

*Here is the full transcript of Social Capital CEO Chamath Palihapitiya's fireside talk on Money as an Instrument of Change at Stanford Graduate School of Business...*

**Interviewer:** Thank you so much for being here today.

**Chamath Palihapitiya:** Thank you for including me.

**Interviewer:** I'm so excited to dig into that career and your thoughts on the Valley. And I'm going to start us off with one of the things that jumped out at me in my prep for this interview. You are an extremely generous tipper.

**Chamath Palihapitiya:** Yeah.

**Interviewer:** I love that and I would like to know why.

**Chamath Palihapitiya:** So, I mean, it's well known and part of why I'm so open about this is that I think it gives permission for other people just to be honest. I grew up in a very kind of dysfunctional household on welfare. And that compounded a bunch of shit in my life that was not great. We were very focused on money. It was a huge point of pressure and tension in the family. It created massive depression in my father, drinking. Just, it was very dysfunctional.

And there was some point along the way where I was like, okay, is money like really important or not important? And I feel very lucky because I don't think if you ask my sisters, they got to the same place that I did. But I ended up not coveting it. And I found it to be something that I could use to really empower myself to do the things that I wanted to do.

And so, in a situation where you know you go to like a restaurant. If you

really empathize with the people that are working there, I see people who are like me, brown skinned, working hard, creating these beautiful experiences. And then I can celebrate it by, I guess, giving a YELP review. But you can't buy food for your kids with a fucking YELP review. So I want to tip.

And, I mean, it gives me so much joy because it's like you'll have a \$300 or \$400 bill. In some cases, you tip 500 bucks or 1,000 bucks, and you close it. And they're expecting \$40. And, I mean, I'll get a little emotional, but they will come out to you, and it's transformational. And so it's so great. It's just like little things like that mean a lot of people. And just to be anonymously generous like that, I think it's a great gift that I have the ability to do. That's why I do it, I love it.

**Interviewer:** And it sounds like the experience of being seen and give. You are seen and the individual is seen, and you're sharing in that...

**Chamath Palihapitiya:** Well I mean, it's funny. It's like 99% of the time they don't say anything, because they do the bill thing afterwards. And they for sure can't pronounce my name. And so they for sure have no fucking clue who it was that gave them the tip. It's fine, it's totally fine. But I love it, I absolutely love it.

My friends freak out. Now it's caused tension actually, because now when I go out with my friends, they know as well. And I've just made it very easy, which is like, hey, if we're going out, let me just fucking pay. Just like, it's fine, and it makes it simpler.

**Interviewer:** Okay, I want to dig into what you were describing about your upbringing and this unique position that you've gotten to where you don't feel that you covet money. But you see its power and the use that it has in furthering some opportunities for you. How did you develop that? How do you distinguish between luck and skill? How do you end up in that

position?

***Chamath Palihapitiya:*** So, my parents craved money, meaning they needed it because my dad was unemployed for long stretches of time. My mom was the sole breadwinner. She was a housekeeper, then she was a nurse's aide. And I would just see how she grinded. We didn't have a car for a long time. She takes the bus, we all take the bus. When I got my first job, it was at Burger King. I'd take the money, and I had to give it to my parents, and we would buy bus passes.

And I remember telling some of my friends, I went to a very good high school, kind of like the rich high school. Not the high school I should've gone to. I was able to go to this different high school. And I would tell them, like, I would be so ashamed that I worked at Burger King. They would sometimes come by, and I would just be like fuck... And then at some point, it was like this release moment where I was, like this is my life. I can't do anything about it. This is what it is right now. And I kind of had a sense that I could figure some stuff out later, but I didn't really know. And so I just accepted it.

And then the minute I accepted it, I wasn't ashamed anymore. And then, when I wasn't ashamed I could start to actually be inside my head, like, what really matters? So then what happened was there was these massive racial riots in Los Angeles. And not as if the fucking American government did anything about it. But the Canadian government was like, shit, let's get all these black and brown kids jobs, because we don't want the Rodney King riots in Toronto, and Ottawa, and parts of Ontario.

And so I was able to take all of my dad's rejection letters, call every single one. And one of them gave me a job. And I worked at the well known telecommunication start-up in Ottawa. Ottawa had a really burgeoning tech sense at the time. And I worked in this organization that was run by this really iconic guy, Terry Matthews. And he was a billionaire. And I was

like, what the fuck is that word? I mean, I didn't even know a fucking thousandaire; I was like what is a billionaire? And this guy was risk on. And he was just so dynamic in the businesses he had started and how he viewed his place in the world, and I was enthralled I was 9 degrees away from him.

But the cult of personality around him in that business, the lore, when it trickles down to you, was not about his conspicuous consumption or anything else. It was about okay, we're launching this frame relay switch. Now we're going to buy this company. Okay, we're going to pivot the entire business to ATM. And you were just, it was an amazing time.

