

**All-In Podcast #185 - Presidential Debate Reaction, Biden Hot Swap?, Tech
unemployment, OpenAI considers for-profit & more**

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Jason Calacanis

Alright, everybody. Welcome back to the #1 podcast in the world! It's episode 185 and you're going to be delighted by today's docket. If you're into politics, we moved the taping back a day, gentlemen, because we knew there would be a presidential debate. So with me to discuss all things presidential debate and the news, finance markets - maybe even a little science from our science boy, David Friedberg - is the Rainman, David Sacks. Yeah! Everything is frozen or he's staring everybody down. How are you sir?

Chamath Palihapitiya

We're about to enter the end game, Jason.

Jason Calacanis

Oh, the end game is here. Okay,

David Sacks

We're in the end game now

Jason Calacanis

And from a WeWork in the home office in Pasadena is our friend, the Sultan of Science. He's back to work. He's in his cube. Did you get the TPS reports done? How are you doing, Friedberg?

David Friedberg

The humble headquarters of Ohalo Genetics - the beautiful lab downstairs. I'll take you on a tour one day. Oh, nice! Can't wait to hear my friends gloat and bloat themselves on the show today after the debate last night. It's going to be insufferable. I'm looking forward to it.

Jason Calacanis

Okay, so you're building the next \$10 billion company and we don't get to invest, but we do get a tour. Thank you. That's good to note. Not that we're bitter. We promote this shit every week.

David Friedberg

If you guys want to put money in, I will open up the round again for you and you guys can come in.

Jason Calacanis

You said this three times. When do we wet our beaks?

David Sacks

JCal is right about this actually.

Jason Calacanis

That's how you know the winner. The one he doesn't let us invest in is the winner. It's the easiest win in his portfolio. No, he's like, "Hey, can I interest you to a soda pop machine?"

[Intro Music]

Jason Calacanis

Alright, everybody. Let's get to the show here. Enough of the craziness. Last night was the first presidential debate. And there's no easy way to put this. It was an unmitigated disaster for the Democrats and President Biden. Gosh, he looked confused. Lots of slips. Lots of gaffes. If you are under a rock - living in a cave without Starlink - and you missed it, here's a couple clips. Everybody's talking about this one, where Biden lost his train of thought for - I don't know - close to 10 seconds. Play the clip, Nick.

[Begin - CNN Debate Clip]

Joe Biden

Making sure that we're able to make every single solitary person eligible for what I've been able to do with - with - with the COVID - uh, excuse me - with dealing with everything we have to do with - uh, look if - if we finally beat Medicare -

Jake Tapper

Thank you, President Biden. President Trump?

[End - CNN Debate Clip]

Jason Calacanis

Gosh! That was brutal. And the reaction from CNN, even MSNBC's Joy Reid, as far left as you can go, was brutal and candid and here it is. The knives are out from the Democrats for President Biden

[Begin - CNN Clip]

John King

Right now as we speak. There is a deep, a wide, and a very aggressive panic in the Democratic party. It started minutes into the debate and it continues right now. It involves party strategists. It involves elected officials. It involves fundraisers. And they're having conversations about the president's performance - which they think was dismal - which they think will hurt other people down the party in the ticket. And they're having conversations about what they should do about it. Some of those conversations include, "Should we go to the White House and ask the President to step aside?" Other of the

conversations are about, "Should prominent Democrats go public with that call?" Because they feel this debate was so terrible.

Van Jones

That was painful. I love Joe Biden. I worked for Joe Biden. He did not do well at all and I think there's a lot of people who are going to want to see him consider taking a different course, now. There is time for this party to figure out a different way forward if he will allow us to do that.

[End - CNN Clip]

[Begin - MSNBC Clip]

Joy Reid

I too was on the phone throughout much of the debate. My phone really never stopped buzzing throughout and the universal reaction was somewhere approaching panic. The people who were texting with me were very concerned about President Biden seeming extremely feeble, seeming extremely weak.

[End - MSNBC Clip]

[Begin - CNN Clip]

Chris Wallace

This has been, quite frankly, a car accident in slow motion that we've seen over and over again, building, and questioning it. And, as has been pointed out, Joe Biden sought this debate at this remarkably early time because he knew he was losing and he needed to change the narrative. And he did change the narrative. He sunk his campaign tonight.

[End - CNN Clip]

Jason Calacanis

Alright gentlemen, there is absolutely no way any of us could have predicted this. Oh, wait. Nick, play the clip. Read the room, Democrats. You have put up a candidate that nobody wants his policies on the border and some other issues are not in sync with the majority of the country. At some point the Democrats just have to take a deep look in the mirror and say, we field that a bad candidate who's too old and people don't believe will stand up to scrutiny of say, being on the all in pod for two hours or in the debates or with a hostile interviewer, any of those possibilities. And so I think if that's the case, we really need to have the Democrats think deeply about maybe fielding a different candidate. And I believe that's what's going to happen in the next 30 to 60 days. So, I'm predicting -

David Sacks

You think there's going to be a switcheroo?

Jason Calacanis

100%. I mean - if you just look - I think there's a switcheroo. 100% will be a switcheroo.

Chamath Palihapitiya

Who's the switcheroo?

Jason Calacanis

I have no idea. It could be Gavin, it could be anybody. Anything's possible. I think Trump's going to demolish him in the debate. I think he'll sink to 30% in the polls and then the Democrats will find a way to give him a graceful out and then they'll feel it somebody else. I think the Democrats as cynical as the sounds, we're waiting to see what happens with this Trump trials conviction, what you call lawfare, what other people call fair use of the law and then they are going to see how he does in the debates. That's why they move the debate up in June. And I think they know to pull the plug on this if it gets too far gone and they have the ability to do that because all he's got to say is, "You know what? I'm feeling old and I want us to win and I'm going to slot somebody else in."

Alright, and to wrap this up, prediction markets showing Biden has plummeted to, let's check the number. Oh, yeah. 33% in the sharps, as you've referred to them on the program, are basically saying Biden's going to drop out now, 44% chance over a poll market will Biden drop out of the presidential race and then predicted another one of these prediction markets where you can actually bet real dollars. It's not a plug for them or commercial, just those happen to be two of the bigger ones. Newsroom sits at 14%, now, Biden 33% Trump at 58% at the start of the evening. Before the debate, Biden was at 47%. Post-debate, Chamath, we see Biden dropping from 47% to 33%. Nothing like this has happened in modern politics. Your thoughts, Chamath Palihapitiya? And then, Sacks, we will give you the red meat.

Chamath Palihapitiya

Let me just start by saying that President Biden is a person that's given up his whole life to work on behalf of America in the best way that he thought was possible. He's overcome a lot of tragedies. I think he's worked very hard. He's diligently tried to do what he thought was right on behalf of the people of Delaware and then the United States. My honest takeaway is that that person though is no longer really in charge. And I think that that was very troubling for me and it actually makes the last sort of six months make a lot more sense. So I thought the fact that we could not get a response from the White House to be, I took it a little bit actually, personally, I was wondering why for someone that had been such an ardent supporter, I couldn't even get an email back when I was consistently asking them to be on the pod.

And now I see that it wasn't just one single act, it was part of a holistic strategy. It was the same strategy that boxed RFK out of the Democratic primary because could you imagine if this event had happened when he had to debate RFK in the Democratic primaries? It would've been exposed then. It's probably partly to explain how the law has been used in New York State, whether you want to call it law fair or not, but it was a very directed partisan action and so all of these things are now three data points that are really important. You will not come on an open format show like ours to just speak openly. None of us were going to attack him or try to corner him or box him in. You prevented other people from actually challenging you and directly asking questions of you in the democratic primaries and then you try to put political pressure on your opponents.

All of that is systematically about a group of people that are unelected who are trying to control democracy. And I think that that's the most troubling takeaway from this. I don't think that you should take away from last night that Joe Biden had a bad debate. I think what we should take away is that there is a person who should be allowed to transition into the sunset and be celebrated for what he's done. And instead there are people that frankly, at the margins are acting pretty unethically and at the limit is actually acting somewhat diabolically to prop this person up so that they can keep power.

For example, you've been in situations where you would expect the team that runs a company to be able to stand up and say the CEO is not in a position to run this company anymore. That's what you would expect if there's good governance and honesty. What was Ron Klain doing as an example when he was doing debate prep? Did he legitimately believe that Joe Biden was prepared for this or mentally capable of actually doing this? And the fact that they are allowing his legacy to be destroyed after 50 years I think is really tragic.

Jason Calacanis

Yeah, well said. By the way, Chamath - Sacks - your thoughts on what we witnessed last night and the reaction to it?

David Sacks

Well, let me speak as an objective and independent political observer - just as independent as you, JCal.

Jason Calacanis

Yes, let's do that. Let's be independent today's show.

David Sacks

Yeah, look. Anyone can have a bad night.

Jason Calacanis

Absolutely got to sniffles.

