurologically divergent.
He just thinks different.
He's on the spectrum.
Maybe he was raised weird.
He's peculiar.
Maybe he's got ADHD and some severe, you know, Asperger's or something.
Maybe in his mind, he did think like that.
And that might explain the behavior of why he just thought,
it's a video game.
It doesn't matter if you cheat in a video game.
Who cares?
It's just, I'm speed running life.
So I'm going to speed run, as the kids say,
you know, becoming a billionaire.

And it doesn't matter how I get there.
This is the wrong lesson.
This is the wrong lesson for anybody who's watching.
It does matter that you act ethically and morally
each step of the way.
Now, if you want to reinterpret the law,
like Airbnb and Uber, we've talked about it countless times here.
If you want to try to change the law and you want to,
you know, kind of take some risk,
just be sure that the risk you're taking
doesn't have the risk of ruin for the participants in the game.
So if, you know, Airbnb wants to operate in New York
and they want to pay the penalty and then fight in court
and try to get this overturned,
they can take a little bit of risk there.
You know, nobody's getting hurt.
But if you're a theranos and you're, you know,
giving people their cancer diagnosis or their diabetes,
you know, or whatever blood tests they're doing,
you've got to be more thoughtful.
And if it's customer deposits and you're stealing them
and you're like, you know what?
Yeah, but I'm going to cure cancer.
And I'm sure one of my bets works out.
If San Bank Referee was just talented,
you could just raise the venture fund.
I understand he basically announced
the $2 billion venture fund.
And his LP was the deposits at FTX.
That would be like Bank of America saying,
we've got a $200 billion venture fund we're launching today.
It's a $200 billion venture fund.
Yeah. And by the way,
everybody with a Bank of America account, you're at LPs.
Surprise.
Yeah. Congrats.
Yeah. Congrats.
We hit a throbbing.
It's a 20 Xer.
We got a 20 bagger.
Everybody's up.
It's going to be one of the great performing.
I mean, that's the irony of this.

I was just curious looking through Alameda
research's crunch based investments list.
There's like 270 investments, startup investments on there.
Some before, shout out some before.
Way to go, Ben.
There's like 50 ICOs.
There's like all these like series A crypto projects.
I was like, oh, and I was thinking in my head,
how many of these were just customer deposits?
How did I miss it?
How did I miss getting him as an LP?
I always like to deal.
See, this is where I'm an idiot.
I always think like, you know, each case,
like what's the moral character of this person?
Should I be in business with them?
I made a huge tactical error.
Apparently I should have just gone to the Bahamas,
hung out with him, secured like a billion dollar
or 500 million dollar LP commit to my next fund
and just be done with it.
You'd be on the stand right now, probably.
Yeah, I probably would be on the stand.
Actually, there's, yeah, I think I know some people
who might be on the stand or will be on the stand.
And this is just, he's going to jail forever.
I set the over under at 30.
What do you take?
30 years, sentence.
Well, it depends because I kind of feel like if he is this,
if he is this smart, then I kind of feel like
we should give him some sort of, you know,
the movie Catch Me If You Can with Leo and Christopher Walken.
Fantastic.
How at the end he gets the deal from the FBI
where he's like, he does check fraud
and he like helps them forever and he gets a reduced sentence
or whatever. He joins the team, yeah.
We should give him that some sort of deal like that.
Because it doesn't seem to me like SPF is some like evil mastermind.
Oh, look at you. You've got full Michael Lewis.
I just, you know, if he could be an asset to us potentially.
You're explaining away serious crimes, but okay.

No, I don't care. I mean, put him in jail, whatever.
I'm just saying, if you're asking me to take an over under,
I think you should make him, you're saying make him an FBI profiler.
Yeah, of like crypto crimes or something.
I don't know.
Yeah, it could be like curry, starling of crypto crimes.
It's not a bad idea.
I would shave, I would shave 25% of his sentence.
If he served a sentence at Quantico, we should give him a room at Quantico.
And just let him with, with internet access and just say,
for every, every 100 years of sentences you give out,
you get one year off your sentence.
That's how I would do it.
It's just Carrie.
He gets yours off his sentence in Carrie.
So you, you, you go get the tether guys.
We'll take 10 years off yours.
You can prove the tether guys, whatever they do.
Yeah.
Whatever.
Should add against Korea group Lazarus Lazarus group.
Yeah.
You take them house, you get them.
10 years off.
Yeah.
Perfect.
But over under, where do you set the one?
My 30 plus is everybody's taking the over.
I haven't had one person take the over.
Yeah.
I mean, so that's the wrong line.
I don't even know how you, I guess I'd have to see every single,
what his like total sentencing is from all of them.
Then I'd probably just take like 80% of that
because every single person has flipped on him.
All of the testimony is like, it was his fault.
It was his fault.
It was his fault.
It was his fault.
And I even read an article yesterday about the, the judge is like telling his
defense team to like shut up because they keep repeating themselves.
So it seems like the judge even doesn't like his defense team.
Everything is pointing terribly for him.