And so I took the bus to Newbridge. Complete luck that the controller of Newbridge would go from his nice neighborhood through this shitty neighborhood to get on the highway. And so he would see this guy standing by the bus and eventually he saw me inside the office. And one day he stopped. He said, you want a ride? Do you work at Newbridge? I'm like, yeah.

This guy, Sam Legg. So in the car, he was in the front seat, like beside Terry. And he was able to tell me how this guy thought about this, because I would read it in the paper, and I'd be like, why is he doing this? So it just completely rewired what money was.

For Terry Matthews, money was an instrument of change, right? He had a market cap, he's like, wow, that's \$8 billion of change, \$10 billion of change, \$15 billion of change. Versus, there was another guy building a company at the time. His name was Michael Copeland, who ran a company called Corelle, also a billionaire. And he was the exact opposite, had a messy divorce, married some trophy wife. He took this obscene shiny glass from his building and covered his house in it.

And so you have this dichotomy of two different characters at that time in

the 90sm building, really interesting businesses. Correll, which was a regional business, Newbridge, which was a regional business. They were both very successful, but they manifested money so totally differently. And I was like, I want to be this guy. I want to be this mega-compounder, swashbuckling around, trying to do really cool shit in the world.

How do I do that? And Sam helped me because you could understand from him what Terry cared about. And then, for me, I just copied. I mean a lot of my life, quite honestly, is just copying the things that I see. There's not a lot of original thought here, there truly is not. We can all pretend we're all fucking geniuses, honestly, be good copiers. Do you know what I'm saying? It's the best thing in the world. Like, be around high functioning, high quality people and just copy the shit that they do. Observe the shit that's kind of crappy and then don't do that stuff. It's not a fucking complicated formula.

**Interviewer:** When did you use that best?

**Chamath Palihapitiya:** No, all the time, now it's funny, it's like, you have a surface area of ways to spend your time now, or I do. And I'm in this midst now where we are really scaling up what we're doing as a business. And I meet these people that to me are so iconic that they were like arms length people that are now sitting face to face and they treat me like a quasi-peer, I wouldn't say peer, but quasi-peer.

But what I see is, I see some amazing stuff and I see some utter dysfunction in some of the richest, most important people in the world. And I have to decide how am I going to act? What am I going to embody? What am I copying? What am I not copying? And so I get a chance to now refine my decision-making and discipline. And it's, so that's how it plays out. I don't know if I answered your question.

**Interviewer:** I'm thinking very — there's a deep connection between

money as an instrument of change and what you're doing now at Social Capital.

**Chamath Palihapitiya:** Look, here's the thing, there's about 150 people that run the world. Anybody who wants to go into politics, they're all fucking puppets, okay? There are 150, and they're all men that run the world, period, full stop. They control most of the important assets, they control the money flows. And these are not the tech entrepreneurs. Now they are going to get rolled over over the next five to ten years by the people that are really underneath pulling the strings.

And when you get behind the curtain and see how that world works, what you realize is, it is unfairly set up for them and their progeny. Now, I'm not going to say that that's something that we can rip apart. But first order of business is, I want to break through and be at that table. That's the first order of business. And the way that I do that is by proving that I can do what they do as well as they do it and then do it better than how they do it.

Because at the end of the day, they are commercial fucking animals, okay? And they'll open the door out of curiosity and they'll let me stay because I add value. And then once I'm there, I can open the door for other people who can try to do the same thing. So my entire goal now is that, is to be in a position to aggregate enough of the capital of the world, to then reallocate it against my worldview. And I'm not saying my worldview is the best or right, but it is mine.

And at the end of the day, there are 150 other fucking guys with their worldview and they don't give a shit what you think about their fucking worldview. That's the truth. And so, why not me? Why not? Why not one of you? Why not?

And so in my life now I'm just kind of like, why not? Why the fuck not?

**Interviewer:** Can you tell — so you have these 50 year goals for Social Capital, three of them. Can you give us your worldview through those goals?

**Chamath Palihapitiya:** So my 2045 ambition for the organization, this is as I see it right now, 2045, is I would like us to employ at least ten million people through the businesses that we own. I would like our businesses to positively affect at least a quarter of the world's population and I would like us to have made cumulatively about a trillion dollars. That's my 2045 ambition.

I think if we do that, we are the modern face of capitalism for the next 50 years. So, how we do that now becomes really important. So if you think about building businesses today that could do any of those three things, you have to be technological, you absolutely just have to be. You are not going to build a brick and mortar business that gets anywhere close to those three things, number one.

Number two is, you have to think very broadly about building things that can stand the test of time. Those businesses are by definition hard and non-obvious and so they compound in scale very slowly. And that's really counterintuitive to the overriding logic of Silicon Valley, which says, quick, fast, go, right? But that kind of premature ejaculation doesn't work if you're trying to fucking be around forever.