David Sacks

His campaign put out the word that he had a cold and maybe he just had a bad night. I mean, after all, it was media. People like Joe Scarborough just saying a week ago that not only was Biden cognitively fine, but in fact he was the best Joe Biden he had ever seen. Just a week ago or two weeks ago, Reid Hoffman was saying that he had a two hour lunch with Joe Biden and Biden was regaling him with details of AI and Gaza and he was good. And so what we've heard from all of these highly reputable people is that Biden may not present that well in public, but in private he's just fine.

Jason Calacanis

You're saying they're lying. They lied to the American people.

David Sacks

Well, I'm actually taking them at their word because they seem like very trustworthy sources to me. I see no reason to swap out this candidate. I think that anyone could have a bad night

Jason Calacanis

You are digging into that position.

David Sacks

And there's no reason whatsoever for the media people panicking like this.

Jason Calacanis

Satire Sacks - Satire Sacks has entered the chat.

Chamath Palihapitiya

Satire Sacks has entered the chat.

David Sacks

Well, I mean - look, I think that there's no reason for this kind of panic.

Jason Calacanis

He is still going.

David Sacks

I believe in democracy and the democratic primary voters have spoken. This is the candidate who they voted for, and there is

Jason Calacanis

Okay! Stand by your man. You hear a message, stand by your man

David Sacks

Stop being a wimp. Just because your candidate had one bad night, you don't stab him in the back like this.

Jason Calacanis

Absolutely not free to courage.

David Sacks

I even - I think Van Jones said that Republicans wouldn't do this if Trump had a bad night. He's like, why are we all stabbing Biden in the back? So look, this is a candidate who you've been supporting for years. This is a candidate who you rigged the primaries for. You boxed out Bobby Kennedy who I thought was a fantastic candidate. You basically boxed out Dean Phillips. This is the candidate who you wanted and just days ago, you were saying was completely mentally fit. In fact the best he'd ever been.

Jason Calacanis

Okay, so you made your bed. Sleep in it.

David Sacks

You made your bed,

Jason Calacanis

Sleep in it.

David Sacks

Stop betraying your candidate like this. It's unseemly.

Jason Calacanis

Okay, Satire Sacks

David Sacks

Have some loyalty for God's sake.

Jason Calacanis

Okay, Friedberg. You've heard from Compassionate Chamath. You got to hear from Satire Sacks. Now, let's hear Friedberg. What do you got?

David Friedberg

No, this morning you get to hear from Frank Friedberg.

Jason Calacanis

Frank Friedberg. Get to it, buddy. Go for it.

David Friedberg

The big loser of last night's debate was the American public. The big winner of last night's debate was probably Russia, China, Iran, maybe the Saudis licking their chops, watching the utter dysfunction in the leadership of the party, in the leadership of the country as it stands today. A notable mention, I will say was the debate format. I absolutely love the fact that there were no interruptions, that the mic went mute, that there was no audience, and the moderators didn't kind of challenge back and forth and try and make themselves the show that was very unique in a presidential debate. So I actually liked the debate format.

Jason Calacanis

Finally, they stopped interrupting me.

David Friedberg

Thanks for the interruption, JCal.

Jason Calacanis

That's a joke.

David Friedberg

I think that as Sacks points out, the biggest issue is that this was front and center Biden's decline in capacity and aptitude for quite some time. I didn't tell you guys this before, but last October, a senior member of the Democratic Party reached out to me for a "meeting". I took the meeting in October, and of course it turns out they were asking me for money. Little did they know I don't give any money to politics ever and never have, never will so their handlers are morons for bringing this person into come and talk to me. In the meeting I said, you cannot put Joe Biden forward as your candidate. What the hell are you guys thinking? He's like, no, he is completely stable. He is as sharp as he's ever been. I sent him an email and I'm going to read you what I said to him.

This was in the first/second week of October. I said, "Joe Biden does not appear equipped to be president of the United States. I think the continued heralding of Democratic Party leadership of the President's performance and ability to continue to serve into the next term is mind boggling. His inability to conduct even a basic interview or give a clear and concise statement in a candid setting highlights a clear and obvious decline in function since he took office.

It is important for democratic leadership to find an alternative candidate and message this soon doing so I believe will buoy fundraising efforts across yada, yada, yada." I said, "I would feel uncomfortable the democratic majority Senate head in house giving a leader with declining aptitude, nearly limitless effect". So I sent this as my response to his follow-up request for money. This was the second week of October and I wanted to pull up the date on this because it was so apparent back then what was going on.

So what's so striking is how long mainstream media and leadership in the Democratic Party have tried to tell an alternative story that was so obviously revealed to be not true last night. And that is the thing that I think makes me say America is losing because there are a few people that are in charge of controlling the narrative. There are a few people in charge who decide who gets to be the candidate, and those few people are keeping democracy from working effectively because the raw data, the direct data, the imagery, the video, the media content that has come out of Biden over quite some period of time made it so obvious that he was not in full capacity. And so that was my biggest kind of takeaway is that there's something wrong with saying the media are running in this country.

Chamath Palihapitiya

You're saying the media and the Democratic Party leadership are lying to America.

David Friedberg

Yeah.

Jason Calacanis

Of course they are.

David Friedberg

The fact that we all had this information, we've seen the videos, we've seen the interviews, and every time a video or an interview comes out, it has been excused away as, "Oh, well he tripped" or "Oh, it wasn't well edited". And every time, there's a story. And then, when it's fully exposed, it becomes like, "Well, my God!" The fact that they all flipped so quickly is what's so shocking. Because this was there. And if you're on Twitter, you can see these clips being talked about by millions of people, but then media and democratic leadership won't acknowledge them.

Chamath Palihapitiya

The subversion of democracy is really the real threat to democracy. To your point, you have the right to elect a person up or down. None of us are choosing to elect a shadow cabinet of handlers to run America. That's not what any of us are signing up for, and I think that's what we have the risk of having for another four years, if this lie isn't exposed. What I find unbelievably shocking is all of these data points now just make so much sense because the through line is, as you said, a coordinated effort to kind of obfuscate his decline. If you thought about this in a different way, if you took a 29-year-old and a 32-year-old, would you say that they're the same? Absolutely, if you took a 39 and a 42-year-old, they're the same. A 49 and a 52-year-old, they're the same. But the reality is a 79 and an 82-year-old or a 78 and an 82-year-old are meaningfully different.

And the reason is that because there is significant decline every year, every month, every day, and you're seeing the impact of every week, day and month and year as a president of

the United States wears on an 82-year-old body. And I'm not sure any of us would do much better, but the reality is that when you're at that age, there's a level of transparency that's required and we have the opposite. So take Warren Buffet as the counterfactual to this. Warren Buffet is in his early nineties, but what does he do every year? He marches tens of thousands of people into Omaha. He sits them down; he sits at the front of a dais with Coca-Cola and peanut brittle and speaks for six to eight hours.

Jason Calacanis

And as sharp as a tack.

Chamath Palihapitiya

Well, the point is, if you decide after those six to eight hours of fully transparent, unedited interaction with Warren Buffett that you don't think he's capable of leading Berkshire, you can sell the stock.

What they don't do is hide him behind the shadows, propping him out in package interviews and all of this other stuff that is un-American and undemocratic. And you see why? Because the importance as Friedberg said is so high.

You probably do have a lot of people outside the United States really questioning what is going on in the greatest country in the world right, that this can even happen. And the people that you thought were so anti-Trump that they would do anything to make sure that Donald Trump was unelected. Well, they're actually not that anti-Trump, they're just pro power because the thing that they care more about than their hatred of Donald Trump is their desire to stay in power.

Jason Calacanis

Yeah, I think these are all very well said, Frank Friedberg. Nicely done. I mean, how is anyone at this point in time surprised? We have been talking about his cognitive ability for a couple of years here on this podcast? Everybody's been talking about it on Twitter, they've been talking about it on social media. Everybody's been talking about it at every Christmas, every Thanksgiving for a couple of years right now.

And this long-form discussion podcast test is the ultimate test. And I think people need to take that to heart. If you look at the long form podcast and I'm not just saying this to toot our own horn here. It could be Joe Rogan, it could be Tim Ferriss, it could be whoever you want. Lex Fridman, when you saw RFK, VE Trump, Chris Christie, Dean Phillips, come on this podcast talk for in some cases two plus hours. It was clear they were there. And this is completely selfish on the part of Biden's family, the people around him to stay in power and the hot swaps coming. I'm telling you right now, he is not going to be in this race in the next 30 days.

