Book Talk With Dan Wang: "Breakneck: China's Quest To Engineer The Future" | Hoover Institution

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SUMMARY

Steven Kotkin introduces Dan Wong's book "Breakneck," which explores the complex relationship between the U.S. and China, particularly in the realm of technology and governance. Wong contrasts the "engineering state" of China, characterized by its focus on physical and social engineering, with the "lawyerly society" of the U.S., which he argues is hindered by its legalistic approach.

- *Wong describes China as an "engineering state" where the elite are predominantly trained in engineering, leading to rapid infrastructure development and social engineering projects.*
- *He contrasts this with the U.S. as a "lawyerly society," where legal training dominates the elite, resulting in a focus on litigation and regulation rather than building.*
- *The book discusses the implications of China's rapid technological advancements and its potential to outpace the U.S. in manufacturing and innovation.*
- *Wong critiques both countries: China for its oppressive social engineering and the U.S. for its inefficiencies and inability to address broader societal needs.*
- *He emphasizes the importance of understanding the historical context of both nations, particularly how China's past has shaped its current policies and ambitions.*
- *Wong calls for a balance where the U.S. becomes more engineering-focused while China adopts more legal and ethical considerations in its governance.*
- *The discussion highlights the need for a cooperative yet competitive relationship between the two nations to avoid conflict and foster mutual growth.*

- Ladies and gentlemen,
my name is Steven Kotkin. I'm the Klein Hein Senior
fellow here at the Hoover Institution at Stanford University, and I'm the director of
the Hoover History Lab. And we are thrilled,
beyond thrilled to be able to sponsor this book, talk
today, this breakout book, breakneck by Dan Wong. I could go on passionately about
all the amazing things I've seen Dan do in the short period of time.

I know him. I met Dan before I met him through his letter, I read Voraciously and there was this guy writing
this incredible letter, an annual letter, and it was just full of
firsthand observations, sight and direct knowledge of the subject he was talking about. It was not opinionated, it

wasn't full of the kind of stuff that now
is known as journalism.

It was full of this firsthand experience and trying to process this experience, but really without priors,
letting it come through, absorbing it, trying to figure it out. Not necessarily definitive
right away, but iterative. And I said, you know what? That's our guy. We have to figure out how to get him here and provide a platform
for him to continue doing what it is that he's doing.

So lightning struck, not me personally, but lightning struck our, our institution here,
the Hoover Institution. And we did manage to bring
Dan in not that long ago. And this breakout book Breakneck has really caught the moment, again, because it's consequential in
what it deals with, but also because of the style, the method, the way that Dan approaches these
really complicated subjects and the way he allows them to emerge from the firsthand experience and the lived knowledge
that he's acquired.

And the subtle but important analysis, quite
incisive about the subject. I should say, that there's
nothing bigger than tech than China, than the US and then the futures in the
plural that are gonna come out of that combination. And so, ladies and gentlemen, what a
great pleasure Dan Wong.

- When Steven Kins strikes
one doesn't say no. So he struck me. And now here I am. I should first say that
I have been very pleased that the Hoover History
Lab was an integral part of this part of book writing. Earlier about a year ago
when I was still thinking through a little bit of what
this manuscript was going to be, professor Kotkin
offered very generously to host a manuscript workshop along with so many people here,
Joseph Ledford, Maria Roy.

A lot of folks here were helping
me think through my book, made my book much stronger than it is. And so over the next 30 minutes, what I want to do is to talk very briefly about my book and then, you know,
have as much engagement as we can thinking through
these very big topics of US and China Tech, the futures
of what could emerge. And a lot of what I have
been thinking through with my book Breakneck has
been to try to, you know, think through a little bit of, you

know, this very momentous time of the US and China.

I first moved to China
at the start of 2017 to be the technology analyst
at a global macro research firm called Golf Cow Dragonomics. This was a time when Donald
Trump had just taken office and it felt over the next
six years that I lived there, like a pretty remarkable and momentous time to
actually be spending in China. Yeah, I lived through
the very first trade war, which quickly morphed into a
technology war with all sorts of export control actions.

I lived through more novel forms of repression from Xi Jinping
in order to, you know, achieve the great rejuvenation
of the Chinese nation. And the centerpiece of my
life in China was living through all three years of
the zero COVID pandemic, which felt, which
started very impressively and then ended, I think, pretty disastrously over,
over the three years there. And after, you know,
thinking through everything that had taken place in China and thinking through a lot
about what's going on in the us, one of my decisions was that,
you know, we're reasoning through this very important
relationship between the US and China over the next
few decades using a lot of these 19th century political
science terms like socialist or capitalist or neoliberal, whatever that
means in order to, you know, think about what is going to be pretty important over
the future using these terms that are not necessarily, have not been very necessarily been very stable throughout time.

And so what I wanna do
is to offer a little bit of what's in the book in
terms of trying to have a, a, a new framework for thinking through these two great
countries, thinking through what works in China, what
absolutely does not work, and then doing the same
exercise with respect to the US as well. And then hopefully have as much engagement over what's going on. So to begin with, I'll
introduce one of the ideas in this book, which is to try to be a little bit inventive and playful and moving beyond these terms
of, you know, socialists or capitalists or
neoliberal or autocratic.

And a simple idea I want

to present in the book is that China's a country I
call the engineering state at various points in the
recent past, the entirety of the standing committee,
of the poll bureau, all nine members of
the standing committee, the highest ruling echelon in China, all of them had some degree in engineering. And I contrast that with this
country, the United States, which I call the Lawyerly Society, because it feels like everyone
who needs to, who wants to be president first, has to go through the Yale Law
School in order to in, in order to get there.

And so China's a country, I
call the engineering state because so many of the elites are, were trained in engineering, and this is engineering of a very Soviet sort. These people are trained
in civil engineering and mechanical engineering and thermal engineering and hydro. They were also hydroelectric
engineers as well. And you know, one issue with engineers is that they build, build, build. They treat the physical environment as just a big engineering exercise. So I spend a lot of time cataloging all of these different things
like roads and bridges and hyperscalers and homes and solar, coal, wind that the Chinese have
really built over the past four decades.

And they are sort of treat building yet another mega project is the answer to almost any of their problems. It is yet to build
another big bridge if the economy trembles. They are also to some
degree economic engineers. One of the other big experiences I lived through in China was in 2021
when Xi Jinping was feeling like he was on top of the
world, that China was able to control COVID and the
United States was not that Xi Jinping decided that what he would achieve was
a controlled demolition of the property sector, which he determined to be over leveraged.

And then also to get a lot of
smart young kids, the likes of Chinese kids who graduated from Tinga or Beda, the, the, the caliber of kids who graduate from Stanford in China to move them away from cryptocurrencies and then into more
strategic technologies like semiconductors or aviation
or chemical products or whatever else. There are also fundamentally
engineers of the soul, which is a phrase that Stalin first used that Xi Jinping repeated in 2019.

I think one of the facts of China is that they are also social engineers. So I spend a lot of time in
my book documenting, you know, different sorts of social
engineering projects, whether it was, it's the detention of ethno religious minorities to try to synthesize their religions or the KO project, which has limited a lot of people's ability to move around. Or I spend a lot of, most

of my time thinking about
the one child policy as well as zero COVID, in which the number's
right there in the name.

There's no ambiguity about what one child or zero COVID could possibly mean. I contrast that system with the United States, which I call the lawyerly society, because the elites are
very easily conceived, they're very much
dominated by the lawyers. If we take a look at the
first 16 US presidents, everyone from George Washington
to Abraham Lincoln, 13 of them were lawyers. Five last 10 US presidents
went to law school. If we take a look at the US
Senate, 48 US Senators were, had gone to law school only I
believe a single one have had any STEM training.

The Democratic party
is especially lawyerly. If we take a look at the
presidential nominees, every single presidential
nominee from the Democrats between 1980 to 2024, all of
them had gone to law school. And there, I think there is a
sense in which Donald Trump is actually quite a creature of
the lawyerly society as well. So Donald Trump did not go to law school. He, he went to study business and finance. But I think there is something
recognizably lawyerly and Trump's governing style
in which you cannot understand the career of Donald Trump without seeing that lawsuits have been absolutely central to his en entire business career.

