This week's number, 44%.
That's the share of Gen Z single people
who agree with the statement,
I would rather clean the toilet
than go on another online day.
True story, I was dating a homeless girl.
The good news, I could drop her off anywhere.
Welcome to Prop G Markets.
Today, we're discussing earnings from Snap and Metta,
the anniversary of Elon's Twitter acquisition
and America's deficit.
Ed, guess where I am?
Vegas, baby.
I went to the sphere last night and saw you two.
It's incredible.
I haven't seen that many white people
since the Taylor Swift concert.
Oh my God, it's literally every white person
between the ages of 50 and 65 was at you two last night.

Have you got the kilts on yet?
No, don't have the kilts on yet.
I did a little bit of gambling last night,
but no, it's pretty, it was a Wednesday night here,
so it wasn't that much fun.
Anyways, enough about you, give us a headline to read.
Let's start with our monthly review of market vitals.
The S&P 500 was down, the dollar was up slightly,
Bitcoin rose, and the yield on 10-year treasuries climbed.
Shifting to the headlines.
US GDP rose 4.9% in the third quarter.
That's up more than expected from the 2.1% pace
in the second quarter.
It was also the fastest expansion in nearly two years.
41 states are suing Meta,
alleging the company uses addictive features on its app
to quote, exploit young users for profit.
Google reported lower than expected profit
in its cloud unit and its stock dropped more than 10%.
That wiped out nearly $180 billion in value in one day,
the company's largest ever single session loss.
Meanwhile, Microsoft beat expectations
and posted 13% revenue growth.
That growth is largely owed to AI-fuelled demand
for its products.
Microsoft's stock rose nearly 5%,
adding about $75 billion in value the day after the report.
Scott, do you have any reactions?
GDP growth at 5% just blows me away.
I just can't get over,
and I don't know if that's gonna be inflationary or not,
or if people are worried that that growth is too good.
But I mean, effectively, if anyone was to project
what would happen this year in terms of the economy
and the face of this dramatic escalation in interest rates,
I think they'd just be blown away
that we're not only not going into a recession,
I mean, growth at 4.9%.
That means about every 14, about every decade and a half,
if you maintain that growth rate,
you double the size of your economy.
Was there any color or detail
on why the growth was so strong in it?

Everyone just says it's because consumers
are back to spending.
And the thing that I find, I mean, I agree,
I thought it was a staggering number.
And the thing that was so strange
is that the markets barely reacted.
The stock market didn't move, yields didn't move.
So this was already priced in, basically.
And I guess that would mean
from an interest rate perspective,
investors aren't that worried
that we're gonna see more rate hikes.
But yeah, I mean, I thought that number was shocking.
And you'd think that people would be a little bit more worried
considering the whole point of this rate hike cycle
was to stop this from happening.
I'm just blown away by this.
If you think about the fact
that everyone's been predicting
where everyone was predicting a recession,
that is the technical definition
and maybe the wrong definition
is two quarters of consecutive negative GDP growth.
And we're essentially at 4.9%.
I mean, this is just amazing.
And then you compare it to our closest analog
and that is Europe or the UK.
They look as if they're probably going into a recession
or already in a recession.
And yet we're up, we're growing 4.9%.
We are an outlier, Ed, but in a very, very good way.
It's good news for America.
And you could argue it's sort of the victory
for our policymakers.
In terms of 41 states suing Metta,
my question is, who are the nine that are not?
I don't know what the legal veracity is of a case like that.
I would bet that Metta is gonna deploy hundreds of lawyers
and delay this thing, maybe settle,
sign a consent decree which they take a fine
and then they'll violate the consent decree slowly
but surely over the next five or 10 years
as they make 20 or $30 billion in cash flow a year,