Chamath Palihapitiya

Well, the hot swap is going to create a free for all Jason,

Jason Calacanis

Which is better, better than running somebody who has a 30% chance of winning and I'm going to take this a step further. This is 25th Amendment territory. This person is not fit to serve as president for the remaining of his term. What we saw last night was incredibly troubling. He was not there. And I've been saying this till I'm blue in the face for months. This is absolutely disgusting that they did. This is elder abuse. I don't say that as a joke. I say this sincerely. I remember when my dad had to take the keys away from my grandfather, God rest his soul. My grandfather wanted to drive that car, the streets of Brooklyn, his station wagon. My dad at some point said, this guy keeps clipping other people's mirrors. We got to take the car away. So you know what my dad did? He went to my grandfather, God rest his soul, and he said, listen, the car was stolen. And I'm sitting there as a 7-year-old next to my dad and I'm like, the car wasn't stolen and my dad said, you know what? "The car was stolen pop. We can't afford a new car. I'll lend you my car every once in a while" My dad then sold the car for 800 bucks and got out of there. That's what we need to do. You got to take the keys away for Biden. He's not fit to finish the rest of his term period full stop.

David Sacks

I disagree

Jason Calacanis

And I'm glad everybody else now sees what half of us saw for the last year or-

Chamath Palihapitiya

Satire Sacks has a rebuttal.

Jason Calacanis

Go ahead, Satire Sacks.

David Sacks

Well look, who are you going to believe JCal's uninformed, non-expert opinion or the expert medical opinion of Dr. Joe Biden with her doctor in education?

Jason Calacanis

Well, I mean the bias is strong. When you see that clip, I mean play the clip of Biden post. These guys are so deranged. These lunatics are so deranged. They thought they won last night. Here's a clip of Jill Biden telling -

David Sacks

First Lady Macbeth,

Jason Calacanis

Telling Biden, he did good.

[Begin - ABC News Clip]

Jill Biden

Joe, you did such a great job. You answered every question. You knew all the - and let me ask the crowd: What did Trump do? Lie.

[End - ABC News Clip]

Jason Calacanis

You are not running. Joe Biden's not running. You are not running. This is a farce and now the veil has been lifted.

David Sacks

He looks so happy. He looks so happy in that moment, getting that approval. I mean, give the man some milk and cookies. I mean he was delighted.

Jason Calacanis

I mean literally let the man retire. To your point, Chamath compassionate Chamath said it great. The guy had a lifetime of service. Let the guy retire, let him spend time with his grandkids, great grandkids, whatever he's blessed with, and let's do the hot swap now.

Chamath Palihapitiya

It's incredible that not a single staff member has resigned. Isn't that incredible where like, they see this Jason and they have the moral clarity to say, hold on a second, this is really wrong. Not a single one. That is really scary.

David Sacks

Actually that's a really good point. It's a really good point and I thought one of Trump's best moments in the debate, a line that I hadn't heard him say before is that, Joe, you never fired anyone. And he was specifically talking about the Afghanistan withdrawal. But just more generally, when have you ever fired anyone for getting anything wrong? Whereas I Trump fired Comey, I fired other people and I paid a political price for that. But at least I was willing to fire people who do a bad job. You're not. Well, now we know the reason for that is because there is no Biden. Biden is just the staff. So why would the staff ever fired themselves? And this is why it's actually important to have a leader at the top to have a commander in chief as opposed to just a shadow government consisting of party apparatus and that's what we have is well, the problem is when the staff gets something wrong, there's no one there to fire them.

Chamath Palihapitiya

How does somebody whose worked for Biden for 40 or 50 years who sat in camp David helping to do debate prep, at no point have the compassion to say, sir, this is not working.

David Sacks

Because that would be firing themselves, Chamath. The only reason they have a job.

Chamath Palihapitiya

No, no. It's a rhetorical question. I'm just saying -

Jason Calacanis

Actually there is some more sinister reason. And I think sack's, you're pointing it out there, which is they consider Trump such an existential threat and they want to maintain power that they're willing to do anything to keep power. And listen, I don't want to get into Trump here, but he's got his own ways to stay in power himself. This was an embarrassment for America. This debate, this, the fact that these are the two candidates is a complete embarrassment.

David Sacks

Well, I think the real embarrassment for the media was the fact that they were exposed. The fact of the matter is, for months, if not years, they've been saying that this candidate is fine. He is cognitively fit. In fact, he's the best he's ever been. I've had two hour lunches with him; he's wonderful. That's what they've been telling us. And the reason why their panic was so visceral last night in all these post-game wrap up shows is they saw their credibility going down the drain. They saw that they had been exposed. It wasn't just the fact that Biden was exposed; they were exposed for putting out this North Korea level propaganda for months and years. And everybody should understand: these people were part of the cover-up. It wasn't just the Biden team, who wants to hold onto their jobs; it was the media. It was this entire Democratic Party apparatus. They're all in on this giant con.

Jason Calacanis

I wouldn't have a problem with this set if it was like Reagan where they were like, "Oh God, he's got 18 months left. We're going to ride this thing out." And yeah, maybe we let him have a quiet thing, but to actually put him up for another four years is the issue here. If they just said, "Listen, we can 25th amendment this guy or let him finish the last six months", that's one thing. But to say, "we want four more years of this". I mean, how much worse is it going to get? What's going to happen right now, I guarantee you, is he's out. We're going to have President Kamala; she's going to get her flowers for four months as she gets to be the first female president of the United States. Then she steps out of the way. She decides she's not going to run because she's got things to do with her family, and there'll be two new people who will be moderates. And then the real election starts in about 15 days.

Chamath Palihapitiya

I don't think you need to go into all of those mechanics to get the outcome of a new candidate. All Joe Biden has to do is go into the Democratic convention and release the delegates.

Jason Calacanis

Yes, of course, yes, technically.

Chamath Palihapitiya

But the problem with releasing the delegates is I do think it creates a free for all unless the party then exposes this next facet of their plan, which is that they are so in control that they only allow one candidate to go up there.

Jason Calacanis

Oh, they've already got that. Yeah, that's done.

Chamath Palihapitiya

And then I think what happens is depending on who that person is, they'll either, I think the Democratic party is probably at risk of a pretty meaningful reset. And I think that these tactics I think are very much seen and understood by the American people. I think that people do not like this idea that you vote for person A, but instead you get persons B through Z. I don't think that's what anybody thinks the election for the president of the United States should be. It should be two people independently. And then when you see one person that's not really in a position to run faithfully, I actually think that Donald Trump last night showed tremendous restraint and compassion. I think that is the right way to deal with this situation.

Jason Calacanis

Absolutely!

Chamath Palihapitiya

I think it's just acknowledging that President Biden is not altogether there. So without making claims of a cold or anything else, this is the security and the wellbeing and the economic prosperity of the most important country in the world. Why are we messing around?

David Sacks

Let's just put it plainly. The Democratic Party is a collection of interests who want to remain in power. The Democratic Party is the party of government. Its goal is to allocate money and power from the government to the collection of interest who back the Democratic Party. In other words, it's basically a collection of interests who want to loot the Republic? Well obviously no one's going to vote for that, so they have to make it about something else. They

choose a figurehead. They talk about how this is about saving democracy. They basically invent hoax after hoax lie after lie to basically maintain their power. And I think what's happened is the mask has come off, the whole shell game has been revealed. It's obvious that Biden was always a puppet for these interests who were hiding behind him. And now it's all being exposed.

Chamath Palihapitiya

This also goes all the way back to 2016 because if you remember, and you look at the real run-up into the 2016 primary, you have to remember President Obama sat Joe Biden down and said you cannot run. And the reason was to direct the Democratic party and establishment and energy towards Hillary Clinton who ultimately lost that election. There's a very important question here, which is if Joe Biden had actually run in 2016, you may have actually had him beat Donald Trump in 2016 and he probably would've continued into 2020, this would be a totally different situation for the Democrats. So back to your point, David, all of these backroom shenanigans and negotiating and gerrymandering and politicking and power broking is not how democracy should work. As messy as the Republicans are, I tip my hat to them. They run very straightforward, fair, visible, transparent face-offs between people.

And you may not like the candidates, but the process is what it's supposed to be, messy, turbulent, but you see all sides, whereas this tends to be managed from the inside out. And I think that that is as your point being exposed. And I think that's what really has to stop within the Democrats. They need to open the floodgates. A Bobby Kennedy should have had the chance to run. Dean Phillips should have actually had the chance to run, but they were not and they were prevented. And by the way, props to Dean Phillips, who in a very respectful and compassionate way was telling the truth from day one. And he was essentially censored. He was not allowed to basically tell you

Jason Calacanis

Ostracize.

Chamath Palihapitiya

Yeah! He told everybody what he observed in front of his face.

David Sacks

Right? And if people had listened a year ago to Dean Phillips, then the voters in the Democratic primary could have made a different choice. They could have maybe replaced Joe Biden, but the party elders and the powers that be did not let that happen. And now they're in a panic a year later trying to do a hot swap because it's manifest to everyone to the American public that Joe Biden is not fit to serve.

