

**All-In Podcast #171 - DOJ sues Apple, AI arms race, Reddit IPO, Realtor settlement &
more**

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Jason Calacanis

Alright, everybody. Welcome to the All-In podcast. With me again, the chairman/dictator Chamath Palihapitiya, David Sacks - the Rain Man. Yeah and the sultan of science David Friedberg. It's your boy JCal here. And we have so much to go through. The DOJ dropped a Sherman Act suit on Apple today right as we were about to tape the program. It seems like Thursday is the big news drop day now. So, this DOJ suit outlines five alleged abuses. And they claim, obviously, that those abuses reduced competition while limiting consumer choice and raising the prices that consumers pay for their iPhone. We talked about this actually just a couple of weeks ago when we talked about peak Apple. The five categories are - very quickly: super-apps, cloud gaming apps, messaging apps, smartwatches, and digital wallets. If you don't know about super-apps, that's the one that's maybe you haven't heard of. If you're listening to this, in Asia, they mention how Alipay, WeChat, and Paytm are super-apps. What does that mean? You get like 5 or 6 different functions in one app - social media, images, purchasing, getting rides - you know - all that stuff. And when you have that, you can move from one platform to another super easily. And when it comes to messaging apps, we've all experienced the green bubble friend. So, the main argument of the lawsuit - pretty interesting - they explain - and it's a really well-written document - I read it this morning that when Apple faces new competition, instead of lowering prices for consumers or offering a better deal to developers, they would - quote - "meet competitive threats by imposing a series of shape-shifting rules and restrictions in its App Store guidelines and developer agreements". I've faced this every time I've invested in an app startup. They complain about the goalpost-moving by Apple. And Apple shares down about 3% on the news today. I'm sure everybody's got some interesting thoughts on it. Chamath, you were talking about peak Apple just last week or the week before I think. What are your thoughts on the lawsuit that dropped today?

Chamath Palihapitiya

To be honest, I haven't read it and I don't really know - like the odds of these things - just because it seems like some of this stuff is so clearly political. And I think that these things have seasons to it in the sense that there are moments where these things are more likely to go in the favor of the company and more likely to go in favor of the government. The one thing I'll say is that these guys have been losing a fair number of these things. So, they're kind of 50/50 in their fight with Epic. They've basically lost against their fight with Spotify. They definitely are in a moment where people are looking at the profitability of these devices as the source of their long-term cash flow and I think they realize that there's not a lot of growth because they haven't entered a bunch of new markets. So the real question is - knowing all of that - did they do something beyond what they've already always done to try to lock people in? And can they prove it? I think that that's really where the government's case will come down to. Because then it's clear that Apple probably understood that their market was kind of solidifying and they introduced these blocks essentially into processes that force people to stay. That's probably bad news for them. But I don't really know because I haven't read the lawsuit.

Jason Calacanis

Yeah, Sacks did you get a chance to read it? Or do you have any thoughts – generally speaking?

David Sacks

I haven't read the filings, but I read some of the press coverage about it. I would say based on the press coverage that I read, that there's not really a smoking gun here. At least the press hasn't reported one. And what I mean by that is, let me give you a couple of examples that were in the press. One is that apparently the filing made a point about when Tim Cook was confronted some time ago by a user saying, when I try to. Send a video by text to someone with an Android phone. It just doesn't work very well. It never works. It was a guy trying to send a video to his mom, and Tim Cook responded, well, your mom should buy an iPhone. It's kind of like a throwaway comment by Tim Cook. Probably not a great idea for him to say that, but that's an example of what the lawsuit brings up. Another example is that the Apple Watch doesn't work with Android phones. You know, it only works with iPhones, obviously. Again, is that really a smoking gun issue? I don't think so. I mean, it's this is Apple's whole strategy is that all of its products work seamlessly together, and Apple hardware doesn't really work with other operating systems. It never has. So at least based on the press coverage, I have yet to see a single smoking gun example coming out of this lawsuit. Now, I think what those examples highlight is, what this lawsuit is really about is your view of interoperability.

David Sacks

What the government is saying is that Apple needs to make its apps and its devices more interoperable with other ecosystems, so the watch needs to be interoperable with Android. Apple messaging needs to be interoperable with Android messaging and so on. What the government is saying is that Apple is refusing to play ball with other applications, other operating systems, and that creates a monopolistic network effect. What I think Apple would say is no, the fact is that Apple, from the outset, has always tried to do everything soup to nuts. We've always done the hardware and the software together, and that's what creates the magical experience. And so Apple's entire product strategy is based on creating a vertically integrated stack that goes from hardware to operating system to key applications. And I think Apple has a point saying, if you try to make us unwind all of that, the products, it's not going to work as well. It's not going to be the same product experience that everyone's used to. So again, I think that how you view interoperability is at the core of this lawsuit. I think that both the government and Apple make good points about that. And I'm a little bit skeptical right now that the government has a smoking gun. At least one hasn't been reported in the press. And so I'm a little bit doubtful right now that the government's gonna be able to win this case.

Jason Calacanis

Friedberg, any thoughts?

David Friedberg

Yeah. I mean, I think it's a function of consumer choice. If consumers want to have this closed system where they can iMessage with other iMessage app holders and not be able to have a seamless integrated messaging experience with Android users, they'll be happy. If they're annoyed, they'll switch over to an Android. So, you know - this has always been Apple's orientation. I think I mentioned this to you guys. I've been on a Mac since 1984 when the Mac original came out. I still have my first Mac original, by the way. I keep it in my office on my shelf. And Apple, you know, always had like a really hard focus on the software that they make available to their users to create an incredible product experience. So, I don't know if this is necessarily about market abuse as much as it is a consumer choice. If the consumers didn't like the product, they didn't like the fact that things were not available, that things were very expensive, they would go elsewhere. And you do see that in segments of the market. And as we talked about a few weeks ago, you do see that most of the smartphone market is actually Android-driven. Yeah, so this is a premium product that people are willing to pay a premium price for - even if that means limited access. I think developers are frustrated that they can't access this premium market, but I'm not sure that Apple necessarily should be coerced to service developers when, at the end of the day, the consumers are paying for the product.

Chamath Palihapitiya

And to your point, like is it - is it really the case that a green bubble versus a blue bubble is really that limiting? You know, it's not annoying.

Jason Calacanis

It's annoying, but not.

Chamath Palihapitiya

It's not the end of the world.

Jason Calacanis

Yeah, I would say Apple has completely abused their power every chance they get. In order to capture this 30% from the App Store, they blocked the ability for you to use audible or, you know, other marketplaces to buy books and media. They blocked the ability to use other media players like VLC. They blocked the ability to use browsers. And if you leave Apple unchecked, they just keep abusing it. And so I think this is kind of one of those lawsuits that's like if we don't stop them, they'll just keep making it worse. And when people file complaints, then Apple will back down, which they did on media players, and they'll stand down. If you think about this from the PC era to now, then you can see how pernicious their behavior is when you buy a laptop. The idea that you would have to go through an app store and pay a \$30 tax to put a piece of software on your computer would seem insane. 30% - 30, yeah - 30% tax on you - which would seem insane. Like if you buy a laptop, you should be able to put whatever software you want on it. But they did this magic trick where they said,

oh no, if you want to put software on your phone, it has to go through the App Store. It has to be 30%. And that's really the anti-competitive thing here. I think this will be settled. And if you look at the different issues here, I think this is going to be actually a huge win for Apple, because if iMessage were to exist on Android, they would get all of those users to download iMessage, and they would have all those users. If they made the watch compatible, they would open up many more people to buy the watch and you would get more watches. I think that Apple's thinking way too short-term about the lock in here, and they should. I don't think more of these apps allow more watches and they should allow the gaming thing. I think that they're being petty.

Chamath Palihapitiya

I don't think anything's going to happen here because it's taking them five years to file. There's a at least a 50% chance that the administration is going to turn over, which means that this lawsuit changes or goes away entirely. And then even if it does kind of proceed, it's going to take ten years of very detailed arguments for something to happen. And frankly, probably in ten years from now, we've already moved to a different compute platform. And this is not going to matter.

Jason Calacanis

I mean, there is the coin toss of what the Trump administration would do here. For sure that's valid. But I think these things all get settled. I think the settlement will be iMessage releases. They allow the. So the thing about the Apple Watch, it's not just Sacks that they're allowing it on Android. It's would you allow Android watches to connect with the SDK directly into the iOS operating system, which they block you from doing? I think they should just have a little switch in your - Friedberg - settings that allows you to flip it and say, "I take responsibility for allowing third-party stores and I want to be able to load any software."

