

All-In Podcast #169 - Elon sues OpenAI, Apple's decline, TikTok ban, Bitcoin \$100K?,

Science corner: Microplastics

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Jason Calacanis

Alright, everybody, welcome back to your favorite podcast of all time. It's episode 169 of All-In. With me again, the chairman/dictator Chamath Palihapitiya, David Friedberg - your sultan of science, and the Rain Man. Yeah, definitely. David Sacks has his Moncler hat back again. I guess they're back in stock. How are we doing, boys? Welcome back to the show. Let's get to the docket here. Issue #1: Elon has sued OpenAI. Begun the meme wars have. After we finished the recording last week... the memes are incredible. After we finished recording last week, Elon sued Sam Altman, Greg Brockman, and the OpenAI organization. He's suing for breach of contract, fiduciary duty, and unfair competition. And his argument is basically, OpenAI started as an open-source nonprofit. As you know, he gave them something like 50 or 75 millions of both those numbers quoted. And then, of course, everybody knows OpenAI turned into ClosedAI. They became a closed-source/for-profit venture after the tech was deployed. This enabled them, obviously, to benefit from tax - nonprofit tax breaks while building the tech. But, they now have two corporate entities. There's this nonprofit called OpenAI. There's a for-profit. It's called OpenAI Global, LLC. That was created in 2019. And this - all this funky relationship between the two. We'll get into that because it's kind of interesting, actually. Elon said that if OpenAI is allowed to do this, then it should be the standard for every company going forward. That's an interesting point. You can start by donating money to a nonprofit and then make a for-profit - seems pretty capital efficient. So, what does Elon want to get out of this? According to the lawsuit, he wants OpenAI to open-source their models. By the way, that's what Facebook and Apple are doing right now. So, that seems more than reasonable since that's how the company was formed. And he wants to make sure that shareholders receive no financial benefit from OpenAI. And we can get more into a bunch of the OpenAI nonprofit status and their structure. It's super convoluted, but I want to just get your initial reaction, Sacks.

David Sacks

I haven't read the legal filings, Jason. My knowledge of the case is just coming from following what's on Twitter. And the last time I commented on one of Elon's lawsuits on this pod. I ended up in 6 hours of depositions. So, I remember that was the whole Twitter lawsuit. At any event, my understanding of the case from the tweets that are flying back and forth is I think Elon is making two points. One is that when OpenAI was set up, it was set up to be a nonprofit and to promote AI as an open-source technology that everyone could benefit from, and no one large tech company would control. In that case, Elon was primarily concerned about Google. I think now he's more concerned about Microsoft. Nonetheless, the idea was that this would be open-source. So I think point number one is Elon feels like the rug was pulled out from under him after he donated 40 something million dollars to this. They completely changed what it was going to be. And I think he's used the word swindled before. He feels like he was cheated. And I think usually when there's a lawsuit like this, it's usually because somebody does feel fundamentally cheated by what happened. So I think that's the first point. The second is that I think that Elon is making is, well, wait a second. If you can start a company as a nonprofit using pre-tax dollars and then all of a sudden

convert to for-profit, then why wouldn't everybody do this in order to circumvent paying taxes? And I think that's another I'd say, valid interesting point that that he's made. Now, OpenAI has responded to this by publishing some of Elon's emails to them, and they think that they have a smoking gun here because apparently Elon told them they need to raise far more money in order to have a chance of taking on Google/DeepMind. I just don't know whether that's the smoking gun they claim it is, but that's basically what they're putting out there. And then to add fuel to the fire, you've got VCs coming over the top debating different aspects of this. You've got sort of a node defending OpenAI. He was the first VC investor in it. And so he's been out there attacking Elon. And then I think Marc Andreessen is responding to Vinod, and I don't know if he's exactly defending Elon. Anyway, it's turned into a whole maelstrom on X, and then everyone else is starting to put out a whole bunch of crazy memes. So, I don't know who's going to win this case in court, but the memes are definitely lit. And maybe the funniest one is that Elon said that if OpenAI will simply change their name to 'ClosedAI', he'll drop the lawsuit.

Jason Calacanis

I think he's serious about that.

David Sacks

I think he is serious about it, but I think he's making his point - which is you ended up doing something different than what you told me when you got me to write this big donation and when we co-founded this thing together. So, I think that sort of sums up Elon's position on this.

Jason Calacanis

Chamath, a year from now - where do you think we'll be with this?

Chamath Palihapitiya

Well, I think I think there's one more thing, which is that. They used his name pretty aggressively to get more money, and he was very instrumental in getting some of the early critical hires, particularly Ilya, which has been, I think, well documented. Sutskever to leave Google, right? So that's probably Sacks where also some of this feeling. That he was bamboozled comes from. But I think that all of those emotions matter less than the rule of law. Which is his second point, which is the important point. Irrespective of whatever one email says or another email, it's not great for the US tax system. If all of a sudden a big gaping loophole is identified and taken advantage of, I think that there's a huge economic incentive for the state of California. Every other state where these OpenAI employees lived and have gotten equity and now have gotten paid, there's an incentive for Treasury. There's an incentive for the IRS. It touches a lot of aspects of very complicated tax law. And so I think that's why there will be a resolution to this case. Because I think that that answer is very important, and I think it will, as he has correctly identified, motivate a lot of people's actions going forward. So independent of what the emotional situation is amongst all the all

the actors in this play, the reality is he's identified a loophole and that loophole needs to get fixed. I'll give you a different example of this. That's much more benign, but it dragged on for 8 or 9 years at Facebook. There was a period where and this was public. So I can tell you. We transferred a lot of our IP to Ireland at one moment, and there was a transfer payment and whatnot, and then a few years afterwards when everybody realized, including us and we had miscalculated. But when everybody realized the value of Facebook, that transfer payment did not seem correct. And it was a huge tax arb that we had facilitated, right? Because all of that IP sitting inside of Ireland gets taxed at, you know, a very different rate than that IP would have gotten taxed in the United States. And other companies had copied this. Long story short, the IRS sued, you know, similar to you, David, I was in years of depositions and interviews and all of this stuff. So the point is that the government really cares about these kinds of things because so much money is on the line. And if OpenAI turns out to be this multi-hundred-billion-dollar behemoth, this will get figured out in court because there's just too much money at stake.

Jason Calacanis

Friedberg, any thoughts? And maybe steel man - if you - if you feel like it - OpenAI's position.

David Friedberg

I think we're all ignoring the documents that OpenAI put out yesterday, showing emails and interactions with Elon, where Elon acknowledged and recognized the necessity of having a for-profit subsidiary that could pursue the interests of the foundation by raising billions of dollars of outside capital. I think it's a really interesting set of facts that provides a different light on the story, and it was really important that OpenAI released it. I'm going to share a -

David Sacks

Hold on, Friedberg. I did mention that, Friedberg.

Chamath Palihapitiya

I mentioned that - to my point is - it doesn't allow you to break the law.

David Friedberg

Yeah. So let me just tell you guys a little bit about another example. My sister works at a nonprofit called the Cystic Fibrosis Foundation. Cystic fibrosis is an inherited disorder affects the lungs and digestive tract. It's debilitating - really affects children. There was a nonprofit called the Cystic Fibrosis Foundation established in 1955. They did tons of work on drug development research, and it was a nonprofit for years until they realized that there needed to be a market based system to create the necessary incentives to drive the capital needed to find a drug that could cure cystic fibrosis. And in the year 2000, they invested out of their foundation endowment \$40 million in a company called Aurora Biosciences. Subsequently, it was acquired by Vertex, and they continued to invest another \$60 million. So a total of 100 million bucks in the lifetime of the development of a drug that could cure

this disease. In 2005, a drug was discovered and in 2012, the FDA approved it. The nonprofit then sold their rights - their interest in this for-profit entity. For \$3.3 billion, it was an incredible return. It was the largest investment return by a nonprofit in history.

Chamath Palihapitiya

Who did they sell it to? Back to the company?

David Friedberg

I actually think they sold the rights to Royalty Pharma, who you and I know well. And that \$3.3 billion continued - opened up this ability for them to continue to make investments. They now fund biotech VCs and they make direct investments and other things. But it really set the benchmark for this concept of what's called venture philanthropy - where a nonprofit parent company can make investments in for-profits that can raise additional capital that's needed to pursue the broad, difficult interests of the nonprofit. And I think that this argument really kind of ties into what happened with OpenAI. And you can see it in the email exchanges with Elon, where he was so prescient that I give Elon extraordinary credit for this, that he saw that this is going to take billions of dollars a year of investment to realize the pursuit that OpenAI was going after, and there was no way that Elon was going to be able to generate that cash himself, or that Reid or others were going to just be able to pony up that money. They needed to have some sort of for-profit vehicle that would allow the market to work and allow capitalists to find their capital into this organization, to make this, this investment interest. So I think the real question with respect to is OpenAI in trouble as a foundation? Is, does the nonprofit own a meaningful piece of the for-profit entity? And I don't know the answer to that. I don't know if you guys do.

David Sacks

Sounds like it. I mean - yeah - must.

David Friedberg

Right. So if they do, then they have an investment interest. The second question is, does the nonprofit parent still do charitable stuff? Because if it doesn't, then there's a real question on the nonprofit status. I think you have to have a certain amount of your assets deployed every year in order to qualify for 501(c)(3). So I think the test in the courts will likely end up being, look, it's totally reasonable to have a for-profit entity to fund a for-profit entity. Other nonprofits have done it, particularly when you need to attract billions of dollars of outside capital to make it work. The real question is: Does the nonprofit still do nonprofit stuff?

David Sacks

That's an interesting question because - Friedberg, do you think that when they booted off the nonprofit experts from the board, that they may have crossed a tripwire there? Yes?

David Friedberg

Yeah. I'm no lawyer. I'm no lawyer. That's a great question.

Jason Calacanis

I did a little journalism and I talked to a couple of people who are in and around two other of these scenarios. One of the key issues here is that the IP in your example, Friedberg, it wasn't like that cystic fibrosis organization did the drug discovery, right? They didn't do it, correct?

David Friedberg

Well, they funded it. I think they handed over some research that was open in public at the time and they got it. But they funded an independent for-profit.

