

## All In Pod Episode E112: Is Davos a grift? Plus: globalist mishaps, debt ceilings, TikTok's endgame & more

*Chamath:* Jaykall, you have a really long nose hair on your left.

*Jason:* This one here, yeah you, Chamath? Can you see it? Nick, can you see it? See that you can see?

*Friedberg:* It'll take care of it. Every...

*Sacks:* Show we have this issue?

*Chamath:* Every show he's got all this, like...

*Jason:* I'm getting old, man, so I feel like Sacks, you gotta get a grooming tool.

*Chamath:* I am tired of treasure hunting.

*Friedberg:* Landscape makes one, I'm going to get it. Yeah, just look in the mirror. Can you come over on the way to Parker Friedberg and help me with my landscaping?

*Friedberg:* You're not coming to poker. Jason, can you justify why Manscaped can come too?

*Friedberg:* Alright, Jaykall, you're going to be a participant today. The world's greatest moderator is taking a week off to allow his voice to

recuperate so he can come back with his usual mid-sentence interruptions and excellent moderating tactics. Next week, we'll miss you with this Foghorn Leghorn moderation.

*Jason:* Welcome to the top 20 podcasts! You're welcome. Welcome to the top 20 podcasts in the world. Okay.

*Sacks:* Hold on. Who are you thinking of? You've been doing this for 10 years, and I just walked in here off the street and all of a sudden we're top 20?

*Jason:* Yeah, let me explain something to you. Number one blog in the world, I created it with my guys at Gadget. Okay, top five magazine in the world, then I do a podcast with you, three idiots, and all of a sudden I dropped down to top 20 in this medium.

*Sacks:* Drop? What are you talking about? Exactly a drop? This has been A/B tested?

*Jason:* No, I mean This Week in Startups.

*Sacks:* Embarrassing, but look at the twist of radiance compared to ours.

*Jason:* This Week in Startups is about startups. It is a niche audience by design and it's the number one startup podcast in the world.

*Sacks:* That's what you wanted this show to be?

*Jason:* Yes, this show is about all topics.

*Sacks:* Every time we try to talk politics you're like it's too much politics.

*Sacks:* Let's focus on narrow legalistic technician.

*Jason:* True, we had this discussion, Sacks, and I said we should always do the top story of the week even if it's politics.

*Sacks:* And now you're taking credit for my insight about McLaughlin group. I saw you on some podcast. Who was it?

*Jason:* I absolutely designed this podcast around McLaughlin group. The fact that you said McLaughlin group.

*Jason:* Okay, it's possible for two people to have the same idea.

*Sacks:* We both grew up on The McLaughlin Group, which is why we're both cantankerous assholes.

*Friedberg:* Moderator intervention. Cut it out. No one is individually responsible for this podcast; it was Tim Ferriss. Yeah, Tim Ferriss.

*Sacks:* Here's what happened. So, I was on YouTube and, um, you know, I'm not gonna watch some two-hour-long podcast with Jaykall, of course,

but for some reason, for some reason, the clip, the 10-minute clip of the video is called the origin of the podcast.

*Friedberg:* I can't stand when he does that.

*Sacks:* So I'm like, okay, I gotta watch this in the partnership agreement.

He said, 'Here's the party line and Jaykall will not stick with going to recreate this.' I gotta see this alternative reality that Jaykall is trying to create about the origin of the I, wrote I wrote, history, yes. And I changed the origin story that you signed up to. Are you saying you changed the origin story?

*Friedberg:* It remains the same. You call me after seeing the origin story that he told Tim Ferriss, which is like a 10-minute story of how he created the whole thing. The concept is based on McLaughlin group, which concept is obviously by default how I moderate the program, is by my design. Yes, you didn't come up with this concept, to your chagrin? Of course I did. No, I came up with the name 'All In' number one. Number two was his idea to tape a pod because he came out of it. Anyway, who cares, the pod's here. It's successful. Why do you keep

going on podcasts telling everyone that you're the mastermind of the All In Pod?

*Jason:* People are saying Jaykall, other podcasters, I'll explain to you.

Other podcasters are in all of my ability to moderate you three misanthropic malcontents. You did not have the idea for the force and based on McLaughlin group that happened spontaneously as a result of the fact that no Friedberg was I think the first guest, I was the second guest, then we did the four of us together. That was not your jam session that worked, okay?

*Friedberg:* Fine. The way the way I moderate this is of note to the world's greatest podcasters. They wanna know Jaykall, how do you take three misanthropic malcontents and make them actually palatable to the world? And I say, 'You know what, because I am the world's greatest moderator and someone like Tim Ferriss wants to...'

*Chamath:* Excuse me. What makes me a misanthropic malcontent?

*Jason:* Just your behavior and worldview. What is it that describes my behavior and what is my worldview?

*Chamath:* Your absolute contempt for humanity. You know everybody knows you're amazing. It's a joke. It's called a joke.

*Friedberg:* Now you set him off, Jaykall. You really hurt him; you should apologize.

*Jason:* It's called the joke. I think you guys are wonderful, I think you all were.

*Chamath:* Wonderful. I may be misanthropic, but malcontent I'm not.

*Jason:* No, Sacks and Friedberg, that's for sure.

*Friedberg:* Malcontent? I'm pretty damn happy.

*Jason:* You're happy? The last descriptor anybody who knows you would ascribe to Friedberg was happy?

*Chamath:* No, I would say no. I think he's happy. He's anxious, but he's happy. He's anxious, but happy.

*Jason:* Did you see the roast? That man wasn't very happy.

*Friedberg:* That was really funny. It was tearing you up.

*Chamath:* That was, yes, that was pure rage.

*Sacks:* No, I think when Friedberg tries to be funny, it comes out kind of mean. Yeah, maybe that's it.

*Friedberg:* The only person who sets me off and makes me unhappy is you, Jason. I mean...

*Jason:* Maybe the four of us should go to therapy, or we could keep recording this podcast every week. Which would be cheaper? I think it would be cheaper for us to just talk it out.

*Chamath:* I for one am thankful to whoever gave you whatever sickness you have that prevents you from talking this week.

*Friedberg:* You're talking a lot for someone who can't talk coming at me. I'm sick, so be nice to me.

*Chamath:* While we're talking about all kinds of random stuff, the number two thing I see in the 'What's Happening' tab on Twitter right now is how Ron DeSantis is getting blasted for banning AP African American Studies because he thinks it falls under the 'Stop Woke' Act. The headlines are going absolutely nuclear on Twitter right now. Here are some of the quotes: 'Shocking: Ron DeSantis has banned the teaching of AP African American Studies in Florida. Florida has gone from 'Don't Say Gay' to 'Don't Say Black'. Next tweet claiming it violates the 'Stop

Woke' Act and has no educational value. Florida Governor Ron DeSantis has banned AP African American Studies from schools.

*Sacks:* Let me make a prediction right now. This will all rebound to his advantage. The same people who said that he was doomed for basically not instituting COVID lockdowns were proven correct. Then they said that this bill that prohibited the teaching of gender fluidity to five-year-olds was the 'Don't Say Gay' bill; 70% of Florida supports that, so that will rebound to his advantage. I don't know the story behind this particular course, but if the question is whether C.R.T. is going to be funded by the state and he's preventing that, again, I think that'll be a 70% popular issue. So let's just wait and see how this plays out.

*Chamath:* Fair enough. I just wanted to mention my spread trade. It might be tough to be the frontrunner in the Republican nomination process in January of 2022. It's starting.

*Sacks:* Yeah, to be the frontrunner in either party is a challenge. But I'd say the bigger threat to the Santis is a new poll where Trump came out on top, so Trump is still his biggest threat. Yeah. So, unfortunately,



Jaykall may be right that the Republicans may do something stupid here and nominate a candidate who is, I think, less electable than Santas.

*Jason:* I actually don't take any joy in it.

*Chamath:* I think Nikki Haley is going to come out of nowhere and win this thing.

*Jason:* Well, it's possible, you know. I really would like to see some non-political, non-career politicians run for office. The Bloomberg type, you know. It feels like these career politicians are just really, really bad at executing.

*Sacks:* You know, who likes Nikki Haley? Democrats, you guys? Why do we like her? I mean, she's polarizing. She's a safe establishment Republican who basically isn't going to put up any fierce resistance to what the Davos crowd wants to do.

*Chamath:* I don't think that's true. I think she was pretty likely to get the Republican nomination.

*Chamath:* I don't think she cares about Davos people saving her life. I think she is a moderate, reasonable person who had to govern in a Southern state and got everyone on board. That's pretty impressive. She's

a pro-life person who negotiated a 20-week support for abortion in 2014. So this is a person who knows how to get things done. South Carolina happens to be the state that is actually at the leading edge of climate transition. She's had more jobs and more money come into a Southern red state from people and companies willing to build for climate change than any other state in the country.