David Friedberg

It's your computer. I don't think the government should regulate that. I don't think the government should be able to mandate.

Jason Calacanis

I think they - yeah. I mean -

David Friedberg

I like the fact that everybody is looking to the government to do things that they want as a consumer. Make your choice with your dollars. Make your vote with the product and service you want to buy. Instead of running to the government and asking the government to come and do stuff. Do you feel that way?

Jason Calacanis

Things price fixing?

David Friedberg

What do you mean price fixing? And what context?

Jason Calacanis

If, like a group of people price fix the cost of a phone - or like let's say the 30% from the App Store - which just happens to be - the same between two app stores. Do you think price fixing is something valid for the government to come in on?

David Friedberg

It's not the same.

Jason Calacanis

Do you think price fixing is something the government should come in on? Is the question -

David Friedberg

If there's limited access to products in a market and all the participants get together to set the price in the market, I do think that's anti-competitive and that's there's a good role for the government to play there. But Google and Apple don't price fix because Android is an open access system. You can put any application you want, any way you want. There are several app stores to put Android apps on your Android device. Google operates an app store called Google Play, but there are other app stores you can go to as well. And they all have different prices. And Google's App Store costs, by the way, are not apples and they're not 30%. And we talked about this last time. I'll pull it up for you again. It's like 15 to 12 going down to sliding scale. So there is competition in that market generally. I think the point about if there's limited access to a market for product for consumers and everyone in that market gets together and sets a price that is anti-competitive and there's a good role for government to play there. But I don't think that having the government come in and say, I want this feature to have this button and this flip in my app is, is what I want my government doing. I want my government protecting me from crime and, you know, defending the country. And I don't want all the other stuff that the government does to drive costs up, which is generally what the government does.

Jason Calacanis

Sacks what do you think the role of the government is here in terms of anti-competitiveness, especially in the case? I'm curious your thoughts on a duopoly. Like if you look at Google search monopoly, pretty easy to understand, like, hey, they've got 90%, but here you got two players who have - you know, roughly 50% of the market each - or 60 - or 40 - depending on where you are. So, what is the proper role of government here? And is this an overreach?

David Sacks

No, I mean - I actually think - just to give the government lawsuits some credit - I actually think it's good to hold Apple's feet to the fire and make sure they're not engaging in anti-competitive tactics. One of the things I've said previously on the show is that I think the government's been making the mistake of going after bigness for its own sake, and I don't think that bigness in and of itself is bad. It might be a reflection that the company's done an incredibly good job, and that's why it has a lot of customers and a lot of market share. What I've said is I think the government should prevent anti-competitive tactics. So I think that this lawsuit is good in the sense that it's targeted at the right types of things. It's not just going after Apple because its market cap is so big. It's going after specific things that it's doing to kind of lock in its network effect. Now, the problem that I see is just that the examples that we've been given so far from the lawsuit just don't seem that compelling. Again, I'm kind of waiting to find out where's the smoking gun here? But to Friedberg's point - I mean - look, I don't think you can just say that. If you don't like what Apple is doing, go to a different platform, because the point is that there's only two choices, and they can both engage in anti-competitive tactics, and they can both create lock in.

David Friedberg

But Sacks, there are not just two choices. Android is an open operating system. Google has a fork of Android that they put on certain smartphones. There are other smartphone makers that use other forks of Android. So, Android has enabled - and the reason Google bought Android was to provide a counterbalance to exactly the dynamic of one handset manufacturer having an operating system that could control access to the internet and to apps. And so, Google open-sourced Android. Many handset manufacturers use their own versions of Android to put their own experience on the phone and then, Android users can put apps from anywhere they want. And other companies offer app stores. So, there are many app stores to go to and there are many different handset manufacturers. And a lot of people - I think incorrectly - look at the operating system landscape in mobile and say, "Oh, there's Android and there's iOS." But Android is an open platform and there are many different forks of it run by many different companies. So, I think that it is actually a very competitive market like we talked about last week. I think close to 80% of global handsets are run on Android forks. So - you know - it's not necessarily the case that there are only two choices. And Google does not control Android. There are many developers that contribute to open-source there. Google has their own fork that they do a lot of work on, but anyone can take their own fork and do - I mean - you guys can - you know - when you - when you - when you boot up a Samsung or Sony TV, that's running Android - and that's running their own version of Android.

David Sacks

Are you arguing that Apple doesn't have market power?

David Friedberg

In the US, they do. Ex-US they're - you know - they're - they're -

David Sacks

Yeah, I mean - I think - sure, we're talking about the US market.

David Friedberg

I mean - I think the US market they're about - are they're about 50/50? We pulled this chart up last week. But I think they're about 50/50.

Jason Calacanis

It's slightly more in the US now. It might be 55:45 right now.

David Friedberg

Yeah, something like that.

Jason Calacanis

The issue is the cat-and-mouse that Apple is really good at playing. They will push their advantage. And so, we see the five things that the Justice Department wants to go after here. But the App Store is obviously one of them. And before that, I mentioned some of the other categories where they do this abuse of power. They basically keep it up as much as they can until they get checked. And I think interoperability is actually, in the long-term, going to be in their best interest. They use interoperability when they need it. So Apple Music and iTunes, they allow you to use Windows and Android. It's only when they see an advantage. And that's really the hypocrisy of Apple. And I think it's a really important that. The industry stand for more interoperability and the ability for you to load any software that you want on your device. This is a computer platform, the ability for them to block you from installing your own apps on it, I think, is a really terrible precedent.

David Friedberg

What you're saying is a very fair statement from a consumer point of view and from an industry point of view, and that's where that voice should come from to force in the marketplace changes from Apple. But having the government do this and having the government involved, I think, sets all these bad.

Chamath Palihapitiya

They're representing the people. Somebody did it.

Jason Calacanis

They asked Tim Cook to do it and Tim Cook said, "Pound salt. Buy a phone for your mom."

Chamath Palihapitiya

No, but aren't they representing the people? Like, how do you expect the people to organize? Like file a class action?

David Friedberg

No, I think if enough companies boycott the Apple platform and tell consumers to boycott, they'll I mean, consumers can make decisions. That's developers can make decisions whether or not they want to develop for Apple.

Chamath Palihapitiya

No, that's not realistic. You know, that's not realistic. That's naive. Come on.

David Friedberg

I don't think I want the government stepping in to tell private companies what to do because customers don't like what they're doing.

David Sacks

Wait, wait, do you think that the government should have stepped in to prevent Microsoft from taking over the browser? The whole Netscape case.

David Friedberg

Bundling. I don't know the case well enough. I mean, I remember it, but I don't want to speak. I don't want to speak definitively.

David Sacks

I think there was a substantial chance that if the government didn't step in, that Microsoft would have extended their windows operating system monopoly.

David Friedberg

They did have an absolute monopoly. They did have a monopoly on personal compute OS at the time. Well...

David Sacks

It wasn't an absolute monopoly. I mean, you could - you were you could use Macintosh.

Chamath Palihapitiya

You were using Macintosh at the time, right?

David Friedberg

That's what I'm saying. At the time, Macintosh was like 5% of the market.

Jason Calacanis

It was under 10% at the time.

David Friedberg

Yeah, it was about 4 or 5% at that time. It was a duopoly. Microsoft was 95% of the personal computing market. So, they did have an absolute monopoly.

David Sacks

On that price. You had a consumer choice. It wasn't a very good consumer choice, but you still had a consumer choice. You could go use Macintosh.

Chamath Palihapitiya

And you did. You were using Macintosh.

David Friedberg

People could afford it.

David Sacks

Yeah, okay. But the point is that Microsoft had substantial market power and what they were in the process of doing was the smart thing from a business standpoint - which is: You take your operating system monopoly. You use that to extend into the browser. You kill Netscape. You take over with Explorer. You bake Explorer into your Windows operating system. So, the two things are basically the same. Then from there, hold on - from there, you leverage your control of the browser and the home screen to control search, okay? And so, you think about like all the dominoes that would have fallen if Microsoft had continued - maybe if - like Bill Gates had continued being CEO. And there would have been no Google. There would have been no Yahoo.

Jason Calacanis

They would have controlled the internet.

David Sacks

They would have controlled the internet and they were.

Jason Calacanis

Actually, you left out a big piece of it, Sacks - which you'll remember the second I say it. They were trying to break HTML and open standards by creating ActiveX and using all this funky code.