Jason Calacanis

And so what happened here was you had the IP and the employees of the nonprofit given - gifted - they were transferred over to the for-profit organization. And then when the Mozilla Foundation did this, and another company called Samasource. And these both have two structures, a nonprofit and a for-profit. But in both of their cases, they set up separate boards and the two different boards, you know, answer to the for-profit concerns and the nonprofit concerns. They also didn't give huge chunks of equity to all of the employees, which then sold them in secondary. So what's happened here is all of the IP, in all likelihood has been and the wealth transfer has gone to all these employees. They've now done a secondary. And this actually triggers a lot of IRS. Investigations. The Mozilla Foundation, which was making the Netscape browser, which many of you probably have used over the years. They were making hundreds of millions of dollars a year. David, from advertising with Google, the IRS said, "Hey, wait a second. You look like a for-profit to us." So, they made a for-profit entity. All of the - and Mitchell Baker and the team over there set this up. So, all the money went back into the Mozilla Foundation and their nonprofit efforts. And they just paid above market salaries, but it was very important that these things be separated and that the employees not have equity and that all that money flowed back up. And I think this is where OpenAI is going to get super tripped up and I think the IRS is going to have a field day here.

Chamath Palihapitiya

Here's the - Nick, can you please throw the image up? This is from the OpenAI website that explains their structure. So, let's just speculate for a second because we're just guessing. But it has been reported that Microsoft owns 49%, right? That's the number.

David Friedberg

Of the for-profit.

Chamath Palihapitiya

In this example, Microsoft where it says minority economic interest, that number there would be 49. And that's what they own of this OpenAI Global, LLC. And the majority owner is this holding company okay. So that means 51% is there. But it says here that that 51% is owned by a combination of the nonprofit employees and investors. So the question is back to Sacks' question. We can know very precisely how much the nonprofit owns by just x-ing out the investors and employees. And I'm going to guess it's at least 30 or 40%. I think that that's probably a pretty reasonable guess. So it means that the OpenAI Foundation probably owns somewhere between 5 to 20%. Is that a fairly reasonable guess? At the maximum. That seems right. Yeah. And so I think that they're going to have to show that ownership structure and decompose all these entities and show the actual percentages. If it's a lot less than that, if it's, say like a 1% thing, then it's a little bit more sketchy, I think. But if it's really like 15 or 20%. They're still going to have to prove that all of this was done in a clean way, because the big thing that these guys did was because by creating this ELP structure and these capped profits, it's clear that they were trying to avoid something. And the question is in the discovery, will everybody learn what it is that they were trying to avoid? Because I've been through this, I think Sacks you've been through it. Friedberg you were through it. When you set up these large vehicles and pooled amounts of money, folks come out of the woodwork with all kinds of convoluted structures. And the discipline is always to tell these lawyers and accountants no. And they'll be like, let's set up a master feeder and you'll go through Bermuda and this and that. And, and it's so easy to say yes because it's very seductive what they're selling you. But it's always about trying to avoid something. So the real question is why this convoluted structure? What was it trying to avoid? And where did this IP come from?

Jason Calacanis

Like all that IP, Sacks, came from a nonprofit. All those employees worked for the nonprofit. Then they decided to go from an open-source model to closed. And then by doing that, they capture all the value. And then it's gifted to these employees and this investor base. That's where I think.

David Friedberg

But remember, I think it's important, right? Well, it's important to remember the majority of the IP that exists at OpenAI today was generated after the for-profit was set up. The real question, was there a fair transfer at the time when it was set up of value into this for-profit entity? And my guess is that GP box that you just looked at, the compensation that they're earning through that GP box that the nonprofit earns is likely meant to be kind of a - a fair amount relative to what was contributed at the time. The real question for me still remains what other nonprofit and charitable work does the OpenAI 501(c)(3) actually do? And if there's - the answer is nothing and it's just a shell nonprofit. And under it, the only thing that it owns is a for-profit interest. Then I think there's a real question on: What's the activity?

And I don't mean to speak out of turn on all this stuff. I don't know enough. But I think that's the only sort of lens I would kind of look at this stuff through.

Jason Calacanis

Sacks, you were going to say something.

David Sacks

Well, a couple of points. One is - one of my contentions has been never innovate on structure. All you do is create legal problems. There's a tried and true way of creating a startup, which is a C corp. When you try to innovate on legal instead of product, it almost always backfires. The second point here is I think OpenAI is a little bit of a damned if you do, damned if you don't situation. To go back to Friedberg's point about the nonprofit sitting at the top there. Remember what created all the problems when Sam briefly got fired as CEO and then came back is they had these directors from the nonprofit world who didn't really seem to understand how startups worked. And so either they fired Sam for no reason, which was kind of incompetent, or they had a really good reason but didn't communicate it properly, which was also incompetent. Either way, that whole thing was a - it was a spectacle, and it just kind of showed that there was this like culture clash going on between the for-profit company and like the standard way of running a Silicon Valley startup to maximize the outcome. And then this nonprofit board that was sitting on top of the whole thing. So I think that now they're in this situation where they've changed that nonprofit board, they've booted off the nonprofit people, and that may have been the right thing for the for-profit entity. But now it might get them in trouble because it lends credence to Elon's lawsuit that they've completely changed. The original mission of this organization was supposed to be - mission - it was supposed to be open-source. Yes. And it was supposed to be nonprofit. And now it's for-profit and closed-source.

Jason Calacanis

Think about this. You know, and again, we are speculating here, but if it - if the mission was to be open-source and then you realize you've got something super valuable and you closed-source it, create a for-profit and then take all the employees and all the IP and put it into the for-profit, lock it down, break the original mission that, hey, this was going to help humanity because we're going to make it open-source. So if you donate money here and we get the tax exemption, humanity benefits because everybody gets to look at that code at the same time and work on it and iterate. Now they - they've just basically stolen all that in order to enrich themselves. And I think then you add to it, Sam, maybe doing some deal making, which seems to be one of the triggers according to reports - and this OpenAI venture fund, etc. - maybe that deal-making made the nonprofit people say, "Hey, listen. You're doing even more for-profit stuff with the OpenAI name. We're supposed to be a nonprofit here."

Chamath Palihapitiya

What's the venture fund thing?

Jason Calacanis

He started a venture fund to invest in companies called the OpenAI Ventures Fund and he was the sole owner of it - which they're saying now is a clerical mistake or something. But he's invested in a bunch of startups that have unique access to the OpenAI. You know - I think - infrastructure. He's -

Chamath Palihapitiya

The - he's the GP on behalf of OpenAI.

Jason Calacanis

The OpenAI Fund.

Chamath Palihapitiya

He's a no. But he's a GP on behalf of himself or on behalf of the way the.

Jason Calacanis

Paperwork was done. It was on behalf of himself. They're now saying that that was done in error. So okay, fine. Maybe it was, maybe it wasn't. Who knows? Whoa. It's actually we're gonna.

David Sacks

Say wait, wait, the OpenAI fund.

Jason Calacanis

Yes.

David Sacks

Whose money is that?

Jason Calacanis

Uh, Sam raised money to create an OpenAI fund to invest in companies using OpenAI software.

David Sacks

Okay. So that's a different kind of issue. That's called a corporate opportunity issue where OpenAI is fund. It's basically a conflict of interest, where the economic opportunity of the OpenAI startup fund should belong to OpenAI. If Sam created a separate fund with separate LPs that he's the GP of and gets economics in that, then that's a potential usurpation of a

corporate opportunity. I don't I don't know the truth of that matter. I'm just saying that's a slightly different issue.

Jason Calacanis

To go back to the point - uses the OpenAI name.

David Sacks

Yeah, that - that's where like the corporate opportunity becomes really explicit. To go back to the point you were making a minute ago about the employees, I just think, I mean, you use the word stealing. I think that's like a really strong word. I mean, I think we have to complement the employees of this company. If it is a company - including Sam, including Greg, including Ilya - for creating an amazing product, right? Something incredible. They've created something incredible. Absolutely. And they've created, I think, an amazing ecosystem. And there's a lot of developers building on top of this. And I think no one is attacking their work. And I - and I think it's a little too harsh to say that anyone stealing anything because they have created all the value. The question, and I think you have to include Sam in that and say that he's done a great job as CEO because they've built something amazing.

Chamath Palihapitiya

And Sacks - to your point, right - it's not stealing because very smart investors are putting in money. Eyes wide open.

David Sacks

Yeah, I think that the criticism here is related to structure. From my standpoint, it's related to structure. And whether Elon was told something at the beginning that's different. It got changed and clearly it got changed in a way that was not consistent with the terms under which he initially contributed all of this money.

Jason Calacanis

Yeah. Mine is I'm stating what is the most cynical interpretation of what happened here. There is the most. You know, benign and benevolent interpretation. You could have as well. And maybe the truth is in between the two. But the series of events that occurred does not look good when you have a mission to give this intellectual property to the world, so no one person benefits from it, all of humanity is supposed to benefit from it. That was the point of being open-source, right? Then you close it. Now who gets the benefit if it's closed?

David Sacks

Right.

Jason Calacanis

That's employees.

David Sacks

Right. That's a good point.

Jason Calacanis

That's going to be the crux of this. The and if you really want them.

David Friedberg

Investors, the investors, the.

Jason Calacanis

Investors.

David Friedberg

But that's how they were able to attract billions of dollars because you can't get billions of dollars to invest in something that's going to be open-sourced.

Jason Calacanis

And then the employees sell 2 billion in secondary. So now you if you really want to take the most cynical approach to this and or interpretation. And again, this is just one interpretation. They took an open-source project, they closed it, they raised money. And then within the next two years on this incredible innovation, they sold \$2 billion and put that in their pockets. Now those employees, if it was a for-profit, obviously no problem with that. But they took the stated mission of giving this to all of humanity and then took 3 or 4% of that gain and put it in their pockets. That's where I think this whole thing is going to get really crazy. And this is where the IRS. Yeah. And the IRS also interpreted. Mozilla, which was just \$100 million, and none of the employees took any of it, the 100 million that came out of Mozilla. They were just saying, like, I think we should pay tax on that. Should you pay tax on that? And then they were investigated for years. So, I think the IRS is going to be on this like crazy based upon what happened to Mozilla, which was -

Chamath Palihapitiya

Jason, do you think - do you think individual employee sellers are going to get audited by the IRS because of this?

