

the daily dirtnap

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BUTT ROCK

Google is a far far far far far left company.

Anyway, you probably saw the controversy surrounding some of the Gemini search results. It is hilariously awful, but also awfully serious. Like this:



Echo Chamber ✓
@echo_chamberz

Google Gemini can't generate a "Norman Rockwell style image of American life in the 1940s" because Rockwell "idealized" American life

Ethical considerations:

- 1. Representation:** Rockwell's paintings often presented an idealized version of American life, omitting or downplaying certain realities of the time, particularly regarding race, gender, and social class. Creating such images without critical context could perpetuate harmful stereotypes or inaccurate representations.

6:24 PM · Feb 21, 2024 · 1M Views

This is actually the least worst out of all of them, but I don't feeling like getting in kickboxing matches in my inbox today.

Marc Andreessen has been on the case:



Marc Andreessen ✓
@pmarca

I know it's hard to believe, but Big Tech AI generates the output it does because it is precisely executing the specific ideological, radical, biased agenda of its creators. The apparently bizarre output is 100% intended. It is working as designed.

7:48 PM · Feb 25, 2024 · 7.8M Views

Marc Andreessen has been focusing on the dangers of AI for a while. It is a very complex issue, but this is not so complex. AI is being trained with a very explicit bias by its makers.

Wesley Yang summed it up nicely here:



Wesley Yang ✓
@wesyang

Subscribe ...

Google was a font of new product development until about 2012. It has all dried up despite the company having 100x the employees.

Google has an order of magnitude more data than anyone else, but its LLM is a debacle.

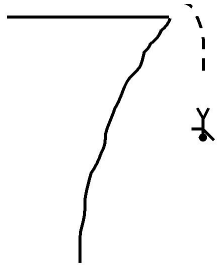
8:41 AM · Feb 23, 2024 · 3,722 Views

This is the story I like to tell in TDD. Google's search business is a magic box that spits out billions of dollars. Since 2012, instead of using the magic box money to develop new products, they went and hired a bunch of political activists. Tens of thousands of them. Nobody there works particularly hard, but they get in fights on Slack. It really is one of the most incredible stories in modern capitalism.

The short version of this is that Google is corrupt, bloated, and does not innovate. And they've been growing at some function of GDP over the last 10+ years. They've tried to innovate. Remember Google X and Google Ventures? None of it panned out. It's still the same old search business, and as we learned last year, the search business is ripe for disruption.

Bold prediction: Google's market share in search will be less than 60% in three years.

This trade idea is not contingent on funny games about index adds and deletes. This is a terrible company that, beyond the politics, hasn't innovated in over a decade, and the landscape for search is changing rapidly. But if you want to talk about bias in the AI search results, then we can talk about that. It is a serious



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issue. It is very 1984. 10 years from now, kids in school are going to be getting all of their information from AI models. If they are false, think of the consequences. If the AI has biases, it is because of the biases of the creator. Some sleuths found the Twitter account of the guy in charge of Gemini product development at Google, and boy, is it something. Like I said earlier, Google is a far, far, far, far, far left company. This hasn't had any consequences so far, but I think that the Gemini stuff jumped the shark. I think it did huge reputational damage. If people were actively looking for alternatives to Google search before, they will really be looking now.

Chart:



In 24 hours, I will buy puts on GOOG. Not GOOGL, GOOG. The C shares without voting rights. This one will take some time to play out, so I will go as far out as possible. Two years, if

necessary. I have been toying with a short on Google for years, and now I think is the time, in the wake of the Gemini fiasco.

I have met a few Google employees over the years, and they have all pretty much confirmed my suspicions. It is not a fast-paced, dynamic environment. It is a full-employment scheme for Vassar sophomores with blue hair. What a deal. Get a job, make \$350,000, don't have to work too hard, employed for life. The world is moving very fast, and Google (Alphabet, I guess) is not keeping up.