David Sacks

That's right.

Jason Calacanis

And so you have to understand, these companies will - if you give them an inch, they'll take the mile, right? And that's exactly what Apple does consistently. They consistently try to squeeze. I think it's great. Sacks is right. Tactics is the way to go after these companies. These are five recent tactics. I think the government's going to win changing three of these. And that's when - that's a win for me.

David Friedberg

Yeah, the mobile operators tried to do the same at that same time. If you guys remember Verizon.

Jason Calacanis

Yes.

David Friedberg

You couldn't have an app - singular. They - you could only put their apps if you bought it through their store - on their operating system - on the mobile phones that they contracted to have made. So, they all had their own custom version of the handset manufacturers OS - which - and then, they did rev share back with the manufacturers. And that's why Android was acquired. It wasn't actually at the time to compete with Apple. Android was acquired to compete with all the mobile phone companies that were trying to block access to the internet and apps.

Jason Calacanis

Well, Google wanted to maintain its search monopoly. Let's be honest, they were. That's why they bought it. They knew users would be there and they wanted to have the default.

David Friedberg

Browser have the access to the internet blocked by this - by the handset manufacturer - and they want it to.

Jason Calacanis

Be the default search and browser in the app - which is what you have to agree to, by the way. So, if you want to talk about perniciousness and heavy-handedness - if you have an Android and you want to use the Android updates from Google.

David Friedberg

That's not correct. No, no.

Jason Calacanis

No, no. You have to give the bundle of apps. If you want the updates and support from Google, you can fork it, but then you don't get their support, which then breaks your phone if

you want their version. That's right. Yes. Yeah. So they you know, there's a little cleverness here I think.

David Sacks

So, you have two basic ecosystems in mobile. It is a duopoly and both of them advantage themselves in ways that grow over time. And I think that if Apple were completely left unchecked, it would figure out ways to boil the frog and keep extracting more and more value out of downstream applications.

Jason Calacanis

Totally. Boil the frog. Repairing \$1600 phone now. Yeah, how are we paying \$1600 a phone?

David Sacks

So, look. I think it's I think it's good for the government to hold their feet to the fire. But here's the thing that the government's lacking is, again, that example they can point to that's really compelling. I mean, with the Microsoft Netscape thing, it was really obvious what they were doing, right? The browser was the gateway to the whole new platform, which was the internet. And if Microsoft could make that a feature of the operating system, their dominance would extend into the new computing platform.

Jason Calacanis

But do you remember how they did it?

David Sacks

Sacks, Apple Watch is just not the same thing. The Apple Watch is kind of an appendix miner of your phone that most people don't even want, so it's hard to point to something.

Jason Calacanis

Do you remember Sacks, how they were getting the browser built in? They were going to the OEMs, the Dells of the world, the Horsepowers and saying, if you want this price for windows, you have to include the browser on the desktop, it has to load, it has to ask for your credentials, all that stuff. Or you can pay \$150 for windows and if you want it without the browser bundled. So they use this pricing to get the OEMs to bundle it. And that was where.

David Sacks

Well, isn't that what Google's doing with Android effectively exactly is like it's.

Jason Calacanis

Exactly right.

David Sacks

You can have your own version without Google search if you're willing to put up with all these headaches and these.

Jason Calacanis

Contain an operating system, update the operating system, it's exactly what they're doing. So anyway, I think three out of five of these get settled and it'll be good for consumers. Ultimately I would not financial advice, but I think that Apple is going to be able to manage this. I'd buy the stock. I may buy more of the stock. I think that this will be good for them long-term. Alright. Listen, going even deeper into Apple and this Google relationship, big questions emerge this week as Bloomberg reported that Apple was speaking to both Google and OpenAI about powering certain AI features on iOS. Specifically, according to the article, this deal between Apple and Google seems much more likely than the OpenAI one and could happen this year. As you know, we've talked about it on this show before. Google has been the default search engine on iPhone for, I think, over a decade now. And Google pays Apple \$20 billion a year. That's pure profit for Apple. It's unclear what features they would power with Google. Gemini. Maybe it's like the search deal and Google Gemini is on there. Maybe it's built in, and Apple has been building its own LM. It's called Ajax. They've been doing some other open-source stuff called Maggie. What do you think, Chamath? You were talking about this on Twitter. I think you had a pretty good tweet and a pretty strong position. If Apple is going to use Gemini, what does that say to you about Apple and their view of the future? I think it's.

Chamath Palihapitiya

Them giving up. This is the most consequential new development in technology and compute in probably 20 years, 30 years. And so to be spending tens of billions of dollars of R&D and to not have enough allocated to this so that you have a legitimate path forward to do it yourself, I think is a little inexcusable, actually. It's akin to IBM in the 70s, going to Microsoft and basically asking them to build the operating system for them. When you're such a dominant company and such a dominant position, but you abdicate your responsibility to innovate, I think that that's a really bad. Situation for a company to be in. It was like.

Jason Calacanis

Yahoo adding Google search, right? And then, by.

Chamath Palihapitiya

The way, on the heels of like turning off cars and losing these antitrust issues in Europe and then being sued by the DOJ here to then be in a licensing discussion with a third-party for such a critical technology, I think, is just says not very good things about the state of the company.

Jason Calacanis

Friedberg, your thoughts on this potential deal? We don't know what features this would power. I don't know if it's Siri or it's just image editing or search or an extension of search. Maybe giving an answer?

David Friedberg

I have no idea. It seems to me like there's - if Apple's doing the right thing - which I'm sure they are - they're probably building their own alternative platform here. They realize it's going to take them some time in the interim. They want to have a stopgap. And my guess is by going to Google, they're probably going to get paid instead of having to pay someone else for the technology. Because Google will realize some benefit from getting users over to search results and seeing ads. So, Google will probably benefit and pay them instead of them having to go pay someone for access to some technology that consumers might want to access to.

Jason Calacanis

Sacks, any thoughts here?

David Friedberg

I'm sure Apple's going to make an investment in building their own models here.

David Sacks

Yeah, I mean - who would look at the launch of Google Gemini and say, "I want that". That launch was a total fiasco.

Jason Calacanis

Another company, I think it fits the Apple philosophy pretty good.

David Sacks

How woke would Tim Cook have to be to look at the launch of Gemini and say, "Oh yeah, I don't see anything wrong there." You got that exactly right. Absolutely.

Chamath Palihapitiya

I want that. Yeah.

Jason Calacanis

Siri, show me the president of the United States.

David Sacks

I mean, apparently Tim Cook is the only person on earth who is impressed with the launch of Google Gemini. I mean, I can't believe this story is true. It's just it can't be true.

Jason Calacanis

I'm so excited today to launch Gemini on stage here at iOS 27. Oh my God, can you imagine him on stage doing searches live? Just Gemini.

David Sacks

The story can't be true because it would be so strategically dumb. Like Chamath said, even if Google Gemini were great, you'd still want to invest in having your own thing because it's such a strategic technology, why would you ever outsource it to your main competitor? But in this case, you know that Gemini was terrible. It was a fiasco. And so, the story makes no sense. I just can't believe it's true.

Jason Calacanis

It's probably people knocking on each other's doors.

Chamath Palihapitiya

They spent \$30 billion last year on R&D. \$30 billion.

Jason Calacanis

Apple - to be clear.

Chamath Palihapitiya

They spent \$30 billion on R&D. What did they spend it on?

David Sacks

Catering. Hahaha.

Jason Calacanis

I mean, you got to think Apple Vision is a big piece of that, right? Chips. I guarantee you like half of that is like the M3/M4.

Chamath Palihapitiya

Yeah, but I'm just saying \$30 billion - like - not a couple crumbs fall out of somebody's pocket. And so, there's \$50 million allocated to just like - you know- mucking around with Llama or mucking around with Mistral.

Jason Calacanis

What if they took Project Titan the car deal. That was \$10 billion, supposedly - they had spent on that. And if they put that towards AI, it would be Microsoft.

Chamath Palihapitiya

Again, it goes back to the to the people, I don't think I don't think the person in charge of the windshield wipers for Project Titan is going to be the person that figures out how to land a really killer LLM yeah, that's a different skill set.

David Sacks

But it's not even that expensive. I mean -

Chamath Palihapitiya

One's a mechanical engineer and one's a computer scientist, so these are not the same people. They're not fungible that way.

Jason Calacanis

I mean, I guess the question here is Apple capable of building on a culture basis? Friedberg, this type of software, they're a hardware company. It's they have it in there.