Like, you got to be in the flow for decades, that is hard. It tests people's patience, it tests people's resolve, it tests people's really intellectual incision. And this is where everybody gives up, everybody gives up. I had this moment today, just a total different way of describing this. Through the Warriors, I've met a lot of players obviously, one of them who I had become unbelievably close to is David Lee. David Lee just got engaged to this unbelievable woman, Caroline Wozniacki, tennis player. We were working out this morning, okay?

Couples work out, me and my wife, him and his fiancée. So we're doing this thing, this treadmill thing, which my trainer concocted. And I'm in pretty good shape. And then you see what it really means to be extremely dedicated, in their case, to something which is physical fitness because they're professional athletes. When I give up, when the average human gives up, their brain goes into fucking overdrive, okay? And they're like, there's this next level burst. And so it's that.

It's like when things get hard can you double down? A different example, we had yesterday, we do these things every quarter called quarterly portfolio reviews where incredibly intensive review of our entire portfolio, revisiting our strategy, talking about all the things we're doing to make sure we're on the right track. And I had this observation which was, I started a diabetes business. My dad died of diabetes three years ago. Most of my relatives have it. I express the gene that makes me disproportionately susceptible to it. So it's something that I personally care about.

But that business took seven years to get to a place where we even have a chance of being viable. And I think to myself, in that example, I embodied a bit of Caroline Wozniacki. When things got hard, I pushed through the pain. Now in my case, the pain was the fear of failure, continuing to write more money, a belief that I had that this business was going to work. And today, that business manages a million diabetics. And I think there is some kid out there whose family will be slightly less dysfunctional because their parent's disease is better managed. It's not going to go to a place where like, they're getting dialyzed, or they're on an organ registry.

And that value for that kid in our world and all of you that benefits will never be connected the dots, but that's okay. But it required, just, resilience and I'm proud of that. And so I want to bring back a little bit of that here so that it's not, quick, fast, five million users, ten million now, flip it, sell it, great celebrate. It's like, hey let's work on some hard shit

together. Let's buckle down, look each other in the eye, and say we're going to support each other here. This is going to take seven or eight years, but if it works, it will really mean something. And it's something that matters to you for something that's other than just simple motivation of the social capital you get from your friends or money in the short term. And winning bigger the longer term.

We're missing that and I think part of our success will be if we can stay focused on that. Our education portfolio is another thing. It literally looked like a train wreck for three years, where everybody has always said you never invest in education. And my thing was, it's not about education. This is about human capital development. It's about, for every one of you who is so smart, that got into Stanford, think of all the people who could be as capable.

I'm not asking you to empathize with them, but I, as a capitalist, want a starting line where all of those people can run a race so that I can pick the winner. No offense to any of you here. And it took us three years we're now at those building blocks exist and I'm like wow. How many times did I have to look at my partners and say no? The easy answer is to walk away, the hard answer is to double down, we have to support this business. That culture's missing here.

So part of what we're trying to do to achieve those goals is, like take really big audacious points of view on the world and then train ourselves to be patient. And it's really, really hard. The entire society is set up to not be patient anymore.

**Interviewer:** And I'm hearing also a conflict with this *fail fast* and *learn* mentality where if you're taking a deep and big bet, like you want it to be the right one. How do you know when that's true?

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**Chamath Palihapitiya:** I think that that *fail fast* approach works in consumer Internet businesses, but I don't think it works for anything that really matters. Basically. Consumer Internet businesses are about exploiting psychology, and that is one where you want to fail fast because you know people aren't predictable and so we want to psychologically figure out how to manipulate you as fast as possible and then give you back that dopamine hit. We did that brilliantly at Facebook, Instagram has done it, WhatsApp has done it, Snapchat has done it, Twitter has done it. So there are great examples. WeChat is doing it.

There are great examples of failing fast is the right path to exploiting psychology of mass populations of people. But it is not how you solve diabetes. It is not how you use precision medicine to cure cancer. It is not how you educate broad swaths of the world's population. It's just not. It's taking a point of view and being methodical. It's hard, no it's hard.

**Interviewer:** I'm glad that you're taking a stab at it.

**Chamath Palihapitiya:** By the way, if it works, it's where all the money comes. If you talk about where all of the gains, where all of the value will be created over the next 50 years, it'll be in those hard things. And the reason is because those white spaces are so wide open. The competitive pressures are non-existent. For example, today you have this weirdly academic argument about climate change. It exists, it doesn't exist. Well, we were in an Ice Age, now it's warm, of course the earth...Who cares? Who cares?

What's undeniable is that we're ripping apart the biodiversity of our

planet. What is undeniable is that we as a human population will be forced to concentrate, because certain parts of the world will get basically subsumed by water. We do not have food supplies that will — these are conclusively known to be true. Yet nobody is really working on a problem.

