

Alex Danco – Shopify, SPACs & Status

Jim: Well, hello everyone. It's Jim O'Shaughnessy with my colleague Jamie Catherwood for another edition of Infinite Loops. I am delighted to finally, finally-

Alex: Finally.

Jim: ... Get Alex Danco as my guest. We have been trying back and forth, and it's usually my fault, not yours. You've been very gracious. But welcome Alex.

Alex: Thank you so much for having me. I've been looking forward to going on the show for several weeks now. So the anticipation is killing me.

Jim: That's awesome.

Alex: We should mention, by the way, for context setting for the listeners here. We are recording the show at 1:00 PM, on Friday, Eastern Time. Pennsylvania is coming in in batches of five votes at a time. Everybody is glued to either the New York Times election needle tracker. Or if you're in my world, that GitHub page where people scraped the New York Times data so you can see it presented more thoughtfully. Some of you will know what I'm talking about and the suspense is killing us. How are we going to have a conversation, Jim? How are we possibly going to chat?

Jim: I'm going to use the, "Not me," meme. So-

Alex: Speaking of memes, at some point, at some point, we need to talk about GIFs on Twitter. I want to interview you about GIFs on Twitter at some point in this interview. So hold me to that, Jaime.

Jamie: Oh, I will. Don't worry.

Jim: Even Jamie can't get it out of me. I mean, I don't know. It's a well-guarded secret.

Alex: Well, we'll try.

Jim: I have-

Jim: There's security guards outside the room that houses his laboratory.

Jim: I have all these special purpose vehicles that even Patrick who is CEO knows nothing about. And one I started five years ago was GIF AI, but oh, I've said too much.

Alex: All right. Jamie, scrub the tapes. Scrub the tapes.

Jim: Alex.

Alex: What are we going to talk about?

Jim: First off, let's talk about Shopify. You've been there what, seven months?

Alex: Six months.

Jim: Six months. Okay. Tell us what's going on.

Alex: Boy. What isn't going on? Shopify is a big place and we're doing a lot of things. It is a wonderful place. I should preface by saying I have so much fun working there every single day. I had some idea that it was going to be a really good fit when I joined. But I have been pleasantly surprised every day at what an engaging challenge it has been. In getting to work there and learning how to contribute and learning how to be useful to this company that's doing something fundamentally important, which is creating an easier and better and more rewarding path into entrepreneurship for people all around the world.

Alex: If you are a merchant today or over the past 20, 30 years, you have faced a lot of headwinds that are really tough. The path into small business, especially small business selling things, used to be this unbelievable way to create self-sustainability, create community, to create sort of pillars of the economy and of local ecosystems, because entrepreneurship and merchanthood was something that we really, really celebrated here in America and around the world.

Alex: And sometime, somehow over the last, maybe 20, 30 years, things have kind of gotten off track a little bit. We've gotten a little bit too obsessed with convenience, a little bit too down the path of, I want to call it consumerism, I guess.

Jim: Yeah.

Alex: Which is the state of commerce and the state of being a merchant, where we're buying a lot of things, but buying it in a fairly low friction, low trust, low commitment kind of way. It's really hard to be a merchant in that kind of environment. You're competing against the Amazons and the Walmarts of the world. Who, don't get me wrong, have done great things., right?

Jim: Right.

Alex: We're not anti-Walmart. Walmart makes a good quality of life accessible to people in a way that was not possible before. That's a great thing. But it makes it hard to be a merchant who is selling something really special that you've put your life into learning how to create craft around.

Alex: It makes it hard because again, this is not really Walmart's fault. It's actually mostly the fault of everyone. We've forgotten how to shop. We've forgotten how to be interested buyers. The art of merchandising and of commerce has gotten lost a little bit, especially into this new era of the internet where everything is just so convenient and so quick. But kind of hard to trust anything and you don't really know.

Alex: So enter Shopify. Shopify's goal is really to bring back a part of the world of commerce that is very, I call it high trust commerce. It's commerce where you have this ecosystem of buyers and merchants who are all deeply committed to the art of commerce. We're committed to this idea that maybe shopping isn't supposed to be this completely frictionless experience.

Alex: Maybe shopping actually needs a little bit of challenge to it because the challenge is the fun. And the challenge of shopping is what makes it special, like finding this exact thing you want and building a relationship with a merchant and trusting them, and then getting joy out of the whole experience.

Alex: Shopify is really... You can think of the first part of Shopify's mission is making a very frictionless but meaningful path into entrepreneurship for merchants who want to create that kind of rewarding relationship with buyers. Who really, really care about what they're selling. But more generally, and this is something that you can look to Shopify to do over the next 1 to 5, 10, 20 years, is not only help merchants succeed at being great merchants, but help the entire community of commerce. So buyers, partners, supply chains, marketplaces, advertisers, everybody, everybody in the ecosystem. Engage more with what we call high trust commerce. Which is just truly better off for everybody. So that in a nutshell, that's Shopify. That's what we do.

Jim: It's so interesting. I had lunch yesterday with Dan McMurtrie. I don't know if you know Dan.

Alex: Yeah. You must mean SuperMugatu.

Jim: Oh, yes. That's who I meant. Yes. Yes.

Alex: Sources say.

Jim: But his thing, one of his theses during the lunch was that we're moving so quickly to not only permissionless commerce, but to no thought commerce. In other words, they don't even consider what they're buying and they're buying. What do you think about that?

Alex: This is an issue we think about a lot. Which is where should there be friction and where shouldn't there be friction.

Jim: Right.

Alex: In commerce. So there are many parts of commerce where there is friction in the process and that friction is only bad. And this could be in any part of commerce. It could be in the part of becoming a merchant. Like you do not want to have to think about how you're setting up your payment processor.

Jim: Oh God.

Alex: There's no-

Jim: Having done it four times, I-

Alex: There's no benefit to this at all for anyone. It should just work. There's no point of going through that struggle for a merchant. It doesn't teach you how to do anything. It doesn't level you up in any way that's meaningful for the part you want to do.

Jim: It grinds you down.

Alex: It only sticks.

Jim: Yeah.

Alex: That is friction where we want to just get rid of that. There is other friction where you don't actually want to necessarily get rid of it because it's very important. Think about the friction of like figuring out how to land your first sale. Do we want to make that a hundred percent easy? Not necessarily. No one can do that for you. You have to figure out how to do it. And then when you do, you will feel growth. That's good friction. That's very good friction. And a lot of what we think about all day internally at Shopify is how do we surface and orient you correctly around the good friction so that you grow and feel yourself growing and then trust yourself more.

Alex: Now for buyers. You think the buyers are just an entirely different creature than merchants, but that's not necessarily true. There are some components of buy-in where we want to get rid of the friction. So a good example's like page load times. We are obsessed with page load times at Shopify. It doesn't seem like it's important, but it's very important because every 50 milliseconds a page doesn't load when you're in the middle of a shopping or buying process is a little bit of broken trust, with the merchant and with the process and with everything.

Alex: And you get maybe a couple of Get Out of the Jail Frees, but not an infinite number of them. It's not just the inconvenience. That's something that I think people forget about. It's not just the inconvenience of page load times, it's breaking trust. Commerce is a dialogue. And you remember that commerce has made of people talking to each other and gesturing with their hands and negotiating back and forth or whatever. And you don't want page load times in the middle of that. Really, really breaks the process.

Alex: But on the other hand, what is the good friction involved in commerce and in buying? It's like, well, if we went and followed through on a mission of get all of the friction out of commerce, you know where we'd end up? We would just make another version of Amazon. Or another version of these things that already exist.

Alex: So not to give away too many sort of secret sauce parts of Shopify and commerce, but I think there is a total understanding around us and what we want to help bring into the world of commerce. That friction is good to get rid of, but not challenge. Challenge is important, because challenge is kind of the essence of what commerce is.

Alex: If you strip away all the challenge out of commerce, what you're left with is a convenience store. And there's a place for convenience stores. They do something useful. But it's not for merchants. That's not commerce, that's something else. And so Shopify is... Shopify isn't a place to power convenience stores. That's not what we're about.

Jim: So give me a description of like, what would a perfect merchant be for Shopify?