David Sacks

You're standing on the shoulders of the whole open-source movement. All you have to do, like Chamath said, all you got to do is take the latest Mistral model or -

Jason Calacanis

Jump on Hugging Face and start working.

David Sacks

I mean - you're not starting from zero because of open-source.

Chamath Palihapitiya

Not only are you not starting from zero - not only do you have the foundational models that are excellent and available in open-source, you have probably the most prolific set of training data that has ever been created in the entire world to make these models kickass.

Jason Calacanis

Yeah, you have all the Apple Photos archive. I wonder if in there. See, that's the thing is, their terms of service is so privacy based. I wonder if they could even use that information.

Chamath Palihapitiya

And I just think, look, at the end of the day, the Apple brand is still exceptional. And so, if you're given a \$10 million a year job at Google versus a \$10 million a year job at Meta, versus a \$10 - \$10 million a year job at Apple - if you're like one of these killer AI people that get these kinds of offers, I got to presume that Apple gets their fair share of these people.

Jason Calacanis

Yeah, you would think.

Chamath Palihapitiya

And even in the worst case, you see Microsoft doing like pretty heavy-handed deals with companies like OpenAI and just this week with inflection. So it's not as if these deals can't be done right. And so, it just kind of like leaves - I don't know - it's just - it's quizzical to spend that much money to not necessarily be willing to compete on the human capital - to not necessarily be in the market acquiring these businesses. I don't know. It's just - it's just a question mark - like what's going on over there?

David Sacks

Martha asks, what's going on over there? We have some insight footage. Nick, you want to play tape?

Jason Calacanis

What's going on here?

Jason Calacanis

Be. Yeah they did this a couple...

David Sacks

But this reflects their self-image. I mean - they released this.

Jason Calacanis

They care about the planet.

David Sacks

No, it reflects that they think somehow this is an accurate reflection of the way they do meetings.

Jason Calacanis

No, I think it was the, um -

Chamath Palihapitiya

No, I think it was -

Jason Calacanis

I think the point they were making is they were trying to do a skit about like how they're doing less packaging. And including that skit was to tell you that you're not getting a charger in your next iPhone because they, they, they want to say it was cringe. I thought the intent was, yeah, maybe it's a little cringe, but yeah, there was a little cringe. But I do appreciate

that they are doing sustainable products and not putting as much stuff in landfills, so I think they should get a lot of credit for that. What I do think about this deal that's really interesting is it's sort of cementing the Google and the Apple. Alliance against Microsoft. And Microsoft has big, you know, AI ambitions. So this is kind of interesting. If you lock in the duopoly of Google and Apple and then you lock in Google search monopoly and you start fighting Microsoft, I think that's what we're I think that's what's probably going on here, is they're trying to figure out how do we keep Microsoft away from running away with this. Alright, we covered that huge NAR lawsuit back in December. And there has been a settlement big news for the National Association of Realtors. They've agreed to pay \$418 million in a settlement last week. And a federal jury found that the NAR and several large real estate brokerages conspired to artificially inflate agent commissions. The settlement is pretty - pretty big deal. People are freaking out about it. As you know, the seller of a home pays the buyer's agents commission, so you have a buyer and a seller.

Jason Calacanis

6% fee typically - sometimes it's 5%. But they split that 3% to the buyer and the seller. But the seller is paying that 3% to the buyer. Now that can't be listed in the MLS anymore. And that deal cannot be done ahead of time. Buyers are responsible for paying their agents' commissions going forward. So if you bought \$1 million house and you were the buyer, you would pay 30,000 to your buyer's agent, or you would choose to not have an agent, or you would choose to negotiate it and you have to have a signed contract. This is a crazy just. Shocking shock to the system, according to most people who are in it. I've seen a lot of real estate folks who are saying this is going to be healthy because you have this, you have to have this conversation between the buyer's agent and the buyer. But commissions in the United States are \$100 billion a year, and one analyst projected the lawsuit could lead to a 30% reduction in commission payments. And that would eliminate about half of the 1.6 million active NRA members from the industry. You had a lot of feelings on this Friedberg when we talked about it a couple of months ago. What are your thoughts on the settlement? Is anything going to change? Is this as groundbreaking and shocking as people seem to think it is?

David Friedberg

Well, I would take this settlement. Along with a lot of the developments and advances in AI as being the moment of catalyzing real change in the residential real estate agency industry. It's an industry that's been known to have fixed pricing. And be very expensive to consumers. A real tax on the system, and it's largely been wrapped around this idea of mitigating your liability, reducing risk, servicing the customer. Many of those aspects over the last couple of years have been largely standardized through forms digitized, because so much of this information is no longer going to get paperwork from the courthouse. But a lot of the information sits digitally and can be accessed in a democratized way. And the fact that so much of the service and discovery reading through documents, understanding what they mean, and what they say can be automated through AI and LMS. Much of this is kind of

coalescing around what I hope and expect will be a more seamless, automated, direct marketplace for consumers. The challenge is that most consumers put most of their personal net worth into their home, and so it is where most people's net worth is tied up. And so because it is such a sensitive investment and it is their entire savings, they want to have a trusted advisor by them. So it's going to take some time before that trusted advisor becomes some piece of software. But I do think that software is going to play more and more of a role in providing advisory tools and services to consumers in this transaction marketplace, and that's only going to catalyze and accelerate the fee reduction. I do project, and I do expect that much of what is charged on a commission basis, on a percentage of home value today will change to being a fixed fee and a flat 5K.

Jason Calacanis

10K for your buyer's agent.

David Friedberg

Services. So you can have someone do.

Jason Calacanis

Do the disclosure diligence for me for 5K. You know, negotiate the purchase for me for 10-K. And you as a consumer will start to pick from a menu of the services that you want to have rendered for you and things that you're comfortable doing yourself. I don't need someone to negotiate price. I don't need someone to find me a home. I've got Redfin. I can go do that. I can arrange open houses on my own. The lock box is there. I'll go walk around the property. I don't need someone to point out that the color is nice in a room. And so I think that there's elements of what this of what will happen here, which is the fragmentation and then an automation of these services and as a result, significant fee reduction. And I'm in the middle of doing this myself right now with a piece of real estate where I'm not using an agent. And I've been using. A direct listing service. I've used all of these standard forms. There's a lot of AI tools you can use to kind of read all the disclosures for you, make sure everything's copacetic, and these escrow agents, they'll handle a lot of what a lawyer will handle, and they'll get paid a, you know, a fee, which is much less than the agent's fees. So I do think that there's a big disruption happening in this industry. I think it's really important for consumers. Agents are going to be, you know, hands in the air telling you this is ridiculous. You need someone to help you. You need an advisor that will continue for a good chunk of the market for a very long period of time. But I do think that it's for the benefit of consumers over time to see these fees come out of the system and see those savings go back into consumers' pockets, and for the value of their real estate to go to go in their pockets, not into an agent's pocket. Is it going.

Chamath Palihapitiya

To change the profitability of a realtor pretty meaningfully, right?

David Friedberg

Both Realtors won't be able to be in business, right?

Jason Calacanis

I think the sellers will do fine, and they might capture more of it because they'll my understanding is the seller will maybe do both sides of the transaction.

David Friedberg

No, that's not what's going to happen. And there's also going to be limits on that. But here's what I will say. If you look at the number of people, there are 1.4 million members of Na today, the National Association of Realtors. If you look at the distribution of earnings, you guys know this. My guess is probably 10% of those realtors make 40% of the fee income, or 50% of the fee income. But there's a long tail. Yeah. So there's probably a third of those folks who are already. Kind of sub living standards in terms of income. Maybe half of them won't be able to make enough money in this new, you know, fee regime that it'll no longer be an attractive proposition to be a real estate agent for maybe half 1 million to 1 million people over time that are agents today.

Jason Calacanis

Yeah. You know, it's interesting this the sellers are going to be faced with buyers who just show up, having seen something on Redfin and don't have a buyers representation. And so they think. From the stuff I've been reading that the sellers agent might be pointing them to, hey, go to these services and be acting as like one broker, essentially representing both sides. That's what people are saying is the potential downside. I don't think that's.

David Friedberg

Yeah, that's not going to happen for a couple of reasons. But let me ask you guys a question. If you guys wanted to go buy a new house currently, you just go, you know, sign up an agent or buyer's agent. They go walk with you and eventually they'll get paid by the seller's agent. So now you have to negotiate a fee with them up front. Would you negotiate a fee and say to a buyer's agent, hey, I'll pay you 2% of whatever home I buy? Would you be comfortable doing that, or 3% or 4%? How would you have that conversation? No. What would you say? Sacks? I mean, forget I know you've got a different situation because you've got real estate. People like working for you. But like, if you were to go out and would you go out and get an agent and pay and negotiate a fee with them?

