Chris Dixon

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Scarlett 2i2 USB: This is 20 VC with me, Harry Stebbings. Now I've wanted to make this absolute happen for a long time today. We welcome one of the leading venture investors of the last decade. Chris Dixon. Chris is a number one Midas list investor in 2022. Chris raised $4.5 billion for Andreessen Horowitz, his crypto fund.

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Harry: Chris, I've been waiting many, many years for this one. I've heard so many great things from, especially the team at Founder Collective, but thank you so much for joining me today.

Chris: for having me. I'm excited to be here.

Harry: Not at all, but I want to start with a little bit of context, and this is a weird show for many reasons, but I want to go back to when you were a child. If your parents would have described you, or your teachers would have described you, how would they have described the very young Chris?

Chris: I think I'm kind of a little bit of a stereotype of tech people, you know, it's sort of a cliche, but I was super into computers, and so that was a clear part of my personality, you know, programming computers. and then, You know, slightly entrepreneurial, like I had various jobs and tried to start businesses, but failed businesses.

I think curious, slightly mischievous maybe, I don't know, or something like that. [00:04:00] Um, but, yeah, I don't know. I was, I think pretty normal in some, a lot of ways. I had a nice childhood. I grew up in kind of a smallish town in Ohio and, generally got a good experience.

And so I don't think anything out of extraordinary.

Harry: I heard from a little birdie that you studied philosophy at university and then have continued to study philosophy. thanks Alex Rampell. how did studying philosophy impact how you think both just as a person as an, and as an investor?

Chris: So I got into it from computers. a little bit like the current AI stuff. in the sense of there's sort of overlap between, for those who've read these kinds of books, there's like Daniel Dennett and Douglas Hofstetter and there's sort of this, overlap between, I guess what they used to, or maybe they still call it cognitive science and philosophy of mind and computer, and AI and computer science.

So that kind of got me into it. So I was on the more kind of analytic, they call it, um, scientific side of philosophy. I, you know, I just like a lot of people at that age had no idea what I wanted to do. I thought arrogantly that I knew had a program and didn't have any use for computer science.

in retrospect, you know, I think I could have taken some interesting theory classes and stuff. [00:05:00] And then I stayed just kind of a through inertia. I got invited to stay, for a PhD program. but I was in New York and in New York, you just sort of have to work, you know, unless you have the money.

and so I was always doing freelance computer programming and then in New York around the late nineties, 2000, if you were doing computer programming, you ended up at an internet startup. and so I sort of discovered that world and. Since then fell in love with that.

the idea that you could start a company or, you know, someday invest in companies and work on interesting technology, work with interesting people, build products, you know, I like the kind of real world aspect of it, academia, you're very kind of cloistered.

Harry: when did you realize investing was your calling? Cause you obviously were at Founder Collective for three years and worked with the team there. When was that, this is what I was born to do?

Chris: I always thought it was, you know, I'd read about it and thought it was interesting, I worked briefly at Bessemer Venture Partners as a junior person in 2003 for about a year. I didn't see a path, honestly, it was a much smaller industry.

and, I wanted to be an entrepreneur and I needed to be an entrepreneur. I thought to be a credible [00:06:00] investor. So I left and started a company. They funded me along with General Catalyst. then we ended up selling the company pretty early, in 2006.

And I literally, I think it was the day after we sold the company, I was on the phone with Ron Conway and I was like, I want to start angel investing. And I think probably four days later, I was out in the Bay Area And he was introducing me to people, you know, like I just wanted to do that. I was working at McAfee, but I also, you know, it's just, it's more of a corporate job at that point.

So I had time to do this stuff. you mentioned the founder collective guys, Dave Frankel and Eric Paley, like we had known each other, um, from school and had all been entrepreneurs, And we had all gone out to raise money. And in the time, 2000, you know, mid 2000s, if you tried to raise money, essentially the product that venture capitals offer was a 10 million Series A, was sort of the smallest check. they would occasionally do smaller checks, but they weren't really built for that.

especially on the East Coast, they wanted financial statements, they wanted, like it just wasn't a seed funding environment. So we actually had a plan. In like 2004 to start a consumer, internet seed fund. companies needed less money and that the consumer internet was very much frowned upon by a lot of, at least the [00:07:00] East coast, especially a little less on the West coast.

that would, there would be an opportunity there. And then. I sold my company, Eric sold his company, Dave had been investing, personally. like, I think Eric had gotten some job offers or something, and we said, Hey, why don't we dust off that business plan and do it? so that was Founder Collective.

So we co founded it back then. think we started in 2008. I think we closed in early 2009. So we were raising during the financial crisis, which is, I think if you go back, we were one of very few funds then, in the financial crisis. So that was, that was that story. But yeah, I just always look, I always thought it was interesting.

Like this world is all these interesting characters and it's just like another way to be involved with startups. Like I love startups. So I was like, okay, the sort of direct way to be involved with a startup is to start a company. And then, and the next best thing is to be part of it as an investor.

Harry: So I have two questions on the back of this. One is I have this theory that financially secure or in other words rich investors make better investors because they're not scared of downside and they don't bring paranoia and nerves to the entrepreneur like someone who really needs the money and needs it to work does.

Do you [00:08:00] agree that richer investors often make better investors?

Chris: I would put a spin on that. I would say that like speaking of venture capital, a lot of issues are so called principal agent problems. meaning the individual is not aligned with the financial interests of the LPs because like you're a junior person, you're Afraid and you're you know, you have three shots a lot of firms You get three shots on goal and you better have a hit And if you don't you're not promoted and you're fired essentially and like maybe this also applies to angel investing, but if you're in a business where one in 10, if not one in a hundred, you know, 50 are work really well.

And by the way, in almost all cases that I've seen, the, the startups at work go through a trough of despair, right? They go through a tough time. And so if you're in a business where it's like a very low hit rate, relatively speaking, the hits. Hopefully you're so big they pay for everything and you have these downturns, right?

the optimal strategy is to be really calm and and not panicky And there are lots of reasons people get panicky. One is maybe like, like people should not invest more than some X percent of their savings in this asset class. It's a very [00:09:00] risky asset class,

what you're saying is true and it also occurs with professionals at firms, if they have incentives that aren't aligned fully with the, with the fund.