*Chamath:* I don't know. She seems normal and sane, not an idiot.

*Friedberg:* Would you vote for her?

*Chamath:* Absolutely, 100 percent!

*Sacks:* Yes, that's interesting. Absolutely.

*Chamath:* She's young, and her parents had a small business, so she was familiar with the struggles of running a business. It's tough to be successful at all of those levels, but she managed to do it. How did she, as a brown woman, get elected governor of South Carolina and do a lot of really good stuff? That's tough. I think she deserves a close look, and she's the only one who didn't back down to Trump. She was able to play the game, manipulate him, get him on her side, and then still tell him to go pound sand. That's pretty cool.

*Sacks:* Well, a lot of governors managed to do that. I'm saying she went to the United Nations and did what she needed to do there. That was an important role at the time.

*Sacks:* Actually, Nikki Haley has expressly said she will not run if Trump runs. So, she has bowed to Trump's wishes.

*Jason:* She wanted to be his Vice President, right? Like she was trying to replace Pence, right? That was her plan.

*Sacks:* Maybe it's a smart strategy, but she said she won't run against Trump. The main alternative to Trump and the Republican Party is Santos, and then I'd say the number three in the Republican Party after Trump and Santos is Glenn Youngkin right now. Based on what metrics? Based on interest in the party and I've talked to people, and I think the polling will eventually reflect this. He's very talented. Jaykall You talked about appealing to independents. He was able to win a blue state; remember, Virginia went for Biden by 10 points, and Youngkin was able to win that state. If you ever listen to Kim's campaign, he's a very talented campaigner.

*Chamath:* I think Youngkin is very talented, don't get me wrong. And I think he would be a credible candidate for president. The thing is, he hasn't been in the job for more than 18 months, so he hasn't done anything. If it does boil down to it, it may not matter, because Obama was a senator for two years or something. But if Republicans demand some credentials, I think Trump and DeSantis will attack Yank more viciously in a presidential primary than they attacked Haley on the dimension of having no experience, and it will be hard for him to back it up.

*Sacks:* This is one final point you know to

*Chamath:* steal the march on the other side. That's

*Friedberg:* what they would say. Final point. We have to get

*Sacks:* the final point. Virginia has this unusual one-term limit on governors. So, you know he's got no choice but to make a play in 2024 because he's going to be turned out anyway.

*Friedberg:* Okay, Jaykall, as a lifelong independent who has only ever voted Democrat, which of these 25 Republicans would you vote for?

*Jason:* To be clear, which Republican?

*Friedberg:* So, which of these candidates do you think is best?

*Sacks:* Republican? Well, when I was 12, I remember learning that three times three is nine.

*Jason:* I would like somebody who's younger and has been influenced by your framing of a person who can control the budget and reduce spending. I don't think that's the most pressing risk we have right now. So, I'm leaning towards voting for a single issue in this presidential election. I think we need somebody younger who won't bankrupt the country. The more these candidates talk about social issues instead of economic ones, the more I think they're not the right person for the job. We have a serious financial crisis on our hands and we need to focus on financial issues, not social ones. That's where I stand.

*Sacks:* Excellent point. So, I assume then you support the Republicans in this looming budget showdown?

*Jason:* Actually, yes, I do think we should hold the line on spending.

*Sacks:* So you support the Republicans voting 'no' on raising the debt ceiling?"

*Jason:* Yeah, I actually do. I think we should start pumping the brakes on spending, and I do think the Tea Party, now that doesn't mean I like those candidates, they're kind of whack jobs actually. But

*Chamath:* You think George Santos is a whack job? Listen.

*Jason:* It's the Wack Pack. The Republican Party has turned into some crazy Howard Stern Wack Pack. Sacks is appalled by it. He just can't

*Friedberg:* Some elements of both parties. Look.

*Chamath:* Would you ever invite DeSantis to your house? Who would you invite? Actually.

*Jason:* Have a real legitimate question? Who would you be willing to host a dinner for?

*Chamath:* Not a fundraising dinner, but just invite to the house? You can pick between two people: Alexandra Ocasio-Cortez or Jorge Campos. Who would you pick?

*Sacks:* Meet and talk to an O.C., of course, because it would be interesting. Do I want to fundraise for her? No, but

*Chamath:* No, no, I'm not asking for fundraising. Who

*Jason:* Just let in the front door unlocked? The front door for

*Sacks:* The front door to see what

*Chamath:* Would you do to George? Would you not even return the email if he said, "David, I'm in town?"

*Jason:* I wouldn't let him out for dinner.

*Sacks:* I wouldn't want to deal with him; he might steal the silverware or something. It's so crazy; I mean, it's so nuts.

*Friedberg:* Hold on, hold on, hold on; we have to get started as your moderator. I'm going to try and keep us on track. Good luck. You know, it's an energetic day. I appreciate my co-host's recognition for supporting the Republicans in this budget showdown. I mean, I'm like, blown away.

*Friedberg:* I think it's great. As you guys know, it's my number one concern on Earth today. The importance of this topic really needs to rise above politics.

*Jason:* Of all the things you said Friedberg in the last six months on this program, it's the one thing that stuck with me. Now I realize it's the most important thing for this country: fiscal responsibility, austerity measures, looking at how we're spending money, immigration, economic

velocity, employment, and competing on the world stage with a solid balance sheet. That's how you compete.

*Friedberg:* I think it rises above social issues and climate change, don't you? You can't address climate change, social issues, infrastructure, or unemployment unless we have the ability to operate as a country over the long term and have the continuing credit of the United States dollar. That's why I think it's so important.

*Jason:* Friedberg, I'm dealing with startups I have right now and I tell them the balance sheet is how you compete. If your balance sheet is flipped upside down and you're going to be out of business in nine months, you're not competing with the other two companies in your sector. You have to have a strong balance sheet, take the austerity measures, make the cuts, and then compete with a strong balance sheet. It's just so obvious that this country's balance sheet is getting flipped upside down and we are going to have so many, yeah, very complex second and third order effects with the interest payments.

*Chamath:* If you value austerity, if you look back in history and ask the prime ministers or presidents of various countries, particularly First



World countries, that have had an impact in implementing austerity, you know what the unifying thing is? Women do a much better job than men. Okay, if you want austerity, you're better off with Margaret Thatcher than with a dude like Nikki Haley. I think look...

*Friedberg:* It's a very hard position to be in as a politician because you have to position your objective as one of taking things away. And the primary way to get elected in a democracy, just like in junior high when you run for president of the junior high class, is to promise your constituents something they don't have today. Whatever the issue is of the day, whatever the issue of the decade, it's all about what I'm going to give you that you don't have today. To flip that conversation around, we all have to sacrifice together for the long-term viability of our economic prosperity. That is a very hard platform to run on when someone on the other side of the podium is saying they're going to give you these 10 things. It's very hard to get elected, and that's why democracies ultimately eat themselves. I forgot who said it, but ultimately all democracies end up realizing they can vote themselves all the money, and then you have this big cycle...

*Jason:* Republicans did the most brilliant thing ever recently. They moved from 'Stop the Steal' to 'Stop the Spend'. This is a genius thing they stumbled into. Nobody wants to hear them talking about the election being stolen; that's complete nonsense. But 'Stop the Spend' - we all understand that everybody is seeing it in their own personal balance sheets, in their companies, in their families, with their mortgage payments, college tuition bills, and car payments going from \$400 to \$700. They're seeing what variable interest does. We have variable interest debt; this stuff is going to skyrocket, whether it's Elon's payments for Twitter or your payments for your mortgage or our country's payments for our debt. We have to stop the spend.

*Friedberg:* Yeah, but guys, let's just continue the conversation and talk a little bit about this World Economic Forum gathering that took place in Davos. I know you guys wanted to talk about it this week.

*Sacks:* Because of intellectual honesty, I'm like blown away right now.

*Friedberg:* Because he's sick. Okay, so look, you know I'm always trying to get the best out of the budget conversation, as it relates also to the global economy and growth. So, Davos took place over this past week, just so

everyone knows, and I remember working at Google in 2004, I remember how exciting it was for the executives to kind of start to transition into the Davos stage. It became this moment where you're kind of finally on the world stage; it's an exciting moment for CEOs, for world leaders, for global economists to get together, talk about the state of the global economy, where the world is headed, what we can and should be doing about it. And Davos is also this place of pride and prestige for being invited and being a part of the 'party', the global elite party, as some people are now calling it, and that's what I think is the important conversation, is that the World Economic Forum gathering in Davos has recently been cast as this gathering of the global elites, those who are trying to take control and run the world as they see fit. And Sacks, I'd love your point of view on how that transition has happened. Because one of the important ways that the Davos gathering has been cast, and the World Economic Forum has been cast, is in the negative light of being globalists, and globalism has had a really important role in driving global economic growth and prosperity, and it has had these adverse effects in the U.S. as we've seen with wealth inequality, loss of jobs,

offshoring, gutting of industries, and so on. I think that there's a really important way that Davos has been politicized, but the risk of that is significant, because if we do lean into this globalist notion and say it's all about elites trying to take control of our world and we all become isolationists, that countries around the world can suffer deeply from the economic consequences of that shift. So, maybe Sacks, you can kick this off, especially in light of our conversation today about the need for economic growth and the reduction of global debt to support, you know, a more prosperous world in the future. This idea that right now we're talking about Davos and the World Economic Forum as a gathering of global elites, and maybe Sacks, you can kind of give us the history and the point of view on how that.