David Sacks

It is not worth it to the buyer to pay 2 to 3% of the purchase price to make appointments. You can see all the houses on MLS through Zillow or Redfin or whatever.

David Friedberg

And what about handling closing and disclosures?

David Sacks

No buyer would ever voluntarily agree to pay this massive commission. It's not worth it. So it's game over for the realtors if. Buyers are forced to pay their own broker's commission. The only reason this system works is because the seller is forced to pay for it. Yeah, and when you sign the listing agreement with the seller's agent, you can negotiate a little bit at the margins. Sometimes you can get the 6% down to 4 to 5% for a big listing, but 50% of it will always go to the buy side. I mean, I've said to these guys, the buy side agent doesn't do anything. Why don't you make it 2% for yourself or 1% for the buyer? They won't do.

Jason Calacanis

That they just won't take your business. The seller will not represent you.

David Sacks

They have, like, all sorts of rules against it. So the whole thing is like protect. It's like a racket that's protected. And now it's been cracked. Yeah, well, I still am like a little bit skeptical that this is going to work out exactly the way we're saying, because it is just such a death blow to the industry. If buyers are forced to pay their own commissions, their own buy side broker's commission, and in the articles they're saying there's still like some gray area about what's going to happen. But that is what should happen. Buyers should be responsible for paying their own brokers. And if you do that, I think you'll knock out half the fees of this industry. Here's an idea.

Jason Calacanis

That some charge an hourly fee as a buyer's agent, like there will.

David Friedberg

Be people doing that \$200.

Jason Calacanis

An hour or \$300 an hour.

Chamath Palihapitiya

Doesn't this impact home prices as well? Like if you if the buyer had to pay all of a sudden they were. Affordability effectively goes down because if they have to pay an extra \$100,000 for a home, then that's \$100,000. They can't pay less than they can pay for the house itself because they have to pay an agent. So but it all comes back into home prices. No.

David Friedberg

And that's out because the seller's agents are no longer paying 6%. They're paying 3%. And so now the seller's agent has 3% more that.

Chamath Palihapitiya

Right, so that's the same.

David Friedberg

Yeah, but not I think -

David Sacks

It's good for buyers and sellers because the transaction costs of trading go down.

David Friedberg

Exactly. The money goes back in consumers' pockets.

Jason Calacanis

Yeah, create a more fluid market.

David Friedberg

Yeah, and I think it's a great opportunity for startups I'll say this right now. Like I think there's going to be a lot of startups that are going to come out of this ruling that are going to launch a la carte services, leveraging AI to make these services available direct to consumers without needing an agent. And they're going to be pretty compelling services, and they're going to show up real fast. I mean.

Jason Calacanis

A lot of people will not list their home or sell it because that's 6% might put them underwater. So if it's now, now down to 2 or 3, totally. Yeah. People might be like, you know what always.

David Friedberg

Been crazy to me? That anyone would pay a percent of absolute value. It makes no sense. I bought a home for a million. I'm selling it for \$1,000,001. So, I've made \$100,000 profit, but I got to pay \$60,000 of my total gross to an agent to sell it for me, 60% of the profit. I just gave up 60% of my profit on my home, right? It makes no sense.

David Sacks

And the crazy thing is that a bad sale of your home would be, let's call it \$900,000 or \$1 million, and a great sale would be 1.2. So, exactly. It's a very small margin where they actually have an impact based on the quality of their effort, but they get compensated for the whole thing.

David Friedberg

Yeah, for the whole thing.

Jason Calacanis

They get compensated.

David Friedberg

No matter the.

Jason Calacanis

Outcome should be that you get a flat rate - \$10,000 at a million. And then, you get 10% over a million or something. You could give - just like you might with a sales person.

David Sacks

The incentive comp should be variable based on performance - whereas the guaranteed part of the comp should be - like you said - a flat fee. It's kind of like a sales person has an OT, right? They got like a basic variable.

Jason Calacanis

Yeah, yeah. I mean, you could say if you said 1% up to a million. So, that's \$10k. And then, 10% for the next \$100k. And then, 20% for the next \$100k. So you - you know - that \$1.2 million is really hard to get. Yeah, I'll give you 20% of that incremental 100. That would be a much better deal because you would be getting paid for the actual performance. So anyway, really interesting.

David Sacks

You know, Jake, I have an idea for the National Association of Realtors.

Jason Calacanis

Oh, here we go.

David Sacks

If they want to stop being perceived as an evil monopolist, all they got to do is put out a cringe ad talking about the environment. Everyone's going to love them again.

Jason Calacanis

Absolutely. They should do an ad where they have a diverse cast of people, and that diverse cast could talk about - like putting sustainable forestry around it.

David Sacks

I got to do is say something, something. Landfills. Everyone will love them again. They can charge.

Jason Calacanis

Absolutely virtue signaling, right? They can genuflect.

David Friedberg

Something. Landfills.

Jason Calacanis

Yes, absolutely. Alright, let's keep the train moving here. The AI landscape shifting yet again. Microsoft just did another one of these shadow acqui-hires. This time of InflectionAI - bizarre deal. Microsoft has hired most of the team at inflection AI, including the CEO Mustafa, who everybody knows. I just actually had him on this week in startups. He was the co-founder of DeepMind. He worked at Google for years, and now he's going to be the CEO of a new company called Microsoft AI. It's essentially the consumer AI division of Microsoft, but they did give him the CEO title for background inflection have raised 1.5 billion over the last two years. It was one of these giant fundings that occurred to build a foundational model like OpenAI is doing, like anthropic is doing. They had a chatbot called Pi very similar to ChatGPT. It was supposed to remember your history and build a relationship with you. That's all getting shut down. Reid Hoffman, who is a major investor in this company and who's on the board of Microsoft and who so linked into Microsoft. You played an important role in this deal. According to reports. And the inflection investors included Bill gates, Eric Schmidt and a bunch of other interesting folks. But this was an acqui hire, which is the weird thing. Chamath. They hired all the employees. They leave the shell of a company. The company is going to go do some enterprise stuff. And investors get to keep their equity inflection, but I guess that might be worthless. There's something going on here that we don't know about this deal structure. When you saw this deal and you see Satya. Taking the entire team like he threatened to do with OpenAI. If you remember the same exact kind of thing, I'll acquire everybody. If you don't take the deal. What is your take of what's going on here? Why did this occur like this instead of just buying the company?

Chamath Palihapitiya

I mean, it occurred like this because Reid and Bill. Are inexorably tied to Microsoft, so they were able to get a deal for investors that would have never happened otherwise. And so good on them. I think they did a very good job protecting the fiduciary interests of. The investors of this startup. No conflict, no interest. Yeah.

Jason Calacanis

I mean, we say that a lot. This is so weird though. Why not buy the company Sacks? Is it because of antitrust?

David Sacks

Actually, that's a good theory. It's just it's hard for Microsoft to get anything through at this point. So probably they're just like, why even deal with the antitrust? They don't really need the assets. So I think they license the core tech from the inflection C Corp, and then they hire all the talent and then the investors get made whole. So I think it's like an aqua hire with a little bit of tech along with it that they get through the licensing deal. Maybe that's just to

protect them from an IP standpoint. My take on this is that this was a bailout. This was a bailout of the investors. I don't think the investors got ripped off here. I think the investors were like thrilled to get their money back. For whatever reason, this company wasn't going anywhere. It had raised hundreds of millions of dollars. Reed and Bill obviously are wired in there on the Microsoft board, and this company did have some talent that Microsoft wanted. So they basically did a giant acqui hire and it bailed out the investors.

Jason Calacanis

Friedberg, is that your take? This is a bailout, or do you think this is a new interesting end run around antitrust where, hey, if Adobe wants to buy the next Figma, just buy the team, do a license of Figma, some fakakta lunacy. Or do you think this is a bailout? What's your theory here, Friedberg? And what does it say about Microsoft's approach to the AI space?

David Friedberg

I don't think this is some run around antitrust. I think obviously like a lot of companies. There's been a realization on how quickly foundational model development is commoditizing, and how quickly costs are escalating and how many folks are chasing it. So having some unique advantage in the particular plane of the market where they were participating as a startup. Maybe became difficult and untenable, and negotiations and conversations between all these parties who all know each other very, very well and are all very friendly. You know, this ended up being kind of the best way to move forward. So all right.