Alex: I don't think there's a perfect merchant. What there is, is there is a perfect trajectory of the merchant, which is what we care about. We care a lot about trajectory. One of the things we're most proud of at Shopify is the fact that if you look at the biggest merchants selling the most GMB on our platform, a large percent of them are merchants who did not exist 10 years ago.

Jim: Yeah.

Alex: And who started out on the Shopify platform or came to us very early in their life as a merchant and grew up to be these enormous success stories. We care really greatly about trajectory here, because... The thing that's amazing about merchants and about commerce is that this is the most unfixed ham in the universe. People want to grow. People want to grow their stores and grow their businesses and succeed more generally.

Alex: This is the opposite of a fixed pie you have to go after. And that's part of why we... There's no perfect, ideal merchant for us in any moment of time. If you are a tiny merchant, we want to serve you. If you're a huge merchant, we want to serve you. If you are any merchant we want to serve you. What we care about is that you are a merchant we can help grow. It's the trajectory that we really care about. So we care about merchants, who, the first thing in the morning, they look at Shopify and the last thing they do before they check out for the evening and go play with their kids, they look at Shopify.

Jim: Hmm.

Alex: That's what we care about.

Jim: I watched a-

Alex: They're trying to learn.

Jim: Yeah. I watched a documentary on antique booksellers, last night, I think it was on Prime or Netflix or whatever.

Alex: Yeah.

Jim: And I was struck by the idea that most of them are very, very kind of downcast. They think their industry is dying. And what I found interesting was the characters are really quirky, really smart, and they would hunt the earth to find a book. Right?

Alex: Mm-hmm (affirmative). Yep.

Jim: And one of the things that was brought up was with the internet, anybody who wants whatever, a first edition of TS Eliot's poetry, they type that into Google or whatever search engine. And there it is. Do you think that certain industries are going to either disappear or radically change because of the trajectory of where things are going?

Alex: I mean, yes. So the answer is always going to be yes, because it's like, look, we're in the, still the early days of how the internet is going to change things. [crosstalk 00:15:44] I don't know how you can come up with any other conclusion.

Jim: Yeah, yeah, no.

Alex: In terms of what industries will be reorganized or changed or anything like that. I think it's worth looking at the fact that the internet... The internet has been around for what, 30 years? 25 years? 25 years.

Jim: Well, yeah. In usable form, I was one of the first users of all. I bought one of the first books on Amazon, etcetera.

Alex: It's been 26 years since 1994. So let's call it 26 years.

Jim: Yeah.

Alex: In that period of time, I think if you look at this trajectory of... I can't think about every industry on the internet, but let's even just look at the general world of buying stuff on the internet.

Jim: Yep.

Alex: In the really beginning you had the web, you had the web browser, and you had the ability for anybody to go participate. It was open. Anybody could go make a website. Anybody could go crawl around there. Anybody could go in these communities. It was quite open. It was full of little weird experimentation issues. It looked like... It was a science experiment for some time.

Alex: And I was pretty young at the time. But so I've heard. Most of the rhetoric around this from serious people wearing suits at board meetings was this is really interesting. And it's illuminating a path to the future. Soon, we will roll out the enterprise grade version of this that is ready for real commerce. You had this idea of the internet super highway was a thing that was going to get rolled out. And everybody was like, "This is interesting. This obviously isn't the real version. The real version is going to be far more professionally made."

Alex: And the internet super highway never worked out, but something, a more consumer friendly version of it did, which was AOL. AOL understood really well that the internet was this new thing that was exciting, and people didn't really trust it, or know how to

use it. But if you made it easy for them, if you mailed, incessantly mailed CDs to their door and you made this nice onboarding experience where people kind of understood what they were doing. You told them what an AOL keyword was, and you started getting them using AOL. Then if you could have people trust you, then AOL would make all the money. And they went a long ways towards pulling that off.

Jim: Yeah.

Alex: AOL made all these... Made a tremendous amount of progress in onboarding people onto this thing. And so naturally, one of the killer applications of this idea of connecting people was, "Oh, you'll be able to sell people things." We didn't really know how that was going to work. Initially it was stores were like, "Okay, let's put our catalog on the internet." And then at the bottom of the catalog it would say, "Call the number and then we'll order it for you."

Alex: So people would put their catalog on the internet and then say like, "There's a number you can call, please call the number." And so that was clearly not the real way, but people experimented with it and played around with it.

Alex: And then the first... But the problem was that commerce over the internet was still fairly low trust. It was like, you didn't really know if you could trust somebody on the other end of the internet. You didn't probably know what to do.

Alex: And then this incredible, magical company figured it out. And that company was eBay. eBay got it right. eBay just a hundred percent realized that the internet was a place to take people who obsessively cared about very stiff, civic kinds of collectibles, and Beanie Babies or trading cards or whatever it might be. And were willing to go through a lot of challenge to find what they were looking for and engage with a seller and bid on it and go through all of this friction. And at the end of the friction, get out this amazing process. Which is they got this very rare, special thing that they were looking for. Like the rare book sellers. Right. They'd get their first edition TS Eliot. They went through the challenge. And at the other side of the challenge was something great.

Alex: So this was... What eBay figured out a couple of things, which was like, you needed a certain ways to trust the process, like getting in seller ratings and buyer ratings and making certain aspects of the process a little bit more transparent and easy. But generally... There's this book called The Perfect Store that I think has been recommended a bunch both on Patrick's podcast and also generally that everyone should read.

Alex: eBay had just completely seized this new world of saying like, "The internet is this perfect forum for bringing people together to engage in this challenge of doing commerce." But then, success became eBay's worst enemy because as this started getting bigger and bigger, the temptation towards convenience became too strong. So you started seeing things like the Buy It Now button, which initially was fine, but it takes you down a little bit of path towards like, get rid of all the friction, get rid of all the challenge. Make this more convenient.

Alex: And then you started... eBay started pitting sellers against each other, as you're trying to appease buyers more. And they started to go down this path of, in optimizing for getting rid of friction they really sort of killed what made the place so uniquely magical. And eBay's still around obviously, but it is not the juggernaut of commerce that it used to be.

Alex: So that was a model of selling things. We learned a lot, but it had its moment of peak acceleration and then... Again, the draw of convenience was too strong. Later, or not later, concurrently at the same time you had this other company who had a different idea about how commerce on the internet was going to work. And that company said, "You know what? Convenience plus selection is a really good mix for the internet. If we give our buyers both of those things and they come to expect both of those things, there should be a virtuous cycle we can tap into where we can reinvest all of the proceeds of convenience and selection into more convenience and selection. And this will be a really nice flywheel we can do."

Alex: And so that company, early on in its life, looked at a couple of different names for the business. I think it was called Cadabra originally. My favorite of the original names was relentless.com.

Jim: Yeah.

Alex: But ultimately we know them as Amazon. And Amazon-

Jim: I loved relentless.com.

Alex: It's still, if you go to relentless.com, it still takes you to Amazon.

Jim: Oh.

Alex: It still works. And so Amazon... Remember, Amazon has one of the great executing companies of our age. But Amazon, what Amazon understands so well is that convenience ultimately is driving the bus, not commerce. Amazon is not a commerce company, they are a convenience company. And they apply that to everything. So it is not really a place where commerce happens.

Jim: Right.

Alex: And so it's great for people who want to get things conveniently. And that's a lot of things for a lot of people. But it's not quite the same thing as shopping. You don't shop on Amazon. Amazon is a bad shopping experience. So that is where we'd like to go make our mark on the world of online commerce. And so in 2020, 26 years in, eBay had their moment in the sun where they had understood shopping for that initial market. But, 20 years later, we still haven't figured it out. So Shopify really has, we have this mission to go get that right on behalf of our merchants, on behalf of buyers everywhere, we want to make shopping awesome.

Jamie: It's interesting that you use eBay instead of Amazon as the trust example. Because I remember last year, or maybe two years ago now, when Chris Meredith, our CIO, and I worked on this paper called Value Is Dead. We were looking at the comparisons between kind of the early manufacturing age and information age. And we read a lot about how Amazon pulled ahead early because they focused on the one-click credit card payment processing system. And that initially it was a real struggle for people to trust entering their credit card information online. But Amazon made that a real focus and kind of worked to overcome this internet trust issue that you were talking about with eBay.