I don't know.
What, whatever the highest amount is that he could possibly get.
I take 80% of that.
Yeah.
Well, I mean, I think it's like Bernie made off level sentence,
like multiple life sentences then is where this could wind up.
It's a big crime.
You know, like the numbers are unfathomably large when crypto.
Yes.
And you put it into real dollars and you're like, oh, wow.
This is a great lesson for how a mania can spread.
Right.
You hear about that tulip mania and people are paying thousands of dollars
for a tulip bomb.
And you're like, how stupid could people be?
You remember people paying $30,000 for a JPEG?
$3 million for a JPEG?
I do.
That was two years ago, Nick.
Two years ago, we were sitting here on this very podcast.
Talking to Do Quan trying to figure out who was paying the interest on the staking.
And he couldn't explain it to us.
And then I was saying, well, why would this NFT be worth $3 million?
I could understand if it's $50,000 and it's a membership club to fish fry or whatever.
You know, Gary Vaynerchuk was doing some kind of private club.
Okay.
Yeah.
So house has a thing and maybe you can trade the JPEG and the NFT could have the,
you know, the membership go with it.
Like I tried to be as open-minded as possible.
But when people started buying those like board apes for $400,000, $500,000 or something.
It's the brand, Jason.
It's the brand.
You don't get it.
You don't get it.
It's the brand.
What don't I get?
Like it's.
No, I'm joking.
But yeah, I didn't get it either.
There was no value.
That whole time was silly.
I remember club, I knew clubhouse was going to be a nightmare when,

remember how it was like only VCs originally?
Yeah.
The first time I opened the app, it was like, there was one room
and it was like two VCs from like the 18th best most notable VC firm in like New York.
Like it was like, basically.
But a B tier VC.
Yeah.
Yeah.
I don't even know.
No dig to them.
Yeah.
But they were like giving, they were in a room and it was like founder advice from two VCs.
And I just listened in.
I'm like, is this interesting?
And it was just the most generic like they would be better off just going and reading
like the last 10 Bill Gurley or Fred Wilson blog posts or Paul Graham.
Like what are you even, it was just such a waste of time.
Like this is so stupid.
I feel bad for these founders right now.
I want to jump in and be like, go read.
Well, it showed you the power of like live call-in radio.
And call-in radio has been a device that's existed for a long time.
People like it.
Great for sports, great for live events, great for breaking news.
Probably that's it.
Yeah.
Like we've been down this road.
Like when do you want to do a live call-in show?
Like there are financial ones.
There are sports ones.
There are political ones.
It's typically around news or advice, you know, relationship advice, love line.
We already know like, and the problem with that company was just the valuation.
You know, if it had just been a hundred million dollar company, it would be fun.
But when you put a billion dollar and then a four billion dollar price tag on something,
that's when you can never reach that valuation.
And then what's the outcome for that company?
You know, like hundreds of dollars from Twitter.
Man, I would have, remember I said it at the time, like just grab that bag and run.
Like literally just be like, yeah, you know what?
You can give us a billion and then give us the three billion in equity.
We don't care.
We'll just take the, I tell you what, give us 500 million cash, call it a day.

You know, we'll get an earn after the other 3.5.
I would have just run, run.
Yeah.
Grab that bag.
It's an important lesson.
Now that we're on the other side of this,
now you as a first time, you know, young person, like watching the industry,
when things get too hot and it doesn't make logical sense, the logical thing to do is sell some of your shares, right?
And to take a win, book a win, right?
Get that dough, ray me, the dough.
Get the dough and the dough, ray me, buy a house.
You know, that's my best advice for you is to figure out a way to buy a house.
Strange times.
Strange times.
All right, everybody, praying for peace in the Middle East and thoughts and prayers, obviously out to the people of Israel and just really hard times.
We are going to carry on here and talk about stuff, but it's on, it's on my mind just so people, if they're wondering, prayers for peace.
All right, everybody, we'll see you next time.
This week's service.
Bye-bye.