And part of it is because the people won't have the ambition to try to go after it. The capital markets don't reward that kind of decision making. But if somebody were to solve it, don't you think they are, in economic terms, a multi-trillionaire? Of course. You think food delivery is where the next great fucking breakthrough is going to come? You're all hopped up on fucking marijuana and you need a fucking brownie? Like what a joke.

Go and look through Crunchbase and all the shitty, useless, idiotic companies that have gotten funded doing garbage like that. Versus climate change. Think about that. Think about that when you guys eventually find your partner, your significant other, your husband, your wife. You get married, you have kids, you will not be able to hand off a planet that they can predictably live in, you will not. Your generation. And nobody is fucking doing anything about it.

So the capital markets are just completely, completely out of their minds. And so, yeah.

**Interviewer:** I want to bring us back to the point that you were making about exploiting consumer behavior in a consumer Internet business. You said that this is a time for soul searching in social media businesses, and you were part of building the largest one. What soul searching are you doing right now on that?

**Chamath Palihapitiya:** I feel tremendous guilt. I think we all knew in the back of our minds, even though we feigned this whole line of there probably aren't any really bad unintended consequences. I think in the

back deep, deep recesses of our minds we kind of knew something bad could happen. But I think the way we defined it was not like this. It literally is a point now where I think we have created tools that are ripping apart the social fabric of how society works. That is truly where we are.

And I would encourage all of you as the future leaders of the world to really internalize how important this is. If you feed the beast, that beast will destroy you. If you push back on it, we have a chance to control it and rein it in. And it is a point in time where people need to hard brake from some of these tools and the things that you rely on. The short-term, dopamine-driven feedback loops that we have created are destroying how society works.

No civil discourse, no cooperation, misinformation, mistruth and it's not an American problem. This is not about Russian ads. This is a global problem. So, we are in a really bad state of affairs right now, in my opinion. It is eroding the core foundations of how people behave by and between each other, and I don't have a good solution. My solution is I just don't use these tools anymore, I haven't for years. It's created huge tension with my friends, huge tensions in my social circles.

If you look at my Facebook feed, I probably haven't, I've posted maybe two times in seven years. Three times, five times, it's less than ten. And it's weird, I guess I kind of just innately didn't want to get programmed, and so I just tuned it out. But I didn't confront it. And now to see what's happening, it really bums me out.

Think about, like, there are these examples where there was a hoax in WhatsApp, where in some village in India, people were afraid that their kids were going to get kidnapped etc. And then there were these lynchings that happened as a result where people were like vigilante running around. They think they found a person, and they I mean, I mean seriously, like that's what we're dealing with.

Imagine when you take that to the extreme where bad actors can now manipulate large swathes of people to do anything you want. It's just a really, really bad state of affairs, and we compound the problem, right. We curate our lives around this perceived sense of perfection, because we get rewarded in these short-term signals, hearts, likes, thumbs up, and we conflate that with value, and we conflate it with truth.

And instead what it really is, is fake, brittle popularity. That's short term and that leaves you even more, and admit it, vacant and empty before you did it. Because then it forces you into this vicious cycle where you're like what's the next thing I need to do now, because I need it back. Think about that compounded by 2 billion people, and then think about how people react then to the perceptions of others. It's just — it's really bad, it's really, really bad.

**Interviewer:** It sounds like you're taking deep personal responsibility also in being a part of it.

**Chamath Palihapitiya:** I kind of look, I did a great job there, and I think that business overwhelmingly does positive good in the world. Where I have decided to spend my time, is to take the capital that they rewarded me with and now focus on the structural changes that I can control. I can't control that, I can control my decisions, which is I don't use this shit. I can control my kids' decisions, which is they're not allowed to use this shit. And then I can go focus on diabetes, and education, and climate change. And that's what I can do, but everybody else has to soul search a little bit more about what you're willing to do because your behaviors, you don't realize it but you are being programmed. It was unintentional, but now you've got to decide how much you're willing to give up, how much of your intellectual independence, and don't think, yeah, not me, I'm a fucking genius, I'm at Stanford. You're probably the most likely to fucking fall for it, because you are fucking check boxing your whole God damn life. No offense guys.

**Interviewer:** None taken. So, you've been outspoken about the Trump's Administration's position on immigration, I mean these things are going to collide in government and business, right? That's happening now, so what do you want these future business leaders to do about it once they get into that spot?

**Chamath Palihapitiya:** Get the money, get the money, and then let's get around a table and let's create new rules. Literally that simple, get the fucking money. I'm serious, do not get it, it is going to be made, it is going to be allocated, and you have a moral imperative to make sure that if you have a point of view that matters and you want to reflect it, you get it. I'm going to go get it, other people are going to go get it, and then it will be about a competition of views.

