

The Economic Club of New York

481<sup>st</sup> Meeting  
111<sup>th</sup> Year

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Peter Thiel, Partner  
Founders Fund

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March 15, 2018

New York City

Interviewer: Maria Bartiromo  
Fox Business Network Anchor  
Global Markets Editor

## Introduction

Chairman Terry J. Lundgren

Welcome to the 481<sup>st</sup> session of the Economic Club of New York in our 111<sup>th</sup> year. My name is Terry Lundgren. I'm Chairman of the Economic Club and recently retired Chairman and CEO of Macy's Inc. I'm six weeks into that new role and adjusting quite well. The Economic Club of New York is the nation's leading nonpartisan forum for speeches and conversations on economic, social, and political issues, and over 1,000 prominent speakers have been with us and appeared before this club over the last century. And each time I think we continue to up our ante. We have a sold-out crowd today as you can see and I'll introduce our speaker in just a moment. But first I'd like to welcome and thank our Centennial members, now 260-strong. And those, of course, are the individuals who have contributed at least \$10,000 to the Economic Club. And that's frankly what allows us to do events like this as well as all the other various sized and different events and activities that we do. In fact, we've had such enthusiasm from some of those individuals that we've upped the ante and we've created two new categories of giving at \$25,000 and \$50,000, and I'm happy to report that we have seats occupied in both categories already and so we welcome any additional enthusiasts for the club to continue to think about how to give back to this great organization to allow us to do the events that we do.

We also have a dozen nominations for the 2018 Economic Club of New York Fellows Program. And this is the program which is intended to build the next generation of thought leaders for our

club over time. We had great success with this organization. I see some of them in the room today from last year and we've expanded it again. If you have such a candidate who will likely be a high performing individual in your organization that you'd like to see as a fellow of our club, please nominate them. There is information in your materials at your tables, and we'd love to get an even larger group than the group we already have created here to participate in this next Fellows Program that we'll be announcing shortly.

So, I'm delighted to introduce to the club our guest speaker today, Peter Thiel. Peter is both an entrepreneur and an obviously successful investor. He started PayPal in 1998, led that organization as CEO, and took it public in 2002 defining a new era of fast and secure online commerce. In 2004, he made the first outside investment in a small company back then called Facebook, where he now still serves as a director. That same year, he launched a company called Palantir Technologies, a software company that harnesses computers to empower the brightest minds in data analysis in fields like national security, global finance and consumer behavior. I said to Peter earlier that I had the opportunity to meet with some of the team there and was so impressed that the work that they were doing and the problem-solving activities that they were recommending, and I know they are doing great work, so another terrific organization that he helped found. And he also provided early funding for LinkedIn, Yelp, and dozens of successful technology startups. And many of them are run by individuals who worked with him in the past, many of them at PayPal. In fact, there was a group called the PayPal Mafia, who are out there running many of these organizations, and again Peter helped put those organizations in business

with some early support. He's a partner of the Founders Fund, a Silicon Valley venture capital firm that has funded companies like SpaceX and Airbnb. He started the Thiel Fellowship, which ignited the national debate by encouraging young people to put learning ahead of schooling. And he leads the Thiel Foundation, which works to advance technological progress on long-term thinking about the future. Peter is also a New York Times bestseller author with his book *Zero to One: Notes on Startups, or How to Build the Future*.

Our format today is, as we've done in the past, a conversation, and we are so fortunate to have our fellow board member, Maria Bartiromo, who is, of course you know, the Fox Business Network anchor and Global Markets Editor. And so with that, let me introduce Peter and Maria and begin the conversation. (Applause)

Peter Thiel, Partner, Founders Fund

MARIA BARTIROMO: Great to see everybody. Thanks for being here. Peter, it's so nice to see you. Thank you for joining us and talking to us. As we just heard, you have invested in or founded and identified some of the most important companies of our day, and exciting companies certainly. Let's start off broadly speaking. Can you give us a broad blueprint of how you see technology changing from here? Where is the growth? And how does this take off now that we're in more of a mature situation?

PETER THIEL: Well, you're starting straight with the easiest question. I think that, maybe I'll start a little bit indirectly and talk a little bit about where I think we've been over the last 20-25 years. And one of the things that's always tricky is the definition of technology. And, you know, if you were in the late 1960s, technology would have meant computers but also rockets, and it would have meant new medicines. It would have meant the Green Revolution, agriculture. It would have meant the Concord airplane. And today when people use the word technology, it typically just means information technology. So, it's computers, software, internet. It has a sort of much, much narrower meaning. And that reflects the fact that for many decades we've had this sort of narrow cone of progress in the world of bits, not so much in the world of atoms. And so it was good to be an electrical engineer or a software engineer. Most other engineering fields were actually bad career decisions for the last 40 to 50 years. And so Silicon Valley, for the last 20-25 years, has been very largely focused on the internet. Most of it has been the consumer internet. And the question you have to ask is does that keep going? Is there a lot more to be done on the consumer internet? Or does this broaden out? It's also been striking, so it's been incredibly concentrated on this sort of one – what I would argue – relatively narrow area. It's been very important. It's created some phenomenal businesses, but there are many other areas that have remained under-explored. And it's also been incredibly geographically concentrated. There was a talk I gave at Stanford University in the spring of 2005. It was a panel with three of us on the panel – my friend Reed Hoffman who had started LinkedIn and Sean Parker, who was one of the early presidents of Facebook – and it was sort of this panel discussion, a Stanford student audience. And one of the, sort of the overarching topic was where do we find the next