Jason Calacanis

I don't. I mean - I'm no - we're in uncharted territory here. When I did some tweets and said, hey, can everybody contact me who has information on these structures? I was able to find the Samasource example, and they did it very clean. And there was no like IP transfer or employees enriching themselves or, you know, a god king like Sam doing all kinds of deals and enriching himself. There was a very clean structure. And then Mitchell Baker, who set up Mozilla, also did the same thing. Hey, we'll just pay the employees an extra 50 K on their salaries, and there'll be a little overpaid in Silicon Valley, but they're not getting billions of dollars in equity, which again, I have no problem with people getting billion dollars, billions

of dollars in equity in a for-profit. But this was supposed to benefit humanity. It was supposed to be open. If this was open-source and they took the 2 billion, I would actually not have much of a problem with it, because we could all be looking at that mission. And then Sacks and myself and Friedberg and anybody who wanted to use that code could go in there and adapt it. And you know what? There are for-profits. Apple. And meta, which are producing open-source software. So if they're producing, Apple's pretty competent and Meta's super competent in this respect, they're able to do open-source. But Sam is claiming or OpenAI is claiming it's too dangerous to show us the open-source code. I call bullshit on that. Their code is not too dangerous for us to see. That's complete, utter bullshit.

Chamath Palihapitiya

So you think that there was a motivation for-profit? Basically what you're saying is essentially that this was highly motivated by profit. I think this is like some of the emails, the emails. Try to paint a picture of very industrious people on both sides who are trying to solve a very hard problem, and dealing with a conundrum that's really around capital, right? Yeah, we need to - we need to do all this training. It's going to be so expensive. But I think what you're saying - which is a deviation from that - it's actually, "Come on guys. These are all very smart people. And those folks saw an opportunity to make a ton of money and they took it."

Jason Calacanis

I mean - that seems like what happened here to me. I mean - it's Occam's Razor kind of situation. I think they - if you look at it, I think they probably regretted making this a nonprofit and then tried to figure out a way to reverse it. That's actually what I think is going on here. And I do think there is part of it. Chamath, you're right that they needed servers, and they needed capacity, but they could have done that without giving the employees tons of equity - without selling billions of dollars - keeping it open-source - and then telling Microsoft, "Hey, if you want access to this open-source..." or whatever - and you know - they can give -

Chamath Palihapitiya

You're making a very, very good point in - and the reason is that if it was open-source, Microsoft could have just taken it and done its own training and just paid for it.

Jason Calacanis

Yeah, right. Or make a donation to the foundation.

David Sacks

This is interesting because -

Jason Calacanis

It's a very good point.

David Sacks

Because OpenAI - Yeah, OpenAI dropped a few of the emails that they had with Elon. Obviously, those are cherry picked to help their case the most. What we don't know is: What are the other emails showing? Like what were their alternatives to this particular structure? Could they have raised the necessary funds in a way that was more consistent with the original mission of the company? Could they have remained open-source, for example? Also, are there any emails where employees talk about the potential benefit to them of going private? Going for-profit? Right?

Chamath Palihapitiya

Those emails have already been leaked. There was this thing where in the OpenAI emails that were leaked, they talked about being able to swap this phantom equity in OpenAI into either YC equity. And then Elon said, "Oh, maybe SpaceX Two, but I'll have to figure that out."

Jason Calacanis

Well, then also like Microsoft coming in and buying 49% and then it's closed. This is the other piece that I would want to see in discovery as well. And again, I don't have any problem with any of the people. And I love Sam Altman. I think he's great. I think all the people that are great, I think what they've done for humanity is great. I just think they should have kept this thing open-source, which was the mission. But then they closed-source it Chamath and then give 49% of it all the way. It's all the source code to Microsoft. So, that to me was like a really - like, you want to talk about taking this nonprofit's IP and then, some amount of that bag gets given to the employees for billions of dollars - and then, Microsoft gets 49% of all that nonprofit's effort to then go commercialize. And Microsoft has added - what - \$500 billion in market cap since this whole thing has been announced. So now, all that profit has been aggregated into Microsoft stock.

David Sacks

And I think this is where you got to understand why Elon feels swindled is because not only are we going from nonprofit to for-profit and open-source to closed-source, he was specifically concerned about all the benefits of AI accruing to one powerful big tech company. Now, at that time, he thought it was Google. Now, it's Microsoft. There's not really that much of a difference. He never wanted all the benefits of AI in the hands of one really powerful tech company, right? And Microsoft is the most - it's now what - the biggest company in the world by market cap. So, this is like the opposite of what he intended.

Jason Calacanis

They gifted \$1 trillion to Microsoft. Probably there's an easy solution if they are people of good faith and they're doing this for the right reasons. Open-source it. Just go back and open-source it.

Chamath Palihapitiya

Jason - but to your earlier point - that may solve the lawsuit and Elon may drop the lawsuit, but it's opened a can of worms with respect to tax and structuring. That's much bigger than just OpenAI. Yeah, the entire nonprofit industry. It's a tax problem for every new company. It's every other entrepreneur that studies this model and tries to replicate it for their own personal gain, even if that wasn't intentional here. So there's a whole set of issues that we've really cracked the egg here. We got to - got to figure out how to unscramble it.

Jason Calacanis

There's the IRS issues, then there's what's morally right, and then there's Elon's beef. And if it is a for-profit company and Elon put in 50 million when it was a seed round, what would he own Sacks. What would his ownership in this for-profit be. Oh my.

David Sacks

God I mean probably.

Chamath Palihapitiya

98%.

Jason Calacanis

Okay. And so yeah.

David Sacks

We need to know the total size of that round. He put it in the first 40 million. Do we know what other people put in? It was most of the money, right?

Jason Calacanis

Yea, it was most of the money. So, I mean - if you put - let's just put a crazy valuation on it: \$500 million. Okay, he owns whatever - 10% - because -

Chamath Palihapitiya

At that point, it would - it was not what it is today. So, of course, you would have raised that like you would have raised 150 on 53. Okay, I mean - that's the way that that a very CapEx-intensive deal in a space that wasn't thought to yield big outcomes. That's unfortunately -

Jason Calacanis

The cost of -

David Sacks

The company at -

Jason Calacanis

At least at - so, give him 20% of the company. It's \$20 billion. That's even half of what you're saying, right?

David Sacks

We talked about on the show when that whole fracas with these nonprofit directors went down is, we said, go back and restructure the whole thing to make it what it always should have been, which is just a clean for-profit entity. Give Elon his equity. Give Sam his equity. Because it never made sense that -

Jason Calacanis

Equity? Has no equity, but he's got a venture firm. It's all so convoluted.

David Sacks

It's a weird form of compensation in which they're giving him corporate opportunities, in effect, as like - a type of compensation - when really he should just have compensation in the corporation. And then, the corporation should own all of its opportunities.

Chamath Palihapitiya

Oh, that's - okay, that's a really interesting thing you just said. So, basically yeah. It's like - he famously has no equity. But then, he has this retained optionality to monetize the ecosystem. So, even though he's not monetizing the thing, he gets to monetize everything around it.

David Sacks

And it seems like the board - or at least the new board - is okay with that because he is being undercompensated with respect to the main thing. So then, he gets the side things. But that's not really the way it should work either.

Chamath Palihapitiya

You know, Bill Gates said to us famously when we were at - when I was at Facebook - "The value of an ecosystem is when the economic value generated by the ecosystem exceeds that of the platform." Now, in this case, you'd actually rather have 50 basis points of the ecosystem than 5% of OpenAI. If that's true - because if this thing could be so revolutionary - you're talking \$10, \$20, \$30 trillion.

Jason Calacanis

What a mess. Oh, yo, yo.

David Sacks

Sam should just be given, like, a huge option. Grant and OpenAI. But then, OpenAI should own its own venture fund.

Jason Calacanis

Yeah. And the SEC is looking into all this stuff. You know, they look into a lot of things in fairness, but they're looking into it. What a mess. And we'll keep track of it. The other thing. That's crazy. I don't know if you guys know this - but Nick, just as we close here, the most insane part of OpenAI's LP investment agreement, which is on their website, you can just search for OpenAI LP agreement, is this part. The partnership exists to advance OpenAI Inc's mission of ensuring that safe, artificial general intelligence is deployed and benefits all of humanity. The general partners duty to this mission and principles advance in OpenAI charter - yada yada yada. Take precedent over the obligation to generate a profit. The partnership may never make a profit, and the general partner is under no obligation to do so. The general partner is free to reinvest any and all of the operating entity's cash flow into research and development activities and or related expenses, without any obligation to the limited partners. And so they basically told everybody the node and employees or whatever, we can just basically wipe your equity out and we can do whatever we want with the profits, and you're probably going to lose your money. So, this - this structure is weird.

David Sacks

Do you guys think that when the investors came in, especially in this latest round, the \$86 billion round, do you think they underwrote the legal risk inherent in the structure. Or are they just sort of hand-waved over it and said no.

Chamath Palihapitiya

Typically what happens in these deals is you hire somebody - like KPMG, or Deloitte, or Ernst & Young - to do like the full financial diligence packet, right? And that typically tends to be how a lot of late-stage organizations document that they've done and manage their fiduciary responsibilities on behalf of their limited partners. So, what happens is you will do a deal. You'll sign a terms sheet. You'll turn it over to Deloitte. You'll turn it over to KPMG and say, "Please go and run this down." And then, what they do is they will furnish a report that says, "Yes, this meets all the customary expectations." I suspect that if these folks were doing a decent job of running late-stage money, they probably sent it to those folks and those folks probably produced something that said, "This looks fine." Now, if you read Buffett's letter this year, he has a really great commentary on Deloitte and KPMG and these sorts of letters - which is not exactly the most supportive is the best way to say it. You can find that mention - in his case, it's Deloitte & Touche - but typically Sacks, that's what they do. They go to a KPMG, or a Deloitte, or an Ernst & Young and say - and by the way, 99% of the time, they're - I mean - they do really good work. But it's a standard structure and they just want to make sure that nothing nefarious is amuck. In this case, I doubt anything was amuck anyways. I doubt, though, that they looked at the structure and then also elevated the litigation risk of this getting unwound. I just don't see that - that diligence report - and I've seen enough of them typically has that section in it.