This man has sued everyone. He has sued his former business partners, he sued his former, his
sued political opponents. He has sued his former lawyers. And so, you know, this is
just a, a, a man who I think, you know, flings accusations left and right, tries to intimidate people. And it's about establishing guilt in the court of public opinion. So, you know, there are good and bad things about the lawyerly society that I also wanna get into.

But for most of the rest of
this talk, what I want to do is to present something I call the good, the bad, as well as the ugly. And so let me get into a, a little bit of what I'm thinking in terms of focus a little bit more on China, but I also wanna discuss
the United States as well. I think, you know, to just as
one more quick precursor on, on all of this, I think that
the engineering state is not, certainly not the only way
to understand what China is.

I think that, you know, we can

also understand it absolutely as an autocratic state. This is a state where politics
absolutely does matter. Professor Kotkin, I, I
hope we can get a few more of your opinions about China
as they're practicing Leninism and you know, the flavors of communism that they are a part of. And so I think this is the
engineering is simply one more framework to think about, you know, what exactly that they do.

So what is, what, what
is it that engineers do? Well, let me get into first the
good, the broadly good stuff with the engineering state is that I think physical dynamism is for the most part a good thing. And this is something that the
Chinese have done very well for most of the past four decades. I was living in the city of i
I I lived over my six years, two years in Hong Kong,
two years in Beijing, and then two years in Shanghai.

And my definite favorite of
these was the city of Shanghai. Shanghai was a place that we
proudly refer to ourselves as this is Paris of the north and then I, I'm sorry, Paris of the east. And we would often tease our
friends who live in Beijing. Why would you live in Western Pyongyang? It is just not very fun at all. So Beijing is a place that
I feel like is a, you know, concrete, no fun zone full of these Stalinist buildings place that really celebrates
a sense of grandeur.

And Shanghai is just a
much more functional city. Instead it has excellent subways. You're never very far from a
subway station has these leafy boulevards that the French
substantially built. And it is just a place that
is getting more and more parks and it is also getting better and better high speed rail connections in the summer of 2021. This is part of how I opened my book. I was feeling cooped up in Shanghai. This was sort of the peak of zero COVID and I scared up two friends with me to take a long bike
ride in the southwestern province of Hu Jo.

So Gu Jo is about seven hours by high-speed rail away from Shanghai. It is deep in China's southwestern mountainous interior very far away from the
prosperous distant coasts. And Gu jo is a a quite poor place in which, you know, it is about China's fourth porous province in which the, one of the sayings is that
ou is a place where not three days go by without rain. Not three feet of land is flat and not one family has three silver coins.

But ou now, after I've cycled through about five days

throughout the province in the southwest, you know, was really remarkable after thinking about it, to have really extensive levels of infrastructure, has about 45 of the world's tallest bridges that has many of China's biggest data centers there. It has excellent roads, which were a cyclist stream. So if you're interested, I'll, I'll, I'll send you my cycling route, which was an, an excellent place to cycle through. And you know, I think what is also pretty remarkable is that Cujo had a pretty extensive high speed rail, which, you know, were where villagers were able to get to markets or get to bigger cities like Shanghai and, you know, have slightly different lives there.

And so I think there's all sorts of ways in which physical construction is, is really valuable for a country. If you are living in, in almost anywhere in China, you will have seen your life, the physical environment around you change very, very substantially over the last four decades, maybe over the last past one decade. So a lot of people in Shanghai now are able to have subway stations, they are able to have more parks.

The villagers are able to take these really big bridges into the market. And I contrast that with a lot of the feelings of folks who live maybe in San Francisco, maybe they live in Los Angeles, where maybe your block has a slightly better cafe. Maybe we swap out a McDonald's for a Dunkin Donuts. But that does not feel like a very big sense of progress. And so when you are able to deal with big changes as the Chinese have over the past few decades, you sort of expect the future will be better than the past that you have seen the past be quite a lot better.

And then I think this is, you have a sense of optimism I think, about the future that will always change, that there will always be new opportunities out there, at least in terms of the physical environment. And so I think this is how the Chinese state has not only built so many nuclear plants and so many bridges and so many highways, but they also built a sense of political resiliency into their system because they can very credibly say that they're delivering to people things that they want and things that they need.

There's also another sense in

which the engineering state has been really excellent
at pursuing all sorts of manufactured goods. And I'll speak a little
bit more at what I'm, where I'm thinking with China's
expertise in manufacturing now I wanna acknowledge
some costs with the problems of overactive construction,
overactive physical dynamism. Certainly it is the case that a lot of these bridges in OU
are groaning under the weight of debt. Ou the OU provincial government as well as local governments are barely able to service the debt loads that
these very tall bridges have because there simply isn't
enough economic activity that's being generated by
a lot of these bridges.

Ou there is, you know,
probably it's not that great of an idea to pour so much carbon intensive
concrete into the ground because, you know, these
bridges are not getting very extensive use and there is a
very big human displacement cost, especially around something
like a hydroelectric dam because, you know, when
you build something as big as the three gorgeous dam,
there may be something up to almost a million people
displaced due to one of these big construction projects.

And so, you know, I acknowledge
that these are mostly costs, but I wanna pause it that having a sense of physical dynamism is
good for the most part. I wish that more Americans,
especially more Californians, are able to access it. Okay, so I've gotten to the good part of the engineering state. Lemme get to the bad part
of the engineering state. I think that the problem with
China is that they're not only so many physical engineers,
the problem with China is that there are also social engineers and they cannot stop themselves
from treating the population as if they were yet
another building material to be torn down or remolded as they wish.

I think that is one of these, you know, fundamental real issues with what it's like to live in China. I lived in China throughout
the entirety of zero COVID, but I wanna spend a little bit of time thinking about a
different engineering project, which was the one child policy. Now, I'm not sure if authors are allowed to have a favorite chapter, but if I were able to nominate one, my favorite chapter was
writing about one child.

And a lot of this history

was, you know, surfacing a lot of this history was pretty
new and remarkable for me. You know, a lot of the one
child policy came in the turmoil of the late 1970s in which ung Xing had inherited
via Aua Fang, a country that was deeply riven by Mao Ms. Raw, by Mao Mayhem. Mao had just died in 1976
after conducting the cultural revolution.

And China was in a
pretty disastrous place. And I think, you know, my,
in my, in my in my book, I, I read a little bit about,
you know, how, you know, d took a look around him and, you
know, saw that Ong was first and foremost a poet. He was also a romantic and he was also a warlord
that murdered something like, you know, tens of,
there's tens of millions of deaths can be late, Chinese
deaths can be laid at his feet and whatever is
the opposite of a poet, Don must have thought, let's
do the opposite of that.

And therefore he promoted a lot of engineers into the poll bureau as well as the central committee. It was during this time
that one of China's top military scientists, a missile
engineer by the name of so yen, got into the halls of leadership and started talking
about some of his ideas. So yen was one of China's
top mathematicians. He wrote a book on cybernetics. He was a a, a totally brilliant
mind when it came to math.

And one of the big challenges
that de Xiaoping as well as Chen, the head of the
economy was really dealing with at the time, was they were trying to loosen the shackles of the economy. They were thinking very much
about how to develop the, the economy and how to
achieve economic development. And they were very concerned that China's population was going to defeat a lot of development. China's population had crossed
over a billion people roughly by the year 1980.

They didn't quite realize it at the time because Mong had made
a, a mess of the census. There was no organized
state activity by the time that D Xiaoping took over. But the leadership was very
glum about the prospect of having to feed so many mouths. Along comes this brilliant
military scientist who was in a prize because these people
delivered to China the bomb. They had access to the halls of power, they had excellent mathematical
ability, they were able to convince the leadership

to do some drastic actions.