pay a fine of one to five billion.
The problem here, Ed, is until we have a fine
that is material for these guys
or somebody does a perp walk,
all of this stuff is just sort of the cost of doing business.
This feels a little bit like the states getting together
to go after tobacco.
But what people forget is people talk about antitrust
and they say that, well, these products are free.
Why would we break them up?
The ultimate test of antitrust or monopoly abuse
is the consumer paying increased prices
and with products that are free,
it's obviously hard to apply that sort of board test.
And what I would argue is that a company like Metta
that has two thirds market share of all social,
that that monopoly abuse has extracted
dramatically increased prices or costs, if you will,
from consumers in the form of non-economic costs.
And that is if Metta had 10 or 20% share
as opposed to 66% share,
I think advertisers and parents would have more options
and decide that, you know,
I'm under the impression based on every piece of data
I've seen that they really don't care about children
and are willing to put in place algorithms
and allow unfettered non-reviewed content
to show up vis-a-vis an algorithm
when the algorithm senses a kid is thinking about self-harm
and start sending them images of nooses, razors and pills.
And I believe that they could stop this,
but they don't have much motivation to stop it
because they're the only game in town.
And the result is that parents all over the world
are paying increased costs in the form of incredible anxiety,
incredible fear, because Metta doesn't need
to do anything about it.
Well, I think we should just put a ban
on using social media below the age of 16.
Like enough with these lawsuits, just make that ban.
It feels like that's something everyone agrees with
on both sides of the aisle.
I'm just confused why we haven't taken serious steps

to actually do that.
Well, they claim, Snapple claimed that it age gates.
And I think with social Instagram,
the problem is there's no enforcement
and they start going to this,
well, you'd have to violate people's privacy
to get age verification for every user
and you need anonymous accounts
with some human rights activists in the Gulf
can talk about her important work
without the fear of being unmasked.
I mean, they just hide behind
or all this delay and obfuscation around anonymity
and free speech and the importance of anonymous accounts.
And the reality is we're not talking about the realm
of the possible, we're talking about the realm
of the profitable, they could absolutely figure this out.
They could figure out a way to provide anonymity
to politically sensitive accounts using the blockchain
or some sort of third party verification
and still age gated.
I mean, we figured out a way to age gate the military,
age gate, alcohol, driving.
You know, we age gate almost everything in our society
but these guys can't figure out a way to keep 16 year olds
or 13 year olds off of Instagram or Snapple.
I agree with you, age gating does seem
like the most elegant way.
And then with respect to Google and Microsoft
kind of the tale of two worlds here
where Microsoft beat expectations, 13% revenue growth
on a company that's doing almost a quarter
of a trillion dollars in revenue each year.
That's, it's hard to grow double digits
when you get to the law of big numbers like this.
And also there's just no getting around it.
There has been an enormous transfer
and power and market capitalization from the new kid
or arguably relatively speaking, the new kid
and that is Alphabet to Microsoft.
And they're in corporation of AI across search
in their Microsoft office suite.
It just feels like this company is absolutely on fire.

Meanwhile, almost overnight, Alphabet feels poorly managed
and as if they are the, going to be the textbook case
of the innovators dilemma.
You know, this is really man bites dog.
Sort of the traditional player is more innovative,
takes a bigger risk and the newer player,
the new wish player looks flat footed.
In some such an Adela should make a shit ton more money
than Sundar Pichai this year.
What are your thoughts on?
I mean, put it this way.
I feel like Microsoft is riding
on an open AI wave right now.
It's like the premier enterprise product
and it's the only product that all these enterprises
really know, hence why their cloud business is booming.
But AI is getting so much investment.
We're going to see billions of dollars going
into all of these new AI alternatives
and already companies are actually looking
to get away from open AI
because it's just getting so expensive.
So, you know, Salesforce is looking for alternatives.
Wix is looking for alternatives.
And I think what we're seeing is that AI
is almost becoming commoditized
where people are going to be less obsessed
with this new product that open AI is offering.
And they're just going to say,
okay, where can I get the cheapest, cheapest option?
So I think in that sense,
we might be over punishing Google
because there's a high probability
that someone who doesn't want to pay open AI prices,
it's just going to go to Google
who may start offering lower prices.
And then the other thing is their ad business
is doing pretty amazingly right now.
I mean, the search ad revenue is up 11%.
And then their YouTube ad revenue is up 13%.
I think YouTube might be the most underhyped
media asset in the world right now.
I read recently it commands 9% of TV screen time,