Jason Calacanis

The other thing that's completely hypocritical here is they said when they hit AGI and they're going to be like a sentient artificial intelligence going on here. Friedberg that they would wrap up shop and they're going to no longer be a nonprofit, etc.. But they haven't. But they're claiming they haven't hit that. But they closed the software, so it should be open-source if they haven't hit AGI. And. You don't think they've hit general intelligence, right? Friedberg or anything close to it. Maybe you could educate the audience on what that is and that claim that they have to sort of shut off the for-profit.

David Friedberg

Yeah, they haven't, but I think the - we keep repeating this concept of the models should be open-source versus closed-source. Making AI for the benefit of humanity can be interpreted in a lot of ways. There may have been some anecdotal conversation at some point with Elon or others about, "We're going to make the models open-source." But, there was a reason that that change was made along the way - which was to attract dollars. And those dollars need to have some return of capital available to them because they're private investor dollars. And so, I don't think that that was necessarily - and correct me if I'm wrong - I don't think that's in the mission that the OpenAI software models will be open-source. Making AI for the benefit of humanity could probably be interpreted in a lot of different ways, and we'll see. But no, I don't think that anyone has this achieved - this holy grail of general intelligence.

Jason Calacanis

Yeah.

David Sacks

I think one of the, the, one of the more interesting and kind of wacky things about OpenAI is that their mission is explicitly to create AGI. Which most people would associate with some sort of sci fi dystopian outcome. And I think this has like raised the fear factor around AI, because they're explicitly trying to create the sentience that's going to replace humanity. Now, I think they define AGI in a different way. They say it. It's something that can replace 80% of the jobs. But I think we all kind of know what it really is. So I just wonder. No,

David Friedberg

I think that that's like - that assumes a steady state in the world. So if you end up with a system and the system has all the capabilities of a bunch of really highly qualified knowledge workers, and I can sit in front of a computer terminal and I can say, let's design a mission to Mars. A mission to Mars could be a 20-year engineering project with hundreds of people involved to design the buildings, to design the flight path, to figure out the fuel needs, to figure out how you would then be able to terraform Mars. And what if one person could interact with a computer and design a plan to go and inhabit Mars? All of the technical detail docs could be produced. All of the engineering specifications could be generated, all

of the operating plans, all of the dates, the amount of labor needed, the amount of production needed, the amount of capital needed, what would otherwise take NASA or some, you know, international or well-funded private company many, many decades to do a piece of software could do in a very short order. I think that's like a really - like, for me, poignant example of the potential of having these tools broadly available, that the potential of humanity starts to become much broader. We could say, I want to develop a city underneath the ocean because I want to explore more of the Earth. I think humans need to go, go solve cancer, figure out the biologic drugs and the combination of biologic drugs that would be needed to solve cancer based on this, this patient's genotype, the extensibility of highly knowledgeable or what other people might call general intelligence type tooling is extraordinary that one individual starts to have an entire. Cohort of knowledge workers available at their disposal to do things that we can't even imagine today. So I don't think that it is nefarious. It's nefarious because we assume a steady state of the world today that nothing changes. Therefore, a piece of software replaces all of us, but the potential of humanity starts to stretch into a new era that we're not really comfortable with because we don't really know, know it, or understand it yet.

David Sacks

I'm not saying it's nefarious to want to develop AI, because I agree with you about all the extraordinary potential of it. I'm saying there's something a little bit cultish and weird about explicitly devoting yourself to AGI, which I think in common parlance means Skynet.

Jason Calacanis

Yeah, it means something when you talk about it.

David Friedberg

I think that's maybe that - that parlance is what needs to be addressed, which is AGI effectively enables equivalence to a human knowledge worker. And that, you know, that can kind of unleash a new kind of set of opportunities.

Jason Calacanis

So you think that's what it is. My definition for AGI is smarter than the smartest human being who ever lived.

David Friedberg

Yeah, I was talking to somebody this week who's in a position who said the definition of AGI is very fuzzy, that there isn't a clear definition, and therefore it allows every side to kind of anchor on their interpretation of what that Tum means and therefore kind of justifies their position. So, you know, I don't really feel great about like- just saying, "Are we at AGI?" What is it? We don't have a clear sense of what it means. I do think if you look at some of the work that was done by Anthropic and published in the Claude 3 model this week - did any of you guys see the demos that were done of the output of that model? There was a guy who wrote

a thesis in quantum physics on a very esoteric, complicated problem set and he asked Claude 3 to solve this problem set and it came up with his thesis. It was really - like - extraordinary. And this is something he's like, "No one in the world knows this stuff." And he's like, "I can't believe this model - like - came up with my thesis. And that's the sort of thing that very few people on Earth even read or understand." And the Claude 3 model was able to kind of recreate the basis - the buildup - and then, the the output of his thesis was really -

Jason Calacanis

Somebody writing a screenplay and then giving it the first two acts and say, "Guess the third act." And it's like, "Oh yeah. This is the third act. Here's what happens." Like it's pretty impressive. These are like complex, yeah - complicated.

David Sacks

You - like deep down, when these guys say they're going to create AGI, what do you think they really mean in their heart of hearts?

Jason Calacanis

Oh, they mean the Terminator. Yeah. They mean the sentient god.

David Friedberg

You guys are - you guys are propagating some bad - you guys shouldn't be saying this.

Jason Calacanis

I think that's what they think. Remember, Larry. You said it.

David Sacks

Remember what Larry Page said to Elon? "Don't be a speciesist."

Jason Calacanis

Yeah, I think there's like, I think there's a meaningful number of people in the tech community who deliberately want to give rise to the superintelligence.

David Friedberg

There's another point of view of superintelligence, where superintelligence means that the software is now more intelligent than all humans, and as a result, the software may have its own motivations to figure out how to supersede humans on Earth. Now, the Larry Page statement, which I don't know firsthand, I read the same article you did, is one that a group of people might say evolution is evolution. And, you know, there are people that would say that. That's right. And I know Elon's taking this point of view that like, you know, we need to maintain human. Human supremacy. But, uh.

Jason Calacanis

My favorite test is, you know, there's the Turing test, which, like, you can't tell if it's a human or if it's a robot. But Mustafa came up with the, um, with the modern Turing test, which is an AI model, is given \$100,000 and has to obtain \$1 million. Go. It's kind of interesting. Then the other - the other - the other interesting one was Gary Marcus. He said - uh - The Ikea Test - the flat pack furniture test and it views the parts and instructions of an Ikea flat pack product then controls a robot to assemble the furniture correctly.

Chamath Palihapitiya

Oh, look. What's up, Sunny?

Jason Calacanis

It's now time to do just a quick little congratulations to our dear friend Sandeep Madra. We call him Sunny. That's his nickname and he's one of our poker buddies. He keeps building great companies. And in this case, Sandeep is the first person to collect all four besties. We all invested in his company, Definitive and Definitive was working in AI, but we got some great news this week and we thought we would give him his flowers. Sunny, you want to tell us what happened this week with our investment in your company? Definitive Intelligence at Definitive IO, I believe, is your domain.

Sunny Madra

Yeah, well, you know, with your guys' support and, you know, we've been growing our company and we saw a really great opportunity to work together with Groq. And we've been working with them for a couple of months. And all the hype that you've seen has been built on the collaborations that we've done building the cloud, offering the API offerings. And so, you know, we've decided to merge with them and we're super excited. And all the besties are now not only shareholders in Definitive previously, but now shareholders in Groq.

Chamath Palihapitiya

This is this is the first investment, I think we're - we're all on the cap table, right? So we can we're all rooting in the same direction. What's happening in the developer side. How's the momentum.

Sunny Madra

Well the momentum is incredible. You know we have now 16,000 plus developers in our, you know, self-serve playground. There's well over like 1000 apps that people have developed using the API and all kinds of new functionality. You know, the API allows people to get a higher rate of throughput on tokens and low latency. So there's all kinds of new applications from voice to real time translation of web pages. You know, we're collecting them on our discord. We have, you know, 3000 people in the discord as well. It is a real community that's come together, building around Groq. And what I will say is, you know, sort of the same jump that developers saw when we went from dial up internet to broadband. They're seeing that

now. And from using like traditional APIs for LLMs to using, you know, the ones that we offer.

Chamath Palihapitiya

You guys support the latest Anthropic models that they just launched that seem pretty kick ass.

Sunny Madra

No, we don't have those yet, but we're in, you know, we're having discussions with everyone out there and we want to support their models. Right now, what we've done - given all the demand - is we've kind of limited it to Llama 2 70B and Mixtral, and we actually have a bunch of other models that we make available in private mode for folks. So we're pretty excited. But if there's anyone out there that wants to have us, you know, give us a call and we'll get you going on our systems.

Chamath Palihapitiya

Well, Sunny, congrats to you. You're an incredible entrepreneur, and it's always fun to kind of be on the journey with you. This is my fourth business that I've done with Sunny Madra.

Jason Calacanis

It's amazing. XtremeLabs. Then there was the company in between.

Chamath Palihapitiya

No, no, there was one before. Even before. You have to understand, Sunny and I met because Sunny went to school where I grew up. He went to the University of Ottawa. I grew up there, and we met through a mutual friend, and his first company was called SpongeFish which I backed I think in 2006 maybe. I mean, I had no money. I may have written a -

Jason Calacanis

\$10,000.

Chamath Palihapitiya

\$10k maybe.

Sunny Madra

Maybe less, maybe less.

Chamath Palihapitiya

\$5k. Yeah. I mean, whatever I had.

Jason Calacanis

I didn't.

Chamath Palihapitiya

Have much.

Jason Calacanis

I like it scraped together.

Chamath Palihapitiya

And it's our fourth business.

David Sacks

Sandeep is a veritable rabbit's foot. You're a rabbit.

Jason Calacanis

He is.

Sunny Madra

Luck. Luck prefers the prepared.

Jason Calacanis

Well, I mean. I've been in two of Sandeep's companies, and I thank him for that. And then XtremeLabs, actually, to thank you again. You sponsored a lot of my events ten years ago when I was coming up. So I appreciate that. So it's just great to see a nice guy win, as opposed to the three miserable people who I work with on this podcast. Keep winning. So that's good. Now finally, a good guy wins as opposed to the four of us.