Google? So, it was sort of a similar version to your question. It was a little bit more direct because we're interested in the next super big, super successful tech company. And I sort of said, well, you know, you can't just type this into the Google search engine. It's an important question, but you won't find it by typing it into Google. And it's a really hard question. Obviously if I knew the answer, I would tell you. But I'll give you sort of a partial answer and the partial answer was that I thought there was a 50% chance that you would find the next Google within a five-mile radius of the room everybody was in. And so that's only one-millionth the surface area of the planet, and so if we, you know, 50%, you get rid of six zeros, that's a pretty good simplification, even though it was still a non-trivial search problem within a five-mile radius. Now I think, unbeknownst to all three of us who were, all of us were involved investors or employees at Facebook, probably the next Google was Facebook. It turned out to be 1.8 miles from that room. It was 1.7 miles by bike. (Laughter) But, you know, as I've been thinking about it, if I were to try to answer that same question today in 2018, I think it would be, it would take a lot more to try to explain this intuition, but I would think it's much less than 50% chance that it's anywhere within a 50 mile radius, anywhere within the broader San Francisco, Silicon Valley corridor. It's not clear that it will be another consumer internet company. You know, I'm not sure I'm quite as pessimistic as you, Maria, but I do share the suspicion that, you know, we're sort of 20-25 years into the consumer internet and 10 years into the mobile internet, and so the good ideas were found pretty quickly and perhaps most of those have been explored. And so there is a sense that the future is going to be perhaps harder to predict. It's going to be much more distributed. It will be areas outside of that. And you see this in the way people have

been talking in Silicon Valley about all these different areas – artificial intelligence, augmented reality, virtual reality, self-driving cars. And I think you can be sort of bullish or bearish on these. I often worry that a lot of them are a little bit too much buzzwords and are somewhat exaggerated, but I think they reflect the sense that perhaps it won't be another app on the iPhone. It'll be something beyond the consumer internet that we have to do, we have to do new things. And then I think there's also a good chance that it will be, you know, geographically more distributed, that, you know, if you look at Y combinator, the startup accelerator, three or four years ago people would come to Silicon Valley for three months. You do Demo Day. You get funding, and then you'd stay in Silicon Valley and build the companies. And at this point, far more of the companies go back to the places where they're from. And I think there's sort of an economic reason for this. I mean there's a lot of different factors, but just to start with an economic reason, the cost of living in San Francisco or any of the mega cities – New York, London – you know, has gotten extraordinarily high. And one of the important economic questions that we should ask is, you know, at what point is this a feature, and at what point does this become a bug? So, you know, it's a feature where you have sort of these incredible network effects in London, New York, San Francisco, Silicon Valley, and so everyone has to be where everyone is, where all the ideas are, where all the capital is with respect to technology. There are analogous things one can say with respect to finance. And then at some point does it just get so expensive that it just doesn't quite work, that it doesn't even work creatively anymore, that you have to sort of very quickly make money just to pay the rent. And so one of the things I've been starting to think about is, you know, as a venture capitalist in Silicon Valley, is that the vast, you

know, the majority of the capital I give to the companies is just going to landlords. It's going to commercial real estate and even more to urban slum lords of one sort or another. And that's kind of an odd thing to be doing as a venture capitalist. That's so disproportionate. And so perhaps, you know, there's some point where there's an arb. So, you know, when a one-bedroom apartment is \$2,000 a month in San Francisco and, you know, \$1,000 a month in Austin, maybe the \$2,000 reflects that San Francisco is just a much better place. But once it's \$4,000 a month, perhaps you should be more open to thinking about some of these other places. So I think this geographic question is one that we should be thinking about super hard. Even though the mega city trend has been this enormous social economic trend for the last 40 years, there's always a question, you know, is there some point where it has gone just a little bit too far. One of the numbers I heard the other day is that if you measure the inelasticity of housing in London, it is minus 2, which means that if you build 1% more housing, the average price goes down 2%. And so this leads to sort of the perverse result that the more housing you build in a place like London, the less it is collectively worth. And that again tells you that you have this, you know, incredibly distorted kind of a system. And so I think these network effects, there is perhaps some tipping point and that's a question also in Silicon Valley whether there's some sort of tipping point that's been reached where it's gotten too expensive, it's too much of a tax, and then sort of the efficiency of the network effects segues into sort of lemminglike behavior and bubble-like behavior, the madness of crowds.

MARIA BARTIROMO: So what does stoke innovation? You just said that technology and

innovation is going to be more distributed in lots of cities, not just Silicon Valley. What is most important in terms of stoking innovation – whether it's a city, a neighborhood, or your own company?