which is more than any streaming service,
including Netflix.
So it's basically the world's greatest streamer.
So I don't know, I think Google
might have been slightly over punished on this one.
And we'll see it come back.
I think you might be right.
I would argue the valuations
or the kind of increase in market capitalization
that are inspired by AI may have peaked.
If you look at kind of a big five,
not even the Magnificent Seven,
but five companies, I mean, it's Meta, Microsoft, NVIDIA,
Tesla, essentially you have about $4 trillion
in market capitalization increases
since the beginning of the pandemic.
And some of that is earnings increases,
but most of it is multiple expansion.
And what people or the markets are so inspired by
is sort of AI inspired narrative.
People are looking for reasons to love Microsoft right now
because they say, wow, they have kind of shot ahead
in terms of their investment in open AI
and their ability to incorporate generative AI
into products where they're not in the business
of protecting a legacy business.
And people are looking for reasons to beat down alphabet
who has seen as been caught flat footed.
But if you look at the market capitalization gains
in these companies, and I would argue reverse engineer
to AI inspired increases in value,
I think you could argue that AI or generative AI,
the story has created more shareholder value
in the last 24 months faster than any technology in history.
Now, is it warranted or earned?
We'll see.
But if you look at the total number of startups
in generative AI and how much money they've raised,
they've raised about $200 billion
at a valuation of approximately $1 trillion.
So you could say, all right, startups have created $1 trillion
in value if you market it where they've raised money.
But that's dwarfed by the $4 trillion

in increase in market capitalization
that's been garnered by companies like Tesla
who on the day they announced the Dojo supercomputer,
which is supposedly an AI computer
that will help figure out self-driving,
that day the excitement around that kind of AI narrative
increases the market capitalization of Tesla
by the value of BMW.
When Microsoft announces they're incorporating AI
into the Microsoft Office suites,
they increase their market capitalization
by the value of Disney.
So AI is at least from a perception standpoint
is the seminal breakthrough technology
of at least the last decade, if not the last 25 years.
We'll be right back after the break
with a look at Meta and Snap earnest.

We're back with ProfG Markets.
Snap reported third-quarter earnings that beat estimates.
The company is back to sales growth
after two straight quarters of declines.
Revenue came in at $1.2 billion up 5% from a year ago
and shares initially popped more than 10%.
The next day, however, Meta eclipsed those earnings,
reporting third-quarter revenue of,
get this, $34 billion.
That's up 23% from a year ago
and it's the company's largest year-on-year sales growth
since 2021.
Scott, insane results from Meta.
What's your reaction?
This may be Netflix and Meta.

Netflix also had a blowout quarter.
They may have pulled off something
that we haven't seen before in markets.
I mean, definitely not in tech,
but maybe even across markets historically.
And that is these companies have managed to do,
pull off nearly the impossible.
Typically, the best companies in the world
make massive investments, their costs go up,
but they hit a point where their revenue growth acceleration
is greater than their cost increases.
But what happens when you have massive, right?
Massive increases in revenue.
Meta increased their revenues 23%.
That basically means every three and a quarter years,
the company would double its revenues.
And then usually in an amazing company like Meta,
revenue up 23%, expenses up 18%, profits up 20 or 30%.
But Meta actually reduced their headcount by 24%
and managed to increase revenues by 23%.
So Ed, what happens when you have the champagne
and cocaine of massive revenue growth
while you're cutting costs?
You have a nitro and glycerin explosion in earnings.
The profits here in the third quarter doubled, doubled.
And about, I don't know, nine, 12 months ago,
everyone was saying that Meta was running into problems
and it was no longer the hot thing.
And oh my God, I mean, I don't think Mark Zuckerberg
acquits him well in terms of his concern
for the Commonwealth or for our kids,
but there's just no getting around it.
This company has outstanding management
when it comes to managing a business and making investments.
This isn't drinking or chilies or red onion
or whatever tacky place you take.
Your date's Ed, this is drinking a cocktail
at the Polo Lounge where daddy'll be tomorrow night
and Saturday as he goes to LA for his favorite holiday,
hello, innovation called Halloween.
Not a story, Ed, not a story.
I just don't think I've ever seen anything like this.
Have you seen it in your 17 months in the professional world?

