

Sujet traité : JD Vance et la technologie / JD Vance and Tech

Source : Stratechery Date : 16 juillet 2024

JD Vance and Tech, Big Tech Versus Little Tech, JD Vance's Remarks About Antitrust at the RemedyFest Conference

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Tuesday, July 16, 2024

Good morning,

On this morning's [Dithering](#) John and I discussed an eventful weekend and how that related to the E.U.'s odd decision to regulate X verification badges. You can add the twice-a-week fifteen-minute podcast using the links at the bottom of this email.

On to the Update:

JD Vance and Tech

From [Bloomberg](#):

Donald Trump tapped JD Vance as his running mate, elevating to the Republican presidential ticket a venture capitalist-turned-senator whose embrace of populist politics garnered national attention and made him a rising star in the party. "After lengthy deliberation and thought, and considering the tremendous talents of many others, I have decided that the person best suited to assume the position of Vice President of the United States is Senator J.D. Vance of the Great State of Ohio," Trump said, making the announcement Monday on his Truth Social platform as the Republican National Convention began in Milwaukee.

There are two tech angles in terms of Vance's elevation to President Trump's running mate. The first is biographical; from [TechCrunch](#):

After graduating from Yale Law School in 2013, Vance moved to San Francisco, where he was a principal at Mithril Capital, a fund co-founded by Peter Thiel and Ajay Royan. Mithril raised two funds, a \$540 million and an \$850 million vehicle in 2013 and 2017, respectively. Thiel was publicly active in politics in 2016, backing Trump's first presidential campaign, and helped fund Vance's Senate race, but has said he's not planning to donate to any Republicans in the 2024 election. In 2017, Vance left Mithril and joined Steve Case's Washington, D.C.-based Revolution as a managing director. His move came when his wife, Usha Chilukuri Vance, landed a role as a Supreme Court clerk...

Vance didn't play an active role in Revolution's second Rise of the Rest Seed Fund, which closed in 2019 with \$150 million in capital commitments. Around the same time, he was focused on raising funds for his own firm, Cincinnati-based Narya Capital. By early 2020, the new firm raised \$93 million for a fund targeting \$125 million from limited partners including Thiel, Marc Andreessen and Eric Schmidt. Biotech entrepreneur Vivek Ramaswamy, who later joined the race as a Republican presidential nominee and was believed to be one of the front-runners for Trump's VP, was also one of Narya's limited partners, according to Axios.

Vance is, needless to say, connected in Silicon Valley, and is credited with putting together that big fundraiser hosted by David Sacks and Chamath Palihapitiya last month.

The more interesting tech angle, though, is what Vance means in terms of a potential second Trump administration's approach to antitrust. The working assumption amongst many has been that a Trump return to the White House would mean a return to business-as-usual for mergers and acquisitions, which have been largely (but not completely) frozen under the Biden administration; given Vance's Silicon Valley past you might think his appointment validates that assumption.

In fact, though, Vance is pretty outspoken in terms of supporting the Biden administration's current approach. From [The Hill](#) in February:

Sen. JD Vance (R-Ohio) singled out Federal Trade Commission (FTC) Chair Lina Khan as one of the sole Biden administration members “doing a pretty good job,” citing her work on antitrust enforcement, especially as it relates to tech giants. “A lot of my Republican colleagues look at Lina Khan ... and they say, ‘well Lina Khan is sort of engaged in some sort of fundamental evil thing. And I guess I look at Lina Khan as one of the few people in the Biden administration that I think is doing a pretty good job,” Vance said Tuesday at Bloomberg’s “RemedyFest” technology forum.

Vance acknowledged that supporting Khan’s aggressive antitrust enforcement, especially against tech firms, sets him apart from “most of” his Republican colleagues. “But the fundamental question to me is how do we build a competitive marketplace, that is pro-innovation, pro-competition, that allows consumers to have the right choices and isn’t just so obsessed on pricing power within the market that it ignores all the other things that really matter,” Vance said.

Vance’s remarks were at an antitrust conference put together by Luther Lowe, the longtime Yelp executive who recently [became head of policy for YCombinator](#); you can view Vance’s entire remarks [here](#), and I have also transcribed them below (and added the audio to the podcast version of this Update). Vance’s points included:

- How his experience as a VC taught him that Meta and Google were impervious to competition, and thus stifled innovation.
- His belief that there were things that mattered beyond price, and that private tyranny was just as bad as government tyranny.
- His concern about Meta and especially Google’s control of information and its impact on democracy.
- Why he thinks that Gary Gensler’s approach at the SEC towards crypto is fundamentally wrong-headed and bad for building competitors to the biggest tech companies.
- That personnel would be the biggest determiner of President Trump’s antitrust policy, and that he hoped some people from the Biden administration would be kept on.