Sunny Madra

Appreciate all your guys' support. It means a lot to us. You guys get in the developers and keep putting it out there and keep us honest as well. So if we're not doing something right, let us know. We really appreciate you guys.

Jason Calacanis

Sacks, you want to say something motivational to Sunny here? I know you always have a great motivational word for your friends. Something you say that just gives people that thrill of being in the game. Go ahead, Sacks. You always have something kind to say.

David Sacks

We're gonna - we're going to ship \$20 million into your safe note. I know you closed it, but we're going to pry it open and, uh, get some - get some allocation.

Jason Calacanis

You're prying open that safe - at the safe - if there's a wedge. I know a guy with a podcast who has got 800,000 followers. Maybe I could slip in a quick five hundie. Is that possible? What do you think, Sandeep? Let us know right now.

Sunny Madra

I don't know. We did a really big announcement with the Saudis this week so that price might be up.

David Sacks

Let's let us ship something into that safe note so we actually have some real skin in the game. David.

Sunny Madra

David, text me.

David Sacks

Alright, will do.

Jason Calacanis

No, but seriously. Hey, Sandeep - wait a second. If he - if he gets in, I get a second chip for \$500k.

David Sacks

Yeah, Jason wants in for five hundie. By that, he means \$500. So, we'll let you into -

Jason Calacanis

Yeah. No, I got a gift card for you from Starbucks. I got a \$500 gift card for you and the team. I think I got like 150 credits

David Sacks

JCal is gonna redeem that - that Starbucks gift card.

Jason Calacanis

Yeah, can I -

David Sacks

I guess I'll offer 20 cents on the dollar and then ship it into Groq.

Jason Calacanis

Yeah, let me zip it in. Let me zip it in - maybe I can 100x it. No, seriously. \$500k from - from your boy JCal. Alright, everybody. Thanks - uh - to Sunny for jumping on. Congratulations on the merger.

Sunny Madra

Thanks, guys.

Jason Calacanis

Alright, issue #2. Issue #2: Apple is battling two major iOS developers and regulators are siding with the devs. You may know about the Apple vs Epic Games saga. We've talked about it here. Epic Games is planning to create a custom app store on iOS because Europe's DMA - The Digital Markets Act, has said that Apple now has to allow third-party app stores in the EU. So Epic created a developer account based in Sweden, and Apple actually approved the account two weeks ago. Then on Wednesday, Apple flipped - terminated Epic's EU developer account, and Apple said one of the reasons they terminated the account was because Epic CEO publicly criticized their DMA compliance plan. Additionally, on Monday, Apple was fined \$2 billion by the EU's antitrust regulators and was forced to remove its anti-steering rules from music apps like Spotify. Basically, Apple has been restricting music apps from informing users about pricing and discounts, and the European Commission consider this anti-competitive, since Apple runs Apple Music, and they want Spotify to pay 30%. Daniel Ek, a friend of the pod. You know, basically did a whole video on this about how they can't charge 30% more - yadda yadda. Sacks, you've spoken about Apple's monopoly before. Your thoughts on what's happening in the EU? And then, we'll get into Apple's wider problems.

David Sacks

I mean, did you just say that Apple booted Epic from their App Store because they didn't like what Epic said about them?

Jason Calacanis

I think that's going to hurt.

David Sacks

Well, like they're violating Epic's free speech because they don't like what Epic is saying. I mean.

Jason Calacanis

According to Epic, yes. This -

David Sacks

Is crazy heavy-handed by Apple.

Jason Calacanis

Apple heavy-handed with developers. Yeah, have they lost their minds?

David Sacks

I mean - this is right out of - "power corrupts and absolute power corrupts absolutely". Yeah. I mean - whatever dispute you have with Epic, you don't boot them out of your app store because you don't like their criticism of you. I mean - this is basically proving exactly what everyone's been saying about Apple - which is they're too powerful and heavy-handed. And Apple's coming along and saying, "Let me confirm it for you guys by acting tyrannically against Epic."

Jason Calacanis

I mean -

David Sacks

Talk about a backfire. This seems insane to me.

Jason Calacanis

Yeah, it's super nuts. Chamath, any thoughts on this before we get into Apple's other problems?

Chamath Palihapitiya

I think it's the beginning of the decay of Apple's peak.

Jason Calacanis

Apple - well, let's get into that. There's tons of headwinds facing Apple.

Chamath Palihapitiya

You can add a bunch of other things to the list as well, Jason.

Jason Calacanis

Yeah.

Chamath Palihapitiya

The thing is Apple for the last couple of years has been what is effectively what we call a GDP plus growth company, which means that take GDP - 2, 3, 4% - maybe they can grow by a couple of percentage points more than that. But they are effectively levered to GDP - meaning when you look at a Facebook or an Nvidia, they're growing at 50%, 200%, 2,000% - whatever it is. That's not tied to GDP. They're just taking share. But Apple is a - is a company now that grows as the - as the economy of the world grows. So, that's not super great for its future prospects. Unless it can expand the surface area of where they operate. And then on that dimension, there are a few trillion dollar markets that they can really penetrate. And

they just announced that they've killed a project in one of those areas, which is Otto's right. Project Titan, which was \$10 billion, turned out to be a failure. So all of these things - I think - mean to me that it is effectively becoming a cyclical rate-sensitive stock. And then, the coup de grâce is Warren Buffett. And Nick and I were talking about it this week. And what was interesting about Buffett's letter is that you can tell when Buffett has gotten disengaged with a company based on the number of times he mentions it in his annual letter. So, in this example, this is the number of times Apple was mentioned. And just to be clear, what I mean by mentions is not when it's included in a chart or part of a disclosure. What I mean is when Warren actually explicitly mentions it in a positive or even negative way - or he doesn't mention it at all - which I think rings very loudly. He went from basically saying Apple was the absolute end all and be all. And now what you can start to see is this shrinking and it's gone from basically a bunch of times to almost none. He did mention it once, but he mentioned it in the context of talking positively about Coca-Cola and Amex - and he was lauding these two positions - but just mentioning that they were not as large in comparison to Apple. That's the only mention in this year's annual letter.

Chamath Palihapitiya

What's interesting about that is the last time that that happened was with drumroll Wells Fargo over 15 and 20 years. Buffett built up a huge position. I think he was able to weather the vicissitudes of the market. So even when the markets would contract, he knew when to hold on to that company until he realized that that company was not really one of his forever stocks. And he got out of it. And the number of times it basically was mentioned in his letter went to zero. So interestingly, I think this Buffett Index is a really important one for Apple, which is it went from a forever holding that he said he would own forever to barely getting mentioned. And above him - above Apple - on that list - were all the Japanese trading companies that Buffett owns, American Express, Coca Cola. So, that is a person that understands the economy - I think - better than anybody else in the world. And so, if you're basically taking a levered bet to the economy as a reason to own Apple and the person that understands the economy the most has now started to pivot away. He started to sell in quarter 4. And then, you see all of these things - antitrust rules killing projects in trillion-dollar terms. Unfortunately, it speaks for a very bad next 5 to 10 years for this company unless they figure something out.

Jason Calacanis

I think it's. Just such a great insight with the Warren Buffett mentions. And we should do that forward looking. Like - who is he talking about now? And what's the monitor when he stops talking about them? I have a theory about this. I think this is really just about peak iPhone. If you look at the majority of their revenue, it's obviously from the iPhone - which has become massively profitable over time. But the iPhone revenue has been flat for a couple of years now and they're starting to make their money from services. Everybody knows Apple One, iCloud storage, Apple Arcade, Apple Music, Apple+ TV. They've got a great collection of services and services. Revenue is growing, but I don't think that they are filling

in this growth problem with the iPhone. And this happened to me for the first time and I don't know if you gentlemen have had the same experience, but I was buying every Apple phone and then, I would buy every like medium upgrade - like when they would do like a 12 and then a 12s or an 11 - 11s. And when I got to iPhone 13, I was like, "This thing's kind of peaked." And I just forgot to buy the 14 - didn't need it. And then, I bought the 15. And I'm sitting here with my 15 and my 13. I really couldn't tell the difference between them. And so now, I'm a technologist who would buy it every year - the latest one - and I don't feel the need to upgrade it. And I think that a lot of people and I have family members who would take two generations off now. They take three or four generations off. So -

David Sacks

I don't even know what number I'm on. You know?

Chamath Palihapitiya

I don't even know either. It all looks the same to me.

Jason Calacanis

Okay, so - I mean - that's the problem here. And then, if you look at their roadmap. What's - what is the device post the Steve Jobs era that they have launched?

Chamath Palihapitiya

How do you know what device you have?

David Sacks

You go to 'General' in your settings and 'About'. I just checked it. I'm iPhone 13 Pro. What version are they on?

David Sacks

15.

Chamath Palihapitiya

What is it, 'General'?

David Sacks

They're on 15 and I'm on 13 Pro. I don't even know.

Jason Calacanis

Yeah and you're not price-sensitive.

David Sacks

Yeah.

Jason Calacanis

And these things have gotten absurdly expensive. So, they're trying to really extract -

Chamath Palihapitiya

What is - what is the latest?

Jason Calacanis

15.

Chamath Palihapitiya

15? I'm on a 14.

David Sacks

I don't like the hassle of having to like - reset everything when I get a new phone. That's the problem.

Jason Calacanis

And it's easy to do. Now, it's like all in the cloud. But even that - going to the store - buying it - like, who cares? It's not differentiated enough.

David Sacks

I have to download all my apps. I have to re-login and -

Jason Calacanis

Friedberg, what - uh - what Android phone are you on? Oh, you're a Googler? Didn't the Googlers all have Android phones or are you a - you're Team iPhone?

David Friedberg

I got the Macintosh original in 1984. I've only been on Macintosh and Apple products since then.

Jason Calacanis

Hmm - what iPhone are you on? Be honest.

David Friedberg

15 Pro.

Jason Calacanis

Okay.

Chamath Palihapitiya

Have you ever tried a Pixel, Friedberg?