Alex: Yeah. So that's absolutely right. And is a really good thing to point out. So remember, in the early, early days of eBay, you had to mail eBay a check.

Jim: Yep.

Alex: The great anecdote from that book, The Perfect Store is that eBay's employee number two, I think it was, their job was opening checks in the mail. That people sent them. The joke is, that's how you know when you found product market fit.

Alex: So with eBay, remember it's like eBay started out and they're real... What really made them win was connecting buyers and sellers who were so motivated to make these unique one of a kind sales that they were willing to push through anything to go do that. And that included navigating weird payment things, whether it was checks initially or establishing PayPal or whatever it is [inaudible 00:25:13] If you were buying things for convenience on the internet, none of that was going to work. It has to be easy. It has to be one-click or as close to one-click, as you can.

Alex: For Amazon, that was more of a differentiator. And more of an important strategic asset for them was their investment into this very, very, very quick, get your payment done, get people to trust that this payment is going to the right place. And ultimately it mattered a lot for them.

Alex: I know, so Toby, like Shopify Toby, likes to say that the web was really great, but it had two critical design flaws. The first design flaw was that payments weren't built in, even though they almost were. And that is kind of what allowed Amazon to grow up and win this whole slice of commerce. And the second flaw was that identity was not baked into the web. It was left up to websites to decide how they managed identity and how they attract people's identity. And that ultimately led to things like... It led to AOL having this initially large presence around owning people's identity.

Alex: But then down the road, this is how you get to places like Facebook who provide this incredible service for people, by giving them an identity that they can use to talk to other identities. But ultimately turned a lot of the internet and subsequently a lot of the world of commerce into something that happened inside walled gardens. To their credit, they've done an incredible job executing on this.

Alex: So part of our job at Shopify is to help bring our merchants into all the gardens with Facebook. And say like, "Hey, how can we bring everything that our merchants have to offer, and all of the commerce superpowers that we can give them, to where buyers are?" And to where Facebook wants all of this commerce to happen. They have been a great and really interesting partner for us to work with and get to learn about and learn how they think about things.

Alex: Facebook, in many ways, has done the hardest job of all. Which is figure out how to really understand people and what they trust in and how people work. That's just entirely Facebook's business is understanding how people work. So we can learn a lot from them, in terms of how to best put that to work to help make commerce do well.

Jim: And another thing Dan and I were talking about yesterday was Facebook and its stranglehold on all emerging countries, all emerging economies. I wasn't aware that... We're invested in one of his funds called Anchorless, which operates in Bangladesh. And 95% of everything, commerce, communication, everything, is Facebook based.

Alex: Yeah. I remember there was a... It was some sort of survey that they did and I believe it was Indonesia, but I could be wrong. A few years ago.

Alex: So, the survey question asked, have you used the internet in the past month? And maybe 80% of people said no. And then they asked, have you used Facebook in the past month? People are like, "Oh yeah, I'm on Facebook every day." So, it goes to show... Although again, now it's probably a different story, right? I don't personally know these markets very well at all, but you look at these new companies certainly like the Chinese internet giants and a lot of the relentless expansion of their international arms, but also these homegrown versions, like xAPI, right? And See Limited and all these strange See Monster companies that we don't know about. And we need Julie Young to teach us about on Twitter. There are so much that Shopify and all of us can learn from these other ways that it works.

Jim: So, that brings up another thing I wanted to talk to you about, which is this whole idea that we share, I think, that more and more knowledge creation is happening in the open. OSAM's motto is learn, build, share, repeat.

Alex: I like that.

Jim: And we have what we call research partners. These are people who do not work for OSAM, but we give them, the data we have costs millions and millions a year, and these are people with mad skills and we give them access to it. And our first and probably best known rights under a pen name, Jesse Livermore. But what are your thoughts about what is driving the learning in public and where do you think it takes us?

Alex: So, this is a fascinating question. And I think about this all the time. I don't have a definitive answer for you in terms of what are the fundamental root causes of it. But generally speaking, if you look at what people are really after, right? In their life, people are looking for things that get them interested. People are looking for stimulation,

people are looking for stuff to really gnaw their teeth into that are interesting to them that they may not get in their day to day job, whatever it might be. And interestingly, the internet... The open community of the internet is somewhere where you can find other people who are interested in those same things as you and who want to learn about those same things as you in a way that was not really possible before, without there being a substantial amount of transaction costs involved.

Alex: In the old days, if you knew about business and if you thought about this and you want to go talk to other people who have... Cared about similar parts of business to you and trade your ideas, you could do that. But the only way for you to get to do that with each other would typically be to meet somewhere that is not accessible to everybody. It'd be at the club, it'd be wherever it might be. And so, that social function has existed forever, right? "Hey, talk shop, show off a little to each other, learn, be curious." All these things, was not available in the open.

Alex: Now what has happened is this curious thing about the internet, is that the returns to being on Twitter and getting to just say whatever's on your mind and participate in FinTwit, and in all of these communities, has been radically different and in many ways follows the backwards set of rules of what you would get in the old days about, not only what is valuable for you to participate in and what is interesting to you, but also what is considered okay and not okay. What is considered a red flag versus a green flag, right? I don't know about you, but I certainly remember being told many times that, "Don't ever listen to anybody who is pitching you stock tips." Right? If they were any good, they wouldn't tell them to you, right? They would be monetizing it, right? Or they would-

Jim: Right.

Alex: ... You can't afford the people who actually tell you the things. This is no longer true, necessarily.

Jim: No, I know. Some of the best analysts on stocks are kids on the internet.

Alex: The best analysis, the best work, the most thoughtful commentary and understanding and deep dives are free. [inaudible 00:32:20]

Jim: Free, I know. It's amazing.

Alex: You have to know which ones they... Now, the challenge is that, that doesn't mean they're accessible to anybody because you have to know which ones they are.

Jim: Right.

Alex: Right. This is an abundance problem, not a scarcity problem. This is very, very much a problem of curation and opinion and understanding how to navigate this deluge of people saying what's on their mind, right? It becomes very reputation-based, first of all, right? And Twitter is perfect for this because it's a really, really good way. People have said many times that Twitter is the real LinkedIn, because looking at who people follow

is an amazingly high signal way to find out who people... Which people you should pay attention to.

Jim: Right.

Alex: You go find people you respect and you look at who they're following. And that is a very, very high signal about who knows what they're talking about or somebody potentially you should pay attention to.

Jim: Right.

Alex: Right. You look at someone like Matt Ball, right? Who talking about media, no one is better at communicating what matters in media than Matt Ball? No.

Jim: I read that. I read it twice because I'm like, "This is amazing."

Alex: Everything he writes, right? You always learn something, it's always so smart. I think I agree with it 85 to 90% of the time, which is the perfect ratio, right? It should never be a 100, it should be just under a 100. So it's like everything is exactly right. And best of all, it is in Matt's interest for this to be available for free, right? This is not altruism, right? Matt's business is for everybody to understand that he's the man, right? And how do you do that? Well, you share your best stuff.

Jim: Yep.

Alex: Right? There's the paradox of the free versus the paid tier of the newsletter, right?

Jim: Yeap.

Alex: Which is that you would expect that the best stuff is in the paid tier, but in reality, the best stuff is in the free tier, right?

Jim: Free tier, of course it is.

Alex: Because that's how you get people to subscribe, right? And so Twitter is like the free tier of the world's great thinking and as follows, it's where the actually best thinking takes place. And you're one of the deans of this class and you've done this remarkable thing in terms of being associated with the... I don't want to see the neutral good guy that everybody likes and is always there with the right gift and is generally supervising, I think, to make sure that everybody is staying friends, which is awesome, remarkably valuable function.

Jim: We are so simpatico on this, Alex. I agree with you 96%. And I think that properly curated Twitter is going to have... The potential of Twitter is not even being touched yet. In my opinion.

Alex: When you say the potential of Twitter, what do you see as the big potential? Tell me about the big potential of Twitter.