Harry: Chris, I love doing the show because I just get to ask the smartest people in the world questions that I have naturally, and I just remove the schedule. You said that about the Trough of Sorrow, I'm totally with you. which leads to my no reserves model. I don't think that you can accurately pick your winners early.

If you acknowledge the Trough of Sorrow, how do you think about effective reserves deployment?

Chris: it's funny you bring it up. Cause like we found a collective, this was always a question in like early seed fund, so you're talking about follow on investing specifically, like how

do you do follow on

You know, I, I would say, honestly, I started off, like back when we started founder collective, one of our tenants was to not do reserves and follow ons.

And the argument was that we would be fully aligned with the entrepreneurs, right? we do the first investment and we want to see the next valuation be higher. And so we're fully aligned. And then the other argument was, Your argument, I think essentially that like, markets are efficient and.

it will drag down our returns because we're going to be averaging up our cost basis. And, the [00:10:00] real alpha comes from being early in seed investing. I just think that there's more being involved, you know, with a company.

the ability to see an entrepreneur over multi year process and how they handle things. if you're good at it, the winners can just be so big that you want to do.

Chris: a hard question. I do think, I, I probably lean more toward the reserves and the prorata kind of thing, at this point.

Harry: Can I ask you on the flip side of that? You mentioned kind of going back to the early days of Founder Collective there and their preference for no reserves You know Doug Leone said before on the show that we have moved from a high margin boutique business To commoditized industry I'm, just intrigued given your perspective now over 14 years having seen the Founder Collective start To the size of Andreessen today, which is immense and incredible.

Do you agree with that transition?

Chris: theory and then this first thing to think about with venture is is barbelled and this happens to sort of death of the middle like this happens in a lot of industries So the most famous would be [00:11:00] retail Where you know, the internet comes along and you used to have JC Penney's and Sears and sort of these mid sized Retailers that existed for because you, you know, you need logistics and shopping, and that's just the way people bought things was they go to their nearby town and buy something the Internet comes along, and you have this effect, right?

So you have the very big winners like Amazon, who are very good at hyper efficiency and logistics. And then on the other side, you have boutiques. and and the, LVMH, which is a roll up of boutique brands, right? It's not a coincidence that the two most successful retailers in the last 20 years, one was on the one side of the barbell, Amazon, the other was on the other side, LDMH.

I think a similar thing has been happening in venture for the last 10 years as it matures. and so there's the A16Z kind of Sequoia strategy of being a, a big fund. And you have a different product you offer, quote unquote product you offer entrepreneurs, which is, you know, operating services, help, full stage support.

the flip side, there's the kind of boutique model where it's early stage, probably sub 50 million funds. [00:12:00] managers with some deep expertise in some area. and I would say another dimension to this is strategy. I think there's sort of broadly to Methods that work in venture.

I would call one heat seeking and one truffle hunting, right? So heat seeking is, the team out of Google that's doing foundation models. And everybody in Silicon Valley thinks of it as the hot deal and the game is to win it. that can work. You know, if you get the Google heat seeking can work.

But it's a different game than truffle hunting, which is, you know, kind of the classic one I think of is like union square ventures in 2005 where they were the first ones to really see the web two movement and develop that thesis. And, you know, there's a bunch of cases in the history of venture where you sort of like you have a thesis that someone else doesn't have.

So guess, I think if you are cognizant of the barbell and you like, a lot of the low margin things I think are people that don't really understand their strategy. They think they're a seed fund, but they've raised 500 million and they're actually competing with scaled funds that, are better prepared to service the entrepreneur.

or I meet a lot of people who I think they think they're truffle hunters, but they're actually heat [00:13:00] seekers and you need to know what you're doing. And I think both can work, all these different strategies can work, but you got to know what it is and lean into it.

Harry: love this so much for the different analogies already. Which would you say that Andrew Easton is? Is he king or truffle hunting?

Chris: The firm? I think we try to do both. I think we try to do both. And that's the way I think about it. And I think about it explicitly. Like this, this is a heat seeking investment. This is a truffle hunting investment. For truffle hunting, often it's deep in a vertical before other people kind of figure it out.

It can be within a vertical. Maybe it's, you know, crypto when it's not cool. Maybe it's, you know, Some sub segment of AI that's out of fashion or overlooked. Maybe it's a geography. there's a lot of different ways to do these things. but I think you need to know what you're doing. And if you do each strategy, it's a very different thing.

Like truffle hunting, you gotta go deep. You gotta be an expert. You gotta meet everybody. You need to appeal to them. It's like when they, when the entrepreneur meets with you, when you're in that, you know, if you're Fred Wilson doing, consumer internet in 2005, you know, you heard the reason that, Twitter picked him, you know, when it was a competitive deal, the series a was that he was using the product.

He was deep in the space. so it's a different strategy where it's heat seeking. It's much more of [00:14:00] the sales motion. Like you're trying to win the deal that everyone wants to win. so it becomes, can you be the most helpful? like founder referencing. I think one of the things about this business that keeps people honest is that ultimately winning investments at large VC firms comes down to what the founders say about you.

And that's a very good thing It forces people to behave, there's no way to game that. what a founder will say. It's a special call. I think at least my experience as a founder, if another founder calls you and they're about to choose a VC and devote the next 10 years of their life, people give pretty candid references.

Right?

Harry: Do you worry that we've over rotated on founder NPS? You know, we saw a lot of lack of governance in the last few years where there maybe should have been some.

Chris: I agree in terms of the importance of the founder reference, but it leads to, in some cases, just pure negligence because people don't want to have anything bad said about them.

I think there's a difference between being the founder's friend and being their partner. and so being their partner means you're, a good fiduciary, you're supportive, you help the company, you give them honest feedback. It's not always friendly feedback. what I think a bad partnership is you say yes to everything [00:15:00] and then.

The moment they need money you say no or you let them behave, not practice good governance a good partnership is you're honest with them you support them But you're also like there are times when the best thing for the company is for example for a ceo change or something and that has to be a good partner would Recommend that if that's actually the best thing for the company or a change in governance or whatever it might be So I think that distinction is important obviously we become friends with people that we work with, but ultimately, like, it's important to keep in mind kind of professional roles that people have.

And the fact, look, when you're involved with a startup, there's often many employees, many other investors. It's an important responsibility to be a good custodian of those people's

careers. And so, you have to balance all these things, right?