And don't wrap yourself in all this like, liberal kind of bullshit about oh, my God, money, blah, no, stop. Here's how the fucking world works, okay? It drives the world for better or for worse. Economic incentives drive entire swaths of populations to behave in very, very predictable, and then when you take it away, unpredictable ways. Ask anybody in your class that's from a developing nation, ask anybody in your class who has seen that play out from where they're from. So, that's what you have to do, you gotta go and get it. If you control the capital and you have a point of view, you can now, then the question is, don't be a sell-out.

Whatever your worldview is, you should be spending time to think about what that is. So that when you control some of these purse strings, you push that view into the world. I will never judge you, and you should not judge me for what that worldview is. But the point is the more diversity of those views, the more rational actors we have and the more of a balanced, fair system, that is what diversity really means to me.

It doesn't mean let's manage back to a quota, it doesn't mean, okay, we need a black guy, a brown guy, we need a few, that's not what it means.

This is what it means, right? There are people in this audience that have probably dealt with the same kind of like life that I've dealt with. You have a very unique worldview that matters. In the absence of capital, you're irrelevant, with capital you're powerful. And then you decide in small ways, in medium size ways, in large ways, right, and it just depends on the scale of capital that you have.

And so that's what's necessary now in capitalism, which is that we have to come back to what is it really? Is it an economic system, yes. But it is a philosophy as well, right? And it's a philosophy that says we will vote for the change we intend based on the views that we have. And when you look at the most successful people that operate in these tentacles, that's what they do. Look at the Koch brothers, that's what they do. They have built a network of influence based on capital. Their worldview is propagated into the world at an unbelievably aggressive rate that has been compounding for decades, that is genius. It is genius, it doesn't matter whether you agree with their worldview. The question is, what's the counterweight to their worldview?

Can you name one? Can you name a group of people that operate in the exact same way, methodically, meticulously assembling capital, influence, assets who believe the opposite? Irrespective of what you think of the Kochs. You want both views out in the world at scale. Well right now, you have this and you don't have this. And there are many examples of that.

And so get the money and don't lose your moral compass when you do.

**Interviewer:** You've said that you think VC is a horrendous allocator of capital. So if we need to go get the capital, how do we do it better?

**Chamath Palihapitiya:** Well, we are chipping away, I think other people will copy us. Venture is basically just a bunch of soulless cowards. They're well intentioned, but they're well intentioned soulless cowards. They have

fallen for what everybody else falls for, which you can't blame them for. Which is here is this gold star and they're like, wow, I've gotten a gold star. And then the minute you do that what you do is you start to just choke it really tight and you're like I don't want to lose this gold star.

And then what happens? You go risk off. And then what happens? Your behaviors are about protecting the seat of power that you have, the social definition that that seat affords you. And so now instead of being an accelerant of a progressive worldview, you become a retardant to a progressive worldview, right? Your risk appetite shrinks, the surface area in which you're willing to make decisions shrink. And when you are a critical part of the future, again, going back to how I started, the most important part of capitalism is going to be the folks that are driving the technological change.

Well, as a class, that's what VCs are supposed to do. But they're by and large, in my opinion, the wrong people. So how do we do it? You have to make it more systematic, you have to make it more data driven, you have to strip out the bias, you have to be open 24/7. You can't have these dumb rules of like, I only do deals if they're within 15 miles driving distance. How can the most important part of — I mean, can you imagine if I walked into Zuck's office, Facebook, where I'm like, I have a great fucking idea. Facebook is only going to be open for business Monday through Friday. 10 to 5, because we want to get home.

Summers we're going to take off, and so but just going to show a 404 page. Does it make sense? Or Google, we only want you to search during business hours. And so you have to be open for scale, you have to be global, you have to do all of these things so that you can get the money into the hands of the people that deserve it and then help them.

And by helping them, what you have to do is actually address the core structural parts of business-building that are not done well today. And the

best analog is AWS. If you were starting a business 15 years ago, I can even tell you a decade ago, we were racking servers at our data center, because the growth was great. And somewhere along the way, Amazon said, you know what? All of that complexity is necessary, but it's not sufficient to building Facebook or any other great company. So let me abstract that for you. Let me go and replace all of those good people with an API, and I'll take those good people and they'll be celebrated at Amazon.

And initially a few people said yes, and people thought in 2007 AWS was a joke. And we used to laugh at it. We were like, why would anybody do this stuff? And now see how fast a decade later you're on the other side of the fence. If any of you guys start a business and you're not on AWS, you would be the joke, right?

So what did they do? They basically said, here's all this stuff that's necessary to building a business. You need to do it. You probably don't want to do it. You're probably not going to do it well. And so let me just replace it all with an abstraction. Your company can be smaller, leaner, more efficient, and now the money you raise can be used for things that approximate core product value better.

Okay, now in 2017, ask the same question. What's the next set of things that make sense? And in my opinion, what we uncovered at Facebook is what every company needs, which is how do you shift from an anecdotal, political capital, social capital-oriented way of making decisions inside a company to a very precise, unemotional, data driven process? And the way you do it is by building a bunch of data infrastructure, by collecting a bunch of data itself, by helping you optimize your business in a bunch of obvious and non-obvious ways.