Jason Calacanis

There you have it, folks. In other related news, the Saudis are planning a \$40 billion eye fund, according to the New York Times, reps from the Public Investment Fund in Saudi. Have spoken to a number of firms about partnering on it. This would be the second largest venture fund of all time, behind SoftBank's \$100 billion Vision Fund, one, which you remember, was also backed by the Saudis and some other folks in the Middle East region. This new fund would reportedly invest in AI startups, chip companies and data centers. So we thought we'd do a little quiz here if you were given the \$40 billion David Sacks, how would you allocate the \$40 billion in AI in today's market 2024 going on? If they put you in charge of this \$40 Billion Fund II fund, where would you deploy it? Same question would come around the horn to you Friedberg and then Utcemma.

David Sacks

Well, the first thing is, I wouldn't be in a rush to deploy all 40 billion at once, because that's the recipe for spraying a lot of money into unproductive or overhyped things. So I would take my time first of all. But second, in terms of coming up with the framework, I would think about the different levels of the stack of AI and try to figure out where the value capture is going to be, and I think there's maybe four different layers of the stack. First, you've got the silicon, you've got the chips where Nvidia is dominant, then you've got the

foundation models where it's open AI, and then there's some open-source models, and then you've got kind of infrastructure, dev tools, vector databases, things like that. And then finally you have the applications sitting on top of that which are just getting started. I think it's really hard to know from where we're seeing today exactly who's going to capture the most value in this stack. I mean, you could make an argument for or against pretty much any layer of the stack. I guess if I had 40 billion to deploy, what I would do is try to identify who are the leading companies at each level of the stack and then who are the most promising challengers. And I would make a bet at every layer, so I'm covered. That's not what I personally do, because I'm not, you know, I'm just not a hardware investor. I'm not really an infrastructure investor. I'm more of an application investor. So I'm going to focus on that fourth layer of the stack and just trust that there's going to be enough value there. But again, if I was managing a \$40 billion sovereign wealth fund, then I would play at every single level and I would hire the best people who know each layer of that stack.

Jason Calacanis

So I think you do a good job of sort of showing the four layers of the stack. I think open-source, the application layer, and specifically robotics are a huge opportunities that are underinvested in right now. So I would take the top open-source projects. I'd find those top contributors, take the top 20 or so open-source projects and back them to the tune of, you know, significant money, 50 million, 100 million, whatever it takes, and try to own the top 20 or have insights into those top 20 open-source models and own those teams. Look for the top contributors, really easy to do on GitHub and Huggingface and Replit and other places where they're active and empower those. Then obviously there's verticals we're working on people who are doing screenplays and tax just like you are Sacks, and that's a fantastic place to deploy money. But then I think robotics is going to be super, super compelling here. And that takes a lot of money. And so you do have the capital as a weapon. And you know, the 20 year view of this and making a general purpose robot like Elon's doing with Optimus or figure I is doing with their robot, I think robotics is a major place you could probably buy. I don't know who owns Boston Dynamics now. I know Google sold it, so you could probably buy some robotic companies and then put the AI on them and really take a 20 year view of robotics. Friedberg. Your thoughts? How would you deploy the 40 million?

David Friedberg

The bottom three stacks are very difficult right now to find. A footing obviously. You know, I think Sacks the you know, it's the I think the generally accepted framework for how to think about how the market has broken apart. But on the application side, I think it's where you could think about finding more. Traditional business model advantages. So, you know, I think your point about robotics is a really interesting one. You know, is there an enterprise like sale of robotics tools that have positive ROI for enterprises and is there a business that's working there and that is scalable vertical solutions in labor and automation and productivity gains are probably the best Sharpe ratio, good alpha, lower beta and a good place to kind of deploy competing and chips, competing in infrastructure, competing in

models. It's such a you know, as we just talked about with respect to what happened with Inflection and Microsoft this week, it's such a rapidly changing environment. It's hard to have high confidence in where things are headed there. So I do think that we do know that there are enterprise markets. We know that there are segments of things like food, medicine. You know, manufacturing. These are markets that aren't going anywhere. And they could all certainly benefit from unlocks in software or in robotics and automation and hardware. So that's probably where I would think about concentrating capital. But you know, 40 billion is a lot of money. So you'd probably think about deploying it. Over what period of time is it 10 billion a year over four years. And then is it broken apart in what way over those sectors and over what geographies? And, you know, then find good managers to help you get it deployed.

Jason Calacanis

Chamath, you're batting clean-up here. You got to hear everybody's answers before giving your own. What are your thoughts on your other bestie's answers? And what's your plan to deploy 40 billion for the Kingdom of Saudi Arabia's Public Investment Fund?

Chamath Palihapitiya

The most important thing that fund managers get wrong is not having appropriate reserves for your winners. And if I look back. The real profit dollars that I leaked was not investing enough up front, but when I didn't have enough reserve to do the full pro rata or even super pro rata and the ones that worked. So the first thing I do when I do the regression on all of my funds, you really need to reserve between 40 and 50% of a total fund size for reserves. So take 20 billion off the table. And now you have a smaller problem, which is how do you deploy 20 billion? Because the other 20 billion is purely meant for the winners, where you cram the money into the few that are winning so that you can make the most money of that 20 billion, I would probably take two thirds of it. And I would go to all the hyperscale's and anybody that's providing cloud compute and essentially buy out all of the compute credits on GPUs. So that I could tell any startup in the world you will do a safe with me. The Kingdom of Saudi Arabia. I will give you free compute on. Pick your cloud provider. Pick your model, I don't care. So if you want to run Llama on Grok, great. If you want to run Mistral on GCP, great. If you want to run OpenAI on OpenAI, fantastic. But we will pay for all the compute in return. We get 7% up front. And you have to tell us some benchmark of how this model is improving. And then you are hiring a team of people whose job it is.

Chamath Palihapitiya

And you can probably train a model to do this as well, to ingest the reporting in a systematic way, to understand if it is, as you guys said, a robotics company, there are measures of the quality of a robotic, a robot's dexterity or vision or manipulation or tax completion rate. If it's a search engine, it's a different thing. If it's a consumer facing app, it could be users. If it's a drug discovery app, it's the number of legitimate protein synthesis passes that pass, whatever it is. So now you've scoped the problem to 20 billion is in reserves, 15 billions of it

is tied up in credits. And then the 5 billion. I do think it's what David said, what Sacks said, which is a billion and a half to the hardware, a billion and a half to infrastructure, a billion and a half to some of these discrete ideas. You probably need a 30 or 40 person team total. No more. But that business can could make \$1 trillion if it was set up that way. But the key is to get the credits out to people so that the reality is what the commonality across every single AI startup is, that they will have to run on a model, and that model will be hosted somewhere in a cloud. And all of that compute will need to be paid for. So Saudi Arabia should pay for that compute, get 6 or 7% up front and retitle the safe not as the what is the safe? Call Jason.

Jason Calacanis

Simple agreement for future equity. This should...

Chamath Palihapitiya

Be the Saudi.

Jason Calacanis

Saudi Arabian for future.

Chamath Palihapitiya

Future.

Jason Calacanis

Equity. I love it, that's...

Chamath Palihapitiya

What they should do.

Jason Calacanis

Well there you have it MBS, the all in KSA \$40 billion fund. Give us a call. We'll fire it up and we'll deploy the 40 billion for you. I kid. Maybe.

David Sacks

Actually, I'm curious, you guys, since everyone kind of seems to agree with the framework of the four levels of the stack, where do you guys think the value capture is going to be? Do you think it's going to be by the chip companies, the foundation model companies, the infrastructure companies or the or the applications?

David Friedberg

I'll actually change my answer in a little bit. I don't think it's necessarily new technology companies per se that are going to benefit most, but I think that it's businesses in traditional industries that are going to be able to leverage these tools, whether they're using

open-source tools or third-party technology capabilities that they're buying as a service or as a piece of software, there's an incredible set of advances. They're going to be realized in things like chemical manufacturing, drugs, general manufacturing that have existing scale and infrastructure that are the fastest to move to adopt. These technologies are going to benefit the most. And I think that's probably where most of the value will accrue is not necessarily a chip company, but in other businesses, in traditional industries that can transform themselves. Using AI.

David Sacks

So, your answer is at the application level - information level.

Jason Calacanis

Yeah.

David Sacks

And then, within application level you could divide it up between existing companies and startups.

Jason Calacanis

Yeah.