PETER THIEL: Well, it's so, I mean if we knew the answer to that, we'd solve a lot of problems. You probably, you need, I mean you do need some critical mass of talent. You need an ability to think somewhat creatively. You need, you know, a sense that you can do new things. And I think there's all these ways, you know, a place like San Francisco had this more a decade ago than it has today. There's sort of one crazy anecdote. I was at a friend's wedding in Columbia, South Carolina in September of last year. And we were going to, we were there a few months early and there was, even in Columbia, South Carolina, you have sort of one or two trendy downtown blocks and we went to a coffee shop and it had all the sort of multi-flavored coffees and the hipster-like people serving coffee. (Laughter) And the question I asked was how could you tell that you were in Columbia, South Carolina and not in San Francisco? And the answer was, there were some very comfortable chairs where you could sit down and you could actually drink your coffee. They were spaced far enough apart that people wouldn't simply overhear the conversation. And certainly if you were to pull up a laptop computer and start working, there wouldn't be some kind of clapper who'd come along and shoo you away very quickly or something like that. And I'm struck that, you know, I don't think coffee shops are the key to creativity, but I'm struck that in San Francisco or Manhattan, there are almost no coffee shops left.

MARIA BARTIROMO: Wow, well, I guess that was one of the brilliance behind Starbucks, that they created an opportunity for you to go and work right there. Look, Peter, you made a decision recently to leave San Francisco, move out, and take your investment firm, your personal investment firm with you, and move to L.A. Why did you make that decision?

PETER THIEL: Well, I think it's a lot of the reasons that I suggested. I'd say the basic, you know, the basic concern as an investor is always that you get caught up too much in herd-like thinking, too much inside the bubble. And my concern is that Silicon Valley has gotten too far in that direction and that it would be healthier to be in some place that was nearby but still outside of it where you could think about things more clearly. Certainly there are parts of Los Angeles that are probably just as crazy so, you know, if my goal was to move to Los Angeles and become, try out to be Goofy in the next Disney movie, that would probably be just as insane as the lemminglike behavior that you have in the tech investing world in Silicon Valley. But I think it is a more diversified city. It's a more affordable city. And I think, yes, I think there are a lot of features of the mega cities like San Francisco that have become bugs and so dialing it back one level is probably a good thing.

MARIA BARTIROMO: The lack of diversity, the lack of willingness to listen to conservative ideas, libertarian ideas, one thing that you've mentioned and you supported President Trump early on and you received push-back for it. Some of your colleagues and some people in the

Valley felt that this was a bad idea. Was that one of the reasons?

PETER THIEL: I don't want to exaggerate that. So, I think the political uniformity, I think, is downstream from all these other kinds of things. So I think people are much more frustrated by the fact that they can't afford to live there. They're much more frustrated about the fact that the local schools don't work, the local, you know, all the local things don't work. And then I'm tempted to say it gets displaced into these sort of, you know, intense ideological fights about Trump, but it's just because you're living in a \$4,000 barely functioning one-bedroom apartment or something. That's really what drives it. But, yes, it has been striking how, what had always been a very liberal place – and I don't think, I don't have a problem with being in a minority politically or in any other way – has sort of become almost a one-party state. And that is, you know, if you have something that's 85-15 as a split, that's pretty, that's lopsided, but understandable. If you have something where the apparent split is 99 to 1, where you have that sort of near-unanimity, that's not because the 99% have figured out the truth. It's because that's where you're dealing with something that almost totalitarian, that's almost a one-party state. So when you have complete unanimity, that tells you that political correctness may have gone a little bit too far. And, you know, the thing that was striking about, you know, I often think of myself as a somewhat independent, contrarian investor, and I thought supporting Trump was one of the least contrarian things I ever did. It was, half the country supported him, half was against.

MARIA BARTIROMO: That's true. He did win after all.

PETER THIEL: And then within the Silicon Valley context, it was somehow, it was somehow the most contrarian thing and the least contrarian thing at the same time that I've ever done.

MARIA BARTIROMO: How's he doing now, Peter? Let's talk about policies that you'd like to see coming out of this White House and the policies that we've already seen.

PETER THIEL: Well, I think there are all sorts, it's very hard to get things to work in this country. There are a lot of, the political governing institutions are simply not nearly working as well as they used to. The one thing that I liked about Trump and still very much like about him is a willingness to ask questions, to re-frame the debate, and not to be sort of confined by these narrow politically correct strictures. I've often said that our greatest political problem is the problem of political correctness and I think there are, you know, any of a number of issues where it is good to rethink things. You know the very big tax reform that was pushed through at the end of last year, I think, is a very good thing, and it reflects that we're living in a very different world where we have to ask very hard questions about how do you get American companies to compete globally. The last big tax reform was in 1986 before that where you sort of had, you sort of simplified and had, you know, sort of uniform taxes and that made sense in a non-globalized world, which was still much less globalized in 1986. And then by 2017, our tax code was set up in such a way that American businesses were seriously disadvantaged and this was an incredibly healthy reset. And so I think there are, you know, any of a number of topics where it's very good to be asking these questions. And then it's been, yes, it's been, obviously there are all sorts of

things that are somewhat disappointing and at the same time I don't know how much one can expect. I still think it's better than the alternatives by far.

MARIA BARTIROMO: Hillary Clinton.

PETER THIEL: Yes, or Bernie Sanders.

MARIA BARTIROMO: Or Bernie Sanders. In terms of the tax plan, that certainly did help economic growth. We're talking about 3% growth this year. And the rollback of regulations was also a boost for the economy. But the president is getting some push-back on his ideas on trade in terms of tariffs on aluminum and steel. Where do you sit on this?

PETER THIEL: Well, you know, I know that probably trying to question a free trade orthodox is the thing you should absolutely not do in this room or in New York City generally...(Laughter) but just to try to be the...

MARIA BARTIROMO: Push back, be the contrarian.