David Friedberg

I don't like it. But I'm just - I'm not used to the OS. I just -

Jason Calacanis

What was the rule at Google? If you worked at Google, were you kind of forced to have an Android phone? Or did you just keep your iPhone in your pocket and not take it out?

David Friedberg

There weren't a lot of Androids on the market when I was at Google because we acquired the company when I was there in '0 - we acquired Andy Rubin's company in '04 - and I think the first major device that started to roll out in '07. And so, this was all post my-era. I left at the end of '06.

Jason Calacanis

Wow.

Chamath Palihapitiya

Friedberg, that's an amazing chart. Holy -

David Friedberg

So, pull up this chart now. Here's the global - here's the global statistics. The US market share is 57% for iOS. But on a global basis, iOS only has a 27% market share. In mobile operating systems, Android is 72% and all other is less than 1%.

Chamath Palihapitiya

But look at this. It's all - the future GDP is on Android. Brazil, Nigeria, India - holy mackerel!

David Friedberg

But I think this is one counter to your point, Chamath - that the macro driver is as - um - the economic position. The GDP per capita scales in these BRICS nations. They can start to afford to buy iPhones - which are generally some multiple of the Android devices in these markets that you see here. So, while today Android is 72% of the market, if the emerging markets continue to grow GDP per capita and iOS continues to be the superior product, you'll see Apple able to steal into more share over time.

Chamath Palihapitiya

But how do you - but how do you do that when you have messaging groups on Android - when you have photos in Google Photos? Is it - does the switching cost stop that do you think?

David Friedberg

I don't know the answer to that. It's a good question.

Jason Calacanis

They're down to \$15 to \$25 for these Android phones in India. There's a famous -

David Friedberg

That's the difference. Right, so these Android devices -

Chamath Palihapitiya

I think Apple is levered to GDP - global GDP. So they need to figure out some way to grow superior to that - like what is the market? What could they do?

Jason Calacanis

Services?

David Friedberg

A company that generally has a bunch of cash flow being generated by some set of products today, and you assume stasis over time, the market share for those products could be eaten away. You'll see the profits per year go down, and a company like that will trade anywhere from 7 to 20 times. The technology value arises from the value of the brand that you can launch new products, leverage your brand, leverage your distribution, leverage the sale of new services and new products. I think to your point, of the challenge Apple is facing is that the pool of options, the portfolio of call options that you would get and new product coming out of Apple is shrinking very little with the, you know, with the car being taken out of that pool. Now, Apple Vision Pro - a lot of question marks on - you know - how much it can scale. As you guys know, I feel like there's going to be a market for that device. But it's a high-end device today. It has to become more cheap to be more ubiquitous.

Chamath Palihapitiya

The thing - the thing that a lot of these companies confront, though, is that you can also grow inorganically, right? You don't necessarily have to incubate these projects. We can remember the moment Apple had a chance to buy Tesla, right?

Jason Calacanis

Didn't take it.

Chamath Palihapitiya

And then, they didn't take it. Apple still has a chance to buy. Pick your company that - that would take a sweet acquisition offer: Rivian, Lucid, Polestar - whatever it is. I'm not saying that these companies are good or not good. I'm just saying that Apple has the one tool that they've never used in their toolbox is the large inorganic acquisition. And at this point, if they are proving that they can't execute internally, the market is going to demand that they prove they can use that balance sheet as a cudgel to go and execute it externally.

David Friedberg

Yeah, I think the challenge, Chamath -

Chamath Palihapitiya

And if they don't do that, they're going to discount that cash to zero.

David Friedberg

The challenge is that there's a certain discipline and quality to the products and the businesses that Apple produces and runs. And it's very hard to see that in other markets. I mean, why would they go buy a money-losing, low-margin, hardware - car/hardware company when they are proven to make - you know, high-quality -

Chamath Palihapitiya

It depends on the reasons Project Titan failed.

David Friedberg

Yeah.

Chamath Palihapitiya

I think the article in Bloomberg basically said that the reason that they abandoned the project was in part that. They did not know how to go from where they were to a full production vehicle that could be level 5. And then, when it was proposed that they step down and just launch a level 3 autonomous vehicle, everybody said, "No, that it wasn't disruptive enough." Well, if that's the case, the thing that they made a decision about - there was not going into a market because of regulation, not because of technical capability. And I don't think that that's necessarily a smart decision. They would have been better off going into the car market, launching a level 3 vehicle and just letting the market play out. They probably just like they were able to do in music, have the influence to change the laws. Yeah, especially if they stepped in there with their rigor, right? And they're not doing that. So it's a little bit of a head scratcher what's going on over there.

Jason Calacanis

They need some new products. I mean - maybe Apple Vision Pro someday becomes the platform of the future, but they've squeezed as much revenue as they can out of the iPhone. Services seems like the best place for them to make money, but as we see - you know - the - the App Store is under assault, yeah.

Chamath Palihapitiya

Well, my idea for them was - my idea was just that. They should launch a huge competitor to AWS, Azure, and GCP. So - if you - look, every developer that Apple has theoretically could have been running on an Apple - not just on Apple's SDK and APIs - but they should be running in an Apple cloud. You could have made that claim and it would have made a ton of

sense for app developers to have turnkey access to that, right? And they could have subsidized it. And by the way - to Sacks' point - that would have been an incredible way to defend a 30% rev share. "Okay, listen. I'm taking 30%, but here's a bunch of subsidized access to hardware." And the market would have loved it. And in this AI shift, they can still do that where now people are chipping away at the 30%, right? People are saying, "Well, I can just build around you." They need to do something in services. Jason, the most valuable thing they could do would be to launch a big cloud, I think.

Jason Calacanis

Yeah. I mean - they have all the app developers on TestFlight ready to go.

Chamath Palihapitiya

They have all of them.

Jason Calacanis

They just email them and say, "Hey, here's your free storage." I mean - they could just slowly add features, right? And they're doing this open-source - I think it's called MGIE - or Magpie - or something. But they're doing an image one and - uh -

David Sacks

Well, look. If they could - if they could just make Siri work like the way it was supposed to using an LLM and have it be like - snappy - that would be a major upgrade to the iPhone. I don't think you need to buy a new iPhone for that because it would just be a software upgrade. But does getting Siri to work, would be a big win?

Jason Calacanis

I think that's where they're going with their silicon and they just announced the M3 on the MacBook Airs - like they're making their own silicon and I think it's going to power LLMs locally on the devices. And that's so powerful. I was using iPhoto this week and in Apple Photos there's now - on certain images, if you swipe through them, you'll see the little 'i' icon. When you click it. It tells you things in the photo like: "That's a bulldog. That's pasta." And so, they're already subtly adding these features. Now, that's a feature Google's had in Google Photos for five years but go ahead and open your phone right now and search for 'dog', or a 'bulldog', or whatever. Type of dog you got - you know - uh - 'labrador' - and then watch - 'golden retriever' - that it actually knows how to do it. They never announced it. It's just subtly being put in there. So there's so many opportunities.

David Sacks

If they required a hardware upgrade to get like, actually good AI built into the software, then everyone's gonna have to upgrade for that.

Jason Calacanis

You'd be on a pretty.

David Sacks

Big motivation to upgrade.

Jason Calacanis

Do you have a Tim Cook? Somebody send this clip to Tim Cook, put AI chips on your phone. But this isn't hard, right?

David Sacks

I mean, all they got to do is just take the latest open-source models and figure out how to customize them for their own products.

Jason Calacanis

Yeah, and they're doing it. They're doing it right now. Alright. Let's go to issue #4: TikTok bipartisan ban. Will the CCP agree? A bipartisan group of a dozen plus lawmakers introduced a bill that would effectively ban TikTok in the House this week. The bill is officially called the Protecting Americans from Foreign Adversary Controlled Applications Act, gives ByteDance 165 days to divest from TikTok. That's the parent company, the Chinese company that owns TikTok, the app that's very popular in the West, especially here in America. It would make it illegal for companies like Apple and Google to show TikTok in their app stores. As you know, TikTok - 170 million US users - and they claim that their headquarters is headquartered in Singapore. I know people who have worked at TikTok or do work at TikTok, and they said, "That's nonsense to me." The company said, "It has not and will not share user data with the CCP." In my mind, it's an obvious lie. In 2021, the CCP took a board seat on ByteDance - Beijing-based subsidiary. That's according to Reuters. And then in 2022, ByteDance admitted that it accessed IP addresses and data by journalists covering TikTok to see if they'd been in the same places as ByteDance employees. Obviously to find leakers and ByteDance claims they fired the people involved - yadda yadda. Last year, a former head of engineering at ByteDance US said, "CCP members had god-mode access to user data in 2018." Sacks, I could go explain more of this but I just got to go to you here. If this - if ByteDance is not spying on Americans and the CCP is on the board, that would be - make no logical sense to me. And why are they fighting the divestiture? If it's just a financial reason, why won't they take the CCP off their board? Do you think it's spyware? Do you think the US is crazy for allowing this product here in the United States when we're not allowed to put Twitter, Facebook, Instagram, pic, your social network in China. We have zero reciprocity here.

David Sacks

Look, if it's true that. TikTok is sharing data with the CCP that I think the United States is well within its rights to either ban it or cause it to be divested. And I personally like the

divestiture option. I mean - that's what Trump was suggesting during his term, because we don't - I think - in the United States like - to just essentially confiscate or destroy people's property. But I think we are within our rights to require it to be divested to an entity that we know is completely separate from and won't cooperate with the CCP. This bill is a better - is better than the last bill we talked about that was targeted at TikTok. I don't know if you remember that one, but it was weirdly prohibiting Americans from using VPNs and gave the government the right to go after Americans who are using VPNs. So this one seems cleaner and better and more narrowly targeted at divestiture. Now, at the beginning of my response to you, I did say, if you know, I know that everyone's just assuming that it's true that TikTok is sharing data with the CCP, but I just want to confirm that that is the case because they are denying it, and I can understand why people think it and why it might even be likely. But since we do have a concept of due process in America, I do think some evidence should be provided that that actually is taking place.

Jason Calacanis

Well, we've had, you know, whistleblowers inside there. But Chamath, if the CCP is spying on their own citizens, what are the chances that they wouldn't take the opportunity to spy on government officials who have TikTok on their phone or their kids and get kompromat on them, possibly, or know locations of people? What is your gut tell you is the CCP? Is this too dangerous for us to have here in America under CCP control, or this kind of influence being on their board?