And so what we believe is that we should take that capability that my team built at Facebook and abstract it for all of you who intend to start a company. So now in the future, what should happen is, you'll go to AWS, you'll get some infrastructure, you'll go to socialcapital.com, and you'll get some insights and knowledge. And it's all interacting via APIs. It's all interaction via endpoints and primitives. And what happens is we can now learn from the feedback, from your data, how you're doing. We can merge those learnings across many, many other businesses. We can find things in some remote part of some company over here and translate that as value for you over here. Wouldn't you want that? Of course you'd want that.

What if we could do more efficient customer acquisition? What if we could figure out churn better? So all of these things now are what we are going to bring to the market, systematic capabilities. And I think over time what that does is, again, it moves to a much more progressive view of what capitalism should be. It's not the few that matched a human driven pattern, but it's more about taking big shots, scaling up the money, being able to support people in structurally predictable ways, and allowing them to build better companies.

Those companies, I suspect, will be as profitable. But they'll be smaller. They'll be more efficient. They'll have more revenue per head. All the things that you would want over time so that instead of having four or five mega companies, you could have millions and millions and millions of smaller, better run companies. And that's my worldview. And I think if we do that, we achieve our goals, all of that stuff comes together if we enable that.

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So what you're seeing from us is that. And it's really upsetting and disconcerting to the established sort of venture classes, because it up-ends how they've defined their value. It's a very classic inventor's dilemma. They are like, in my brain is pattern-recognition. But we know that that's not true, and the data shows you that that's not true.

Simple question for all of you guys that love the allure of Silicon Valley. From the 70s when Microsoft was founded to now, if you look at all the major companies that have been created, major, say over 50 billion, over 60 billion, what percentage of the Series A investors overlapped? You did the A of Microsoft, and you did the A of Google or you did the A of Uber, right? Like for pattern recognition, again, it's non-numerical, right, it's about wow, I like the cut of this guy's jib.

Well, the answer is it's less than 2%. So what does that mean? Everybody's bullshitting, that's what it really means, right? If you're in a seat, and you have good deal flow, and you have precious capital, and there's a massive tailwind of technological change, over time you get one of the 20, and you look like a genius. That's basically what's happened, and nobody wants to admit that, but that's the fucking truth. It's the truth.

So if anybody looks at you and tells you they know what the fuck they're doing, they're lying. They're lying, they are lying to themselves at a minimum, and at a maximum they're lying to you. Because the data does not support that claim, and that's irrefutable. So I don't want to be one of those people that stumble into a company and look back and like, yeah, we were geniuses. I want us to be systematic. And I want us to be able to deploy tools and capabilities that get us closer and closer to that. And that is what if you're again, a traditionalist, freaks you out.

**Interviewer:** And that's what allows you to make these much longer term commitments to businesses that are going to address healthcare, education.

**Chamath Palihapitiya:** Well, no, that's just because I'm rich. But just to be honest. I don't need anybody else's money. Look, this is not a popular view. So the first fucking billion dollars is mine, and then I have to prove it and then other people glom on. But, I mean many of them started by caring, but I suspect over time, if we end up with a hundred, two hundred or five hundred billion dollars, how much of that last 50% to 60% really care? That's okay, I want the fucking money. I will play the goddamned game and I'll win, because I want the money, because I want to extend my influence, do you know what I'm saying? They want to return, it's fine.

**Interviewer:** Yeah, he wants the money.

**Chamath Palihapitiya:** Because I want to win, I so deeply want to win.

**Interviewer:** How — I'm just going to say this exactly as it's coming, how do you keep that power from corrupting you?

**Chamath Palihapitiya:** I have no idea, that's the honest answer, I have no idea. I've become increasingly isolated, it's harder and harder for me to connect because I'm so in my own mind. Like, how does this all play out? How do I fundraise? How do I help facilitate good investing decisions which really means, how do I help this really great team, think about a more platformized approach. And in that, I just get really isolated and so I don't have a good answer.

I like things like this and I like to say the things that I do and maybe it helps you in your own lives, but to be honest, it's very selfish, it helps me because, like it reminds me, when I'm in a place like, it reminds me of these stories. Just reminding myself like I made \$4.55 an hour at Burger King, I would get a \$50 check and I'd buy bus passes. That's awesome, I just, I don't ever want to forget that and I'll go months and not remember that, but now as I say it, I'm like okay, I started as a good earnest person. And I need to stay a good earnest person, so I don't have a good answer.

And I'll tell you of those 150 people, maybe it's a little bit more, but I've met a lot of them, it's really hard. It's very easy to end up really drunk with power, it's really hard.