Harry: I've spoken to, you know, many of the team at Founders Fund on the show and they always say that the best founders don't need their VCs and they don't need help. How do you feel about the best founders actually don't need their VC?

Chris: I think there's a distinction between do you need advice and do you need sort of network, I guess. like, I just don't believeespecially [00:16:00] if the, the sort of founders that we tilt towards, which are technical product founders, it's just impossible that they know the right customer prospect at all Fortune 500 companies.

The best founders, do they know how to build the product and the technology for sure? And like, for example, I'll speak for myself and at the firm, but I rarely get involved in those parts of the Companies. And in fact, I probably judiciously tried to not comment on that because I think sometimes board members and investors opinions on like this button should be purple or something.

Like they'll say these things and then suddenly it'll become like an organizational priority. but there's just no reason that, for example, a founder doesn't have as much experience with fundraising. They don't know all the investors. They don't know all the potential partners.

They don't know all the potential customers. They don't have the same talent network. Like it's it's just Inconsistent with their, if they're, if they're in truly a deep product or technologists sort of, founder, they just couldn't be spending, have been spending their time like that.

if they're saying that if the founders funds folks are saying that in terms of product and technology, I tend to agree, like it's something is wrong. If Chris Dixon is giving you your tech ideas, or product ideas. Um, but if I'm introducing you to [00:17:00] a great executive, like I think that's working well.

Harry: Chris, why do you think the best founders in the world pick you?

Chris: this is a business I think that primarily goes down to founder referencing. I'm not on those calls, but when you're competing over, an investment that is the determining factor.

What those folks say about you is very important. I would also say specific to blockchain crypto, there's a lot of sensitivity around, the fact that you know, we've now been through maybe four cycles of this is a bull market. and every time that there's a downturn, kind of a lot of investors leave.

That becomes a big issue. and it's very important to founders that you are high conviction and that, comes out again and found a referencing, the way, that's not just my group at the firm that's throughout the firm.

I think there's a kind of a misunderstanding around this that I see some articles that misunderstand it. we don't pivot. Like, we've never pivoted. we've done AI for 10, since I've been at the firm since 2013. We've done blockchain crypto consistently. We've done bio.

We've done sass. We've done video games over time. We've created verticals. Like, as we think something's working, we've spun out verticals like Crypto, Games, Bio. we've stayed very high conviction in [00:18:00] those areas. sometimes we're too early That can I mean, there's a challenging, era.

but that's kind of just how we practice it. And I think that's important to founders. Like when they're, you know, they want to know that their investors, this is Ron, you mentioned Ron Conway, you know, he's a good friend. He always says, uh, you make your money in the, in the bull market and your reputation in the bear market.

Harry: Well, it's funny because actually told me that you are a master of conviction and, quote, you have remained undeterred in the face of the most adverse conditions. it's a very nice thing to hear. my

question to you

is,

When the world and the market tells you you are wrong, how do you retain that untoward conviction?

Chris: I think there's different ways to do this job. and different ways can work. and I think a lot of people in the industry today, say things like, I don't try to predict the future. I just try to predict the present, there's a lot of focus these days on metrics on, AR and all these other kinds of things, that can work and it has worked for people. I have a different view, which is I do try to predict the future. and I do, and I spend a lot of time thinking about that. I think as I recall, Peter Thiel, I think in [00:19:00] zero to one, he has this part about it, about sort of a deterministic or indeterministic future.

Like I fall into the deterministic camp. I'm not saying everyone should do this. the way I approach it is I have a view of the future and I want to get to that, that future. and I spent a lot of time reading about the history of technology, trying to understand it, A lot of that is to try to understand how the future might play out.

is to look and study the patterns and to study the, the kind of the underlying forces. you know, when you have an incredibly complex system with economics and technology and people and all of these things, it's very hard to kind of draw, lines through charts. I don't think that's a very good way to view in the future.

I think a better way is to really understand the dynamics and the historical forces and things like that. So, so that's my approach. I've just spent so much time on it that I believe in it. And that's why, like, I think we'll talk about my book. Like, if you read that book, that is a book of somebody who is, I believe, you know, you can agree or disagree with it.

It's somebody who has spent a lot of time thinking about the internet. and it has a lot of frameworks for how these things play out and I believe in those frameworks. you know, I'd like their setbacks, like, In, in crypto, the stuff [00:20:00] that happened two years ago with FTX and a bunch of scandals, I think set back the space a couple, you know, maybe a couple of years.

this is the kind of thing that your frameworks With right, there's just things in the world that happen. These exogenous events. there's ways you can mitigate that kind of risk through, for example, companies having longer runways and things.

But that anyway, that's just my approach. And I, and I believe in it. And the book, which I, Part of writing the book was a test of conviction. I think if you can write something out in 230 pages in detail, an argument, that helps you kind of vet that argument and, just kind of pressure test it.

Harry: We're gonna get to the book I just want to ask on this Alex Rampell told me that you are the master of strong opinions loosely held and so on this There's a point when you do let them go Can you talk to me about when you have enough data to realize that you need to change your mind?

Chris: look, I think of venture as, You know, sort of this fox and hedgehog, the fox knows many things, the hedgehog one thing, like, venture's the fox business, I think. Like, it's like you're constantly tuning your neural network.

what are all the different things that go into decision making? And, and it's very complex and there's many [00:21:00] things. And that's one reason it's sort of a, it takes a long time, I think, to really get good at it. And it's very important to have mentorship and other things because it's very hard to kind of get these neural networks trained.

I just want to be clear, I'm constantly, like, there's lots of little things that and specific, you know, this sector's not going to work, this one is, that kind of thing, but on the big thing, look, I mean, I guess I've, if anything, I've been emboldened on the big thing. I mean, I just, every single thing, I mean, Mark

Andreessen and I talk about this a lot, like, I think his phrase is, there's no bad ideas, there's only too early.

first of all, I started my internet career when the internet was kind of a joke. People today cannot picture this. you start your career in a highly contrarian area, you know, that, that shapes you.

I then doubled down in the financial crisis and then, did a whole bunch of, things like blockchain and VR and other things over 10 years ago. So I've just been used to this and I've just. out the noise and I just kind of try to look at the fundamentals.