But the real time, hold on, we need to speak to the hot swap for a second. The time to do the hot swap was a year ago when democratic primary voters could have voted for someone new. The problem you have now, JCal, I actually think that on balance, the hot swap is not going to happen. Let's just - I'll tell you why. I think you make a really good argument for it. Nonetheless, the reason it's not going to happen is that Joe Biden and Jill Biden have come out this morning and said there's no way that he's stepping down. It was just one bad night. He's fit to serve. There is no mechanism to replace a nominee who's already won all the necessary primary votes without their consent. So if the Bidens are saying we're not stepping down, there's no mechanism to force them to step down. And that's the situation we're in right now.

Jason Calacanis

It's a very simple mechanism. He's going to capitulate and you're going to have Obama, Obama's going to give him a call. I guarantee you Obama's going to talk to him in the next 72 hours. Guarantee the hot swap happens. Absolutely need to make an effort on you right now on it.

David Sacks

Let me finish my point. They can pressure him and that's what you're talking about is they're going to try and leverage him out. But the truth of the matter is that if they can't find the right leverage points, he does not have to step down.

Jason Calacanis

The right leverage point is very simple. He's not going to get any more donations. Last night, the Democrats who are donating all said, no more money for Joe Biden. So he's going to have no oxygen. You need money to run these things.

David Sacks

Alright, look, just one other final problem with the hot swap theory is not only is there no mechanism to force Biden to do it, but I don't think there's a consensus right now on who the replacement would be. The fact of the matter is that Kamala Harris is next in line and she pulls even worse numbers than Biden does. So there's every reason to believe that she would do worse than Biden in the election. And I think it's not going to be easy to basically shove her and push her aside. And so you can talk about Newsom, you can talk about Michelle Obama, you can talk about Hillary Clinton. The fact of the matter is that I think you're going to have a big Kamala problem and because of that, there's no mechanism and there's no clear replacement. I think that although a lot of people are going to say what you said JCal about the hotspot being desirable at the end of the day on balance, probably not going to happen. Although certainly I admit it could.

Jason Calacanis

I'll bet you \$10,000 right now to whatever charity you want, that Biden will not be the nominee.

David Sacks

You could be right, but they got to work, work out those two problems.

Jason Calacanis

Are we on?

David Sacks

They got to work out those two problems.

Jason Calacanis

I'm just offering you a \$10,000 bet and I'm giving you any straight money.

David Sacks

I would not bet a lot of money on this because I'm not sure. I'm just raising some problems with the hot swap theory.

Jason Calacanis

Okay, Friedberg, you've been a little bit silent here. You want to wrap us out so we can get to the next topic?

David Friedberg

I'll wrap us out. I think I'll read the final paragraph of the email I sent to the Democratic Party leader a few months ago, as a coda to this conversation. Here goes, "the United States is facing a fiscal crisis, the likes of which the world only sees every few hundred years as world leading nation states overextend themselves, take on an addressable debt loads, increase social programming and eventually collapse under these conditions. The cost to service the interest alone on our federal debt is now greater than a trillion dollars per year. This already exceeds the discretionary defense budget. The debt service expense will only swell as interest rates are unlikely to decline back to 0%. And I do not subscribe to the easy to refute economic arguments of modern monetary theory. Simple arithmetic is all that's needed to discredit it. Furthermore, I can identify dozens of federal programs sponsored by Democrats that are not achieving their objectives.

Yet we continue to fund them as if they were performing exactly as anticipated when originally conceived. Every federal program should be held to account for performance every year. If not, they should be defunded. Instead, I see the party pushing new programs that create new expense burdens without first addressing programs that simply aren't working. Accountability is a critical first step in reducing our federal deficit. Below 7% of

GDPD believe our nation is facing financial and thus social peril. I urge the party to become the party of reason and results. Put forward leaders that can lead hold government programs that aren't working to account. Make sure that every dollar spent on social programming has a measurable impact and if they fail to deliver results, cut them. The opportunity to be the party of reason and results is wide open. Myself and many of my friends would scramble for the opportunity to support that party. That the end of my statement. And I think that,

David Sacks

Did you get a response?

David Friedberg

Then a month later, the handler said, so-and-so has this on their docket, they're going to call you never got a call.

David Sacks

Of course, yeah, because you're not a donor. They only care if you donate. And you're not a donor.

Chamath Palihapitiya

No, because I donated. I donated and I didn't get anything. All I asked for was a chance to sit down and talk to the president.

Jason Calacanis

I know why Biden didn't come on the podcast. I mean he couldn't. The debate format, to your point, Friedberg was the easiest debate format ever. And the greatest thing, I think Dave Port and I pointed this out on Twitter, Trump's best strategy was to just let Biden talk, just get out of the way and let him talk. And there was one moment where he is like, I'm sorry. I mean Trump was pretty graceful here, which is a big statement. He at one point was like, I'm sorry, I don't understand what he just said. I don't know how to respond to something. I don't understand what his point was. Hot swap is coming and I am an undecided voter. I have a big announcement, Sacks. I have a big announcement about my undecided vote. You want to hear it?

David Sacks

Yeah, let's hear

Jason Calacanis

It's breaking news. I am not voting for Biden. I have eliminated Biden as a possibility. I was waiting to see what happened last night.

David Sacks

We already knew that.

Jason Calacanis

No, I never was clear about that. I'm not clear-

David Sacks

You've also eliminated Trump. You've also eliminated Bobby Kennedy. So you just -

Jason Calacanis

I have not eliminated Trump or Biden Kennedy. I said there was no preferred candidate.

David Sacks

Jill Stein. Maybe Cornell West.

David Friedberg

Okay, let's move forward. Let's move forward.

Jason Calacanis

We go, who left? Bring anybody out. It can't be weekend at Bernie's part two. I mean, the weekend at Bernie's joke is real. I mean it's cruel and it's real and my Lord, get it together. Alright, there's a really interesting trend going on that I wanted to get everybody's thoughts on, AI and corporate efficiency killing tech jobs. Let's pull up this chart somebody shared in our group chat from FRED. These are software developer job postings on Indeed from early 2020. That's pre-COVID obviously to this year. Look at this. The number of job postings for developers has absolutely come crashing down by 80%. This is below pre-COVID numbers. In addition to this, we talked about getting back to work. Penske and Dell saying you have to be back in the office starting this fall four days a week or resignation accepted. What are you seeing in your portfolios? Any thoughts on this trend of the major jobs, the high paying elite jobs Chamath, may be going away? This is a trend we haven't seen in our lifetime, so there's always room for elites at elite companies and now it seems maybe the demand's gone. What's going on here?

Chamath Palihapitiya

I just think that company formation has changed after the end of ZIRP. And so I think that that chart speaks more to a couple of things. One is that where typically people were hiring for software engineering roles, which was a lot of SaaS businesses contracted a lot. And the net new amount of SaaS startups also I don't think materially increased. And so that was one big switch. Second is you went through a whole bunch of layoffs at the big cap tech companies as they reestablished profitability. I think when you layered those two things that explain that chart more than the emergence of AI tools, just practically what I see is all of these AI tools can add a 10 or 15% lift to an individual person.

If you are in a traditional organization, I don't think these things are the panacea that they're marketed as being these are not creating 10x engineers. At some point these tools will be good enough and at some point companies will get started from scratch that use those tools and create a level of productivity at one 10th of the workforce. But that hasn't happened yet. So I think that that chart is more about layoffs and contraction in tech more than anything else.

Jason Calacanis

And just to explain this chart a little bit more in depth, the 100% number back in 2020 then boosts up to two and a half times that amount and then comes back down to 60% of that amount. So it's an index. We don't actually have the raw numbers here of the number of developer jobs open or closed. Sacks, your thoughts? What are you seeing in company formation to Chamath point and overall, what do you think this means for the American elite workforce people with really high end degrees and really high end salary expectations?

David Sacks

Well, I agree with Chamath, it's just too soon for AI to be responsible for this. I mean the AI productivity gains are just starting and we're not really seeing job elimination yet or job replacement. I think this is just a symptom of economic weakness. And the main reason for the economic weakness is the rate hike cycle. Remember we went from practically 0% interest rates to five and a half percent in one year, and a lot of people were expecting that to cause a recession. That's normally what happens when you get a very, very rapid rate hike cycle is it sucks liquidity out of the economy and it contracts economic activity and you get a recession. I was one of the people who thought that, and that didn't happen. I think one of the reasons it didn't happen is there was a huge backlog of jobs of sort of open job postings.

I think originally it started at 12 million open jobs. Well, what's happened is the rising strait has created, created some economic weakness. It's caused a reduction in liquidity and investment. It's created more pressure on companies to be profitable. And so all those things have cascaded through and what it's doing is it's burning off this job backlog. So we haven't necessarily seen unemployment yet, but we're seeing a reduction in the job postings. And I think that's what's going on. And I would just say that the economy may not be in recession yet, but I just think it's weak and this is just one metric showing that

Jason Calacanis

Friedberg, you're running a company now. You're doing hiring qualitatively. What you seeing in terms of hiring from when you were running production board, you had many companies. People were fighting it out in the peaker era and giving people incredible, incredible compensation packages. And then you also had people trying to take talent and maybe talent hoarding was going on. It seems to have dramatically switched. We've been putting job postings out and seeing hundreds of people apply for jobs that we would get dozens previously. What are you seeing? What's the game on the field in terms of hiring?