David Sacks

And existing companies that are able to leverage AI innovations that are lower in the stack.

Jason Calacanis

Another way to answer your question, Sacks, is: Which is the most which spaces are the most crowded already? And so, obviously, chips are super crowded - lots of incumbents - lots of people going after it. And the foundation models are very crowded as well. And the application level is yet to sort of be built out, right? Because we're in year zero or year one of that. So, I do think application levels where there's a lot of value, but I also think the hosting and the development of these various niche models is going to be a huge opportunity. So just once again, those open-source models being put into cloud computing environments and optimized - that could be a whole new level of AWS and Google Cloud - and Azure. So, there's an opportunity for somebody to compete with those incumbents by just being better at those models that are open-source and having the team that's doing those updates and then optimizing that cloud. So I would go with the cloud level for those open-source models and providing that as a service like VMware does or other folks do. WordPress would be a tiny example of an open-source project like that. And then, I just - something tells me this robotic space - which has been a false start over and over and over again - I think this is the time where actually it's going to work. And so, I'm - I love that hardware/robotic space for me.

Chamath Palihapitiya

I think you're right. I think it's kind of bookended in my mind. I think the, the folks that are building fundamental hardware will make a lot of money over the next 5 to 10 years. And then, the folks that are building the fundamental application level. Experiences will make a lot of money as well. And then, who knows? The thing that we're not talking about enough - and I don't understand it well enough - is the entire way in which apps are built needs to fundamentally be rethought from first principles, because you essentially - basically - have these client-server apps where you have all of this business logic that's sitting back in some server somewhere. And I don't think that that's how apps get built today in a world of AI. And so, it doesn't need to work that way. So, I don't exactly know what that means, but it just seems like most of the architecture of how the internet works today doesn't make much sense. So, that would then support Friedberg's point that all of the kind of the legacy things that we all know and trust also get rebuilt. And so, that could create an entire wave where networking value gets recreated and everything. So, my gosh - I mean - it could be very, very transformational.

Jason Calacanis

Yeah. I mean, the idea that you would just talk to a computer or in a chat interface and you wouldn't use an app interface, you would just ask it questions. It would give you answers, ask questions. It gives you answers. Give it a task. It gives you a result. This is very compelling.

Chamath Palihapitiya

This is why like Saudi needs to basically make a bet that there's just developers that are swarming around ideas. Let them show you what's happening. Because paying \$800 million a year of fees is not the best way to generate a return on \$40 billion. If this is where you want to be investing, I don't think - yeah, \$800 million could pay for a lot of credits - which probably gets you one step closer to the to the answer.

Jason Calacanis

Or I read it went public today. They have 800 million in revenue. Company is worth over \$8 billion in trading. It's up 50%. What do you think Chamath. Is this the opening of the IPO window again. Is this a one off. You got stripe coming. And what do you take from it popping 50% on the first day.

Chamath Palihapitiya

I don't know. I really haven't looked at the company. I haven't looked at the financials. But like this last 3 or 4 weeks, I think people have been so excited and raring to go. We're in the middle of another meme coin craze.

Jason Calacanis

Oh, God. Don't bring it up.

Chamath Palihapitiya

I just think we...

Jason Calacanis

Are all getting pulled into that nonsense?

Chamath Palihapitiya

I think the point is that I think there is a speculative party going on right now. And I'm not saying that Reddit is part of it, but. Whenever these things are so mispriced, it just means that people are ready to gamble a little bit.

Jason Calacanis

There's definitely a lot of gambling in the system as we've seen, and we're recording this on Thursday, so who knows what the stock price will be tomorrow. Generally I mean by the way, sorry.

Chamath Palihapitiya

The other thing is, like Powell did say finally, it looks pretty likely we're going to get these three cuts. So we're going to be down to four and a half to 4.75 on fed funds by the end of the year. It probably means that we'll get another 50 to 75 basis points through 2025. So people will look out to the end of 2025 and look at a fed funds rate that's sort of like 3.75 to 4%. So they're getting pretty excited. And. Frothed up. So this is the beginning of the beginning in terms of that kind of speculation.

Jason Calacanis

Yeah, we saw crypto go bonkers the last couple of weeks. Yeah. What's your take on all this is does it feel like people are in gamble mode again, and does that concern you? I guess after what we just experienced.

David Sacks

Well, I think they're pricing in these rate cuts as if they're definitely going to happen. Like Gemma said, I think the market's expectation is with, let's call it, 70% certainty that you're going to get three rate cuts this year. And it still seems to me that that's a little bit up in the air, because inflation has not come down to the Fed's target of 2%. It's still right around 3% 3.1%. So it's been sticky around 3%. It was coming down pretty fast last year, but it's still there. So people, I think, are maybe gambling in the sense that they're counting on rate cuts that haven't happened yet. But they liked Powell's dovish rhetoric. Yesterday, and they seem to think that means that the rate cuts are definitely coming. I don't know how Powell can promise that without inflation coming down, unless he's trying to create a Biden put.

Jason Calacanis

There it is, folks.

David Sacks

Which was my theory going into this year is that yeah. If you took the Biden put from the fed.

Jason Calacanis

Absolutely. And it's looking like Biden has a clear path to victory based on the lowest unemployment of our lifetimes and this roaring stock market records. Yeah. It's so easy. Biden. Victory! Friedberg. What do you think? About the risk on.

David Friedberg

I don't know.

David Sacks

Biden is incredibly unpopular. If you look at his actual polling, he should not win the election. But that's in spite of you're right, the economy seems to be doing pretty well, and the stock market's certainly doing pretty well. A president with these fundamentals would normally get reelected, but Biden currently is not. His polling is not the polling of a president who's going to get reelected.

Jason Calacanis

It is.

David Sacks

Pretty amazing. Powell comes if Powell comes through with the rate cuts that will help him.

Jason Calacanis

It's pretty amazing how horrible a job he's doing that he's made Trump look like a better candidate to some people. That is an extraordinary achievement by Biden, and I will have to agree. There.

David Sacks

Look, I think the bigger economic issue to be talking about was that buried article in the Wall Street Journal about commercial real estate. Do you see that article?

Chamath Palihapitiya

That was crazy.

David Sacks

So, this Wall Street Journal article reported that of the \$36 billions of office loans that came due in the commercial mortgage-backed securities market last year, only 1/4 were paid off in full. That's according to data from real estate analytics firm CRED iQ.

Jason Calacanis

Is that extend and pretend strategy that you see there?

David Sacks

Oh, yeah. I mean - only 1/4 of the loans got paid off. So, 75% didn't get paid off in full. So, there's tons of buildings that are underwater right now, but nobody wants to foreclose and then sell them at a fire sale price. So, yeah. Everyone is - it's pretend and extend.

Jason Calacanis

Yeah, kicking the can down the road. Nobody wants to take the medicine. So, yeah.

David Sacks

Well they're hoping they're hoping that rates will come down fast enough and occupancy rates will go up fast enough that no one has to foreclose. But if rates don't come down, then you have a real problem. I mean, again, everyone is just assuming that inflation will continue its path from 3% to 2%, and then we'll get these rate cuts and they're hoping they can cling on. Landlords are clinging on. And I think the banks that loaned them all this money are clinging on for dear life. But if rates stay higher, longer then you're going to see some real distress. Yeah, including in the regional banking system.

Jason Calacanis

Friedberg, you have a science corner here. A couple of different things came up - the Hubble telescope - 3D-printed organs. Where do you want to go with this?

David Friedberg

I mean - do you guys want to talk about how the universe is expanding at an accelerating rate and expanding differentially everywhere we look. And we don't understand: How? Or why?

Jason Calacanis

100%. And Sacks needs to use the loo. So, yeah. Definitely.

David Friedberg

He's ran. He dropped. He dropped.

Jason Calacanis

I love science corner. Let's do it. Friedberg, it's your time to sign to shine. Well, the sultan of science, tell us what's going on with the universe.

David Friedberg

My favorite topic? Astrophysics.

Jason Calacanis

My favorite topic? My favorite topic?

David Friedberg

Taxes back.

David Sacks

Are we headed for Uranus?

Jason Calacanis

We're dead set on it. We're dead - it's not over his anus. He disappeared again. He's just gonna drop in and do a Uranus jokes. I hear him giggling with his camera off. He's with his riders. He's. He just went to the writers room to get an update on the Uranus jokes.