Jim: So, to me, the big potential of Twitter is that it becomes a truly decentralized and yet connected intellectual marketplace where you can find and vet the very, very best minds in the world. And it will be remarkable because much of what people are looking for, right? They'll get free, as you pointed out, right? And so, if it can make certain that the noise, and there is a lot of noise on Twitter, we all know that, but if the noise can get reduced just a bit and the signal pumped up a little bit, I honestly think it's like the extended mind of man, if you will. And also a very, very good system for [inaudible 00:36:25] or the preference falsification is... Real preference, preference falsified, I think that it will be there too.

Alex: There's something interesting about Twitter, which is that in order to use it correctly, you have to have a really important suspension of disbelief going on in your brain, which is that it's like, in order to actually experience how great it is, you have to at least somewhat hold the belief that it's all stupid and silly.

Jim: Right.

Alex: Right? You have to call it the bad website and you have to... 20% of you thinking, "Jack, please delete Twitter. And we'll all be so much better off." You can't think that zero, you have to think a little bit.

Alex: I'll tell you an interesting part of Twitter that probably, I imagine many of your listeners don't know about. And this is really interesting to me. It's academia Twitter. So Twitter in scientific research especially, which is a world that I know a little bit, I was in grad school for neuroscience some time ago. This was... It's a world that I got to know a little bit before I went off and did other stuff. So academia, especially ... And when I say academia, I'm referring to the part of academia that I actually know, which is life science research, right? It's an interesting place because there is this funnel into academia that used to work and now doesn't work. And the funnel used to go, you go get your PhD, which is an apprenticeship under somebody who really invests in you and then teach you how things work.

Alex: And at the end of your PhD, the idea was you went and got a spot as professor doing research somewhere and you would teach and you do research and this pipeline worked pretty well. And at some point, this worked for 100s of years, mind you, this is a very old setup. In the mid 20th century, we had this new invention, which is called the Postdoc, which is, it says, "Hey, after your PhD, why don't you go take a couple of years? And before you immediately throw yourself headfirst into being a professor and all the overhead and administrative job that creates, why don't you take two or three years work in someone else's lab and only do really good science." Right? Take advantage of the fact that you're still young. You don't need the big salary yet. You can just be totally free to maximize how productive you are and go learn about what you want to do, right? And go build more expertise.

Alex: So, for a period of time, this was the best years of your life as a scientist was during your Postdoc when people had this amazing memories of this time. And for some people that is still true, but for a decreasing number, right? And the reason why is because in the pipeline of people into academia, right? It's like the number of PhD production increased and increased and increased and the number of faculty positionings did not increase at the same rate. However, no feedback signal was generated to stop generating PhD students because there is an elastic capacity in the system to accommodate more and more of them, which is called the Postdoc. I'll get back to Twitter in a second, I promise.

Jim: No, I'm loving this.

Alex: So, you have this infinitely expandable reservoir of Postdocs who have become the actual workhorses for life science research in recent years, right?

Alex: They're the people who are actually doing the science and actually writing the papers and actually doing a lot of what people think happens in labs, for very low pay in these really miserable career funnel, because you're competing against everybody else who has to do the same thing. And you might ask, "Why does everybody put up with this, right? What is the force that is holding this together?" And the critical barrier, right? To getting hired for a faculty position and really getting that job offer from a good university is you have to have a certain number of publications in the tier one journals. And the way that you get into those tier one journals, if you do not have an established reputation, is by being in the labs that can get you into those journals, right? It is a little bit about the science that you do, but really it's about being in one of those powerhouse labs that can get you into and accepted in Cell Nature of Science, New England Journal of Medicine, that kind of thing.

Alex: So this is a setup where, as a young scientist, you are effectively forced to pay tribute to the established scientists in the form of being a Postdoc in their lab for potentially years and years, so they will grant you the keys into the journal, so that you can build a reputation and then get hired, right? And because there is not really any other way for you to build your reputation at scale in the scientific community, other than publishing in the journals, you have to pay that tribute, right? And because you have to pay that tribute, the entire financial model of how science is funded has become arranged on cheap Postdocs who get paid 40 to 45K a year, being in abundantly available, in surplus availability because they have to, right? There's no other place that they can go. So that's how the labor market of science works. All backed up into this gatekeeping around, there's no other way to build a reputation. Now, Twitter has shown up and it has really caused some problems for this. Because now as a young PhD student, or Postdoc, you have the ability to go direct to your audience and tell them directly what you're working on and directly participate in talking about science with people, with no barriers, right? Is only, are you able to find other people? Can you talk about what's interesting to you? Can you share your work directly? This is very cool.

Jim: Very.

Alex: Very cool, right? In the short term, it's not like people are not publishing their work. It's not like people are not doing all the existing stuff, but it is very dangerous to the existing model because it is creating a short circuit around the gate keeping aspect that forces the young scientists to pay tribute to the old ones, which is, there is no other way to build a reputation. But now there is.

Jim: Yep.

Alex: So, this is really interesting to me. I'm so fascinated with what's going to happen because of... This is the highest, highest quality discussions are happening here, right? This is not low quality, right? It's very high quality.

Jim: Totally agree. And I have... One of my theories is that you've seen, a lot of the histrionics you've seen, from the media gatekeepers, from academia gatekeepers. Basically, my theory is that the gatekeepers know they're dying and they're very, very unhappy about it. And I mean, if we look at the media, sure. Why are they doing what they're doing? Because it's a money model, right? You want to attract like-minded people. So, the New York times goes left and the Wall Street Journal goes right. The TV networks do it, but in my opinion, they're losing, right? And that there... I don't think there's anything that's going to stop them from falling, right? Because as you just said, this peer to peer in Twitter is unstoppable in my opinion.

Alex: It is. Although, I'll put a caveat on that, which is that... And I'm curious, I would love to know what you think about this, which is, Twitter is at its best. Twitter is different every day, right? What's the line? It's like, every day on Twitter, you wake up and you log on and see who we're mad at. I think actually the best way this was articulated was, everyday on Twitter there's one main character and the goal is to never be it.

Jim: Never be that character.

Alex: Twitter is at its best when everyone is talking about the same thing, right? So, Twitter during NBA finals, amazing, right? Twitter during... Even during the election, honestly. Yeah, it's awful, it's a cesspool, it's terrible.

Jamie: Elon Musk's 420 tweet is always our prime example.

Alex: Twitter is great when everybody gets jolted onto the same page, for some reason. And the traditional media format is actually a good way of doing that, right? Because, it is not peer to peer. It is one to many. It is a broadcast format. And there's a really good synergy between those two things, right? There's a reason why I'm thinking, if you look at the... I think the most successful large example of Twitter actually working sustainably, the way that you could see it working as a business, is the sports Twitter, right? There's this incredible symbiotic relationship between the many on Twitter versus the one which is broadcast TV, right? And they both make each other better. And so, Twitter without the one where it's just the many, disintegrates into something that is still special, but not quite as special as when everybody is synced, right? When everybody is clocked into the same rhythm.

Jim: That's really a good point. But, for example, Jamie got his job at OSAM through Twitter.

Alex: Yeah.

Jim: And he had a long interview, if you will, by me reading all of his posts as the financial history guy, right?

Alex: Mm-hmm (affirmative).

Jim: And it was like... And now to be fair to Jamie, Jamie is also a very persistent guy. And he got Patrick's email by figuring out our corporate email system and asked him-

Jamie: Low level stalker stuff.

Alex: That's a great story.

Jim: ... Asked him if he could come up and have lunch with him. Patrick unaware that Jamie lived in Washington, DC said, "Yeah, sure." So what does Jamie do? Jamie gets in his car. What time was it Jamie? 4:30 or 5:00?

Jim: 4:00 AM, out the driveway.

Jim: Out the driveway, 4:00 AM, so he could take Patrick out to lunch.

Alex: That is one of the classic hustler entrepreneur stories, right? Which is the... You finally get an investor's attention. And they're like, "Oh, let me know when you're next in New York." And you're like, "Oh, I'm actually going to be there on Monday." Buy the cheapest plane ticket to New York.