I'm very careful about the information I consume and, and really focusing on primary sources. for example, on the crypto blockchain stuff, like most mainstream news coverage is just factually incorrect. And I could go through with a red pen and show you all the mistakes.

And that, [00:22:00] you know, if you just read that, and I assume that's probably the case for other areas, it's the Murray Gell Mann thing, you know, the, it's not just the area I know

Marker

Chris: it's others. I talked to entrepreneurs all day. I look at metrics. I, read technical and product papers.

and you know, read a lot of books and history. and when you do that, it's a different set of inputs I haven't seen a technology movement, a software movement where a bunch of very smart people were excited about it in my career that hasn't eventually worked.

I started an AI company in 2008 and I, if you told me, and I sold it to eBay in 2011, a machine learning company called Hunch, I was obviously too early, but eventually it worked.the interesting question to me is not whether something like crypto blockchain will work. I don't think it's a question.

the timing is a question. as it was with AI and other things. But you can do a lot of work to try to, understand the timing too.

Harry: Speaking of the timing, and moving more to crypto specifically, you said to me before that big tech is stifling the internet, that blockchain networks can break the stranglehold. Again, moving to very much today, and to the crypto space, why is big tech first strangling the [00:23:00] internet, just so we have an element of causation?

Chris: you know, in my book, my, in Rewrite On, I go through in the first couple of chapters I sort of think of the book is split between on the first half diagnosing what happened. So how did the Internet go from an open and democratically controlled system in the 90s to, Internet that's essentially controlled by five companies today?

The big five companies have 95 percent 5 percent plus of the traffic and the money. And AI is exciting as it is, will will very likely, accelerate that consolidation because it rewards companies with large stores of data and capital. and so, you know, why did that happen?

I go through in detail, and my argument is, you know, we started off with the internet is a network of networks, so like there's the base layer, the internet protocol that connects hardware, and then we build networks on top, and in the 90s, the dominant networks were email and the web.

Which are what I call protocol networks. People call them protocols. they are networks that are, that are more like, you know, their standards among the community and the, and the network effects, which is don't accrue to a company, they accrue to the community. And then in the two thousands, there were a lot of [00:24:00] great things that happened, including kind of the democratization of the internet that went from a couple 5 billion people.

people got lots of great services, but that process, we, adopted, Internet services that had a different architecture that were controlled by companies and not by communities And that sort of seemed fine in the in the 2000s and even the early 2010s when those companies acted in very open ways And supported, allowed for creators and software developers and entrepreneurs to build businesses on top of them But they've since changed the way they're doing that and that's why look at consumer internet investing today There's very few successful, consumer internet companies the last 10 years.

That's because you have this sort of chokehold with these five companies. my argument then is that what blockchains let you do is create a new wave of internet services, which have the societal benefits of those early protocol networks, but a lot of. Sort of what I say is called the competitive advantages, sort of the advanced functionality, the ability do a lot of financial things that make them competitive with these corporate networks.

what does that look like in reality, Chris? Sorry, just to take it down to a [00:25:00] more human level. what does that actually look like in reality for these networks?

so, for example, I'll just give you an example. We have a, So it's a blockchain based social network called Forecaster is, we're investors in and forecaster, you can download it and use it. it's got a couple hundred thousand active users today. it will feel a lot like a Twitter or something, you know, it's the user experience, everything else.

the difference is that on Twitter when I have C Dixon and I have an audience that's controlled by Twitter. And they can change the algorithm, they can change the economics, they can, change the rules, they could remove me from the platform. On Farcaster, I control my name and I control my audience.

Much more the way, like, with an email list. Like, you think about your, you know, you have your email list on Substack, you own that list. If Substack messes with you, you can switch to another provider. That's how Farcaster works. So there's many, Farcaster's the protocol, and there's many different clients.

And so it provides the kind of advanced functionality of social network that you want and all the features, but it pushes control to the users. and so they kept choice. They can choose different software providers, right?

That's just one example, you know, we have. Dozens [00:26:00] in our portfolio of new services where the functionality is very advanced, and modern, but it has different economic and control properties because using blockchain shifts power to the edges of the network, the users, the creators and the software developers.

Harry: Chris, you're a student of history, and you mentioned the power of incumbents there. I've never been more worried about the size of incumbents. As we mentioned, the size of their data is enormous. The free cash flows of their businesses is enormous. incumbents ever been this dangerously large, and is it not too big to usurp them with a farcaster, or a hive mapper, or you name any of your innovations, given the free cash flow machines that these businesses have?

Chris: so I have a chapter for those interested in the book it's called community created software, where I kind of walk through this, but if you look at the history of the technology industry, the competition is moved to different layers of the stack.

So. You know, prior to Microsoft, the business of computing was to sell hardware. Companies like IBM would sell mainframe computers, they'd bundle it with [00:27:00] software and services, but the business was hardware. the contrarian innovative idea of Bill Gates was that software would be the next thing.

Layer value, right? And that was the idea behind Microsoft. And it turned out to be correct. And so that, you know, they had a very high cash flows, very high margins, and essentially began to commoditize the hardware layer. You didn't care if you got compact or Dell, as long as you had windows and office, right?

And then what happened was open source software came along particularly like Linux, you know, fast forward today. By far the dominant operating system in the world, and it turned out that sort of a ragtag group of people could create a better operating system than this giant high cash flow company, rise of open source software, I, I, I think is a very, uh, under appreciated thing.

every Android phone is running open source software. A lot of your Apple computer is running it. And certainly every back end system runs all open source stacks. All the new devices do. this was a movement that was, crazy left wing political movement in the 80s and then dismissed in the 90s.

Go, go read. Was it 98? Was the DOJ case against Microsoft? Go read the documents. Like Linux [00:28:00] doesn't occur. It's all about sun and Java. and yet that was when Linux was growing. And so I, I think that there's, you know, there's a famous essay from the 90s, Eric Raymond, The Cathedral and the Bazaar, and he talks about these sort of different ways to make software, like, one is the cathedral is Microsoft, it's this, you know, cathedral, the product managers are the priests, you know, they speak in secret incantations, and then the bazaar is this Caco Caco marketplace brilliant people and crazy people and all the sort of things you get with the internet and humanity.