David Friedberg

I don't really have a great perspective on this. We hire very specialized people at Ohalo and in the specialty field we're in, we're the best in the world. So everyone wants to work here.

Jason Calacanis

Got it.

David Sacks

I'll answer your question, JCal. I mean, what I see from our portfolio companies is hiring's got easier.

Jason Calacanis

It is way higher.

David Sacks

Much easier to hire Dev's right now, software developers than two years ago. No question about it.

Jason Calacanis

And I think globalization also having a big impact here. Honestly, my theory on this is that because there's not three competing offer Sacks from big tech, when you're a startup trying to land somebody and you're like, we have to beat Uber or Airbnb or Coinbase like a mid-market company or the Google offer, the Apple offer, the Amazon offer, typically a developer would have those three sets of offers. Here's a startup that's willing to give you 1% of the equity. Here's a mid-market company, an Uber and Airbnb, a Coinbase that's offering you 300k. And then here's the incredible \$500,000 offer from Amazon or Google. Those offers just aren't there. So then it makes for the ability for startups to hire great talent. This is the best time possible to be a startup. The talent on the field is incredible. Opening AI, it's considering a for-profit profit conversion.

And that means possibly an IPO soon according to report, Sam Altman recently discussed this with major shareholders like maybe Microsoft, and it's possible OpenAI will become a for-profit benefit corporation similar to Anthropic or XAI. If you don't know what a for-profit benefit corporation is, a benefit corporation or B Corp in the industry means "you have a stated mission that the board is responsible for going after save the whales, provide AI software for all of humanity, whatever it is, in addition to the standard acting in the interest of all shareholders". And so this of course means opening AI, which was valued at 86 billion. Could IPO at some point? What are your thoughts on this? We saw the revenue numbers are crushing it. Any thoughts, Chamath, on OpenAI IPO? And is that a possibility in your mind?

Chamath Palihapitiya

I mean, it makes so much sense for them, so I think they should do it as quickly as possible. We are in the first inning of what should probably be an enormous tectonic shift in technology and I think if anything, whoever wins in the first inning usually isn't the one that's winning by the ninth inning. And so I would encourage anybody that's winning right now to monetize, get secondary's, take money off the table as fast as possible because the future is unknown. And the more disruptive the technology is, the more entropy there is, which means that there's going to be more changes, not less. And again, I would just look at search as an example. I would look at social networking as an example. When you look 20 years later, the people who captured all the value were not the ones at the beginning who everybody thought was going to win. And so I think if it plays out similarly, it's important for the people that are in the lead today to recognize it's too early and they should monetize their perceived success as quickly as they can to the largest magnitude possible.

Jason Calacanis

In other words, you might be opening the

Chamath Palihapitiya

Grab the bag,

Jason Calacanis

You might be MySpace,

Chamath Palihapitiya

Grab the, yeah, grab the bag. What is it called? Secure the bag. Sorry.

Jason Calacanis

Secure the bag. What are your thoughts here? Secure the on a potential IPO by Sam and the team at OpenAI and the impact that might have on the wider space.

David Sacks

Well, for a long time on this show, I've been saying that you need to clean up that convoluted Byzantine corporate structure with all the line charts everywhere. That structure is what created all the problems with this nonprofit board that they had. You've got a for-profit entity reporting to a nonprofit board. It created a culture clash. And as we've said before on the show, it's not a good idea for startups to innovate on structure using a tried and true C Corp is the way to go. You're ready for IPO.

If you ever get that far, you don't need to restructure the company. It was always funky and weird that OpenAI had this nonprofit structure and really they should have fixed it years ago. And like I said, given Elon his equity, given Sam his CEO package, and they didn't do either one of those things. And so now they're left with this crazy org chart. That's a mess. And I'm

not even sure. I mean, I think you would want to clean it up as soon as you can because I think my sense is that the longer you wait on these things, the harder it actually gets. But

Jason Calacanis

Yeah, more calcified. These things get,

David Sacks

I'm not sure how easy it is to actually fix this thing, but yes, they should fix it. They should make it a standard C Corp. They should make things right with Elon because he provided the capital first - 40 million of seed capital. They should make it right with Sam. He should get his CEO E Comp and then they should IPO so that the public actually has the ability to invest in this AI wave and ride this wave the same way they did with the whole dot-com boom in the late '90s. I mean, a lot of those dot-com companies didn't work out, but some of them did - Amazon, Google and so on. And the public had the opportunity to participate in that huge wave of innovation. And I think we, it'd be good if something like that happened here.

Jason Calacanis

We still need more public companies. Friedberg, you got a thought here before we go into Super Intelligence and any of those new companies?

David Friedberg

I don't care if OpenAI is for-profit or nonprofit affects a few people that put money in and the employees, it doesn't affect anyone else so.

David Sacks

Well, no, it'll affect the public if they can buy shares and they get to participate.

David Friedberg

You could say that about any business, right? Any company that could go public.

David Sacks

OpenAI is one of the leading companies of the AI wave.

Jason Calacanis

It is the leading company.

David Sacks

It's the leading company.

David Friedberg

They apparently raised money at an 80 billion valuation. So one could also argue that a company doing 3 billion in revenue, getting an IPO done at 120 billion market cap, maybe the public already missed the big wave.

David Sacks

Well, no, I don't think so. I mean, we saw a lot of these companies that you could have said that about Nvidia and it -

David Friedberg

You could basically say that about any company. It could go up, it could go down. But anyway, there's a bunch of people who put money in who are going to make a lot of money. If the thing gets to P four profit.

Jason Calacanis

The trend line is - it's doubling revenue year-over-year. So, yeah.

David Sacks

My argument is that it'd be good for OpenAI to clean up its Byzantine cap table and structure and it would be good for the public to be able to have the opportunity to invest. So it's a win, win. I'm not saying they have to do it this minute. I mean, I think that it does take time to get your reporting to the level of maturity necessary to be a public company. And you don't want your earnings or your revenue. You don't want your numbers to be volatile.

Jason Calacanis

If you were an employee, Friedberg and it went out at 120 billion, would you clear your position if you could, would you sell half your position?

David Friedberg

I don't know enough. I'm assuming most of those -

Jason Calacanis

Chamath, anybody want to play along here and -

David Friedberg

Well, I've heard that they've had quite a bit of turnover because there's been pretty good secondary market activity, which means a lot of the employees have cashed out and they've made so much money, just like what's happening in Nvidia now, there's very little upside relative to how much money you've already made. So at that point, a lot of the early people start to leave. Yeah. So they're trying to hire more people it sounds like.

Jason Calacanis

I heard 70% of employees at NVIDIA are millionaires now. That's a crazy number. Go ahead, Sacks.

David Sacks

Well, I was going to say that question that you asked is really a highly personal question because you could think that OpenAI is a great company that's going to be worth a trillion dollars in the future, sure, but it still makes sense for you to take chips off the table because 100% of your net worth is in that one company.

Jason Calacanis

Well, let me ask it that way. You got 90% of your net worth in - I'm sorry, 90% of your net worth. You're a person that's hoping - I'm sitting on 10 million in shares. Do you sell half all? What would you do personally, Sacks?

David Sacks

I would take some chips off the table. I don't -

Jason Calacanis

Half? If you were like - this is 90% of your net worth - 99% of your net worth.

David Sacks

Well, I mean you're an insider, so maybe you have a lot of information. If you were really bullish on the future of the company, maybe you take 10 or 20% of your chips off the table. If you're less bullish, maybe it is 50%. So I don't know. I'd be influenced by my perspective on that, but I think that you could think it's the greatest company in the world and still it would make sense for you to take some chips off the table because you don't want all your eggs in one basket. That's a personal diversification decision.

Jason Calacanis

Then if it was a \$120 billion valuation with 3 million in revenue Chamath, and you're trading a 40 x or whatever it is times next year's revenue, let's assume they do 5 billion next year, you're still looking at 30x revenue. You would clear?

Chamath Palihapitiya

I think these multiples are not really what's going to drive their behavior. I think OpenAI is running a very strategic game plan to become part of the tech establishment as quickly as they can so that they are on the inside looking out as opposed to the outside looking in. They were able to add the former head of the NSA to their board of directors.

Jason Calacanis

What was your take on that, by the way, Chamath? That was interesting. People got pretty well.