Jamie: Morgan Housel did that with Jason. Literally Jason said, "Let me know the next time you're in New York." And Morgan was like, "Oh, I'll be there tomorrow." bought an Amtrak ticket.

Alex: Oh, it's such a trope. It's a really, really good trope.

Jim: And it works. That's the funny part, right? So, what about... This is another one that I want to talk to you about an article you wrote, Are Founders Allowed To Lie? I love this article by the way.

Jim: There we go. [crosstalk 00:48:04]

Alex: You've decided to get me canceled I see.

Jim: You are about to be the main character.

Alex: I'm going to be the main character. I feel badly about this. Because I'll... Let's talk about this. So, I wrote that post and in it was some story that I have heard a 100 times about

the Microsoft people making some stuff up and playing a little fast in the truth when they were getting their... Some early deal that I had just copied out of Byrne Hobart's newsletter, another amazing newsletter, right? But, I don't know, we're both bloggers, right? This is some story where, I don't know, I've heard this story like 50 times, I'm just going to copy and paste. And then immediately Tren Griffin, who is somebody who actually knows what he's talking about, goes on Twitter. And he was like, "Excuse me, this is completely factually wrong." Right? "None of this happened the way you're talking about how it happened."

Alex: And I was like, "I don't know." I was stressed out about something at work. So I was like, "I don't want to deal with this. I'm going to let Byrne deal with this. So I just tagged Byrne with a question mark on Twitter and then clicked, do not notify me about any further tweets in this thread, which is truly a despicable thing to do. But I was like, "I don't know man, I got to do other things. I have to do work."

Jim: Talk about throwing someone under the bus.

Alex: Unforgivable behavior. So, but anyway, going back to anyway, Tren, if you're out there listening to this, you're right. I'm sorry. I just didn't have time to deal with that. I corrected it later.

Jim: It's funny because we recorded with him like two weeks ago.

Alex: That's great.

Jim: He didn't even bring you up, Alex.

Alex: Clearly, maybe Byrne made such a good impression on [inaudible 00:49:53] that bygones are bygones. Anyway. So, this essay that I wrote, Are Founders Allowed To Lie. Look, this is one of those taboo topics. But that is very important with the whole idea of startups, which is... At some literal level, if you were trying to make the future and you were trying to conjure something out of nothing that does not exist, it is very hard to get things going, if you were only ever allowed to tell the literal truth all the time.

Jim: Right.

Alex: Right. And I don't just mean truth by commission, I also mean truth by omission, right? If you are consistently compelled to tell the literal truth about what is going on at all times, very, very hard to create forward progress where non-exists.

Jim: But also that's, I mean, you've seen the movie Liar Liar, right? With Jim Carrey. Okay. So-

Alex: No actually, I haven't.

Jim: ... So he plays... It's back when Jim was still funny and he played a lawyer whose children asked for a wish that their daddy could not lie for one day.

Alex: Interesting.

Jim: Hilarity ensues.

Alex: Sure.

Jim: Anyway, so, when I read the article, it was like, well, of course this is a question of degrees, right? I mean, you can omit certain things. You can massage certain things

Alex: Right. And so there's a concept called Kayfabe, which is a term from pro wrestling, that is really, really valuable for understanding the contract that is at work here between the founder and other people. The scenario basically as follows, which is that, look, if you decide you want to go out and change the world in some useful, positive way, the main thing that you have to do is to get other people to feel the same way about what you're trying to do. And you need them to feel that emotion above a certain threshold for enough period of time, for them to go... Actually start helping you, make this thing happen, right? The limiting factor is the ability to get these feelings to take place. Now you have to ask, "Okay, how are you going to go about getting these feelings to happen?"

Alex: And here's where pro wrestling is actually very useful as the way of understanding this. If you go watch pro wrestling, right? Especially if you go look at people who are wrestling fans, you see something interesting happened with them, which is, they're watching a show which is very clearly scripted, right? You're being presented with something that is not factually happening. It's a performance.

Jim: Right.

Alex: But, they're experiencing very real emotion when they watch it, right? They actually feel the feelings of the storer, right? And they actually feel the highs and the lows, right? What's being presented is clearly fake. But the outcome of what's being presented is very real. And there's no cognitive dissonance here, right? It's like asking somebody who just got off a roller coaster. I mean like, "Don't you realize you were actually on a runaway mind car?"

Alex: It's like, dude, it doesn't matter, right? It felt real to me. And that's what matters, right?

Jim: Right.

Alex: Now, if you... What founders have to do with getting other people around them. So, employees, partners, investors, anyone around you, is get them to feel the feeling of, I want to do this.

Jim: Yeah.

Alex: Right? And you're going to tell a story about all the progress you're making and all the inevitability of what you're doing and how this vision of the future that is coming true as

we speak. And the prime... The contract that I am willing to engage into with you, right? My supporter is to say, look, I'm going to present you this story of what I'm doing that is clearly embellished and incomplete and is a portrayal of something rather than necessarily the literal truth of what's happening. But the contract is that I'm going to present you this in a way that makes you feel a very legitimate feeling in pursuit of helping what I'm telling you about become real.

Alex: It is more like... And this is... Again it comes back to this idea of Kayfabe, right? It's about authenticity and fidelity to this idea is being more important than factual verifiability. This is where again, part of this goes back to... If you look at why this works so well at Silicon Valley, it goes back in a lot of ways, like the hacker mindset of people who... Like the early computer programming community, where there is a big mindset of, intention matters more than rule following.

Jim: Right.

Alex: Right. If you have good intent, that is more important than if you are literally obeying by the letter of what you are and aren't permitted to do. Right, that's very much the ethos, right? It's very honor system based. And still to this day, Silicon Valley is remarkably run on the honor system, just thoroughly. You cannot understand the startup community in Silicon Valley without understanding first and foremost, how deeply reputation-based it is. And part of why this works so well in fact, is that in joining this ecosystem and participating in this world where you are, it's all about getting people to feel the right feelings and signal that you are... That you have the right intent, right? That makes this reputation-based world function so well, as it does, right? There are many, many, many forces holding this together, but deeply at its core, it's like, there's a trust at the center of it that's hard to replicate anywhere else.

Jim: So, there's a spectrum obviously, right? I joked that maybe we would call it the Elon Spectrum. And so, what happens if you topple over into the Elizabeth Holmes side of things, right? Does that... And by that, I mean, when everyone figured out what she did, right? Does that impact negatively this spirit of trust?

Alex: Okay, so there are a couple of things here that we should talk about. The first one is a fairness is a remarkable story, but what's remarkable about it is how not a Silicon Valley story it is.

Jim: Wow.

Alex: Right? So the fairness is not how things usually work, right? It is actually not representative of the usual process. And that is part of how things got to the way it was. Right? If you look at fairness as one example, Nicola, the truck where they rolled it down the Hill, did all of that really funny stuff. What is remarkable about this is that it is in many ways, a very effective demonstration of how powerful the Silicon Valley system is, right? How yeah, you can go look around and find like one or two, like nominally, Silicon Valley investors in there.

Alex: But for the most part, their investors, their community was somewhat on the fringe of this. Right. So, and this is not to say that Silicon Valley is not full of embellishment and lying and stuff that, but it's not fraud. Right. Think there's a big difference between what we're talking about versus actual falsehood. Yeah. Right. One of the golden rules of engaging in this is this idea that as the founder, you are empowered with permission to, let's just call it, tell the pre truth, right. Like have right intent and then communicate that intent in a way that tells the future in advance and get things to happen. And part of your ability to do that is conferred on you by your investors, right? Your investor is by funding you with a series, a term sheet and going into your cap table and being the people who have the most at stake, right.

Alex: About what you're saying are effectively blessing you the priests blessing the King, right. With their divine [crosstalk 00:58:07] with their Royal title.

Jim: The Imperator.

Alex: That's right. It's your power is bestowed on you almost as if by the divine to do this, but as it is given to you, it can also be taken away from you. Right. And that's very important. So the power that VCs have over the past 10, 15 years has migrated from being a hard power. We take 40% of your company and two board seats and don't have control. We kick out the founder and put in our CEO and whatever it is no longer that power. It is really a more soft power. Right. Which in many ways is actually more effective. It's based on your reputation and your community and you're standing among your social peer set and the ability to confer, but also withdraw this blessing of having the tools to get things going. All right It's a fascinating social dynamic.