*Sacks:* Well, it's a meeting of global business and government leaders. So, they are the elites; I mean, you add them all together and they do control a substantial portion of the world economy and most of the nations with the biggest economies. So, there's no question these are some of the most important people in the world. A bunch of the articles coming out of Davos reported the somber mood and tone of the conference. The

level of anxiety and worry was very high, and I think that, for a brief moment, it looked like these people were staring in the mirror and realizing that their management of the global economy over the last couple of decades has been a bit of a disaster. I mean, you do have ruinous deficits and debts piling up in the U.S. and across the world, something like 350% debt to GDP globally. So, we've talked about that; you've got this war in Ukraine that I and many people around the world think was easily avoidable and was a diplomatic failure. You're coming off of two years of badly botched COVID mismanagement, where the governments of the world pursued a horrible policy on COVID and made everything worse. You've got decades of energy policy promoted by the World Economic Forum, where they want to get people off fossil fuels and natural gas and get them onto less dense, less reliable energy, including promoting things like organic farming in Sri Lanka, which we talked about on the show, caused the economy to collapse. You've got the World Economic Forum promoting ideas like you're gonna own nothing in the year 2030 and you're gonna be eating insects because no one should be eating meat. So, you've got these like wacky, extreme, you

know, environmentalist ideas and anti-capitalist, anti-property ideas coming out of Davos. So, I think the whole thing has been a bit of a disaster, and for a brief moment, it looked like these people, again, were self-reflecting on their role in creating these disasters. But, of course, the tone quickly shifted to blaming disinformation on social media as the root cause of all these problems, as opposed to their decades of decision-making running, you know, the leading nations of the world and the leading companies in the world, and I think that the blame is properly put not on social media but on these leaders for making, you know, bad decisions.

*Friedberg:* Do you believe that global trade has been beneficial to the US over the last 30 years, or has it been net negative? We can see the obvious consequences of global trade, such as industries being gutted in the US, and now we're trying to bring them back, which is becoming very expensive and ultimately leads to the inflation of goods and services.

*Friedberg:* So, as you look at the positive agenda of the World Economic Forum over the last 30 years, which has been about improving global trade and global relations to enable global trade, are you an

anti-globalist? Do you find yourself falling more into that camp as you see and hear more of what comes out of Davos and from organizations like them?

*Sacks:* Well, all economic prosperity comes from trade. If we didn't have trade, we would all be subsistence farmers and hunters and gatherers. We specialize in something and then create an abundance of it to trade for the rest of our necessities. The issue is that trade not only creates prosperity, it creates dependencies because you're dependent on the people you're trading with. It also has distributional effects in terms of geopolitical consequences. For example, trading with China has created some prosperity, but it has also hollowed out the American manufacturing sector while making China very rich, which has turned China into a major geopolitical competitor for the United States. So, I'm not a free trade fanatic. I understand the way that trade creates wealth, but I think it can also create these downsides that have to be managed. The fact of the matter is that this unfettered free trade ideology contained the seeds of its own destruction because all the revisionist powers who are seeking to revise the US-led global order were enriched

and built up by the very free trade ideology that neoliberals were promoting.

*Sacks:* So, this neo-liberal world order has kind of created the seeds of its own destruction. I think that it would have been much smarter for us two decades ago to be much more restrained in the China trade and to not throw open our markets to Chinese products; we basically gave them MFN status. This is back in the early 2000s and it was a bipartisan project and bipartisan decision. But the results of that have been the rapid rise of China at the expense of our manufacturing sectors.

*Friedberg:* And to the benefit of our consumer class, right? I mean, we do have \$600 iPhones because of it and we do have cheap TVs, and there has been a consumer market that's demanded these low-priced goods to live a better life, right?

*Sacks:* So, yeah, but so everyone gets cheap goods at Target. But in exchange for that, we now have a real peer competitor to the United States which is capable of disrupting, let's say, our primacy in East Asia and, you know, is creating a much more challenging world. So, look, I can understand the reasons why people bought into this two decades



ago, but I think that if we had it to do all over again, I think most people would recognize that we should not have given China permanent MFN status and we should have been more temperate in our willingness to throw open our markets to these countries.

*Friedberg:* Do you think that the World Economic Forum has transitioned into a neo-liberal organization now, promoting neoliberal beliefs that are not connected to the original purpose of enabling and supporting global trade, and creating more prosperity and security around the world?

*Chamath:* I think it appeals to the insecure overachiever elite. Yeah, nobody building anything really gives a shit about Davos; nobody is thinking about what's going on. Nobody even knows when it happens, so who cares about it? People who like status, and went to fancy schools, and want to feel like they're in the club, and that's how they've made it, is going to this place which, underneath, is a membership organization where people pay based on the number of people that get to go. So is it really that important? Substantively, no, but overachieving surplus elites in the West really value the signal that it represents to other overachieving surplus elites in the West. So that's what Davos is; that's

what the Allen and Company conference has become. A lot of these things started off much purer than what they are today, but these are all membership-driven, revenue-generating efforts. In 30 or 40 years, the All In Summit will probably become that, too. It's just the nature of things, so I wouldn't spend so much time focused on a group of people getting together. The funniest thing about Davos that I saw was Zero Hedge, which said that the amount of prostitution is at record levels in Davos. So it just kind of boils down to what it is, which is like any other conference; it just happens to be with more security guards and less security guards. And the same stupid stuff happens at Davos that happens in Vegas at, name your conference, C.E.S. It's just a different kind of attendee. So I think the bigger thing is that we are learning that the world tends to have these policy perspectives that swing the pendulum. And the problem with the pendulum is that it is at extremes, and Sacks is right. We went from an extreme where we were very closed off and we were essentially subsistence farmers; all of us were, and then the pendulum has essentially peaked probably in the mid-teens of this decade, or this century, where we realized too much globalization

actually hollows out local economies. So we need to find the equilibrium point, and that inherently has more inflation, that inherently has higher prices, and that inherently has slower progress but more consistent progress that benefits more people. And this is what is so ideologically disruptive to, again, surplus elites because they need the \$600 iPhone. The idea that they can't upgrade every year drives them into such a tizzy that they need to export all the jobs, whereas a \$1000 iPhone or a \$1500 iPhone may just mean that your upgrade cycle is two years. And just ask yourself, how many times have you upgraded as soon as the phone came out, to realize, "Man, this phone is actually worse than the previous version," and it probably could have just waited. And there's a lot of work that actually goes into building these things to actually make them better. So all you're doing is you're giving up optionality; you're allowing your brothers and sisters to struggle to basically feed the profit motives of one company that, in hindsight, doesn't need to happen. So there's an equilibrium, and I think that these next few decades will be about finding it. We have decided it's categorical that that level of globalization

that we have had, this unitary, singular, mono-cultural way of thinking about things, is over.

*Chamath:* And David's right. It's because that system has created too many threats to the hegemony that brought us there. That's a good thing, I think. In general, it will be more prosperity for more people, but it will be slower, and it will create points of friction that are represented in inflation and higher prices.

*Friedberg:* Right? That's right? So, as Jaykall knows, Chamath points out that, like, if you're upgrading every two years instead of one year, your economy doesn't grow as fast; you have less spending. If the price of things goes up, you have inflation. The net cost of de-globalization is higher prices and lower economic growth. That's just fundamental macroeconomics.

*Chamath:* That's not true. That's not true because the de-globalization in an individual economy will actually create GDP because you have to rebuild the things that you used to import.

*Friedberg:* That's right. Yeah. And over a period of time, theoretically, you could catch up and accelerate. But, like, when you weigh this

conversation about Davos and globalization and U.S. security against the one we just had—which is why I wanted to talk about this—we're running into a debt crisis, we have limited spending capacity, we have a significant amount of investment needed if we are going to cut global trade ties that we've depended on historically and start to build redundancy. Can we afford this as a country? Can the West afford this given economic slowdowns and inflation right now? And how do we balance kind of these conversations against our domestic challenges?