Chamath Palihapitiya

It's how you become part of the establishment. Do you think the former head of the NSA no longer has a security clearance or knows people in the NSA? No, of course not and I think that there is a group of people that want to make sure that these kinds of technologies and capabilities are firmly within the hands of the United States apparatus and not anybody else. And so I think that that pulls them closer to the kinds of folks that could otherwise give them a hard time or regulate them or et cetera, et cetera. So now what happens is when you have Senate hearings about this stuff, it's more likely that it's confidential behind closed doors, it's under the purview of national security. All these things are beneficial to OpenAI. And then secondly, they were able to get Elon to drop his lawsuit conveniently, I think it was on the same day that the head of the NSA was added to the board or the former head of the NSA.

So the next logical step is now to create capital markets distribution, which is really about syndicating ownership of the company to all the big deep pools of money so that they are also rowing in the same direction in support of OpenAI. And so that's what a lot of people don't get. It's not about valuations or this and that. This is about creating a high level game theory of how to create an international apparatus that supports your corporate objectives. There are a few companies that have done this well and they are now one of them. The only thing left is to get shares into the hands of the BlackRocks, the T. Rowe's, all the big mutual fund apparatuses of the world that then syndicate to all individual investors of the world. And you have everything. You have government connections; you have no real legal overhang. Then the likelihood that an IRS agent all of a sudden decides to audit OpenAI is basically zero.

Jason Calacanis

Okay. So to summarize, a bit cynical, but you are building an ally base that then makes it harder to investigate the company, criticize the company or anything like that, right? That's essentially what you're saying.

Chamath Palihapitiya

I don't think it's cynical. It's like a smart business strategy.

Jason Calacanis

Strategy? What's your take on that, Sacks?

David Sacks

Well, yeah. They're borrowing their way into the deep state.

Jason Calacanis

Okay.

David Sacks

I mean the quid pro quo is we will be your vessel. We will be an arm of the intelligence community of the deep state. We will give you access to whatever it is you're looking for, and in exchange you're going to basically protect us and allow us to get rich. And frankly, that's the deal that all the big tech companies have made. They are all in bed with the intelligence community. And we saw this in the Twitter files where every week for the year before the 2020 election, there were meetings between the trusted safety people, the censorship division of Twitter and the intelligence community. So these people are working arm in arm and basically, the big tech companies have given themselves over in a way to this powerful apparatus, the deep state in exchange for they're willing to basically give up power in exchange to be left unfettered to make their money. I think it's a horrible development for the civil liberties of the ordinary American, but I think that is the reality of what has transpired.

Jason Calacanis

And the number of CIA - former CIA, former FBI, Justice Department people working at the Googles, Facebooks, Metas, Apples of the world is like a very large number. I have family, as many of you know, in law enforcement and in the "deep state", I guess I should call it, Sacks. And they are constantly asking me about job offers they have from these companies and which one should they go to. This is after they've done tours in Afghanistan and speaking many different foreign languages and then all of a sudden they secure this incredible 3x salary bump by working in big tech. So there is something to all of this. Ilya announced his new startup finally; it's called Safe Superintelligence Inc. - or SSI. He was obviously an OpenAI co-founder - formerly their chief scientist and co-head of Superalignment. Last month, he announced he was resigning from OpenAI after a decade with the company.

And you remember he was on the board that helped orchestrate Sam Altman's firing and then he reversed course a few days after and expressed regret in it. Everybody was asking, where's Ilya? During all of this on Twitter, the co-founders in SSI include Daniel Gross, a YC partner and Pioneer Labs Co-founder and OpenAI engineer Daniel Levy company's goal right now is in the title Develop a Safe Super Intelligence. Here's what Ilya told Bloomberg." The company is special in that its first product will be the safe super intelligence and it will not do anything else until then." Friedberg is this super intelligence making safe super intelligence a great business model or is this something else? It's a little bit confusing to come into the market and compete with a throttle or a governor I guess on your startup, at least that's what some people are discussing. So what are your thoughts?

David Friedberg

I have no idea. I don't know what these guys are doing.

Jason Calacanis

Have you guys looked at this company?

David Friedberg

I haven't seen anything.

Jason Calacanis

Well, I mean we're just basing it on reports. Ask, okay, free a system. Okay, quick bounce pass to Sacks. Sacks, give us your opinion.

David Sacks

Let me caveat what I'm about to say by saying that I have not heard the pitch directly for this company. I've only read what you've read in the press that what they're trying to do is the safe super intelligence. And I'm not bullish about that pitch because I think it makes the company a little bit schizophrenic. It's working at cross purposes with itself. On the one hand, you're a new company, which means you're behind. You've got to catch up with OpenAI or Google these other companies that now have been creating models for years. So you've got to move very fast. On the other hand, you're saying you're going to basically make this very safe. Well, to be frank, safety concerns are a brake pedal. They don't help you move faster, they make you move slower.

Jason Calacanis

Yes, it's a governor.

David Sacks

And in fact, I think that this is the main reason why Sam Altman either kicked these people out of the company or starved their resources until they left. Remember when a bunch of these people left OpenAI, they said that, Hey, we were originally promised 30% of the computing resources by Sam and then he reneged on that promise and didn't give us what we needed so they all left. Well, I think that wasn't by accident. I mean I think that Sam wants to win. He wants to develop AI as quickly as possible, specifically a GI. And he had this group inside the company though frankly was a lobby for moving slower.

Jason Calacanis

So now they have their own startup. He's on that group that he kicked out.

David Sacks

Right! But I don't think that's the recipe for winning because you're the guys who want to move slower.

Jason Calacanis

It would be like taking the DEI group from Twitter and having them start a new Twitter.

David Sacks

Well, I think that's a little bit harsh because I do think that by all accounts Karpathy is like a top notch technologist and he's one of the leaders in the space

Jason Calacanis

Of course.

David Sacks

But I do think that he's going to be hamstrung by his own concerns about safety. And I think this is maybe that the tragic situation is we're going to have this competition by all these different companies to advance AI and the companies that care about safety more than others are going to lose. And so you have this Darwinian effect going on where there's going to be a race to a GI and I think that is genuinely a little bit scary for where this all leads us, but I tend to think that it's not going to be solved by trying to impose the safety governor, as you said, I think maybe the best you can do is impose a truth Governor. So Elon says that we're going to make sure that our model at xAI - the Grok model - is scrupulously honest. It's not going to lie to you. And I think maybe that's the best you can do is advance AI to be truthful. But when you start injecting these other safety concerns, I just think it slows you down and hamstringing you.

Jason Calacanis

Jason Calacanis,,,I think the best way to hit the truth is to cite your sources. I've been putting into and I - have you played with 4o yet or Claude's new - Chamath?

Yeah, I mean it is unbelievably good if you put "cite your sources". It's really starting to understand what you're asking for. I don't know if you've seen this, but I was asking it like, "I'm hiring some positions. Give me the high-low average of this position. Give me five sources of information. Put it in a table and then average, the high-low, and median." And it came back to me, Sacks, with an incredible thread, Chamath, of this position and then source Glassdoor, Indeed, Salary.com - whatever it was. And I was like, "Holy cow!" This is an hour or two of researcher work done instantly.

Chamath Palihapitiya

There's an important insight here that I think people are missing, which is that foundational modules are quickly becoming a consumer surplus. Every model is roughly the same. They keep getting better and better, but they're also approaching these asymptotic returns. And what do you do when something approaches an asymptotic return? You need to change a key underlying variable that you use to build these models.

And it looks like one of those variables that people are looking at is how you basically take the internet not as raw data, but then you actually kind of refine it, and refine it some more and then use that as the basis of learning. And what that does is it drives up model costs to

a degree that are probably untenable for most companies except but for a few, so I think it was Dario Amodei, the CEO of Anthropic who said the cost of a good functional model today is in the billions, but by 2027 it could easily approach a hundred billion dollars. The problem that represents for Ilya's company - and I wish him the best of luck - but the reality is there isn't a hundred billion dollars for him to have. Google will find it, Microsoft will find it, Facebook will find it.

Jason Calacanis

Amazon is coming out with something.

Chamath Palihapitiya

OpenAI will probably find it, Amazon will find it. But I suspect that these other startups, there just isn't that much money going into AI because the returns don't justify it. So I think the bigger problem that you have - problem is that it's becoming an arms race. It's not dissimilar actually to ride sharing. When people saw Uber's success, they thought, well this is simple and it was, but you had to subsidize losses for decades before that company was profitable. But meanwhile you had to starve all of these other companies that were funded to compete with Uber until they ran out of money and died. I think that you could make a claim that the AI foundational model market will look similar to that one startup can probably win, but there will be a bunch of open source alternatives. They're all asymptotically similar and so it's an arms race on cost and compute and I just don't see VCs having the temperament and the wherewithal to fund hundreds of billions of dollars into multiple companies to do them.

Jason Calacanis

Friedberg, any thoughts on the latest models? Have you played with them? I'm curious. I have been having tremendous results there. Seems like there is, I don't know, I don't want to say a step function, but man it's a lot better right now. Have you used any of these models and are you applying any of them inside of your company?