Jim: So what was the spark providing with again? Remind me, are our founders allowed to lie.

Alex: There's no. Well, I was-

Jim: Because, I have [inaudible 00:59:12] tell a particular Whopper.

Alex: ... I was compelled to write it just because that particular week was Nicola, the truck company-

Jim: The truck company. Okay.

Alex: ... So again, this is a truck company that is not really a Silicon Valley company, but I don't know, I had heard of it, people had heard of this term existed in the consciousness. It's how it goes. Hydrogen company [inaudible 00:59:31] can be, so first thing is, so they want public with the spotlight, Jeff Ovens, SPAC, right? Is that how you pronounce his last name is an Oven?

Jim: I don't know.

Alex: Yeah, Anyway value worker right. So he takes him public with SPAC, which is already okay, that's interesting. There's a weird confront. We [inaudible 00:59:51] in a second, by the way, as a different way that this manifest itself, by the way, it was interesting circumstances.

Alex: If you go look at that Hindenburg research report, right. This is the big short sellers report. That's was one of the catalytic events for this whole big downfall of the story. Together it paints this picture that is like fairly embarrassing. But if you look at any individual thing that they did, most of them are I don't know. I could see a founder doing that. And basically thinking it was fine. You roll the truck down the hill to make a video, big deal. They never actually said that the truck was moving under its own power. Like they called it a road test, which is really funny. It's well, it was on the road. Where is the lie? They we're testing where is the lie?

Jim: [inaudible 01:00:49] Clinton's deposition where he said, it depends on what your definition of the word is, is.

Alex: Yeah. So, and again, look not to spoil the ending here, but I learned about this from one of the masters. Right. And everybody knows here, who I'm talking about. Right. I'm talking about Chamath right. Who I worked for four years in social capital, and Chamath is a remarkable person because he has such a command of narrative. Right. Is unlike anybody else I've ever met. Right. He has an absolute command of when you were in a room with can physically, right. You experienced the reality distortion field, right. That was talked about Steve jobs. Right. If you were within a physical radius of him, everything he says is more compelling than anything you've heard in your entire life up until that point. And then he leaves the physical room. And for maybe 30 seconds after the feeling persists, then you realize wait a minute.

Alex: No, none of that's true, but it doesn't matter. Right? Like he has the charisma and the ability to just absolutely command a storyline in a way that was just remarkable. Right. And so Chamath sat us down several years ago. And it was I'm going to tell you about this new thing we're going to do. It's called a SPAC. None of us had ever heard about this, but he was this is going to be the new way that companies go public because right. It's the current IPO process is we don't need to go into all the whole mechanics of IPO versus SPAC debate. People have heard this too many times, but the core message here, it was this idea that as transaction costs go down the essence of what is needed to go through a phase change this being private, to being public, right.

Alex: It's a change. There is risk and effort involved. How are you going to get from A, to B is going to change from needing the massive, expensive apparatus of a bank to just needing the pure distilled essence of someone's confidence that they can sponsor you with to take you to through that transition. Right. And in retrospect, of course he was completely right. Right. I should also mention, by the way that Chamath is uniquely equipped to be able to do SPACs well, because you need three skill sets and few people have all three, you need operating skill set to actually come in and do the role of being chairman and figuring out what to do. You need to know how companies work Two you need investing experience. Right. You need to be a savvy investor. You need to know how to be the sponsor.

Alex: You need to know how to talk to the other investors. You need that experience. Third. You need to be able to go on TV and run your mouth all day and have people love you. Right? Not many people have all three. Right. Chamath absolutely has all three. Right. He has all three of spades. Right. So it's not surprising to me at all that. Especially IPO, yeah. It went through all the drama of the rest of social capital went through all this drama. Right? Like it took a long time before we found Virgin. I just say, we're I was there at the time, but before a Virgin I went up through it and before it actually got established, but now it's everyone's going to do a SPAC. If SPAC coming up left and right. You have celebrities doing SPAC.

Alex: You have everybody wants to do one and not surprisingly. Right. Like people are going to figure out really quickly that the identity of the sponsor matters a lot. Just the identity of the bank that takes you public matters a lot. Right. I know that on Patrick's podcast, the other day with the fantastic episode where we were talking about the altimeters SPAC with those guys, it's yeah. The identity of who takes you public matters regardless of what the mechanism is. Right. And again, I would not be surprised at all if Chamath emerged as one of the original, OG premium vehicles for going public, just because this is as unique and bare set of circumstances that makes it possible. Right.

Jim: So, what do you think the future of SPACs is then? Are they going to themselves get a hierarchy as to, yeah. I would never let these guys,

Alex: Well, I'm sure. Right. So the first thing is that. There's no reason why the currently high fee structure is of SPACs has to necessarily persist right now SPACs are expensive because people are still doing them one at a time, and you still need to take a thing public one at a time, and you were still paying retail to take the thing public. And so really it's currently today, a SPAC is just moving the costs of that from one place to another and charging different people for whatever. But there is no reason why you can't take 10 of these things, public wholesale, right? Fairly soon some bank is going to be let's start actually moving these things in batches, people will actually learn how to do this right.

Alex: To save a lot of money in the process. And then some of that money may get passed back to the companies going public. And others will get made by the sponsor. And others will be creatively passed back to investors through maybe it's warrant structures, or maybe it's whatever else. Like we will enter a period of experimentation with it. But I think in the short term, I imagine there'll be some experimentation with it. It'll learn right now SPACs are interesting. And they're trendy. They will probably go through a period of time where they lose their trendiness and people go back to saying they're stupid, but where the actual innovative work gets done, right. Where people actually dig in and figure out how to do them. Right. And there'll be a two year winter where people are SPACs are dead.

Alex: They were a trend. They went away while the important work has done. Then now I can actually just make a straight up prediction on your podcast. You can hold me to this prediction in 10 years [crosstalk 01:06:30] if I'm wrong. All right. I've already written it down somewhere. So this is just reiterating it SPACs are going to find true product market fit. When a real sector bubble happens that are fueled by specs. And that sector

is going to be biotech. [crosstalk 01:06:44] Write this down. This will happen. This is an [inaudible 01:06:48] prediction.

Alex: So sometime in the next 10 years, there is going to be a big time, a biotech bubble, right? It's going to be. It's going to be like a 1999 style bubble, where there is going to be this vision around the future of it, because enough things will have happened in the world of synthetic and molecular biology. This is what is already happening, right? These are doors that are already getting unlocked today. As we speak, right, am I glad this has happened. Enough things are going to come together. That the public is collectively going to start realizing that the Term of this stuff is everything, right. It's the internet or computers where people realize my God the Term of this is all the stuff. Similarly, the Term for biology. It's all of chemicals, all of many parts of like polymer manufacturing and fuel and healthcare. And the tan of biology is so big, right?

Alex: So what's going to happen is there's going to be increasing understanding that this is going to happen. This is going to be a bubble and people start realizing it's going to be a bubble. And they're going to start bidding things up in anticipation of the bubble. SPACs are going to come in as a new ish, right. Useful financial mechanism for people to be able to speculate on the stuff in new ways. Right. Which remember like new financial mechanisms are a very classic recurring feature of bubbles because they let retail idiots get in more easily to things. Yes. Right. In 1999, it was, it was day trading. Right? It was my God, I could day trade from my home computer. This is so cool with crypto. Again, it was this is this new fundamental mechanism.

Alex: Right? SPACs may very well be that mechanism right. For this where there's perfect fit with bio, which is the good part of bio is that it's so powerful. And it's so interesting. And the other good part is no one understands any of this. It's so hard to understand it is completely and utterly beyond the ability of any investor to understand what the hell they're talking about when they talk about biotech companies. Right? This is just a permanent feature of a sector. Right. It will never change. It will only get personal. So because of that, you will have this scenario that is highly reflexive, where it becomes well so-and-so is interested in this. So therefore I should get into it too. And it becomes very well, if I see this going up, then I need to get into this too, because there's zero fundamentals because there's no such thing as fundamentals in biotech. Right. It is entirely an exercise in greater fool buck passing, even for real things. Right. Even for actually real companies-

Alex: So my prediction is that and this is where it's whenever, if ever ask me for a truly Yolo stock pick, and I want to tell them something that doesn't actually give me any reputational risk, if I'm wrong.