David Friedberg

It's long been known that our universe is expanding. We've all heard about the Big Bang Theory and couple decades ago, scientists began to observe the brightness of supernovae - or exploding stars. And then by looking at their brightness, we could tell how far away they were. And then looking at the shift of the light, whether it's getting red or blue, you can tell whether the light the supernova is moving away from us or towards us, and how quickly. And so what scientists have used those observations to deduce several decades ago, and for which a group won the Nobel Prize, is that our universe is expanding, meaning that everything is moving away from itself. It's almost as if we're all in a cake. The best analogy I've heard is that there's raisins in the cake, and as the cake expands in the oven, all of those raisins look around and they're all moving apart from each other. So the distance between everything is. Getting wider. Space is expanding.

Jason Calacanis

And so we can central moment of the big bang.

David Friedberg

That's the theory is right. This all started in the Big Bang. And it's not like, you know, we're all in the middle of the universe and the universe is moving away from us. It's that the entire entirety of space is expanding itself. And so everything is moving away from everything else. The challenge in the data was that recently we saw that different types of stars. That were observed with the Hubble Space Telescope. Had actually a different. Rate of expansion of the universe than what was previously thought from the supernova that we saw, and everyone thought there was something wrong with the Hubble Space Telescope data. So, you know, in a final print published last month. The James Webb Space Telescope, which showed much higher resolution of imaging and as a result, much better data. And here's an image of it. You can just see the difference between what came out of James Webb and what was used in Hubble. So that shows one star that was used to calculate the

rate of expansion of the universe. And what this star showed is that the rate of expansion of the universe, as measured across a thousand of these stars, called Cepheid stars in five different galaxies, had a value that didn't match the value that we see when we look at exploding stars very far away. And so it once again confirms what the original Hubble data showed, which is that the universe is expanding at different rates in different parts of the universe, which totally doesn't make sense.

David Friedberg

And there's no really clear answer as to the physics of why. If there was a big bang and the universe started to expand, it should be expanding the same everywhere. There's no reason that different parts of the universe should be expanding at a different rate than other parts of the universe, that there's differential expansion happening across the universe, and it really tells us that there's very little we know or understand about this large scale structure of the universe and why these things are happening. There was one group that put out a theory where they said that the local universe, where we see these Cepheid stars that this data is based on, there's almost like a little bubble. And on the outside of the bubble, there's galaxies and they're pulling stuff out faster than what's happening where there's not as much density. So there's a lot of different reasons and, and explanations for why this might be happening. But it's kind of a big story because it basically confirms that we see a lot of differential expansion happening across the universe, and we don't know why. Just another big mystery of the universe. So super kind of interesting confirmatory data from James Webb this week. So if you want to talk about the pig kidney.

Chamath Palihapitiya

I mean, I think it's really incredible. They took a kidney from a pig, and then they use CRISPR-Cas9 to edit out the certain subset of the pig genes and edit in a certain useful subset of human genes. And then they transplanted that kidney into a 64-year-old man. And he apparently seems to be doing well. It's really incredible. And this is a guy that was at end-stage kidney disease. And my father went through this. But when you're at that end-stage renal disease, you're getting dialyzed every three days for up to 4 or 5 - 6 hours - trying to basically have a machine that does the job, the kidneys, for you to keep your blood clean. But it's just it's kind of a death sentence and it's like a slow moving death sentence at that. So the idea that you could now. Use this effectively infinite source of organs. Seems really compelling. Pretty amazing, I don't know. What do you think?

David Friedberg

Definitely where we're headed. I don't even think they're going to need me.

David Sacks

Yeah, speaking of medical breakthroughs, did you guys see the guy who got the Neuralink chip with his brain?

Jason Calacanis

He's using the force.

Chamath Palihapitiya

Yeah, that was awesome.

David Sacks

Using the force?

Jason Calacanis

Yeah, he described it as he was playing chess and he said like, "I love playing chess and I've learned to use my mind to move pieces around." And he said like, "It's like having the force."

David Sacks

I mean - totally - wow.

Chamath Palihapitiya

Amazing. I watched the live stream and he said that he was a quadriplegic from the shoulders down, but he loves chess. He wasn't able to play chess. Now he's able to play chess. He was able to play civilization. The game, which I guess was really hard. In the absence of having this, this chip. And now he can do that. It's incredible. I mean, it's really incredible.

David Sacks

They kind of went public with it or I mean, obviously he agreed to go public with it. I think Trevor is his name.

Jason Calacanis

It's pretty amazing. And there's more amazing stuff coming. They're making significant progress over there. I was talking to somebody who works there. And you know, it's to be. Yeah, it's going to be a process, but they're making significant progress and they're going to have, I think, even bigger announcements in the coming year. They're getting it done.

David Sacks

It's for my kids. Were really blown away by it. You know, it's interesting to me what like, penetrates their cynicism bubble and like what they get actually impressed or excited by. And they thought this was really cool.

Chamath Palihapitiya

You know, it's so funny. It's like people are breathlessly like looking at the Elon - Don Lemon video, and they're trying to opine whether he had a good interview or a bad interview, and it's like he actually had one of the best weeks of his life.

Jason Calacanis

Yes. Starship 3 made it up.

Chamath Palihapitiya

Yeah, Starship had an incredible performance last week. And then this thing this week. I mean, what an incredible seven day run. It's more than most of us will have in our lifetime.

Jason Calacanis

It's also nuts - like so crazy - that Don Lemon interview. Like there was actually some really interesting topics discussed, but I felt like this was like this was the perfect - like - baton passing between old media and new media - where he was constantly trying to do a gotcha journalism thing. And Elon was trying to engage in good faith and like an interesting discussion. And then every time the discussion got interesting, he kept trying to go back to like - sensational gotcha journalism. And it was a totally wasted opportunity if he had just Don Lemon had just stayed in the moment and like, engaged in good faith instead of trying to get this like clip. It was a really bad performance by Don Lemon, I thought. It was really getting interesting at moments in time.

David Sacks

He's obviously trying to get a job back at some mainstream media company. Maybe this is his. This is his resume. If he can basically get some clip of Elon saying something that he can twist into something that it doesn't mean, and he can say, I got Elon Musk, then he can get his job back at CNN. Or one of those, he got.

Jason Calacanis

Paid out in full like 20-30 million bucks. And by the way, those jobs are they don't exist anymore. Like, Tucker and he were like the last of that generation to get those huge paydays.

Chamath Palihapitiya

That's over. Don Lemon got paid \$30 million? By whom?

Jason Calacanis

I think CNN the report was CNN paid out his full contract. The same thing happened - I think - with Tucker. They both got paid their full contracts. Whoever negotiated those contracts with the networks over the last couple of decades is awesome because it's pay - it's pay for play - like whether you are on air or not, you get paid and the - and then, they don't let you go to a competitor. That's why both of them are doing internet stuff X or whatever carved-out stuff. I just wanted to give a shout out here at the end of the pod for the guys at All-In - to Chris and Spencer - did an amazing job. The team over there from Good Future Media of creating just that amazing fan account. Now that we're growing up here over at All-In and we'll have a CEO announcement at some point, we have taken over the accounts and we're

starting to make our own clips. So thanks to them for supporting us and helping grow it. If you want to see the four of us, go to YouTube and type in "All-In podcast" and then subscribe. We're almost at 500,000 subscribers.

Jason Calacanis

And we decided that if we hit 1 million subscribers by the end of the year, we're going to throw a party and, you all will be invited. We'll have as many people at the party as possible. So, go ahead and find us on TikTok, LinkedIn and Instagram. Just do a search for "All-In" and you can search for all of us: Chamath, David Friedberg, David Sacks, and Jason Calacanis. Thanks again to the superfans for helping us build up this amazing audience. Couldn't have done it without you. And yeah, we're just posting clips, I think, every other day on the YouTube channel. And so if you go in there, you can subscribe. And then right next to it there's a little alarm bell, you hit the bell, you'll get an alert, and you get to see our faces and know what we look like. We also put a lot of graphics. So if you hear us referring to charts, that's all on the YouTube channel. For David Sacks, Chamath Palihapitiya, David Friedberg - I am Jason Calacanis. And we will see you on the next episode.

Chamath Palihapitiya

Love you boys.

David Sacks

The world's best moderator. You forgot your tag line.

Jason Calacanis

Oh, yes. And the host of "This Week in Startups". So, search for my podcast "This Week in Startups". We interview startup founders. Got to get a plug in for that. No, some people don't know I have another podcast. So please, search for "This Week in Startups" and subscribe to that as well. We'll see you all next time. Bye-bye.

Chamath Palihapitiya

Love you boys.