David Friedberg

We're using a lot more models and we're seeing them be very practically applied at the edge. So you don't need to have large models running on a large compute cloud to get practical value. And this is definitely a big point in the industry is that you, you're getting highly functional application specific models that can be run in a more local environment on the edge. So they're not running the cloud on big compute clusters and there's an incredible application in things like machine vision and control systems. You could ultimately see this being, I don't know if you guys saw that Chinese dog, we never talked about this.

China basically ripped off Boston Dynamics or at least that's what it looks like. And they created this military dog. Nick, can you pull up the clip? And then, they put machine guns on the back of the dogs back. The models are running locally on these devices. In fact, I think

we're going to have a few demonstrations of this at the All in summit. So the robotic applications are pretty powerful. Machine vision applications are very powerful. And when you see this insane video from China, by the way, this is a totally different topic. You guys seen this?

Jason Calacanis

I have seen this.

David Friedberg

This thing goes autonomously into a building and it can then find its target and eliminate its target with the machine gun on the back. Incredible. And you could see this becoming like, let's say they build an assembly line and they put out 10 million - 50 million - of these things and these things can now go run autonomously in the field. This is the dark side of small highly performative application specific models running in an embedded way.

Jason Calacanis

Imagine those are amphibious and they could travel against, they could travel across water or wind up in another destination. I don't know. Where would a beach invasion occur?

David Friedberg

Anyway, that was a very funky tangential aside. Alright, we've talked about Microsoft and the bundling issues a number of times here. SHU had a spicy take on this. Well, the EU just charged Microsoft with antitrust violations over how it bundles teams, their quote "Slack-killer" into office. Here's a quick chart. Microsoft Teams obviously was bundled; everybody has it automatically with Office. You don't get a choice and they rocketed to 75 million members in 2022, Slack's 12 million. You've obviously got a lot of thoughts here I'm sure too as well. Chamath, since you were the early investor in this. Looks like Salesforce just got a big win. Benioff gave some commentary on X. Microsoft excels with bundling. It's their secret weapon for dominating new markets. We know the playbook, Office plus Teams, Windows plus Explorer, Azure plus Visual Studio, 365 plus OneDrive, and X plus plus game Xbox plus Game Pass. Here's a clip of Sacks discussing this on episode 113 of your All-In Podcast.

[Begin - All-In Podcast Clip]

If Microsoft can basically clone the breakthrough innovative product, let's say they do one every year and then they put a crappy version of that in their bundle.

10% worse.

10% or 50% worse, but they give it away effectively for free as part of the bundle. And then they basically pull the legs out from under that other company so it can't be a vibrant

competitor and then the next year they'll just raise the price of the bundle, right? And they've done that with Slack, they've done that with Okta, they've done that with Zoom. Can we have a vibrant tech ecosystem, at least in B2B software if Microsoft can just keep doing that indefinitely?

[End - All-In Podcast Clip]

Jason Calacanis

Alright, Sacks. You heard your quote there. I'm guessing you're not shocked by this action.

David Sacks

Well, I think the EU made the right decision here. They basically cited with Salesforce who made the complaint and said that Microsoft was engaged in legal bundling by combining Microsoft office and teams. And the reality is Microsoft Office is a product that every company has to have, certainly every enterprise has to have. And by bundling it means that that enterprise receives the teams' product for free until of course the price of the bundle goes up the next year, which it has just about every single year. So what that does is when that enterprise is evaluating the choice of do we use teams or do we use Slack or for example, glue or some other tool teams on the margin appears to be free, whereas Slack is something you'd have to pay for seats. And I think that is illegal bundling when you have a monopoly in one product and you systematically use it to keep adding new products that again on the margins appear to be free because you've bundled them.

And I think the EU has done the right thing here, which is push to end the bundling. Every single product needs to have its own a la carte pricing. And when you add together the a la carte prices, it should equal the price of the bundle. So in other words, you don't get anything on the margin for free. The customer needs to have the discretion to choose what it wants. If we don't do that, I do think that Microsoft will use the power of the bundle to systematically dominate enterprise software and they won't take on everybody at once. But like I said, every year they'll add a new product to the bundle.

Jason Calacanis

Chamath, what's the middle ground here between the interest of consumers, which is, "Hey, I'm getting a free version of Slack."

David Sacks

It's not free, it appears to be free on the margins because it's now part of the bundle, but then they raise the price of the bundle the next year.

Jason Calacanis

Correct. They boil the frog. So, seemingly -

David Sacks

Once they've killed, once they've pulled the legs out, pulled the rug out from under their competition and that competitor is no longer viable, now they can raise the price of the bundle. It's kind of like dumping in a way. I mean this is a very old antitrust argument.

Jason Calacanis

When you would dump product in the market to kill a competitor or you would price under your cost to kill a competitor, right?

David Sacks

Yeah. You dump to basically drive a competitor out of business because there's large cost of entry, there's large CapEx required to create a new competitor, and this is basically what they're doing is they appear to give you the Slack clone or whatever for free, but then once they've pulled the rug out, they'll increase the price of the bundle.

Jason Calacanis

Chamath, what's the balance here between say, I don't know, Apple giving away a free note-taking app or a free journaling app to consumers saying, Hey, consumers get this benefit of free product versus the bundling concept here with, hey, we'll give this you for free, but eventually we're going to boil the frog. What's your thought of how to adjudicate this or to execute on it in the best interest of consumers,

Chamath Palihapitiya

Microsoft has been bundling - bundling products to kill competitors for 40 years. The 10 years that they didn't do, it was the 10 years when Steve Baller was in charge during which there was a legal document between Microsoft and the Justice Department - a consent decree that prevented them from doing it. That consent decree came to be because of this exact strategy and the most famous example that was the tail end of that process was when they used Internet Explorer and they bundled it with Microsoft Windows and they killed Netscape. So there's umpteen examples of this. So I think that they've gone back to their old playbook. It's a playbook that you have to remember, the executives that run Microsoft have been there for 30 and 40 years. They know this play and they know that it works and they've been rewarded incredibly handsomely by the public markets.

So they're going to keep doing it. Would Slack have sold to Salesforce? Now look, I'm not complaining it was a 27 billion acquisition, but the question is if it were allowed to compete feature for feature, could it have beat teams? Possibly, would the board have made, and I was on the board of Slack, a decision to have tried possibly, but none of those options were on the table because when you see a product, it doesn't matter how inferior it is, get bundled in, it's kind of DOA and then you're on a melting iceberg, and so you have to make a very quick decision to preserve enterprise value. So I think what this comes down to is the FTC and the DOJ need to dust off that old consent decree, read it and figure out whether

this makes sense, again, it seems like folks in the EU have more recently read that consent decree than American regulators have.

David Sacks

Look what we've said all along is that the right approach to antitrust is to stop anti-competitive tactics. Bundling is at the top of the list. Instead what they've stopped is all M&A, which is actually bad for the ecosystem because it's terrible. You deny risk capital or reward and you need that reward in order to induce the next stage of risk taking. So again, I think this was a good decision by the EU regulators and the competition authorities in the US should actually be looking into this. Again, it's a better approach than stifling M&A.

Jason Calacanis

You are so right on this. We're so aligned. If you look at, I've been talking to a lot of LPs and in talking to them, they're looking at corporate credit and P&E deals because they can get a return on those and then they're looking at venture and they're saying, "Hey, why is there no M&A occurring? Where's our DPI? Can you guys sell some of these companies?" It's like, yeah, we can't sell them because Lina Khan's going to scuttle this M&A and what that means is, in a very real way, we have dollars being taken out of innovation in early stage and being put into privatizing SaaS companies, whatever real estate deals, and this is really dangerous for America. We really need more of this.

David Friedberg

Okay, I'll make one last wrap on this topic. I'll take the other side of bundling.

Jason Calacanis

Oh, here we go.

David Friedberg

I think ultimately if bundling benefits the consumer or the customer from improved prices, I don't buy the antitrust arguments on a lot of these cases. I don't think that you're keeping competitive solutions in the market if the benefit of the lower cost product is actually there for the consumer; the customer supermarkets for example, do this, right? So there's a lot of products in the supermarket like peanut butter, milk, eggs that have historically been big loss leaders because they get people in the store. Once they get in the store -

David Sacks

They're not monopolies.

David Friedberg

They're effectively -

David Sacks

Peanut butter is not a monopoly

David Friedberg

Bun monopoly. What way?

Chamath Palihapitiya

Supermarket is not a monopoly

David Sacks

Monopoly, fine to bundle commodities, but when a product is a monopoly and every enterprise have -

Chamath Palihapitiya

Commodities have finite shelf lives, right? So you're talking about one week.

David Friedberg

Teams is not a monopoly, right?

David Sacks

Microsoft Office is.

Chamath Palihapitiya

Microsoft Office is -

Jason Calacanis

When you install it and 65 is versus Google. You can't rip it out. You can't rip it out.