But in the end, you know, his prediction and he was right, is that the bizarre would win because you would have, as Bill joy famously said, the co founder of a son, no matter how many smart people you have working for you, most of the smart people work for somebody else.

how many people at these big cashflow companies actually work on, Cutting edge new products, right? I mean, Google has 300, 000 employees or something. The vast majority are doing customer service, product management. They're maintaining old products.

They're doing bureaucratic, you know, PowerPoints, arguing over politics. I don't know what they do, but like, I bet you there's a thousand people that are really [00:29:00] doing cutting edge new products for as big as these companies are. And, you know, there's that many people working on Ethereum that are very, very smart and they have people from all over the world blockchains are to centralize services as open source software was to centralize operating systems, right?

that's what we're doing here. We're trying to, you know, Open the services layer of the internet historically this pendulum has swung back and forth between The Cathedral in the bazaar, and I think there's a lot of pent up energy To support the bazaar, And I can't predict the future you may be right.

Maybe it's too late. maybe it's over I think that there's lot of strong forces that, will ultimately support, a more, kind of community, built internet services layer than we have today.

Harry: Can I ask, what do you think is the biggest challenge to the next generation community built services layer that we both want to see? What are the biggest barriers that the community led next generation has to break to enable or to be what it could be?

Chris: I think there's two things. in the book I talk about what I call the computer in the casino. And so this, this idea is that around blockchains there are two communities that have [00:30:00] developed. The casino is a set of folks who are more interested in kind of the trading and gambling aspects of meme coins and, to me, this is where FTX and Luna and a bunch of these catastrophes kind of came out of that community.

And the computer is people who, like me, view blockchains as a computing movement. I was just at ETH Denver. Ethereum has these series of community organized conferences. You go there and it's, it's awesome. It's like early Linux days thousands of like, nerds talking about computing and stuff.

Like, I love it. and that world is kind of ignored, I think, by, I think most people that think about the blockchain world don't realize that exists. How big it is and how lively it is. That's the world I'm part of. That's what we invest in. think of it as there's the blockchain as a computer movement, and then we're, on the one side we have people that are, I think, co opting that movement for these kind of casino activities.

And on the other side we have, mainstream world, the policy makers, media, the establishment, all of these forces that are against us, you know, the big banks hate crypto, the big tech companies hate crypto, media seems to hate crypto, certain elements of the [00:31:00] government seem to hate crypto, so we've got that on one side, and then we've got these kind of co opters on the other side, so that, I think what's going on is that the reason those people don't like it is they see the casino side and they don't understand that there's two sides to it.

And that in an ideal world, what we would do is, come up with policy prescriptions. And this is what we've been calling for for years, long before FTX. We've had stuff on our website. We've been, you know, advocating for it. Is policy that encourages the innovative use cases. And discourages the harmful use cases, right?

in an ideal world, that's what you'd have is you'd have something that sort of reigns in the speculation the casino stuff But allows somebody when they're building like a new social network using blockchains to have a path to be compliant instead what we have today is actually the opposite which is we actually have a regulatory system, which so just to give you an example, you can creating a meme coin, you know Meme coin is just an utterly stupid Token, has no purpose by design.

You can create a meme coin, you can own 10 percent of it. You can dump it and get rich. and as long as you don't manipulate the markets and things like this, basically that's legal. if you then take that [00:32:00] meme coin and try to build something useful like a game or a financial service, that's when you get tripped up with regulators today.

So we have a system now that literally encourages the casino behavior and discourages the productive use cases. So. You asked me what the biggest challenge is. That, that's the biggest challenge, we have this, harmful community on one side

it'd be as if we had an AI policy that allowed you to create, dangerous bioweapons, but didn't let you create customer service chatbots. Like it's just opposite land of what we should be doing.

Harry: I ask from pure inquisition, why does everyone throw the accusation, then, against Andreessen Crypto for pump and dump?

Chris: I, it's just factually incorrect. I don't know where they get their, their alleged facts. So first of all, all of our funds are 10 year venture funds. throughout the lifetime of the crypto funds, we today hold 94 percent of our investments.

And not only that, the length of the lockup in some ways is limited by the market. So we've been advocates. In other words, if we go too far, the entrepreneurs won't work with us. we've been advocating for a long time, for, regulatory guardrails that make longer lockups.

don't understand where this comes from.you don't have to believe that we're [00:33:00] good people or something, but just look at all the charts, look at the history of venture capital, like selling your winners, uh, and then Is the worst possible strategy and the things that aren't winners don't move the needle on funds Like it's just not how venture capital works.

There's a j curve and that holding things for a long time is always, if it's a growing market, that's growing in value which crypto has Is always a good strategy. So I yeah, I don't know. That's just misinformation

Harry: Can I ask you, you mentioned there the kind of casino like culture, and you mentioned the word speculation. Is speculation bad? Always. can it not be an inroad for interest?

Chris: look I don't think speculation is always bad so the housing market. to me, the point of a blockchain is to enable digital ownership. like an NFT is a, digital object. and it can represent a name and a social network. It can represent a game, an object in a video game.

It can represent a piece of art. It can represent whatever the creator wants to represent. similar to the offline world. Like, I think we'd all agree that home ownership Has a positive societal value, it's psychologically, personally rewarding to own a home and, have a [00:34:00] family.

And I think we think societally, like people that own homes are more likely to improve their homes and more likely to contribute to their community. So home ownership is a good thing. We also have speculation around real estate. People flip houses, REITs and all this other kind of stuff. don't think the speculation is bad.

But, I think that the point is home ownership. In fact, speculation pays a purpose, right? You have price discovery, liquidity. and I think generally society, we allow specul I mean, stock markets are similar, right? Like, the, the purpose of a stock market is to productively allocate capital to companies that are building products.

The byproduct is you have hedge funds and other folks like that. They do provide liquidity and they play a service, right? my issue with the casino, community in, around blockchains is the, is the focus. The focus should be on building useful services. that enable digital ownership.

As a byproduct, there should be markets around that, and those markets should be regulated, and there should be, it should be tamped down. issue is, you ask most people, you read the media, etc., like, all of the focus is on the casino, and that skews, incorrectly, the perception [00:35:00] of the technology.

Harry: If you could make one change to the regulatory environment today, what would it be?

Chris: look, I just think the main thing is that as an entrepreneur, and this, this ends up affecting our business because, as an entrepreneur, you don't want gray area. if you're a, top computer scientist and you're choosing what sector to go into.