*Jason:* Davos has a pretty serious PR problem. They have dubbed themselves, essentially, a self-appointed Illuminati for the rest of us and that they're gonna set some global agenda. I think this year's agenda was like finding the future or defining the future. Nobody asked these people to be in charge and, if you look at what's happened in the world—the chaos of Covid—and you look at what's happened in terms of energy policy in Europe, and then this obsession with social issues and being told, you know, these farmers, these truckers, you're bad people, you're not woke, whatever it is. I think the public looks at Davos as the manifestation of these global elites who are lording over them some

master plan, whether it's real or not, that they're not part of and that doesn't take them into consideration and that takes into consideration only their profits. And when you actually peel it back, as Chamath correctly pointed out, Davos is a huge grift. They recruited me to be part of their world leaders 15 years ago after I sold my second company and I met Klaus, the guy who runs it, at some New York Four Seasons event. And then I got the bill and to be a world leader was forty fucking thousand dollars and I was like, "What a global future leader? I don't know what that means, but I'm not giving you forty thousand dollars. You had to pay to be a global future leader and you didn't have to pay for a six-thousand-dollar ticket. At the time, this was forty large and I just thought, you know, this is not for me. Uh, and I think people would much rather see some resiliency in the supply chain, and they would rather see the origins of Covid and why we spent two years in a lockdown. And was that a cover-up of the United States funding gain of research being done in Wuhan? Like, and why are we shutting down nuclear power plants? And what exactly is the energy policy in Germany? People are looking at incompetent elites going to Davos,

having a big party, and then setting an agenda for them that they don't understand or want. And I think this is where, you know, the contempt for Davos is peaking this year. And it should, if you're being invited to Davos and other people are not being invited and they don't have a seat at the table and a voice at the table, you can tell that all the journalists there are on an access journalism pass. What does that mean? Access journalism. They get to come there and they get to hang out with elites, if and only if their coverage fits a certain profile. And if you find me the top ten most critical anti-globalization journalists in the world, I can guarantee you that they don't have credentials.

*Jason:* I think it's like a bankrupt organization that should just be shut down and the people who are going there are involved. No, I think it's culturally bankrupt. I think it's not what the world wants right now. The world wants transparency and the world wants ownership of all the screw-ups, you know, from COVID to energy policy. We want ownership of those issues, not a bunch of elites drinking champagne.

*Chamath:* I'd rather spend a week with entrepreneurs, or frankly, spend a week with my kids, or even spend a week playing poker with my friends.

Of course,

*Jason:* Let's do it. They're...

*Chamath:* There are umpteen things that are above the list. So, it's kind of like, let them get together. I think it's fine for them to get together. They should do it. I just think that if you're not there, I wouldn't weigh these things so heavily because it speaks more to your own insecurity than it does to their actual influence on things.

*Friedberg:* Yeah, the term "elite" is an interesting one. You know, companies need a CEO to run the company; it's not run by 10,000 employees, and governments need a president to oversee the government. I think the idea that some small number of people that are in charge getting together is now being cast as an "elite gathering," and elitism in itself is the failure. I don't think it's an elite gathering. I think it's very important to get this nuance right. It's a gathering of elites, and that's very different than an "elite gathering. An elite gathering is when, like, Michael Jordan, LeBron James, and Steph Curry get together and



work on their basketball game. That's an elite gathering. A gathering of elites is what's happening in Davos.

*Friedberg:* But they are the CEOs of their companies and the leader of their countries.

*Sacks:* So, I would differentiate between the people who are merely attending and paying the \$40,000, who are likely a bunch of hangers-on.

*Jason:* It's not \$250, by the way, it's \$250,000.

*Sacks:* Yeah. Anyone willing to pay that much is obviously very insecure. By the way, I just got back from Davos.

*Sacks:* Congratulations, you did well. Looks good on you. Did you spend your own money or your LPS money?

*Friedberg:* I mean, if someone went to Davos and spent their own money, it's probably not.

*Sacks:* Right. Exactly. So then there are the hangers-on spending \$50,000 to feel important. But then there are the people who are invited who probably don't spend any money who are basically speaking, too. And, you have to say that the group of people who are speaking at Davos,

individually and collectively, are quite influential. They are the leaders of countries and Fortune 500 companies.

*Chamath:* Sure, but you can agree that they literally don't say anything that's noteworthy because they're not allowed to.

*Sacks:* They're not saying anything that's that different from what they would say the previous week or the following week. So, but it's a forum, it's a platform for...

*Sacks:* Yeah, it's a platform to get together. In terms of the critique of it, Friedberg, you asked how far back does this go? It's not like a new thing. The term 'Davos Man' was coined back in 2004 by Harvard professor Sam Huntington, who wrote a book called 'The Clash of Civilizations'. He's a professor of international relations at Harvard and he coined the term 'Davos Man' to refer to a globalist who, quote, had little need for national loyalty and viewed national boundaries as obstacles that are thankfully vanishing. That's how Huntington defined 'Davos Man'. And there's been a reaction to these 'Davos Men' that's been growing for a couple of decades. I mean, obviously, the election of Trump was a reaction to that, Brexit was a huge reaction to that, and I think that the

resistance to the imposition of these globalist policies - which I guess you could define as believing in this borderless world, economically and politically - I think that's been receding in favor of more nationalist leaders who want to promote their own country's interests. And I think that trend is gonna continue.

*Friedberg:* Well, let's transition this to the broader question that we discussed a couple of episodes ago: how can we afford this transition if there is a mounting de-globalization movement and effort, particularly in the US? As Sacks pointed out, global debt to GDP is around 300-350%, depending on how you count. And we're running into a debt ceiling here in the US. I guess the question is, how do we afford to build the infrastructure redundancy and make the investments at home to replace global trade? Can we afford to do it? And how is this going to play out as we run into this debt ceiling vote?

*Chamath:* I don't think that's the right question. I think it's the inverse of that question. How can we afford not to, with the amount of discontent and economic strain that people feel? If you want to really call it populism, you're going to have to create economic vibrancy at home,

when people are making money and they find purpose. They're less agitated, they're not storming the capital, they're not electing fringe candidates, they're not doing domestic terrorism, they're just going to work and building a life. We know that. So, how can we afford not to bring back jobs to the Heartland of America? The reality is that this debt to GDP thing is a bit of an intellectual red herring. People talk about this thing constantly in absolute terms with no historical precedent that relates well to our current moment. There is no magic number at which this experiment called America fails. So, I think you have to be a little bit more intellectually honest and say that, at best, it's a relative problem and it's relative to the countries that have already established dominance, of which there are eight or nine, and then the emerging economies. And then thinking about what critical things will they bring to the table in 15 or 20 years from now. And in that context, I think that people will hem and haw, but ultimately they'll capitulate, they will raise the debt ceiling and they'll continue to fund this transition away from globalism. And I think that's the argument that looks at the Republicans over the line, because it's going to bring a lot of spending and stimulus

and jobs to, frankly, a lot of red states that would otherwise continue to wither and die on the vine.

*Friedberg:* My biggest concern is that if we make investments that are not economically viable, it could be a path to ruin. What I mean is that if we build factories, manufacturing facilities, and infrastructure that relies on outdated technology and systems of production, and if there are alternatives that are more productive and advanced, then we will lose out. If we make an investment with a negative return on investment, what do you think?"

*Chamath:* I have a question for you. You're making a basic assumption that is based on fundamental economics, but that can change if we choose to. For example, let's take natural resources. Every time you plan an industry, Wall Street and the debt markets refuse to underwrite it at a higher cost of capital. They use a discount rate of six to eight percent, but if you had a realistic discount rate of ten percent on a massive infrastructure project, you would be equivalent to a government, and in many cases the government would be cheaper. So, I think it's worth debating whether we refuse to change the guardrails on our

profit-making ability. If you extended the window, changed the discount rate, and said that things can be different, it would completely change the economic justification for what you just said, by tens of years.

*Friedberg:* One way to describe that is to reframe what you just said. The useful lifespan of an investment may not be 40 or 50 years, but 12 years. If you recast the investment decision as needing to have a 12 year return, rather than allowing it to be modeled as a 40 year return, then you can filter out a lot of the nonsense and see real payback. It doesn't make sense to spend \$100 billion on a train from L.A. to Fresno. The California high speed rail program was originally estimated to cost a billion dollars to go from L.A. to San Francisco, but it has ballooned to a much higher cost. From a policy perspective and accountability framing, there is something missing. We need to get paid back for these things within a certain time horizon. In China, they are building 405 nuclear power plants, which will drive down the cost of industrial power to below five or four cents per kilowatt hour. They are also electrifying all their factories, meaning that products can be made using electricity, giving them a huge economic advantage.

*Chamath:* It's not the cure that you think it is. Even if you have free energy, you have to think about the inputs and the things that China needs.

*Friedberg:* No, sorry, I'm not talking about energy. I'm just saying a general framing like, no, I understand. My point being, what investments should we be making, or where is the puck headed, not where has the puck been?

