Bubble talk

I'm tired of reading about investors and journalists claiming there's a bubble in tech. I understand that it's fun to do and easy press, but it's boring reading. I also understand that it might scare newer investors away and bring down valuations, but there's got to be a better way to win than that.

I would much rather read about what companies are doing than the state of the markets. The gleeful anticipation of a correction by investors and pundits is not helping the world get better in any meaningful way.

Investors that think companies are overpriced are always free not to invest. Eventually, the market will find its clearing price.

I am pretty paranoid about bubbles, but things still feel grounded in reason (the thing that feels least reasonable is some early-stage valuations, but it's a small amount of capital and still nothing I would call a "bubble"). Even my own recent comments were misinterpreted as claiming we're in a bubble—that's how much the press wants to write about this.

Although they cause a lot of handwringing, business cycles are short compared to the arc of innovation. In October of 2008, Sequoia Capital—arguably the best-ever in the business—gave the famous "RIP Good Times" presentation (I was there). A few months later, we funded Airbnb. A few months after that, a company called UberCab got started.

Instead of just making statements, here is a bet looking 5 years out. To win, I have to be right on all three propositions.

1) The top 6 US companies at http://fortune.com/2015/01/22/the-age-of-unicorns/ (Uber, Palantir, Airbnb, Dropbox, Pinterest, and SpaceX) are

currently worth just over $100B. I am leaving out Snapchat because I couldn't get verification of its valuation. Proposition 1: On January 1st, 2020, these companies will be worth at least $200B in aggregate.

2) Stripe, Zenefits, Instacart, Mixpanel, Teespring, Optimizely, Coinbase, Docker, and Weebly are a selection of mid-stage YC companies currently worth less than $9B in aggregate. Proposition 2: On January 1st, 2020, they will be worth at least $27B in aggregate.

3) Proposition 3: The current YC Winter 2015 batch—currently worth something that rounds down to $0—will be worth at least $3B on Jan 1st, 2020.

Acquisitions at any point between now and the decision date are counted as their acquisition value. Private companies are valued as of their last round that sold stock with at most a 1x liquidation preference or last secondary transaction of at least $100MM of stock. Public companies are valued by their market capitalization.

There will be downward pressure on valuations as interest rates rise. But I think it will be less than the upward pressure of the phenomenal innovation and earning power of these businesses.

Of course, there could be a macro collapse in 2018 or 2019, which wouldn't have time to recover by 2020. I think that's the most likely way for me to lose.

This bet is open to the first VC who would like to take it (though it is not clear to me anyone who wants to take the other side should be investing in startups.) The loser donates $100,000 to a charity of the winner's choice.