So is Vance a tech guy, or not?

Big Tech Versus Little Tech

Earlier this month Marc Andreessen and Ben Horowitz announced that Andreessen Horowitz was getting into politics on behalf of “Little Tech”; from [The Little Tech Agenda](#):

Little Tech is our term for tech startups, as contrasted to Big Tech incumbents. Little Tech has run independent of politics for our entire careers. But, as the old Soviet joke goes, “You may not be interested in politics, but politics is interested in you.”

We believe bad government policies are now the #1 threat to Little Tech. We believe American technology supremacy, and the critical role that Little Tech startups play in ensuring that supremacy, is a first class political issue on par with any other. The time has come to stand up for Little Tech.

Our political efforts as a firm are entirely focused on defending Little Tech. We do not engage in political fights outside of issues directly relevant to Little Tech. But we will fight for Little Tech – for the freedom to research, to invent, to create jobs, to build the future – with all of our resources.

The issues that Andreessen Horowitz are concerned about range from increased regulation on things like blockchain and AI to the aforementioned freeze on acquisitions, as well as taxes on unrealized gains; what is pertinent to this discussion, though, is the distinction being drawn between “Big Tech” and “Little Tech”. I think it’s an important distinction to draw!

Consider AI regulation: “Little Tech” is in favor of no limits on open source models, while “Big Tech” wants regulations that cement their distribution advantages. You can see the same thing in recent discussions about EU regulations: while “Big Tech” didn’t like GDPR, it cemented their advantage; the same thing is going to happen with the DMA. It’s a good rule of thumb to assume that while no one wants more regulation, regulation does in the end only deepen the moat for “Big Tech”.

This is where it’s important to remember that antitrust is distinct from other types of regulation: the latter restricts competition, while the goal of the former is to increase it. It follows, then, that “Little Tech” wants more antitrust enforcement. Consider something like the App Store: Apple is fine with rules around security and privacy; what “Little Tech” wants is side-loading and alternate payment methods.

All that noted, the acquisition question is the one area where “Big Tech” and “Little Tech” are on the same page: the former wants to be able to buy interesting new companies, and the funders of the latter want to get a return on their investment. I do think that “Little Tech” is currently the most enthused by Vance’s appointment; his remarks below, though, suggest he may actually help keep the liquidation spigots turned off.

JD Vance’s Remarks About Antitrust at the RemedyFest Conference

The following is a transcript of JD Vance’s remarks about Antitrust at the RemedyFest Conference

So I thought maybe I just offer a few observations here. I mean, this is assumed relatively informal. If there's time, I'll take a few questions, but one of the things that very much influences the way that I think about antitrust issues and I think about competition questions, is my own time in the Valley, and I think that when I met Roy, I was in a growth capital firm called Mithril Capital, a firm co-founded by Peter Thiel and Ajay Royan, and I think it's still sort of doing pretty well, and investing in newer companies.

What I remember is that, this was 2015, so this is before my book came out. This is certainly before I had any sort of public notoriety, infamy, or fame, depending on your perspective, and we were looking at all these companies that came in that had kind of rapid growth from, say, a \$3 million run rate to a \$60 million run rate, and all of them were sort of fundamentally uninvestable, and they were all in the space that back then was called AdTech. This is almost 10 years ago, I don't know what you guys call these companies today. But what was quite striking about it is that in almost any other sector, if we were looking at a company that went from a \$3 million run rate to a \$60 million run rate, we would say, "Oh, these are like really interesting businesses." And yet with these businesses, it was sort of universally acknowledged that these were dead companies. Most of them would reach a kind of rapid descent, they wouldn't do especially well from there. If they were wildly successful, maybe they would go on and get acquired by Facebook or Google for \$200 million. Like the idea in 2015, in the Valley of a company with a \$16 million revenue number getting acquired for \$200 million, right? It's like, what's wrong with this business?

I think now what was very clearly wrong is that the thing that was wrong with their business wasn't their business. It's that they existed in a fundamentally non-competitive market. There was no way that these companies would be able to acquire significant market share from where they were, because the market was already dominated by such powerful incumbents, and that's what I didn't fully realize at the time. I wasn't thinking about this in the context of competition policy, but it highlighted something that's very important, which is if you can't build a business because the incumbents that exist are so powerful, you can't scale a business beyond, you know, call it a \$60 million run rate, you're going to harm innovation in a particular sector.