*Chamath:* Right, so I just wanted to comment on where the puck is heading. Even if energy is free in China, you have to think about inputs, meaning factories make things with inputs, and if you look, for example, at natural resources, the inputs by and large don't exist in China. And so, all I'm saying is that all of these inputs, whether it's natural resources that proliferate massively in the United States, it turns out that India is utterly, utterly, utterly poorly addressed in a geographical survey perspective. And we're finding that India's raw resources are off the charts. Okay, there's certain places in Africa, tons of stuff in Indonesia and Australia. All of those things may not have to go to China, because there are subsidies or there are equivalently cheaper decisions that

governments can make so that they choose not to send it, and all of a sudden all of that spending doesn't matter as much because the Australian government makes a tradeoff that says, "You know what? I'd rather have these jobs here and I'm willing to have a longer payback cycle for these jobs to be here than instead of shipping to China. And they tell the Australian citizens, "I'm sorry guys, but you're gonna have to replace your car every seven years as opposed to every five. I hope you're okay with that. But that'll mean full employment and it'll prevent fringe candidates and populism, and let's go forward.

*Friedberg:* Where do you invest?

*Chamath:* I'm investing a lot of money in places that control natural resources that are poorly understood. For example, in India, our geological survey capacity is relatively naive, and it turns out that in critical parts of the energy supply chain, they can play a huge role. The Indian government's cost of capital has an element that accounts for full employment. If I build something in a certain state and try to get a certain number of jobs created, the full circle feedback of that allows me to transfer price it into the Indian market at a cheaper price than China



can do, even with zero energy. This kind of sophisticated decision-making is emerging due to the de-globalization trend, and it's happening everywhere. The Indians, Germans, and Americans are doing it, and on top of that, they're using game theory to slow China down, as China needs inputs from these Western economies, and they're not giving them to them anymore. For example, in semiconductors, the Dutch, Germans, and Americans have essentially embargoed all of their most sophisticated equipment from ever getting into China, which will increase even with zero energy.

*Chamath:* The cost of what comes out of there will balance the playing field so that the Germans, the Dutch, and the Americans can bring other partners in at a different cost of capital to make it economically neutral. That parity and the reason they'll do it is to create jobs for Americans, the Dutch, or the Germans.

*Jason:* I think the most important thing here isn't energy, I don't think it's infrastructure, I don't think it's natural resources. At least for America, it's entrepreneurs and that's what it's always been for this country: immigration is the silver bullet here, inspiration and the

freedom that this country has for entrepreneurs and founders to pursue a vision to start a company. That's why we've won so big historically, it's the combination of immigration and the inspiration that these entrepreneurs do on a global basis to get more entrepreneurs to come to this country, to go to Stanford to start companies. That's why China is now losing. They cribbed this incredible formula we had of letting Jack Ma do Alibaba, and then they decided to, for whatever insecure or stupid reason or pragmatic reason, to consolidate power. That's what will push the world forward and make our country thrive. We have to fix immigration. We have to keep letting entrepreneurs find the future because the government can do so much, they can underwrite a couple of chip factories here or there. Sure, we can put money into nuclear or fission or fusion, whatever the next technology is. But you need a singular person who wants to make it their life's mission, who wants to have their sense of pride and innovation push the world forward. Those people are rare, and we are in a competition globally that we are not focused on, that we need to get refocused on to recruit the greatest

minds in the world who want to change the world to do it on American soil.

*Friedberg:* I do not disagree with you. Regarding my earlier comment about how to walk the tightrope between the debt burden, globalization and populism movements, and the challenges and opportunities ahead, I think it has to come through innovation. We have to invent a new tightrope.

*Jason:* I think the challenge though, Friedberg, is that it takes a recognition that there are singular individuals in the world - one in a million, one in a billion, whatever it is - who can drive an entire economy forward. Whether it's Gates with Microsoft or Steve Jobs with Apple, there are people who will push these things forward and take risks. We have to recognize that it's a small number of individuals backed by a large amount of capital that create massive jobs and great prosperity. It's an uncomfortable conversation for people to realize that it might just be a couple of dozen people a year immigrating to this country that changed the fate of this country.

*Sacks:* Do you need to allow three million migrants to stream across the border every year?

*Jason:* No, because you don't know which one it's gonna be.

*Sacks:* Really? That's your immigration policy - open borders? So that's your recruitment?

*Jason:* That's the opposite of your immigration, yeah? Okay, I can explain that. It's a great question, Sacks. There are two things to look at here. Let me finish my sentence.

*Chamath:* No, I'm just going to ask you to verify what you said. Are you saying that the PhD student who started Google is streaming across the border or actually applying for something?

*Jason:* No, absolutely not.

*Sacks:* Let me parse it for you.

*Jason:* There's immigration and then there's recruitment. If we frame this process with those two different words, there are people who are indeed immigrating and streaming across the border. However, I don't look at it in a political way. Then there's recruiting the most elite talent in the world. We can do both of these things. One of them helps farmers have

people to work the fields, to have people take entry-level jobs, and to work in the service industry. We should bring in two or three million of those people per year. We should make it legal and we should celebrate it because we have so many of those positions open that Americans don't want to take. We should then also, in parallel, and without confusing the issue for political reasons, recruit people to come to our universities. When they graduate, we should have their citizenship stapled to that diploma and not let them leave the country. We should let them start companies here instead. What we do is we make them fight to stay here. We should be recruiting the smartest and most talented people; that would be hundreds of thousands of people per year, or even millions coming across the border.

*Chamath:* "Sick Jaykall is very reasonable. No, great moderation. Yeah, go ahead.

*Sacks:* You know I'm an immigrant; my dad came over in 1977 when I was five years old. He had an M.D. and was a doctor, so he had skills and wasn't going to become a net government dependent. I think it makes sense to allow immigrants who can add something to our economy and

bring skills. But the problem is, if you take a reasonable position, you're told you have to accept a situation of de facto open borders, which is ridiculous.

*Jason:* These are two separate things, and the Democratic Party has inflated it by conflating these two issues. You know they're two separate things.

*Sacks:* Yes, the Democratic Party has conflated these issues.

*Jason:* Alright, both parties are conflating their views here at the all-in podcast. Can we agree that a group of people could recruit people for PhD programs?

*Jason:* A group of people allows people across the border to take service jobs.

*Friedberg:* Obviously, that's the way to go. But let me tie this back to Davos Man. What was the definition of Davos Man? It was somebody who was pushing this ideology of free trade and open borders to such an extent that it created a nationalist or populist backlash. That's exactly what's happened at our Southern border. You have people who believe in immigration pushing that ideology to such an extent that they won't

create a rational, sensible Southern border process. It's chaos down there and bringing in the Dream Team is in favor of bringing the Dream Team.

*Friedberg:* But isn't the response to open borders the creation of this nationalist movement? The nationalist movement only exists because of open borders. I think that's the point, right? Like the extreme, there's the extreme.

*Jason:* I think the immigration system should be based on points.

*Sacks:* Just like the Davos men don't. If the Davos men don't start taking into account these national considerations around the defense of their borders and these issues around trade hollowing out the middle class, then there's going to be an intense backlash. And I don't think those elites have been managing the situation very well. It would have been better for them to pursue the more nuanced policy you're talking about.

*Jason:* Why are we conflating the issue then? Why do the Democrats and the Republicans make this such a polarizing issue instead of stating it the way I did in the South? It's so easy to separate them.

*Friedberg:* You know when you conflate them, you can incite an emotional response from your voting base. That's why these issues get brought up;

you can drive someone to vote for you by framing the other side as extreme.

*Sacks:* Before you got suddenly very reasonable, you said that we had to allow two to three million destitute, practically illiterate migrants to stream across our border because one in a million of them might be an Elon Musk.

*Jason:* No, no, hold on. I was talking about immigration typically includes both people coming in for education and people coming across the southern border. We should have a point-based system, like Canada and Australia, where you get points for everything you bring to the country, such as money, language skills, and degrees. If you don't speak the language or have an education, you have zero points. If you have a master's degree and speak two or three languages, you get two or three points. We can let in buckets of people based on compassion, service workers, and the potential for the next Elon Musk or David Sacks or Chamath Palihapitiya.



*Friedberg:* I think Jaykall's argument is that the compassion argument falls on deaf ears in a time where people feel we cannot afford it and it's a luxury to embrace that level of immigration right now.

*Jason:* We should pick a number that we can reasonably absorb. This is what we should look at.

*Sacks:* We can see chaos at the southern border and obviously they want to get that under control before they adopt your point-based system. I like the idea in concept, but I don't know if it's your point or not.

*Friedberg:* No, no, we don't need to.

*Sacks:* I like the idea of admitting immigrants based on skills that the country actually needs, and a simple recognition that it's better to bring in people who are immediately productive, who can hold on and add to our economy, as opposed to being dependent on government assistance.