No, this is the first time.
And also that profit in more than doubled, it was up 164%.
I also want to rewind to a year ago
when Meta's ad sales were actually declining.
And part of that was the macro environment,
but we also wrote a post on this
about how it was Apple that was hurting the business.
And we specifically made the point
that Apple had this privacy change
that made it impossible for Facebook to track user data,
which meant that you had bad targeting
and just overall poor performance.
And at that time, I talked to several friends
who worked in eConnors who told me that,
yeah, my Facebook ads just don't work anymore
because my customer acquisition costs are too high
and I barely get any click through.
Six months later, I checked in with these guys
and I asked them,
are you still having trouble with these Facebook ads?
And they said, no, it's working now.
I'm like, okay, well, what changed?
They said, I don't know, but not only is it working,
but it's working better than it was
before Apple made that privacy change.
So I was puzzling over this for a while.
Turns out the solution was AI.
And what Meta did was they pulled back from the Metaverse
and they quietly shifted literally billions of dollars
of investment into AI.
They created these dedicated AI teams.
They built new algorithms
that essentially overhauled the entire ad recommendation system.
And they even created this AI ad tool called Advantage Plus,
which basically automates the entire ad process for marketers.
And now they're working on a generative AI product
that's gonna be geared specifically for advertising.
So I think the learning here with Meta
is we think of all these AI winners
as the guys with the chatbots, like OpenAI, Microsoft.
But I feel like we've massively underestimated
the extent to which AI has totally transformed Meta's business
in the face of Apple's privacy change.

And then you look at all of their accomplishments this year,
threads, reels, cost-cutting.
I feel like you could make the case at this point
that Mark Zuckerberg has been
the most successful CEO of the year.
Like I hate to admit it, but you might be right.
And again, see above $4 trillion
of market capitalization inspired by AI.
And AI is not only helping Meta on the ad side
and figuring out a workaround over kind of the Apple attempt
to kick Zuckerberg in the nuts.
It's also helping on the consumer side.
And that is they are leveraging AI
to create more engagement across reels within Instagram.
Yeah, 40% increase in time spent on Instagram
because of reels.
It's incredible what they've pulled off.
They're a mendacious fox,
but they're impressive mendacious fox.
And by the way, they mentioned AI 51 times
on the earnings call.
How many times did they mention the Metaverse?
Go ahead, twice.
Well, I don't know if you noticed, but Reality Labs,
their sales fell 26% a year on year to 210 million.
So this business is going away.
They have lost $25 billion on the Metaverse.
I think they're effectively,
I don't wanna say they're getting out,
but they're definitely rationalizing the investment.
Although as much as Apple hates the Zuck,
specifically, I think Tim Cook really disdains on it.
Tim Cook is a quality person that recognizes people
that aren't, and I think it really bothers him,
the success that Zuck registers
or the damage he's living on the world.
But what Apple inadvertently did
when it announced a headset for $2,500,
all of a sudden the Meta headset
came across as the old Navy of technology.
The old Navy is arguably, or is,
the most successful retailer of the last 50 years
in that it was the company or the retailer

that went from zero to a billion faster
than any retailer in history.
And the old Navy algorithm has always been
a fantastic algorithm to remember in business.
And what was that?
Old Navy was gonna be 80% of the gap
in terms of quality and merchandising and finishes
and fabrics for 50% of the price.
And that cocktail, that cocktail,
basically if you think about Southwest Airlines
at Blue, they were 80% of American or Delta
for a lot less money.
That is an incredible cocktail
for growing revenues really quickly.
The same thing is true of the Oculus headset right now.
And that is, I think, that the $2,500 announcement
or the announcement of a $2,500 headset from Apple
has actually brought kind of new value
or perceived value to the Oculus headset.
Anyways, distinct to that,
there's nowhere to go with this stupid thing.
There's more people going to, no joke,
there's greater traffic daily active users on MySpace
than Horizons World or whatever it is they call that
in cell panic room.
But I think slowly but surely,
they're rationalizing their big Gulp Iowasca
consensual hallucination around the metaverse.
So let's talk about their nephew or their niece
that's in the same family, but is...
We forgot about SNAP.
Yeah, working at the, you know,
instead of running general electric,
you know, our cousin is a barista somewhere.
Not that there's anything wrong with that.
But just to give you a sense of just how
the numbers we're talking about,
meta added the revenue of SNAP just this quarter.
Their quarterly increase,
their year and year quarterly increase in revenues
was bigger than SNAP's entire business.
And SNAP is doing well.
They grew 5% after two consecutive quarters of decline.