And so Jan's super elegant
solution was the one child policy in which he convinced the
leadership that, you know, the simplest thing to
do is to permit families to have one child per couple. And this made a lot of
sense to leadership concern with overpopulation. This may have made a lot of
sense to people who, you know, thought that there should be
simple bureaucratic incentives really to try to organize
a, a lot of the enforcement. But what enforcement actually entailed was something I describe in
my book as a campaign of rural terror meted out against overwhelmingly female bodies.

And over the course of the
one child policy, I documented that according to China's
official statistics, China conducted about over
300 million abortions over the course of the 35 years
of the one child policy. The Chinese state sterilized
about 100 million women, sterilized about 25 million men. And we get these really wrenching accounts of families having to give up their child. When the state enforcers came
that many of these babies, mostly baby girls, were
thrown into trash heaps and many children were
allowed to die from exposure.

And so, you know,
thinking about, you know, this very strange program
reacting against Western concerns of overpopulation, trying
to, with de pen, trying to loosen the shackles of the
economy while he was imposing what I thought was a
humanitarian disaster, conducting murder in the words of some commentators in China
conducting murders as a matter of national policy against
mostly a, a female population distorting all of these
market incentives such that many baby girls by official counts, about 120,000 baby Chinese girls were sent to the United States and tens of thousands more
to other countries where there would be mostly women
about my age, now I'm, I'm 33, who would be growing up here because their parents were
sometimes most of the time forced to give them up, in some cases, a few documented cases
abducted by the state and given to foreign nationals.

You know, writing through a little bit of this social engineering
exercise made me realize that something like the one child
policy could only be conceived of in the engineering state because there are these

people who are just so willing to treat the population as
a math optimization problem to be, to be fixed. And then it could only
be implemented by the engineering state because according to the Family Planning Commission, there were at some
points, tens of millions of essentially posses of men
enforcing this policy, trying to get women to give up their births.

And having that degree of
seriousness is something that made me question about, you know, how how much state capacity
ought we have living in China for six years made me realize that maybe there is such a thing
as too much state capacity, maybe it a little bit better
to have a little bit less. Okay, so I've gotten to the good and the bad, let me get to the
ugly, which I conceptualize as California as well
as the Lawyerly Society.

So let's get to some of the problems of the Lawyerly Society,
which I have written pre pretty extensively about as a, a place where some things work quite well and other things work quite badly. Well, I think the first thing
that I think, you know, I want to praise the lawyerly society, the, the United States a a little
bit first by acknowledging that no, here we are in the heart
of Silicon Valley, this corner of California plus a a little bit more of the West Coast in the North
has been the only region in the world that has produced
companies not worth, worth only $1 trillion, but worth several trillions of dollars.

So Nvidia is a company
that is now worth north of $4 trillion meta Google and Apple, I believe are all
worth north of $3 trillion. And that is a really
remarkable achievement. But I think there is an
aspect, the, the part of the lawyerly society
that I do wanna criticize is that I feel like America, after having spent six
years living in China and moving back here, this
is now my, I've been back to the US now for, for three years.

You know, one problem I have
with the United States is that I feel like the
United States is a country that works really well for the wealthy and not necessarily very
well for the broader masses. So I think there's nowhere
better in the world for you to be a member of the super rich. If you are a member of the
super rich in the United States, you can transmute your
wealth pretty easily. And to some degree of political influence, which has become quite apparent over the last couple of months.

If you are a member of
the wealthy in China, your life is often pretty precarious. And I think this is one of these features of autocratic states, which Professor Kin
helped illuminate for me. So if you're a living, if
you're an elite in China, imagine if you are, you
know, working in, say, the technology industry,
well, you better hope that Cxi Jin Ping didn't smash one of your companies in 2021
when they were delivering engineering, when they were dealing with economic engineering.

Maybe you work in the finance industry and Cxi Jinping announced
in 2024 that there was going to be a cap of $300,000
for finance salaries. If you earn more than
that, some of them had to give back some of their back pay. Imagine if you are in the party elite or if you're in the military elite. Well, just over this past few months, she has sent something
like 23 flag officers of the people celebration
Army into, you know, some sort of detention that's been
a pretty radical purge.

And he has purged a sitting
member of the poll bureau, which is quite surprising. And if you are purged,
the entire network falls. And so I think there is some
sense in which living in China, living in, in Beijing,
even when you're an elite, there is a sense of precarity, which nothing feels
very stable around you. And perhaps that's not surprising that so many communist party
officials send their kids and daughters to American schools. They would like to have the option of spending a little
bit more time in the us If you're a member of the rich, you feel comfortable creating amazing businesses in the United States.

And that is absolutely an asset. But I think the problem with
the US is that, you know, I think the US ought to work a lot better for a broader masses of folks. If you are a member of the
rich, you don't really have to worry about high housing costs. You have a nice mansion in Atherton, or you have a one of these
skinny skyscraper units in overlooking Central Park in New York City. You don't have to deal with
this screeching loud subway that really bugs me about
the New York City subway.

New York City at least has a subway, but it's a boy is allowed. And the BART system
here is also super loud. I I find that quite strange and I blame quite a lot of
this at the feet of lawyers because, you know, it

is the lawyers that are for the most part the, the handmaidens of the rich that have been very, very successful at blocking a lot of different, a lot of different important projects. I love trains. Trains love me back, but I don't always love the American trains.

Last month I took the train from New York City to Washington DC to speak at the Abundance Conference. This is the Acela train. It's basically works pretty well. It's a very shaky machine. And while I was on the train, I read through this, I saw this news headline, Excel is getting an upgrade, we're getting a new class of trains. And then I actually read the article and it, the article said that the new class of trains will be 11 minutes slower than the past, than the present class of trains.

And so, you know, we're getting better foam seeds, but the trains are moving slower and slower and just out of first approximation, it does not look good that the United States is able to move slower and slower every year and slower and slower every decade. I substantially wrote this book about at the Yale Law School where I sometimes took the metro North trains from New Haven, downtown New York City, the New Haven trains, new Haven, New York Metro North trains are quite reliable.

It is quite fine, just a little bit slow. And I was quite fine with the state of affairs until I saw a, a train timetable from the year 1914, which it was slightly faster getting from New York City to New Haven about a century ago than it is today. And it's not quite an apples to apples comparison because the trains now are much safer, they make more stops. And so all of that is fine and good, but again, at a first approximation, the lawyers are not moving faster than they were a a decade ago.

I could get into the California high speed grail, but I think you know the story there. And so, you know, we don't have to, you know, think so much about the trains, but I think here, especially in San Francisco, we have a giant housing shortage. We have homeless folks who are wandering distressingly

throughout the streets, and there are all sorts of ways in which the city simply does not function very well. And when Shanghai needs
come to New York City and complain about JFK as a, you know, totally decre airport,
they're absolutely right.

And it is absolutely right
that it is really difficult to get from airports into the cities. And I would really like
for the lawyers not to have such a grip upon the state of public works because I
think they have a lot to answer for in terms of the extent to which they have really
blocked a lot of progress. And I think, you know, one of
the issues with the US is that I think the lawyers have
a place in doing some pretty important things.

But I think the, you know, one of these very strange things
is that a housing crisis in China refers to a collapse
in prices after overbuilding and a housing crisis in the
United States refers to, you know, soaring costs. And I think, you know, this
is something that we need to get a, a little bit
of a better handle on because I ponder a lot about
the broken state of American in industry as well as
American manufacturing as well.

So I think I've, you know, been pretty deeply pessimistic
about what the state of California as well as the United States. But you know, in this, you
know, final couple of minutes, what I want to do is to end
on a slightly more apocalyptic note, I think that, you
know, if we're taking a look, we're think reasoning
through the present moment, what is going on with
the trade war right now. You know, there will be some
talks between Xi Jinping and Donald Trump at the sidelines of the Apex Summit later
this week in South Korea.

And I think one of these
really surprising things is how hard China has been able to hit and strike back against the United States. So, you know, at the start
of this trade war, a couple of months ago, Scott Bessant,
the, the Treasury Secretary, said that the United States
is playing with a pair of ACEs and China is playing with a pair of twos. So, you know, China, the US
was holding all the cards, mostly because the US is the China market.