*Friedberg:* We're done. We're done. There are countries, I just want to point out, that have said they can accept up to a certain number of people who are uneducated and don't speak the language. Specifically, the Scandinavian countries have said they can accept 50,000 per year

based on compassion. That's the reasonable discussion that needs to happen here.

*Sacks:* But did you just say that we have to do these two things simultaneously? Meaning that until we implement an overhaul of our entire immigration system based on skills and points, we can enforce the southern border.

*Jason:* No, I think you can enforce the southern border. Let me just tell you there's going to be no Canada and Australia already doing. Let me just tell you there's not going to be a broad-based constituency in this country for the type of immigration reform you're talking about until you get the southern border under control because people look at that on the news and see chaos and there's no excuse for that. They should be thoughtful and they should just look at what Canada and Australia have done. Those countries have actually controlled this and it's not a polarizing issue there. It's a pragmatic issue.

*Friedberg:* Alright, everyone. Let's move forward to the banning of TikTok. I want to change the tone a little bit. Recently, it was reported that TikTok has been banned from use on the campus wifi network at a

number of universities, including UT Austin, Auburn, Boise State, and the University of Oklahoma. College students can't access the app when they're on the campus network. This follows 19 states that recently banned TikTok and government devices. As everyone knows, TikTok is a product from ByteDance, which is a Chinese-based company. There has been quite a lot of political and regulatory huffing and puffing about ByteDance having this level of insight and access to users in the United States, with the assumption being that much of the data that they're pulling out of the app is available to the Chinese Communist Party, which creates a security threat to the United States. That's one argument. I think there is also a significant tie-in to ByteDance. There's over \$8 billion of capital invested in ByteDance by firms that we know well, like Sequoia Capital, Tiger Global, Coatue, Sacks Khane, and others. They're trying to find a way to monetize their investment in what is truly the most viral, fastest-growing, highest revenue-growing, biggest startup in the world right now in ByteDance. So, there is a restructuring proposal apparently underway that's being discussed in Washington D.C. right now to try and restructure the organization and the ownership

structure and the oversight of TikTok and ByteDance such that U.S. regulators and U.S. companies can oversee the data, the use of the data, the algorithms underlying TikTok, and monitor them from within the United States. Question for this group here on the McLaughlin Group of 2023 is: Does that do enough for you, McLaughlin? Do you guys think that that's enough? First up is Chamath, who has been silent for a bit.

*Chamath:* I think this is really bad news for ByteDance basically. What's happening is that all the frustration that all these legislators and politicians have had over Facebook, Google, and other big tech companies is going to get focused on ByteDance because you have this common enemy that you can point to as a boogeyman of sorts. And I'm not saying that it's right. But I think that what you're starting to see is it's much easier to pick a fight with the Chinese company and win and get broad-based support than it is to pick a fight against an American company with a bunch of American employees, an American market cap, American know-how, and American IP that gets impacted. So, I don't think this is going to end well for TikTok and I think the goal, if I were any of these people on the cap table, would be to sell it in secondary to

somebody else and get out. I think the next big shoe to drop is going to be advertisers who come under a lot of pressure. So, for example, think of all the advertisers that have left Twitter. There is a point of efficiency where you can live with all of the mess that Twitter has because it comes with a lot less scrutiny and oversight and political pressure than advertising on TikTok. And that, I think, is the next kind of big wave here. So, I think it's very, very bad. I think the enterprise value of this company is quite challenged and these guys should try to sell and get out.

*Friedberg:* Who are the buyers in that secondary market though? I mean, that's a lot of capital.

*Chamath:* The thing is, the cap tables haven't been segregated. So, what you own is equity in ByteDance, right? But the problem is, the look-through ownership will discount a lot of TikTok if they see a lot more of this stuff happening. You guys have to remember, this is the first three or four weeks of 2020. Wait till we're here in September, October, and November. Wait till the election year starts. It's not good. So, it's a discount on ByteDance. That probably takes ByteDance down by 70 or 80

billion. So, that's a 35% discount to their last mark. So, you know, if somebody can sell in the high 100 billions of dollars, I think they should consider it. It's worth it.

*Jason:* Well, I think you have to be incredibly pragmatic here. This is the same as the five G issue. You cannot trust the Chinese government to not steal intellectual property or to put backdoors into the software. It is common business practice. Their Huawei was banned. They basically stole the source code from Cisco that was proven and it was proven that they were spying on people in Canada, the UK, the United States, and Vietnam. Everybody has banned using 5G technology from China for a reason because they will use it to spy on you. This is the nature of an authoritarian government. It is far too powerful to have not only the surveillance capabilities that are built into owning TikTok in the hands of the Chinese Communist Party, to have the ability to very in a very nuanced fashion, trends. Certain videos that would steer the United States in a certain direction towards stupidity is one of course right there.

*Chamath:* That 60 minutes clip is incredible. Right? So they're showing science videos to the kids in China and they're showing stupid nonsense to the kids in America. What do you think of our children versus their children?

*Jason:* You can be 100% certain they're doing psyops on our children as we speak. They are trying to make us dumb and distracted while they get smart and sharp.

*Chamath:* By the way, it's very simple. If you're not making the choices for our kids, that's like saying if you gave kids a choice between broccoli and chocolate bars, they're going to go right to the chocolate bars. It's the job of a parent.

*Sacks:* That's number one, know their name and the number to differentiate good things and the future is not bright for TikTok here because it's gotten caught up in the geopolitical rivalry between China and the United States and that's only going to keep getting more and more intense. The U.S. and China are headed for a big security competition and TikTok is caught in the middle. So I agree with Chamath about the future. But you know this claim is made that TikTok

is spyware and you know it's listening to you, it's surveilling you, it's keeping track of you. Like, what is the evidence for that claim? I just want to understand that a little better. Has anyone ever proven that TikTok is spyware and if it is, why does Apple stop it? Can you explain that to me?

*Jason:* Yeah, I think Apple has a complicated relationship with China. So, I'm not going to weigh in.

*Sacks:* So, Jaykall, your claim is, let me just pin you down on this first section: your claim is that 100% of TikTok is spyware, and Apple is letting it happen because of their relationship with the Chinese Communist Party?

*Jason:* I don't have evidence of specific instances of them spying, but I do know that this is the Chinese government's aspiration: to have backdoors to spy on all Americans. That's why they're trying to get away with it. You don't even need to know that, you can just open your eyes and see it as an insult. But you can just look at what TikTok has access to: it has access to your location, your camera roll, and it knows everyone in your social circle because it has your address book. So, by having your



address book, location, and access to your photo roll, they have you compromised by default.

*Chamath:* The default settings when you install TikTok turn on local network, microphone, camera, background app refresh, and cell data. So, TikTok is no worse than anyone else in that, because a lot of other apps are very aggressively trying to harvest all that data as well. It's like Alexa is always listening to you, right? But you feel safer with Alexa because it's an American company, or the perception of safety is there. So, I don't think there's a huge thing to prove other than, yeah, there's a setting that allows you to turn on the microphone, and it is the default, and they do.

*Jason:* But they were caught. I just want to make sure you guys understand this: according to The New York Times, Bytedance, the Chinese parent company of TikTok, said on Thursday that an internal investigation found that employees had inappropriately obtained the data of U.S. TikTok users, including that of two reporters over the summer. A few employees on the Bytedance team responsible for monitoring employee conduct tried to find the source of suspected leaks of internal conversations and business documents to journalists. In

doing so, the employees gained access to the IP addresses and other data of two reporters, and a small number of people connected with the reporters by the TikTok accounts. They were trying to determine if those individuals were within the proximity of Bytedance employees, according to the company. So, there's an example of them using the technology to try to track down leaks.

*Friedberg:* Hold on a second. That's exactly what any app company can do. The photos, the screenshots we got from Twitter, um, that were shared and all those files or whatever that happened a few weeks ago showed that many Twitter employees were able to log in and just view the direct messages between Twitter users, and that there's no necessary logging or access privileges required to have access to that information. There are these holes in all of these social networking and consumer digital consumer product companies that allow individuals to go in and do things with consumer data.

*Friedberg:* It's a future, sure, but it doesn't seem to be controlled by a government agency.

*Chamath:* No, that's the key thing. What Jaykall just said is the key thing. Everybody tries to get these things turned on by default. Every app tries to get access to your camera roll, your contacts, and turn on the microphone. The problem isn't that those settings exist because Apple created them and Apple created a privacy framework where you have to opt out. Okay. The issue is that the data, instead of going to an American company with American data centers and American service, is going to somebody in China, or the perception that that's happening. I think that's the death knell now. This is also excluding all of the work that every single big tech company must be doing to point the finger away from them. This is something they can all agree on. If you got Andy Jassy, Sundar, and Satya Nadella in a room, what do you think they could all agree on? Hey guys, are we better off pointing the fingers at each other or should we just point it over there to a company based in China?"