So that's nice to see them reverse the declines.
And the platform saw a 12% increase
in daily active users up to 406 million.
And most of this growth came from outside of Europe
and North America.
Users outside of Europe and North America account
for almost half of SNAP's daily active users
with only 17% of revenue.
That was similar to, or may still be similar to Facebook.
Engagement on SNAP chat increased,
which is exciting for them.
Users posted nearly three times more public stories posted
in the US compared to Q3 2022.
But basically these numbers are kind of,
there's sort of a pimple on the elephant in social media.
Now granted, it's a very attractive pimple
that my kids are obsessed with and they own a nice niche.
But they're sort of, you know, it's right now,
it's meta in this space.
It's meta in the seven dwarves.
And SNAP is, you know, sleepy or dopey or tiny.
You know, they're just a cute little version
of meta at this point.
And those growth numbers,
I mean, I don't understand why it got such a pop.
Those are Lamo numbers.
I mean, 5% revenue growth and you compare it to meta
and the whole business is up 25%.
And then that net loss, which is bigger than last year,
I think it was around, I think it's like a 5% expansion
in that net loss to $368 million,
despite also laying off a fifth of the workforce.
I mean, while they're still declining
to offer any formal revenue guidance
because their excuse is, you know, macro uncertainty.
I just thought this was a kind of a giant dud.
You're being a little harsh.
Maybe this convinced you, ready?
So they lost almost $400 million.
Their adjusted EBITDA was $40 million.
Meanwhile, they paid employees $350 million
in stock-based compensation.
Is that sustainable?

Well, they're being smart though.
Like our stock is down.
I mean, I think their stock's off 90% since it's high.
So let's, we want to keep people around.
So let's shuffle out the door a bunch of options
and tell everyone, hey, if we get the stock back
to 50% of where it was two years ago,
you're gonna make a shit ton of money.
I think you have to do that.
I think you have to keep your most talented people.
Retention is the key to companies like this.
The team of the best players wins.
And I gotta imagine that people at Snap
get a lot of calls from a lot of different platforms.
They have reversed the revenue declines.
They have a very nice niche.
It's a nice little company.
We're now in an era of just big,
it's not only better, but biggest singular.
Biggest is kicking the shit out of the lower 90.
I asked Aswath to motor in.
I was at the Apollo conference this week and Aswath spoke
and I said, is this, if you will, the top 10%
the biggest companies aggregating all the increases
in market capitalization.
I'm like, is that a cyclical thing?
Meaning that arguably you should be investing
in the lower 90.
And he said, no, I think it's structural.
I think with, you know, basically in an era
where there's no antitrust,
the big guys are running away with it.
And here's the bottom line.
Snap just doesn't have, they can't say,
hey, you 800 engineers figure out AI
to make advertising more robust and get a work around Apple.
Hey, hey, you 300 engineers figure out a way.
I mean, Snap essentially is the little engine
that could sort of right now.
And the reality is Snap should probably be acquired.
It's been a year since Elon Musk purchased Twitter
for $44 billion.
At the time, seven banks, including Bank of America,