Jim: Right.

Alex: I tell them this, which is go do some basic homework and learn what are the like three or four picks and shovels companies in molecular bio and life sciences and buy those. Right. Because if [inaudible 01:10:09] happens there's no way you're not going to make 10X at least on your money, on these things for a window of time. And the bubble is over and you have to have sold by then.

Jim: Yeah . That's the tricky part, right? Because we're getting into another field where I learned that we share a love and that's in mimetic and I've been studying it for the last three years, because I think it's incredibly important and really one of my ideas is that because of mimetic desire, because of copycat, because of all of those things falling into place, you can get markets into a place where they're no longer heterogeneous, but they're homogeneous. In other words, you get everyone thinking the same thing at the same time and information cascades become all the same information or let's put it this way. They become interpreted by people in similar fashions.

Alex: Right.

Jim: And, and so I have one of my little pet theories is that there may be a way using machine learning to find a simple not, it doesn't predict. Right. But rather confirmation. Right. That, yeah. You might want to look at this over here really closely because it's meeting all of these particular things. What do you think, why do you think?

Alex: Okay, so my brain is struggling to take this in two or three different places. I guess my first question is to be it's congratulations, you've discovered growth versus value. [crosstalk 01:12:09] Once again someone who just discover it once again. The second place my mind went to, which is related to the first one is how much of everything we know now about the way the markets work and about how capital allocation works really is all John Malone. This idea of you're not making the thing, you're making the thing that makes the fact, right. You're not making profits, you're making value. Right. What is value exactly? Is it the thing that makes the profits or is it whatever people decide value is. Right. And how do you use that? Right. In order to go make a cable empire or make whatever, in terms of strictly speaking in terms of the medics though, it's no, but there is a difference between a growth stock that people are bidding up for a variety of different reasons of why they think it will grow for versus something like a Bitcoin.

Alex: Let's just give like a very pure example where it's there's actually a bit of a recursive next to the thesis of people think it's going to go up because people think it's going to go up. Conditionally. Right. It doesn't actually pretend to be anything else. So It's refreshing in that sense.

Jim: I agree.

Alex: So, okay. let me actually unpack this ability. So what you're saying is there a way that you could, if you could get access to what people with Google searching up? Right. And be able to tell when things are operating in one mode versus another, when is it heterogeneous growth bidding up versus when is it homogenous growth bidding up? Is that the question ?

Jim: Is the question. I'm still working on the hypothesis and where I want to get data from social media. Certainly Google searches certainly StockTwits all of those things. And it could end up being a null hypothesis. Right.

Alex: Yeah. What's your contract for this? What would be the, what would be the sign that it's not working?

Jim: The sign that the signal is not normal?

Alex: What do you need to be the signal that this isn't working or what would be the thing that you would look for that is anti this, that you know is wrong.

Jim: Right. That's a good question. So-

Alex: For example, let me give you a specific example to pick on the sky a little bit is the concept of like the anti-Galloway portfolio, which would be like Scott Galloway is somebody who is very bright and good at talking to people and good at making the certain storyline of his right. Which has a consistent theory about why everyone thinks that Amazon is going up and they're all wrong. And everyone thinks that these companies going up and they're all wrong, where you can look at his theory of why it is and be there are reasons to think that you don't want to buy Amazon, but it's not that, that stupid. Right. That's a useful contract. Right. Because it tells you something, it confirms that your own thesis is actually, if not necessarily, right. It's like the criticism against it is not that.

Jim: Yeah. No I love that one. And also known as the Seinfeld, George do the opposite of everything to achieve world dominion. So I would think that it would be, it's going to be hard just conceptually, because I haven't written all of this out yet. It's going to be hard to ascertain without human judgment. In other words, I think in the beginning rounds, I'm going to use mixed models, AI models, and then have humans judge them. Right. Okay. So I think that this is right. I think that this is wrong and then see if there's any learning around that particular set of circumstances.

Alex: Yeah. Okay. Well, let me ask you up. Let's [inaudible 01:16:19] on this real, but if you made this and it worked, would it look like Twitter?

Alex: let's look at Twitter and in an area of your expertise. Right. You have a particular dynamic of people looking at the discourse and then commenting on the discourse and it spits out a result, which is who we're making fun of today. And that result is a signal about something. Is it predictive?

Jim: And right there, that is the goal of this project, right. Is to figure out if any of this and I hesitate to use the word predictive. I would look for something more along the lines of, does it confirm

Alex: Is explanatory.

Jim: Explanatory Right. So I guess I'll fall back on the CVO debacle. right. So I was at bear [inaudible 01:17:24] there and walking around and saying to anyone who would listen to me I will short my house if I can this is insanity. And but that was pretty easy to see from the lines of just math. Right. You don't use 40 times leverage on illiquid instruments,

Alex: But on the other hand, it's the market can remain in rational longer than you can remain solvent.

Jim: Very true.

Alex: Are you really willing to bet on this, knowing that you could get punished down to zero before the market is wrong?

Jim: And, that's my search for confirmation signal that has a high degree of reliability and some good base rates. So what does it look like Twitter? I don't know. I think we might find some very unusual things that gets said elsewhere. Right. And by that, I mean, maybe when we start collecting all of those reports that are made available on Twitter and looking for mining keywords, it's obviously not a fully formed idea on my part yet, but if you can get something that has a relatively high base rate in confirmation, then I think you have an actionable well do the opposite. Right. And but you brought in the critical element of time. And so that is also a component in this, right? So during the.com, right. I wrote a piece in April of 1999 called the internet contrarian. And in that piece, I said, this is a book, the biggest bubble, any of us have ever seen.

Alex: I'd love to see [inaudible 01:19:34] .

Jim: I'll send it to you.

Alex: Please do.

Jim: And I used AOL as an example. Right. And its entire value was based on its future. IE growth investing. And so what's interesting about this is two fold. So I was 11 months early. Right. And this is the part that I really love after writing that piece based almost entirely on completely factual information. What did I do? I found it [crosstalk 01:20:09] I didn't know in an internet investment advisor called net folio.

Alex: Well, so there are two ways that goes right. It's one is that you could portray it as you are betting on the very thing that you were arguing against in the form of watch what I do, not what I say on the other hand, this could be who is it? I think this is Matt Levine is like the person to most successfully short, the tech bubble of this past year was, Oh, I blanking on his name, but we worked founder Adam Newman-

Jim: Adam Newman. Yeah.

Alex: ... Because Adam Newman successfully shorted tech by raising money. Right. He took other people's money on the current tech valuation and then turned it into private jets. Right. Like, so which one are you?

Jim: Mm-hmm (affirmative) I'll take the more innocent of the two. Thank you very much. Well, that's actually what-

Alex: Me I want that living to come back from parental leave so bad.

Jim: ... Yeah. That would be cool. Matt, take your time if you're listening to this. But [inaudible 01:21:18]

Jim: So, I, what I alighted on in describing what happened there was, I was more medically drawn. I could not help myself. And if you were I was what? 39. Right? So if you were a young person, the only thing anyone ever talked about was the internet is taking over everything. And I actually have a patent, which I think just expired. I'm not sure, but I love the language of this patent. It is issued to the company net folio for a dispensing investment advice over a worldwide network.

Alex: Shut down Twitter. You can do it. You couldn't do it. You have the power.

Jim: I'm sorry, Jack. See this all the whole thing [inaudible 01:22:14].

Alex: Sorry, Jack, you have to shut down the website. You need to get in touch with Ashley Feinberg right now. Like Ashley, I have the power. Twitter is in violation of my intellectual property delete book.

Jim: But so yeah, I've got a lot of stories-

Alex: I love that.