China's an export dependent economy, and the economy might be really weak if China's economy might be

very
weak if they can't access the Chinese market. But there's a symmetrical
relationship here, which China is producing so many different goods there ahead in so many manufactured goods. And in the early days of the trade war, they withheld rare earth magnets, which made it really difficult for a lot of American manufacturers of
automotives, defense goods, electronics to maintain production where earth magnets
are really small pieces of magnets which are pretty
important for all sorts of electric magnetic properties.

And at least, you know,
weeks into the trade war, the news reported that Ford Motors had to stop production in one of
their factory lines to Chicago because they lacked access to the magnets. And pretty quickly I would
say that Trump folded and had to have had to
have a truce with China before he reached any trade deals with putative American
allies like European Union or Canada or Japan. And what was striking to me was not only that China played this card of the rare earth magnets was
they're relative restraint because they have a lot of other cards that they're able to play.

If we take a look at some of these pretty critical
components in a lot of electronics, a lot of electronics
goods, a lot of batteries, Chinese firms are kind of the
only supplier in town for a, a lot of different important goods. If we take a look at a lot of active pharmaceutical ingredients, nearly all antibiotics are made in China. A lot of ibuprofen is also made in China. You know, imagine what Americans
will do without antibiotics or ibuprofen, who's gonna
be happy in that scenario?

Only RFK junior, right? So I think this is, you
know, one of these, you know, strange things where
they flexed only a finger and if they pressed a little
bit harder than, you know, I think they could have
strangled many more parts of the American economy. And so this is where having a large producer
really, really matters. And I am quite concerned
with what is happening with the American industrial base. If we take a look at a lot of these big apex manufacturers
in the United States, names like Intel and Boeing and Detroit automakers
as well as Tesla, all of them have really fallen on hard times.

Mostly not due to
anything to do with China, but out of their own strategic missteps. If we take a look at the
early days of the pandemic, American manufacturers had

a hard time making items as simple as masks and cotton swabs. And that was, did not distinguish themselves very well. And if we take a look at the defense industrial base, it is according to the government accountability office, every class of us naval ships is behind schedule.

By 18 months to five years, a lot of the American munition stockpile was shipped to Ukraine in itself, defense against Russia. But they have not really been able to replenish a, a lot of these stockpiles very quickly because of production challenges in the US Us isn't making quite enough drones quickly enough. And so, you know, a lot of parts of the American industrial base looks broken and why, what I'll, I'll conclude on is that I think the United States has always been a lawyerly society, but at various points, it used to be an engineering state too.

There was a proto engineering state between roughly 1950, the, I'm sorry, the, the mid of the middle of the 19th century to the middle of the 20th century in which American engineers built amazing projects like canal systems and train systems as well as skyscrapers in Chicago and Manhattan Highway system, the Manhattan Project, the Apollo missions. These were extraordinary achievements by American engineers. And then more or less throughout the 1960s, people reacted, Americans reacted against the American proto engineering state in which people complained about all of the pollution in the air.

People complained about the spraying of DDT as well as other pesticides by the Department of Agriculture. People complained about Robert Moses for tearing up too many dense neighborhoods in New York City. And they were right to complain. And I think they absolutely had to check Robert Moses as well as the Department of Agriculture, as well as the Army Corps of Engineers, which dammed essentially every river in the American West. I think there was, it was correct to have a reaction against the American engineering state, but then the lawyers took over and all of these lawyers who used to be more creative deal maker types, people who worked on behalf of robber barons to expropriate the land of people so that they could give it to railroad tycoons, they were raising bonds for the railroad tycoons.

They were replaced by a set of lawyers, mostly out of elite law schools,

whether this was Harvard law or Yale Law, or Chicago, which we're much more
interested in litigation as well as regulation. And so still today, I think the calling of most law students is to do some sort of social impact litigation, to stop projects rather than trying to be creative to build projects. And what I wanna conclude on is that I think it is really
important for the United States to build just a little bit more.

What I would love is for
the US to have to be, let's say 20% more engineering. I think there, you know, there should be a few more engineers, there should be a few more manufacturers that are interested in
building more housing, building more solar and wind, building more
infrastructure to places that really need it. And what I would really love is for China to be 50% more lawyerly. I would, I think it
would be fantastic if the Communist party learned to
respect individual rights such that they don't have to strangle all of the creative impulses
from young creative Chinese who I think are incredible
at creating memes.

They're really funny people. They can meme with the best
of them here in California. And I think, you know, they
are systematically being strangled with their creative impulses. And fundamentally what
I would really love is for the Communist Party to learn to leave people alone with that. Thank you very much. - So you, you're a
little bit anti lawyerly, but not completely, you're mostly antisocial
social engineering.

It's very interesting to
get out of the categories, capitalism, socialism, neoliberal, and to examine without those categories, the comparison on what's going on. Let's talk a little bit about how you decided to write a book. Let's talk a little bit about Dan Wong before we get back to the
substance a little bit.

What impelled you, what
where'd the idea come from to write this book and what
impelled you to deliver a book and, and looking back on the process of writing a book, how did it
feel and what do you think? And - Writing is a little bit more, writing is a little bit in my family. My grandfather, whom I
write about in my book, who passed away sadly a month before publication of the
book, was an army officer who served in the propaganda corps.

And I think he had probably one of the more useless jobs in
the Sino Vietnamese war in 1979, in which his job was to drop propaganda leaflets on

the Vietnamese, urging them not to resist the Chinese invasion. And the Vietnamese who just defeated the Americans are not going to be persuaded by a, a,
a little leaflet here. His daughter, my mother was a, a radio news anchor as well
as a television news anchor.

She was a reporter who
was part of the system of news reporting in China. She studied thermal engineering, which would've set her up very well to be a coal miner. She didn't like that. And
so instead she transferred to write the news
bulletin inside the, the, the thermal factory. She enjoyed writing and she and her father, my grandfather, passed on an interest in books to me. And so I've been reading
a lot of books on my life.

I have, you know, I enjoy thinking about
this process of writing. The hard part of writing a book as an author like Steve or anyone else would be
able to tell you is hard. Part of book writing is the beginning, the middle, and the end. And there is the beginning
which involves conceptualizing the sort of an idea,
deciding that you want to do it in the first place. I've written quite a lot of
annual letters in the past and I feel like, you
know, having these sort of long slightly digressive essays is kind of my comfort zone.

And this book is made up of seven of my annual letters
thinking about, you know, what's going on in China,
trying to be future looking not to be too necessarily
caught up in the details. And again, just to be as, as
Steve said, to be iterative and not, not to be too caught
up by any of these frameworks. And I think that, I mean, a
lot of what I'm trying to do is to move beyond these old framings, just to be playful and inventive.

Not to take these
frameworks of the lawyers and engineers too seriously too literally, but just, you know, try to
give up pe people a sense of what's going on. And a lot of what I was
trying to do was to, you know, give a sense to Americans, many of whom will never travel to China. You know, people who would
dream of traveling to Japan or South Korea or Taiwan, but would never put this,
you know, China on their list to give them a little bit of a sense of how densely textured the country is.

So, you know, I think any of us sitting here in Palo
Alto have a very keen sense that San Francisco is pretty
darn different from Washington dc which is yet pretty

different from Dallas, Texas, which is different from Los
Angeles, Boston, whatever else. And what I wanted to give
people a sense of was that Shanghai is a pl
splendidly comfortable city. Shezhen is a very dynamic capitalist zone. Beijing is a Stalinist no
fun zone, completely made up of concrete and on and on.

And so that is what was,
what was I was excited to do. - All right. Let's ask
a little bit about the paradoxes that go through course through your book, right? So California is the fourth
largest economy in the world now, larger than Japan. The governance side could
potentially be characterized as dysfunctional, and not
just the urban governance, but the governance of the state.