And one sector, there's gray area, so there's some percent chance that no matter what you do, you get a subpoena or something. a lot of people just won't do that. And on the flip side with the gray area, if you're a bad actor and you know, your other career choices are stealing money or something like creating a meme coin seems like a good idea, right?

just took me a while to appreciate. I had to work in the space. Like I didn't understand how kind of policy worked and how policy interacted with entrepreneurship, but I will say that my chief learning there is that gray areas. Discourage good entrepreneurs and encourage bad actors.

And so my main thing is, we talk about this a lot, like clarity. Now obviously we want, not just clarity, like clarity, bright line rules. Here's what you do, here's what you don't do. and of course a path way. It could be a lot, it could be a [00:36:00] owner's pathway, but a pathway to building these products. and so there's very specific proposals out there that we've been advocates of that do that and tamp down the speculation and allow for entrepreneurs to build products and have long lockups and disclosures and security audits and like all these things that should be happening that in a sensible policy.

environment would be happening just aren't happening today. Like you have these hacks and it's because there's no requirements around security audits. Like there should be requirements around that. we can try to force it, but if we go too far with entrepreneurs they won't work with.

Like we can't, we're not the referee,

Harry: I ask a blunt one? How would a Trump administration impact the regulatory environment for crypto?

Chris: mean, it's like it's complicated. There's, you know, there are obviously three branches of government. all matter In fact, a lot of it's playing out in courts right now. I think ultimately this will get resolved, I hope, through congressional legislation. So that matters a lot.

executive branch matters to and who they pick. Look, a lot of it just comes down to who they pick is the head of agencies. And you could imagine, Trump, I don't know, but like Republicans tend to skew more, pro business. but ultimately it really comes down to the specific people they [00:37:00] choose to run these agencies.

Harry: Chris, why did you decide to write the book now? you've been in the space years plus. Why

now?

Chris: Well, I, one is I needed time to write it and the, you know, after last downturn, I had more time. So it was a good opportunity. but really it was that I, feel like the technology is very misunderstood, and I wanted to have like a one stop shop, for somebody who wanted to understand it to be able to, and to hear the other side of the story, because I think they hear the negative side a lot, and I wanted to provide the other side of the story, and the full kind of treatment of it.

Harry: I often think, like, who's the customer for the book? Is this a net new entrant to crypto? Is this an existing crypto enthusiast? For you writing it, who was that customer in your

Chris: Yeah, I think of it as concentric circles. There's the crypto community, which I think, embraced it honestly, in a very nice way as sort of the best explainer, and then there's the next ring of the circle is all the people they know. So you're joining Coinbase and your family's like, isn't that the thing with Dogecoin?

And you're like, no family [00:38:00] member. It's actually more than that. Here's a book to read it. and I'm very excited to say that, that I've heard a lot of feedback that that's happening now. So it's becoming that book that people kind of give to, let's call it crypto adjacent people, Which there's a lot of, there's, 50, 000 that work in the industry. I don't know what the exact number is,

You know, one thing about books, I, this is one thing I debated is when you actually look at the book sales figures of all books, it's sort of surprising how small, like when you're used to the internet, it's just small number.

Like there's a kind of, I don't know, a million people that still read nonfiction books in the country or something. I mean, the best selling nonfiction book last year was 400, 000 books or something. And that was like a self help book. it's just a smaller set of people. So you're, you know, when you write a book, it's a smaller set of people, but I'm hoping, you know, they're important set of people that read books.

I also think about this, which is like, I had books that really influenced my life. it would be cool if 10 years from now, I meet somebody who's an entrepreneur who's done some really interesting stuff. And the book was part of that.

So I think of it as like a blog post can reach, millions of people. A tweet can reach millions of people. Books reach a smaller but they can be canon events. They can really affect people's lives. [00:39:00] think of it both is like a way to explain it to the people that are adjacent.

but also potentially a way to kind of influence entrepreneurs and particularly like when they talk about the computer in the casino, I'm trying to influence those entrepreneurs to go towards the computer and like explain the whole thing to them and explain why this is the right path to take.

So I'm hoping to kind of nudge the industry in that direction. Gosh,

to be honest, I don't think about venture as a category. I mean, I think that the Internet changed the way that information flowed for sure. And I think probably unbundled a lot of brand and venture. when I started off, there were just these kind of like, it was just these black boxes.

It was like Sequoia and Kleiner and, you know, Benchmark and Excel and you'd hear rumors about who the people are, you'd hear rumors, literally like rumors about how term sheets work because there was no blogging about it. There weren't really books on it. And so it's just sort of like this mysterious, you know.

a thing that you, uh, didn't really understand. But you, but the firms carried a lot of weight, right? Like, the firm name was the thing. Like, it was a big deal. And you saw, you read about the history and the companies they funded. And I think that's how fundraising worked [00:40:00] too, right? With LPs, I mean, this is a lot of what's happened with the unbundling I was talking about before, where you have, The barbell and like the rise of seed funds, right?

Is if you're someone like you, the calculus has changed versus 20 years ago, where then you had to join a big firm to raise money. And now you don't because you're, you have your own brand, and so I think the sort of unbundling of the branding where you can just build your brand with your podcast and with the other things you do.

And then of course, over time with your investing and everything is very different.

Harry: The thing that I worry about, honestly, Chris, is the weight of capital is different. 000 to me is very different to 5, 000, 000 to you and Andreessen. And so you can do a 5 on 25 with ease. Whereas for me, that's a big bet in a early company with absolutely no traction and very little to go on. When the weight of capital is different, it makes it very hard for boutiques to survive, I think.

If you think to like Founder Collective,

Chris: I'll speak for my own, for, for my own vertical here, my own area, which is we very, [00:41:00] we do very and the reason is, we take conflicts very seriously, meaning we invest in one company per category.

if we go too early, that's sort of our bet in the category. most of our stuff is like a true series A and not seed. that I do for that reason. And I think that, and I try to work very hard to collaborate with seed funds and, they go early so that, that's just speaking for myself.

Harry: Do you agree with if the cash is on the table, you should take it? Because like, you know, if you have a 2 on 10 25, it's a lot more money. It's a much better price. It's hard to argue and tell a founder that no, the 2 on 10 is better.