Barclays and Morgan Stanley lent Musk $13 billion
to help finance the deal.
Now, typically Wall Street investment firms would swoop in
and take debt like that off of the bank's hands
before too long.
But clearly they lost their appetite for Twitter
under its new owner.
That $13 billion in debt has remained
on the bank's balance sheets ever since.
Now they're preparing to unload some of that debt
at a discount of at least 15%.
So Scott, this is what's known as a hung deal.
The banks are willing to take a hit of $2 billion
at a minimum because they haven't been able
to clean this company off their balance sheets.
How did we get here?
Investment banks are in the moving business,
not in the parking business or the storage business.
Interest rates accelerated so fast.
Just as you had the champagne and cocaine
of increasing revenues and declining costs
at Metta and at Netflix,
you had the exact opposite at Twitter.
And that is you had what is arguably the greatest revenue
decline in corporate history of a company
doing more than $1 billion.
They're off somewhere between 55 and 70%.
We don't know because they just lie all the time.
So it's hard to get real numbers.
Third-party data people say they're down 55% in revenue.
I mean, I've just never seen anything like that.
So from a bondholder standpoint,
they give these guys $13 billion
in exchange for an agreement to pay 12% coupon on this debt.
The revenues massively decline.
Interest rates massively decelerate,
which makes that 12% number not as appealing.
And the banks go, oh fuck, if we get rid of this debt,
we're gonna have to mark it way down.
And when we mark it way down upon a transaction,
we have to report those losses on our next earnings call.
And we really don't wanna do that.
We're gonna wait.

We're gonna wait till the market recovers.
We think maybe Elon wants to buy it back,
or we're gonna wait for a good bid.
And they have all kind of held hands together,
which I was wondering how could they could,
they're essentially coordinating.
The three of them have decided they're not going to do
anything until they can get offloaded at a decent price.
The question is, does Musk buy it back
or does a third-party buy it back?
I thought it was gonna go out in more like a 50 or 60% price.
In other words, that the bonds which were issued at par
at 100 would go out at a 40% decline in value,
which would mean that the yield on these bonds
would be, I don't know, closer to 16 or 18%,
maybe an upwards of 20.
If it goes out at a 15% discount,
let's call it a 20% discount,
I think that's a nice return
because I actually think these bonds are pretty safe
because I don't think,
given that just how much money Musk has
because of the acceleration in Tesla stock this year
and also the increasing value in the private markets
of SpaceX, where his stock is probably pretty liquid there
or he could sell some,
I don't think he's gonna take the L and lose face
and let this company go bankrupt and start
and stop paying the interest payments on his bonds.
And if he did, and you bought the company at 80 cents,
the bonds at 80 cents,
you basically would own Twitter for $9.5 million.
And I think that any new owner could probably see
a 20 or 30% increase in revenue over the next 12 months
because I think a lot of these advertisers
have decided to get the hell out of Dodge
because A, they don't trust Elon Musk
or specifically they don't trust his ability
to keep the platform safe or advertiser friendly.
And I think if you brought in kind of a responsible,
I don't know, more trusted management team,
I think a lot of big advertisers
would return to the platform.

What are your thoughts?
Well, I wanted to follow up with another question,
which is you said on a previous episode
that you would consider buying that debt
that we're talking about,
but I'm wondering, 85 cents on the dollar,
is that good enough for you?
Is that something you'd still be interested in buying?
Well, so when I say buy it,
I mean come up with some money myself,
go to with a capital partner and say,
let's buy a big chunk of this.
And I think he's gonna continue to pay us,
but if he doesn't,
this is kind of a nice loan to own, if you will.
The folks I have talked to about partnering on this
have said, well, we gotta wait and see where it trades
because while we like the deal,
it's all about the number we can get these bonds at.
I mean, some people think that Elon Musk
has purposely, at least recently,
decided to just trash the company
or doesn't really care about the revenue declines
because he wants to buy all that debt back
as cheaply as possible.
And that he'll buy it back
and then he'll have absolutely no third parties
telling him what to do.
He won't have to make any disclosures
around numbers or revenues.
And that he just wants to buy the debt back
at a good price.
I think that's a little Macameleon, I can't imagine.
Although, I will say this,
Linda Jacarino is arguably the worst CEO
I've ever witnessed.
So maybe she is his attempt to signal total incompetence
and drive the value of the bonds down.
Oh, I feel so bad for that.
Maybe he calls her and says,
Linda, at the code conference,
say this, be totally unprepared, be defensive,
be just, Linda, I need you to be

just incredibly cringe worthy.
And she delivered, she delivered it.
I wouldn't be surprised if at some point
Elon calls these banks and says,
okay, I'll buy it for 60 cents on the dollar.
And I'm like, no, fuck you, we'll sell it
to a big player for a lot more than that.
At 85 cents, you know, I don't know.
I don't know if you could get
a big capital player in there for that.
But if it trades somewhere between
we call it 50 and 70 cents,
I think it's an incredible piece of paper.
We'll be right back after the break
with a look at the US deficit.