PETER THIEL: ...contrarian and push back a little bit. But there is something really odd going on in the trade relations. You know, the way you'd expect things to be working in a healthily globalizing world is that capital would flow from the slow-growing to the fast-growing

economies, from the developed to the developing world. This was the way the trade patterns looked in 1900, which was a relatively open, free trade world, where the U.K. had a current account surplus of 4% of GDP and the capital got exported to invest in Russian railroads or Argentina or all sorts of other countries that had higher growth rates and promised a higher return on capital. That's the way globalization is supposed to look. Today, it's quite the opposite, where the capital is flowing uphill from China to the U.S. and it's sort of the other side of these enormous current account and trade deficits the United States has. And so we sort of are exporting \$100 billion a year to China, importing \$450 billion a year from China. And then China, you know, is an economy that's growing, let's say 6.5% a year, is investing in an economy that may be is growing 3% a year when the flows should be the other way around. And so I think that tells you that something is incredibly off and then it pushes you to have to ask questions why it is off, you know, why does nobody in China want to buy anything from the U.S., why are our goods so undesirable, or are there policies that skew things too much towards consumption in the U.S. and more to investment in other places? And should we be rethinking that? Or are there intellectual property things that are not being enforced? So, I think there's sort of a lot of very granular questions that we need to be asking. And so even if, you know, free trade is good in theory and that's what you want to get to, I think the way you get there is perhaps by being not too dogmatic and too doctrinaire. And if you have people negotiate trade treaties who are doctrinaire about free trade, I always get the sense they won't actually do that much work because if you negotiate a good trade treaty, that's a good thing. And if you negotiate a bad trade treaty, that's still a good thing because we know all trade is always good for

everybody in all times and all places. And so we have to always be careful that free trade orthodoxy not become sort of just a euphemism for the sloppiness or the laziness of the people negotiating these treaties.

MARIA BARTIROMO: And, of course, China is one of the areas that people worry about. The president is expected to come out with new restrictions and new tariffs against China in the coming weeks. You've dealt with China. People get it when you say China steals our intellectual property. China right now participates in 10% of all venture capital deals and there is something called the China Technology Transfer where they are acquiring American innovation and taking it to China and then competing with us on industries like AI and robotics. Tell us about China and your history.

PETER THIEL: Well, I've spent some time in China over the last few years. My *Zero to One* book was an incredible bestseller in China. We sold over a million copies in China. We sold 40,000 in India. So that gives you sort of a, sort of contrast between how much China is focused on entrepreneurship and innovation vis-a-vis, you know, the equally large, equally populous country to the south called India. And so I think something, you know, there are all sorts of challenges and problems China has, but on balance I think it's real. What they're doing is broadly working. The country is progressing at a very rapid pace. And we should be, I think it would be good for the United States to ask questions about what we can do that's good for the U.S. in the same way that China incredibly aggressively asks questions about what's in China's

interest.

MARIA BARTIROMO: So it sounds like those restrictions and those tariffs that are to come are appropriate?

PETER THIEL: Well, I don't, the hope is to get to, the hope is to get to, you know, free trade both ways. You know there's an example Elon gave recently – Elon Musk, my former PayPal colleague, Tesla – where U.S. cars have a 2.5% tariff, Chinese cars have a 25% tariff, and then, well, the work-around is you should build a car factory in China, but then they're not allowed to own 100% of the car factory as an American company. And so if you're an American company, you either get clobbered by the tariffs or the restrictions on investment. So it's often these things all sort of go together. A 25% tariff per se might not be an objection but then if you can't invest either, that combination starts to put you at a big disadvantage.

MARIA BARTIROMO: So it sounds like you're not worried about this, you know, hair on fire commentary recently about a trade war. Markets have been reacting to the possibility. Are you worried?

PETER THIEL: Well, it's hard to do the game theory on these things, but I'm struck by how unbalanced it is. So, if we have a slightly unfair deal, then if I renegotiate, you might renegotiate and that might be a bad idea. But if we have a very unfair deal, then I can renegotiate and it's not really clear what you can do. And so it's actually quite unclear where China can reciprocate with

tariffs on the U.S. because we're, in fact, exporting so little. The thing China always cites is agricultural goods, that they would put tariffs on agricultural goods. But if you look at agriculture, there's no single, the U.S. no longer is a monopoly exporter in any single area. It's like soybeans, we're competing with Brazil, and corn, wheat, we're competing with Russia. And so these are all commodity, global commodity markets, and so those are not the kinds of things where that's likely to be that successful. So I think it's possible the Trump administration will do quite a bit, and it's possible it will do quite a bit because there's, in fact, no Chinese response possible.

MARIA BARTIROMO: Talk to us about Europe for a moment because there was a worry that Europe would institute a 25% tariff as a retaliatory move. Would, for example, someone like Germany, who already has a \$67 billion surplus with the United States, we've got a deficit with Germany as well, would Germany or any European country threaten that enormous surplus that they have by instituting a significant tariff against the U.S.?

PETER THIEL: Well, there are countries where it's more symmetrical, but certainly the two that are the most asymmetrical are China-U.S. and Germany-U.S. And so I think, Germany it's a very similar thing where it's hard to know how you retaliate in a way that doesn't hurt you more than the U.S. Again, you know, there are a lot of different things that go into this. You know one of the things that leads to much higher surpluses in those countries and deficits in the U.S. is they have all these value-added taxes so the economies in China and Germany are oriented towards

investment and away from consumption. Our economy is very heavily skewed towards consumption and away from savings or investment. And that's the kind of thing that I think we should rethink. But I think that's not the thing that Germany or China really want to rethink. They don't want to shift to a much more aggressive consumer economy.