Chris: honestly, I think, and maybe this sounds like I'm talking in my book, but I would say this, even if I were a founder, like I think there's many factors. Like this is a 10, this is a 10 plus year relationship with your investors. it's, it's a long term thing. Look, obviously the dilution and everything matters and so you shouldn't be crazy and, but you know, I think.

one, it's an important factor, but way I think about it is you're building a company, you're thinking about how do I kind of assemble an excellent team of excellence, both in my company and around my company. And some of those decisions are like, like who you take an investor is basically irreversible.

[00:42:00] I do think you should know who you're dealing with.

Harry: Final one before we do a quick fire, which is as part of that partnership, often it comes with a board seat. What are your biggest lessons on what it takes to be a great board member? And how has your style of board membership changed over time as an investor?

Chris: a lot of it is, um.good governance and, Unfortunately, I think it's relatively easy to be in the top quartile of that if you care about it. If you're supportive in both up cycles and down cycles, like to your point earlier, there's just a lot of stuff that goes on when the market drops.

and I'm not just talking about crypto here. I'm talking about regular venture, when the downturn happens have somebody who's early in their career adventure. They made three investments. They've told their partners this is their hot company and now it's struggling.

they're worried. this happens a lot. or maybe the fund isn't doing well and they need to recover money. I just had a situation where you know, the Investors came in at a high valuation and they have a high preference stack. And so like they would financially be better off if the company sold themselves right now versus the early stage investors because of the way [00:43:00] preferences work, you have different incentives.

So, you know, you have people who micromanage, and try to, you know, board members who don't really have the expertise trying to give granular product advice. So I think a lot, I don't mean to sound negative, but I do think a lot of it is just not being bad. helps a lot.

caring, being there for downturns. it's complicated when you're an investor, right? Cause you were kind of wearing two hats. You're wearing the board member hat and you're wearing the investor hat. And so being able to sort of separate those.

if you bring some detailed, like some expertise, like operating expertise or financial expertise, that's a bonus. But I think just that alone is just an important thing when I describe.

Harry: Final, final one for the quickfire. Do you enjoy the size and scale of Andreessen today? It's very different to the firm that you joined 11 years ago. do you prefer it today than you did when it was much smaller and more boutique y and I'm sure less process driven and

Chris: I will say, first of all, we, you know, we're very verticalized now. we're a big firm, but, you know, I run a vertical and, pretty independent. And that's important because I think we actually avoid a lot of the bureaucracy and other things. We had a period where that, there was a transition period where we weren't like that always.

But I [00:44:00] think we're in a very good spot there. But at some point, I think my interest kind of shifted from just investing in startups to sort of having impact. I remember when I joined the firm I was considering joining 2012.

I joined in 2013, thinking a lot about the fact that it was starting to really bug me that, you know, I'd put some money into an investment and They would either do well or not and I would think to myself that I actually have any impact Or if I didn't do it with somebody else have just put that money in as an oversupply Brown like someone else would have invested Yeah, maybe I gave some advice and this and that this is what I want to do And so what really appealed to me why I joined is when I talked to Mark and Ben I was like lookWe just went through the three the era of mobile social cloud.

These are the three big computing trends I think there will be The next 10 years we'll have another wave of multiple computing trends. And I want to aggressively invest in those areas. I think there were a handful of organizations in the world who at that time would have supported a plan like that.

And Andrews and Horowitz, Mark and Ben were one of them, right? that's what we've been doing. I mean, so that was the doubt just to go back. That was my motivation and that's still very much my motivation today. I think about it in [00:45:00] terms of impact. obviously we, manage the fund and,there's all the kind of financial aspects of it.

But, that's a lot of my motivation is not just riding along, but actually, having some influence.

Harry: Speaking of influence, I guess my question is, how do you assess your own relationship to money, and has that changed over time?

Chris: I think the healthiest relationship, is to think of money mostly as capital. it's mostly as a way to invest in people and ideas that you believe in. Mark and Jason and I have been for a long time, both first individually and for the last seven years together, investing in funds, supporting new managers, starting venture funds.

we do other kind of things like we, I don't know if you've seen this, California Forever, this was something we did, it's a new city in northern California at the time didn't fit into the Venture Fund model. So we did that, you know, as a personal thing we did, later on it, that changed and the firm did invest, I'm very interested in sort of internet freedom, blockchains, open source software, being able to support some of those causes.

like, I think that's the healthiest relationship with money. I've seen a lot of, as you do these kind of job over time, you see a lot of unhealthy relationships with [00:46:00] money and you see people that kind of, make money and, and their career or get on the, hedonistic treadmill or something.

And like, I don't know. So those are, there's lots of unhealthy relationships. I'll say that. I think that's a healthy way to think about it. It's just a resource to kind of do things that help people you like or causes you like.

Harry: Chris, we're gonna do a quick fire round because otherwise I could talk to you all day. One, what have you changed your mind on in the last 12 months?

Chris: Probably a lot of things. you know, one that might be interesting is you know, COVID I, like a lot of everyone, I guess we went remote. and I really wanted to believe this was the new world. and all these kinds of, you know, tweet threads that you read about how the world's changed.

And I, and I wanted to believe that, you know, just that you could have now a globally distributed workforce, people could live wherever they want. I've come to think it's especially in our business just doesn't work. and that, you know, we've now returning our, like Lisa, our investment team, you know, back in one place in New York.

in some ways I think what, works in remote teams is that you're, you know, you're kind of piggybacking off past relationships and it's very hard to build new relationships. It's hard to sort of share knowledge.

Harry: What are you most concerned about in the world today, Chris?

Chris: [00:47:00] well the issue I spend the most time on that I'm concerned about is, are these issues we're discussing. I think it's sort of what I would call broadly internet freedom. little tech versus big tech. I think that, The outside world perceives would say that someone like me and you work in the tech industry.

I see myself is working on the behalf of little tech of startups. I think that having a dynamic Internet economy and software economy is good for the world. I think it's good for innovation. I think it's good for a whole bunch of reasons. And I think we're at serious risk of losing that. to me, the two issues are, there's a real effort to ban open source AI and there's a real effort to ban blockchains.

And I care a lot about those two issues and spend a lot of time thinking about that and working on that.

Harry: I've got to ask, should OpenAI be open sourced?