And so how it, can it be that you can have the fourth
largest economy in the world at the same time as you have this morally state, not
necessarily society? Is that paradox something
which is specific to our era? Is it a longer timeframe? Is it something that we should understand as a strength, or is it need
to come into sync again?

What is it that's working over here that makes you want China to be a little bit more
like this at the same time as you want America to be able to do some of the engineering things China does? - Yeah, I think that, and after spending six years in
China, including all three years of zero COVID in which I
felt very cooped up there, you know, I, there was one thing that I really craved
about the United States, which was the sense of pluralism, which was a sense of debate.

And I love being able to tap into various conversations
through Hoover, which as bringing together all sorts of folks from Washington dc from New York, from Texas over here to
congregate and share ideas. And so through Hoover, I found exactly what I am looking for. And you know, I think that, you know, that is a pretty important
thing that I miss. You know, when I was living in China, it became really difficult
for me to buy books.

And so buying, you know, English
language books of the sort that, you know, if there, there's some really exciting
book talks coming down at Hoover tomorrow I'll be
here for the talk hosted by professor Phil Zko McNamara at War. Soon there will be a, a book about how the Germans viewed the Soviets helped by President Stephen Kin. These were the sort of
books that I couldn't really get in China. And so my parents would, you know, I would place an Amazon order

to my folks in Pennsylvania and they would mail
these 20 kilogram boxes of books to me at a time.

And I never knew which book
that the sensors might pluck and not return to me. One time they took a biography from of Mozart, which I found really weird. What was so, what was so subversive about this
musician from Salzburg, - Maybe they just wanted it
for themselves, maybe they - Wanted it for
- Themselves, an act of self dealing rather than an act of - You never know these authoritarians. So this is, this is what something I, I, I miss about the United States, but I also think that, you know, there's definitely something that the United States and California in
particular has gotten right to be bigger than the economy of Japan is absolutely an achievement.

That doesn't mean everything
in the US is perfect. That doesn't mean that
California is perfect, that the US has done really
great projects in the past when it wasn't so inflected
by a somewhat elite, a monoculture within the
elites is what I would say. That they have built a
lot of great projects, things like the Hoover Dam and the Manhattan Project, as
well as the Apollo missions, as well as the highways. And I think there should
be a little bit more of a growth mentality.

And I hope that if California
manages to fix some of its urban dysfunctions as well as government governance
on the state level, people start getting more homes. They get more neighbors, they have a few more subway stations or muni stations that our va,
they're able to connect to that Caltrain comes more
than once an hour in the most economically dynamic zone in the world. You know, that, you know, they feel more optimistic
about the future, which is something that the
Chinese have experienced that, you know, the level of traumas that the Communist party has
visited upon the Chinese people at a rate of almost once a
decade over the last few decades from the great leap forward
to the cultural revolution, various, you know, anti-US campaigns, the struggles against
the landlords earlier, one child policy under Deng
Zing 1989 with Ang Men.

Things were rosy and peachy for a while, but there was these incredible traumas that were visited upon the population. But they have still some
degree of resilience in part because economic growth has been extensive and they feel a little bit more

optimistic about the future. - The book is on sale
just outside this room. The Stanford bookstore
representatives are here and Dan will sign books of course, if you've already brought your copy here and you wanna stick
around after we're done, of course Dan will be
glad to sign the book.

So here we have this China story that was not foreseeable. You have $200 per capita income under Mao. That is to say you have just people talk about the Chinese
Communist Party bringing 700 million people out of poverty. Well, somebody put them into
poverty in the first place and it was the Communist Party. And so yeah, this just under
the cultural revolution, you've got this now looks like a Nader, but we weren't sure at the
time that that was a low point because everything seemed
like another low point.

Another low point. So that's an engineering state in some ways. Those people also come from
worship of the Soviet Union. They come from this
developmentalism building at scale building large factories,
investing in production, right? So they've got a certain DNA and they're taking that down as it were at the expense
of the population. And then you blink your eye
in historical terms, okay, it's a full two generations, it's longer than you've
been on the earth, but nonetheless it's a small amount
of time in historical terms, especially in the way
Chinese calculate history.

So it's, it's quite a stunning move in some ways from
this engineering state that's looking like it's, the plane is gonna crash if
it hasn't crashed already, or it's crashing multiple times
to the skyrocketing thing, which has the downsides that
you saw eloquently elucidated. But really, I'm not sure that they knew that it was gonna happen this
good so fast, right this fast that this scale, when
they embarked on this pivot from the Mao cultural revolution to however you want to characterize it, did something remarkable happen within the developmentalism, within
the engineering state that was not the original trajectory.

How did we get this version
of China out of that version of China when it's the
same communist party ruling in both cases? - Yeah, I think that
there is an element of engineering that played a part of it, but I think, you know, the crucial thing that saved China was a

degree of cosmopolitanism in which the de Xing took a look at the United States and realized that those countries that were with the United States, especially Japan and South Korea were able to grow.

And those countries that were
against the United States generally were stuck in some
sort of a communist morass that I think the Den Xiaoping decided. And Ching thought hard about
being an East Asian development state, and they made a series
of pretty crucial decisions that proved quite good and right. You know, I spent a lot of
time under the tutelage of the head of research
at Gof Cal Dragonomics. This is the firm I used
to work with in China.

My, my rabbi there was Arthur Kroger who wrote a book called China's Economy, what everyone Needs to Know. And working with Arthur for
so many years, you know, made me realize how many, you know, extremely difficult decisions that the Chinese Communist Party made. There were broadly right, that
they engaged in some degree of, you know, financial
technocracy in order to, you know, move a lot of debt around
throughout the 1990s that relieved a lot of balance sheets, that they really were able
to grow their way out of a debt problem, that they made
a series of good decisions to match their labor
supply to light industry and things that make a lot of good sense.

They were able to pull themselves
outta the Asian financial crisis when other Asian
countries were not. And so, you know, having
this sort of, they, they did get a lot of things right and I think that speaks a little bit to the long-term robustness of the regime. And so one of my priors with
China is consistently that, you know, they've gotten a
lot of things correct in the, you know, in the past they made a series of horrific mistakes.

Namely, I think that something
like the One Child Policy was a mistake from the beginning. I really don't think that de
xiaoping that this, you know, anything as horrific as this
should have even been attempted because they solved, they dissolved a lot of their production
problems pretty immediately by loosening economic
shackles upon the, the, the, the strictures that they place
themselves on the economy. And so I think that, you
know, engineering is a part of Chinese legitimacy.

I think we have more

and more documentation that throughout the 1990s, the
Communist party did not want to be referred to as
the butchers of Beijing. And so they engaged in these
big engineering projects like the three gorgeous dam, which, you know, they thought would be a
demonstration of China's commitment to building, you know, monumental list engineering
projects in the pursuit of electrical power as
well as economic growth. They really focused on
delivering economic growth to the people in that that was right through some degree of engineering.

But I think what saved China was a degree of cosmopolitanism from the outside and a sense that they
really needed to catch up that they were far behind and that they, they were going
to do everything by, by ko, by crook to become more modern. - Yeah. So in some ways
the engineering capacity is married to the exper learning from the experience of Japan, which is to say Japan goes from ashes literally defeated in the second World
war firebombing of its cities, let alone the atomic bombing.

And by 69, 19 69, as China's in the cultural revolution, Japan is the second largest
economy in the world. So how do you go from ashes to the second largest economy in the world in a little bit more
than a single generation, but almost just one generation. Whereas China was on the
winning side in the war and was not the second largest
economy in the world in the sixties or the seventies, right? So there's that piece, and then there's the
piece where your partner who's gonna help you do this and pull you out of the
cultural revolution, a self-inflicted three
quarters of a century of humiliation is gonna be the us.

And so in so many ways, the US is, is the partner in China's
engineering state, ironically. So as the lawyers are running our society and the engineers are
running that society, there is some way in
which they come together for a project which is supposed
to be mutually benefici beneficial, a kind of win-win, right? And here you are concluding with China should become 50% more lawyerly and the US should become 20% more engineering, right?