Chamath Palihapitiya

I think you're asking the exact right question. I have two comments to make. One is - Nick, if you can bring up this article about the Google AI IP case, basically what happened was that the DOJ. Filed an indictment. Actually, I think I sent - I think I sent you guys the actual indictment. But essentially what happened is there was an engineer at Google that has been charged crazy, that has been charged with stealing AI secrets for China. And I don't know if - whether he's back in China now or not, but the whole point is that if it's happened at Google, right, where there's a motivation for the Chinese intelligence apparatus and frankly, every intelligence apparatus to infiltrate that organization and get access to all kinds of data. I think we should presume by default that all of these organizations are infiltrated. And I think that that's probably a more conservative and reasonable posture. So Facebook is infiltrated, Google is infiltrated, Apple is infiltrated, TikTok is infiltrated. So on that dimension, I think that it should be considered 100% certainty that this data is getting back to not just the Chinese, but multiple state sponsored actors. So the question about. TikTok. Then I think should be one of business. And I think Palmer Luckey did a very good job of simplifying this down to its essence, which is essentially what he called the law of equivalent exchange. If you want to just play this, it's like just a few seconds.

Palmer Luckey

I was kind of frustrated that people made TikTok into a cultural issue. By the way, I'm totally on the culture war side of it. But what I was saying, practically speaking, you should not make this a culture war issue. Don't talk about how it's ruining our youths' ideals. Just say strictly on a trade basis. Yes, we cannot allow them to sell this thing to us if we can't sell the same thing to them. Like that should be totally fair.

David Sacks

That's reciprocity.

Jason Calacanis

That's reciprocity. Me and Palmer Luckey in sync.

Chamath Palihapitiya

Right. So this is what he calls the law of equivalent exchange. And I think it just makes a lot of sense. So on the face, what I would say is check out my response is, I think that the CCP, but also other intelligence organizations have infiltrated all of these big companies, and all of our data is accessible by them. I'm not going to say on a whim, but I think it's accessible. I think you have to deal with TikTok as a business issue. And I agree with Palmer Luckey, which is they should not be able to sell to us what we cannot sell to them. And I think that that's a fair principle that we can live on.

Jason Calacanis

Reciprocity is a very simple position. Friedberg. Let me use your creativity, your love of cinema. If you were to use this tool, let's take the most cynical approach here, where interpretation CCP has complete access to the algorithms and they want to do maximum damage, let's say during the election, let's say in a conflict like the one going on in Ukraine with Russia or in Gaza. What could they do using the algorithm using videos? What would be the doomsday scenario for America?

David Friedberg

As in the CCP comes in and influences the management of this company and tells them what to tweak and how and why? Yes, content-wise.

Jason Calacanis

What would they do?

David Friedberg

I think we saw this during - after October 7th - that there was a significant surge in pro-Hamas videos relative to Israel support videos. That's the sort of thing where you could kind of see something that sets an opinion that may be disruptive to the social fabric, to the election cycle that starts to get shared more frequently and shown - shows up in feeds

more frequently. Unlike Facebook and other places where there's a linear feed where you can scroll up and select what you want to watch. As you know, TikTok has already lined the videos up, so when you scroll up, they've - they automatically play the next thing for you. So the ranking really matters in terms of viewership on TikTok, unlike a lot of other kind of select to play social media type.

Jason Calacanis

Shift an election. Hearts and minds in a war.

David Friedberg

Well, I've always said this. I think it's the craziest thing in the world that someone can spend advertising dollars and change someone's vote. Like, like, just think about that fact for a second. I mean, I've said this before, and people have told me I'm an idiot for saying it but meaning.

Chamath Palihapitiya

That you can or that it does that you.

David Friedberg

That both that that - that -

Jason Calacanis

Can influence.

David Friedberg

Sure. But think about it like people don't individually go and gather data and then make an informed opinion about who they're going to vote for, their opinion changes based on seeing an ad. It is so crazy to me that that's the truth.

Chamath Palihapitiya

I think the - I think the country knew that it does. That's why they prevented it from happening until Citizens United.

David Friedberg

Yeah, exactly. But I mean, I think that's what's so nuts is that there's no longer a forced discourse that kind of makes people go out and choose what content they want to consume, what they want to hear, debate stages, etc. that now it's about who spends the most money to get the most views in front of someone. And that that actually influences someone's decision on who to vote for is what's so compelling to me about why all of these systems have such extraordinary power. It's just so amazing to me that the more frequently someone sees an ad, the more likely they are to buy something or do something.

Jason Calacanis

Here's the bottom line this thing the more frequently you show.

David Friedberg

Someone a memetic on TikTok, the more likely they are to vote something differently. This thing is.

Jason Calacanis

Far too powerful for the CCP to have any kind of access to it. For the Chinese government to have any kind of access to it, it has to be divested. If you look at what we went through in the last couple of election cycles, not being partisan here at all, but we've said and we've talked about Hunter Biden's laptop is but one example, you know, that was suppressed, obviously on social networks that could have been amplified on social networks and it could have had the opposite effect. Hillary Clinton's emails, you know, Trump, this Hillary, this Biden, that you could really sway an election by putting in specific, subtle information, let alone taking a hack and releasing it like they did with Hillary Clinton's email. So, you know, those things might not have swayed an election. But Sacks, if Putin had access to this, like somebody who's super capable and he had. Access to 170.

David Sacks

Is where it goes.

Jason Calacanis

No, I just he's Putin is.

David Sacks

Secretly pulling the strings.

Jason Calacanis

Of our elections. Okay. Iran, this is like.

David Sacks

The biggest threat inflation ever. Okay. Look, if you ask if you ask people out there, do you think other people's votes are influenced by social media? They'll say, yeah, of course people are brainwashed. If you say to them, is your own vote influenced by social media? Do you make up your own mind based on all the information you have? They'll say, yeah, of course I'm not brainwashed. Everybody else is. And I believe that people are closer to telling the truth when they're talking about themselves, because they understand their own situation better than they understand everyone else's situation. The fact of the matter is that all of us are constantly bombarded with information - 24 hours a day, 7 days a week - through all of the channels - both online and offline - where we get information. Some of those data points come from advertisements, but I don't think we take ads very seriously. We're trained

to kind of even just block out the ads. When I see banner ads or even ads in my stream, I just like scroll past them. They don't even factor into my consciousness. I am influenced by accounts that I follow, but there are accounts that I've chosen to follow because I think they have signal over noise. And the more noisy those accounts are, the more I disregard them and take them less seriously, with advertisements being the most noisy and least useful channels. So look, I think at the end of the day, this idea that we're all being brainwashed and secretly influenced by malign foreign actors, I think is at a minimum threat inflation. And that entire narrative might just be completely bogus. Nonetheless, I do agree that for data collection reasons and reciprocity reasons, I think, like I said, we're within our rights to require the divestment of TikTok.

Jason Calacanis

You know.

David Sacks

You don't make this into more than it is. Again, I think this whole disinformation narrative, by the way, you want to know why they push it so hard is because our own intelligence community wants to be involved. And there are political actors in the US who want to regulate, quote, disinformation on our own social networks. And I'm not talking about TikTok, I'm talking about X. I'm talking about Facebook, for instance - so on. And we saw this in the Twitter files. We saw what a cozy relationship the intelligence community had with Twitter. They were all up in there trying to control what legacy Twitter was allowing.

Jason Calacanis

And what they were censoring IRL. They blocked the New York Post url. And you've said on this program that you believe that could have swung the election.

David Sacks

Well, I think it was. I think that actually was genuine election interference. I actually said that I didn't know whether it could swing the election. I think that.

Jason Calacanis

But I think that could have.

David Sacks

I think it was a story that deserved to be published - published so that - and distributed online so that the public could take that into account when they voted. I mean.

Jason Calacanis

And so if it had been widely received, do you think I'm asking you a question? How would I not answering it?

David Sacks

Okay. You're asking me a question that I personally think is irrelevant. How would I know whether the suppression of that story swung the election? How can I know that? The point is that the American people were deprived of information, that they had every right.

Jason Calacanis

Republicans believe that.

David Sacks

An election.

Jason Calacanis

That would have swung the election.

David Sacks

Yeah, I can't prove. I can't prove that it swung the election. What I'm saying is that it was a type of election interference. Why was that story suppressed? Because 51 former intelligence officials, who still maintain close relationships with the intelligence community, published a bogus letter saying that it was Russian disinformation - which it wasn't. And then, that caused our social media sites to suppress it. So, that to me is as concerning - if not more concerning - than whatever it is that TikTok is accused of. So, I don't want social media companies being used by the intelligence communities of either China or the United States to swing or to influence our elections and we need to be equally concerned about that as we are about supposed Chinese influence.

Jason Calacanis

Just go back in time. You probably remember the Willie Horton ad. I mean - that kind of sunk Dukakis. If you remember that - I mean - media and these ads can really have a big impact. So, people should just look. Historically, there have been many moments where - whether it's Nixon sweating on TV or the Willie Horton ad - there have been many moments where video can do this and I think they could be done even more subtly by the Chinese by just - you know - promoting certain videos. Alright, let's move on to Bitcoin. Issue #5: Bitcoin's back baby. It hits an all-time high - \$69,000 - interesting number - on Tuesday. \$69,000 before dropping - sitting around \$68k as we're taping. Could be 75 by the time you hear this or 50. It's been ripping in 2024 - up 70% since January 25th. There's two things going on here that you've probably heard about. The Bitcoin ETFs finally arrived in the US. They were approved by the FCC on January 10th. We'll get into that in a minute. Obviously, if it's an ETF, it's super easy to buy them and sell them. They've been a total hit. Blackrock's Bitcoin ETF became the fastest ETF to ever reach \$10 billion in assets. Also, as the technical crypto heads in the audience know, there is a halving happening in April. This happens about every four years at the current pace. The last one was May of 2020. When these halvings happen, the mining rewards are cut in half. This reduces the supply of new

Bitcoins entering circulation and can cause some swings. Chamath, we had - we released a clip - I think - um - just about your prediction and you nailed it again. You said this would be a big year for Bitcoin. So, your thoughts on being right?