I'll make one more point:

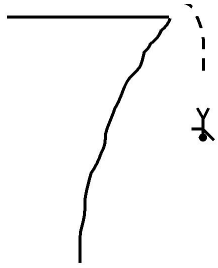
Google basically owns the entire internet. What do you think the market cap of a company that owns the entire internet would be? \$5 trillion? \$10 trillion? Nope, it's \$1.8T, worth less than NVDA, with multiples of the revenue. It's practically an old economy stock. Capitalism being what it is, bad companies aren't supposed to survive for this long—unless they have a monopoly. This is a bet on that monopoly coming apart like a soup sandwich.

By the way, if you think this investment thesis is a bunch of hooey, Tony Greer made a short call on DIS when they announced that they were installing facial recognition software in their parks. Pretty much top-ticked it to the day.

NVDA

I promise TDD won't turn into a whining about NVDA newsletter, but we should whine some more.

The stock hit a \$2T market cap on Friday. Someone asked me the other day if there had ever been a scenario where



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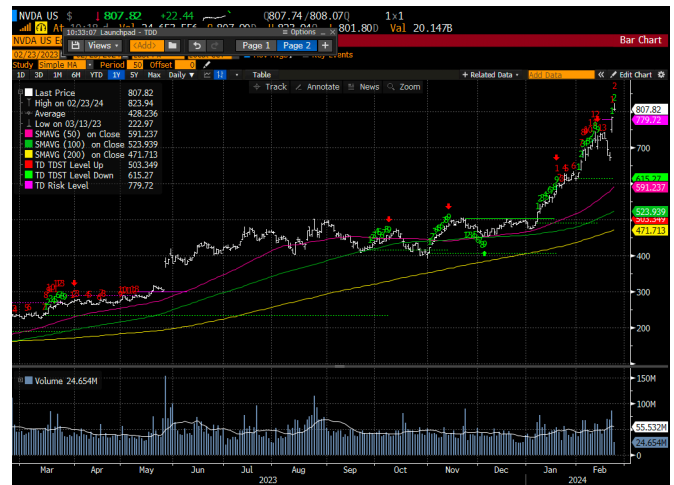
a stock was trading at some huge multiple of sales ever worked out. I don't think it has. I think in every case, it ended in tears. This will end in tears. But at this rate, it might go to \$5T first. There is that much reflexivity involved. We have gone from the Mag7 to the Mag4 to the Mag1. And if NVDA fails, the market will fail—that much I am sure of. The next quarter should be interesting.

But then I hear from people who say that it is different this time, that this AI build-out is something that we've never seen before. A few comments on that. First of all, there have been massive negative externalities to a) the internet and b) smartphones. On balance, more good than bad, but massive negative externalities. But in both cases, those negative externalities were not obvious at the outset. We could not have predicted in 1994 that teen suicides would be skyrocketing in 2015. But with AI, the negative externalities are immediate and obvious, and it's the biggest investment gold rush in history. We know what the consequences of this are going to be, and we're doing it anyway. It's like of like Jurassic Park, where you're like, I'm not sure bringing a Tyrannosaurus Rex back to life is such a good idea. And we did it anyway, because, radical! I'm not one of these people who believes that an AI will gain consciousness and kill off all the humans, but I do think there are consequences to people never writing anything again. At a minimum.

In any event, there is always a boom-bust cycle. There is a period of investment, a period of overinvestment, and a period of malinvestment. We'll overdo it on the upside and we'll overdo it on the downside. Clip this paragraph and look at it in 1-2 years when the AI

boom crashes. If we can't catch it on the upside, maybe we'll catch it on the downside.

Anyway, a chart:



Source: Bloomberg

Broke through resistance on the Demark chart and headed higher. Whee.

Teaching Writing

One of the reasons you get an MFA is so you can teach writing.

Well, I got an MFA, and the folks at the university are not letting me teach writing—yet.

In spite of all my qualifications. In spite of: winning the best writer award at SCAD. In spite of all that.

I am going to write a Substack essay on the topic of *Bulldog*. I have achieved a lot in life by bulldogging my way into situations. I just don't take no for an answer. A good way to come back with a bloody stump is to get in the way of me and something I want. More TK.