Chris: look, I, I think everyone should choose their own strategy. That's fine. I just think that open source should be leap frontier. Open source model should be legal. And I, if you look at the Biden executive order, it looks like you're going to have to register and there'll be export controls. So I just think every project should have a choice and they can do whatever they want.

but Mistral and, all the other like Lama with Facebook, they, they should all be allowed to, to open their [00:48:00] code, open their weights. I think there's just a lot of crazy panic right now about this. obvious thing that's going to happen if they do put regulations around this is just further entrenched the power of the big five companies.

Harry: What's the biggest lesson from working with Mark and Ben for over a decade?

Chris: know, we used to, for the first five or so years I was at the firm, we'd sit in this, room and there were relatively small number of us at the firm and just sit around and talk about mostly investing. entrepreneurs would come in and then we'd talk about it.

it's be hard to enumerate all of the things I've learned. And hopefully I've taught them some things, but mostly I've probably learned from them. mean, we have a couple of frameworks like, there's a You know, Ben, this is in our, when you join the firm, it's in our onboarding, it's first class business in a first class way.

And it's just sort of everything we do, no matter how seemingly small it is, needs to be conducted in sort of a high integrity way. And I think if you talk to people who interact with our firm, regardless of who at the firm, they'll, you often hear, will hear that. Like it's just everything is done in a very, um, high integrity,

Way in which we really care about and we care about very much about who we hire and the culture we create We'd like to say invest in strength not lack of weakness that applies both to [00:49:00] portfolio company investing, but also hiring So we try to find People that have some very special ability often that comes bundled with issues But like the issues are things that we can Try to work through, as opposed to, looking for people that are kind of perfect and well rounded but maybe not exceptional.

we're in the exception business. Venture capital is the exception business. It's the exception business with investing. It's the exception business of hiring. Like, you can't lose sight of that and you have to always remind yourself of it.

Harry: what's your biggest miss and how did that impact your mindset?

Chris: Well, I had a lot of misses. I've had a lot. I mean, everyone, I think, I think it's an important moment in your investing career to have like, high conviction pass and then have it become a big thing. And I, everyone I know has had that happen. and then you're like, Oh, wow, I've got to go readjust my mental model.

mean, I had a lot. I started investing in, I guess it was 2006, seven when I sold my first company. well, I remember one thing that was funny. my company was security company. I sold a McAfee. And so one might think that I'm a knowledgeable about internet security. And I remember like four years into it, noticing that my best [00:50:00] investments were non security and my worst investments were security.

And I sort of thought about why that is. And I came to the conclusion is because in the security ones, I was over. Waiting the idea because I had a whole bunch of ideas. I thought things should be built and someone came in that had one that matched one of those ideas. And I was like, okay, here, here's some money.

Whereas in the non security areas, I was much more agnostic about the ideas and just sort of met the people and was like, wow, that person is really smart, so my conclusion was you know, I needed to significantly increase the kind of weighting I put on the, on the people. And I actually eventually developed kind of a methodology that I think about now, which is, there's a very interesting balancing act you do in venture, which is, you do need to become an expert on something.

like obviously I spent a lot of time on crypto blockchains and I know a lot about it, but you also have to be willing to throw out your expertise and just say like, wow, that person knows more than me, that person's smarter than me. and so there's this kind of balancing act between prepared mind and humility.

that took me a long time to kind of get right, I think. Um, and so, yeah, that, and that was through a series of misses, a whole, a whole bunch of stuff early on.

Harry: Penultimate one. What's [00:51:00] the most memorable first founder meeting you've had?

Chris: mean, I remember The first time I met Brian Armstrong, the first time I met, Patrick Collison, I was a personal investor in Stripe, like, and it's probably selective memory or something because I don't know.

Um, that's a good question. I had, I just feel like I had a lot of interesting, memorable meetings, sort of, I walk in and, and, you know, you, in this business, you do a lot of, meetings and, you know, and obviously a lot of them you don't invest.

it's always striking when you have, kind of lightning strikes and you're, you're kind of awed by something. I'm a huge VR fan and I, you know, I led our investment in Oculus years ago, 2013, and I remember like that demo. a lot of interesting, I love, really love demos. that was to me just like one of the times I felt like I was, stepping into the future.

Harry: Final one for you, Chris. Where do you want to be in 10 years? what does Chris Dixon in

Chris: yeah, I mean, I'm, I'm very focused on this mission of, the space I work in. So I very much see myself focusing on that until the mission is done. And by that, I mean, it's sort of past all of these, you know, kind of growing pains.

Harry: You don't have too much cash to this pace, do you? People often say, Ah, four and a half billion [00:52:00] is too big a fund for the space.

Chris: like, I mean, when we announced it, we had two, there were two funds, there was aventure fund and a seed fund and you know, part of our charter is we can invest in, over the counter assets. like Bitcoin, Ethereum, the market cap of all the crypto assets today is something like two and a half trillion.

you just do the math, having a, fund of that size, it's a very small percentage of the market.

Harry: Chris, listen, I've wanted to do this for a long time. I so appreciate you putting up with my flexible questions. You've been fantastic. So thank you so much.

Chris: Thank you, Harry. Yeah, I really appreciate it.

Scarlett 2i2 USB-4: So I want to say Houston, huge Chris for being so fantastic in that episode, if you want to see the full episode in video, you can check it out on YouTube by searching for 20 VC.

Scarlett 2i2 USB-6: But before we leave you today,

Scarlett 2i2 USB-1: I need to tell you about hive. 2024 is shaping up to be a big year for the markets, with a number of iconic unicorns room and to be going public, whether you're a fund manager or invest solo hive is the best way for you to access the coming wave of IPOs before they hit the market.

There is no charge to access the platform and it's live trading data on hundreds [00:53:00] of late stage private companies. Best of all, buyers don't pay. Pay fees on hive. Create a free account. stay@hive.com forward slash two zero VC that's hive with two eyes.com/two zero VC.

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Scarlett 2i2 USB-3: And finally a company is nothing without its people. And that's why you need remote.com. Remote is the best choice for companies expanding their global footprint, where they don't already have legal entities. So you can effortlessly hire, manage and pay employees from around the world or from one easy to use self-serve platform.

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Scarlett 2i2 USB-5: [00:55:00] As always, I so appreciate all your support and stay tuned for an incredible episode with a $23 billion public company that you might have never heard of an incredible story to come on Friday.