MARIA BARTIROMO: That's what I thought. Let me switch gears here. I want to ask you your thoughts on privacy at a time that these technology companies are so successful, more successful and more powerful than they ever have been in terms of having so much information on all of us. You backed Hulk Hogan's successful triumph over Gawker Media and that sex tape that they had. It resulted in a \$140 million judgment against Gawker forcing the media company into bankruptcy. You're a libertarian. I want to get your take on how you see the privacy issue versus this powerful position that so many of these technology companies are in. I'm leading to a question about regulation, but first, why was this Gawker situation so important to you?

PETER THIEL: Well, I think that, you know, I'm very proud of having supported Hulk Hogan in his successful lawsuit. It stands for, you know, the sort of egregious, the claim that a pornographer pays people for sex tapes and a journalist is someone who gets to publish sex tapes without paying people. That's simply an insult to journalists. And that is what Gawker was in effect, was in effect arguing. You know there is, you know there's a First Amendment, we believe in free speech, but that doesn't mean that you get to steal a sex tape made in the privacy of a bedroom and post it on the internet for everybody to see. And the legal frame is, of course,

we have a First Amendment, and we also have a Fourth Amendment, which protects you against unreasonable search and seizure, not just by the government but certainly also by private actors.

MARIA BARTIROMO: But the principle just didn't sit well with you, your principles...

PETER THIEL: Well, I had seen them bully and mistreat people for a long time and I thought it was going to continue. I think, you know, once these things get published, the damage tends to be done, but it was sort of this ongoing tortuous behavior that was simply going to continue and someone needed to try to say for that to stop. And I think that if we talk about the, so I do think this question about privacy in the digital era is something that deserves to be rethought a lot. And it's not a matter of technological determinism. We often like to tell these technologically determinist stories where if you are pro-privacy you are a Luddite and that privacy is an old-fashioned concept that went out the window and it's no longer going to be possible in the technological world. I don't think that's true. I think it is always not just a technological question, it's a legal question. It's a cultural, social, political question. And I think that we're going to have a balance that will protect more privacy in the future. Now I do think that what Gawker did vis-a-vis what the big tech companies are doing is very different. One very basic difference is if you voluntarily give the information, that's quite different from it being sort of illegally obtained in the sort of privacy-violating way. But I think these things are always open to be rethought.

MARIA BARTIROMO: Having said that, we are seeing murders on YouTube, suicide on Facebook, and these companies have more information about us than they ever have. Google says it anonymizes all the data that it has, but let's face it, when you put something in that Google search engine, these are some of your most secret, most personal things that you are searching for and Google has it all. They say they anonymize it, but given the position that these technology companies are in today, more powerful than ever before, should this industry be regulated more?

PETER THIEL: Well, as a libertarian, I always dislike regulation and the worry is always that the regulators will do whatever they will do in an even more ham-handed way and will make mistakes even greater than the companies.

MARIA BARTIROMO: But as a libertarian, you also want your privacy.

PETER THIEL: What I would agree with you on is that if they don't take these issues seriously, there is a risk they will be regulated, whether that's a good thing or not. I think the threat is probably greater in Europe, and again there's sort of good reasons and bad reasons. The good reasons are these privacy concerns. The bad reasons are that there are no successful tech companies in Europe and they're jealous of the U.S. and sort of they're punishing us. So it's sort of a combination of good and bad reasons. But I think the tech industry needs to take this stuff very seriously.

MARIA BARTIROMO: When we spoke last, in Saudi Arabia actually, we talked a bit about bitcoin and you were supportive of bitcoin. You actually said to me that you're skeptical of a lot of cryptocurrencies, but you think bitcoin was being misunderstood and you think that there was a big opportunity. You have since bought a lot of bitcoin. Where does the position stand right now? And tell us what you see happening in terms of bitcoin.

PETER THIEL: Well, I bought it well before...

MARIA BARTIROMO: Okay, before Saudi Arabia.

PETER THIEL: Well before we met in Saudi Arabia and I'm not exactly sure whether I would encourage people to run out right now and buy these cryptocurrencies, but the technology that people like to talk about is the blockchain technology. I'm somewhat skeptical about how well that translates into good investments. But the one-use case of cryptocurrency, of a store of value, may actually have quite a bit of a ways to go. And so I would be sort of long bitcoin and neutral to skeptical of just about everything else at this point, you know, with again, with a few possible exceptions. And the question, you know, the question about something like bitcoin is whether it can become, whether it can become a new store of value. And I think the thing it would replace is something like gold. We're not talking about a new payment system. It's too cumbersome to use for payments for day-to-day transactions. But the analogy is it's like, you know, like bars of