We're back with Prof2Markets.
The U.S. Treasury wrapped up the fiscal year
with its September budget report.
The report broke down government spending and tax revenue,
but the number that made headlines was the deficit,
$1.7 trillion.
That's 23% higher than last year's deficit,
and will add to our already staggering debt load
of $33 trillion.
Despite debt concerns, Treasury Secretary Janet Yee
and the U.S. Treasury Department
said the economy remains resilient,
and added that the administration is, quote,
committed to addressing challenges
to our long-term fiscal outlook.
Scott, the deficit has become the ultimate political debate.
Where do you stand on this?
I mean, I'm old school. This worries me.
This is effectively, if you thought of the U.S. economy
as a household, it makes about $50,000 a year.
It spends $65,000 a year.
It makes about $50,000 a year.
It spends $65,000, and it has debt of $300,000 plus.
It just feels like that's not sustainable.
At the same time, economists on the other side will say,
well, if the world was really worried about it,
they'd be selling our bonds.
Interest rates have accelerated,
but the dollar is still incredibly strong.

We're the world's reserve currencies,
so we can always kind of turn on the printing machine.
This just feels to me like at the end of the day,
the continuation of a trend over the last 40 years,
and that is we don't want to have the long-term fiscal discipline
because our electoral system is so kind of short-term
that nobody wants to make investments
that'll pay off in 30 years,
or people aren't afraid to make irresponsible decisions
that you and your kids might wake up one day and go,
this economy's no longer sustainable.
Companies or countries don't go out of business.
Civilizations don't decline because they're invaded.
They decline because they go broke.
And this feels to me like with the interest rate acceleration
and the increased debt payments,
my understanding is next year we may have to pay more
for the interest on our debt than we spend on our military.
So I think this is a big issue.
I'd like to think at some point that both Republicans and Democrats
get to cut spending and cut services and increase taxes.
We need more revenue and we need to spend less.
I just don't, it's got to happen,
and we're going to have to go after entitlements,
which are kind of the biggest part of it.
So I'd like to see every year for the next, I don't know,
every two years for the next 20 years,
we raise the retirement age.
I think we should eliminate capital gains,
take it all to the top rate should be 37% for capital gains,
not 22.8 or whatever it is.
So what are your thoughts?
Well, I have two major issues with the debates that happen
whenever we talk about the deficit.
And the first is, you know,
there are two solutions that you mentioned,
which are you can increase revenues,
that is collect more taxes, or you can decrease spending.
And it feels like the only thing that people are willing
to talk about whenever this comes up is decreasing spending.
Like there's this obsession with government bloat
and debt to GDP ratios and deficit to GDP ratios,
but almost no attention is paid to our shocking