Jim: ... Any way what's cool is net folio was the first to envision, right. Then everything would be done over the internet. You could, you could reject companies, you would tax manage it. The tech suck though. Right. So now Patrick, as started a thing called canvas at OSAM, which really actually works and like-

Alex: 20 years later, right. On schedule. Yeah.

Jim: ... Yeah. Right on schedule. Well, it's very different than NetFolio. I've got to give them full marks because it allows, it's an operating system really. And so if you're an advisor, right, you might do one thing and another advisor using it over here, we'll do something completely different. It just gives you really easy to use tools, to customize things, to do ESG, tax manage. I think [inaudible 01:23:37]

Alex: With these remarkable How many of those.com ideas are now working out now?

Jim: Bingo. Yeah.

Alex: Because to a large extent it is now ready for them to actually happen. But also because the products themselves are deeply more sophisticated. Right? There's so much more power and depth to them than what was being proposed 20 years ago. Again, you look at like Instacart versus web band or something that, which normally from the surface looked like the same thing to the consumer. It's like.

Alex: Web band or something like that, which normally from the surface look like the same thing to the consumer. It's, I don't know.

Jim: Yeah.

Alex: It's a far more sophisticated thing.

Jim: Yeah. Well, and it matured, right? And-

Alex: It's time has come. It just, it took a pandemic. I'm just kidding.

Jim: I always ask my guests, you know how Patrick says, what's the kindest thing. So I'm not going to copy him. But if I made you kind of World Emperor for a day and let me stress, you can't kill anyone.

Alex: Okay.

Jim: And I told you, you could promulgate two things. Right?

Alex: Okay.

Jim: And that everyone would just say, "yeah, okay, I'll do that". What do you got for me?

Alex: I can pass down two decrees. And everybody has... How long do people have to follow my decrees for? Is there a statute of limitation on them or is it permanent?

Jim: Let's make it permanent.

Alex: Okay. Let me see. I have to think about this. Let me... Give me 15 seconds to think about those.

Jim: Sure.

Alex: [Inaudible 01:42:36] and good answers. I'll give you one policy answer and I'll give you one, people are hereby ordered to change their personalities in a specific way, kind of answer.

Alex: The policy answer is I would say, we are changing the way we pay for things towards more land value tax and away from other ways we tax things. I think that the way that economic value gets captured and drained into land that is based on centuries old concepts of Lords and Feudalism, is starting to become a real drag on people, having their wealth and their investments and their momentum and their time in unproductive things like land that sits there as opposed to productive things like people in their businesses, that could be doing so many more great things. Right? It is-

Jim: I like that one.

Alex: I think that the way... I am all in favor in the abstract theory that we should do as little taxation of people, bootstrapping their livelihoods as possible in various ways. Right? And that doesn't mean that I wanted generally cut taxes.

Alex: I'm not a taxationist that kind of a person. I just think that I would want to do a really big rethink about where the sinks of money and the sinks of resources are, and try to really... And again, there are a variety of reasons why you cannot just do this, right?

Jim: Right.

Alex: It is deeply unpopular to raise property taxes, let alone introduce something like a land value tax.

Jim: Right.

Alex: There are a variety of reasons why things are held in place like that. But given that you're giving me emperor decree powers, that's what I would go do. Is basically try to start again, rethink the way that we pay for stuff based on the sinkholes where things end up, as opposed to the productive avenues that things pass through.

Jim: Love it. Now, change people's personalities for me.

Alex: Answer number two, for how would I order people to start thinking differently, is I think that people today generally have too much peer relationships with one another. I'll get into this a little bit, but inside this... So this is getting into, we talked about this a little bit earlier with your Girard, the medic theory, which you've been interested in, but I think a lot of the causes of a lot of people's sort of frustrations in their discontents, and sort of the... Some of the issues of a lot of the generally hard to articulate, but nonetheless, undeniable discontent around things right now, is people are far too motivated by having role models that are too close to them, as opposed to too far away. I think you see this all the time, where there is a deep unhappiness that comes from people's need to compulsively check off boxes to aspire to people who are close to them.

Alex: But also at the same time, feel a competing need to not be seen as striving or be seen as trying to enter that certain box. Right. This is the problem. If you are trying to be seen as cool, you're not cool, and if people catch you trying to do that, a a Morso right. I think that we have this culture that is very oriented around this idea of, the way to be great is through... Around other people and around your close peers and around... Those are the people you should seek to impress and be and imitate and form your cultural opinions from and share things. Where it's the happiest people I know, are people who spend times with people who are not like them and who are not their age, right. Age is actually a huge one.

Alex: Whereas expend time with people who are both older than you and younger than you, right? Not only will you learn things from them that you didn't know before, you'll actually be happier because you are not trying to put on a particular kind of performance of who you are. That is like they are also. Right? You're freed from that kind of thing. You just kind of be who you are in ways that is hard to do with your peers, right? Your peers force you to do a certain kind of performance that isn't healthy for people necessarily. And I'm not saying you shouldn't have peers who are like you, but you need to diversify. Right. So my second decree is that people need to start having

more... People need to go find more people they admire, who are different from who they are in meaningful ways. And then go act on trying to live up to those people as opposed to a strictly peer based admiration system.

Jim: Fantastic.

Alex: That's my second answer.

Jim: I love that one. This might be the best one I've heard yet, because you've just basically described me. I love surrounding myself with younger people. I think that I am amazed what digital natives can accomplish. I learn a ton from them, but I also love spending time with my 94 year old mother-in-law because there's a... The conversations are very different. Right? And the perspective is so different and... Getting caught in a rut is another way of putting, I think what you were saying when everything's the same, it's really boring. Right? And so I don't... I can't play an instrument, but I love music. So I was very involved with the Chamber Music Society of Lincoln Center, very different people. And it was kind of through all those interactions that... That's how, in my opinion, that's how you learn. That's how you grow. That's how you figure things out differently.

Alex: Right. Well, it's one of the... Sort of the big truisms is for a lot of human conflict, is that the smaller the stakes, the harder you fight over them.

Jim: Yeah.

Alex: And there's a reason why this is, right? Which is that if you are fighting and striving for something and it's over something big, and if you were in competition with something over something big, then it's actually about what you're fighting over. And that's fine. That can be quite healthy. That can be quite... You don't develop the same sort of neuroses and anxieties and guilt and shame about that kind of thing. Because you're looking... You're going after something that's reasonable. Whereas when you're fighting over small things, right? What it makes it really clear to everyone, including you is that it's not actually about the thing.

Alex: It's about the other person. Right. But nobody wants to admit that because it's embarrassing. It doesn't make you look good. So what people do is they come up with all sorts of reasons and stories about why this fight is necessary. And usually it involves tearing down your relationship with that person, right? You... Nobody ever wants to contemplate the idea that you actually might be being silly and you need to let this go. So instead we basically... You just start demonizing other people and you start being jealous of them and you start being envious of them and all sorts of bad things come from this fact, you're fighting over something tiny. Right?

Jim: Yeah.

Alex: And the tinier it is, the less the fight is over something. So the harder it is to end.

Jim: Yep. Right.

Alex: So you just kind of spiral and it puts people in bad moods all the time. And it's... I don't know. I look around at lots of people who are... I don't know, having a hard time these days. I think a lot of this is because you're carrying around all this baggage and all of this frustration over actually nothing. But because it's over nothing, you can't let it go.

Jim: Could not agree more with you. So-

Alex: The answer is just hang out with people who are like you. It's a lot easier.

Jim: A lot easier. All right. Now I've got to get you to say on the air. So I have it on the air. You will come back and we can have another great conversation.

Alex: We're going to do part two. It's going to be really good. I ain't going to hold you to what was the answer you're going to get, after thinking about it for a week?

Jim: Oh yeah, yeah.

Alex: We both have homework. What is our homework?

Alex: So clearly we got to do part two.

Jim: Clearly, yeah, we got to do part two.

Alex: All right, Jim. Thank you so much.

Jim: This has been awesome.

Alex: I had a blast.

Jim: I did too.

Alex: Looking forward to doing it again soon.

Jim: As am I. Thanks a lot, man.

Alex: Take care.

Jim: Have a great weekend. Bye bye.