Chamath Palihapitiya

I don't have many thoughts on that, but my two comments are that. I talked to a lot of Bitcoin traders and folks that seem to have a very good pulse and touch on this market. I don't say that I do because I don't really look at it every day, but they seem to think that this thing is on a death march to \$100k. I'm not sure whether that price is realistic or not in the year, but I will say that. We're going to get to a tipping point where everybody really talks about this. I still don't think we're there yet. I think we're just at the beginning. But when you see the inflows into these ETFs, JCal, it's like a very big deal because it just allows every mom and pop individual to buy some to the extent that they want to own it or they want to speculate on it - whatever it is. So, I think it's been a very big year. And I think that psychologically, it's proven a lot of folks wrong and it's a setup for something really constructive. The other thing I'll say is that it's not just Bitcoin. But as goes Bitcoin, there are a handful of other things. People are now speculating that there's going to be an Ethereum ETF that gets approved as well because - you know - if you approve one, there's probably legitimate cause to approve a few others. So, these things are becoming part of the financial fabric and I think that that should not be underestimated.

Jason Calacanis

And the SEC is still taking action against certain bad actors in crypto. There were a couple of those this week. But Bitcoin, Friedberg, is incredibly resilient just on a technological basis. The fact that it hasn't broken down under stress. It hasn't had - you know, a denial-of-service type of attack or a government hasn't been able to capture 51% of the mining - or some great amount of it - or just even be hacked in any way. You have to be impressed by the fundamental technology here. Friedberg, maybe you could speak to that level of success that this thing is so stable and trustworthy and reliable to date?

David Friedberg

It's - you know - it's got a great incentive model. As long as Bitcoin price remains high, the miners will still be there, and the system will keep running. If Bitcoin price drops, transaction fees will decline, the value of mining will decline, and - you know - it kind of goes the other way as well. I think the real question is: In the last couple of years, have we really seen a change in Bitcoin being used for transactions or for commerce in any meaningful way? I think the answer is still likely not. No, definitely not. And it's really a stored value system and it's become this kind of stored value asset.

Jason Calacanis

Friedberg, this microplastics thing - we talked about it on the show - and since that time I refused to open plastic bottles. I'm doing all glass. I'm getting rid of all this goddamn plastic.

I already did glass bottles in my house because I'm cheap and I like to fill it from my water filter, but. We're uncovering more information. And then I saw this headline this week that microplastics are in our blood streams in some cases. And what the heck does that mean?

Chamath Palihapitiya

It's worse than that.

David Friedberg

Team of scientists in Italy collected samples from patients that had plaque removed from their carotid artery. It's a kind of common cardiac procedure where you get plaque that blocks up in your carotid. They go in. They remove the plaque. So, a total of 304 patients agreed to have the plaque that was removed from their artery submitted for analysis and then what this team did is they took that plaque and they studied it to see how much plastic was found in that plaque. And they used a bunch of measurement techniques to do this - including electron microscopy and mass spec. So they - because it's really hard to find these molecules and microplastics or nanoplastics, remember - are less than 5 millimeters in size with a mean level of 21 micrograms per milligram of plaque - roughly 1 per 50 is the ratio of plastic to plaque that they found - which is really incredible because it shows that plastics - these little nano and microplastics - are accumulating.

Chamath Palihapitiya

Good or incredibly bad?

David Friedberg

Incredibly bad that these microplastics - these nanoplastics - are accumulating in the human body. Now here's the scary part. They then did a follow up 34 months later. The patients that had plastic in their blood had a four and a half times higher ratio - or likelihood - of having heart attack, stroke, or death from any cause. So, all of these major health effects were four and a half times elevated in patients that had plastic in their blood. This was published in the New England Journal of Medicine. If I didn't say it, it really indicates that there is this kind of cumulative problem and that the cumulative problem is likely leading to really adverse health outcomes. And I'll just highlight one other paper from a team in Germany and Norway back in May of 2022. And this team tried to figure out how plastics are causing adverse health effects in the body. And they had a theory like, let's put little microplastics or nanoplastics together with all the human cells that we know, shake it up and see what happens. And what they found was that these little plastic fragments were binding to dendritic cells and monocytes, key cells in the immune system. And when those cells were bound by plastic, they release these cytokines, and the pro-inflammatory signals go through the roof. It causes the immune system to go haywire, increases inflammation. And the cascading effects of that obviously can ultimately lead to many of the events that we're mentioning were measured in this set of patients in Italy. So again, we're just starting to uncover these effects, this concept that microplastics and nanoplastics that are

accumulating. Let me just say these plastics are mostly pet, which is what we use to make plastic bottles that we drink water and drinks out of - and PVC - or polyvinyl chloride - which is what a lot of our plastic plumbing and piping is made from. And so, as little tiny bits of these plastic materials either are exposed to sunlight and break off and end up in our water and food supply and we consume them, they are slowly accumulating in bodies and they may be driving inflammatory response. They may be driving adverse health outcomes. We're really kind of tip of the iceberg and really studying this understanding and analyzing it. But here's another really interesting empirical data set that highlights that this really is - um - a pretty significant half. The patients had it. And of that half, they had a four and a half times higher chance of dying of having a heart attack or a stroke in the 34 months that followed. Yeah. The really scary data.

Chamath Palihapitiya

The thing - the thing that that study said - which was nuts - is that it looked like the nanoparticles - the nanoplastics and microplastics - were effectively acting as scaffolding for plaque. So, in almost like it was a - it was a shim that allowed it to grow. The question is: Would it have grown faster than it would have otherwise? That's even scarier. So, I did not like reading that paper. That really freaked me out - really, really freaked me out.

David Friedberg

I was drinking water from plastic water bottles this week and every time I drink water out of a plastic bottle now, I'm like - like nervous - every time I take a sip.

Chamath Palihapitiya

You're not supposed to double your - the risk of all-cause mortality - by drinking a Fiji water. You know what I mean?

David Friedberg

4.5x. 4.5x.

Chamath Palihapitiya

It's crazy.

David Friedberg

In 34 months - think about the cumulative effect over time - over a longer period of time. Yeah.

Chamath Palihapitiya

Imagine drinking water out of a plastic bottle, thinking you're doing the right thing and then trotting over to the recycling bin, you know? Yeah. And you do that for 20 years. You may be killing yourself.

Jason Calacanis

Well, there it is.

David Sacks

So wait, what's the if you if the water glass bottles.

Chamath Palihapitiya

Yeah. You must use you cannot use plastic. You are just.

Jason Calacanis

Cannot. No plastic. No plastic.

Chamath Palihapitiya

You got to stop. It's over. It's done, it's done.

Jason Calacanis

Glass cans - good plastic - hands down.

Chamath Palihapitiya

Stainless steel. Stainless steel is fine.

David Friedberg

Just like I mentioned when we talked about this a few weeks ago. The carbon footprint, the environmental cost, the cash cost is much higher with all these alternatives to plastic. So there are big challenges with respect to having some big, massive response to plastics used in our supply. But - you know - living in the luxury world that we all get to live in, we get to have that choice and we'll make that choice. But it's a real problem for humanity because plastics are so ubiquitous in so many things. And they've enabled - they've enabled affordability of consumer goods.

Jason Calacanis

This is such bullshit. Honestly. Like, all you have to do is have glass bottles or carry a water bottle with you - like I have a Contigo one I like. I carry it with me. I empty it. I fill it.

Chamath Palihapitiya

No, JCal. JCal, how do you - how do you - but -

Jason Calacanis

And then I have a water filter in my house and we fill water bottles and put them in the fridge.

Chamath Palihapitiya

No, but what if you like yogurt? Yogurt comes in a plastic container. There's all kinds of stuff. You can't avoid plastic.

Jason Calacanis

No, I know.

Chamath Palihapitiya

That's what's so scary.

Jason Calacanis

We try to in our house.

David Friedberg

That's what's so scary.

Jason Calacanis

We - we do have the French yogurt that comes in glass bottles. But yes, it is hard.

Chamath Palihapitiya

I, as well. We do the French yogurt in glass bottles.

Jason Calacanis

It's so nice.

Chamath Palihapitiya

It's so good.

Jason Calacanis

It's delicious.

David Sacks

Where do you get it from?

Jason Calacanis

There's a French yogurt that comes in glass - a glass bottle.

David Sacks

Oh, "French" yogurt.

David Sacks

But how do we get water in plastic -

David Friedberg

I think it's called - it's called La Fermière.

David Sacks

Sorry, how do we get water -

Chamath Palihapitiya

No, water - water - you just install a filter system which you have at the mausoleum and just fill huge glass bottles.

Jason Calacanis

Just have your staff fill glass bottles and put them in the fridge and don't throw them away.

Chamath Palihapitiya

And give your kids like some of these Thermoses or whatever, but don't have the water bottles - like - you know, it's so funny. It's been a disaster in the poker game. In some ways, we got rid of it and there's been way more broken glass. People knock over the - you know - the side tables. I get it. It's been a huge pain but I will not go back.

Jason Calacanis

No, it's the right thing to do.

Chamath Palihapitiya

The right thing to do.

Jason Calacanis

Okay.

David Sacks

Well, if Chamath is endorsing this, I guess I'm going to take it seriously.

Chamath Palihapitiya

I think you got to do it.

David Friedberg

My opinion doesn't matter?

David Sacks

I'm not saying you're wrong. I'm just saying that your threshold for becoming concerned is lower. And then, if it hits Chamath's threshold - which is higher - I'm going to take it more seriously.

Chamath Palihapitiya

As your bestie, I would like you to stop using plastic for the rest of your life, okay? You're in a position to do it. I would ask you to not do it.

Jason Calacanis

Alright, everybody. Well, can you -

Chamath Palihapitiya

Come back to the Bay area so we can see -

Jason Calacanis

Each other? Absolutely. I miss you guys. Alright.

Chamath Palihapitiya

Love you guys I miss you.

Jason Calacanis

I miss you guys too. For the sultan of science, the chairman/dictator and the Rain Man - David Sacks. I am the world's greatest moderator.

Chamath Palihapitiya

Okay, love you guys. I gotta go.

Jason Calacanis

Love you. Love you. See you next time.