And so in a way you are,
you are arguing for a, a new or a better version of that bargain or of that partnership or of that interaction
that in fact was central to producing the situ. Did I get that wrong or is, am I right on - That? No, no. I think, and this is
where I wanna credit Steve kin for thinking about, you know, how, what the future relationship ought to be. I, you know, as the, as
the final part of reading of writing this book, I, I reread George Kennan's
GRA Telegram, which, and is people, people ought to read it.

This is a, this is a good document, but you know, thinking a little
bit about how Kennan said that the US didn't have to
be like the Soviet Union, that the US has all of
these inherent strengths and it should really be promoting a lot of these strengths decided. And I thought I would conclude
my book by saying that, you know, the contest between
these two countries is not who has the bigger bridge. It is not about, you know, who has a more extensive
high speed rail system, although that is nice.

It is about who delivers
a better sense of life and fulfillment for their own people. I think that is the most important thing that both countries
really need to achieve. And I I I, I have been, you know, I'm struggling a little bit
with this framework that Steve, you Mischievously introduced to Arthur and me a couple of months
ago when we were chatting with you, which, you know,
Steve, I, I, I'll, I'll, I'll paraphrase you a little
bit, which is that there's, you know, four modes of interaction between the US and China.

The first and the scenario that
we must all think about how to avoid is scenario of hot war in which a few
million people died in the first World War, A few tens of millions died in the second World war. We don't wanna have a few hundred million people dead in the third. A second scenario is something
like, you know, appeasement of, of the other side in
which, you know, the US has, you know, might be, you know,
they may be in a state of war and the US doesn't quite
realize it in which the US is, you know, appeasing or, or surrendering.

There's a third scenario of
Pygmalion in which, you know, we're trying to turn, turn
the urchin into a lady. And that was kind of the some parts of the engagement strategy
in which the US believed that having markets and capitalism might
liberalize democratize China. And we can bury that idea
that has not broadly worked, maybe, maybe a little
bit around the edges, but not broadly worked. And then in the fourth and fourth scenario is what
Steve prefers, what is it that we should get Steve Cold War?

We should get Cold War. And so,
you know, I think, you know, what I understand Steve to
be saying is that we need to keep the war cold compete
on the level of the systems, just as in the previous
Cold War, which, you know, produced, you know, a defeat or for the Soviet Union once they realized that they

had a non-functional economy and the non-functional
political system too. But I think I, you know,
I'm still reluctant to sign onto this idea
of a Cold War framing because, you know, cold
War was not very cold for Afghanistan and Vietnam
in all parts of Latin America.

But Steve, can you convince me how do I, how do I love this Cold War framing? Can we have, can we have a slightly more friendly word for this than, than Cold War? - A Cold War's advantage
is that it's not hot war. It doesn't have very
many other advantages, but that's a big advantage to have. So you can compete at everything you can cooperate at some things. You can have permanent high tensions, protracted negotiations
that go around in circles, name calling, et cetera,
but you're not in hot war.

That strikes me as a good option, given what the other options might be. But you're right, the problem with hot war versus Cold
War is you get cold war between the major powers, but then you get proxy war
in places where they fight, not themselves, but
through their client states or their perceived client states. So if Cold War is a superior option where each is trying to
outmaneuver, outcompete, outdo the other, but knows that a hot war is a mistake, how do you also prevent proxy war, not just hot war in a Cold War snow?

I think that's a good
strategic problem for us to sink our teeth into. But we need to first acknowledge that avoiding hot war is the goal. And then we can talk about how avoiding proxy war might be achievable or not achievable. But you know, my view has been whether, I'm not sure you sign onto this, but my view has been we
need to share the planet. They're not going away
and we're not going away, but it's the terms of sharing
the planet that we need to negotiate better at.

So that is to say, if the terms of sharing the planet are Xinjiang or what happened to Hong Kong, and I could go on the demands
that were put on Australia, the demands that were put on
South Korea, Australia asked for an investigation
into COVID D'S origin so that we could prevent it the next time. And the Chinese imposed
very serious demands on Australia, essentially
demanding their capitulation. If those are the terms, I have trouble.

So I need better terms than those terms, but I also need to recognize that we have to share the planet, that

I'm not gonna be able to wish them away and they're
not gonna wish me away. So that's how I understand Cold War. I share the planet, negotiate
the terms, get better terms, avoid the hot war, but
also avoid the proxy war. And so if they make us
better because they build and we don't build, and we have
to figure out how to build, if they make us better because they're very good at
material science where we used to be dominant and we
can get dominant again, that's actually a good outcome
as far as I'm concerned.

If they get technology X
today, we'll get it tomorrow. If they get it, if we get it
today, they'll get it tomorrow. I can live in that kind of world. I just am really worried
about the hot war scenario rather than the coexistence,
negotiate the terms and get better terms, terms
that bend towards freedom as you elucidated it for
Chinese people as well as a good outcome. Again, not naively,
not thinking Pygmalion, we're gonna transform them from
a street urchin into a lady like George Bernard Shor's play, but just that we're gonna model aversion of the future that lives up to our ideals.

And others can also strive in that situation rather than capitulate or become more like them. Kennan's point was that if you become more like
the Soviet Union in competing against the Soviet Union, you've lost, that's actually defeat even
if you think you're winning. So, so when you refer
to the long telegram, that's the the point that I took away. So I'm not sure if you're
sharing this view about my understanding of what
constitutes Cold War. - I share your understanding, and I think one of these
challenges is that, you know, I think the, the Biden
administration, you know, had all sorts of issues, but
one of the things that they try - To beginning with the president - Yes,
- Yes, - Yes.

Beginning, beginning there and, and, and flowing, flowing it down from there. But they try to come up
with this term, which was, which was a mouthful managed competition. - Yes.
- Too many syllables. - They were afraid of
using the term Cold War. - And I'm, I'm still
a little bit afraid of using the term Cold War, you
know, is this really something that we have to live through? I still need a little bit
of convincing around that, but where I fully sign on to your point is that I think neither country
is going to fade away.

Neither country is going to dissolve. Neither country is going to implode and fail to get back up, as was the case with the Soviet Union. They're not going to gorbachev
themselves as you know, so well, and so, you know
what my model of, you know, the world is that, you know, it will last a really long
time, which is actually kind of an unusual opinion in San Francisco. You know, I, I live in, you
know, I, I live between Michigan as well as San Francisco.

When I'm here, I, I often go
to these house parties with, you know, 22 year olds in, in
SF who are all convinced that, you know, AI is coming in 2027, or maybe it's 2020, A-G-I-A-G-I is coming, the super intelligence is here, and their role, their model of the world really ends in
the next couple of years. And here I find this, it's
very strange that we have so many nerds who are trying
to build God in a box.

They're talking about
the end of civilization, the end of human life. Meanwhile, Peter Thiel is giving
lectures on the antichrist. And so this is like a
great setting for some sort of cosmic horror novel that
we're, we're all living through right now, right here. And you know, I think that, you know, often when I'm speaking
to these, you know, 20 year olds in sf I'm
saying, well, you know, maybe the world will extend beyond 2030. Have you thought about
that? And so, you know, maybe we should plan a
little bit for the future.

And I also feel like this
is, you know, the challenge, the contest between the US and
China is going to be dynamic. And as you say, we're
gonna get the technology and then they're gonna get the technology. And my model of the
race is that, you know, when one country looks really
far ahead, they're going to commit sins of hubris and they're going to be overconfident and create a lot of problems. I lived through 2021 when sea
destroyed his property sector, a sector that is still deteriorating and that has not quite recovered and smacked around a lot of
tech entrepreneurs like Jack Ma, because he thought that the US could not
get COVID under control.

And he saw what was happening
in January 20th, 2021. And so this was a classic sin of hubris. The further ahead that one
country is, the more that that country will make

mistakes, the further behind the other country is
the more motivated they are to patch up their mistakes and do better. - Right. I should just say that if Peter Thiel finishes
a book on the Antichrist, we will definitely have a book talk here in Schultz auditorium.