gold in a vault that never move and you get it and it's a sort of hedge of sorts against, you know, the whole world going to, falling apart or something. And, you know, there's about \$200 billion worth of bitcoin. There's \$8 trillion worth of gold. And many of the things that make gold attractive would also apply to bitcoin and many of the objections people have to bitcoin would also be objections to gold. So it's this weird currency that's not backed by any government. The same thing is true of gold. It's not clear what the intrinsic value of bitcoin is. The same thing is true of gold. And, you know, it may well be a bubble – and most bubbles are unstable and end – but one of my friends has this line that money is the bubble that never pops. And so if it's money, it is bubble-like, and the value of money comes from often the sort of social thing where its value, you know, you would like to have \$100 bill because everybody else would like to have \$100 bill. And then if everyone decided the \$100 bill was worthless, you might not want to have \$100 bill anymore. And so there is this sort of bubble-like aspect to money but it's one that can be quite stable. And so even if bitcoin is bubble-like, that doesn't necessarily rebut it in this core use case for a store of value. And the part, I would say there are all these elements that remind me of '99, 2000 that make me nervous, so it's people playing fast and loose with the ICO rules, just like with the IPOs, the dot-com bubble. You have sort of the crazy promoter-type people where the people who exaggerate beat the people with the normal plan and then they get beaten by the people who exaggerate a lot. And so there are sort of a lot of very crazy, unhealthy dynamics. At the same time, it still strikes me as deeply contrarian. And one thing that's very different from the dot-com bubble in the late 90s is there are virtually no Wall Street analysts, no Wall Street banks that are pushing this in any way whatsoever, whereas, you know, if you

looked at how many analysts working on dot-com companies in '99 - 2000, that was way too many and that was probably, you know, sort of another small indicator that it was too consensus. It's been missed in New York City. It's been missed even more shockingly in Silicon Valley. And it is a technology that's sort of emerged in this fairly distributed way. Ethereum, the number two currency, most of the work is being done in Zug, Switzerland. Bitcoin, of course, has this mystery where people don't even know who created bitcoin. They don't know who Satoshi, the founder of bitcoin is. So, from a geographic perspective, we have actually no idea where that company got started.

MARIA BARTIROMO: That's funny. It's interesting to me that you are supportive of bitcoin but not the other cryptocurrencies. What is bitcoin, how does bitcoin differ from the ten others out there?

PETER THIEL: Well, it's, I believe there will be one, my view is that there's going to be one cryptocurrency that will be the equivalent of gold. And so the one, all else being equal that you should bet on, is the biggest one. So, gold continues to be gold because it's the main asset class. Maybe it could be replaced by silver, but it doesn't seem to be happening. So there's a chance Ethereum could beat bitcoin. There's a chance some of the others have better features. And so I think it's mostly likely you'd bet on bitcoin and then there's some, and then the thing you have to think about is, is the product features, are they the ones that you really want in this alternate cryptocurrency. So there are risks, like there's a 50% miner rule where 51% of the miners get

concentrated. That can destroy the integrity of the system. There's a risk with the pseudonymity, whether that's not quite the right feature, whether you want it to be more anonymous or more transparent or something like that. So there are questions whether the bitcoin product is quite the right one but, all else being equal, I think my bet would be that there will be one online equivalent to gold and the one you'd bet on would be the biggest.

MARIA BARTIROMO: And it's come off of the highs obviously. It got all the up to \$20,000. If it keeps coming down, would you be poised to buy more bitcoin?

PETER THIEL: You know I don't want to do the day trading. I did a presentation on this where there was, it was a term hodl, and this was a misspelling in some bitcoin chat group at the end of, I believe, 2013, when it was near \$1,000 and then subsequently crashed to about \$200, \$220. And there were questions, you know, do you sell, do you buy? What do you do? And someone says, he wanted to say I'm hold, H-O-L-D, but he misspelled it H-O-D-L, I'm hodling. And then the acronym got changed to mean hold on for dear life. (Laughter) And so that's, yes, so maybe there's a 50 to 80% chance that it ends up being worth less. Maybe there's a 20 to 50% chance it ends up being worth a lot more. Probably-weighted, it's good. And then the question of how to time this, I'm not going to try to do that precisely.

MARIA BARTIROMO: You mentioned a moment ago Elon Musk. I'd like to get your take on space travel and your interest in SpaceX and investment there. Are you surprised to see the

private sector really picking up the momentum in terms of space travel? Where do you think that's going?

PETER THIEL: You know, well, I've known Elon for 18 years now, and you should never bet against Elon. I can tell you all sorts of crazy, personal Elon stories, but you never want to bet against him. And, you know, we were early investors in SpaceX back in early 2008. And, you know, one of the things Elon was talking about at the time was rocket reusability, which I thought was just inconceivable that this could ever be done. It was sort of like dropping a pencil and, you know, how would you get the pencil to land, or something like that. And it actually looks like they've pulled that off. And so this was an incredible, incredible technical achievement. And I guess the intuition I had for why it could not be done was that I thought that rockets were sort of a relatively old technology. It had been developed in the 50s and 60s. There was an opening to build a private company that could build them more efficiency that would sort of have an end to end manufacturing process and sort of improve on the cost-plus accounting. But I think it turns out, you know, it's actually still a technology that could be innovated on in tremendous ways. And in theory, you know, something like 90% of the cost is in the rocket, not the fuel, and so if you had an aviation industry where you had to throw away an airplane every time you used it, air travel would be a lot more expensive than it is. And so if you can cut the costs by something like an order of magnitude over time, that would seem to change the launch industry tremendously.

MARIA BARTIROMO: You've been such an incredible investor and I know people in the audience want to hear where you see growth and investment ideas. We talked about crypto. Let's talk a bit about AI, how that's changing the world and where you see the growth stories there. Healthcare is an area that you've also dabbled in. I know you don't like talking about necessarily themes or industries because you look at specific companies, but where could you tell us that you are identifying growth stories today?