I think there are a lot of ways, I mean, I'm personally not sure whether I think advertising technologies is a good thing in any context, you know, as a father of a six and four year and two year old, I think it's a little weird the effect that these devices and the advertisements that are pushed to children, I'm sure all of us have the experience of like talking with your wife, what should we have for dinner tonight, and you get on your phone, you have a push notification for GrubHub delivery, and it's like, oh, this is kind of weird, what the hell is going on here, right? But set aside your moral judgment on advertising technologies that exist in 2024, we want innovation and we want competition, and I think that it's impossible to have one without the other. That sort of influences my views on these policy issues.

You know, there are all these sort of articles like the Strange Bedfellows or the Strange Alliance between Elizabeth Warren and JD Vance, and I think this issue is actually where it fundamentally come out of. A lot of my Republican colleagues look at Lina Khan, who I think you either have heard from or will hear from at some point today, and they say, well, Lina Khan is sort of engaged in some sort of fundamentally evil thing, and I guess I look at Lina Khan as one of the few people in the Biden administration who is doing a pretty good job, and that sets me apart from most of my Republican colleagues.

But the fundamental question to me is, how do we build a competitive marketplace that is pro-innovation, pro-competition, that allows consumers to have the right choices, and isn't just so obsessed on pricing power within the market that it sort of ignores all the other things that really matter. Another just personal anecdote here, something that sort of persuaded me that economics just misses something very fundamental, is if you look at the various consumer price index deflators and the way that we measure quality in different products, one of the products on which economists seem to have universal agreement that there are a lot better at a much lower price is refrigerators, and I believed that, I assumed that if I went into Best Buy or Target and bought a refrigerator, that would be better than what existed 30 or 40 years ago. Then I bought an old house, it was actually a house built in 1858 and we had a 40-year-old refrigerator, and my takeaway from this home purchase is that economics is fake, because the refrigerator that we had, and I'm not kidding, you would put lettuce in the ice box at this refrigerator and it would be good a month later, I've never seen anything like it. To this day, I think this single old refrigerator that we had was a technological marvel. You cannot — trust me, I tried — you cannot at any price point buy a refrigerator today to do that thing, right?

Well, you know, there are a lot of reasons why this has happened. I think one of the reasons is that we became less good at manufacturing in this country. We became too focused on low cost and not enough on durability and I think some of those same issues are present in the way that we think about markets and the way that we think about antitrust policy today. So the fundamental question, as many of you may appreciate, is that we would ask a sort of forward-looking economic question in antitrust — does this reduce prices or does this increase prices — and if it doesn't increase prices then we would sort of let any particular merger, any particular acquisition, any particular market activity go forward, so long as it didn't increase prices on consumers. But we all should know intuitively, at least I know now, with a refrigerator example, that that just doesn't make a ton of sense, there's something fundamentally missing from that analysis. There are questions of consumer choice, there are questions of consumer quality, and I think the one thing I appreciate about Lina Khan's approach is that she recognized there has to be a broader understanding of how we think about competition in the marketplace.

Now, where I think that this could go off the rails — the bipartisan consensus that's emerging between people like Josh Hawley and me on the right, people like Lina Khan and Elizabeth Warren on the left — where this could go off the rails is I think it's this fundamental question

of information technology and how people absorb and acquire information in the 21st century economy. I get in some trouble because I actually do my own tweets; my staff doesn't have my Twitter account information, maybe they should. But I just sort of say whatever's on my mind, and I saw a Google story a couple days ago, and I said, we should just break up Google, it's far past time, right?

And, and you know, I actually got some push back from a friend of mine, Michael Lind, a very smart guy who I think agrees with a lot of my basic political priors, but his argument is that, you know, if you break up Google, I mean, look, there's the fundamental argument is, why is Google so big? It's not from any sort of government-granted monopoly, and it's not from any sort of unfair trade practice, those came later. The reason Google is so big is because there are network effects built into the business, right? And there is an element of truth to that, right? Like, why is Facebook such a powerful company? It's not because the Facebook technology is oodles better than what came before it. It's because the network effect of Facebook is so powerful. It's really hard to disrupt Facebook when there are a hundred million people on Facebook. A little bit easier when there are 10 million. Really, really hard when there are a billion. That's sort of the fundamental power of the network effect, and of course, in the era of artificial intelligence, the information, the algorithms are all pretty much the same. I mean, I just know that Google and OpenAI have made some innovations there, but the real advantage here is the massive input of data that they get, that again, is another sort of network effect-based advantage. So, you know, there is an argument here that antitrust is not the best solution to the Google problem.