*Sacks:* Do you think that TikTok is being unfairly blamed for this, or do you think it is a genuine security risk? Both.

*Jason:* Both. Yeah, that's yes to both. And you know what I think what we saw with the Twitter files, for me personally, the one that was most

concerning was the fact that the FBI was being treated as if they didn't have control of it, like the Chinese government has control over it at a wholesale level. But they were being given, you know, pretty close to privileges, but they had more influence than they should have and they should have gotten subpoenas. Right? So, even in a democracy like the United States, you can see the FBI using techniques to get employees on their side, to get information on specific users. Imagine if the FBI just had 'God mode' for Twitter or Facebook. Like, what would happen? Even in a democracy, we see it happen; we see abuse. The Chinese government is a communist party. They have no problem sucking the data down of every single person and using it however they want.

*Chamath:* I think the problematic thing is that when you look at the capital structure of these Chinese companies post now, with the Chinese government being ruler for life, they typically have a seat on all of these boards. They also typically have a golden vote. So when you think about the governance, it has tilted far away from a normal capital table where it's one shareholder, one vote. You are allowed to exist on this capital

table at the benevolence of the government, so I think you have to factor that in as well.

*Sacks:* So, is it amplified probably? But is there also a nontrivial risk that we would never give to any other company? Absolutely. Like, how would we react if the government had a golden vote and a board seat on Meta going into an election? I mean, one party would be crazy and the other party would stay mum. That's what

*Friedberg:* I mean, let's talk about it, but let's be pragmatic. The news reports that came out this week indicate that they're talking about restructuring TikTok. So let me propose this to you guys: if TikTok US were set up as TikTok US Inc., its own C-Corp based in the US and ByteDance owns passive, non-voting shares in TikTok. All the software, all the services, the algorithms are all run in the US. The data is only sitting on servers in the US and the Chinese have an economic interest ultimately in what happens with that asset, but that asset is entirely managed and run in the US. And I think...

*Chamath:* Yeah, so you'd have to then make an exception.

*Friedberg:* That sounds like it's part of the discussion that's underway right now: how do we get past this regulatory hurdle? Guys, I don't know how you turn off TikTok for 100 million people that are using it for two hours a day.

*Chamath:* Deals left, right, and center at much, much smaller thresholds because of Sophia's, because we're not even dealing with China.

*Friedberg:* Assume you get past it. If you assume that there is no...

*Chamath:* That's a bad assumption.

*Friedberg:* Right. But, like, that's obviously there's \$8 billion dollars of capital.

*Chamath:* The minute that if you let the Chinese government do an end-around on Sophia's to own 30% passively, then everybody who's had a deal rejected for a much smaller threshold for a much more benign issue will sue.

*Friedberg:* Except that they started with this asset rather than buying into it. That's the difference. And what they're doing is they're seeding. The difference here is they're ceding control of the asset to US investors and

oversight by the US government, as opposed to trying to come in and buy an economic asset.

*Chamath:* That's not what Sophia's adjudicating. It doesn't adjudicate. Where did this originate? Adjudicate in this cap table. Does this person exist? Should they exist at what threshold? What do they know? And are we giving something that we shouldn't give? Yeah. Let me go another way of saying it: if the pragmatic answer is you can't just make up a bunch of stuff that blows up a bunch of other stuff?

*Friedberg:* Let me frame it differently. What if ByteDance sold TikTok US to a US-owned private equity consortium, a US-run private equity consortium that effectively bought TikTok US and operated it here in the US?

*Chamath:* That's exactly what should happen. But my point is those people are smart enough to not pay full price. They'll say, "You're fucked. That asset is worth zero. I'll buy it for \$10 billion. Take it or leave it. And you know what they'll have to do? They'll have to take it. So my point is the equity value is so impaired in this thing. Would you buy it for \$10 billion? Of course I'm a buyer. But these guys are smart enough to drive

a huge bargain, a hard bargain. So if you're existing on the cap table and you've marked it at \$320, I would be fucking selling it.

*Friedberg:* All right, it looks like something like this is going to happen, so it should be interesting to watch.

*Chamath:* If any group of people got together and tried to buy it for its fair market value via a spreadsheet, they would be terrible investors in this moment. You should hold a gun to their head and extract a massive pound of flesh that gives you a huge margin of safety and makes you money. Do you know any people who are shareholders? If they could have sold it at \$3.20 or \$1.20, they would have sold already.

*Chamath:* Well, we know there are people who will buy this in bulk.

*Jason:* Then sell as much as you can and invest the profits into another company.

*Chamath:* Now the problem is you have to show a marked down because you've already marked it at \$320. So I have to take a 65% discount.

*Jason:* Yeah, if you're underwater, you're underwater. But for anybody who got into the sub one billion round, you can't eat I.R.R., and you can't



eat paper markups. You can only eat the distribution. So get the D.P.I. and move on.

*Jason:* Get the D.P.I. and move on to another bet you could place while I try to be greedy and get the last three X's out of this investment.

*Friedberg:* I want to move away from software meets leisure to software meets human health and productivity. A couple of weeks ago, we talked about this and last week it was announced that BioNtech was buying InstaDeep. InstaDeep is a broad, horizontal AI or machine learning tools company and services business. They partner with big businesses to help them build out ML-driven infrastructure to improve their products, operations, and businesses. One of their customers was BioNtech, the company that designed and developed the original Pfizer Covid vaccine, one of the original originators of mRNA-based technology. BioNtech doesn't just focus on mRNA technology; they also focus on cell and gene therapies, novel new modalities that are emerging in therapeutics. It was a really interesting acquisition; they bought the company for about \$600 million. AI can be used to accelerate drug discovery. I'll just make a comment on this and then, Sacks, I'd love to hear your point of view on

these types of businesses broadly. The capabilities of machine learning when applied to a particular vertical are quite profound. I've certainly been involved in this space in agriculture and increasingly doing more of this work in pharmaceuticals and biotech. When you can have large, unique data sets that you can then model using these tools and capabilities and be predictive about what the next product iteration should be.

*Friedberg:* It can really change the value of the trajectory of your business. One of the big trends in pharma right now is to move from in vitro testing, meaning running biochemical experiments in labs, to in silico testing, which is done in software. And rather than just doing testing in software, you can use tools like AlphaFold that can be predictive of large molecules and how they can drive outcomes, to make decisions about what to put in your pipeline. So if you take 99% of the junk out of the top of your pipeline and you only focus on the 1% that the software predicts will be more successful, you can much more quickly get drug discovery through the pipeline and you have a much higher hit rate. So the return on investment is extraordinary, particularly when you're talking about

multi-billion dollar revenue streams coming out the other end of that pipeline. And so I think you know the way this reads, these guys raised \$100 million in a round last year and sold the company for \$600 million. It seems very similar to DeepMind being bought by Alphabet a few years ago, where the application of the team is pretty broad across a number of opportunities, but Bio and Tech bought them to focus on the kind of pharma space. So I guess, Sacks, you know in the earlier stage and you know I see a lot of teams now that are like, 'Hey, we're AI for this or ML for that.' A lot of pharma and biotech deals have to have the catchphrase ML or AI in their writing now because of the economic improvement of those businesses. Are you looking at enterprise software businesses that aren't necessarily about the typical subscription model where you sell a seat license and people pay for that, but have this broad toolset and toolkit where these folks are earning revenue share or participating in the service revenue stream for enhancing the value of their partner in the AI or ML space? And what's the better business model because I think this is where so many new teams are starting out? What's the business model and what should we be focused on with our ML toolkit?"

*Sacks:* "I mean that's your answer, no, we haven't done any deals like that. I mean, we're not venture investors. So I don't know how I would be able to evaluate even if it is a software product. I don't know how you would evaluate its effect on pharma outcomes. So I mean, we haven't done any other verticals. I mean, like, do you look at ML and AI companies that are more services or partner-oriented versus just selling seat licenses to a software tool? I mean, is that a big trend you're seeing?"

*Sacks:* "I don't think we have enough data to tell you what the trend is. We did a deal called Pearl which is creating an AI for dentistry. So what it will do is it scans in all of the X-rays and dental records from dental practices and it gives a kind of a second opinion. It can spot things like cavities and things like that or just changes in the condition. Where it's really powerful is over time. Right? If it's got your last six sets of X-rays over whatever six-year period, it can detect changes that are probably hard for a human to see. So they think they can get to better than human sort of diagnosis by using computer vision. And then we invested in something after that where we realized, okay, this is kind of a powerful application. So we invested in a company called Robot Flow which

creates tools for computer vision. So Pearl created its own tools for taking a large number of X-rays and classifying them and then creating their own AI tools. Robot Flow gives you that same toolset but you can run it on any computer vision project. And they seem to be building a pretty big universe of software developers who are using their tools.