**Interviewer:** I really appreciate that candor because I don't think that we get it very often. And you've laid out an incredible vision for money as an instrument of change, so I'm really grateful that you are here to share it with us today.

**Chamath Palihapitiya:** Thank you.

*Interviewer:* We're going to open it up now to questions, I'm sure that there are many follow-ups on what you've explored, but really -

**Chamath Palihapitiya:** Any feedback?

### **Question-and-answer session**

*Audience:* Hi, I'm Dana, I'm second year MBA at the GSB. Thank you for being with us today. But I'm not here to give feedback, but I have a question for you. You just took Social Capital public. I wonder what's your plan to run this public fund? How would that be different from running a private fund? Or it's just another way to get money?

**Chamath Palihapitiya:** So awesome, yes. But, no. So one of the things that I think about a lot is, if I'm in a position to reshape. I've been in a position where I was a part of a group that helped shape psychology of society. That's been a great experience and I learned a lot. And so now in this position what I say to myself is, what are the psychological things I'd love to change now? And one of them is around this idea of patience.

And what's counterintuitive and I said this earlier when we were just talking, is that, I think bringing liquidity into companies sooner will actually allow companies to bake longer and more patiently. And so part of

what this vehicle is, is about bringing liquidity sooner in a company's lifecycle. Because if we can take this company, use it to acquire something else and that CEO is now able to compensate their employees. As counterintuitive as it sounds, I suspect that they are less likely to leave.

And so now you could have employees stay at a business for seven, eight, nine, ten years, which used to be the historical norm and now it's not. Most of you, probably are thinking to yourselves, well I'm going to get a great job after the GSB. But I should probably portfolio manage my career for the next six or seven years. 18 months here, 18 months there, 18 months there, and then I'll decide what I really want to do.

And part of it is because there's an incentive to sort of build this kind of portfolio approach. But I suspect if you knew that liquidity was a more traditional, predictable thing, many people would actually say, you know what? I like these people here, I like the mission of the company, I want to continue to help advance their goals. And now that you've actually solved my compensation problem, I'm willing to commit.

So part of this vehicle is trying to turn back the incentives towards people staying at companies longer which I think is going to be required if you're going to try to solve hard problems. Because right now, the Silicon Valley attrition rate in most companies is 20%. That means every five years, your entire employee base is turned over. Think about that, how do you do anything valuable, if everybody is new every five years? How is that possible? It's probably not possible.

So that's what I would try to change and get the money.

*Audience:* Hi, I'm Carolyn, I'm also an MBA too. Your sports analogy of kind of buckling down and going into hyperdrive really resonated with me, I also realize that that can go too far. So I'm curious to hear how you make

some of the tough calls on whether it's not to participate in the next round of fundraising or whatever that looks like to you. How do you make those decisions?

**Chamath Palihapitiya:** This is, honestly, this is — so yesterday, we spent an inordinate amount of time talking about this. We've made a bunch of decisions that I deeply regret, because they were entirely monetary in nature. And what I said to the team was, I'm fine with us making purely monetary decisions, but we didn't even do those well. It's not as if we had a predictable rate of return on that that said, yeah you now what? We're just going to close our eyes here, double our money, and walk away.

And so, the reason I brought that up to them, was I was like our decision-making can't bleed over time. And right now, it's very hard for us as an organization to know how much should be mission driven, how much should not. When should we really double down on things that are not working, when should we not. When should we just give up, because it's just either the timing is not the right time and quite honestly I don't have a very good answer.

But if it is the thing that we are now, I would say, the most emotionally sensitive to, because for example the opposite may be true. So if the diabetes business turns out to work, does the hundred and first person that works at Social Capital say fuck it, we're just going to buckle down and when they're writing checks all of a sudden we're 50 million deep into something that is clearly not going to work; was that a- So, I don't have a really good answer but it is the thing that I think about the most, when do you know, how do you know to keep going for it? When do you know that it's just too much? When do you know that your decision making is bleeding into a vein that is not constructive? I have no idea.

So it's a great question, I think about that a lot. By the way, a lot of things, it's really powerful to be able to say I don't know. I mean, I would just

encourage you guys all to just be like, I don't know. This culture, American culture is this weird thing of know-it-all. Everybody doesn't know everything. How the fuck can you ever learn? When is that going to be valuable? Don't be the, just own that one line, I don't know. It's so powerful.

And as I kind of get more abstracted, when I meet people, and I ask them things, it is so endearing to hear, I don't know. Because behind that is just the self-awareness and confidence that I think is increasingly rare. Now you guys are like, I'm going to fucking grin fuck this guy and just keep telling everybody, I don't know. Don't do that. I mean really own it. If you're going to say it, really own it, but I really think it's a very powerful thing to be able to say, I don't know.

*Audience:* Hi, my name is [Badusan] and I'm a first year MBA student. I'm also a Canadian who went to Waterloo and my first job was at Burger King, so I really see you as a role model.