But I think my argument is actually, even if you believe that there are network effects that make Google more powerful, or make Gemini a more powerful tool within Google, there are actually some real real issues here with one, just the integration, right? So does Google need to have YouTube? Does Google need to have all of these other platforms that are built on top of, or built underneath the Google umbrella? You can sort of make the same argument with Instagram, Facebook, and other services at Meta. I think there's a really good argument that if we want to be pro-innovation, we want to ensure that new insurgents can change these things up, that you want to promote as much competition as possible, and you actually want to separate all of these market verticals as much as possible. That's where I think antitrust is probably the most useful way to think about a solution to what we face.

But to go back to the substantive disagreement, or I think the potential for a substantive disagreement, why do I care so much about this stuff? In part, it's because I care about consumer quality, in part because I care about worker wages, it's really hard to bargain against any company, but certainly a monopolist in a particular space, so I really care about that. But I also care about it because I think that Google and Facebook have really distorted our political process, and I think that a lot of my friends on the left would agree with me, but they might disagree with me directionally about how to fix that problem.

You take just sort of a couple of very basic questions, right? What if you, because I work in politics now, I know voters pretty well, and you know one of the things you're very quickly about voters is that there are very very different demographics even within a given voting bloc. so if you take the people who might be willing to vote for JD Vance for Senator the next time that I run — it's 2028 — if you sort of segment them, look there are people who are going to vote for me almost no matter what I do because I'm Republican, right, in the same way there are people are going to vote against me no matter what I do because I'm Republican. There are a lot of people who are probably going to vote for me so long as we can get them to the polls and so there's sort of a voter engagement question there. But there are a large number of voters in any given election, it's maybe 3% of the population, it might be 15% of the population, that are open to voting for either candidate, and will make the decision about who they vote for in the week before they vote.

So those people, we're asking ourselves, how do those people access information? One of the main ways they will access information is Google. So let's just take the 2024 election... let's say you go into Google and you type, "Is Joe Biden too old to be president?" Or "Is Joe Biden not competent to be president?" Now there are a million different answers you could get to that question, and whether Google I think provides a fundamentally unbiased search result is I think at the heart of American democracy. Because Google can answer that question in a way that makes the average voter who will make their decision in the weeks leading up to an election, can answer that question in a way that takes what I believe is a very live political issue and completely hides it from them.

Whatever your views are on that question, the American people I think should have the right to decide, and if the new mode of acquiring information is fundamentally biased, I think that is a far bigger threat to democracy than almost anything that's called a threat to democracy in 2024, right? So I really, really worry about that dynamic. You can make the same argument, you know, on any search related to Donald Trump. Again, you may have different substantive views from me about what the right answer is, but I want the American people to be able to decide this stuff, and so, my bias on these questions is fundamentally in the direction of openness of providing more information, not providing less information. The one worry that I have on this sort of question about tech monopolists and how they influence the public conversation, is that sometimes I worry that some of the people across the spectrum who I tend to agree with on competition policy, that maybe their instinct is to be a little bit too pro-censorship and I think that's the wrong direction to go in.

One final observation I'll make just about this intersection between competition and innovation, something I care a lot about. So if there's a person within the Biden administration, obviously the FTC is an independent agency but Lina Khan is the person that I would point to as the best person, in my view, within the Biden administration. If there's a candidate for worst person, in my view, at least in terms of my substantive disagreements — I'm sure he's like a nice guy — is Gary Gensler. So Gary Gensler's sort of the complete opposite of my view, and there are two problems that I have with Gary. One of which is that I

think he wants to inject politics way too much into the actual business of securities in the United States of America. But in some ways, the more fundamental issue, at least the most relevant issue for this particular conference is, is the approach that Gary has taken to regulating blockchain and crypto seems to be almost the exact opposite of what it should be.

I'm oversimplifying a little bit, but the question the SEC seems to ask in regulating crypto is, is this a token with utility? And if it's a token with utility, then they seem to want to ban it, and if it's token without utility, then they don't seem to care. I almost think we should be the opposite here, right? I worry about the financialization. I worry about frankly whether a lot of the crypto stuff is fundamentally fake. But if a token actually has utility, that's the sort of thing that, you know, by all means regulate it, by all means be careful about, you know, how consumers interact with it, but you don't want to just get rid of this stuff.

Here's where I really, really worry about this, is a lot of the newest challengers to social media, the social media incumbents of 2024, are going to require some blockchain technology to make their business work. Maybe they'll require a token that supports verification, there's are all of these ways in which the companies, when I talk to friends who are still in the VC industry, the companies that are most exciting to them, they're doing actual things in communications in the 21st century, in 2024, I should say, those companies very often rely on high utility tokens to do things like verification. Well, if we're not making it possible to do verification, then we're going to make it really hard to challenge the existing incumbents in the space, and I think that would be a huge, huge mistake.