David Friedberg

There are other options. You have options. There's plenty of options. The whole benefit of SaaS is that you can all the time -

David Sacks

You have got options but those options that are market power -

David Friedberg

Of course they do. I can switch to Google Docs and save money.

David Sacks

But in the enterprise market -

David Friedberg

I don't have to buy it. I don't have to buy enterprise seat licenses for Office. I can buy Google Docs.

David Sacks

SMBs think that way, but enterprises have to have it.

Chamath Palihapitiya

Enterprises don't think that way. Yeah.

Jason Calacanis

We have every option too.

David Friedberg

Google is competing effectively in the office space against Microsoft Office.

Jason Calacanis

But you would have to look as the duopoly.

David Friedberg

Google is competing effectively against Teams. Like, none of these businesses have a monopoly.

David Sacks

Has kicked out from under it.

Jason Calacanis

Yeah, Zoom I would argue is getting -

David Sacks

Slack stop growing. Look, once they put teams in the bundle, Slack, stop growing.

David Friedberg

What's the monopolistic lock-in? The amazing thing about staff is that there's no switching cost.

Jason Calacanis

There's no switching cost. What?

Chamath Palihapitiya

I don't think we're debating that. I think what we're debating is a sales practice where Microsoft says, "Well, you need Office, you need Windows, and you need 365 - or sorry,

Active Directory. Well, if you'd like - all of these things - we're going to give you this product for free as well and they're going to be tightly integrated." Then when you go to Slack, you have to pay more. And then you think to yourself, "Well, how do I go back to my CFO and say I need an extra \$1.2 million a year for this enterprise license to Slack?" And then, people say, "Well..."

David Friedberg

That's my point. You're saving money. If you stick with Microsoft, they're giving you a discount.

David Sacks

No, you are not, because once they kill Slack, they'll just raise the price of the bundle.

Chamath Palihapitiya

That's the point.

David Friedberg

That's a theory. And if that's true, that should be prosecuted. I don't think that the - which is under Microsoft internet. But that's the violating action. That's my point.

David Sacks

No, Friedberg. Why can't you just make Microsoft?

David Friedberg

The idea of having a bundle should not be a violating action.

David Sacks

No. All Microsoft has to do is they've got a price of the bundle, allocate that price across all the components of the bundle so people can buy each product a la carte. That's all. They can still sell a bundled offering.

David Friedberg

If at the end of the day that sum is cheaper than you buying the alternative a la carte from a third party vendor that is a great deal for you as a customer.

David Sacks

It can be cheaper.

Jason Calacanis

What we're talking about here is proactively keeping competition

David Friedberg

And I think that creates a good competitive dynamic. But maybe I'm thinking too first principles on this.

Chamath Palihapitiya

I think you're missing something here, Friedberg - which is like what happens when - when let's just say, Slack. There wasn't a suitor for Slack. Okay, let's take the internet browser example because I think it's better. If you didn't have a multi-hundred-billion-dollar company prop up a product because they just felt like it - i.e. Chrome and Google - you would've had Microsoft runaway with the core interface for the internet. We don't know how that would've turned out. So by luck, we've had some modicum of consumer choice, but it's not as if Firefox did well. Firefox went to basically irrelevancy. Netscape went to zero. So there are examples where when Microsoft has done this, they can starve the market of choice over long periods of time.

Jason Calacanis

And I think I did that -

Chamath Palihapitiya

Hold on a second. If your whole point is, "Well, let's just bet on the largest of - other large companies", that's a bad bet.

David Friedberg

But I will show you multiple counter examples. Google Meet does not dominate market share -

Chamath Palihapitiya

You're talking about the largest of companies. You're talking not about competitive practices. Find me venture-funded people - risk-taking people who need a return on investment. Google is the worst example. They have the most indiscriminate forms of spending. I'm not saying that they shouldn't be allowed to -

David Friedberg

But sorry, I'm giving you a counterexample to the point about bundling, right?

Chamath Palihapitiya

That's not a counterexample.

David Friedberg

When you have or they hit Google Wave or any of these other nonsense products that didn't work. I'm not calling Google Meet a -

Chamath Palihapitiya

The point of a healthy product environment and market is not that one incumbent and another incumbent can create their own crappy versions. It's that you could theoretically have an open market where somebody can be funded with nominal amounts of capital and compete effectively. That isn't possible in many markets and software because of these kinds of strategies. So what you're reduced to are these huge companies with this product sprawl. I don't think those are good products and I think we're lying to ourselves to say that they are. Google Meet is a terrible product, so whatever they're competing with is a terrible alternative.

David Friedberg

That's my point. And they've lost market share. They have not won market share by bundling.

Chamath Palihapitiya

And if you tried to find a real competitor to build an alternative to it, they're not able to get funded because the venture investor says no and that's the market power that stifles competition. That's what this is about.

David Friedberg

If you as an entrepreneur come up with a much better product than Google Meet, a VC will say, "Wow, we can go and blow up the side of the hull of that ship."

Chamath Palihapitiya

I totally disagree with you. I don't think there's a single person.

David Friedberg

Microsoft bought Skype how many years ago for eight and a half billion dollars and then Zoom came around -

Jason Calacanis

If left unchecked, Microsoft will -

David Friedberg

And Zoom is a standalone unbundled product and they totally dominated the market while everyone else has been doing bundling.

Jason Calacanis

The bottom line is - if left unchecked, you will see people abuse this. It is not a big ass to have a la carte pricing and that will make the playing field

Chamath Palihapitiya

And also much more, the Zoom example is a terrible one and the reason is that P&L would have a hole blown on the side of it if they did not have 90% of their R&D and OpEx in China. But for the grace of God and Eric's strategic thinking, they were able to survive. But that is a perfect example of a company that would absolutely not have existed had they not had a labor arbitrage. That is not the basis of a competitive and fair market and you cannot expect people going off to all four corners of the world and trying to do all these gymnastics to viably compete against a Microsoft and a Google.

David Friedberg

I would argue

Chamath Palihapitiya

That is not -

David Friedberg

Adobe. Adobe has a bundling solution. If you guys have ever tried to sign up for Adobe or end your subscription, it's nearly impossible.

Jason Calacanis

Yeah, they just had action taken against them for that.

David Friedberg

They've got these insane practices. They make you buy everything to get access to one thing. Well, Figma kills the market. They come in and they're like, we're a better product. Better markets do win even with bundling. That's my argument.

Chamath Palihapitiya

I think the interesting thing with Adobe is that they have a product suite that's used in a narrow field. I think what Sacks is saying is Adobe is about a sort of vertical system of record. I think what the thing about Microsoft, and you could probably say about Google is, but less so, but definitely for Microsoft is they are these very horizontal, broad, amorphous systems of record that you cannot easily replace. There aren't people running around building nine of the 19 things that Microsoft gives you in the bundle. That's the problem.

David Friedberg

Okay, well the debate continues,

David Sacks

But furthermore, I mean on this very show, we were arguing that the Figma acquisition should go through because it created a new market for web designers, whereas Photoshop was basically for graphics designers.

David Friedberg

Yeah, but Sacks, it doesn't compete with Photoshop. It competes with some of their other design programs. But that's, anyway -

Jason Calacanis

Alright, we're not going to settle it here.

David Sacks

I think there's a difference between a bundle and a sweet. Sweets are okay bundling when you already have a monopoly in the relevant part of the bundle

Chamath Palihapitiya

Bundling is when you take a wrench and a can of peanut butter and put them together here, you're going to take them both. You're like, well, I only need the wrench. Well, you're going to take the peanut butter. And they're like, well, I already add peanut butter so I don't need to buy new peanut.

Jason Calacanis

I mean we saw this in the cable providers and DirecTV as well. Just you can't -

David Sacks

It only works if you're not a monopoly

Jason Calacanis

paid for ESPN even if you don't like sports. Alright, listen, another amazing episode. For compassionate Chamath, Satire Sacks, and the Frank - Satire -

David Sacks

I just want to say one more thing.

Jason Calacanis

I just have a perfect wrap. Okay. Satire Sacks. Go ahead. What's your - continue the - here we go, Satire -

David Sacks

No, let's put this tweet by Joe Biden - President Biden.

Jason Calacanis

Oh, God. It's elder abuse.

David Sacks

No, I want to compliment Joe Biden on continuing to fight. You keep fighting, Joe. Do not let the media get you down. One Bad night is not a reason to get out of the race. All these people stabbing you in the back, they're basically ingrates and backers. You're doing just fine.

Jason Calacanis

Alright, and from Candid Calacanis to the -

David Sacks

Don't change a thing.

Jason Calacanis

Democratic party, you are a disgrace. What you did to the American people with this rope-a-dope is ridiculous. 25th Amendment. Get this guy out of office. President Kamala. Hot swap it. Dean Phillips, let's go. We'll see you all next time on the All-In Podcast. Love you.