And i, I extend that invitation with the utmost seriousness and sincerity. We'd love to hear from Peter, but let's go to the audience now. We'll have some questions
from the audience. We'll have a microphone, so wait until you receive the microphone. And let's start at the younger
end of the actuarial table. - Hi Dan, I'm David Morenci,
I'm a student at the GSB. Thank you for being
here. During your talk, you prescribed 50% more
orderliness for China and 20% more engineering ness for the us.

I'm curious, what do you think are the most plausible mechanisms to do that? And which one's easier in your opinion, given the societies? Thank - You. - You know, I, before this, I was a fellow at the Yale Law School, one of these high temples
of the Lawyerly Society. I think the, the law
students have a really unfair advantage, which is that there is this very well
structured pathway for them to get into the federal government, mostly through court clerkships with judges.

You can be, you can be
clerk for a district judge, a federal judge, or a
Supreme Court justice. And you know, one of these
running jokes that, you know, a lot of these folks at Yale
Law will tell you is that, oh, they don't do very much. They don't do much very much
legal study in, at Yale Law. They study everything but the law. And you know, there is, you know, a lot of cases in which the, you know, graduate, you get a degree from Yale law, be a political speech writer.

Very few of people actually,
you know, practice law as such. And you know, I think that the law students have a
very well established pathway into getting into the White House, either to become president one day or if we take a look at
the, you know, second, third year staffers of especially
the Biden administration, many of them came from Yale law. And so what I would really like is to have a little bit more
pluralism in the United States, such as our governing elites
could feature a few more engineering grads from Cal, or you know, a few more
students from Stanford.

I would love to have a few

more economists be in the room in, in terms of governance. Heck, I would love for there to be more dentists in the
American governing elite. But you know, there, you know, right now the law
students know what to do. The economists mostly do not. I'd like for there to be more
historians in the White House as well, but right now there's
not that those easy pathways. And I would like for there
to be more easy pathways up - And on the China side, is
it gonna be easier for China to move in the direction or is
it gonna be easier for the US or easier for neither to move in the directions
that you'd like to see - Easier for neither?

I think that there is, there are kind of these tendencies baked in. But let's, let's turn the tweak
the dials just a little bit. - Okay. In the back in the middle. - Thank you. Thank you very much. I actually, I burn,
I was born in 1974, so I pretty much see,
you know, the late Mao. And then this is a question,
I dunno where it come from. My brain, I guess this is
for Mao, Mao actually used to ask a question, like, do
you think the word is built up by mind or built by hand?

I'm not sure it's either
or, but mind versus hand. So this is like a lawyer. Sounds like you create
a word by mind, but, and then China is most, most by hand. I don't know, I just, this,
this question just come up. Thank you, thank you. - You know, I think I
thank you for elevating us because part of my scenario
since we're here in California, is to cite the words of venture
capitalist Mark Andreessen, who had this nice little
framework that, you know, the, there are word cells
versus shape rotators, whatever these things mean,
thank you for elevating us by bringing Edon the poet into it.

So I think that there is,
you know, I, I feel like, you know, generally they're
in, you know, US policy making, there is a little bit of a preference for strategists who are
coming up with policy. And there is a little bit less
respect for the implementers who are whom they may call in, in Phil KO's words in a
conference here last week, hears of wood and drawers of water. And so the, you know, the policy folks, the lawyers are thinking
very hard about, you know, big directions and then, you know, the
actual implementers are not given due respect.

And this is also one of these

things that I wish we could, you know, respect a little
bit more of the implementers and not, you know, give so much
weight to the policy makers. - Okay, let's, let's go right here. This young man with the glasses, - Thanks for talk. So one thing I I'm curious
about is sort of the influence of financial markets on both societies. Something that the United
States has is Wall Street, which is very powerful, creates
trillion dollar market cap companies, but in China it
hasn't developed as much.

And I'm curious about your
past experience from your research, but also just like
where you see the growth of financial markets and in China and how that can serve affect the growth of society in China as a whole. - Thank you. I'm not sure if there, I have a strong view about
influence of financial markets. Probably on the margin I
would, you know, I think that we should have a little
bit more set, move away from a lot of these very, these very efficiency
driven financial measures.

So we think about someone like
Tim Cook who said, you know, inventory is evil and to have
a really lean supply chain. I think everything in America is kind of poised for perfection. And if things go wrong, as
they did in the early days of the pandemic, production and manufacturing systems
don't have enough capacity to release, respond. And in China, you know,
there's a lot of redundancy, there's a lot of extra headcount
in state owned enterprises, which it's very easy for
Americans to make fun of, look at these low capital ratios, but they have a lot of capacity
on hand in order to respond to an emergency, which they did in the early days of the pandemic.

I think a lot about this,
you know, valuation question because that is one of these things that do work really well in California. We have, we can acknowledge
that that is one of these amazing strengths of California. But let's talk through
a tale of two companies. On the one hand is Apple. Last I checked about three and a half trillion dollars in market cap. Another company that we
might consider is Sami, which has about $200
billion in market cap.

What these two companies
share is that the, their best known product is their phone. Apple's iPhone, Sami also makes a phone. They have a bewildering

array of other products. Apple also makes a lot of other things. AMI makes rice cookers a whole lot of other fans, all sorts of things. 10 years ago, roughly Apple
thought about whether he wanted to build an electric vehicle. It was this nickname Project Titan. This was leaked extensively to the press and then essentially, you know, two years ago Tim Cook threw in the towel and said, no, we're, you
know, apple can't make an ev.

Five years ago, AMI
founder got up on stage and swore I'm gonna
make electric vehicles. This is gonna be my last
great entrepreneurial venture. I'm gonna put $10 billion behind it and we're gonna make EVs. What happened later, four years later, Sami's EVs started rolling off the line. Sami's EVs won this big German race course called Norberg Ring. This is really tough race course. Nicknamed the green hell by the drivers. Usually these cars are, are
won by these awards are won by BMW and Porsche, these
types of German cars.

Sami in its first year won
in one of these categories. And right now Sami keeps
raising its production targets because people really like these AMI cars. And so, you know, one of my
challenges is I wanna, one of my ways I wanna be slightly provocative is, which is it better? You know, Apple's market
cap is about, you know, 20 times higher than Sami's, but it could not deliver the car. It did not have the ecosystems in place.

It did not have, you know, the, you know, pay perseverance really in place. Sami did deliver the car. In that sense, I feel like
this is less an indictment of, of Sami and more an indictment of the financial markets which are, are not correctly valuing these - Companies. Apple just didn't have
the drive, so to speak, - Didn't have the juice. - Okay, let's go to
the woman with the hand underneath the camera. - Hi. Fantastic insights.

My question actually is a kind of twofold. One is, I know it's the focus
is on how China's engineering, but that's an execution modality. What's the motive in the way, the aggressive way China
is engineering the future and why do they wanna engineer the future in the way they see it? Right? Because approach is engineering. The second part of the
question that I have is, it seems too perfect. Is that something that we're
really missing in the way that the rest of the world is not seeing or shown by what China is presenting?

Both in terms of narrative, in terms of also the product launches and how things actually go out of China with

controlling their market access to the rest of the world. - Things. I definitely don't want to say that things are too perfect in China. They're facing all sorts of problems. They're facing a debt problem right now. The youth unemployment is very
high, consumption is limp. There's a longer term
consumption issue in China. My view is that about 50% of China's economy is
pretty dysfunctional, but there's 5% that is
going spectacularly well.

And that 5% is the 5%
that is most dangerous to American interests because this is the
electric vehicles, this is, these are the industrial
robotics, these are all sorts of things that China is really good at. And so, you know, a lot of
what I believe is that I think that China will not replace America as the global superpower at large. The US is a financial superpower. It is a cultural superpower,
a diplomatic superpower that China will never
supersede the US on us.