PETER THIEL: Well, I've been thinking a lot about this question of what aspects of technology are actually charismatic, where there's a good story, where it's a story about technology making the world a better place. And, you know, it needs to also be real and it needs to be a viable business, but at least I think you want it to be something that inspires people, that motivates the people in the company where it's not just about making money, but it really is, has some sort of a transcendent mission. And I think sort of my relatively short list on that in Silicon Valley is the crypto piece, where the people working on it do have this vision of a very, very different world that they're trying to build. I think it's still true of biotech where you always have the story about, you know, creating cures for diseases and drastically improving human health. And I think Elon Musk is the other one where it's sort of deeply charismatic...

MARIA BARTIROMO: That's the growth story.

PETER THIEL: That's sort of my, that's sort of my rough, short list of the places and tech that

are deeply charismatic. AI is possibly quite big. It's possibly, I always think it's a little bit exaggerated, but it's hard to know. It's a hard word to get a handle on because it can mean the next generation of computers. It can mean the last generation of computers. It can mean anything in between, so it's sort of a somewhat poorly defined term. But the thing that struck me is how un-charismatic AI is at this point and it basically, you know, it's sort of, it's going to take our jobs. And then once it takes our jobs, at the singularity, it's just going to kill everybody.

(Laughter)

MARIA BARTIROMO: Alfred Hitchcock.

PETER THIEL: And that's kind of, you know, I mean I'm not sure that dystopian view is necessarily correct or it is correct at all, but that's actually what most people believe. It's what most of the Hollywood movies on AI believe. It's what most people in New York City believe. It's what most people, even in Silicon Valley, believe. And so I do think that is a weird, you know we have to always ask this question, are these technologies good? How are they going to make the world better? And I think the answers for things like AI are quite weak. You know we have, you know the virtual reality, augmented reality, there are parts of that that can be quite powerful. But again there's this very dystopian narrative where it's just going to be, you know, people, so it's like a 20-something person in Japan holed up in their parent's bedroom and never leaving the room and playing video games all day and that kind of a dystopian piece again seems to dominate. And so I'd rather focus on ones where I think it's, there's at least a powerful good

story.

MARIA BARTIROMO: I mean I might be naive, but aren't robots taking over a lot of jobs?

PETER THIEL: Well, but they have been, they have been for 250 years. And the question, you know the question you have to, the question you always have to ask is are they doing it at a much faster rate now than they were in the past? I tend to think, if anything, they're doing it at a slower rate because the industries that are automatable, like manufacturing, are still automating at roughly the same rate as before. Let's say you're automating it more by let's say 5% a year in a factory and you've been doing that for 200-plus years, but they are smaller parts of the economy. And then, you know, the largest parts of our economy are non-tradable, service sector jobs and maybe some of those get automated, but so far those have been automated much more slowly. And so a yoga instructor or a kindergarten teacher, you know, all these people, their jobs have not changed that much in the last 100 years. And it's possible that's going to accelerate, but I would not necessarily bet on that. The concern I have much more is that we don't have enough automation and that if anything these things are happening more slowly and that this is what's sort of reflected in the anemic productivity numbers.

MARIA BARTIROMO: It does seem like every industry is using AI. And if you're not using AI, you will be at a disadvantage. So there are these sophisticated things like AI and then there are things that are really basic like online shopping and really good delivery and getting something

delivered in two hours like Amazon is doing. And Amazon is trying to take over every...can anybody beat Amazon?

PETER THIEL: Well, let me just answer your first question. So, if AI means everything, then we can get to it just being too poorly defined to know what it is. And I think it is a buzzword an awful lot of companies think they're supposed to use and then if you really drill down on what's going on, it's a much less clear thing. And AI in the science fiction form, I'm scared of, because I don't want to get killed. AI in the straightforward form of somewhat more automation, computers doing somewhat more things, I think the truth is closer to they're not being that much and that's reflected in our relatively low productivity numbers. So I would anchor it more on the productivity numbers and a little bit less on the Silicon Valley sort of Panglossian, Utopian tech propaganda. So I'd go with the economic numbers, not the self-serving propaganda. You know I do think Amazon is the most ferocious company in the U.S. at this point. And if you were, it is probably the company that you don't want to be competing against. I think there's always this very big difference between companies like Apple, Microsoft, Google, Facebook, where the core businesses are quite high margin and the internal conversation is always, well, we can expand into this other business, but we're only going to expand into other businesses that are equally high margin. And so you end up, these companies end up being not that aggressive on the expansion side. They talk about it a lot. They think about a lot of things. But then most of the time the calculus always is does our margin go down if we do this? And if we do it, maybe we shouldn't. I'm not sure that's, by the way, I'm not sure that's the right way to think about it.

Maybe the right way to think about it is, you know, you're earning 1.5% on your money in the bank account, can you do better than that by investing in other things?

MARIA BARTIROMO: But you had Amazon for a long time, didn't care about profits.

PETER THIEL: But Amazon's core business has very low margins and, therefore, almost everything looks like it's a better margin business and, therefore, Amazon is ferociously expansionary. And so, yes, I think that it is, yes, it's from the point of view of U.S. corporations. That's the business you'd have to be the most concerned about competitively.