and unique inability to collect taxes.
So, you know, you look at the receipts in this budget statement,
we collected $4.5 trillion in taxes this year.
That's half a trillion lower than last year.
And as a percentage of our GDP, it's less than 17%,
which is down from our historical average of 19.5%,
which by the way is already super low.
If you compare America to other nations,
like Germany, Germany has tax revenue as a percentage of GDP of 24%.
UK has 27%, Australia has 30%.
So in other words, not only are we bad at collecting taxes,
we're not even trying.
And you know, the one agency where we decided to cut spending this year
was the IRS, whose one job is to collect taxes.
So I did the math here.
If we raised our tax revenue to 24% of GDP,
which is very reasonable, that's what Germany is at right now,
we would solve the deficit.
All that means is, as you referenced, getting real about closing tax loopholes,
you know, potentially raising taxes, raising the capital gains tax,
investing in auditing, all these things that are about generating revenue
that no one seems to want to talk about.
Now, my second issue has to do with the spending conversation itself,
because it feels like everyone talks a very big game about cutting spending,
especially Republicans.
Vivek Ramaswamy is a leading GOP candidate.
He says, shut down all the federal agencies.
He wants to start with the Department of Education, then the FBI,
then the Department of Energy.
And the idea is, if we stop spending money on these agencies,
then we'll fix the deficit.
So again, let's do the math.
If we got rid of every single US government agency from the DOE to the DOJ,
if we got rid of all of them, we'd reduce annual spending by barely a tenth,
barely.
And the reason is that we spend 76% of our budget on three things,
defense, healthcare, and social security.
But whenever anyone proposes cutting spending on any of those three things,
Democrats and Republicans start throwing a fit,
because they know that the one thing that would prevent them from getting re-elected
would be for a 65-year-old senior to look down at a social security check
and see a number that's smaller than last year.
So it feels like the whole problem with this conversation

is that people are willing to make sacrifices,
but no one's willing to make meaningful sacrifices.
They don't want to raise taxes because it'll piss people off.
They don't want to cut defense because it'll make them look weak.
They don't want to cut social security because they'll lose 25% of the voting population.
But these are the only ways that you'll actually solve the deficit.
And I say this as a 24-year-old taxpayer who, as you reference,
will likely bear the burden of this debt load.
If we're serious about this, we need to start making real, meaningful, painful sacrifices.
The problem when you can vote yourself money is you do, and seniors vote.
So until quite frankly, if you want anything resembling around responsible long-term thinking, Ed,
you and your other young friends are going to have to start voting
because everyone is scared of seniors.
And, oh, we're going to have a child tax credit for your grandkids.
Oh, I don't really give a shit about them.
I give them 100 bucks and a leg with Christmas,
but I don't really care that much about them.
But don't fuck with my social security.
I don't know if you saw this, but the EU tax observatory just came out with this paper
saying they're proposing a 2% global wealth tax on billionaires.
And they said it would raise $250 billion a year.
Now, I've always found these sort of billionaire posturing tax proposals to be stupid.
But honestly, the more this goes on, the more I'm like, you know what?
Yeah, let's just start taking these extreme measures.
I'm sort of the same way, and that is I've always thought of the wealth tax as a bit of like populist bullshit.
And first off, just in terms of execution, you would need a multilateral agreement
because when France passes laws that increase the taxes on the wealthy,
the wealthiest man in the world decides, I think I will move to Barouge.
And now he's a Belgian citizen.
And I can't imagine he loves the fondue or whatever it is they serve in Belgium.
He's done it strictly for tax reasons.
And the wealthy are the most mobile people in the world.
They can move to London or Lisbon or whatever they need to do to avoid taxes.
So it would need to be multilateral.
But we're at a point now where it might be the only way to do it because it is politically palatable
because the majority of people are not billionaires.
They have recognized a disproportionate amount of the spoils.
The question then becomes about execution.
How do you value their wealth, but a wealth tax?
Yeah, I agree.
Power corrupts.
There's too much wealth in a capitalist society.

Well, I'm sounding like Senator Warren right now and I believe in private property,
but something's got to give that.
And what I would say is first and foremost, you and your colleagues need to start voting.
Okay, let's take a look at the week ahead.
We've got earnings from Pfizer, CVS, Shopify, Airbnb, and Apple.
And we'll see the next interest rate decision from the Federal Reserve.
Do you have any predictions for us?
This is more of a hope than a prediction because I have a large position in it.
I think that Airbnb, similar to what these other guys have done, I think they've managed the business pretty tightly.
There's been a lot of negative, a lot of headline news about Airbnb struggling in certain cities,
but I think their numbers are going to be to the upside.
Airbnb strikes me as one of the companies that's on the right side of the champagne and cocaine of growth and cost controls.
This episode was produced by Claire Miller and engineered by Benjamin Spencer.
Our executive producers are Jason Stavros and Catherine Dillon.
Mille Severio is our research lead and Drew Burroughs is our technical director.
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As the world turns
And the dark flies
In love

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