*Friedberg:* And in this case, this was a team that was bought; they bought a 250% team for \$600 million from AI companies. When you see a \$600 million dollar exit for effectively a capability they didn't have, you know, a core product that was in market. They were doing kind of these co-development deals. But I mean, how much does...

*Sacks:* AI is already the hot thing and everyone's kind of looking at this now. I don't know, like, I never want to base an investment decision on the fact that some acquirer might come in and buy you for a large amount of money when you have no revenue or business model. I just think that that's not really a sustainable...

*Jason:* Though it does seem that AI engineers go for two million each. I think it's kind of your point, Dave. Yeah, I mean, DeepMind got bought for what? 600 by Google and I think they had 200 people, 400, 400. Yeah.

So, yeah, it does seem like, and I think DeepMind did not have a business concept in mind when they were funded. They just wanted to do research, right? That was kind of...

*Friedberg:* The company platform capabilities similar to inside Deep. I mean, there's a lot of these. That's what I'm pointing out is like some of these platform capabilities end up just getting bought for you know, huge sums...

*Sacks:* Because you can apply the amount, you can't invest in a company hoping for an unreasonable acquisition, meaning, unreasonable meaning that... yeah, like, unreasonable meaning that your own metrics don't reflect that valuation as a business. You might be worth it as a strategic acquisition of somebody else. But you raise an interesting question, which is, is a seat model the right way for one of these companies to price the product? And you may be right that the seat license model doesn't really work because, like, how many seats do you really need to buy from these companies? Look, it's true. Like, I mean, we've seen, we've even seen we've had these debates inside the companies I mentioned where, like, you know, charging a \$10 a month seat doesn't

really reflect the value of the insights that are being created. And so, yeah, they're like, you know, there, I don't think that's been figured out yet...

*Friedberg:* But this is the big question. ML and AI. When I was at Monsanto, you know, we had all this IP licensing deals we do or new products come to market and it was never cost plus or simple pricing. It was always about value capture in an enterprise setting, you know, 'cause we sold to farmers. It's like, how much value are you delivering for the farmers? If it's a \$100 a profit an acre, you try and charge an incremental \$30 an acre for that product. And it was always a one-third value capture model. And the same is true in biotech and pharma. The producer of the product or the co-developer of the product is often trying to value capture, and it's not a site license. It's not a service fee. It's more ultimately we want to get a royalty on the outcome on the improved that we can deliver to you. And so there's all these novel business models that are emerging at least that I'm seeing in pharma and biotech to participate more meaningfully ultimately in the drug development

outcome versus just getting charged a fee for doing a service or fee for a license to a software package.

*Chamath:* The value of these companies has gone down. I was an early investor in a series of investments in a company called Flatiron Health. We sold it for \$1.9 billion in 2018. What's really happened is the value of acquisitions in M&A has gone down, even as the technology capability has gone way up. Why is that? It's because this stuff has yet to be proven to actually meaningfully improve the hit rate for these drug companies. So, whether it's Biontech, Roche, or anyone else, the biggest problem we still have is getting the design space right, guessing better. These machines are better at doing raw calculations, but they're not necessarily better at veering towards this design space over that design space. As a result, you're not improving either the slugging percentage or the batting average of these pharma companies, and that's why they're paying less and less. So, everybody will have this capability as an adjunct. The thing that you have to do is, as you guys have said, if there's a company that can actually do better guessing at the top of the funnel, the thing that you should probably do is just give it away in return for a



back-end rev share and royalty. And that business also exists. The best-performing company in pharma is a company called Royalty Pharma, it's a \$22.5 billion company with 90% EBITDA margins. It exists in Ireland and is run in New York by this wonderful entrepreneur, Pablo Legorreta. But that's what he does; he buys small pieces of royalties. His whole thing is like the Paul Graham thing at YC: I'll give you just that little amount of support, and all you need is a little lift in valuation to justify giving me the 6% and the tooling company, the AI company that does that could win. Who would go to Roche, Biontech, Lilly, or somebody else and just say, 'Look, use my tools, and whatever drug you generate off of me'?"

*Chamath:* I just wanted a 3% royalty, and all you need to do is show a 3% lift across the portfolio of assets. That would be a killer business model, because if you look at what Pablo has done over a large number of successes, that's a gigantic company.

*Friedberg:* Mhm. Jaykall, I mean, are you investing in the seed-stage ML AI companies, and are there novel business models that you're seeing?

*Jason:* We're not seeing many yet, to be honest. We are seeing people play with Chat-GPT and kind of do, you know, experiments, but you know the more I've used Chat-GPT, we've connected it to our Slack so you can actually ask a question in our Slack in a channel called AI testing and it will give the answer and everybody can see people like playing with it. You know, it's kind of like a parlor trick. Now I'm in like that phase where I'm like, yeah, this is impressive, but it didn't actually solve my problem, and it's slightly faster than doing a Google search. So, I am thinking there's going to be a really good business created and taking the open source projects and forking them and verticalizing them, like you know Sacks is one that's doing dental work. You know, like this makes sense to me.

*Chamath:* Somebody should do it in accounting. Somebody should learn all of GAAP accounting, which is pretty simple because it's published, faz be all of this nonsensical accounting rules and give you 100% guarantee of no malfeasance. So, for example, you guys saw this Brazilian company.

*Friedberg:* AI accounting. Look at this company. Look.

*Chamath:* At this company, americanas in Brazil, which just torched \$20 billion of enterprise value. Why? Because these guys were using Excel to do a bunch of complicated capitalization and cost accounting. Made two or three years of mistakes. It added up to two or \$3 billion and they're basically gonna file bankruptcy in the next few days. That's completely avoidable human error. That should never happen. And an AI would be perfect for that. Like, this is not super controversial to just follow GAAP accounting, right?

*Friedberg:* I mean, I don't know if you need AI for that. I think you just need software, like a database would be good.

*Chamath:* No, the problem is the database exists today, like everybody sits on top of Oracle G.L., Workday. It doesn't prevent these errors. So, my point is, you got to get humans out of the system and the way I should be the accountant, the AI knows the rules, generates the P&L, and says this is it. And, by the way, that's way better risk management for the CEO and the CFO because, as you guys know, if you're the CEO of a public company, you have to sign your signature that these things are legitimate. I would way better know that a computer did it, like an open

AI algorithm tells me, Chamath, this P&L is perfect, than some dude I don't know at Ernst and Young. I have a question for

*Sacks:* Sacks, Ipu, can you please explain to me why Alec Baldwin is gonna get charged with manslaughter for this rust thing? That seems really crazy.

*Chamath:* Could you explain what happens on a set with guns and how this happened? What is going on?

*Sacks:* Well, I have produced two movies, but neither of them involved guns or shootouts. So, I haven't had firsthand experience with this.

*Friedberg:* You're a gun owner, so you're an intersection of movie producer and gun owner.

*Sacks:* Yes, I understand the rules of gun safety. Look, Alec Baldwin did not follow the rules of gun safety. The first thing I would do if I was ever handed a gun would be to check to see if it was loaded and clear it. You never point it at someone; you always treat a gun as if it's loaded, even if you think it's not. But he was in a very specific situation, which is he's on a movie set and the person who's handing him the gun is the armorer, someone whose job it is to make sure the gun is handled properly and

unloaded. So, I agree with you; I don't quite understand why Alec Baldwin is liable in that situation. The person who screwed up here is the armorer, whose job it was to never allow live ammunition on the set and to handle the guns properly.

*Chamath:* "Why would you ever have live ammunition on a movie set? So it's not as if the scene is different if you have a real bullet versus a blank.

*Sacks:* "It makes the same noise if...I remember there was a story about how the gun armory people were taking members of the cast and crew and they were shooting guns for fun at the desk, and they were doing targets and messing around and teaching people gun stuff and just playing around but using live ammunition and that that led into an accident. That's really bad. That sounds like the kind of negligence that caused this, but unless there are facts we don't know about, I don't know why you're being charged by the way within the armor. That sounds totally legit to me.

*Friedberg:* So, guys, listen, I need to run another call. I was going to talk about this really fantastic paper on one of the driving forces of aging, as demonstrated by a team from Harvard in collaboration with many

others, on epigenetic sacks and the loss of data integrity, with epigenetic really being the core driver of aging in mammalian cells. It's an incredible paper. It speaks a lot to what we talked about last year, Yamanaka factors and partial epigenetic reprogramming themselves and how they can reverse aging. These guys have demonstrated it in a really powerful way. I'd love to spend some time on it. Maybe we can push that science corner to next week's wrap-up for today. I think we've talked about all sorts of fun stuff. It's been a real pleasure and an honor to be in the seat of the world's greatest moderator. We miss him today. We honor him. We look forward to having his return next week.

*Jason:* It's been a pleasure chatting with you gentlemen. And on behalf of the All In Pod and my co-hosts Chamath Palihapitiya, David Sacks, and Jason Calacanis, thank you for listening. Bye-bye. Bye-bye.