China will never become, let's
say, a financial superpower because they maintain pretty
stiff capital controls because they are paranoid and they wanna control
the financial system. And so they're not gonna
become a financial superpower. But there is one way
in which China is going to be a superpower, which is to be in advanced manufacturing. They're making better and better products. They're living in these extraordinarily competitive environments. You know, the conventional statistic is that it takes about six
years for a German automaker or an American automaker or a Japanese automaker
to conceive of a new model and bring it out onto the
streets for consumers to buy.

In China it's more like 18 months. And so, you know what's going on here? It's not that the Chinese went to Detroit to hypnotize our automakers
to move really slowly. It is they just move
really quickly themselves. They move at breakneck speed. And so they are working in
these really competitive environments, super cutthroat,
just trying to, you know, just trying to survive and make a dollar. And that is, you know, a lot of what's been driving
China's tech success.

And so I think that
China will figure it out, advanced manufacturing and that alone, even though
they can't replace the US as the superpower at large,

that alone is pretty dangerous to the west as well as the US Us right now has about 12 million manufacturing workers. Could I see that going down? Yes. I can see that going down
by a couple more million over the next decade. And I fear that as the US economy weakens, our politics will not get better.

We're seeing this also in Europe as well, where Germany is substantially
de industrializing and you know, right-wing
populous parties are now out polling the ruling incumbents
and all of those places. And I think this is also where,
you know, weak can suspect that as the economy weakens, as this politically influential
manufacturing lobby loses their jobs, that their
politics will not get better. And that is one of these big dangers. And I, you know, just
to respond very briefly to an earlier point, I think that every country in the world
wants to say that it wants to be a high tech cop ask
any country government and they, they, they'll
absolutely say yes.

I think the Chinese really,
really mean it, that, you know, they understand that their
humiliation since the 18th or the 19th century, it's been driven by European imperialists as well as later on in Japanese fascist invasion because the foreigners had had
technology and China did not. And so they're super intent on actually getting the technology. They have a lot of patients
they, you know, spend a lot of money on industrial subsidies. They're more risk tolerant, the government as a whole than a lot of, you know, American government officials.

And they are willing
to just keep investing until they figure out these
technologies such that I believe that made in China right
now is a sign of quality. And the way that made in chi made in Japan is a sign of quality. And I think in a decade, many
more people will realize that and they're gonna get the technology and they're gonna de
industrialize the west. And I quite, I'm fearful of that scenario. - Yeah, it's been a
conversation about pluralism and about competition and the Chinese system has a
massive amount of competition, a sort of in the space of company competition, right?

And so there's a way in
which you are arguing for a values discussion in the book. Sure. It's also about the performance in certain situations, but underlying values are really what I'm hearing from this conversation if I'm getting this right. And there are certain
values that you uphold, which you regard as the ones

you'd like to live under or live by, and you'd like to
see those values cherished, enhanced, and mis shared.

Am I onto something with the value story? - There absolutely is. And I think that I feel
like, you know, I wanted to, you know, I, I was,
I studied philosophy, I the humanities mean quite a lot to me. And I feel I would be happy if
people took a look, you know, understood the humanist aspect of my book and that, you know, there
are greater yearnings that I have than better airports and better subway stations.

Although we should get
those too, you know, but you know, it is, it is the values that I think are important, - You know, Caltrain is
superior to New Jersey Transit. I'll just put in a
small plug for Caltrain. I'm a veteran of both. You
talked a lot about trains. I just, I had to get that in
somewhere in the conversation that the, anyway, the more
could be said about that. But we're gonna take one more, especially if it's about deep seek.

Nobody's asking about
deep seek. Alright, z - Thank you for the fascinating talk. You alluded to the clearly paid pathway between Yale
Law School to Washington DC I was wondering
if you could please comment on the role of the
educational system in China. Well, in fact indeed that the, the Alka, the examination system and whether the
partiality for engineers and science scientists in
general has perpetuated through the civil service recruitment
system. Thank you.

- So in deep seek, I think that it is, it is, I don't want to be too
literal on, you know, China as an engineering
state beyond the recent past of the fact that they, many of them really were all
trained in engineering. But you know, if we take
a look at, you know, imperial China, how do we
understand some of these big elements of them while
they built a lot of these, you know, the great walls and grand canals, you know, which are quintessential
fortification works and hydraulic works, right?

I think the, the Gau as well as the Koji, the Imperial exam system
is totally central to, you know, understanding China. And I'm glad that there is
a book coming out, I think or maybe already out the highest exam by other folks across the street at the
Freemans Bogley Institute of Professors who are writing about, you know, how the examination system
absolutely is central. I understand the examination
system as part of the reason that China is not a lawyerly society.

That, you know, part of why I
think there has not been much of a liberal tradition
within China is that the emperors captured
essentially the entirety of the intelligentsia in which,
you know, anyone who wanted to get anywhere had to take these exams. And you don't get very far at court by advocating for constraints on the emperor's power. And I think this is part of why China didn't have the liberal tradition of
developing a merchant class or an aristocratic class that was able to resist the imperial mandates.

And so it lacks a little bit of this liberal tradition in
part because of the exams. But it seems like Steve really
wants to hear about the ai. So Steve, we're gonna
get the ai, lemme tell, let me say a quick things about the ai. You know, I I I think
that it is really clear that the US is ahead on
artificial intelligence. This is commonly acknowledged by Chinese as well as some Americans. The US is ahead on reasoning models.

The US is producing more
of these reasoning models. They're doing, they have
all the compute capacity, they're have better
business models to monetize. But I, I think that there's also a chance that the Chinese are able to catch up quite a lot more quickly because as we see that
the Chinese are ahead on all of these reasoning models,
we can also see that the, when the Americans are ahead, the Chinese are not far behind. They may be far behind by
a couple of months, six to eight months according to some of this most recent discussions.

And just to be slightly
provocative, I I wrote a, an oped in the Financial Times
last week thinking about, you know, will China win on ai? And you know, here's the,
the basic idea that I have is that, you know, ai, if AI is
going to be pervasive, we all, if HI is in all of our park
pockets, it's gonna use a lot of electrical power. And the US is building
electrical power at a growth rate of about 2% a year.

And the Chinese is growing much faster. Right now, China has about TWI
twice the electrical capacity of the United States. This year China's on track to build 300 gigawatts of solar power alone. They have 33 nuclear power
plants under construction. The US is zero power
plants under construction. Maybe we're gonna get some
sort of small scale solar, but I'm not fully sure. And so, you know, if it's about, if electrical power

becomes the big constraint, well the US is much more constrained than the Chinese are constrained.

If we take a look at a lot
of these AI researchers by these publicly disclosed
lists from these big labs in Silicon Valley, many
of the top researchers of AI attended Chinese universities. I assume almost all of
them are Chinese nationals. And among this group, there's some, some wavering about whether
they can build a life in the United States. Maybe it's because they don't wanna wander through the streets of San Francisco, which can be full of syringes.

Maybe they are really mad about
Donald Trump's visa policy and telling them to go home and, you know, tricking
around their status if it's that we're, you know, a simple game, maybe they just really miss mom's noodles. And that is a perfectly
reasonable reason to repatriate. It's always a mix of professional and personal reasons to, to move abroad. And I'm not sure if the
US will hang onto the, to this very fluid and elite group. Maybe right now we can say that our Chinese are better than their Chinese.

This is a riff about the from
the space race when, you know, we said that our Germans were better than the Soviet's, Germans. But you know, the, I'm not
sure that this is going to be a permanent state of affairs because they may well find,
you know, their model of, you know, their lives in Beijing
even though they're getting much smaller pay packages
to be superior in some way. And, you know, finally, you
know, what are we going to be, you know, what are these, you know, what is AI going to be used for?

The US is much more of a
services driven economy, focused much more on consulting,
healthcare, legal services. The US is going to use AI
to make better PowerPoints and file more lawsuits. The Chinese are going to use AI because they're much more manufacturing driven to make more iPhones, make more drones, make more munitions,
make more electronics. How are we gonna use this ai? It's not clear to me that the US is going to win on this front.

- Ladies and gentlemen, Dan Wa.