We have to be honest with ourselves about how much we can do through regulation and how much we can do through antitrust. Look, if we're being honest with ourselves, as much as I think that we should be more assertive and breaking up some existing technology incumbents, that isn't going to happen, whoever is President, because there are a lot of barriers to that, right, litigation is expensive. So we need to make that easier and we also need to recognize that one of the best ways I think to disrupt the existing digital ecosystem is to promote new entrants, and not to have an SEC, I think that is a very, very harmful towards that effort, because I think the current SEC is.

The final thought that I'll leave you on... is that if you go back to sort of the fundamental arguments that were made in kind of the Sherman and Clayton era – Sherman by the way, was a Senator from the state of Ohio, you know, Teddy Roosevelt, arguably the most famous Republican of the 21st century, or the 20th century, the famous trust buster, a lot of the arguments that were made back then, I think really apply today. The concern wasn't purely focused on consumers or workers, or even mainly focused on consumers or workers. It was focused on the way these companies were threatening to the kind of the democratic impulse within the United States of America.

You've heard a lot of people compare, they say, you know, we threw off the chains of monarchy in the early republic, and we didn't mean to replace them with the chains of private monopoly, right? There was a recognition that concentrated private power could be just as dangerous as concentrated public power. That insight is so important to recover on the right. I can beat up on my fellow Republicans a little bit, there is often this idea that something is not tyrannical so long as a private entity does it. There's kind of this famous meme of two guys, they're on their knees, and one guy has a gun pointed to his head, and the other guy looks at him and says, "Aren't you glad this was done through the free market?", and the person holding the gun is Google. There is this weird idea that something can't be tyrannical if it comes through the operation of a free market.

My response to that would be, number one, the free market is not nearly as free as people suppose it is. It's all influenced by various regulations. It's all influenced by privileges that were granted, liability protections that were granted. These things matter, and they frankly make the market a lot less free than people assume it was, and even if it was a perfectly free market, I want people to live good lives in our country. We have differences of view about how they maybe get there, but I want workers to have a good wage if they do an honest day's work. I want people to participate in American democracy, to participate in the public debate. All of these things really matter, and I don't really care if the entity that is most threatening to that vision is a private entity or a public entity, we have to be worried about it in either case.

When I made my observation that we should maybe break up Google, you know, one of the responses that I get, I'm sure I got a million times, but Elon's algo pushed this particular response into my notification for whatever reasons, and it was, well, you know, you have to be careful about this, because I'm sure that when the left gets control — it's like, okay, well, currently the left kind of controls our entire government, right? They control the presidency and one half the chambers of the legislature — but the argument is, once the left gets this control, they're going to use it against conservative companies, and I just think that's like a fundamentally deranged way to think about public policy. If the left gets control of the government, they might do the thing that they're currently doing, or they might do the thing that these companies are already doing! I'm worried about what's happening right now, and what's happening right now, I think, is a threat to American democracy. We have got to stop the craziness, and I think one way to do it is to stop the way that these companies control the flow of information in our country.

So with that, I'll shut up. If you guys have any questions, I'm happy to take them to appreciate you all for having me.

How do you think that Trump thinks about antitrust, or Republicans if there's a new administration, how they would pick up these cases or not, or what's this sort of general view of the next administration, assuming it's Republican?

Yeah. So it's a good question. It's always hard to sort of speak for Donald Trump, especially on a topic where I haven't spoken to him about it. So I won't pretend that what I'm doing is anything other than a guess, right?

So with that massive caveat, I mean, look, I think that if you look at what Trump has said, and if you look at some of the steps that Trump has taken, he clearly does not buy into the old orthodoxy that we can't do anything about these companies because that would be a violation of some ephemeral, free market principle, okay? But I also think that as you know, right, personnel is policy, and a lot of what will determine Trump administration antitrust policy is who ultimately takes the reins of the senior roles in the Trump Administration, because they're going to be the ones who are executing on this stuff.

So when I think about this, I think Trump's instincts on this stuff are quite good, and I think he fundamentally just rejects some of the old orthodoxies. He doesn't give a crap about it. He just doesn't care about it, and that's a very good thing. I also think Trump personally is appreciative of the way in which a Facebook, Meta, Google and so forth have been very bad for his own political project. So I think there's a recognition there of a problem, and when I think about how to solve how to put those instincts into policy, a lot of it's going to be getting the right people in some of these roles, and making we don't get rid of some of the good people from the previous administration who are doing the right thing. So I think that's the question. How do we get personnel right so that we can get policy right in the next Trump Administration.

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