**Chamath Palihapitiya:** You're like my fucking brother. I mean no literally, you look like me too, it's crazy. It's the weirdest thing. Are you planted, are you an actor?

*Audience:* I swear, I swear to God.

**Chamath Palihapitiya:** Well, you're really freaking me out right now. What do you want?

*Audience:* So my question for you is, a of couple years ago at an event at HBS, you mentioned that MBA students are typically at a disadvantage. With respect to getting capital if they pursue entrepreneurship. Do you think that still holds true today?

**Chamath Palihapitiya:** So, that's a perfect example of me, before Cas,

which Dean Leven talked about, expressing my bias. And I think part of my bias came from my insecurity about not having a grad degree. Part of my bias was looking at people like you and saying, wow, I just feel inferior to folks like you, I have felt for huge amounts of time.

And so it's a perfect example, where even though I can say it, what I said at that HBS thing was me just spouting off, making myself feel better about my biases. And what I would tell you today is, it can matter, it doesn't matter. I would rather say that there are ways of figuring out how valuable you are, that are independent of those traditional signals. Whether you have them or not. So I would say today I've changed my mind. But by the way, that's another thing.

Changing your mind is so powerful. I mean, fuck, change your mind. It makes for really, really, really, bursty, difficult marriages at times. My wife will tell you. But man, is it powerful in business. Change your mind all the time. And it's amazing, again, where you'll find really good scaled leaders want the right answer. And they're fine with capitulation, they're fine with change. They really are, because they just want the right answer.

And then you just get so invested in an answer. And then you build up all this superficial logic to reinforce it, versus saying I don't know, you know what, I changed my mind. Wow, another powerful thing I think. I change my mind all the time.

**Interviewer:** I think this is going to be our last question.

**Audience:** My name is [Boris]. I saw some of the venture work at Sofbanks, some of the tech world and you said something about amassing capital. Today, what do you think is one of the best ways for us to amass capital on a risk adjusted basis?

**Chamath Palihapitiya:** I mean, the last part is just such as sellout part. A risk adjusted basis, I don't know, fucking buy some bonds? I mean, I don't

know. Here's what I would tell you, man. I think if you ask me, who's building the most important, indelible company in the world, I've been very public about this. I think it's Jeff Bezos. Part of what he realized was the value of slow-compounding.

So here's my little theory about company value creation. The faster you build it, that is the half-life, it will get destroyed in the same amount of time. And so when you think about a lot of social businesses, that's played out. And when you see what sort of the tops are like, does it take, eight, nine, ten years to build a really great consumer business? It'll take 8, 9, 10, 12 years to destroy it. And we may see the tipping point now in a couple of these businesses. Right now we may be seeing it in front of our eyes, regulatory or otherwise.

So why is that an important statement? Amassing capital to me, is about finding a smart, useful solution to a very hard, practical problem. And being slow and methodical. And again, that's what I'm saying, you have to rewire your brain for that to be okay. How do you, in year two or year five, come back to this room for your, what is it called when you get Reunion. And say I'm still working on the same thing, and when somebody says, and how is it going? You have the courage to say, it's hard, I haven't figured it out yet, I don't know.

But if you figure it out and you have this moderate growth, moderate compounding, that is the key, that's cool. I look at our returns and it's so funny, because you can get so enthralled by IRRs in our business. And I have friends who run other organizations, and they're like, we posted 92% IRR, and I'm like, well you can't eat IRR. What does it really mean?

And when you unpack it, what you realize is, fast money returns can completely, really decay long-term thinking and sound judgment. And so I'm like wow, I would really love to just compound at 15% a year. And the reason is, because if I can do that for 50 years, that's 250 fucking billion

dollars. It's some crazy number, it's just enormous, so it's slow and steady against hard problems.

Start by turning off your social apps and giving your brain a break, because then you will at least be a little bit more motivated, to not be motivated by everybody else fucking thinks about you. Do you know what I'm saying? It's hard, think about how all this stuff plays together. How does trying to get, posting your fucking waffles online, relate to me starting a business and accumulating capital. This is wiring your brain for super fast feedback. It's the same brain you're using to build a company. Don't think they're not the same. Do you know what I'm saying?

No, yes? No? Yes, yes, right? You have one brain! So you're training your brain here, whether you think it or not, whether you know it or not, whether you acknowledge it or not. Acknowledge that these things, where you're spending hours a day, are rewiring your psychology and physiology in a way, that now you have to use to go and figure out how to be productive in the commercial world.

So if you don't change this, you are going to get the same behavior as over here. Change this, there's a reason why Steve Jobs was anti-social media. I am telling you, I'm not on these fucking apps, I'm not him by any stretch of the imagination. But I am proactively trying to rewire my brain chemistry to not be short term focused. I'm telling you they're linked.

**Interviewer:** Chamath, thank you so much for being here and enlightening all of us.

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