MARIA BARTIROMO: Is there another company out there with a lesser profile that is as ferocious as Amazon that you can think of?

PETER THIEL: I can't think of, I can't think of anything that's even close.

MARIA BARTIROMO: And now they want to open checking accounts, going right at the banks. Let me ask you, Peter, about politics, because we got the midterm elections coming up in 2018 and then another presidential election, 2020. What do you expect in terms of resonating with the American people? Do you think President Trump gets a second term?

PETER THIEL: I think that, I'm not sure I can speculate on this better than anyone else in this

audience would be able to.

MARIA BARTIROMO: But you know him, you know what his priorities are.

PETER THIEL: I think that if he runs again, he will get re-elected. He'll make a judgment and if he thinks he can re-elected, he will run. And if he runs, I think he will win.

MARIA BARTIROMO: He said he's running.

PETER THIEL: I think that it is, you know, it's probably the case, the Democrats will do quite well in the midterms. That's normally what happens to the party out of power. And then the question is, but then I think the question about 2020 is a much trickier one. And it's really one of, is there anything that was learned from Hillary Clinton's defeat? Because there were sort of all these ways, there were issues that she was, you know, not talking about, not relating to.

MARIA BARTIROMO: People wanted jobs and economic growth.

PETER THIEL: And I'm not yet sure there will be that adjustment. You know history never repeats itself, but I think it's vaguely, there is a vague parallel with the way the Democrats are treating Trump and the way the Republicans treated Obama where, you know, Obama was seen as this horrific, terrible, you know, Communist person from Kenya or something like that and you simply did not, you know, you were going to beat him. And this, I believe this was the

fundamental mistake Mitt Romney made in 2012. It was just, the narrative was, you know, somewhat very straightforward, Obama was as bad as Carter, and you just had to show up and win. And actually no, you had to, there was a reason Obama had gotten elected. There were some very real problems in this country and you had to talk about those problems and try to deal with them. And there was a failure by the Republicans to do that in 2012 and I think the Democrats are setting themselves up for an even bigger version of that failure. And if you just have sort of this hate factory where it's about hating Trump all the time, that's going to handicap you from seriously engaging with the issues. I often, I often think that in debates and political conversations, our temptation is always to straw-man the other side, to find the most ridiculous thing somebody says, to zero in on that, to exaggerate it even more, and to sort of use that to make the political opponent appear silly and ridiculous. And I think that, you know we'd often be well-served to do the opposite of straw-manning. That's sort of word one of my colleagues came up is to steel-man. We should steel-man the people we disagree with. We should try to think about how can we make their arguments even better than they make them? And, you know, even if they're expressing their arguments in a bad way, what are the real underlying issues that those arguments reflect? How can we address those real underlying issues? I think if the Democrats were to do that with Trump, they would have a very high chance of winning. I see zero evidence that they're going to do that.

MARIA BARTIROMO: Well, they continue to resist as opposed to having a message. It's just resist.

PETER THIEL: Well, it's still seen as like this crazy aberration that Trump won and, therefore, you don't need to engage in any of the underlying issues.

MARIA BARTIROMO: What about the media business?

PETER THIEL: Like the middle-class stagnation, things like that.

MARIA BARTIROMO: How would you characterize the media business right now post-the Trump administration? Obviously, he has termed this fake news and much of the media is, in fact, against him.

PETER THIEL: Well, it's always, this is always, you know there was, one of my friends in 1996 was associate editor at the *American Spectator*, a conservative magazine. And I was talking to him and he was telling me, you know, we can't really tell anybody, but all of us at this conservative news magazine, we're all desperately hoping for Bill Clinton's re-election. And the reason for this was that they had, they had run all these stories on these Clinton scandals, the Trooper-Gate scandal, the Whitewater Scandal, and the circulation had quintupled. And so I think, and so I kind of wonder if something, if the real dynamic with much of the sort of liberal media in the U.S. is the exact opposite of what people say. And I think, you know, I think Rachel Maddow is praying every day for President Trump's health (Laughter) and her ratings are nearly

on par with Fox and this would have been unthinkable. And, you know, the *Washington Post*, it may be a break-even business or even a somewhat profitable business as long as Trump's there. The late-night comics, Alec Baldwin, all these people, I mean they're all...

MARIA BARTIROMO: Robert DiNiro.

PETER THIEL: ...They're all desperately hoping for Trump's re-election even though I don't think they want to tell that to their viewers.

MARIA BARTIROMO: I asked you earlier if you were going to start a conservative network so I won't ask you again because we'll show that tomorrow on Fox Business. Peter, I want to thank you so much for sitting with us today. Thank you so much.

PETER THIEL: Awesome. Thank you so much. (Applause)

CHAIRMAN TERRY J. LUNDGREN: Thank you both. Maria, thanks for your great questions as always. And, Peter, I feel like we could listen to you for a lot longer. Didn't love the comment about competing with Amazon. (Laughter) But we're going to sit together and I have some thoughts about that. But did love that you wore a tie today because Macy's and Bloomingdale's sell a heck of a lot more ties than Amazon. So, if he sold one tie today, that's good for my fixed income. So, thank you for that. So, thanks everybody. Enjoy your lunch. And I hope you'll come

to our next event which is April 18<sup>th</sup> when we host Governor Villeroy, who is the Head of the Bank of France, and he'll join us. Thanks everyone. (Applause)